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Graeme Strachan  
Depute Assessor  
Lothian Valuation Joint Board  
Assessor and Electoral Registration Office  
17A South Gyle Crescent  
Edinburgh  
EH12 9FL

17 January 2012

Dear Graeme

**Lothian Valuation Joint Board****Review of the adequacy of the Internal Audit service: 2011/12**

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit. The Code requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. Also, based on this assessment we plan to rely on areas of internal audit work in terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*).

We have now completed our assessment of the board's internal audit function which is provided by City of Edinburgh's internal audit section. This included a review of the range and quality of work carried out by internal audit. Overall, we concluded that the internal audit service operates in accordance with the CIPFA code of practice for internal audit in local government. For our financial statements audit responsibilities we plan to place formal reliance on aspects of internal audit's work in the following areas:

- City of Edinburgh Council systems operated on behalf of the board specifically payroll and trade payables. Where internal audit test controls within the council's systems we expect the sample to include transactions relating to Lothian Valuation Joint Board.
- Lothian Valuation Joint Board's Corporate Governance Statement.

The reliance on internal audit work in the above areas will allow us to direct our resources to the financial systems and governance areas we have assessed as being of higher audit risk.

We note, however, that the internal audit plan may be subject to revision although we have been assured that this will not impact on the areas of internal audit work that we plan to rely on.

We will continue to monitor and review completed internal audit assignments to ensure that work on which we are placing reliance has been delivered. Any failure to complete areas where formal reliance has been agreed could impact on our plan and agreed audit fee.

If you have any questions on this matter please do not hesitate to contact me.

Yours sincerely

**James Rundell**  
**Senior Audit Manager**

By email: Sue Bruce, Chief Executive and Clerk (City of Edinburgh Council)  
Karen Kelly, Chief Finance Officer  
Ian Stirton, Chief Internal Auditor  
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