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Dunbartonshire Argyll and Bute Valuation Joint Board

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

Year ended 31 March 2011

31 October 2011

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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 Dunbartonshire Argyll and 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.

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.

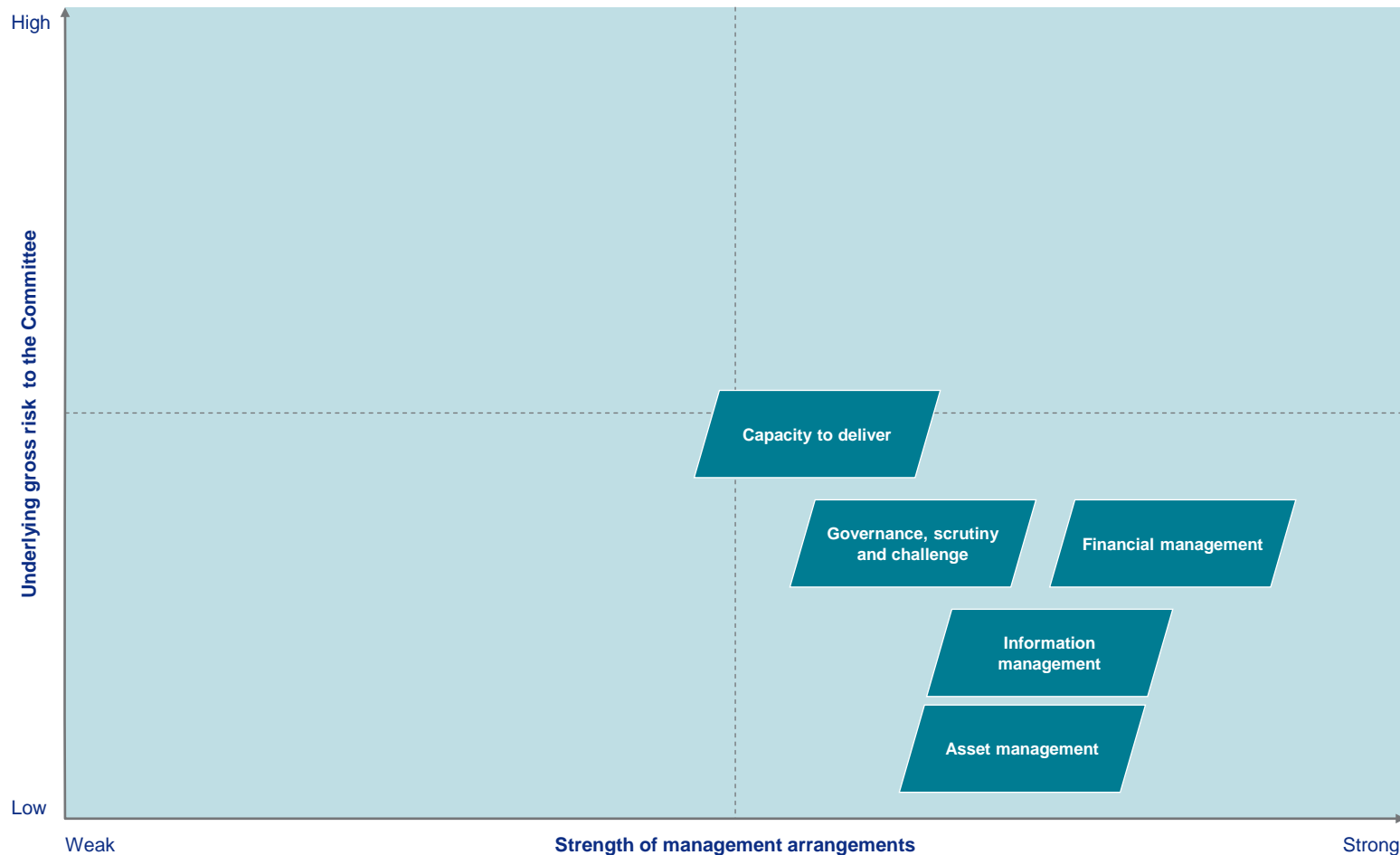
This report summarises our work for the year ended 31 March 2011.

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

Strategic objectives and risks	
Notwithstanding the increasingly tight economic environment in which the Joint Board operate, no significant risks were identified as facing the Joint Board which were likely to have an impact on the financial statements.	Page 3
Financial statements	
We have issued an unqualified audit opinion in respect of the 2010-11 accounts.	Page 4
We considered the impact of transition to the IFRS-based Code of practice.	Page 4
Information required for the audit was comprehensive and provided in a timely manner.	Page 4
Use of resources	
The Joint Board's net cost of services was £1,469,739 (2010: £2,883,213). The reduction was primarily due to one-off past service gains in respect of pensions in 2010-11.	Page 5
There was an increase in useable reserves at year end 31 March 2011 to £115,706 (2010: £26,219).	Page 5
Governance and performance	
The statement on the system of internal control continues to confirm the existence of a framework of internal control.	Page 6
No instances of fraud or irregularity were identified.	Page 6

Competing risks and pressures continue to present new and recurring challenges.

The diagram summarises the potential underlying risks to achievement of strategic objectives, compared to the strength of management arrangements to mitigate these risks. We have not identified any significant risks.



2010-11 was the first year the Joint Board was required to prepare accounts in accordance with International Financial Reporting Standards.

Technical accounting issues

Conversion to IFRS

The 2010-11 accounts have been prepared in accordance with the *Code of practice on Local Authority Accounting in the United Kingdom 2010* ("the Code") which, for the first time, is based upon International Financial Reporting Standards (IFRS).

- We reviewed the accounting policies prepared by management and suggested a number of enhancements. We also recommended revisions to the layout, presentation and disclosures in the accounts to ensure compliance with the Code.

Systems and controls

Preparation of the financial statements

- Unaudited accounts were prepared by the 30 June 2011 statutory deadline, and provided for audit along with appropriate supporting documentation on 1 July 2011 which was in line with the agreed timetable.
- We worked closely with management to obtain suitable explanations in respect of our audit work, which were provided in a timely manner and proved to be comprehensive.
- Narrative statements were provided at the same time as the unaudited accounts and were complete and consistent with our understanding of the Joint Board.

Control environment

- The Joint Board's financial systems are the same as those operated by West Dunbartonshire Council ("the Council"). The review of these systems were conducted simultaneously as part of the 2010-11 external audit of the Council. No audit findings or recommendations were identified during that work which uniquely relate to the Board.
- The majority of financial controls are designed, implemented and operating effectively.
- Overall, management's approach to preparing the accounts is efficient. Supporting documentation is prepared in advance of audit fieldwork and responses to requests for further information are timely and helpful.

The reported surplus is consistent with the forecast outturn. The forecast outturn position on services improved considerably during 2010-11.

Financial position

For the year ended 31 March 2011 the Joint Board's net cost of services was £1,469,739 (2010: £2,883,213). This reduction was primarily due to one-off past service gains on pensions made as a result of the Board's change in pensions accounting from RPI to CPI. Savings were also made on support services and supplies and services.

At year end there was a transfer to creditors of £203,531 (2010: £22,749). This relates to partner contributions made to the Joint Board in 2010-11 that were unspent in the year. This balance will either be returned to the contributing partners or used to reduce future contributions.

Comprehensive income and expenditure statement	
	£
Net cost of service	1,469,739
Other operating income	(2,615,129)
Finance and investment income	(11,047)
Surplus on provision of services	(1,156,437)
Other comprehensive income and expenditure	(1,841,789)
Total comprehensive income	(2,998,226)

Reserves

The Joint Board does not hold a general fund balance at the year end. It has total liabilities as at 31 March 2011 of £312,498 (2009-10: £3,310,724), represented primarily by a pension liability of £1,219,000, operational fixed assets of £806,999 and cash and cash equivalents £706,789.

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 increased by £2,998,226 primarily as a result of a reduction to the net pension liability of £3,347,000. This reduction is due to the recognition of a past service gain due to the use of the consumer price index rather than the retail price index for future pension increases, as set out by the UK government.

Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

<p>Corporate governance framework</p>	<p>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.</p> <p>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.</p>
<p>Statement on system of internal financial control</p>	<p>The Joint Board’s statement on the system of internal control 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.</p> <p>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,.</p>
<p>Internal controls</p>	<p>The Joint Board’s financial transactions are processed by the Council. A review of these systems was carried out simultaneously to the audit of the annual accounts of the Joint Board and no specific findings relating to the Board were identified. A number of recommendations to improve the overall control environment were accepted by management of the Council.</p>
<p>Internal audit</p>	<p>We did not place reliance on the work of internal audit in respect of the Joint Board.</p>
<p>Fraud and irregularity</p>	<p>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 there have been no instances of fraud or irregularity during 2010-11.</p>

Performance management

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 2010-11.

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 and council tax valuation roll performance, as indicated in the table below, achieved its overall target for between three and six months, but failed to meet the target for up to three months and greater than six months.

Non-domestic valuation roll performance			
Period	Actual 2009-10	Target 2010-11	Actual 2010-11
0-3 Months	77%	80%	79%
3-6 months	16%	10%	12%
> 6 months	7%	10%	9%

Council tax valuation roll performance			
Period	Actual 2009-10	Target 2010-11	Actual 2010-11
0-3 Months	87%	93%	90%
3-6 months	11%	4%	8%
> 6 months	2%	3%	2%

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.



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