



INFRASTRUCTURE, GOVERNMENT &  
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 2006-07

31 October 2007

AUDIT



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## **Notice: 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').

It is for the benefit of only Dunbartonshire and Argyll & Bute Valuation Joint Board and is made available to the Accounts Commission and Audit Scotland (all 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 introductory 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.

## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Grant Macrae, who is the engagement leader for our services to Dunbartonshire and Argyll & Bute Valuation Joint Board, telephone 0131 527 6611, email [grant.macrae@kpmg.co.uk](mailto:grant.macrae@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Lorraine Bennett, our Head of Audit in Scotland, either by writing to her at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 222 2000 or email to [lorraine.bennett@kpmg.co.uk](mailto:lorraine.bennett@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Director of Audit Strategy, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.



# Executive summary

This report summarises our work for the 2006-07 year and our findings in relation to our audit of the accounts, corporate governance and performance management arrangements.

## **Accounts**

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of Dunbartonshire and Argyll & Bute Valuation Joint Board for the year ended 31 March 2007.

## **Financial position**

The Joint Board's balance sheet shows total assets of £609,100 comprised primarily of the operational land and buildings held. The Joint Board's net operating expenditure in 2006-07 was £2,522,743 leading to a surplus on the income and expenditure result for the year of £60,159. After adjustment for the net additional amount required by statute and non-statutory practices to be applied to the general fund balance, the Joint Board produced the required break-even result on its general fund.

## **Corporate governance**

The 2006-07 statement on internal financial control prepared by management does not disclose any major weaknesses.

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 the Council's audit. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end. No audit findings relating uniquely to the Joint Board were identified during work carried out at the Council.

# Introduction

## **Audit framework**

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

In accordance with Audit Scotland's *Code of Audit Practice* ("the Code"), the scope of the audit was to:

- provide an opinion on the Joint Board's accounts;
- review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland) the:
  - the Joint Board's corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and its financial position
  - the Joint Board's arrangements to achieve Best Value
  - other aspects of the Joint Board's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources
  - arrangements for preparing and publishing statutory performance information.

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

## **Basis of information**

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 arrangements to secure Best Value.

## **Acknowledgement**

We wish to place on record our appreciation of the co-operation and assistance extended to us by staff during the first year of our work in the discharge of our responsibilities.

# Accounts audit

## **Audit opinion**

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of the Joint Board for the year ended 31 March 2007.

Our findings on the Joint Board's accounts production process were made in our report to those charged with governance, issued in draft to management on 27 September 2007 and finalised, following management responses on 28 September 2007.

We wish to bring the following issues to your attention.

## **Compliance with the 2006 SORP**

The Code of Practice on Local Authority Accounting in the United Kingdom 2006 ("2006 SORP") introduced a number of substantive changes to local authority accounting and accounts presentation. The main changes included:

- the removal of the requirement to make a capital financing charge; and
- changes to the format of the core financial statements.

The unaudited accounts of the Joint Board had been prepared in line with the revised format under the 2006 SORP for the core financial statements. The audit process, however, identified a number of disclosure and presentational matters requiring adjustment to ensure compliance with 2006 SORP. Our report to those charged with governance made one recommendation in respect of the accounts production process, which was accepted by management.

As a result of the change in accounting policies required by the 2006 SORP, the Joint Board processed a prior year adjustment to reflect changes in the previously reported financial statements, in line with the requirements of FRS 3 'reporting financial performance.'

## **Significant accounting / auditing issues identified**

### **Accounting for retirement benefits**

The Joint Board's FRS 17 report as at 31 March 2007 outlining the movements in the Board's share of its assets and liabilities in the local government pension scheme showed a £158,000 pension asset. Following discussions with the scheme actuaries who had produced the report, however, it was agreed that the asset should not be recognised in the balance sheet as it would not necessarily be realisable in future periods in the form of reduced contributions. The Board has therefore reduced the pension asset to £nil, being the recoverable amount, through a reduction in the actuarial gain recognised in the statement of total recognised gains and losses.

## Financial position

### General fund

The Joint Board reported a net operating expenditure of £2,522,743, with a break-even result for the year on the general fund.

	<b>Actual - £</b>
<b>Income and expenditure result</b>	
Net operating expenditure	2,522,743
Income from constituent authorities	(2,582,902)
<b>(Surplus) / deficit to be met from balances b/forward</b>	<b>(60,159)</b>
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	60,159
<b>Result for the year: (Increase) / decrease on general fund balance</b>	<b>nil</b>
General fund balance brought forward	nil
<b>General fund balance carried forward</b>	<b>nil</b>

The Joint Board's net operating expenditure represented an underspend against budget of £81,708. The Joint Board holds a sum of £184,951 within creditors representing amounts payable to its constituent authorities which may be either repaid in future years or deducted from future contributions.

### Reserves and balances

The Joint Board does not hold a general fund balance at the year end. Its total assets as at 31 March 2007 are £609,100 represented primarily by £613,581 of operational land and buildings. Net current assets of £16,547 are offset by long term borrowing of £21,028 due to constituent authorities.

The net assets of the Joint Board have increased by £481,148 which is primarily as a result of the movement on the pension reserve from a liability at 31 March 2006 of £487,000 to a closing balance of £nil at 31 March 2007, representing the recoverable amount.

# Corporate governance

## 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 head of finance at the Council acts as the treasurer of the Joint Board, and has been appointed by the Joint Board as the responsible officer for the administration of its affairs.

The responsibilities of the Joint Board and the 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 within the accounts.

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

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

## Statement of internal financial control

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 him 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 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. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end.

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





### **Prevention and detection of fraud and irregularity**

During 2006-07 we had regard to Statement of Auditing Standards 110: *Fraud and Error* and International standards on Auditing 240: *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements* when completing our audit work in this area.

From discussion with management and completion of our audit procedures, we have not identified any suspected or actual fraud.

### **Standards of conduct**

The members of the Joint Board are comprised of elected members from each of the 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.

### **Performance management**

The terms of appointment from Audit Scotland include a 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 2006-07.

The Joint Board continues to demonstrate its commitment to Best Value through the approval of three year and one year service plans, audit action plans and performance reporting to the management team, development of its 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.

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