

Government and Public Sector

August 2006

Registers of Scotland

Annual Report to Board Members

2005/06 Audit

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23 August 2006

Our ref: LP/SD/GW

Ladies and Gentlemen

Annual Report to Board Members 2005/06

We have completed our audit of the Registers of Scotland Executive Agency ("the Agency") and its financial statements for the year ended 31 March 2006.

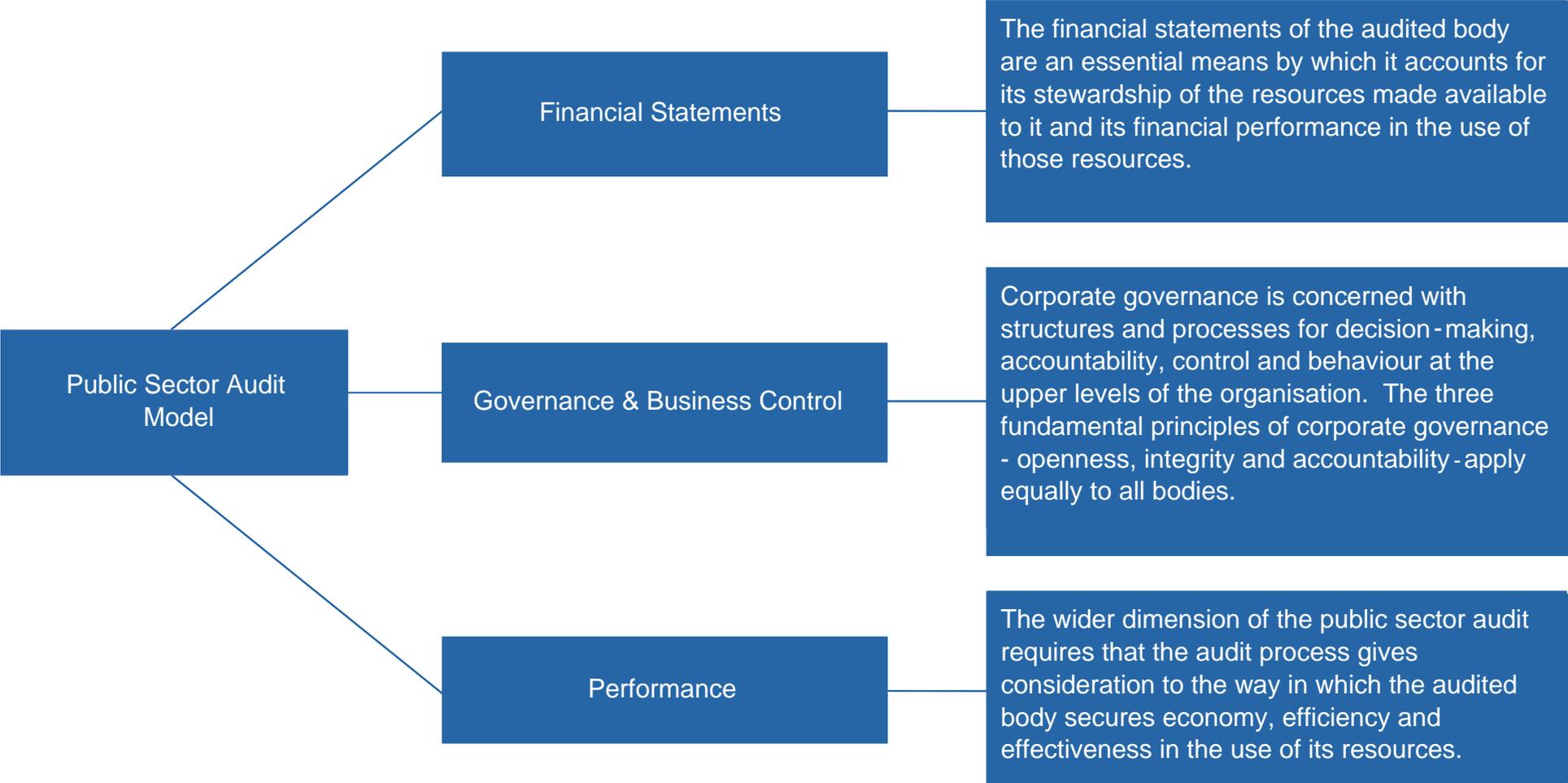
The Annual Report which follows is primarily designed to direct your attention to the key matters that have arisen out of the 2005/06 audit process and to confirm what action is planned by management to address the more significant matters identified for improvement.

We would like to take this opportunity to offer our thanks to those members of management and staff who have assisted us during the course of the audit.

Yours faithfully

PricewaterhouseCoopers LLP

Our Report Structure



Our report structure (continued)

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1. Audit Opinions and Financial Targets

Our Audit Opinion

- 1.1 Our audit opinion concerns both the true and fair statement of the Agency's financial results for the year ended 31 March 2006 (2005/06) and the regularity of its income and expenditure in the year.
- 1.2 Our true and fair opinion on the financial statements is unqualified.
- 1.3 Our regularity opinion on income and expenditure is unqualified.
- 1.4 Our opinion is set out in full in **Appendix 3**.

Financial Targets

- 1.5 The Agency's financial objective is to return 6% a year on average net assets employed over a three year basis. This objective was achieved and a summary of the financial performance of the Agency during 2005/06 is presented in Section 2 of this report.

Other Performance Targets

- 1.6 The Agency has a variety of Performance Targets, agreed with Ministers, which are detailed in the Corporate Plan 2006-2011. These are linked to the stated corporate objectives of the organisation and are reported in the accounts. A Summary of the performance of the Agency against these targets is given in Section 8 of this report.

2. Financial Performance and Position

Overall Financial Performance for 2005/06

<u>Overall Financial Out-Turn Reported for 2005/06</u>	
	£'000
Turnover and Other Operating Income	78,864
Increase in Work in Progress	963
	79,827
Operating Costs	(55,575)
Operating Surplus – Continuing Operations	24,252
Net Interest Receivable	5,214
Surplus	29,466
Dividend Payable	(5442)
Surplus for year transferred to Reserves	24,024

- 2.1 As highlighted above, the Agency has achieved a surplus of £24.02 million for the year 2005/06 compared with a budgeted surplus of £8.7 million.
- 2.2 The Agency has a financial objective to achieve a return of 6% a year on average net assets employed. For the three year period ending 31 March 2006, this was exceeded with an actual return of 28.6%.
- 2.3 In summary, the financial position of the Agency is extremely healthy as at the end of the 2005/06 financial year. The surplus for the year of £24.02 million brings the total on the Income and Expenditure account to £87.3 million as at 31 March 2006.

3. Forecast Financial Position for 2006/07

3.1 For the purposes of this report we have summarised the projected 2006/07 financial position for the Registers of Scotland in the table below:

<u>Budget for Financial Year 2006/07</u>	£'000
Turnover and Other Operating Income	85,350
Change in Work in Progress	(557)
Total Income	84,793
Operating Costs	(61,692)
Operating Surplus – Continuing Operations	22,831
Retained Surplus	21,226
Rolling 3-year ROCE	24.5%

Projected Position

3.2 ROS is currently forecasting a healthy surplus of £21,226,000 for 2006/07, which is similar to 2005/06. Income is forecast to increase by 8.2% with the housing market continuing to show good levels of growth.

Ongoing Projects

3.3 As in prior years, the Agency has recorded a large surplus within the year and has disclosed significant reserves balances. It is the case, however, that on a periodic basis the Agency will be required to undertake some work which is not fully funded. This could arise from changes in legislation or other alterations to the environment in which the Agency operates.

3.4 Currently the Agency is undertaking registration work for which the income is not anticipated to meet the costs incurred, with any shortfalls to be funded through reserves. Some of these ongoing projects are outlined overleaf

3.5 Additionally, the Agency is currently undertaking a review of its fee structure. Whilst this has been completed for Information Services, the proposed changes to fees and charges for registration income are currently under consultation. Although this exercise is still in progress, it has been assumed by management that fees will be reduced.

Feudal Reform

3.6 The Agency is continuing to implement the provisions of the Abolition of Feudal Tenure etc (Scotland) Act 2000 and the Title Conditions (Scotland) Act 2003 which came into force in November 2004. Work is ongoing to update existing registered titles and to include additional information where required. This project is scheduled to run for 10 years.

Bankruptcy and Diligence etc (Scotland) Bill

- 3.7 This Bill is currently before the Scottish Parliament and includes the provision of a new Register of Floating Charges, which would be maintained by the Agency. The proposals will also bring about other changes to existing registers maintained by ROS. The Agency is working with the government over the operational aspects of this Bill.

Land Register

- 3.8 The Land Register now covers approximately 46% of titles, and the whole of Scotland is now fully operational on the Land Register. The Agency is continuing to progress the Large Scale Voluntary Transfers, working with authorities, and subsidising costs as appropriate from existing resources. The Agency is also investigating options for extending Land Register Coverage.

Electronic Registration

- 3.9 All registrations are currently submitted in a paper format. The Agency plans to introduce electronic registration during 2006/07 for simple Dealings with Whole transactions thereby reducing the Agency's workload. This is part of the Automatic Registration of Title (ARTL) project. The Agency is planning to use this system in future years to allow deeds and forms for First Registrations, Transfers of Parts, Dealings with Wholes, Sasine Writs and the Chancery and Judicial Registers to be registered electronically.

Partnership and the associated programme of change

- 3.10 This relates to Project SPIRIT, the partnership agreed between the Agency and British Telecom (BT) under which BT provides the Agency with all IT hardware, software and "helpdesk" support. The partnership also involves BT providing the Agency with assistance on a number of projects to develop the IT infrastructure of the Agency.
- 3.11 These projects include a Back Office Systems Initiative and a Public Facing Initiative. The first project relates to the modernisation of the registration process via the Integrated Registration Project (IRP). Part of this project is planned to be introduced in last quarter of 2006/07 with the remaining changes being implemented in 2007/08. The Agency is managing the implementation process, and is planning system testing for the implementation during 2006/07. The second project relates to improving Registers Direct and also includes the Automated Registration of Title to Land project (ARTL) as mentioned above.
- 3.12 The delivery of the services provided by BT, both in terms of daily support and completion of specific projects, is monitored at an operational level via the Partnership Management, and on a strategic level via the Partnership Board, which reports to the Agency's Management Board. In establishing Project Spirit the Agency was aware of the need for a significant financial commitment and plans to use its reserves as necessary.
- 3.13 In summary, there are a number of projects which may require the utilisation of some of the Agency's reserves. However, we recommend that the level of reserves is subject to monitoring to ensure the Agency is able to demonstrate the achievement of value for money in its operations.

Action Point 1

4. The Audit Process and Accounting Issues

Audit Process

- 4.1 The draft financial statements were audited by us during June and July 2006. We are pleased to report that we received a complete set of draft financial statements and supporting schedules at the start of the audit and that the audit process took place in line with our Audit Service Plan 2005/06. We would like to thank all Agency staff involved for their assistance throughout the audit process.

Preparation of Financial Statements

- 4.2 The financial statements were prepared in accordance with the Accounting Direction provided by Scottish Ministers, the Trading Fund guidance issued by the Treasury and the Public Finance and Accountability (Scotland) Act 2000.

Accounts Approval

- 4.3 The Annual Accounts are to be noted by the Audit Committee on 31 August 2006, and then recommended to the Board where they are to be approved and adopted.

Audit Adjustments

- 4.4 An audit adjustment of £19,373 was identified from the draft accounts in respect of an understatement of the Work In Progress provision. Management has been informed of the error, and decided not to update the accounts on the basis of the size of the error relative to the overall Work in Progress balance (£6.166m). All other adjustments required to the format of the figures within the financial statements have been changed as advised.

5. Systems of Internal Control

Statement of Internal Control

- 5.1 We do not disagree with the Agency's disclosures contained in the Statement on Internal Control. The Agency has used the format prescribed in the Scottish Public Finance manual and has outlined its processes to identify and evaluate risks. In addition, key elements of the Agency control framework have been highlighted including internal and external audit, and risk management.

Follow Up Report on previous control matters

- 5.2 Our follow up report on our 2004/05 control recommendations (2005/06 Follow Up Report) was issued to the Agency in December 2005. Of the 9 agreed recommendations made in our 2004/05 Follow up Report, 2004/05 Interim Management Letter, 2004/05 Annual Report to Management and 2004/05 Final Management Letter, one was classed as not yet implemented, with three recommendations that were partially implemented or where implementation was ongoing.
- 5.3 At the time of our final audit visit only one point remained ongoing, in relation to the completion of the business process update project which is due to be implemented by 31 December 2006.
- 5.4 Ongoing progress against this point should be monitored by next year's external auditors, Robson Rhodes.

Action Point 2

Financial Systems and our 2005/06 Internal Controls Report

- 5.5 At our interim visit, we reviewed the following areas:
- internal audit;
 - financial management and budgetary control;
 - prevention and detection of fraud and corruption;
 - the legality of financial transactions; and
 - rotational review of key systems of financial control.
- 5.6 A total of eight control issues were reported to management in our Interim Management Letter in December 2005. The key issues identified related to updating passwords, explanations of variances in financial reports and the completion of monthly sales ledger procedures in a timely manner. The report provides details of the actions recommended to address these issues.

Stock Count Procedures

- 5.7 During February 2006 we attended the Agency's stock take in Berwick. The Agency aims to count 100% of its cases per annum, in order to verify that the Land Registry System is correct. Through our attendance at the count we noted that although the count was undertaken satisfactorily, there were a number of control improvements identified. These are outlined below:
- Count procedures are not up-to-date and issued to all staff involved in the count;
 - The system is not completely closed during the count meaning that staff could still process amendments; and
 - An independent review of a sample of counts is not always undertaken.
- 5.8 The risks of these actions are fully explained within the action plan, and recommendations for improvement are given.

Action Points 3, 4, 5

Fixed Asset Disposals

- 5.9 During the year, the Agency completed a programme of desktop refresh, as a consequence of which all the old desktops were disposed of. During the audit we noted that due to scale of the exercise, individual asset disposal forms had not been completed and there was limited documentation to show which assets had been disposed of. For future disposal programs, we would recommend that management keep better documentation of the process and the authorisation of such disposals.

Action Point 6

Internal Audit's Report on the Agency's Internal Controls

- 5.10 The extract of the Internal Auditor's opinion for 2005/06 is reproduced below:

"On the basis of the work undertaken for the year ended 31 March 2006 we found that Registers of Scotland has an adequate framework of control over the manual processes we examined [as summarised in our Annual Internal Audit Report] (subject to implementation of recommendations) except for the IT Security areas highlighted [in our report]. We would highlight to the Audit Committee that underlying manual business processes are obviously reliant on the controlled operation of the IT systems which support them."

6. Governance Arrangements

Governance Arrangements at Registers of Scotland

- 6.1 As part of the requirements of the Code of Audit Practice we undertook a review of the arrangements in place within the Agency for ensuring appropriate financial governance arrangements. Our findings and recommendations from this review were included in our Interim Management Letter. The key issue identified in respect of financial governance related to publication of the annual register of interest returns for the management board on its website.
- 6.2 In addition to that review we followed-up on prior year recommendations (refer also to Section 5), including the recommendations made in prior years in relation to the arrangements in place for securing appropriate governance arrangements.
- 6.3 There were no outstanding recommendations to report in relation to governance.

Risk Management

- 6.4 Risk management is defined as “a systematic process for identifying, assessing, controlling, monitoring, reviewing and auditing risk.” Effective risk management is of critical importance to the public sector as adverse consequences of risk could place limitations on the quality of service delivery, and put a strain on staff and financial resources. To fulfil this requirement the Agency is required to implement a robust and effective framework for the management and understanding of risk. The framework should be developed by building on existing good practice and should be used to facilitate the organisation’s planning and decision making process.
- 6.5 The Agency has in place departmental risk registers which are maintained by staff at an operational level. Managers review the activities that they undertake on a daily, weekly and monthly basis, reporting by exception changes that affect performance risk. These departmental risk registers form the basis of organisation-wide risk registers for which responsibility for maintenance lies with the Audit Committee. An Enterprise Risk Manager has been appointed with responsibility for overseeing risk management, data security and business continuity procedures throughout the Agency.

7. Prevention and Detection of Fraud and Irregularities

Fraud and Corruption Reviews

- 7.1 As part of our rotational plan to review the key systems and methods for the prevention and detection of fraud and corruption we have conducted a review of the arrangements at the Agency, together with key controls surrounding asset management. There were no significant findings representing a fraud risk to be reported to management, other than the issue raised in paragraph 5.9.

Fraud and Irregularities Guidance

- 7.2 We have reviewed the fraud and irregularities guidance issued by Audit Scotland during 2005/06 and undertaken work accordingly. There were no matters for reporting here from this work.

Fraud Submission

- 7.3 A return is submitted to Audit Scotland of all reported frauds during the year. The Agency submitted a nil return for frauds over £5,000, and gave details of three frauds on the return for frauds under £5,000, which is the de minimus level.

Termination Packages

- 7.4 The Agency had no reported settlements for senior/ board level officers during the year

8. Performance Targets

Ministerial Targets 2005/06

- 8.1 At the final audit, we reviewed the Agency's performance against its agreed Ministerial targets. The Agency met nine out of its ten Ministerial targets, which cover the following categories of performance:
- speed of registration;
 - registration accuracy;
 - financial;
 - customer service; and
 - income from information provision.
- 8.2 The target that was not met was as follows:
- “In line with the three-year target to eliminate stocks of domestic First Registrations over one year old, to achieve a 62% stock reduction against the 31 March 2004 baseline by 31 March 2006”
- 8.3 With regards to this target, the Agency achieved a 51.6% stock reduction. It is our understanding the failure to achieve this target was due to the higher than expected proportion of First Registrations involving new developments which require to be mapped by the Ordnance Survey prior to proceeding with the registration.

9. Best Value Follow-Up

- 9.1 As part of the 2004/05 audit process, we undertook a Best Value review. This review was in the form of a self-assessment based upon initial guidance provided by the Scottish Executive.
- 9.2 Of the six recommendations agreed with management, five were still ongoing at the time of our final audit.
- 9.3 Ongoing progress against these recommendations should be monitored by next year's external auditors, Robson Rhodes.

Action Point 2

Appendix 1: Action Plan

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 1	The Agency's reserves balance has continued to increase significantly year on year.	The Agency may be open to the charge that its fees are too high and do not represent value for money.	Management should agree a reserves policy and monitor the level of reserves on an ongoing basis.	The Agency currently monitors projected reserves and fee levels as part of its planning process but has recognised the need for more formal reviews, the approach to which it is currently considering. The current review of fees was timed to coincide with the introduction of new "e-services" however more frequent fee reviews will be introduced if necessary.	Alison Chisholm Approach to be agreed Spring 2007
Action Point 2	Recommendations still outstanding from the following reports need to be addressed by management: <ul style="list-style-type: none"> • 2005/06 Follow Up Report; • Interim Management Letter - 2005/06; • Best Value Report - 2005/06. 	Identified weaknesses in the Agency's systems may not have been corrected.	Management should ensure that agreed recommendations are implemented	One 2005/06 Follow Up Report recommendation is ongoing. The Interim Management Letter – 2005/06 recommendations are either complete or ongoing. The recommendations in the Best Value Report 2005/06 have been updated at August 2006.	As individual reports.

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 3	Stock count instructions were last updated prior to 2003 and there are some areas for improvement in their content. The same document is used for all counts, but is not usually distributed to count teams. It was noted that some items included in the instructions were not followed by all staff, such as labelling the method used to sort shelves, and independent review of a sample of counts.	Procedures are not applied as intended and/or are not applied in a consistent manner.	<p>Inventory instructions should be revised to include the following:</p> <ul style="list-style-type: none"> • Arrangements for identifying all cases at other sites; • Instructions for independent review of a sample of cases counted; and • Arranging and segregating inventory i.e. new cases taken on during the count. <p>Instructions should be formally approved and distributed to all staff involved prior to the count. Briefing sessions should include a run through of instructions and additional information specific to the count.</p>	Accepted.	Charles Keegan Due Date: December 2006
Action Point 4	It was noted that during counts the system is still accessible to staff making amendments although staff are warned by a message on the intranet not to make changes.	Amendments made during the count may damage the accuracy of the count.	Management should investigate the possibility of closing the system to changes during the count. An email should be sent to all staff capable of making changes prior to the count.	Closing the system to users is not current system functionality. We will investigate whether this can be built into the replacement LR system. Accept recommendation on sending emails to participants.	Charles Keegan Due Date: December 2006

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 5	It was noted during testing, that an independent review of a sample of counts is not always carried out.	The count may not be accurate.	An independent review of a sample of cases should be taken during the count. Sample checks should involve some items held off site and with individuals. Documentation for this should be signed off and retained to provide a adequate audit trail.	Accepted	Charles Keegan Due Date: September 2006
Action Point 6	A large number of disposals were made during the year due to the programme for replacing desktop computers in partnership with BT. A disposal form was not raised for any of these items and there is no evidence of authorisation or review of these disposals during the year.	Assets maybe incorrectly disposed of and recorded in the accounts.	While PwC noted it was common practice for an official disposal form to be raised for disposals of assets under normal circumstances, we would recommend that adequate documentation is kept of the process and authorisation of all disposals, even in extraordinary circumstances or large projects.	Due to the high level nature of the desktop rollout and the various delays a simple disposal form was not produced. The evidence of disposal was via emails between IT and Finance. The point is however accepted and established procedures will be applied in future.	John Clark. Due Date: August 2006

Appendix 2: Responsibilities of External Audit and the Registers of Scotland and its Management

The matters dealt with in this report came to our notice during the conduct of our normal audit procedures which we carried out in accordance with the framework and principles contained within the Audit Scotland's Code of Audit Practice.

As a result, we may not have identified all the issues and matters that may exist. It is the responsibility of the Registers of Scotland and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. To discharge our audit responsibility we evaluate significant financial systems and associated internal controls and where appropriate, report to management any weaknesses identified. In practice, we do not examine every financial activity and accounting procedure and we cannot substitute for management's responsibility to maintain adequate systems of internal control.

This report is intended to assist the Registers of Scotland regarding its arrangements to implement appropriate controls surrounding the production of certain management information and processing systems. The report does not purport to provide information or advice to any person not associated with the Registers of Scotland and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to the Registers of Scotland or any other party.

The prime responsibility for the prevention and detection of fraud and irregularities rests with the Registers of Scotland. It also has a duty to take reasonable steps to limit the opportunity for corrupt practices. As part of our approach we consider these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity has occurred and remained undetected.

It is the responsibility of the Registers of Scotland and its officers to prepare the Accounts in compliance with statutory and other relevant requirements. We are responsible for providing an opinion on the Accounts.

It is the responsibility of the Registers of Scotland to put in place proper arrangements to ensure the proper conduct of its financial affairs, and to monitor their adequacy and effectiveness in practice. We have a responsibility to review and, where appropriate, report on the financial aspects of the audited body's corporate governance arrangements, as they relate to:

- The legality of transactions that might have significant financial consequences;
- The financial standing of the audited body;
- Systems of internal financial control; and
- Standards of financial conduct, and the prevention and detection of fraud and corruption.

It is the responsibility of the Registers of Scotland to put in place proper arrangements to manage its performance, to secure economy, efficiency and effectiveness in its use of resources. We have a responsibility to review and, where appropriate, report on the arrangements that the Registers of Scotland has put in place to secure economy, efficiency and effectiveness in its use of resources.

We also have a responsibility to undertake reviews arising from national studies commissioned by Audit Scotland where these have been designated as mandatory studies.

For more details on any of the issues raised in this document reference should be made to those detailed reports issued by us to the Registers of Scotland during the year and as listed at **Appendix 4**.

Appendix 3: Audit Opinion

We have audited the financial statements of Registers of Scotland for the year ended 31 March 2006 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Gains and Losses and related notes. 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 the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Agency, Accountable Officer and auditor

The agency and Accountable Officer are responsible for preparing the annual report and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Agency Accountable Officer's Responsibilities. Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the Agency's compliance with Scottish Executive guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statements covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the foreword to the accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Public Finance and Accountability (Scotland) Act 2000 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 Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the agency and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of the Agency as at 31 March 2006 and the net cost of operations, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Regularity

In our opinion in all material respects

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

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September 2006

Appendix 4: Other formal reports submitted during the 2005/06 process

	Financial Statements	Governance & Business Control	Performance
• Annual Service Plan 2005/06	-	-	-
• Follow Up of 2004/05 Audit Recommendations	✓	✓	✓
• 2005/06 Interim Management Letter	✓	✓	-

This report is intended solely for the information of the Registers of Scotland Executive Agency ("the Agency"). In the event that, pursuant to a request which the Agency has received under the Freedom of Information (Scotland) Act 2002, it is required to disclose any information contained in this External Audit Report, it will notify PwC promptly and consult with PwC prior to disclosing such External Audit Report. The Agency agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the Agency shall apply any relevant exemptions which may exist under the Act to such External Audit Report. If, following consultation with PwC, the Agency discloses this External Audit Report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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