



cutting through complexity

Tayside Valuation Joint Board

Annual audit report to the members of Tayside Valuation Joint
Board and the Controller of Audit

Audit: year ended 31 March 2013

4 September 2013

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in connection with this
report are:**

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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 Tayside Valuation Joint Board ("the Joint Board") and is made available to Audit Scotland and the Accounts Commission (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.



Executive summary Headlines

This annual audit report summarises our findings in relation to the audit for the year ended 31 March 2013. Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code").

This report also sets out those matters specified by ISA (UK and Ireland) 260: *Communication with those charged with governance* in relation to the financial statements for the year ended 31 March 2013.

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

Area	Summary observations	Analysis
Use of resources		
Financial position	<p>For the year ended 31 March 2013 the Joint Board reported a net cost of services of £3.3 million. The outturn represented a £141,000 underspend on the budget approved for 2012-13 by the Joint Board, primarily as a result of savings in staff costs.</p> <p>After requisition income received, and adjustments between the accounting and funding basis are made, the general fund balance as at 31 March 2013 was unchanged at £103,000. The Joint Board has agreed with its constituent councils to retain the general fund balance at a minimum of £100,000, to provide flexibility in managing any unexpected draw on resources.</p> <p>The Joint Board has net liabilities at 31 March 2013, arising from the net pension liability. The financial statements are prepared on a going concern basis as the pension liability will be met through future requisitions from the constituent councils.</p>	Page 6
Financial statements and accounting		
Accounting policies	<p>The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 ("the Code") did not include any major amendments which impacted on the preparation of the Joint Board's financial statements.</p> <p>There have been no changes to accounting policies in 2012-13, which have been applied consistently.</p> <p>The impact of adopting IAS 19 (revised), effective next year, has been disclosed in the financial statements. No other newly effective accounting standards are expected to have a material impact on the 2013-14 financial statements.</p>	Page 8
Key judgement areas	We have considered key accounting judgements in relation to accounting for pensions under IAS 19. We concur with management's judgements in respect of actuarial assumptions used to estimate the net pension liability.	Page 9
Audit conclusions	We have issued an unqualified audit opinion on the 2012-13 financial statements.	Page 10
Year-end process	The unaudited financial were made available on a timely basis and were accompanied by working papers of an appropriate standard. There were no uncorrected audit misstatements arising from our work.	Page 10



Executive summary Headlines (continued)

Performance management arrangements		
Performance management	<p>The Joint Board monitors its performance against key performance indicators, and reports this performance within its financial statements.</p> <p>Performance in respect of processing of amendments to the non-domestic valuation roll increased significantly over the prior year. The Joint Board has a number of outstanding appeals in respect of the 2010 revaluation remaining to be disposed of by 31 December 2013.</p>	Page 12
Governance and narrative reporting		
Governance arrangements	<p>Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.</p> <p>The Joint Board undertook a self-assessment review of the effectiveness of its governance arrangements. This indicated a high-level of compliance.</p>	Page 14
Systems of internal control	<p>We undertook appropriate systems audit work as part of our 2012-13 audit of Dundee City Council, with any findings reported to Council management. No audit findings relating uniquely to the Joint Board were identified during the audit work carried out at the Council.</p>	Page 15
Other matters	<p>We are satisfied that arrangements in respect of maintaining standards of conduct and the prevention and detection of fraud and corruption are appropriate for the Joint Board's circumstances.</p> <p>The internal audit annual report provides an opinion that <i>"the Board operates adequate and effective internal control systems as defined in the audit needs assessment. Proper arrangements are in place to promote and secure Value for Money."</i></p>	Page 15

Purpose of this report

Our annual audit report is designed to summarise our opinion and conclusions on significant issues arising from our audit of the Joint Board's financial statements for 2012-13. It is addressed to both those charged with governance at the Joint Board and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the Joint Board at the outset of our audit.

Responsibilities

It is the responsibility of the Joint Board and the Treasurer to prepare the financial statements in accordance with the proper practices set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 ("the Code of Practice"). An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks identified are only those which have come to their attention during our normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. Together with our previous reports, this annual audit report to the Joint Board discharges the requirements of ISA 260.

Use of resources

Our perspective on the Joint Board's use of resources

For the year ended 31 March 2013 the Joint Board reported a net cost of services of £3.3 million. The outturn represented a £141,000 underspend on the budget approved for 2012-13 by the Joint Board, primarily as a result of savings in staff costs.

Financial position

For the year ended 31 March 2013 the Joint Board reported a net cost of services of £3.3 million. This was in line with the prior year, representing the fact that there was no major change in the scale of activities.

The outturn represented a £141,000 underspend on the budget approved for 2012-13 by the Joint Board, which formed the basis for the requisitions from the three constituent councils. This saving arose primarily in staff costs, which were underspent by £139,000 as a result of retirements and a delay in filling vacant posts.

As a result of the savings in expenditure, the amount of income requisitioned from the three constituent councils of the Joint Board was reduced. At year end the Joint Board had creditor balances of £136,000 due to be returned to the constituent councils.

After adjustments to reflect the different accounting basis and funding basis, the outturn for the year was breakeven, resulting in no change to the general fund balance.

Reserves

The Joint Board holds an unchanged general fund balance at the year end of £103,000. This balance is held by the Joint Board under agreement to hold a minimum level of uncommitted balances of £100,000.

The Joint Board has total net liabilities as at 31 March 2013 of £5.66 million (2011-12: £6.76 million), represented primarily by a net pension liability of £5.74 million.

The financial statements have been prepared on a going concern basis as the statutory funding arrangements mean that the pension liability, which does not fall due in any one year, will be met through future requisitions from the constituent councils.

Comprehensive income and expenditure statement	2012-13	2011-12
	£000	£000
Net cost of service	3,277	3,265
Other operating income	(415)	(430)
Finance and investment income and expenditure	81	(111)
Deficit on provision of services	2,943	2,724
Requisition income	(2,713)	(2,754)
Recognised capital income	(26)	(35)
(Surplus) / Deficit on provision of services	204	(65)
Other comprehensive income and expenditure, being actuarial (gains) / losses on pension scheme	(1,300)	2,848
Total comprehensive income and expenditure	(1,096)	2,783

Movement in reserves statement 2012-13	Usable reserves	Unusable reserves	Total reserves
	£000	£000	£000
Opening balance at 1 April	103	(6,862)	(6,759)
Total comprehensive income and expenditure	(204)	1,300	1,096
Adjustments between accounting and funding basis under regulations	204	(204)	-
Increase / (decrease) in reserves	-	1,096	1,096
Balance at 31 March carried forward	103	(5,766)	(5,663)

Financial statements and accounting

Our perspective on the preparation of the
financial statements and key accounting
judgements made by management



Financial statements and accounting

Accounting policies

There have been no substantive changes to the financial reporting framework as set out in the *Code of practice on Local Authority Accounting in the United Kingdom 2012-13*.

There have been no changes to accounting policies in 2012-13. All accounting policies have been applied consistently.

Disclosure has been included in respect of the impact of revisions to IAS 19 *Employee benefits*.

Accounting framework and application of accounting policies	
Area	KPMG comment
Code of practice on Local Authority Accounting in the United Kingdom 2012-13	<p>The 2012-13 financial statements have been prepared in accordance with the Code of Practice which is based upon International Financial Reporting Standards ("IFRS"). The 2012-13 Code of Practice had a number of amendments from the 2011-12 version which included:</p> <ul style="list-style-type: none"> ■ changes in relation to the objective of the financial statements and the qualitative characteristics of financial information; and ■ encouragement for local authorities to prepare the Explanatory Forward taking into consideration the requirements of the Government's Financial Reporting Manual (FRm). <p>Management has considered that the information provided within the Assessor's Statement and the Treasurer's Report together meet the requirements of the 2012-13 Code of Practice.</p>
Accounting policies	<ul style="list-style-type: none"> ■ There have been no significant changes in accounting policies in 2012-13. ■ We are satisfied that all accounting policies have been applied consistently and are appropriate for the Joint Board's activities.
Impact of revised accounting standards	<ul style="list-style-type: none"> ■ Disclosure has been included in the financial statements highlighting that the impact of revisions to IAS 19 <i>Employee benefits</i> if the standard had been adopted early in 2012-13. The estimated change to finance costs being of order an additional £0.2 million. Within the statutory provisions applicable to the Joint Board, this charge would be reversed through the movement on reserves and so have no impact on the general fund balance. ■ No other newly effective accounting standards are considered to have a material impact on the Joint Board's financial statements.



Financial statements and accounting Key accounting judgements

We have considered key accounting judgements in relation to accounting for pensions under IAS 19.

We concur with management's judgements in respect of actuarial assumptions used to estimate the net pension liability.

Key accounting judgements	
Area	KPMG comment
Pensions	<p>The only significant accounting judgement or estimate made within the Joint Board's financial statements is in respect of the actuarial assumptions used to estimate net pension liability of the Joint Board in accordance with IAS 19 <i>Employee benefits</i>.</p> <p>We have reviewed the assumptions used by the actuary in calculating the pension deficit as at 31 March 2013. The assumptions are within the acceptable range of the guideline assumptions that KPMG's actuaries have advised. Overall, the assumptions are considered to represent a balanced approach to valuation of the net pension deficit.</p> <p>The net pension liability has reduced by £1.1 million as a result of changing financial assumptions. The sensitivity analysis reported identifies, however, that the net liability remains sensitive to changes in assumptions, particularly in discount rate and mortality assumptions.</p>



Financial statements and accounting

Audit conclusions

We have issued an unqualified audit opinion on the financial statements.

The unaudited financial were made available on a timely basis and were accompanied by working papers of an appropriate standard.

Audit conclusions

We have issued an unqualified opinion on the truth and fairness of the state of the Joint Board's affairs as at 31 March 2013, and of its expenditure and income for the year then ended. The financial statements have been properly prepared in accordance with the 2012-13 Code of Practice, and prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government Scotland Act 2003. There are no matters identified on which we are required to report by exception.

In gathering the evidence for our opinion we have:

- performed a mixture of substantive and controls testing to ensure an efficient approach that covers all the key risks;
- considered the work of the Joint Board's internal auditor and reviewed their reports to ensure all key risk areas having a potential financial statement impact have been considered;
- reviewed assumptions and judgements made by management and considered these for appropriateness;
- considered if the financial statements may be affected by fraud through discussions with senior management and internal audit to gain a better understanding of their work in relation to prevention and detection of fraud with the potential to impact on the financial statements; and
- attended the Joint Board meeting at which the unaudited financial statements are considered, to communicate our findings to those charged with governance, and also to update our understanding of the key governance processes and obtain key stakeholder insights.

Financial statements preparation

- The unaudited financial statements were authorised for issue by the Treasurer of the Joint Board on 19 June 2013, and passed to us for audit on 19 June 2013 along with a completed disclosure checklist. This was in advance of statutory requirements and the agreed audit timetable
- In accordance with regulations, the unaudited financial statements were made available for public inspection from 22 July to 9 August 2013. No objections were received.
- Good quality supporting documentation was made available in electronic format to support the unaudited financial statements.
- There are no significant matters in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content, as reported in appendix one.

Performance management

Our perspective on the Joint Board's
performance management arrangements

The Joint Board monitors its performance against key performance indicators, and reports this performance within its financial statements.

Performance in respect of processing of amendments to the non-domestic valuation roll increased significantly over prior year. The Joint Board has a number of outstanding appeals in respect of the 2010 revaluation remaining to be disposed of by 31 December 2013.

Performance management

The Joint Board continues to demonstrate its commitment to Best Value through its service plan. The service plan covering the period 2012-15 was approved at its meeting in June 2012. In line with an internal audit recommendation, this is now subject to annual revision and was updated for the period 2013-16 in June 2013.

The Joint Board measures its performance through key performance indicators in respect of 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 notices, in respect of that change, are issued.

In 2011-12 we reported that performance in respect of amendments to the non-domestic rate valuation roll fell back in 2011-12. This was identified as being due to staff working on appeals arising from the 2010 revaluation. Performance significantly improved in 2012-13, and exceeded targets set for the period. The Assessor's report notes that the remaining appeals from the 2010 revaluation have a statutory date for disposal of 31 December 2013. While significant progress has been made in settling appeals received, the Joint Board still has a number of outstanding appeals to be settled before the end of the year.

Performance in respect of the council tax valuation roll was marginally below both target and prior year performance.

The Assessor also provides the Electoral Registration Service for Perth & Kinross Council and Angus Council. The Scottish Local Government elections were held in May 2012. The Electoral Commission has determined a set of standards against which the Electoral Registration Officers are assessed in the performance of their duties. The Assessor's reports that the service provided to both Perth & Kinross Council and Angus Council met or exceeded all these standards in 2012.

Non-domestic valuation roll performance

Period	Actual	Target	Actual
	2011-12	2012-13	2012-13
Within 3 Months	54.7%	62%	75.6%
Within 6 months	78.5%	85%	88.6%
> 6 months	21.5%	15%	11.4%

Council tax valuation roll performance

Period	Actual	Target	Actual
	2011-12	2012-13	2012-13
Within 3 months	88%	90%	87.3%
Within 6 months	97.5%	98%	96.7%
> 6 months	2.5%	2%	3.3%

Governance and narrative reporting

Update on your governance arrangements

Our overall perspective on your narrative reporting, including the remuneration report and annual governance statement



Governance and narrative reporting

Corporate governance arrangements

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

The Joint Board undertook a self-assessment review of the effectiveness of its governance arrangements. This indicated a high-level of compliance.

<p>Corporate governance and internal control arrangements</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>The Joint Board operates a local code of corporate governance, drawing on all aspects of its governance arrangements, to consolidate these into a framework which is in line with the principles of the CIPFA / SOLACE publication ‘Delivering Good Governance in Local Government.’ The local code of corporate governance focuses on four key areas of Joint Board activity, namely structures and governance; service delivery arrangements; internal control and risk management; and stakeholder focus.</p> <p>The revenue and capital budgets for the year are approved by the Joint Board, who also receive regular monitoring reports to allow them to exercise and demonstrate stewardship and accountability for the use of their resources. Standing orders, financial regulations and tender procedures are approved, and have been made available on the Joint Board’s website to demonstrate openness and transparency of arrangements.</p>
<p>Annual governance statement</p>	<p>The Joint Board’s annual governance compliance statement for 2012-13 discloses that, in line with best practice, the Joint Board undertook a self-assessment review of the effectiveness of its arrangements during the year, using a 31 point checklist completed by the Assessor. The self-assessment indicated a high-level of compliance.</p> <p>The 2011-12 self-assessment had identified two areas for further improvement. Management has assessed that both items, relating to review of the service plan on an annual basis, and inclusion of budget monitoring as a standing item on management team meetings, have now been implemented.</p> <p>We have reviewed the annual governance statement and confirm that it is consistent with our understanding of the Joint Board’s governance arrangements.</p>
<p>Remuneration report</p>	<p>In accordance with regulations, the Joint Board’s remuneration report sets out the remuneration arrangements for members and senior management of the Joint Board.</p> <p>We are satisfied that this has been prepared in accordance with the requirements of the regulations and other relevant guidance issued by the Scottish Government.</p>

<p>Systems of internal control</p>	<p>The Joint Board utilises the key financial systems of Dundee City Council under service level agreement.</p> <p>We undertook appropriate systems audit work as part of our 2012-13 audit of Dundee City Council, with any findings reported to Council management. No audit findings relating uniquely to the Joint Board were identified during the audit work carried out at the Council.</p>
<p>Maintaining standards of conduct and the prevention and detection of fraud and corruption</p>	<p>The members of the Joint Board are drawn from the three constituent councils, and as such are bound by the respective codes of conduct of those councils. Administration of the financial records of the Joint Board is undertaken by Dundee City Council staff who are subject to that Council's policies on standards of conduct, fraud and corruption.</p> <p>The Joint Board has approved fraud guidelines which set out its strategy for the prevention and detection of fraud and irregularities, and outlines the responsibilities of members, officers and staff.</p> <p>We are satisfied that these arrangements are appropriate for the Joint Board's circumstances.</p>
<p>Internal audit</p>	<p>The Joint Board has an outsourced internal audit provider. The Joint Board received its annual report from its internal auditor at its meeting in June 2013, before approval of the unaudited financial statements.</p> <p>The internal audit annual report provides an opinion that <i>"the Board operates adequate and effective internal control systems as defined in the audit needs assessment. Proper arrangements are in place to promote and secure Value for Money."</i> The report notes that the annual needs assessment was based on the areas of risk to which the Board is exposed.</p>

Appendices

There were no changes to the core financial statement and there are no unadjusted audit differences

Area	Key content	Reference
Adjusted audit differences Adjustments made as a result of our audit	<p>There were no audit adjustments required to the unaudited financial statements which impacted on the net assets or the surplus and deficit for the year.</p> <p>A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.</p>	-
Unadjusted audit differences	<p>We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial, to you.</p> <p>There are no unadjusted audit differences.</p>	-
Confirmation of Independence Letter issued by KPMG to the Joint Board	<p>We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of our Audit Director and audit staff. There were no fees payable to us other than in respect of our audit.</p>	Appendix 2
Draft management representation letter Proposed draft of letter to be issued by the Joint Board to KPMG prior to audit sign-off	<p>In accordance with International Standards on Auditing (UK & Ireland), management is required to provide us with representations on specific matters such as your financial standing, application of accounting policies, and whether the transactions in the financial statements are legal and unaffected by fraud.</p> <p>There are no specific representations, other than those required under auditing standards, which we are requesting from management.</p>	-



Appendix two

Auditor independence and non-audit fees

Auditing standards require us to consider and confirm formally our independence and related matters in our dealings with the Joint Board.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Auditor independence

Professional ethical standards require us to provide to you at the conclusion of an audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by the Joint Board and its related entities for professional services provided by us during the reporting period. There were no fees payable other than in respect of our audit.

We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Regular communications
- Internal accountability

- Risk management
- Independent reviews

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board of Directors.

Confirmation of audit independence

We confirm that as of 5 August 2013, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Joint Board and should not be used for any other purpose.

Yours faithfully

KPMG LLP



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