

Lothian Valuation Joint Board

Report to those charged with governance on the 2009/10 audit

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Key Issues

Introduction

1. International Standard on Auditing 260 (ISA 260) *Communication of audit matters to those charged with governance* requires auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. ISA 260 requires us to highlight:
 - the integrity and objectivity of the audit engagement lead and audit staff;
 - the nature and scope of the audit, including any limitations, and the form of reports expected to be made;
 - expected modifications to the audit report;
 - management representations requested by us;
 - unadjusted misstatements (other than those which are clearly trifling);
 - material weaknesses in the accounting and internal control systems identified during the audit;
 - views about the qualitative aspects of accounting practices and financial reporting; and
 - matters specifically required by other auditing standards to be communicated and any other matter relevant to the audit.
3. This report sets out for the Board's consideration the relevant matters arising from the audit of the Lothian Valuation Joint Board's financial statements for 2009/10 that require reporting under ISA 260. The contents should be brought to the attention of the Treasurer, Chief Executive, Assessor and Convenor so that they can consider them before the Financial Statements are signed. This report includes only those matters of governance interest that have come to our attention as a result of the performance of the audit. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. The report has been prepared for the use of Lothian Valuation Joint Board and no responsibility to any third party is accepted.

Status of the audit

4. Our work on the financial statements is substantially complete. Should any further matters arise in concluding our work that requires to be reported under ISA 260, we will raise them with the Treasurer and Assessor.



Matters to be reported to those charged with governance

Conduct and scope of the audit

5. Information on the integrity and objectivity of the audit engagement lead and audit staff, and the nature and scope of the audit, are outlined in the Code of Audit Practice prepared by Audit Scotland in March 2007 and in the Annual Audit Plan submitted to management in February 2010.

Audit opinion & representations

6. My anticipated auditor's report (appendix A) is unqualified.
7. No significant financial misstatement requiring adjustments were identified during the course of the audit.
8. As part of the completion of our audit, we seek written assurances from the Treasurer on aspects of the accounts and judgements and estimates made. A draft letter of representation under ISA 580 has been provided to the Treasurer. This should be returned and signed by the Treasurer as soon as practicable and prior to the independent auditor's opinion being certified.

Accounting and internal control systems

9. The only significant change made to the unaudited accounts was the inclusion of an additional note in relation to the lease for the Board's offices. All other changes were either merely typographical in nature or were presentational changes to comply more fully with SORP requirements.
10. In addition, there was one minor error which in our opinion did not warrant adjustment in the financial statements. It related to a refund of an overpayment which was treated as sales income instead of a refund against expenditure. This was due to the way in which the underlying system operates. This had the effect of overstating income and expenditure, but did not affect the net cost of service.

Matters Arising

11. During our audit we made enquiries regarding the early retirement of a member of staff during 2009/10. We are satisfied that the Board approval was sought and given, and that the Board did not incur any additional costs from the early retirement.
12. Going Concern: The Board's Balance Sheet at 31 March 2010 has an excess of liabilities over assets of £11,211,055 (2009: £1,921,255) due to the accrual of pension liabilities in accordance with



Financial Reporting Standard 17 (retirement benefits). The Board has adopted a 'going concern' basis for the preparation of the financial statements as future liabilities will be met, as they fall due from constituent authorities as required under the 1995 Combined Area Amalgamation Scheme Order. We have asked the Treasurer for formal assurance, in the letter of representation, as to the Board's ability to continue as a going concern.

13. In my view, there are no other issues that require to be brought to your attention regarding the appropriateness of the Board's accounting policies or accounting estimates and judgements, the timing of transactions, the existence of any material unusual transactions or the potential effect on the financial statements of any uncertainties.

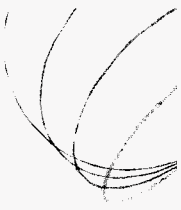
Outstanding Information

14. **Letter of Representation:** The formal Letter of Representation is required prior to the auditor's certification of the financial statements.

Acknowledgements

15. I would like to express my thanks to the staff of the Lothian Valuation Joint Board and City of Edinburgh Council for their help and assistance during the audit of this year's Accounts which has enabled me to certify the financial statements by the Controller of Audit's target date.

Mary Bowman CPFA
Senior Audit Manager
25/8/2010



Appendix A

Proposed Independent Auditor's Report

Independent auditor's report to the members of Lothian Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

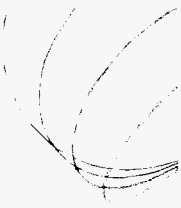
The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, I report to you if, in my opinion, the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Annual Governance Statement reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or



form an opinion on the effectiveness of the Board' corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the List of Members and Officials, the Explanatory Foreword, the Annual Governance Statement and the Service Profile. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Lothian Valuation Joint Board as at 31 March 2010 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

xx August 2010

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