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Messrs. D R Abblitt and J Chrisp
Ramsey IDB
c/o The Clerk, John A.R. Chrisp
1 Mere Close
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Dear Messrs. D R Abblitt and J Chrisp

Ramsey Internal Drainage Board - Internal Audit 2025-2026

Having completed the internal audit work for Ramsey Internal Drainage Board (IDB) for the year ended 31 March 2026, we are pleased to provide you with the following recommendations to be considered for implementation.

1. **Drainage Rates**

   Drainage rate demands for the years ended 31 March 2025 and 31 March 2026 have not yet been issued, despite previous assurances that this matter would be addressed. In addition, no drainage rates were collected during the year ended 31 March 2026. This has resulted in increasing outstanding balances and continued reliance on the special levy and existing cash reserves to support the Board's ongoing operations.

   We were also unable to obtain sufficient audit evidence to support the drainage rates allocation process. As a result, we were unable to conclude on the accuracy and completeness of the amounts allocated.

   Delays in issuing drainage rate demands reduce cash inflows, increase the level of arrears and heighten the risk of non-recovery. In addition, weak documentation and controls over the allocation process increase the risk of errors, inconsistencies and

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potential misstatement. There is also a risk that doubtful or irrecoverable debts are not identified and provided for on a timely basis.

We recommend that the Board ensures drainage rate demands are issued promptly and that effective procedures are put in place to monitor and recover outstanding balances. A regular review of aged receivables should be undertaken, with appropriate provisions recognised where recovery is considered doubtful.

The Board should also establish clear documentation, reconciliations and internal controls over the rates allocation process to ensure that allocations are accurate, complete and transparent.

2. **Website and Publication Requirements**

We noted several issues regarding the content and presentation of information on the Board's website. These should be addressed to ensure compliance with statutory requirements and to support good practice in transparency and governance.

As reported in our prior year management letter, the "Notice of the Audit and Right to Inspect the Annual Governance and Accountability Return" and the "Notice of Public Rights and Uncertified Annual Governance and Accountability Return" have been published separately from the Annual Governance and Accountability Return ("AGAR"). These documents should be published together in order to comply with the requirements governing the exercise of public rights. As a result of the notices being published separately, we were unable to confirm the publication dates from the website.

In addition, the Fixed Assets Register available on the website is dated 2021 and has not been updated. The register should be reviewed annually and published alongside the financial statements to ensure that the information made available to the public remains current and complete.

Failure to maintain complete and up-to-date website disclosures increases the risk of non-compliance with statutory publication requirements and may reduce the transparency of information available to ratepayers and other stakeholders.

We recommend that the Board reviews the information currently published on its website and ensures that all required documents are uploaded in full, together and on a timely basis. The Board should also ensure that the Fixed Assets Register is reviewed annually, updated where necessary, and published alongside the annual financial information.

We are pleased to note that we understand the administration of the Board is to be transferred to the Middle Level Commissioners, and that some information relating to the Board has already been published on their website. This should provide an opportunity to improve the consistency, completeness and timeliness of future website disclosures.

3. **Internal Auditors Report**

During the audit, we noted that the Internal Auditor's report has not been published on the Board's website. We also found no evidence that the report had been formally presented to, or discussed by, the Board. As a result, it does not appear that the recommendations raised by the Internal Auditor have been considered or implemented.

As a result of these findings, Assertion 7 – Reports from Auditors in Section 1 of the Annual Governance Statement 2025/26 has been assessed as "No", indicating that the authority cannot demonstrate that it has taken appropriate action in response to internal audit reporting.

Failure to review and act upon Internal Audit findings reduces the effectiveness of the Board's governance and internal control arrangements. It also increases the risk that identified weaknesses remain unaddressed and that recurring issues are not monitored or resolved. In addition, the absence of publication limits transparency and accountability to ratepayers and other stakeholders.

We recommend that Internal Audit reports are formally presented to, and discussed at, Board meetings, with the discussion and agreed actions clearly recorded in the minutes. The Board should ensure that all recommendations are appropriately considered, responsibility for implementation is assigned, and progress is monitored until actions have been completed.

The Internal Audit report should also be published where appropriate, to support transparency and good governance.

4. **Budget**

The IDB undertakes an annual budget setting process to determine drainage rates and special levies for the forthcoming financial year.

During our audit, we noted that the 2025/26 figures used to set the 2026/27 drainage rates and special levies did not agree to the draft accounts provided for audit. We acknowledge that the accounts had not been finalised at that point, due to delays in receiving information and progressing the internal audit.

Where budgets are set before the accounts are finalised, the Board should review the budget once final figures are available and carry forward any necessary adjustments into the following year's budget setting process.

We recommend that the Board adheres to statutory reporting and publication timescales wherever possible, to ensure budgets are prepared using accurate and up-to-date financial information.

5. **Variance analysis**

As noted in prior years, the IDB is not currently preparing a variance analysis.

Variance analysis is a useful review tool to identify key movements and trends between financial periods, as well as potential errors or unexpected variances. Had such a review been performed, it may have helped identify the errors arising in the 2025/26 and earlier financial periods, which were subsequently corrected during the internal audit.

We recommend that the Board prepares a variance analysis as part of its year-end review process going forward. This should compare current year figures to the prior year and budget, with significant variances investigated and documented. This would strengthen financial oversight and help identify errors or unusual movements at an earlier stage.

6. **Bank reconciliation, verification and segregation of duty**

On review of the bank statements, we noted that quarterly bank reconciliations appear to have been prepared during the year. However, there was no evidence that these had been reviewed or approved.

We acknowledge that, given the small size of the IDB, segregation of duties can be challenging. However, independent review and approval of bank reconciliations is a key control and should be implemented as soon as practicable.

We also noted that the year-end bank reconciliation was dated 1 April 2026, rather than 31 March 2026. Future year-end reconciliations should be prepared as at the correct reporting date to ensure alignment with the financial statements and to support the accuracy and completeness of the year-end accounts.

We are satisfied that this matter did not result in the financial information being misstated, following the adjustments made during the internal audit.

7. Insurance, Policies and Procedures

As noted last year, the Board had discussed its insurance arrangements, policies and procedures, with the expectation that these would be reviewed and updated by the Middle Level Commissioners ("MLC") under the service level agreement once the Board transferred to their administration.

The handover process appears to be progressing more slowly than anticipated. However, we are pleased to note that some updated policies have started to be published on the MLC website, and that the Board has been included within the collective insurance policy from April 2026.

We recommend that the Board continues to monitor progress with the transfer of administration to MLC and ensures that all relevant policies, procedures and insurance arrangements are reviewed, updated and formally adopted where required.

8. Transition of administration to Middle Level Commissioners

We noted from the minutes that responsibility for the Board's finance, insurance and website is expected to transfer to the Middle Level Commissioners ("MLC") from 1 April 2026, with the clerkship transferring from 30 September 2026.

We consider this to be a positive development, which should help strengthen internal controls, improve transparency and support compliance with relevant regulations. The transition also provides an opportunity to improve governance and operational effectiveness, including financial reporting, oversight arrangements, implementation of audit recommendations, documentation and record-keeping, and clarity over accountability and reporting lines.

We look forward to reviewing the arrangements under the new governance structure in due course.

Finally, we take this opportunity to thank you for your assistance and cooperation in the internal audit process, we hope that our enquires did not impact too heavily on your operations.

Yours sincerely

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