

# Lothian Valuation Joint Board

## Report to those charged with governance on the 2011/12 audit



Prepared for Lothian Valuation Joint Board  
August 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Summary

## Introduction

1. International Standard on Auditing (ISA) 260 requires auditors to report certain matters arising from 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:
  - relationships that may bear on our independence and the integrity and objectivity of the appointed auditor and audit staff
  - the overall scope and approach to the audit, including any expected limitations, or additional requirements
  - expected modifications to the audit report
  - management representations requested by us
  - unadjusted misstatements, other than those that are clearly trivial
  - material weaknesses in internal control identified during the audit
  - qualitative aspects of accounting practice and financial reporting, including accounting policies
  - matters specifically required by other auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.
3. This report sets out for the Board's consideration the matters arising from the audit of the financial statements for 2011/12 that require reporting under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. This 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 now substantially complete. The issues arising from the audit were discussed with those staff responsible for preparing the financial statements.

## Matters to be reported to those charged with governance

### Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Audit Plan presented to the Board on 3 February 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.

## Audit opinion & representations

6. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of accounts for final review, we anticipate being able to issue an unqualified auditor's report on 3 September (the proposed report is attached at [Appendix A](#)). There are no anticipated modifications to the audit report.
7. Any errors identified during the audit have been corrected in the accounts and therefore there are no unadjusted misstatements.
8. As part of the completion of our audit we seek written assurances from the Chief Executive on aspects of the accounts and judgements and estimates made. A draft letter of representation under ISA 580 has been provided to the Chief Executive and copied to the Treasurer. This should be signed and returned by the Chief Executive with the signed accounts prior to the independent auditor's opinion being certified.

## Accounting and internal control systems

9. In terms of International Standard on Auditing 610 (*Considering the Work of Internal Audit*) we reviewed the internal audit function and planned to place formal reliance on internal audit's testing of payroll and trade payables transactions. On this occasion we did not rely on the work of internal audit because of the timing of our financial statements audit. We carried out our own testing although in future we may rely on internal audit.
10. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

## Matters arising

11. In our view, no issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

## Outstanding Information

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

## Acknowledgements

13. We would like to express our 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 financial statements which has enabled us to provide an audit report within the agreed timetable.

# 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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

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 125 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**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Lothian Valuation Joint Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of Lothian Valuation Joint Board as at 31 March 2012 and of the income and expenditure of Lothian Valuation Joint Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

James Rundell, MA CPFA  
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XX September 2012