

BB/MM053

30 June 2025

Messrs. P Burrows, A Wool and S Ablett

Middle Level Offices

85 Whittlesey Road

March

Cambs.

PE15 0AH

Dear Messrs. P Burrows, A Wool, and S Ablett,

MLC administered Internal Drainage Boards - Internal Audit 2024-2025

Having completed the internal audit work for the various Internal Drainage Boards administered by the Middle Level Commissioners officers for the year ended 31 March 2025, we are pleased to provide you with the following recommendations to be considered for implementation. We have included some general points and some points which are related to specific boards.

General points

1. Employee Benefits

As of 6 April 2025, HMRC has implemented a significant change in the tax treatment of double cab pickups. These vehicles are now generally classified as cars rather than vans for Benefit-in-Kind (BIK) purposes, unless they are primarily suited for the conveyance of goods.

As a result, BIK charges will now be based on CO₂ emissions, which could lead to higher tax liabilities for employees and increased Class 1A National Insurance contributions for employers. However, vehicles that were purchased, leased, or ordered before 6 April 2025 may continue to be treated as vans until the earlier of disposal, lease expiry, or 5 April 2029.

We recommend that businesses review their fleet policies and carefully consider the tax implications when acquiring new vehicles.

In relation to other employee benefits, we note that, where applicable, these are being correctly recognised as Benefit-in-Kind and disclosed on form P11D. We encourage employers to regularly review the valuation of such benefits to ensure they accurately reflect what the employee receives—particularly in cases where living accommodation or similar provisions are offered.

PARTNERS

Christopher D Ridgeon FCCA
Ian G C Piper FCA
Andrew R Band FCA

Trina J Nunn FCA
Keith J Day FCCA
Amanda E Newman FCA

Paul M Jefferson FCA
Jonathan P Moore FCCA
Nicholas Edgley CTA

Stephen D Malkin ACA
Benjamin Beech ACA

ASSOCIATES

Richard A Alecock ATT
Scott R Bishop FCA
Michael Blackledge CTA

Jaimie King ACA
Robert Dedman CTA TEP

PRACTICE MANAGER

Janet S Frostick

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BURY ST EDMUNDS | **ELY** | **KING'S LYNN** | **MARCH** | **MILDENHALL** | **PETERBOROUGH** | **RAMSEY** | **ST IVES** | **ST NEOTS** | **WISBECH**

Client comment:

This was considered and new double cab pickups ordered before 6th April 2025. This will be reviewed again before 5th April 2029.

An audit of Benefits-in-Kind declared and P11D's has been arranged for October.

2. Provisions

We are pleased to note that, in the main; provisions recognised within the accounts of applicable boards are being monitored and written back as required. There are still isolated cases where provisions are "brought forward and carried forward" that relate in excess of the standard life of debt, being 6 years. Whilst we are satisfied there is reasonable rationale for their retention we would question whether payments could be reinforced if the life of debt has been exceeded, with the exception of amounts recognised in respect of development contributions. We would encourage continued review of provisions brought forward from prior years, especially those exceeding the standard life of debt, writing these off as appropriate, with board approval as appropriate.

Client comment:

As part of the year end accounting procedures, provisions/balances are looked at on an individual basis and decisions made on relevance as to retain or to write back.

3. Surplus Funds –

In previous years we have communicated the importance of investing cash assets that are not required to fund operational needs, to combat the erosion of these liquid assets through inflation. We are pleased to see that the organisation have taken heed of this advice and made a number of deposits with Barclays, in addition to discussing the potential pooling of cash resources with IDB's under their administration to gain access to higher rates of interest. Although inflation has now eased to 3.4% as of May 2025, it remains essential to continue reinvesting and actively managing these assets to preserve and grow their value over time.

Client comment:

We are currently making treasury deposits for individual Boards within the mandated authority given by each authority but need to manage this with specific cashflow requirements while also making consideration to having balances available for potential event situations requiring immediate cash. We will be monitoring additional staff time required to manage this while discussing matters further with our bankers.

4. Rental of Land

It was previously noted that some IDB's were renting out land to tenants at lower than market rate and that this should be reviewed to ensure value for money principles were being applied.

We are happy to note that some IDB's have increased the rental values of land to market rates, although there are still some IDB's where the rental value is significantly below market value and we advise that the market values are increased for these boards to ensure value for money principles are applied going forwards.

Client comment:

Boards which have land holding for rent generally review rents in accordance with tenancy agreements and use local land agents for guidance. Several Boards have small holdings of land which are let at reasonable rates with a view to keep the land tidy and in good order therefore they are not necessarily commercially viable. Several Boards have slump land, which cannot be considered the same as general agricultural land for rental purposes. All Boards look to get the best rents available, but these are relevant to the size and type of land being let.

5. Bank Transfers

We are satisfied with the accuracy of bank and cash balances and have successfully reconciled these to the underlying accounting records. We note that transfers between bank accounts are being recorded as movement per-month in the accounting records, on enquiry this was due to time constraints experienced within the finance department during the financial year. Whilst we are satisfied that reconciliations have been carried out manually correctly, we would recommend that all bank movements are fully reflected in the postings to the accounting software of the board.

Client comment:

Concerning audit point 3 - surplus funds, to maximise returns within the mandated authority with Barclays we are required to operate linked accounts, with receipts/payments being made from the standard current account. This account has a fixed balance which is adjusted following receipts/payments to it - surplus balances above the fixed limit transferred to the Business Premium account, deficit balances below the fixed amount transferred from the Business Premium account to the current account. These transfers are adjusted through the accounting software in relation to the statement frequency, with both accounts being fully reconciled - a credit in one account being matched with a debit in the other. Current staff resources do not allow for additional time to be spent transferring individual values, the net transfer for the statement being made - as we are doing this for around 28 accounts this currently provides the best value for money to the boards.

6. Bank reconciliation and verification

We are pleased to note that bank reconciliations have been conducted on a monthly basis throughout the year. However, we observed that verification was not completed for the first two months of the year across all Boards.

We acknowledge that this period coincides with a particularly demanding time for the staff from financial department, who are focused on preparing year-end financial reports for submission ahead of the 1st July 2025 deadline for external audit.

Nonetheless, we would like to emphasise that timely and documented verification of bank reconciliations is a fundamental internal control. It plays a critical role in ensuring the accuracy and integrity of financial records. We therefore recommend that verification be consistently performed and evidenced on a monthly basis, including during peak reporting periods.

Client comment:

Control accounts and bank reconciliations are carried out for the quarter to 30th June every year and we do not have the capacity to complete these monthly at that time. Accounts are still be prepared in this time and adjustments made, therefore closing/opening balances have not been confirmed.

7. Website Publication

We are pleased to note that, for several years, a substantial amount of information has been made publicly available and is generally kept up to date, with links directing users to the most current versions. However, we have occasionally observed inaccuracies—such as links pointing to outdated or incorrect documents. For example, a link may reference the Capital Improvement Programme for the 2023/24 financial year instead of the current 2024/25 version. We also note that the most relevant version of this document is available within the published meeting minutes.

Nonetheless, we would like to take this opportunity to emphasise the importance of ensuring that all published information is accurate and up to date.

Client comment:

Every effort is made to update the relevant pages of all authorities in an efficient and timely manner and in accordance with the regulations.

Your comment is noted, and procedures are being amended concerning this for the future.

8. Fees for the service of District Officers and Pump Attendants

We have noted that not all boards are approving payment rates for the services rendered by District Officers and/or Pumping Attendant during the board meetings, instead approval is confirmed as a percentage increase, generally being in line with the Middle Level Commissioners award.

We appreciate that the board is approving the payment lists, where the amount is specified. However, we would suggest to include the amount to the discussion during the meeting and confirm the approved sum in the minutes as per prior years.

Client comment:

District officer/pump attendants are contracted services, and the boards are approving an amount for the provision of these services, however, the point is noted and the actual amount payable discussed at the meeting should be recorded in the minutes.

Specific Points

Waldersey IDB and Hundred of Wisbech IDB – Joint Pumping Arrangement

As in previous years it is noted that there is a discrepancy between debtor held in Waldersey IDB and the creditor held in Hundred of Wisbech IDB.

Waldersey IDB – Debtor	£37,696.50
Hundred of Wisbech IDB - Creditor	£40,000.00
Difference	£2,303.50

We are pleased to note that this difference is insignificant for the current year. The difference arises due to the accounts of Hundred of Wisbech IDB being completed before Waldersey IDB, leading to a provision being required in the former's books in the absence of more accurate information being available. The difference is adjusted in the following year's Accounts for Hundred of Wisbech.

We have also noted that the closing debtors balance in Waldersey IDB and the closing creditors balance in Hundred of Wisbech IDB were overstated in the previous financial year by £38,700.30. This discrepancy arose because the Boards were not aware that a grant recovery would be available later in the year to offset excess pumping costs incurred during the 2023/24 financial year. This issue only came to light following the completion of the audit for that year.

We can confirm that the overstated amounts have been correctly adjusted during the current financial year in both Waldersey IDB and Hundred of Wisbech IDB.

We note that there have been discussions to potentially amalgamate the two boards, this would eradicate the anomaly. However, in the absence of this, we suggest that meetings and account preparation periods be brought into line, if possible, to eradicate this issue.

Client comment:

These costs relate to the contribution for the costs of the shared pumping facility and at the time of production of the year end accounting statements discussions were taking place concerning potential changes to the contribution because of changes in land use. A new proposal had been put forward which was broadly approved by both Boards.

There are no current plans to change meeting dates so as one set of accounts is finalised before the other there is likely to remain creditor/debtor position in both sets of accounts although now that all older balances have been cleared, any in-year balance should be cleared, generally a year in arrears.

At the 2024 meetings for both Boards amalgamation was discussed and both Boards approved to enter discussions concerning a potential amalgamation between the Boards. It is unlikely that any amalgamation will be completed by 31st March 2026 at which time both Boards are moving to the Water Management Alliance.

Waldersey IDB

We have noted that the Board owns two parcels of land, located at Green Drove and Crooked Bank. We understand that the Green Drove land has been professionally revalued and is situated near the pumping station. However, the Crooked Bank land, which is located next to the former pumping station, has not been revalued. Based on our discussions during the course of the audit, it would appear that the Board currently has no plans to undertake a revaluation of this land.

Both parcels of land should be revalued and recorded in the Board's fixed asset register to ensure these assets are properly reflected in the financial records of the Board.

Client comment:

Clerking and administration of Waldersey IDB is being transferred to the Water Management Alliance in 2026. Board approval would be required to action this request. We would advise the board to approve for a valuation exercise to take place at their next Board meeting which is in June 2026.

Manea & Welney IDB

During our review, it was noted that the Debtors Report showed a significant unallocated amount of £1,625,843.45. We understand that this is an isolated incident related to software issue that has subsequently been rectified and hasn't affected the accuracy of the financial statements prepared.

Client comment:

Your comment is noted.

Upwell IDB

We observed that the new hire purchase agreement applies the straight-line interest allocation method. We have recommended adopting the effective interest method, which more accurately reflects the cost of borrowing over the life of the agreement and is in line with UK accounting standards.

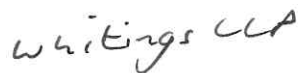
Based on our discussions during the course of the audit, we understand that this recommendation will be implemented in the accounts for the next financial year. The impact on the current financial statements is not considered material.

Client comment:

Your comment is noted.

We take this opportunity to thank your staff involved in our audit for their assistance and cooperation in achieving substantial completion by the stated target deadlines. We trust that the engagement team have not caused significant disruption during the execution of their procedures.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Whittings LLP', written in a cursive style.

Whittings LLP