

INSERT NAME OF SMALLER AUTHORITY  
SOUTH HOLLAND INTERNAL DRAINAGE BOARD

**NOTICE OF DATE OF COMMENCEMENT OF PERIOD FOR THE  
EXERCISE OF PUBLIC RIGHTS  
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

**The Accounts and Audit Regulations 2015 (SI 2015 No.234)  
The Local Audit and Accountability Act 2014**

NOTICE	NOTES
<p>1. Date of announcement <u>9 JUNE 2017</u> (a)</p> <p>2. Sections 26 and 27 of the Local Audit and Accountability Act 2014 provide for:</p> <ul style="list-style-type: none"> <li>• <b>Inspection:</b> Any persons interested may inspect and make copies of the Annual Return and all books, deeds, contracts, bills, vouchers and receipts etc. relating to them. For the year ended 31 March 2017 these documents will be available during the period specified in paragraph 4 on reasonable notice on application to the person in paragraph 3 below.</li> <li>• <b>Questions and objections</b> to the external auditor: Local Government electors and their representatives have rights to: <ul style="list-style-type: none"> <li>• question the auditor about the accounting records: and</li> <li>• object to the accounts or any item in them. Written notice of an objection must be given to the external auditor and a copy sent to the Authority. Objections must concern a matter of which the external auditor could make a public interest report or apply for a declaration that an item of account is unlawful.</li> </ul> </li> </ul> <p>The auditor can be contacted at the address in paragraph 5 below for this purpose.</p> <p>3. Person to which you can apply to inspect the accounts (b)</p> <p>Name: <u>P J CAMAMILE</u></p> <p>Position: <u>CHIEF EXECUTIVE</u></p> <p>Address: <u>KETTLEWELL HOUSE, AUSTIN FIELDS INDUSTRIAL ESTATE</u> <u>KINDA'S LYNN RE.30 1PH</u></p> <p>Tel no: <u>01553 819600</u></p> <p>Email: <u>phil@wlma.org.uk</u></p> <p>4. Any rights of inspection, objection, and questioning of the auditor may only be exercised within a single period of 30 working days: (Accounts and Audit Regulations 2015, Regulation 15(1))</p> <p>commencing on (c) <u>12 JUNE</u> 2017</p> <p>and ending on (d) <u>21 JULY</u> 2017</p> <p>5. Your appointed auditor is: Grant Thornton UK LLP (for the attention of Mark Heap) Royal Liver Building, Liverpool L3 1PS Tel: 0151 224 7200</p>	<p>(a) Insert date of publishing of this Notice</p> <p>Sections 26 and 27 of the Local Audit and Accountability Act 2014 must be published with this Notice.</p> <p>Other documents must also be published with this Notice:</p> <ul style="list-style-type: none"> <li>o approved Annual Governance Statement</li> <li>o approved Accounting Statements</li> <li>o Declaration of status of accounts</li> </ul> <p>(b) Insert name, position, address and contact details such as telephone and email of the Clerk or other person to which any person may apply to inspect the accounts, and the details of the manner in which notice should be given of an intention to inspect the accounting records and other documents</p> <p>Publics rights are set out in the Accounts and Audit Regulations 2015</p> <p>(c) The commencement date is treated as being the day following the publication of this notice and other documents as noted at (a) above. (Regulation 15(3))</p> <p>(d) The period for exercise of public rights between (c) and (d) must be a single period of 30 working days (Regulation 14(1)) and must include the first 10 working days of July. Exclude weekends and public holidays. (Reg. 15(1)(b))</p>
<p>For more detailed guidance on electors' rights and the special powers of auditors, copies of the publication Council Accounts – A Guide to Your Rights are available from the National Audit Office website.</p>	

## **Local Audit and Accountability Act 2014 (c. 2) – to be displayed with Notice of date of commencement**

### **26 Inspection of documents etc**

- (1) At each audit of accounts under this Act, other than an audit of accounts of a health service body, any persons interested may—
- a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, and
  - b) make copies of all or any part of those records or documents.
- (2) At the request of a local government elector for any area to which the accounts relate, the local auditor must give the elector, or any representative of the elector, an opportunity to question the auditor about the accounting records.
- (3) The local auditor's reasonable costs of complying with subsection (2) are recoverable from the relevant authority to which the accounts relate.
- (4) This section does not entitle a person—
- a) to inspect or copy any part of any record or document containing information which is protected on the grounds of commercial confidentiality, or
  - b) to require any such information to be disclosed in answer to any question.
- (5) Information is protected on the grounds of commercial confidentiality if—
- a) its disclosure would prejudice commercial confidentiality, and
  - b) there is no overriding public interest in favour of its disclosure.
- (6) This section does not entitle a person—
- a) to inspect or copy any part of any record or document containing personal information, or
  - b) to require any personal information to be disclosed in answer to any question.
- (7) Information is personal information if it identifies a particular individual or enables a particular individual to be identified (but see subsection (8)).
- (8) Information is not personal information merely because it relates to a business carried on by an individual as a sole trader.
- (9) Information is personal information if it is information about an officer of the relevant authority which relates specifically to a particular individual and is available to the authority because—
- a) the individual holds or has held an office or employment with that authority, or
  - b) payments or other benefits in respect of an office or employment under any other person are or have been made or provided to that individual by that authority.
- (10) For the purposes of subsection (9)—
- a) "the relevant authority" means the relevant authority whose accounts are being audited, and
  - b) payments made or benefits provided to an individual in respect of an office or employment include any payment made or benefit provided in respect of the individual ceasing to hold the office or employment.

### **27 Right to make objections at audit**

- (1) This section applies if, at an audit of accounts under this Act other than an audit of accounts of a health service body, a local government elector for an area to which the accounts relate makes an objection to the local auditor which meets the requirements in subsection (2) and which—
- a) concerns a matter in respect of which the auditor could make a public interest report, or
  - b) concerns a matter in respect of which the auditor could apply for a declaration under section 28.
- (2) The requirements are that—
- a) the objection is made in writing, and
  - b) a copy of the objection is sent to the relevant authority whose accounts are being audited.
- (3) The local auditor must decide—
- a) whether to consider the objection, and
  - b) if the auditor does so, whether to take action within paragraph (a) or (b) of subsection (1) in response.
- (4) The local auditor may decide not to consider the objection if, in particular, the auditor thinks that—
- a) the objection is frivolous or vexatious,
  - b) the cost of the auditor considering the objection would be disproportionate to the sums to which the objection relates, or
  - c) the objection repeats an objection already considered—
- i) under this section by a local auditor of the authority's accounts, or
  - ii) under section 16 of the Audit Commission Act 1998 by an auditor appointed under that Act in relation to those accounts.
- (5) Subsection (4)(b) does not entitle the local auditor to refuse to consider an objection which the auditor thinks might disclose serious concerns about how the relevant authority is managed or led.
- (6) If the local auditor decides not to take action within paragraph (a) or (b) of subsection (1), the auditor may recommend that the relevant authority should instead take action in response to the objection.
- (7) The local auditor's reasonable costs of exercising functions under this section are recoverable from the relevant authority.

SOUTH HOLLAND INTERNAL DRAINAGE BOARD

DECLARATION OF STATUS OF PUBLISHED ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

The Accounts and Audit Regulations 2015 (SI 2015 No.234)

1. The statement of accounts for SOUTH HOLLAND INTERNAL DRAINAGE BOARD  
published today is unaudited and may be subject to change.

\*insert name of Smaller Authority

2. Signed by: P. J. CAMANILE

Signature: P. Camanile

Date: 9 June

2017

RESPONSIBLE FINANCIAL OFFICER

# Local Councils, Internal Drainage Boards and other Smaller Authorities in England

## Annual return for the year ended 31 March 2017

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Every smaller authority in England with an annual turnover of £6.5 million or less must complete an annual return at the end of each financial year in accordance with proper practices summarising its activities. In this annual return the term 'smaller authority'\* includes a Parish Meeting, a Parish Council, a Town Council and an Internal Drainage Board.

**The annual return on pages 2 to 4 is made up of three sections:**

- **Sections 1 and 2** are completed by the smaller authority. **Smaller authorities must approve Section 1 before Section 2.**
- **Section 3** is completed by the external auditor.

In addition, the **internal audit report** is completed by the smaller authority's internal audit provider.

**Each smaller authority must approve Section 1 and Section 2 in order and in accordance with the requirements of the Accounts and Audit Regulations 2015.**

### Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all highlighted sections. Do not leave any highlighted box blank. Incomplete or incorrect returns require additional external auditor work and may incur additional costs.

Send the annual return, together with the bank reconciliation as at 31 March 2017, an explanation of any significant year on year variances in the accounting statements, **your notification of the commencement date of the period for the exercise of public rights** and any additional information requested, to your external auditor by the due date.

**Your external auditor will ask for any additional documents needed for their work. Unless requested, do not send any original financial records to the external auditor.**

Once the external auditor has completed their work, certified annual returns will be returned to the smaller authority for publication and public display of Sections 1, 2 and 3. You must publish and display the annual return, including the external auditor's report, by 30 September 2017.

It should not be necessary for you to contact the external auditor for guidance.

More guidance on completing this annual return is available in the Practitioners' Guide that can be downloaded from [www.nalc.gov.uk](http://www.nalc.gov.uk) or from [www.slcc.co.uk](http://www.slcc.co.uk) or from [www.ada.org.uk](http://www.ada.org.uk)

\*for a complete list of bodies that may be smaller authorities refer to schedule 2 to Local Audit and Accountability Act 2014

# Section 1 – Annual governance statement 2016/17

We acknowledge as the members of:

Enter name of smaller authority here:

SOUTH HOLLAND IDB

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	Agreed		'Yes' means that this smaller authority:	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.	
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.	
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.	
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority on:

09 | 05 | 2017

and recorded as minute reference:

33 | 17 | 02

Signed by Chair at meeting where approval is given:

*[Signature]*

Clerk:

*A. Comauke*

\*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

## Section 2 – Accounting statements 2016/17 for

Enter name of smaller authority here:

SOUTH HOLLAND IDB

	Year ending		Notes and guidance
	31 March 2016 £	31 March 2017 £	
			Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.
1. Balances brought forward	3101966	2949072	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	2135240	2135262	Total amount of precept (or for IDBs, rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	262687	391429	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	795687	778687	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	1755133	1308235	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	2949073	3388842	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8. Total value of cash and short term investments	2991030	3542995	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b>
9. Total fixed assets plus long term investments and assets	2783969	2834440	This cell shows the value of all the property the authority owns. It is made up of its fixed assets and long-term investments.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2017 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

P. Connerdale

Date

09/05/2017

I confirm that these accounting statements were approved by this smaller authority on:

09/05/2017

and recorded as minute reference:

35/17/01

Signed by Chair at meeting where approval is given:

A. W. H.

## Section 3 – External auditor report and certificate

In respect of:

Enter name of  
smaller authority here:

### 1. Respective responsibilities of the body and the auditor

This smaller authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The smaller authority prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2017; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review the annual return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

### 2. 2016/17 External auditor report

(Except for the matters reported below)\* on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no other matters have come to our attention giving cause for concern that relevant legislative and regulatory requirements have not been met. (\*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the smaller authority:

(continue on a separate sheet if required)

### 3. 2016/17 External auditor certificate

We certify/do not certify\* that we have completed our review of the annual return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2017.

\* We do not certify completion because:

External auditor signature

External auditor name

Date

Note: The NAO issued guidance applicable to external auditors' work on 2016/17 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website ([www.nao.org.uk](http://www.nao.org.uk))

# Annual internal audit report 2016/17 to

Enter name of smaller authority here:

SOUTH HOLLAND IDB.

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2017.

Internal audit has been carried out in accordance with this smaller authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	✓		
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			N/A
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		

K. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit Kathy Woodward

Signature of person who carried out the internal audit K Woodward Date 03/04/2017

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).



## Guidance notes on completing the 2016/17 annual return

1. You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guide\* which is updated from time to time and contains everything you should need to prepare successfully for your financial year-end and the subsequent work by the auditor. NALC, SLCC and ADA have helplines if you want to talk through any problem you encounter.
2. Make sure that your annual return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed return. Any amendments must be approved by the smaller authority, properly initialled and explanation provided. Annual returns containing unexplained or unapproved amendments may be returned and incur additional costs.
3. **Smaller authorities must approve Section 1 on page 2 before approving Section 2 on page 3.**
4. Use the checklist provided below. Use a second pair of eyes, perhaps a Councillor or Board Member, to review the annual return for completeness and accuracy before sending it to the external auditor.
5. Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must tell the external auditor about any change of Clerk, Responsible Finance Officer or Chair.
6. Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your smaller authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the accounting statements (Section 2 on page 3). You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guide\*.
7. Explain fully significant variances in the accounting statements on page 3. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a complete numerical and narrative analysis to support your explanation. There are a number of examples provided in the Practitioners' Guide\* to assist you.
8. If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
9. **You must inform the external auditor of the date set for the commencement of the period for the exercise of public rights.**
10. Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2016) equals the balance brought forward in the current year (Box 1 of 2017).
11. Do not complete Section 3 which is reserved for the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All highlighted boxes have been completed?	
	All additional information requested, <b>including the dates set for the period for the exercise of public rights</b> , has been provided for the external auditor?	
Section 1	For any statement to which the response is 'no', an explanation is provided?	
Section 2	Smaller authority approval of the accounting statements is confirmed by the signature of the Chair of the approval meeting?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2017 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Sections 1 and 2	Trust funds – all disclosures made if a Council is a sole managing trustee? NB: Do not send trust accounting statements unless requested.	
Internal Audit report	All highlighted boxes completed by internal audit and explanations provided?	

\*Note: The Practitioners' Guide is available from your local NALC, SLCC or ADA representatives or from [www.nalc.gov.uk](http://www.nalc.gov.uk) or [www.slcc.co.uk](http://www.slcc.co.uk) or [www.ada.org.uk](http://www.ada.org.uk).



**Water Management Alliance**

**INTERNAL AUDIT REPORT**

**2016/17**

**April 2017**

Contents:

1. Executive Summary
2. Overall Conclusion
3. Acknowledgements
4. Detailed Observations, Recommendations and Agreed Actions
- APP 1 Agreed Terms of Reference

## **1. Executive Summary**

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The audit of the Water Management Alliance and the constituent Internal Drainage Boards was carried out by Kathy Woodward for the year 2016-17. This Executive Summary sets out our overall conclusion on the system reviewed, and summarises the key recommendations arising. A copy of the Terms of Reference for this audit is attached as **Appendix 1**.

Regulation 5 of the Accounts and Audit Regulations 2015 requires that '*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'. The completion of this internal audit fulfils that role.

It should be noted that any system of internal control is designed to manage risk to a reasonable level, and therefore Internal Audit cannot provide absolute assurance against loss. As well as being effective, controls need to be proportionate to the risk involved and not overburden the organisation with excessive costs.

The Water Management Alliance provides administration and management services to the five constituent Internal Drainage Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers and South Holland. During the financial year 2016-17 the Alliance entered into a contract to provide administration and management services to the Pevensy and Cuckmere Water Level Management Board for a period of two years.

New guidance was issued on 30<sup>th</sup> March 2017 by the Joint Practitioners' Advisory Group (JPAG), '*Governance and Accountability for Smaller Authorities in England – A Practitioners Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements, March 2017*'. Although the new guide does not become mandatory until the 2017/18 financial reports are prepared, the Water Management Alliance has decided on early adoption on a voluntary basis. With this in mind the auditor has considered the effect the new guidance would have on the required internal audit and has concluded that essentially the work remains the same. Therefore the audit has been undertaken in line with previous years, based on the 2007 guidance. Audit work has included review of the procedures and systems of control in place at the Water Management Alliance and considered if they were effective and being applied as intended. Sample testing was carried out on elements as considered necessary by the auditor in order to substantiate the application of the control.

As part of the audit a follow-up was carried out on the recommendations raised in last year's report. Most of the recommendations made have been implemented. There is one recommendation still outstanding in relation to segregation of duties in timesheet authorisation, but this is only a best practice recommendation with no significant risks arising as a consequence.

## **2. Overall Conclusion**

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In conclusion, the procedures used at the Water Management Alliance are simple but effective, and appear to be carried out diligently by all staff concerned. Controls are

working as expected. However, there are some aspects that can be improved and details of recommendations can be found in Section 4 together with the actions agreed with the Chief Executive.

The overall level of assurance attributed to the system is:

Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
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The observations and recommendations are detailed in Section 4. Each recommendation is allocated a priority as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

### **3. Acknowledgements**

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We would like to express our thanks for their assistance and co-operation to:

Mary Creasy, Personal Assistant (CEO)

Sallyanne Jeffrey, Finance Officer

Trish Walker, Finance Assistant

Graham Tinkler, Rating Officer/Site Warden

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
<p><b>1. Bank Reconciliation</b></p> <p><b>Observation</b></p> <p>Bank reconciliations are carried out weekly, as per Financial Regulations. Evidence is presented to the Chief Executive each month in the form of a cash flow statement. King’s Lynn IDB bank account became overdrawn during the year, but was rectified the following day with no charges being incurred.</p> <p>There were a number of occasions where the dates on the cashbook reconciliation did not tie back to the bank statements being reconciled. The information contained within the report was correct.</p> <p>The use of the unreconciled reports on the cash book seems to have dropped off throughout the course of the year resulting in a large amount of manual reconciliation taking place.</p> <p>It was difficult in some cases to identify the information relating to each individual bank reconciliation that is filed within the folder</p> <p><b>Consequence</b></p> <p>Monthly reconciliations are carried out correctly but this is not always evidenced.</p> <p>The method of carrying out the bank reconciliation is thorough but the supporting reports from Sage are not always printed. The unreconciled reports are not used effectively.</p> <p><b>Recommendation</b></p> <ol style="list-style-type: none"> <li>1. Agree to use the unreconciled report function of sage to minimise the amount of manual reconciliation needed in the process to improve the audit trail of the reconciliation.</li> <li>2. Agree to use file separation in the folders to identify each individual bank reconciliation.</li> </ol>	Low	<p>Agreed.</p> <p>The unreconciled report will be used more consistently.</p> <p>Filing will be improved.</p> <p>Finance Officer</p>

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
<p><b>2. Timesheet Authorisation</b></p> <p><b>Observation</b></p> <p>Files containing the timesheets were requested and checked for evidence of timesheets and authorisation.</p> <p>Results were summarised in a spreadsheet. All timesheets had been signed by the Operations Managers for each Board and by the Finance Officer for WMA.</p> <p>The Broads Operations Manager is authorising his own timesheets due to the remoteness of the working area. The Operations Manager is now managing 3 sites, Broads, Norfolk Rivers and East Suffolk. For this reason at the end of each month an invoice is raised to recharge supervisory time for the other IDB's. While the Broads Operations Manager is salaried, the timesheets are used to evidence the recharges to other boards.</p> <p><b>Consequence</b></p> <p>There is no segregation of duties. This is not best practice, however there is a some mitigating control as all payroll is countersigned by the Chief Executive when is has been entered into Sage and the report produced.</p> <p><b>Recommendation</b></p> <p>To be discussed to establish if the new offices at Martham create on opportunity for a monthly meet up of the Catchment Engineer and the Operations Manager to sign / countersign timesheets when required.</p>	Low	<p>Agreed.</p> <p>The method of authorising these timesheets will be reviewed.</p> <p>Chief Executive/Catchment Engineer.</p>

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
<b>3. Financial Regulations</b>		
<b>Observation</b> A sample of payments for each Board was selected from the bank statements and traced back to source documents. Purchase orders and invoice payments were for authorisation in accordance with Financial Regulations. Creditor’s reports and files containing invoices from all the sites were requested and a sample was checked.	1) High	Agreed.  Changes have been made to each Board’s Financial Regulations (please see attached).  Chief Executive.
Purchase orders and invoice payments are being authorised by the same person. This does not appear to be breach of Financial Regulations. A mitigating control is the review of the Proposed Payments list by the Chief Executive prior to the payment run.		
There were two Chaps payments made in Dec 2016 on urgent request of the Chief Executive via email.		
It was later found that the Chief Executive’s personal email account had been impersonated by a fraudster and the requests to make a payment where in fact a fraud. This type of fraud is called phishing (sending fraudulent emails) and social engineering (manipulating the victim into performing a task they would not normally do). The total amount lost was £34,438. The Police and the Bank were contacted to try and recover the money – with little success.	2) Low	
Weaknesses in the finance system were also observed around the allocation of reference numbers for invoices. There is no ‘unique’ identifier parameter meaning that many different invoices can be allocated the same reference number and also the second reference where the invoice number received from the supplier would be populated is also not unique. The means that there is no system control over paying duplicate invoices.		Agreed  Speak again to Finance System Advisors about a possible upgrade/change in accounting software.
<b>Consequence</b>		
1) Ensuring appropriate authorisation of payments is essential in ensuring the organisation is not targeted by criminals taking advantage of weak systems of internal control.		Finance Officer / Chief Executive

Observations and their effects/ Recommendations	Priority	Agreed Action/ Responsible Officer/ Target Date
<p>2) Duplicate invoices could be processed as there is no system control in place to prevent this happening. Each transaction cannot be identified individually by its reference (transaction) number causing confusion.</p> <p><b>Recommendation</b></p> <p>1) Financial Regulations need to be followed at all times, by all members of staff. An enhancement has been made to the financial regulations for adoption immediately.</p> <p>2) Finance Officer to speak to finance system advisors about 'unique' reference numbers and if this can be incorporated into the system upgrade.</p>		



**Internal Audit Services**

Borough Council of  
**King's Lynn &  
West Norfolk**



## **WATER MANAGEMENT ALLIANCE**

### **INTERNAL AUDIT TERMS OF REFERENCE 2016-17**

## **1. INTRODUCTION**

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1.1 This document sets out the strategy and plan for the audit of the Water Management Alliance for the year 2016-17.

1.2 Section 6 of The Accounts and Audit Regulations 2015 states that '*The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control*'.

1.3 Internal Audit is defined as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*'

Public Sector Internal Audit Standards, April 2017

1.4 The Internal Auditor will work in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by CIPFA from April 2017 and thus will be able to provide the review required by the Regulations.

1.5 The authority of the Internal Auditor is established in the Financial Regulations.

1.6 The audit work will concentrate on records and systems used by the Water Management Alliance, who provide the financial and administrative functions for:

- Broads (2006) IDB
- East Suffolk IDB
- King's Lynn IDB
- Norfolk Rivers IDB
- South Holland IDB.
- Pevensey and Cuckmere Water Level Management Board

As such, this work will enable the auditor to complete the Annual Returns for all six Boards.

## **2. OBJECTIVES AND SCOPE OF THE AUDIT**

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2.1 The work of the Internal Auditor will be guided by 'Governance and Accountability for Smaller Authorities in England – A Practitioners Guide (Rev March 2017)'.

2.2 In order to be able to complete section 4 of the Electronic Annual Return for 2017 the auditor will consider the following:

- A. The Accounting Records  
To ensure that the accounting system is accurate, complete and timely, and that data input is being verified appropriately.
- B. Financial Regulations and Standing Orders  
To ensure that they are current and are being adhered to.
- C. Risk Management processes  
To ensure that management review the Risk Register on a regular basis and that risk is being identified and actively managed in a proportionate manner.

D. Budgetary Controls

To ensure that the budgets are prepared on a realistic basis and are monitored throughout the year and any variations are investigated, with corrective action being taken if necessary.

E. Income Controls

To ensure that processes are in place and functioning correctly to collect, record and bank income in full and on time.

F. Petty Cash Procedures

To ensure petty cash provisions are reasonable, used in accordance with Financial Regulations and adequate records are kept of payments made.

G. Payroll Controls

To ensure that remuneration to employees and Board Members is calculated correctly and in accordance with the levels agreed by the Board, and that all HMRC requirements are complied with.

H. Asset Management

To ensure that there are satisfactory processes in place to maintain the register and check for accuracy.

I. Bank Reconciliation

To ensure that periodic and year-end bank account reconciliations were properly completed and verified.

J. Year-end Procedures

To ensure that the appropriate accounting basis have been used to prepare the year-end accounting statements and that figures contained in the statements can be verified by reference to working papers and accounting records.

2.3 Any recommendations and issues arising from the previous audit will also be followed up to establish if they have been implemented or if there is a satisfactory explanation for non-implementation.

2.4 Contained within the scope of work described above it is implied that the auditor will have due regard for Value for Money considerations and the potential for fraud.

### **3. TASKS**

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3.1.1 The project tasks are to:

- Establish if the procedures recorded as part of the audit for 2015-16 remain the same and document any changes that may have taken place.
- Perform tests to establish that systems are operating in accordance with the procedures and that good practice is being complied with.

## Internal Audit Services

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- Assess strengths and weaknesses of the systems operated and the levels of financial and management risk.
- Discuss the results with the Chief Executive and make recommendations as appropriate, which will be communicated to the Boards by means of a report.
- Complete Section 4 of the Electronic Annual Return for 2016-17.

### 4. WORK PLAN

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4.1 The audit will be undertaken by  
Miss Kathy Woodward, CPFA  
Shared Internal Audit Manager, Borough Council of King's Lynn and West Norfolk.

4.2 The audit has been allocated 5 days, which will be utilised as follows:

<b>Task</b>	<b>Time</b>
Confirm existing procedures and record any changes. Undertake a follow-up of actions agreed from the audit report for the year 2015-16.	0.5
Testing – to establish that processes are being applied as intended.	3.5
Conclusions and discussion	0.5
Completing the Return and reporting if required.	0.5

### 5.0 AGREEMENT

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	<b>Signature</b>	<b>Date</b>
Phil Camamile Chief Executive, Water Management Alliance	.....	.....
Kathy Woodward Shared Internal Audit Manager Borough Council of King's Lynn and West Norfolk	.....	.....

**WMA: FINANCIAL REGULATIONS  
PROPOSED CHANGE TO PROCEDURES, FOLLOWING CYBERCRIME INCIDENT OF 5/6 DECEMBER  
2016**

1. Payments should never be made to anyone on the strength of an email request from a budget holder without being authorised in the proper manner, as set out in section D of each Board's Financial Regulations.
2. When the Finance Officer or Finance Assistant receives an email instruction to pay someone purporting to come from the Chief Executive, the payment will only be made:
  - 2.1 if the email has come from the Chief Executive using his/her WLMA domain, e.g. [phil@wlma.org.uk](mailto:phil@wlma.org.uk), and
  - 2.2 if the email has an Invoice attached to it; made out to the WLMA or one of its Member Boards quoting a valid Purchase Order Number, and/or where a clear explanation is given by the Chief Executive detailing what the payment is for and where the expenditure should be coded to, and crucially
  - 2.3 after the request has been verified by the Finance Officer either in person or on the telephone with the Chief Executive him/herself.
  - 2.4 Only when these 3 checks have been made will the payment be processed by BACS transfer, which will be subject to the usual 3 day clearance period. Payment will never be made by CHAPS transfer where funds are cleared immediately the payment is made, unless otherwise requested by the Chief Executive in person.
  - 2.5 If the Chief Executive requests that the payment be made by CHAPS transfer, the Finance Assistant or Finance Officer will complete a manual payment requisition for the Chief Executive to sign, thereby authorising the CHAPS transfer and confirming financial values, coding (where necessary), the person/company to be paid and the bank details to which the bank transfer will be made.
3. The WMA will insure against cybercrime attacks arising from phishing emails, viruses and data theft etc., subject always to the adequacy of cover provided and the affordability of premiums.

P J CAMAMILE  
CHIEF EXECUTIVE

24 MARCH 2017