

**Doncaster East Internal Drainage Board**

**Interim Report of the Internal Auditor on the Internal Controls within the  
Potteric Carr SSSI Implementation Scheme as at  
31st March 2016**



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Dear Sirs

Whilst the scheme being reviewed is specific, the responsibility of the Board and the purpose of the internal control system remains the same as for any other area in which the Board is involved. We have as such highlighted these factors below: -

#### **1) Scope and Responsibility**

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Board also has a duty to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Board is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Boards functions and which includes arrangements for the management of risk.

#### **2) The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Boards policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

#### **3) The Internal Control Environment**

The key elements of the internal control environment, which the Board have addressed, are in ensuring that they:

- Prepare its accounting statements in the way prescribed by law.
- Make proper arrangements and accept responsibility for safeguarding public money and resources in its charge.
- Have only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
- Have given all persons interested the opportunity to inspect and ask questions about the board's accounts.
- Considered the financial and other risks it faces and has dealt with them properly
- Arranged for a competent person, independent of the board's financial controls and procedures, to give an objective view on whether these meet the needs of the board and reviewed the impact of this work.
- Responded to matters brought to its attention by internal and external audit.
- Disclosed everything it should have about its business activity during the period including events taking place after the period if relevant.

### **Brief History and Statistics of the Scheme**

After the undertaking of preliminary work in connection with the scheme, formal approval for the implementation of the scheme was granted by the Environment agency on 7<sup>th</sup> January 2011. The total approved sum is calculated as follows: -

<b><u>Type of Expenditure</u></b>	<b><u>Estimated Cost</u></b>
Design and appraisal (Consultant's Fees)	£ 74,416.00
Construction Works	£ 154,439.00
Contingencies (95 Percentile & Inflation)	£ 118,826.00
<b>Total</b>	<b><u>£ 347,681.00</u></b>

As at the 31st March 2016 there had been a total amount drawn down from the scheme in the amount of £285,626.

### **Expenditure Summary**

In respect of expenditure, a total amount of £286,286.02 had been physically spent within the scheme up to 31st March 2016.

A summary of this expenditure is as follows: -

JBA Consulting	£ 120,546.41
D C Bichan	£ 55,924.60
Site Investigations Ltd	£ 22,027.20
Perrys Pumps Ltd	£ 2,350.00
Lincoln Electrical Services Ltd	£ 1,021.00
M Gould (Scunthorpe) Ltd	£ 15,531.81
Contribution to Balby PS Scheme	£ 68,885.00
<b>Total</b>	<b><u>£ 286,286.02</u></b>

### **Scheme Funds held by the Board**

When deducting the expenditure from the total income received shown above, this resulted in a deficit of monies in respect of the scheme as at 31st March 2016 in the amount of £660.02.

The above deficit will be covered from a future draw down from the scheme monies still available.

### **Application for prior approval of variations of approved scheme/studies**

A subsequent application of variation to the change in scope of work within the scheme was submitted on 3<sup>rd</sup> December 2012 and Environment Agency approval of this was then subsequently received.

This did not amend the total grant funding in any way, it was in respect of a change in the scope of work only which was varied.

In respect of the updated budgeted costs these are included within the spend profile documentation as follows: -

1. Design and Appraisal Fees uplifted £9,787 from £74,416 to £84,203.
2. Construction Works uplifted £53,344 from £154,439 to £207,783.
3. Contingencies utilised above and therefore reduced by £63,131 from £118,826 down to £55,695.

The total values included within 1 and 3 above fully correlate back to the original approved grant valuation in their own right.

This forms part of the spend profile documentation of the scheme which is maintained by the clerks to the board and the project manager. This is reviewed and discussed with the project manager of the scheme on no less than a monthly basis.

We are satisfied that this key document is being maintained as required and updated accordingly on a timely basis. This provides the board with updated information as required alongside other supporting documentation attributable to the spend profile of the scheme.

#### **Scope of Internal Audit of the Scheme**

When ascertaining the scope of our internal audit of the scheme a broad approach was taken to ensure all key factors and risk areas were included. This included a detailed analysis of the scheme movements from the start of the implementation stage to 31<sup>st</sup> March 2016.

The following represents a summary report on the main areas included within our overall internal audit of the scheme.

#### **Contribution to Balby P S Scheme - £68,885**

The above payment represents the contribution made from the Potteric Carr Water Level Management Plan towards the Balby Carr and Low Ellers Pumping station refurbishment costs. This payment has full Board approval and is included within the budgeted costs of the scheme above.

The contribution was calculated in line with the value of the works to the benefit of the scheme being undertaken. The refurbishment works enable better management of the water levels within the nature reserve on the site

## **Moveable Assets**

It is apparent from the analysis undertaken on the scheme over the above period that no moveable assets have been purchased from scheme monies.

## **Tendering Process**

In respect of the overall tendering process which has been evident in respect of the scheme we would comment as follows.

We have looked at a sample of two individual tenders which have been undertaken in respect of the scheme: -

1. Low Ellers & Balby Carr Pumping Stations – Structural Works.
2. Low Ellers & Balby Carr Mechanical and Electrical Works.

In respect of the above tenders, all tender and tender review documentation was reviewed by ourselves. We are satisfied that the process is thorough and appropriate documentation is being maintained.

In respect of the above tenders as a whole, part of these refurbishment costs have been allocated to the Water Level Management Plan scheme as these costs were considered necessary to provide an improvement in the condition of the SSSI.

## **Finance Regulations**

In respect of the financial regulations in this area, this previously stated that for “Grant aided schemes/large contracts” the board’s procedure should be to “Obtain tenders, consult Board and Grant Aiding Body”.

We note this was amended to the effect that for “small contracts within a Grant Aided Scheme” the following procedures are evident: -

- Up to £5,000 - At the Clerk’s discretion.
- £5,000 to £20,000 - Two quotations/estimates and agree with Chairman.

We are satisfied that the finance regulations in place during the above period were followed and all relevant tender documentation maintained within the scheme records.

Subsequently the finance regulations of the board have been subject to review and enhancement and are now, as approved for adoption, as follows: -

- Up to £5,000 - At the CEO’s discretion or the Chairman’s discretion in relation to specialist service provided by the management services.

£5,000 to £20,000 - Two quotations/estimates and agree with Chairman.

£20,000 and over - Obtain three tenders, consult Board and obtain Board approval. Comply with EU procurement legislation where applicable.

### **Spend Profile Documentation**

When fully reviewing the spend profile documentation being maintained with regard to the scheme it is clear that it is being recorded on a basis in keeping with this type of project in that it incorporates the following key aspects: -

1. Provides the precise position at the end of each month in respect of both costs incurred and monies drawn down from the scheme.
2. Provides a ledger balance of unspent funds held in the scheme at the end of each calendar month.
3. Total costs are split between the required headings so that the spend profile can be easily reconciled back to the analysis of the grant initially approved by the Environment Agency on 7<sup>th</sup> January 2011.
4. Provision is made within the spend profile to ensure easy reconciliation to the approved application for variation to the analysis of costs within the scheme.

### **Verification of expenditure in relation to Project Officers**

We have reviewed all invoices in respect of this for the period from commencement of the implementation of the scheme to 31st March 2016 and can confirm the procedure being maintained is as follows: -

1. The engineer/project officer prepares the invoice as required based on hours worked and necessary expenditures incurred.
2. This is sent to Head Office where it is fully checked and signed by the Group Head of Finance.
3. This is then sent to the IDB where it is reviewed and processed for payment by the Finance Officer.
4. The Board Chair or Vice Chair approves the payment, following which, the Finance Officer approves and makes payment.

We can confirm from the detailed testing undertaken by ourselves that the above procedures are being fully operated as highlighted above.

### **Interest Accrual on Unspent Funds**

No interest income has been calculated or provided during the course of the scheme to 31<sup>st</sup> March 2016.

In respect of the scheme no major balances have been maintained in general, indeed a small deficit existed at the 31<sup>st</sup> March 2016 awaiting cover via a future drawdown of scheme monies. As such any interest accrual would be very minimal.

We are therefore satisfied in this area that any accrual would be immaterial and therefore not required.

### **Overall Budget**

We are aware that the Environment agency are at present looking for at least a 10% efficiency saving on this scheme. This would be calculated from the initial approved sum at 10% not including the contingencies provision.

It is apparent from the spend profile documentation referred to above that currently it is estimated that the scheme will run under budget in the amount of £55,695. This potential underspend is therefore well within the efficiency requirement at present.

The scheme, as we understand it is essentially complete and the only ongoing costs are those of the Project Management Officers in order to monitor the performance of the scheme itself. These have been agreed by the Board to continue up to 31<sup>st</sup> March 2018.

### **Overall Assessment**

It is clear from the internal audit work undertaken in respect of the period from commencement of the implementation of the scheme to 31st March 2016 that the scheme has been operated from an internal control viewpoint in a satisfactory manner. No issues are evident and we are satisfied with the documentation being maintained, systems being operated and controls in place in respect of this period reviewed.

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