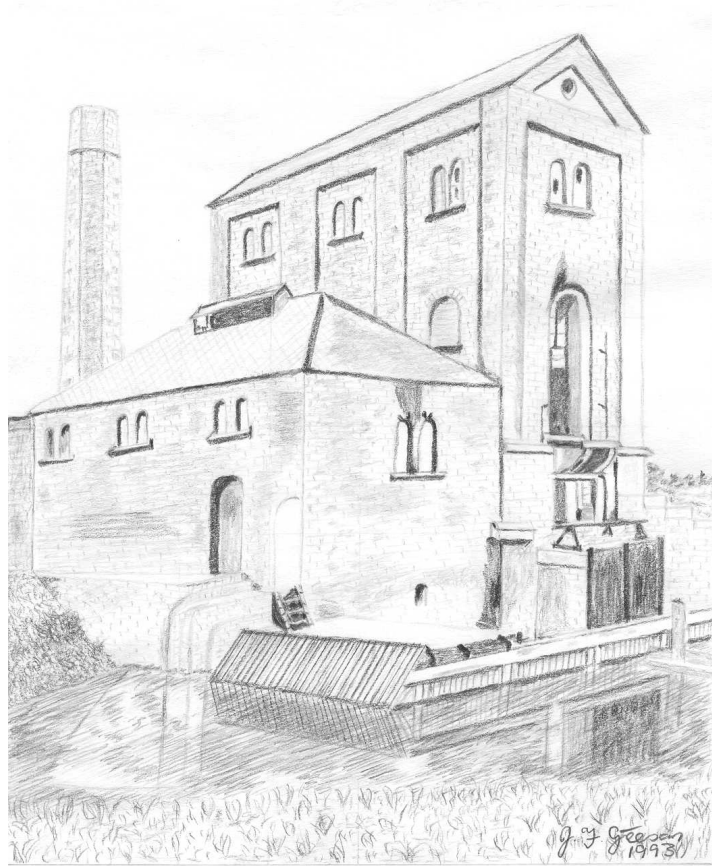


**NEWARK AREA  
INTERNAL DRAINAGE BOARD  
STATEMENT OF ACCOUNTS**



**FOR THE YEAR ENDING  
31 MARCH 2010**

**NEWARK AREA INTERNAL DRAINAGE BOARD  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDING 31 MARCH 2010**

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## **NEWARK AREA INTERNAL DRAINAGE BOARD Annual Report**

### **Introduction**

The Newark Area IDB is an independent body created under Land Drainage Statutes responsible for flood risk management, drainage and water level management works, other than on main rivers, in the Newark Area IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are nominated by Newark and Sherwood District Council, Rushcliffe Borough Council, West Lindsey District Council, North Kesteven District Council, Bassetlaw Borough Council, Gedling Borough Council or Melton Borough Council.

The Board secures income mainly from drainage levies on farmers and other occupiers and from special levies on local authorities. The Board also pays levies to the Environment Agency to fund works on main rivers that protect the drainage district.

The Board consists of 12 elected members and 13 nominated members.

This document is the statement of accounts of Newark Area IDB for the financial year ended 31 March 2010 which are set out on pages 1 to 13. The accounts consist of:

### **Annual Governance Statement**

The system of internal control is designed to manage risk to a reasonable level, the IDB's statement details how this is achieved.

### **Income and Expenditure Account**

This statement summarises the resources that have been generated and consumed in providing services and managing the IDB during the last year.

### **Balance Sheet**

This statement is fundamental to the understanding of the Board's financial position at the year end. It shows the balances and reserves at the Board's disposal; and the fixed and net current assets employed in its operation, together with summarised information on the fixed assets held. The statement also includes assets and liabilities of the Board.

### **Statement of Movement on Reserves**

This statement shows the contribution to and from the general reserve.

### **Statement of Total Recognised Gains and Losses**

This statement brings together all the gains and losses of the IDB for the year and shows the aggregate increase in its net worth. The net worth is the movement in the balance sheet reserves between financial years.

### **Notes to the Accounts**

The notes relating to the statements above are detailed after the core statements.

### **Summary of Financial Performance**

At the start of the financial year the Board proposed to reduce balances by £205,000. In practice the balances reduced from £392,755 to £69,666. This balance is 6% of income.

Investment in Plant and Machinery included;

1. Nissan 4x4 Pick-up - £15,591
2. Iveco Daily Pick-up - £17,745
3. Flailmower for Case MXM 140 - £38,200
4. Excavator mounted Hedge Cutter - £12,560
5. Refurbishment of two Site Caravans - £16,120

The Board completed installation of a Pumping Station Monitoring Scheme and an Automatic Weedscreen Cleaner was installed at Cuckstool Pumping Station. Both were Government grant aided. Drainage Rate collection was again high with arrears of £1,916 (0.7%)

**NEWARK AREA INTERNAL DRAINAGE BOARD**

**Statement of Responsibilities for the Statement of Accounts**

**The Board is required:**

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Board that officer is the Clerk and Engineer to the Board.
- To manage its affairs to secure economic efficient and effective use of its resources and safeguard its assets.

**The Clerk and Engineer's Responsibilities:**

The Clerk and Engineer is responsible for the preparation of the Board's Statement of Accounts which is required to present a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this statement of accounts, the Clerk and Engineer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- compiled the accounts in accordance with the Financial Reporting Standard for Smaller Entities 2008 issued by the Accounting Standards Board and had regard to the guidance published by the Association of Drainage Authorities on Accounting for Larger IDBs;
- applied the accounting concept of a "going concern" by assuming that the IDB will continue to operate for the foreseeable future.

The Clerk and Engineer has:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Certificate of the Clerk and Engineer**

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion. It provides a true and fair view of the financial position of the Board at 31 March 2010 and its income and expenditure for the year then ended.

Signed .....S. J. Broadhead

**Certificate of the Chairman of the Board**

Signed ..... R.N.J.S. Price

I confirm that these accounts have been approved by the Newark Area IDB at a meeting held on 16th September 2010. The Audit Committee considered these on the 27th September 2010.

**NEWARK AREA INTERNAL DRAINAGE BOARD**  
**Annual Governance Statement**

We acknowledge as the members of the Newark Area Internal Drainage Board our responsibility for ensuring that there is a sound system of internal control, including the preparation of the statement of accounts, and confirm, to the best of our knowledge and belief, with respect to the Board's statement of accounts for the year ended 31 March 2010, that:

1. We have approved the statement of accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness through the internal audit process.
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the Board to conduct its business or on its finances.
4. We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
5. We have carried out an assessment of the risks facing the Board and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. We are currently drafting an overall Risk Management Strategy.
6. We have maintained throughout the year an adequate and effective system of internal audit of the Board's accounting records and control systems and carried out a review of its effectiveness.
7. We have taken appropriate action on all matters raised in previous reports from the internal and external audit.
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Board and where appropriate have included them in the statement of accounts

This annual governance statement is approved by the Board and recorded in the Board minutes for 16th September 2010. The Audit Committee has approved these on the 27th September 2010.

Signed on behalf of Newark Area Internal Drainage Board

Signed by Chairman: .....R.N.J.S. Price

Signed by Clerk and Engineer to the Board:..... S.J. Broadhead

27.09.10

# NEWARK AREA INTERNAL DRAINAGE BOARD

## NOTES TO THE ACCOUNTS

### STATEMENT OF ACCOUNTING POLICIES

#### 1 GENERAL

a. This Statement of Accounts has been prepared in accordance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE) issued by the Accounting Standards Board. In preparing the statements regard has been given to the Guidance published by the Association of Drainage Authorities.

b. These accounts have been prepared in accordance with the following accounting concepts

- Accruals
- Relevance
- Consistency
- Reliability
- Comparability
- Understand-ability
- Materiality and
- Going Concern

#### 2 FIXED ASSETS

a. Fixed Assets with a value in excess of £5,000 and with estimated useful lives in excess of one year are capitalised at cost (reduced by the amount of any government grants received as a contribution to the acquisition).

b. All fixed Assets are valued on the following basis

i) Land is included at historic cost

ii) Land and buildings are included in the Balance Sheet at valuation. The office, depots and Pumping Stations were valued on 31.3.2010 by Stephen Gillott FRICS of Fisher Hargreaves Proctor Chartered Surveyors, at open market valuation. It is the Board's intention to value operational buildings at an open market value every five years and depreciate this valuation over 25 years.

Pumping stations that are held on leased land - these were valued on the 31.3.2010 by S. J. Broadhead C. Eng of Newark Area Internal Drainage Board at a renewal valuation. It is the Board's intention to value these assets every five years and depreciate the value over 30 years.

iii) Vehicles, plant and equipment are included at cost less depreciation

c. Disposals are written off at cost less depreciation

d. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over its useful economic life of that asset as follows:

Buildings - 25 years

Weedscreens installed at pumping stations - 20 years

Telemetry system installed at pumping stations - 5 years

Plants and Vehicles - 5 -12 years

#### 3 STOCK

Stock is valued at the lower of cost or net realisable value.

#### 4 GOVERNMENT GRANTS AND SUBSIDIES

Grants received as a contribution towards specified items of expenditure are recognised in the income and expenditure account in the same period that the specified expense is recognised.

Grants received as a contribution towards expenditure on fixed assets, the grant received is recognised as deferred income and released to the income and expenditure account in instalments over the estimated useful life of the related fixed asset.

#### 5 LEASES

The Board has no operating or finance leases.

#### 6 INCOME RECOGNITION

Income is recognised on the following basis:

Drainage Rates - 1st April

Other Debtors - On completion of supply of goods or services

Rents - 1st April

## 7 PROVISIONS

The Board sets aside provisions where there is a definite liability, but the amount and timing of settlement is not known. Details are given as notes to the accounting statements.

## 8 PENSIONS

The Board pays an employers contribution of 18.20% on employees pension able pay into the Nottinghamshire County Council pension fund. The liabilities of the Nottinghamshire Local Government Pension Scheme are included in the balance sheet on an actuarial basis using the projected unit method. The change in the net pensions liability is analysed into seven components:

- a. **Current Service Cost** - the increase in liabilities as a result of years of service earned this year, (allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked).
- b. **Past Service Cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years (debited to the Income and Expenditure Account).
- c. **Interest Cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, (debited to the Income and Expenditure Account).
- d. **Expected Return on Assets** - the annual investment return on the fund assets attributable to the Board, based on an average of the expected long-term return, (credited to the Income and Expenditure Account).
- e. **Gains/losses on settlements** - the result of actions to relieve the Board of liabilities or event that reduce the expected future service or accrual of benefits of employees.
- f. **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions (debited to the Statement of Recognised Gains and Losses).
- g. **Contributions paid to the Nottinghamshire C.C. Pension Scheme** - cash paid as employer's contributions to the pension fund.

The Annual Report of the NCC Pension Scheme is available from Nottinghamshire County Council, County Hall, West Bridgford, Nottingham. NG2 7QP

## 9 RESERVES

The drainage Board has the following reserves:

**General reserve** - The Association of Drainage Authorities guidance recommends that the General Reserve held by the Board is 20% to 25% of estimated net expenditure. The Board have set a minimum level of general fund reserves of £200,000. Year end surplus and deficits are taken to the General Reserve.

**Revaluation reserve** - Gains and losses arising on the revaluation of assets that have been recognised in the Statement of Total Recognised Gains and Losses are credited or debited to the Revaluation Reserve. This Reserve cannot be used for any other purpose.

**Pensions reserve** - The Board is a member of the Local Government Pension Scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Plant renewal reserve** - This fund has been created to provide funds for financing major purchases and receives annual contributions from the relevant revenue account.

**Capital reserve** - money set aside to net off the effects of depreciation and capital charges to the general fund.

## 10 TAXATION

Drainage Boards are exempt from Income, Corporation and Capital Gains Taxes. Only recoverable Value Added Tax is included in the accounts.

## 11 DISCONTINUED OPERATIONS

The Board had no material operations which it acquired or which were discontinued in the year and therefore no separate disclosure is required in respect of the revenue and balance sheet accounts.

## 12 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no material exceptional or extraordinary items to disclose in the accounts. There are no material prior period adjustments in the accounts.

**NEWARK AREA INTERNAL DRAINAGE BOARD  
INCOME AND EXPENDITURE ACCOUNT  
FOR YEAR ENDED 31 MARCH 2010**

<b>INCOME</b>	<b>2009/10</b>	<b>2008/09</b>	<b>Notes</b>
	<b>£</b>	<b>£</b>	
Drainage Rates	266,612	266,351	
Special Levies on Councils	632,608	620,026	1
Foreign Water Grant Received	86,021	74,614	
Rental Income	11,068	12,193	
Income From Rechargeable Works	91,321	128,552	
Interest and Investment Income	378	18,476	
New Works and Improvement Contributions	40,602	48,396	2, *
Other Income	7,948	10,274	*
<b>Total Income for the Year</b>	<b>1,136,558</b>	<b>1,178,882</b>	
<b>EXPENDITURE</b>	<b>2009/10</b>	<b>2008/09</b>	<b>Notes</b>
	<b>£</b>	<b>£</b>	
Environment Agency Precept	146,208	139,882	
Pumping Stations	91,627	73,624	
Drains Maintenance	543,753	471,478	*
Administration Costs	301,055	291,472	*, 3, 4
Cost of Rechargeable Works	91,321	0	
Office and Depot Maintenance Costs	26,549	26,112	*
Pension Interest Cost and Expected Return on Assets	91,000	66,254	*
Depreciation	83,739	0	
Purchase of Capital Assets	8,501	124,886	
<b>Total Expenditure for the Year</b>	<b>1,383,753</b>	<b>1,193,708</b>	
Gain/(loss) on disposal of fixed assets	6,848	0	
Impairment of Fixed Assets	(139,899)	0	
<b>Net Operating Surplus/(Deficit) for the Year</b>	<b>(380,246)</b>	<b>(14,826)</b>	

\* Restated comparatives for 2008/09

**NEWARK AREA INTERNAL DRAINAGE BOARD  
BALANCE SHEET AS AT 31 MARCH 2010**

	2009/10	2008/09	NOTE
	£	£	
<b>Fixed Assets</b>	1,987,342	1,196,478	5
<b>Current Assets</b>			
Stock and Work in Progress	16,299	13,918	6
Debtors and Prepayments	63,237	44,724	7
Cash at Bank and in Hand	<u>258,083</u>	<u>455,056</u>	8
	337,619	513,698	
<b>Current Liabilities</b>			
Creditors and Receipts in Advance	<u>(118,706)</u>	<u>(40,943)</u>	9
<b>Net Current Assets</b>	218,913	472,755	
<b>Liability related to Defined Pension Scheme</b>	(2,412,000)	(1,299,000)	10
<b>NET (LIABILITIES)/ASSETS</b>	<b>(205,745)</b>	<b>370,233</b>	

Reserves	2009/10	2008/09	
Capital Reserve	1,196,478	1,196,478	13
Plant Renewal Reserve	80,000	80,000	13
Revaluation Reserve	860,111	0	13
Pension Reserve	(2,412,000)	(1,299,000)	13
General Reserves	69,666	392,755	13
	<b>(205,745)</b>	<b>370,233</b>	

**NEWARK AREA INTERNAL DRAINAGE BOARD**  
**STATEMENT OF MOVEMENT ON THE GENERAL RESERVE 2009/10**

	2009/10	2008/09
	£	£
(Deficit)/Surplus for the year as per Income and Expenditure Account	(380,246)	(14,826)
<b>Amounts Included in the I&amp;E Account but excluded when determining the General Fund Reserve:</b>		
Net charges made for retirement benefits	131,000	0
<b>Amounts excluded in the I&amp;E Account but included when determining the General Fund Reserve:</b>		
Employers contributions payable to the Nottinghamshire C.C. Pension Fund	(73,843)	0
<b>Net transfer to/from earmarked reserves</b>		
Contribution to General Reserve	<u>(323,089)</u>	<u>(14,826)</u>
General Fund Reserve Opening Reserve	392,755	407,580
General Fund Reserve Closing Reserve	69,666	392,755

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2009/10	2008/09
	£	£
(Deficit)/Surplus for the year as per Income and Expenditure Account	(380,246)	(14,826)
Revaluation (Losses) Gains During the Year	860,111	0
Actuarial (Losses) Gains on Pension Fund Assets and Liabilities	(1,055,843)	223,000
Total Recognised losses	<u>(575,978)</u>	<u>208,174</u>

**NEWARK AREA INTERNAL DRAINAGE BOARD**

**Notes to the Accounts**

<b>1 SPECIAL LEVIES ON COUNCILS</b>	<b>2009/10</b>	<b>2008/09</b>
	£	£
Newark & Sherwood D C	450,480	441,582
Rushcliffe B C	99,383	97,530
Melton B C	15,119	14,757
West Lindsey D C	26,570	26,041
Bassetlaw D C	1,455	1,426
North Kesteven D C	23,849	23,251
Gedling B C	15,752	15,439
	<u>632,608</u>	<u>620,026</u>

<b>2 GRANTS RECEIVED</b>	<b>2009/10</b>	<b>2008/09</b>
	£	£
Flood Studies	40,602	13,118
Cuckstool Weedscreen	-	3,778
P. Station Monitoring Scheme	-	31,500
	<u>40,602</u>	<u>48,396</u>

**3 REMUNERATION OF EMPLOYEES**

The table below shows the number of employees whose remuneration was greater than £50,000:

	<b>Number of Employees</b>	
<b>Remuneration Band (£)</b>	<b>2009/10</b>	<b>2008/09</b>
50,000 - 59,999	1	1

<b>4 AUDIT FEES</b>	<b>2009/10</b>	<b>2008/09</b>
Fees paid to the Board's external auditor	9,000	4,950

<b>5 TANGIBLE FIXED ASSETS</b>	<b>Pumping Stations</b>	<b>Other Land and Buildings</b>	<b>Vehicles and Plant</b>	<b>Assets Under Construction</b>	<b>Total</b>
<b>COST</b>					
Opening Balance as at 1 April 2009	770,709	41,987	664,087	84,199	1,560,982
Additions	43,973	-	100,215	12,578	156,766
Disposals	-	-	(65,473)	-	(65,473)
Transfers	69,549	-	-	(112,422)	(42,873)
Impairment/write-off	(112,671)	-	-	(27,228)	(139,899)
Revaluations	357,006	503,105	-	-	860,111
	<u>1,128,566</u>	<u>545,092</u>	<u>698,829</u>	<u>(42,873)</u>	<u>2,329,614</u>
<b>ACCUMULATED DEPRECIATION</b>					
Opening Balance as at 1 April 2009	-	-	364,504	-	364,504
Disposals	-	-	(63,098)	-	(63,098)
Charge for the year	-	-	83,739	-	83,739
	<u>-</u>	<u>-</u>	<u>385,145</u>	<u>-</u>	<u>385,145</u>
Net Book Value at 31/03/09	1,128,566	545,092	313,684	-	1,987,342
Net Book Value at 31/03/10	770,709	41,987	299,583	84,199	1,196,478

<b>6 STOCKS AND WORK IN PROGRESS</b>	<b>2009/10</b>	<b>2008/09</b>
Stocks and Consumables	16,299	13,918
Work in Progress	0	0
	<u>16,299</u>	<u>13,918</u>
<b>7 DEBTORS AND PAYMENTS IN ADVANCE</b>	<b>2009/10</b>	<b>2008/09</b>
Drainage Rate Debtors	2,230	2,044
Trade Debtors	46,585	37,295
H M Revenues and Customs	14,280	4,549
Prepayments	142	836 *
	<u>63,237</u>	<u>44,724</u>
<b>8 SHORT TERM INVESTMENTS</b>	<b>2009/10</b>	<b>2008/09</b>
Current account and petty cash	3,189	5,019
NatWest GB&M Account	254,894	450,037
	<u>258,083</u>	<u>455,056</u>
<b>9 CREDITORS AND RECEIPTS IN ADVANCE</b>	<b>2009/10</b>	<b>2008/09</b>
Trade Creditors	76,210	24,030
Other Taxation and Social Security	8,490	16,420
Accruals	33,792	0
Payments received in advance	214	493
	<u>118,706</u>	<u>40,943</u>

#### **10 PARTICIPATION IN PENSION SCHEME**

The Board is a member of the Local Government Pension Scheme, administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The following transactions have been made in the Income and Expenditure Account during the year:

<b>Income and Expenditure Account</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>		
Current service costs	40	64
Settlements and past service costs	0	0
	<u>40</u>	<u>64</u>
<b>Net Operating Expenditure</b>		
Interest Cost	201	222
Expected Return on Assets	(110)	(150)
	<u>91</u>	<u>72</u>
<b>Net Charges to Income and Expenditure Account</b>	<b>131</b>	<b>136</b>

\* Restated 2008/09 balance

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial Gains/(losses) recognised in STRGL	<u>(1,056)</u>	<u>(770)</u>
Cumulative Actuarial Gains and Losses	<u>(1,826)</u>	<u>(770)</u>
Reconciliation of fair value of the scheme assets	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance 1 April</b>	<b>1,772</b>	<b>2,196</b>
Expected rate of return	110	150
Employers contribution	74	75
Contributions by scheme participants	22	23
Actuarial gains and (losses)	461	(547)
Benefits paid	<u>(1,990)</u>	<u>(1,257)</u>
Closing balance 31 March	<u>449</u>	<u>640</u>
Reconciliation of present values of the scheme liabilities	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	<b>3,071</b>	<b>3,657</b>
Current service cost	40	64
Interest cost	201	222
Contributions by scheme participants	22	23
Actuarial (gains) and losses	1,517	(770)
Unfunded benefits paid	(10)	(9)
Benefits paid	<u>(189)</u>	<u>(116)</u>
Past service costs	0	0
Closing balance 31 March	<u>4,652</u>	<u>3,071</u>
	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Estimated liabilities scheme	<b>(4,652)</b>	<b>(3,071)</b>
Estimated assets in scheme	<u>2,240</u>	<u>1,772</u>
Net pension liabilities	<u>(2,412)</u>	<u>(1,299)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, earnings etc. The pension fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries.

#### 11 RELATED PARTY TRANSACTIONS

There were no related party transactions.

#### 12 POST BALANCE SHEET EVENTS

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. This change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%

**NEWARK AREA INTERNAL DRAINAGE BOARD**  
**NOTE 13 - FUND BALANCES AND RESERVES 2009/10**

Movements	RESERVES					TOTAL
	General Reserve	Plant Renewal Reserve	Revaluation Reserve	Pension Reserve	Capital Reserve	
<b>Opening Reserves 1st April 2009</b>	<b>392,755</b>	<b>80,000</b>	<b>0</b>	<b>(1,299,000)</b>	<b>1,196,478</b>	<b>370,233</b>
Income & Expenditure	(380,246)					(380,246)
Actuarial Gains/loss on pension liability				(1,055,843)		(1,055,843)
Net transfers between reserves	57,157			(57,157)		0
<b><u>Movements In</u></b>						
Torksey Pumping Station			109,189			109,189
31 Castlegate			281,851			281,851
Torksey Cottage			150,000			150,000
Torksey Land			9,891			9,891
Orston Depot Garage			39,600			39,600
Southwell Depot			21,763			21,763
Drimsey Nook Pumping Station			123,650			123,650
Hams Dyke Pumping Station			94,110			94,110
Cuckstool Pumping Station			30,057			30,057
<b><u>Movements Out</u></b>						0
<b>Closing Reserves 31st March 2010</b>	<b>69,666</b>	<b>80,000</b>	<b>860,111</b>	<b>(2,412,000)</b>	<b>1,196,478</b>	<b>(205,745)</b>

**General Reserve**

The Boards policy is to work towards achieving a revenue fund balance of a minimum of £200,000

**Plant Renewals Fund**

This fund has been created to provide funds for financing major purchases and receives annual contributions from the relevant revenue account.

**Revaluation Reserve**

This reserve is used to reflect movement in fixed asset values during the year



## **Newark Area Internal Drainage Board**

Audit of Accounts 2009-10  
Annual Report to those Charged with Governance

September 2010

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# 1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

## Purpose of the report

- 1.1 This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Board of Newark Area Internal Drainage Board (IDB). The purpose of this report is to highlight the key issues arising from the audit of the IDB's financial statements for the year ending 31 March 2010.
- 1.2 This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Board. The requirements of ISA260, and how we have discharged them, are set out in more detail at Appendix A. This report also represents our Annual Audit letter to the IDB.
- 1.3 The IDB is responsible for the preparation of financial statements which record its financial position as at 31 March 2010, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the IDB's financial statements present a true and fair view of the financial position.
- 1.4 Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the IDB has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. To reach this conclusion we have carried out work prescribed by the Audit Commission.

## Audit conclusions

### Financial Statements Opinion

- 1.5 We were presented with draft financial statements on the deadline date of 30 June 2010. We commenced our audit on the 11th August 2010 and were presented with working papers on that day. The working papers were of a good standard and enabled an efficient audit to take place.
- 1.6 We confirm no elector questions or objections were raised on the accounts during the course of our audit or on the prescribed day, 2nd September 2010.
- 1.7 The draft 2009/10 financial statements presented for audit were subject to some adjustments as a result of our audit procedures, however no qualification has been raised in respect of these statements. However, we anticipate providing a qualified opinion on the IDB's financial statements, following approval of the accounts by the Board on 16 September 2010. This is in respect of the prior year comparators as the 2008/09 accounts were subject to qualification.
- 1.8 Further details of the outcome of our financial statements audit are given in Section Two.

### Use of Resources Conclusion

- 1.9 In providing our opinion on the financial statements we are required to reach a conclusion on the adequacy of the IDB's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Use of Resources conclusion).

Our Use of Resources (UoR) conclusion is informed by our work on the UoR assessment. In order for us to provide a positive conclusion, the IDB has to achieve a 'yes' judgement against relevant Key Line of Enquiry (KLOE) criteria as determined by the Audit Commission. At the time of writing this report, we expect to issue an 'except for' VFM conclusion. The key message arising from our review of the IDB's use of resources arrangements is:

- Improvements should be made to the medium term financial planning to account for expected public sector funding cuts. In addition, the IDB should ensure a savings plan is drafted to mitigate against the 2009/10 deficit position and future planned deficits.
  - Work is underway to have the Board approve a Strategic plan and Risk Management Strategy which was an action point from 2008/09.
  - Due to the amount of material adjustments to the 2009/10 we would recommend that the IDB consider its future financial year end reporting arrangements.
- 1.10 Further information on the outcome of our Use of Resources audit is contained in Section Two.

### The way forward

- 1.11 Matters arising from the financial statements audit have been discussed with the Chief Clerk and Engineer. We have made a number of recommendations, which are set out in the action plan at Appendix C.

### Use of this report

- 1.12 This report has been prepared solely for use by the IDB to discharge our responsibilities under ISA260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the IDB's Letter of Representation.

### Acknowledgements

- 1.13 We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the IDB's staff.

**Grant Thornton UK LLP**

September 2010

## 2 Detailed Findings

### **Introduction**

- 2.1 This section provides a summary of findings arising from our audit of the financial statements. This includes matters arising from our evaluation of key controls and comment on the IDB's overall financial position.

### **Status of the audit**

- 2.2 We carried out our audit in accordance with our Audit Strategy Document we prepared for internal purposes. Our audit is substantially complete, subject to the following finalisation procedures:
- obtaining and reviewing the IDB's Letter of Representation
  - reviewing the appropriateness of the going concern assumptions
  - updating our post balance sheet events review to the date of signing the accounts.

### **Key risks**

- 2.3 Our 2009/10 internal Audit Strategy Document set out the key risks relating to the audit of the financial statements. As part of our audit we considered the risks identified and have set out in Exhibit One below the outcome of the work completed. Our review of the risks facing the IDB has not identified any additional risk areas.

**Exhibit One: 2009/10 Key risks**

Key risk	Work completed	Further work required
<b>Risk 1</b>		
<p>Tangible fixed assets have been identified as a key audit area. In particular, the valuation and recognition of historical assets, along with any new assets purchased in the year, will be considered in detail.</p>	<p>The IDB commissioned a full valuation of its pumping stations in 2009/10.</p> <p>We have reviewed the methodology used by the valuer in undertaking the valuation.</p> <p>We reviewed the values included in the balance sheet in respect of the pumping stations.</p> <p>Assurance has been gained that the amount included in the fixed assets disclosure in respect of pumping stations is not materially misstated.</p> <p>We have reviewed the valuation of the pumping stations on leased land. The renewals valuation basis was reviewed for reasonableness, we made suggestions for disclosures within the accounts to reflect the difference basis of valuation for these pumping stations.</p>	<p>None. Accounts have been adjusted for various errors found during the audit.</p> <p>Recommendations have been made in the action plan on Appendix D.</p>
<b>Risk 2</b>		
<p>Accounting for the IDB's share of the Nottinghamshire County Council pension fund is an area for audit review. In the previous year the IDB had not fully accounted for the net pension charge through the income and expenditure account, as disclosed in the FRS17 report.</p>	<p>We have reviewed the actuarial report and assurances from the Audit Commission.</p> <p>We have reviewed the charges through the I&amp;E account and items included in the STRGL and found some issues with the accounting and the disclosures made.</p> <p>We have recommended some adjustments to the accounts which the IDB has made.</p> <p>Assurance has been obtained that the accounts now reflect the appropriate disclosures for FRS17.</p>	<p>None.</p>

Key risk	Work completed	Further work required
<b>Risk 3</b>		
The IDB received an 'except for' VFM conclusion in the prior year. We reported to the IDB the weaknesses in its arrangements that resulted in the issue of the 'except for' conclusion and made recommendations to the IDB in order to improve the systems and processes it has in place.	We have completed our Use of Resources assessment and are again issuing an 'except for' conclusion. This is in respect of delivery of strategic priorities, financial reporting and managing risks.	Recommendations have been raised for the IDB to action in 2010/11.

- 2.4 The Board should confirm that it is not aware of any additional material risk areas facing the IDB, including significant fraud risks.

### **Audit conclusions**

#### **Financial Statements Opinion**

- 2.5 We anticipate providing a qualified opinion on the IDB's financial statements, following approval of the accounts by the Board on 16 September 2010. The qualification is in respect of prior year comparators following the qualification of the 2008/09 financial statements which was due to the following:
- the IDB's pumping stations on the balance sheet had been included at historic cost
  - depreciation on operational property assets had not been provided in the financial statements
  - the Statement of Recognised Gains and Losses (STRGL) did not reconcile to the Balance Sheet as a result of items posted directly to reserves as opposed to being treated as income and expenditure
- 2.6 The IDB revalued its pumping stations in 2009/10 and we have gained assurance from our audit procedures that 2009/10 balance sheet disclosures for fixed assets are not materially misstated. In addition, depreciation has been provided for the year and shown on the face of the income and expenditure account. The STRGL also reconciles to the balance sheet movements for 2009/10.
- 2.7 We made a number of material adjustments to the draft financial statements along with a number of presentational and disclosure adjustments which were not considered material to the reported financial performance but should be considered by the Board. Details of the adjustment are set out in paragraphs 2.19 to 2.24 below.

#### **Use of Resources Conclusion**

- 2.8 Our Use of Resources conclusion is drawn from our work on the Audit Commission's Use of Resources assessment framework. In order for us to provide a positive conclusion, the IDB needs to achieve a 'yes' judgement against criteria determined by the Audit

Commission to assess whether it has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our proposed assessment for the IDB is summarised below.

**Exhibit Two: Provisional 2010 UoR assessment and comparison to 2009**

Assessment:  
Yes - Adequate arrangements in place to secure VFM  
No - Inadequate arrangements in place to secure VFM

Key Line of Enquiry	2010	2009
1.1 Financial planning and financial health	No	No
1.2 Understanding costs and achieving efficiencies	Yes	Yes
1.3 Financial reporting	No	No
2.4 Risk management and internal control	No	No
3.2 Asset Management	Yes	Not assessed under 2009 UoR

- 2.9 We are aware that work has been taking place to document the IDB's strategic plan and risk management strategy with delivery of this action by the end of September 2010. As these recommendations had not taken place during the 2009/10 year end these action points remain. When reviewing the draft five year medium term financial budget we note that there are a number of years where the IDB is planning a deficit, we also note that as yet the extent of the government funding cuts have not factored into the financial planning. We would expect that medium term financial plans consider for the scenario of 30% funding cuts over a three year period and that savings plans are drafted on this basis. This has been raised as a recommendation to address in 2010/11.
- 2.10 To reach our conclusion for each Key Line of Enquiry (KLoE), we have reviewed key documentation including policies, procedures and minutes of Board meetings. We have set out a summary of our findings in Exhibit Three:

**Exhibit Three: Summary - Use of Resources**

Key Line of Enquiry	Audit Assessment	Summary of Findings
1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	No	The IDB has a medium term financial budget in place for the next 5 years, however there are opportunities to improve these budgets to be more realistic. In addition, given the projected deficits, should be supported by savings plans.  The IDB is currently drafting its Strategic Plan which it will outline its strategic priorities and annual business objectives, to link also with the MTFB.

Key Line of Enquiry	Audit Assessment	Summary of Findings
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes	The board has a satisfactory understanding of its costs and performance, with in year forecasts feeding into the annual budget setting process. Purchase of large items such as plant are discussed at board meetings and reviewed at length.
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	No	<p>Financial reporting has improved during the year with finance reports to the Board with clear commentary.</p> <p>The information presented to the Board includes financial and non-financial information. Once the Strategic Plan is in place more information can be reported that highlights achievement of objectives.</p> <p>The accounts presented to audit contained material errors and therefore this criteria remains unmet. However it is noted that the staff provided all information requested and were welcoming to changes of the accounts. We recommend that the IDB reviews financial statement preparation arrangements across the various IDB's where more expertise may be available.</p>
2.4 Does the organisation manage its risks and maintain a sound system of internal control?	No	The IDB currently does not have a risk management strategy, this is due to be approved by the Board in September, as such the IDB does not currently meet the requirements of this criteria.
3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	Yes	Asset management plans are developed to meet the needs of the drainage board. All asset categories are managed through a plant renewal schedule. Roles and responsibilities are clear for asset management, and reporting occurs regularly to the Board.

2.11 Based on the UoR assessment above, we propose to give an 'except for' Use of Resources conclusion.

## Matters arising from the financial statements audit

- 2.12 We were presented with draft accounts on 30 June, the day of the national deadline. We commenced our audit on the 10 August 2010, with initial discussions on the financial statements taking place on the 7 July 2010.
- 2.13 Matters arising from the financial statements audit are set out below. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan at Appendix C.
- 2.14 The draft set of accounts provided to audit contained a number of errors in relation to fixed assets, these affected the income and expenditure account and the balance sheet. These issues were:
- The IDB revalued its office, depots and pumping stations as at 31 March 2010. Initially the downwards revaluations were taken directly to the revaluation reserve, however given there were no balances previously recorded in this reserve, this treatment resulted in a negative reserve. This treatment is not allowed under the FRSSSE. In addition, our review of the valuers report highlighted that the pumping stations that existed on land that the IDB did not own (i.e. held on lease) the valuer did not ascribe a value to that pumping station. This treatment would appear incorrect as the land owner would not have any rights over the IDB's asset. As a result of these two issues we adjusted the accounts to recognise the impairment of fixed assets on the face of the I&E account for £112,671. In addition the pumping stations on leased land were valued using renewal cost basis as determined by the Chief Engineer to the value of £845,067, this amount has been included within the accounts. This basis of accounting for pumping stations was included in the accounting policy note.
  - There were some assets included in the Balance Sheet under Assets Under Construction relating to 'Flood Studies'. It was found that these studies did not create an asset with a value extending longer than 12 months and therefore should have been expensed to the I&E account. This adjustment has now been adjusted, resulting in a decrease in profit by £27,228.
  - As discussed above, the IDB's office, depots and pumping stations were revalued as at 31 March 2010 and as such all accumulated depreciation is reduced to zero. As reported in 2008/09 the IDB did not previously comply with this FRSSSE requirement to depreciate operational buildings, as a result there was no value to reduce to zero in this instance. Going forward depreciation will need to be charged on these operational assets. The IDB had not accounted for depreciation for vehicles and plant during the year, as a result we adjusted the accounts for £83,739.
  - There were a number of fixed assets that were either disposed of or written off during the year, where this occurs the profit or loss on disposal of fixed assets should appear on the face of the I&E account as a separate line item. We adjusted the accounts to include the profit on the sale of fixed assets within the I&E account for £9,223.
  - We found that there was a movement shown in the capital reserve for £42,325, when we investigated this amount during the audit we found that it was a 'balancing item' as a result of the fixed asset transactions during the year. It was found that a balancing item was required due to an addition being double counted, as a result we adjusted the accounts for the movement in the reserve and reduced the additions by the same amount.
  - In the I&E account the IDB had expensed £156,280 for 'purchase of capital assets', we reviewed this account to ensure that any items expensed did not have a life extending greater than 12 months. We found that most of the items expensed should have been capitalised and then depreciated over the life of the asset. As such we adjusted the

accounts to reduce the expenditure by £155,666 and increase additions in the fixed assets note.

- 2.15 We reviewed the pension reserve and pension fund liability. The previous year marked the first year that the IDB had accounted for its share of the Nottinghamshire County Council pension fund. Year on year it is a requirement to account for the net pension charge as disclosed in the FRS17 through the I&E account, initially the IDB had accounted for the increase in liability through a movement straight to reserves, this resulted in the FRS17 charges not being fully reflected within the I&E account. We have adjusted the accounts by excluding employer contributions from the I&E account for £73,843 and transferred these to the reserve. In addition we have included current service charges, interest and pension obligations in the I&E account for £131,000. This has resulted in the Statement of Movement on the General Fund Reserve and Statement of Total Recognised Gains and Losses (STRGL) now being an accurate reflection of the correct FRS17 adjustments.
- 2.16 Upon review of the bank statement post year end we found that the IDB had received funding for a capital purchase which had been made, and accounted for, in 2009/10. As the capital purchase had been made in 2009/10 to appropriately match the expenditure with the income we suggested that the accounts be adjusted to include a debtor for the income amount and reflect the deferred grant liability to be offset against the depreciation each year on the purchased asset. As a result of this adjustment a liability exists for £20k and a trade debtor for the income relating to the grant received post year end.
- 2.17 Our review of accruals found that the wages accrual had been incorrectly disclosed within taxation and social security rather than accruals and therefore we adjusted this disclosure for £5,140. Our review of accruals found that the audit fees for the year had not been accounted for and as such adjusted the accounts for £9,000.
- 2.18 The first draft of the accounts included income received for rechargeable works, however a corresponding expenditure item was not evident. It was found that the expenditure related to this income was included in drains maintenance and as such we adjusted the accounts to remove £91,321 disclosed under drains maintenance expenditure and included a disclosure for 'cost of rechargeable works'.
- 2.19 A number of presentational and disclosure issues were identified to management and these have all been processed.

### **Going concern**

- 2.20 The Association of Drainage Authorities guidance recommends that the General Reserve held by the Board is at a minimum of 20-25% of net expenditure which for the IDB would be approximately £260,000. Currently the IDB policy is to have general fund balances of as a minimum £200,000. Currently the general reserve balance is £69,666. In addition, the IDB is in a net liability position which means that there are not enough assets to meet the liabilities. Although the net current assets position, also known as the liquidity position, is in a positive position (£218,913) however reduced significantly by 53% when a year on year comparison is made.
- 2.21 However it is important to note that this net liability position is mostly due to the increase in the Defined Pension Scheme liability which increased by £1,055,843. It is expected that in the future the value of the average employer's FRS17 liabilities will reduce by around 6-8% due to the consumer price index rather than the retail prices index being the basis for future public sector pension increases. This change has been reflected as a non adjusting post

balance sheet event (note 12 to the accounts) and is likely to have impact on the net asset position going forward.

- 2.22 The IDB has drafted a 5 year medium term financial plan until 2014/15, this highlights over this term there are three years where the IDB is in a deficit position (expenditure being greater than income). In addition, the expected public sector funding cuts of 30% over a three year basis have not been factored into the financial plans. A robust savings plan has not been developed based on these known deficit positions. We would recommend that a savings plan be developed as soon as possible for the Board to consider.
- 2.23 Favourably, the cash position remains healthy and will continue to be throughout the 5 year cycle. This may however be affected by some scenario planning of the drafted 5 year plan as discussed in the previous paragraph.
- 2.24 We consider that going concern is considered appropriate, however we note that it will continue to be an audit risk in 2010/11. We ask the Board to consider, and minute, the assumptions on which going concern is considered appropriate.

### **Financial performance**

- 2.25 The IDB reported a deficit of £380k and following transfers from other reserves, decreased its General Reserve balance by £323k to £70k. We have considered the IDB's ability to continue as a going concern taking into account its budget for 2010/11 and its medium term financial plan. We have sought management representation over the IDB's ability to operate as a going concern given that the general fund balances are not in line with policy as discussed at paragraph 2.19.

### **Annual Governance Statement (AGS)**

- 2.26 We reviewed the draft AGS and are satisfied that it complies with guidance and is in accordance with our knowledge of the IDB.

### **Annual report**

- 2.27 We reviewed the draft annual report and made recommendations to improve its content and presentation. These have been processed by management and we are satisfied that its content is in accordance with our knowledge of the IDB.

### **Next steps**

- 2.28 The Board is required to approve the financial statements for the year ended 2009-10. In forming its conclusions, the Board's attention is drawn to the required Letter of Representation.

## A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.

To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.

To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
<b>Independence</b>	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> <li>• We are independently appointed by the Audit Commission.</li> <li>• The firm has been assessed by the Audit Commission as complying with its required quality standards.</li> <li>• The appointed auditor and client service manager are subject to rotation in line with the Audit Commission's requirements.</li> <li>• We comply with the Auditing Practices Board's Ethical Standards.</li> <li>• We have not provided any non audit services in 2009-10.</li> </ul>
<b>Audit Approach</b>	<p>Our approach to the audit was set out in our 2009-10 audit plan and Audit Approach Memorandum. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice.</p> <p>We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors.</p>

ISA260 reporting requirement	Key messages
<b>Accounting Policies</b>	<p>The IDB has adopted appropriate accounting policies in accordance with the Association of Drainage Authorities Practitioners' Guide for Internal Drainage Boards which interprets the Financial Reporting Standard for Smaller Entities (FRSSE) for IDBs.</p> <p>The Board should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by FRS 18.</p> <p>We have considered the IDB's financial plans and consider it appropriate for the IDB to continue to account on a going concern basis.</p>
<b>Material Risks</b>	<p>The Board should confirm that it is not aware of any additional material risk areas facing the IDB, including significant fraud risks.</p> <p>We have requested from the IDB a Letter of Representation, to state that there are no additional material risks and exposures as at September 2010, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the IDB have been recognised in the accounts as at September 2010.</p>
<b>Audit Adjustments</b>	<p>We have discussed with management adjustments to the accounts to improve the clarity and presentation of disclosure notes. These adjustments, included in Appendix B, have all been processed by management.</p>
<b>Unadjusted audit errors</b>	<p>We have identified one issue in regards to accruals.</p> <p>The Board should satisfy itself of the appropriateness of the approach taken by management not to adjust for this error and has minuted its decision.</p> <p>This adjustment is summarised at Appendix C.</p>
<b>Other Matters</b>	<p>We have made recommendations in respect of areas for improvement. Recommendations and agreed action are listed in the Action Plan at Appendix D.</p>

## B Adjustments to the financial statements

The table below lists all significant audit adjustments which have been processed and agreed with the IDB's Chief Engineer and Clerk.

### Adjustment Type

**Misstatement** - A change to the value of a balance presented in the financial statements.

**Classification** - The movement of a balance from one location in the accounts to another.

**Disclosure** - A change to the way in which a balance is disclosed or presented in an explanatory note.

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	74	Expenditure costs relating to employer pension costs charged to Administration expenses which should have been charged to the pension reserve.	Increase in deficit for the year of £57k. Increase in pension fund reserve for the year of £57k. A corresponding transfer from the pension fund reserve to the general fund has met this increase in deficit, this disclosure made in the Statement of General Fund Reserve.
	(131)	Current service charges per the FRS17 actuarial report that should have been charged to administrative expenditure in year incorrectly charged to pension reserve.	

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	(112)	Impairments to fixed assets previously shown under the revaluation reserve, now shown on the face of the income and expenditure account.	Increase in deficit of £69k during the year, net increase in fixed assets during the year of £741k, net increase in reserves of £853k.
	(27)	Assets included in the fixed asset register for items that have a life less than 12 months and should therefore be written off.	
	156	Assets previously expensed through the I&E account that have a life greater than one year. These are now included within fixed assets.	
	(84)	Depreciation not previously included within the I&E account which has now been adjusted and reflected within accumulated depreciation balances on the fixed assets.	
	845	Value of Plant and Equipment of pumping stations that were previously not included on the fixed asset register as the valuer had not ascribed a value due to the pumping station being on leased land.	
	(2)	Loss on disposal of fixed assets that had not previously been written out of the fixed asset register.	
	(61)	Transfer of assets under construction to various finalised fixed assets (classification).	
	(45)	Reversal of capital reserve of balancing item transfer previously accounted for in the year.	

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	(20)	Deferred revenue previously accounted for as income for capital grant funding. This has been adjusted to treat as deferred revenue to be offset against the depreciation in relation to the capital funded asset.	Increase deficit by £20k and increase liabilities by £20k.
Classification	5	Wages and salaries accrual previously disclosed as other taxation and social security.	Reduce disclosure for other taxation and social security under creditors and receipts in advance and increase accruals under the same heading by £5k. No profit effect.
Misstatement	9	Accrual for audit fees for the 2009/10 audit.	Increase deficit by £9k and increase liability by £9k.
Disclosure	9	Amount previously included under other income for consideration of fixed assets sales that should have been netted off the net book value of assets sold.	Adjust Other income under I&E account and disclose under 'profit/loss on sale of fixed assets by £9k. No profit effect.
Disclosure	91	Amount previously included under the I&E account under Drains Maintenance expenditure which should be shown separately as costs of rechargeable works.	Adjust lines in the I&E account for expenditure for costs of rechargeable works and drains maintenance by £91k. Nil profit effect.
Disclosure	N/A	Note in relation to the expected fall in Defined Pension Scheme liability which classified as a post balance sheet even (non adjusting).	Note 12 includes the following paragraph: The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. This change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%

## C Unadjusted errors schedule

The table below lists all minor audit adjustments which have not been processed by management on the grounds of materiality.

### Adjustment Type

**Misstatement** - A change to the value of a balance presented in the financial statements.

**Classification** - The movement of a balance from one location in the accounts to another.

**Disclosure** - A change to the way in which a balance is disclosed or presented in an explanatory note.

Adjustment type	£000	Accounts balance	Impact on financial statements
Misstatement	3	Accruals found as a result of the audit process which were not included within the income and expenditure account.	If processed the result of this error would have been to increase the deficit by £3k and increase liabilities by £3k.

## D Management Action Plan

Rec. No.	Para Ref	Recommendation	Priority H/M/L	IDB response	Implementation date and responsibility
1	2.9	<p><b>Financial planning</b></p> <p>The IDB should factor into future budgets the expectation that there will be 30% public sector funding cuts phased over a three year period. In addition, where deficits are planned the IDB should consider drafting a robust savings plan with a view of reaching the required general fund balances of £200k.</p>	H	<p>Accepted - we will adjust our proposals making cutbacks if required depending upon the situation.</p> <p>We would propose to return reserves to the £200,000 minimum within 3 years whilst continuing to provide the service to ratepayers.</p>	<p>February 2011</p> <p>March 2014</p>
2	2.10	<p><b>Financial Reporting</b></p> <p>The IDB should consider reviewing its arrangements for the preparation of year end financial statements with a view of using resources across all drainage boards.</p>	M	Accepted - we will consider using outside professional resources next year or assistance from other IDB as suggested.	May 2011
3	2.14	<p><b>Fixed Assets</b></p> <p>The IDB should consider discussing fixed asset disclosure and treatment with the auditor prior to close down of the annual accounts. This process may prevent material adjustments post Board approval in June.</p>	M	Accepted - this will be through the Internal Auditor as the external audit does not start until close down.	May 2011



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