

LOWER MEDWAY INTERNAL DRAINAGE BOARD



MINUTES OF A MEETING of the **Finance Committee** held at
The Boards Offices, 17Albion Place, Maidstone, Kent
on **Friday 27 May 2016 at 1.30pm.**

Members of the Committee Present

Chairman: H R Neaves

D Dewar-Whalley
J C Lewis

In attendance

M D Watson - Clerk & Engineer
L Collins - Office Administrator

1. APOLOGIES FOR ABSENCE

Apologies received from S C Batt, R Hinge and S Mair.

2. FINANCIAL RISK ASSESSMENT

RECEIVED a copy of the Boards Financial Risk Assessment.

(As attached to these minutes)

Members were given time to read the document and were asked to review and suggest any necessary amendments.

Members reviewed the Boards Financial Risk Assessment and **AGREED** that the following amendments were necessary and recommended that they be put to the Board at their next meeting for approval.

Business Continuity

Management/Control of Risk: add the narrative "Use the Boards reserves as a going concern".

Contracts

Management/Control of Risk: members felt that the £10k figure reported was too low and should be increased to £25k.

Tendering

Risk Identified: members felt that the wording “Best quality, price, after service and support not obtained” didn’t read very well. Suggested changing the wording to “Not obtaining best quality, price, after service and support”.

Credit Cards

Risk Identified: add the narrative “ loss of card”.

Bribery

Management/Control of Risk: remove the wording “Land Drainage Act 1991” and add the narrative “Vigilance of the Clerk” and “Vigilance of the Bills Committee”.

Banking, Investments & Borrowing

Management/Control of Risk: add the narrative “Bank Statements are checked and reconciled on a monthly basis”.

Expense Claims

Management/Control of Risk: amend the narrative “Rates of mileage allowances known in advance” to “ Rates of mileage allowances and expenses known in advance and are reported to the Bills Committee on a monthly basis”.

Assets

Management/Control of Risk: members felt that the wording needed to be more specific. Add the narrative “Vehicles, plant & equipment reviewed every 12 months” and The Boards Offices reviewed every 3 years”.

Employees

Management/Control of Risk: members felt that the wording “Private work needs Supervisors permission and landowners signature and approval of work before started and invoiced” was confusing, as this could apply to workmen carrying out private work, or private work being carried out on behalf of landowners. Suggested the wording be changed to “Any private work needs the Boards approval”.

Pension Fund

Management/Control of Risk: members queried the narrative “IAS Regulations ??”.

The Office Administrator explained that the Board works under International Accounting Standard 19 (IAS19) and KCC via Barnett Waddingham (independent Actuary) carries out a revaluation every 3 years in order to address any shortfall in the Boards pension liability.

Management/Control of Risk: members suggested the wording be changed to “IAS 19”.

Review/Assessment/Revise: members suggested the wording should be changed from “valued by independent Actuary every 3 years” to “Revalued by independent Actuary every three years to address any shortfall over a 25 year period”.

Legal Powers

Risk Identified: members felt that this wording needed to be more specific. Did it relate to the Board, the employees or landowners?

Add the narrative “Illegal activity or payments by the Board”, “Illegal activity or payments by the employees” and “Illegal activity or payments by landowners.

Management/Control of Risk: add the wording “The Board & the Clerk to monitor illegal activity of staff”, “The Board & the Clerk to monitor the IDB area of any landowner in violation of the Boards Byelaws – legal action under Land Drainage Act 1991”, Clerk to monitor illegal activity of employees” and Clerk & Bills Committee to monitor all payments on a monthly basis”.

Members Interests

Management/Control of Risk: members felt that the wording should be changed from “Members must declare conflict of interest during meetings, item Agenda” to “Members must declare conflict of interest pecuniary and non pecuniary at the start of the meeting, Agenda Item”.

3. INTERNAL CONTROLS – YEAR ENDING MARCH 2016

RECEIVED a copy of the Boards Statement of Accounting Policies and the Statement of Internal Control for the year ending March 2016.

(As attached to these Minutes)

Members were given time to read the documents.

The Office Administrator explained that these documents had been reported at the last Board Meetings for members consideration. One proposed amendment was agreed with regard to the Statement of Accounting Policies – Item 2 Fixed Assets. The wording of the third paragraph was amended to reflect the way the Board has to account for fixed assets within the Annual Return in order to satisfy the external auditor.

Members **AGREED** that there were no further amendments were required.

Members noted that there didn’t appear to be any mention in the Internal Audit Report concerning the Boards Procedures, Systems and Risk Management.

The Office Administrator explained that these issues had also been raised at the last Internal Audit Sub Committee meeting, however, the last Independent Internal Audit carried out was purely to check end of year matters.

The Office Administrator also explained that K Funnell had focused mainly on Financial matters of the Boards during recent years, to ensure that the Boards were not exposed financially, following the departure of the Accounting & Rating Officer.

Members wished to make a recommendation to the Board that the next Internal Audit looks specifically at the Boards Procedures, Systems and Risk Management.

All Members present **AGREED** that the Chairman should approve the Statement of Accounting Policies and the Statement of Internal Control for the year ending March 2016.

Members were asked to consider whether the Committee agrees an adequate and effective Internal Audit of its accounting records and of its system of internal control has been undertaken as required by the Accounts and Audit Regulations 2015.

Members **AGREED** that an adequate and effective Internal Audit of its accounting records and of its system of internal control had been undertaken as required by the Accounts and Audit Regulations 2015.

4. ANNUAL GOVERNANCE STATEMENT – YEAR ENDING MARCH 2016

RECEIVED the Annual Governance Statement as required by the amended Accounts and Audit Regulations 2015.

(As attached to these Minutes)

The Office Administrator explained that this document is basically Section 1 of the Annual Return.

Members discussed the content of this document and no concerns were raised.

The Chairman asked Members if they were happy for him to sign this document.

All members in attendance **AGREED** that the Chairman should sign the Annual Governance Statement.

Members were then asked to consider and approve by resolution Section 1 (Annual Governance Statement) of the Annual Return.

All Members present **RESOLVED** that the Chairman should sign and date Section 1 of the Annual Return.

5. INTERNAL AUDIT

RECEIVED Kevin Funnell's end of year internal audit report carried out on 12 May 2016.

(As attached to these Minutes)

REPORTED that the Clerk and the Office Administrator are in the process of obtaining details of suitable candidates to replace K Funnell, as he will be retiring at the end of June 2016. These details will be presented to the Internal Audit Sub Committee at their next meeting for consideration.

Members noted the content of the Internal Audit report.

6. ANNUAL RETURN – YEAR ENDING MARCH 2015

RECEIVED a copy of the External Auditor Certificate and Opinion - Section 3 of the Annual Return.

(As attached to these minutes)

The Office Administrator explained to members that this shows any comments the External Auditor raised on last years accounts.

REPORTED that the External Auditor in Section 3 of the Annual Return noted one item of “other matters not affecting our opinion which we draw to the attention of the board”.

We note that the Board has adopted the anticipated revision to the guidance on asset valuation, in line with the wording on Box 9 of the Annual Return. Revised guidance in respect of the treatment of fixed assets is expected to be communicated on behalf of the Association of Drainage Authorities to all Internal Drainage Boards for the 2015/16 and subsequent years. The Guidance is expected to indicate that assets should be recorded at their original cost (or proxy such as insurance value where this is not known) and no adjustment is required until disposal.

REPORTED that the revised Governance and Accountability in Internal Drainage Boards in England – A Practitioner’s Guide has recently been published by ADA, which reflects the External Auditor’s comment made above.

REPORTED that in order to satisfy the External Auditors requirements where the original cost of the Boards fixed assets was known, the revised figures were used in the Annual Return and marked as “restated”.

For example, the Boards offices is currently valued at £295,000, 50% of this cost (£147,500) is usually reported in the Upper Board accounts, however, the original cost was £13,131.92, so 50% of this cost (£6,565.96) is now reported on the annual return instead.

This also applies to any vehicles, plant and equipment. The original purchase price is recorded on the Annual Return. Then upon the sale of the equipment, the original price is removed.

The Office Administrator explained that she had previously discussed this with the Internal Auditor, as surely it would make better sense to report actual current value of assets, which would be more meaningful to the Board and the general public. However, this is the request from the External Auditors and required for accounting purposes. The ADA Practitioners Guide has been amended to reflect this change for all IDBs.

7. END OF YEAR ACCOUNTS – YEAR ENDING MARCH 2016

RECEIVED the End of Year Accounts for the year ending 31 March 2016 produced for information only.

(As attached to these Minutes)

The Office Administrator explained that these were produced for members information only and showed the true value of the Boards assets, rather than the figures that have to be reported in the Annual Return.

Members **NOTED** the End of Year Accounts and were happy to receive them in the current format. Members requested that when being presented to the Board it is noted that they reflect the Boards real accounts and assets.

8. ANNUAL RETURN – YEAR ENDING MARCH 2016

RECEIVED a copy of the IDB Annual Return for the year ending 31 March 2016.

(As attached to these Minutes)

REPORTED that the form has changed this year from previous years. The Annual Return used to be a blue form issued just for IDBs, however, the new form is purple and is issued to Local Councils, Internal Drainage Boards and other Smaller Authorities in England.

REPORTED that the information required for box number 4 has changed from last year. Previously we have had to report watercourses and pumping stations costs in this box. This year it has changed to report staff costs, including PAYE, NI and Pension contributions relating to employees and employers. So box 4 and box 6 have had to be shown as “RESTATED” because the figures reported in this years Annual Return are different to those reported and approved in last years Annual Return.

Members were asked to consider and approve by resolution Section 2 (Accounting Statements) of the Annual Return.

The Clerk explained that K Funnell had seen the figures reported during his end of year audit and as a result was able to sign off Section 4 of the Annual Return.

All Members present **RESOLVED** that the Chairman should sign and date Section 2 of the Annual Return.

9. ANY OTHER BUSINESS

Tiptree Depot

The Clerk informed members that the lease on Tiptree Depot is up for renewal in October 2016.

REPORTED that the landlord is offering a 15 year lease but the rent will increase from £10,500 to £12,500.

The Clerk explained that the building is not entirely fit for purpose, as not all of the Boards equipment can be stored securely inside and there has been an ongoing rat/mice problem of recent months.

The Clerk has sourced an alternative building at Stickfast Farm, which is twice the size of the existing building. The premises are fully protected and locked up at night. The rent is £24,000 per year on a 20 year lease, with breaks offered at 10 and 15 years respectively.

Members asked whether the rent was fixed. If not, at what periods would a rent review be applicable. The Clerk to find out.

Members also asked whether the advantages of the new building could justify the increase in rent.

Members discussed the financial commitment of a 20 year lease and whether the Board should consider the option of buying a piece of land with a view to building a purpose built structure, just like the Upper Board have done. The Clerk to investigate this option further.

Office Computer Equipment

The Clerk informed members that there was a need to consider renewing the office server and his PC. The existing facility is based on Windows 2007. There is an option to upgrade to Windows 2010 at no extra cost, however, the existing computers and server have had additions installed to enable them to operate the various new systems in place (digital mapping), but are now running to their maximum capacity and are extremely slow.

The Clerk has spoken to the Boards IT support people who have put a quotation together for the relevant upgraded equipment, which totals £8,500.

Members asked how old the equipment was. The Clerk and the Office Administrator believed that the equipment was installed around 2008.

Members asked whether there was an alternative supplier to go with.

The Clerk explained that the Boards have been with the current supplier for a number of years now and have never had any problems with the service provided. They know how and what we operate and deal with any problems in a timely manner.

The Clerk offered to obtain an alternative quote as a comparison.

Members **AGREED** that an alternative quote should be sourced to compare price and possibly other options which may be available that the existing supplier may not have thought of.

10. CLOSURE

There being no further business the Chairman thanked Members for their attendance and declared the meeting closed.