

**NORTH LEVEL DISTRICT INTERNAL DRAINAGE BOARD
MINUTES OF AUDIT COMMITTEE MEETING 7 JUNE 2010**

Present: J Sly (Chairman)
J A Clarke
Cllr C J T H Brewis
N J Harris
S H Morris (Chief Executive)
P Sharman (Engineer)

In Attendance H Rao (Internal Auditor)
G Spurr (Accountant to the Board)
Mrs C Emery (Secretary)

1 APOLOGIES

Apologies were received from Cllr M Cotterell MBE

2 APPOINTMENT OF NEW INTERNAL AUDITOR

The Chief Executive reported the retirement of Mr G Parkes and welcomed Mr Hiren Rao as the new Internal Auditor to the North Level District IDB.

3 MINUTES OF LAST MEETING

The minutes of the meeting held on the 11 January 2010, copies of which having been circulated with the agenda, be taken as read and being a correct record of the business of such meeting.

4 MATTERS ARISING OUT OF THE MINUTES

There were no matters arising.

5 REVIEW LEVEL OF REVENUE ACCOUNT RESERVES

The Chief Executive drew members' attention to the level of General Reserves (revenue), a table of the balances over the period 2003 - 2010 having been circulated with the agenda. He explained that the account balance was used to smooth the fluctuation in expenditure caused by the likes of prolonged rainfall and higher than average pumping costs. He suggested that the General Reserves balance should be in the region of 25% of the total income from drainage rates and special levies. He pointed out that the last two years a deficit had occurred mainly due to the higher than estimated levels of pumping, along with the loss of investment and other income. He requested that the Committee consider whether the target of 25% was appropriate. After a full discussion, it was recognised that by not increasing the drainage rates levied over the past 10 years, in real terms this was in fact a reduction of 30% should the effects of inflation have been applied. Members accepted that difficult financial decisions may have to be made so as to limit future rate increases.

It was

RECOMMENDED that the target minimum Revenue account reserves should be 25% of income.

6 RECEIVE THE STATEMENT OF ACCOUNTS FOR YEAR EDNDED 31 MARCH 2010

(a) To Consider the Annual Governance Statement

Members considered the Annual Governance Statement as presented and it was agreed to

RECOMMENDED the Board approve and accept the Annual Governance Statement.

(b) Confirm the adopted Accounting Policies are the most appropriate

The Board's accountant explained to members the accounting policies that he had adopted. Following a brief discussion it was

RECOMMENDED that members adopt the Accounting Policies used as being the most appropriate.

(c) To Consider the Board's Statement of Accounts for the Financial Year ended 31 March 2010

The Board's accountant explained the statement of accounts to the meeting, highlighting any changes to procedure from previous years.

A lengthy discussion ensued regarding the operation of the Oncost Fund. It was explained that a negative figure in the expenditure column was in fact a profit to the fund. The labour oncost fund being used for the paying of the employees sickness, holidays, provision of protective clothing and transport. The Chief Executive explained that the 2009/10 rate for calculating the oncost was 65% of the hourly labour rate, but that due to the surplus generated, it had now been reduced to 60% for this current financial year. This is mainly attributable to very little sick leave being taken in that year.

He continued by saying that to comply with the most recent DEFRA IDB1 return, administration costs now had to be split between administrative and operational costs. The operational costs being those linked to the engineering establishment, these being charged on a proportional basis to all schemes and maintenance operations.

In response to a question from Mr Clarke the Chief Executive said that in balances the difference between £335,775 shown in the table in item 5 on the agenda and the £349,691 shown on the balance sheet in the accounts is the £13,916 balances which were transferred as a result of the amalgamation with West Side Marshes IDB and had not been incorporated into the North Level balances until the current financial year.

In response to a further question from Mr. Clarke, the Chief Executive explained that a full valuation of the Board's assets had recently been carried out. The Board's internal auditor suggested that the revaluation of assets should be carried out on a regular basis. The Chief Executive responded by saying that in agreement with Grant Thornton, properties and land are to be revalued annually with pumping stations valued every five years.

The Board's accountant explained that the Auditor had requested that the Fishing Rights should be recorded as an intangible asset. He then continued by explaining that the balance in the Plant Renewals Fund appeared to be sufficient to replace all of the Board's plant and therefore should be monitored closely so as to avoid excess balances being accrued.

There being no more questions it was

RECOMMENDED that the Board accept the Statement of Accounts for the year ended 31 March 2010.

7 TO RECEIVE THE INTERNAL AUDIT REPORT

The Chief Executive referred to the Internal Auditors report for year ended 31st March 2010 as submitted by Mr Parkes a copy of which having been circulated with the agenda. After a short discussion it was

RECOMMENDED the Internal Auditor's report be accepted by the Board.

8 CONSIDER THE INTERNAL AUDIT CHARTER

The Board's Internal Auditor (Mr Rao) explained the Internal Audit Charter, a copy of which having been circulated with the Agenda. Following a short discussion it was

RECOMMENDED the Internal Audit Charter be adopted subject to the word "Members" being substituted for "Directors".

9 CONSIDER THE AUDIT PLAN FOR 2010/2011

The Internal Auditor expanded on the Internal Audit Plan for 2010/11, explaining that at the request of Grant Thornton KLOE 2.3 & 2.4 had been given a higher priority so as to have been completed by the commencement of the External Audit in August. In reply to a question from Mr Clarke he confirmed that the Internal Audit Report would in future be more informative than previous reports.

It was

RECOMMENDED that the Internal Audit Plan 2010/11 be adopted by the Board.

10 CONSIDER THE STRATEGIC PLAN 2010

It was requested that a short glossary be included in the strategic plan of the acronyms which were frequently used. The Engineer explained that updates to the Strategic Plan which had been circulated with the Agenda are highlighted in red. The Strategic Plan will be reviewed on a regular basis. Mr. Clarke suggested that as part of the public awareness campaign the

Board investigate the possibility of producing a video highlighting roles and responsibilities of the North Level District IDB, this being made available to schools and other interested parties and could also be linked to the website which is presently being revamped.

Following a brief discussion it was

RECOMMENDED that the Board accept the Strategic Plan 2010.

11 ANY OTHER BUSINESS

The Chief Executive advised members that at present North Level had £500,000 invested with Santander at 2%, but that Building Societies were offering investment interest at less than 1.0%. He said that having consulted South Holland District Council Finance Officer, Clydesdale Bank had in the past offered them better investment rates than Building Societies. Alternatively it had been suggested that VestraWealth could give better returns. It was decided that with the costs involved of setting up accounts with investment firms and the lack of guaranteed interest rates, it would be just as prudent to continue with the principles as previously adopted.

It was

RECOMMENDED that the Board continue with the current investment policy.

There was no other business