



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Dunbartonshire and Argyll & Bute Valuation Joint Board

Annual audit report to the members of Dunbartonshire and Argyll & Bute
Valuation Joint Board and the Controller of Audit

Year ended 31 March 2010

13 October 2010

AUDIT

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of only the Dunbartonshire and Argyll & Bute Valuation Joint Board and is made available to the Accounts Commission and Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Financial statements

On 30 September 2010 we issued an audit report expressing an unqualified opinion on the financial statements of the Dunbartonshire and Argyll & Bute Valuation Joint Board ("the Joint Board") for the year ended 31 March 2010.

The Joint Board recorded an accrual for the anticipated cost of single status. The amounts accrued for single status meet the definition of a provision and therefore has been disclosed in a separate note to the financial statements.

Use of resources

The financial statements show a total net liabilities position in the balance sheet of £3,292,103. This is due to the net pension liability of £4,093,000 (2009: *pension liability* of £746,000). The Joint Board's net share of assets and liabilities in the Strathclyde Pension Fund was significantly affected by the current economic climate, with actuarial losses experienced during the year.

The Joint Board's net cost of service in 2009-10 was £2,899,681. After adjustment for the net additional amount of (£189,248) required by statute and non-statutory practices to be applied to the general fund balance, the Joint Board surplus against its budget for the year was £51,699. This included a planned application of £28,950 of brought forward balances. The Joint Board has no statutory authority to hold a general fund, and so any surplus is transferred as a creditor balance to the year end constituent authorities contributions balance.

Corporate governance

The statement of internal financial control does not disclose any significant weaknesses in the Joint Board's systems of internal financial control. The content of the statement of internal financial control is consistent with our understanding.

The Joint Board's financial systems are the same as those operated by West Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of our 2009-10 audit of the Council. No audit findings relating uniquely to the Joint Board were identified as a result of this work.

Performance management

The Joint Board has in place key performance indicators to measure performance, which are reviewed regularly by the management team and reported on the Joint Board's website.

Management's consideration of Best Value is demonstrated through the continued use of a three year service plan supplemented by a one year service plans, audit action plans, performance reporting to the management team and risk management procedures.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the *Code*"). This specifies a number of objectives for our audit.

Audit framework

This year was the fourth of our five-year appointment by the Accounts Commission as external auditors of the Dunbartonshire and Argyll & Bute Valuation Joint Board ("the Joint Board"). This report to the Joint Board and Controller of Audit provides our opinion and conclusions and highlights any significant issues arising from our work.

The purpose of this report is to report our findings as they relate to:

- the **financial statements** and significant accounting matters and decisions;
- **use of resources**, including financial outturn for the year ended 31 March 2010 and financial plans for 2010-11 and beyond;
- arrangements around **governance and accountability**, including risk management, statement of internal financial control and our consideration of the work of internal audit; and
- **performance management** arrangements.

Given the relative size of the Joint Board and the way in which its activities are undertaken, we have taken reliance from our audit work on corporate governance and other arrangements undertaken at West Dunbartonshire Council ("the Council") where it was appropriate to do so.

Responsibilities of the Joint Board and its auditors

External auditors do not act as a substitute for the Joint Board's own responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and to make proper arrangements to secure Best Value.

Acknowledgement

We wish to record our appreciation of the continued co-operation and assistance extended to us by your staff.

We have issued an unqualified opinion on the financial statements of the Joint Board for the year ended 31 March 2010.

We have not identified any significant recommendations during our procedures.

Reporting arrangements and timetable

The Joint Board's unaudited financial statements were submitted to the Controller of Audit in advance of the statutory deadline of 30 June 2010, and made available for audit at the same time. The quality of information provided was to a good standard.

On completion of our audit work, the financial statements were certified by the Assessor and Electoral Registration Officer and the Treasurer on 30 September 2010. We have issued an unqualified opinion on the financial statements of the Joint Board for the year ended 31 March 2010.

Key issues arising during our audit of the financial statements

There were no significant issues that we wish to bring to your attention.

Recommendations

We did not identify any significant recommendations during the 2009-10 audit.

The financial statements show a total net liabilities position in the balance sheet of £3,292,103. This is due to the net pension liability of £4,093,000 (2009: pension liability of £746,000). The Joint Board's net share of assets and liabilities in the Strathclyde Pension Fund was significantly affected by the current economic climate, with actuarial losses experienced during the year.

The Joint Board's net cost of service in 2009-10 was £2,899,681. After adjustment for the net additional amount of (£189,248) required by statute and non-statutory practices to be applied to the general fund balance, the Joint Board surplus against its budget for the year was £22,749. The Joint Board produced its break-even result on its general fund following a transfer of £22,749 to the year end constituent authorities contributions balance.

Financial position and budgetary control

The Joint Board reported net operating expenditure of £2,985,159 and a break-even result for the year on the general fund.

	Budget - £	Actual - £	Variance - £
Net operating expenditure		2,985,159	
Net additional amounts required by statute and non-statutory practices to be debited or credited to the general fund balance for the year		(189,248)	
Net expenditure	2,847,610	2,795,911	(51,699)
In-year constituent authority contribution	(2,818,660)	(2,818,660)	-
Overall (surplus) / deficit	28,950	(22,749)	51,699
Transfer (from)/ to brought forward constituent contributions balance	(28,950)	22,749	(51,699)
Net expenditure / (income)	-	-	-

The Joint Board has a brought forward balance owing to constituent authorities of £73,241. The 2009-10 budget was set to apply £28,950 of these balances to expenditure in the year. As a result of savings in supplies and services costs of £58,088, the Joint Board's net expenditure represented an underspend against budget of £51,699.

The surplus of £22,749 has been transferred to the constituent authority contribution balances. The Joint Board holds a sum of £95,990 within creditors at 31 March 2010 representing amounts payable to its constituent authorities which may be either repaid in future years; deducted from future contributions, or applied to future years' expenditure.

Reserves and balances

The Joint Board does not hold a general fund balance at the year end. It has total liabilities as at 31 March 2010 of £3,292,103, represented primarily by a pension liability of £4,093,000 and operational fixed assets of £782,028. The financial statements have been prepared on a going concern basis as the statutory funding arrangements mean that the pension liability will be met as it falls due through requisitions from the constituent authorities.

The Joint Board's net assets decreased by £3,245,942 primarily as a result of the recognition of an actuarial loss on the pension asset of £3,347,000.

The statement of internal financial control does not disclose any significant weaknesses in the systems of internal control. The content of the statement is consistent with our understanding of the Joint Board.

The Joint Board's financial systems are the same as those operated by West Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of our 2009-10 audit of the Council. No audit findings relating uniquely to the Joint Board were identified as a result of this work.

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

The responsibilities of the Joint Board and its treasurer for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements are outlined in the Statement of Responsibilities in the financial statements.

The *Code* requires auditors to review and report on the Joint Board's corporate governance arrangements as they relate to:

- the Commission's reviews of its systems of internal control, including its reporting arrangements;
- prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

Statement on internal financial control ("SIFC")

The Joint Board's statement describes the component parts of the internal financial control framework and the process by which the treasurer has reviewed the effectiveness of the internal financial control system enabling her to conclude that reasonable assurance can be placed on the adequacy and effectiveness of the internal financial control system. The statement prepared by the Joint Board expresses its framework of control and is consistent with our understanding of the established framework.

The Joint Board's financial transactions are processed by West Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit.

No audit findings relating uniquely to the Joint Board were identified during the audit work carried out at the Council, however a number of overall recommendations to improve the overall control environment within the Council were accepted by Council management.

Risk management

The Joint Board has an approved risk action plan and risk register in place. The risk register is reviewed annually by the Joint Board and the management team regularly reviews progress against the approved risk action plan.

Internal audit; prevention and detection of fraud and irregularity

Internal audit

Internal audit services are provided by West Dunbartonshire Council's internal audit function. No specific review of Joint Board's operations was performed in 2009-10.

Fraud and irregularity

Management did not identify any significant instances of fraud or irregularity during the year. We have obtained management representations from the treasurer, in support of enquiries with management to confirm that there have been no instances of fraud or irregularity during 2009-10.

Standards of Conduct

The members of the Joint Board are comprised of elected members from each constituent authorities. Members of the Council are subject to the Code of Member Conduct which sets out the standards of conduct expected of each member in carrying out their duties.

The Joint Board has in place key performance indicators to measure performance, which are reviewed regularly by the management team and reported on the Joint Board's website.

Management's consideration of Best Value is demonstrated through the continued use of a three year service plan, audit action plans, performance reporting to the management team and risk management procedures.

Performance management and Best Value arrangements

The terms of appointment from Audit Scotland include the requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors. No performance audit studies were identified by Audit Scotland for the Joint board during 2009-10.

The Joint Board continues to demonstrate its commitment to Best Value through the approval in June 2008 of a three year service plan, audit action plans, performance reporting to the management team and risk management procedures. Performance in relation to its key performance indicators is reported on its website and through publication of the Joint Board's annual performance report.

The Joint Board has key performance indicators over non-domestic and council tax valuation, with performance being measured as the time taken from the date which amendments to the valuation roll / list are effective to the date valuation / banding notice, in respect of that change, is issued.

Non-domestic valuation roll performance				Council tax valuation roll performance			
Period	Target 2009-10	Actual 2009-10	Actual 2008-09	Period	Target 2009-10	Actual 2009-10	Actual 2008-09
0-3 Months	75%	77%	80%	0-3 Months	90%	87%	87%
3-6 months	15%	16%	13%	3-6 months	6%	11%	11%
> 6 months	10%	7%	7%	> 6 months	4%	2%	2%

Non-domestic valuation roll performance, as indicated in the table above, achieved the targets for period less than six months but failed to meet the target for great than six months. This is mainly due to the allocation of resources to preparations for 2010 revaluation.

The KPIs in relation to Council Tax show that the Joint Board fell short of the up to three month and less than six months targets due to revaluation preparations. However, the results are identical to 2008-09 despite the impact of staffing issues and preparation for the 2010 revaluations.

Performance management (continued)

Electoral registration performance

The Electoral Administration Act 2006 gave the Electoral Commission powers to set standards of performance for Electoral Registration Officers (EROs), Returning Officers and Referendum Counting Officers in Great Britain. EROs were required to assess their own performance against each of the ten standards using guidelines set by the Electoral Commission.

The Joint Board submission showed that they had been assessed as before 'above the standard' in eight out of ten standards, which was better than the national average.