



**Our reference**      PG/SP032916

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Dear Innes

**The Practitioners' Guide to Proper Practices to be applied by smaller authorities in England in the preparation of statutory annual accounts and governance statements.**

Many thanks for arranging the consultation on the draft new Practitioners' Guide among your member Boards. Despite the short time frame, JPAG was encouraged by the level of interest shown and the knowledgeable feedback received from practitioners. This has informed the final version of the Guide and the proper practices and non-statutory guidance on internal audit therein.

On 29 March 2016, JPAG approved Sections 1 to 4 of the Guide for issue to ADA for publication. Work is progressing in relation to the new Section 5 of the guide, covering additional information and examples, and this should follow shortly. But as Section 5 does not form part of the proper practices, it is not required for practitioners to complete the annual return.

We invite you to publish the attached new Guide and pro-forma annual return on your website to make it available to your members forthwith.

The 2016 edition of the Guide applies to the statutory reporting of the financial year 2016/17. However, responding to sector requests, JPAG has authorised the early adoption of the Guide for 2015/16 on a voluntary basis. The decision whether to do so will rest with individual smaller authorities. As some authorities might choose not to go for early adoption, I would encourage ADA to keep both extant editions of the Guide available on its website until at least 31 December 2016.

Boards that do not adopt the new guide early will face a transitional challenge this year in respect of completing Section 2 of the annual return (accounting statements) at Line 4. This is because in an earlier JPAG consultation regarding the 2016 annual return, ADA expressed support for a unified annual return for all smaller authorities which for Boards meant a change in the way they need to report annual staff costs. This is not covered by the 2007 edition of the guide.

I would therefore urge ADA to encourage Boards towards early adoption by strongly promoting its successful campaign on behalf of the Boards to secure changes to the guidance and to allow for full early adoption by IDBs, not least because of the considerable advantages that early adoption brings by providing clarity over the long standing issue of the valuation and reporting of fixed assets in the annual return.

To assist those Boards not taking up the opportunity of early adoption, ADA may wish to explain that they will have to amend the 2015/16 annual return at Line 4 by crossing out 'Staff Costs' and writing in 'Watercourses and pumping stations' and also amending the relevant 'notes and guidance' cell of the annual return accordingly to make sure it was consistent with the amended title. We would suggest ADA might also wish to advise Boards doing so to add a note to the accounts section of the annual return explaining what they have done and why, in order to inform those reading the accounts.

Readers of the new Guide will notice some changes to the way it is laid out and presented compared to earlier editions. Although the content is actually not greatly changed, the revised format is intentional and designed to allow practitioners to follow more closely the layout of the annual return. We have also responded to requests to clarify what are the required proper practices that smaller authorities need to follow in completing their annual return.

The Guide has been updated to reflect changes in legislation affecting smaller authorities. Work on the 2017 edition of the Guide, which will reflect further changes in legislation applying from 2017/18 onwards, will shortly be underway and JPAG will be consulting on this later this year.

Yours sincerely

Steve Parkinson  
*Chair JPAG*

CC JPAG members