

Government and Public Sector

September 2006

General Register Office for Scotland

Annual Report to Board Members

2005/06 Audit

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Ladies and Gentlemen

Annual Report to Board Members 2005/06

We have completed our audit of the General Register Office for Scotland (GROS) and its financial statements for the year ended 31 March 2006.

The Annual Report which follows is primarily designed to direct your attention to matters of significance 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

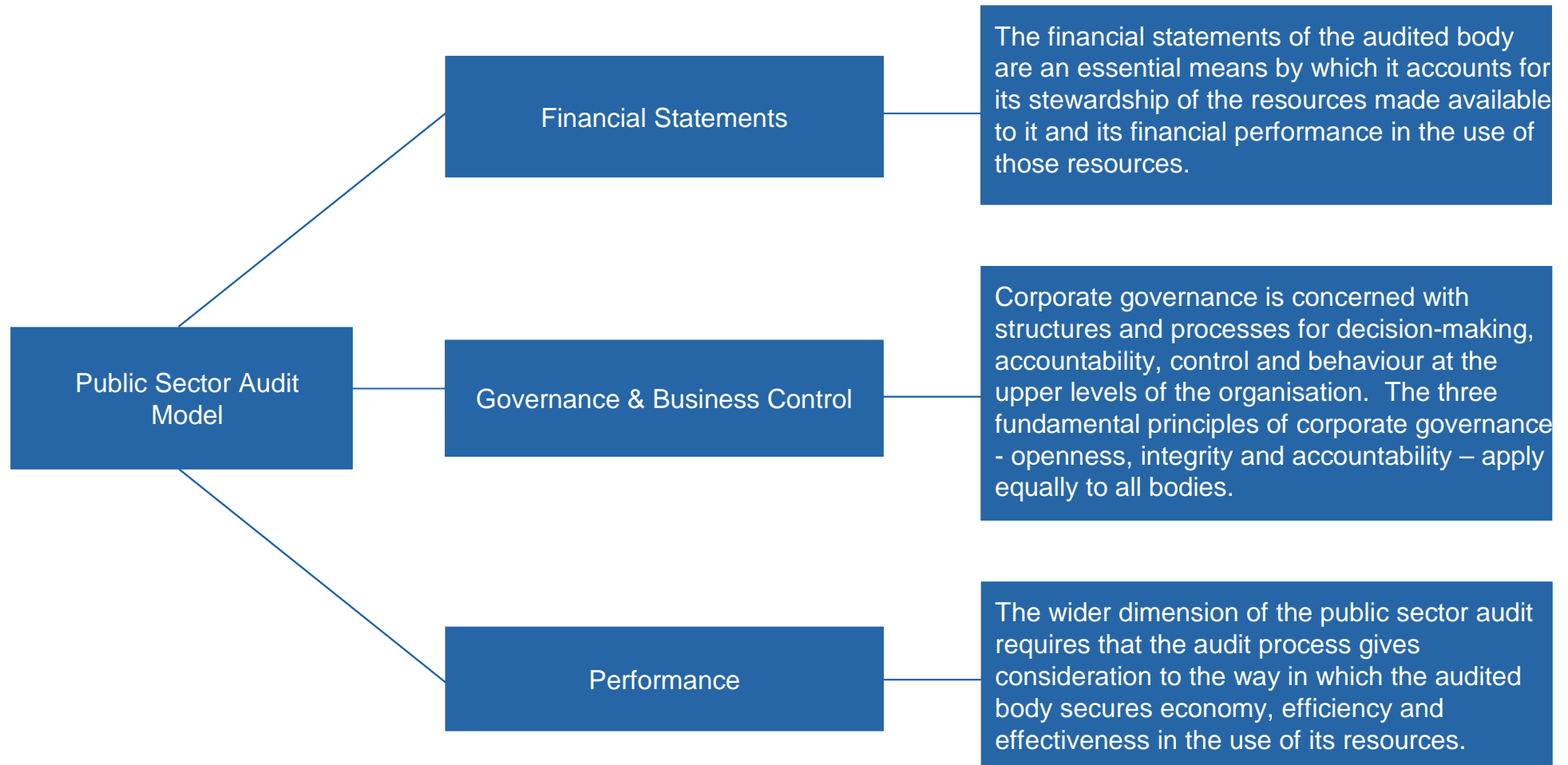
Our Report Structure

Our report structure reflects our wider public sector audit responsibilities as set out in Audit Scotland's Code of Audit Practice.

The Model

Areas of Responsibility

Explanation



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 GROS' 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 GROS has the key financial target of ensuring expenditure does not exceed the level in the budget approved by the Scottish Ministers. This objective was achieved. Additionally, GROS is expected to ensure arrangements are in place to secure Best Value (refer to Section 9).
- 1.6 A summary of the financial performance of GROS during 2005/06 is given in Section 2 of this report.

Other Performance Targets

- 1.7 GROS has a number of Strategic Corporate Objectives which are supported by a variety of business objectives, as detailed in its Corporate Plan 2005/06. These have been outlined in Section 8 of this report.

2. Financial Performance and Position

2.1 GROS's performance against budget for 2005/06 is as follows:

<u>Overall Financial Out-turn Reported for 2005/06</u>	Actual	Budget	Variance
	£'000	£'000	£'000
Staff Costs	7,112	7,272	(160)
Administration Expenditure	5,740	5,711	29
	12,852	12,983	(131)
Administration Income	(4,927)	(4,697)	(230)
Departmental Expenditure Limit	7,925	8,286	(361)

Current Position

2.2 On the basis of an £8.3 million Departmental Expenditure Limit, actual net expenditure was £7.9 million, resulting in an underspend against budget of £361,000, reasons for which are detailed below.

Staff Costs

2.3 The underspend in staff costs of £160,000 is primarily due to vacancies and to early retirements that were due to occur during the financial year. In the event, these retirements took place after the year-end, meaning that the full cost will be borne in 2006/07.

Administration Expenditure

2.4 A number of compensating under- and over-spends account for the overall overspend of £29,000 in administration expenditure, including the following:

- Work to upgrade Ladywell House, planned for 2006/07, was brought forward to 2005/06 resulting in an accommodation overspend of £160,000;
- Increased stationery costs relating to the CENSUS test resulted in a supplies and services overspend of £123,000; and
- An amendment to the GROS accounting policy on the capitalisation limits for furniture and fittings and software licenses contributed to a £157,000 capital charge underspend.

Administration Income

- 2.5 Administration income was £230,000 higher than budget. As in previous years this was a result of increased income generated from extract sales, including Scotland on Line. Although it is difficult for management to accurately determine the reasons for this increase, we were informed that the increase suggests that the public continues to retain an interest in genealogy.

Budget Performance

- 2.6 In prior years PwC has raised concern over the significant revenue and capital underspends GROS has reported against budget. In 2005/06 GROS has undertaken a number of measures to improve and develop new budget setting and monitoring procedures. The performance against budget in 2005/06 reflects the improvements made by GROS, with a reported revenue underspend of £361,000 in 2005/06 compared with a £1.44 million underspend in 2004/05. Moreover, the capital budget in 2005/06 was only £9,000 underspent.

3. Forecast Financial Position for 2006/07

3.1 The budget for 2006/07 is set out below. It is emphasised that we do not express a specific audit opinion on the figures which follow – these have been extracted in agreement with management from various reports, supporting papers and other available documentation.

<u>Budget for the Financial Year 2006/07</u>	2006/07 Original Budget (as approved) £'000	2006/07 Revised Budget (subject to approval) £'000	Variance £'000
Staff Costs	6,623	8,044	1,421
Administration Expenditure (Excluding Staff Costs)	4,889	5,102	213
Capital Charges	1,339	1,339	-
Administration Income	(2,940)	(4,971)	(2,031)
GROS Operating Cost	9,911	9,514	(397)
Capital Programme	880	1,024	144
Total Resource Budget	10,791	10,538	(253)

3.2 At the time of our final audit visit the original budget was subject to being updated and approved at the Autumn Budget revision. We were provided with details of the proposal for the final budget by GROS management and have used these updated, albeit unapproved, figures to comment on GROS's projected position in 2006/07 as compared with the actual 2005/06 position.

Projected Position – 2006/07

Revenue

- 3.3 Despite the underspend recorded in 2005/06, GROS has planned to increase its expenditure limit by £1,589,000 in 2006/07. The key factor behind this increase is continued preparation for the 2011 CENSUS.
- 3.4 The 2006/07 budget has included an increase in staff costs of £932,000. GROS anticipates that additional staff members will be recruited in 2006/07 to analyse the data collected from the CENSUS test conducted at the end of 2005/06. Additional resources will also be required as GROS plans for the CENSUS pilot in 2009 and the 2011 CENSUS.
- 3.5 The 2006/07 staff cost budget has been updated to reflect the early retirement costs originally planned for 2005/06 but which will impact in 2006/07 due to the retirement date of the employees. A salary uplift of 3% has also been included in the final salary budget.
- 3.6 Administration expenditure, including capital charges, is also expected to increase by £701,000 in 2006/07. GROS anticipates that increased CENSUS work will impact on the supplies and services, travel and training budgets. Moreover, GROS has a commitment to the Scottish Family History Centre that will incur significant costs in 2006/07.

Income

- 3.7 GROS expects that it will be able to sustain the same level of income in 2006/07 compared with 2005/06. It will also retain the £950,000 it receives for the work it performs as part of the National Health Service Central Register. Discussion with Ancestry.co.uk has led GROS to consider that future income streams may be restricted to licensing agreements with genealogy sites. However these developments will not impact the 2006/07 budget as the contract with Scotland on Line will be in place throughout this period.

Capital

- 3.8 The capital budget for 2006/07 is expected to be £1.024 million, representing an increase of £448,000 from the actual capital expenditure incurred in 2005/06. The increase is to help fund a number of significant ICT projects, including the following:
- the replacement of SCROL hardware for the CENSUS project - £64,000;
 - new hardware to improve business continuity planning - £150,000;
 - new software for electronic documentation and data matching - £190,000; and
 - IT infrastructure at GROS that will facilitate interaction with Scottish Family History Centre - £73,000.

4. The Audit Process and Accounting Issues

Audit Process

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

Preparation of Financial Statements

- 4.2 GROS prepares its financial statements to comply with the Accounting Direction given by Scottish Ministers, the Financial Reporting Manual issued by the Treasury (as amended by the Scottish Executive) and in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Accounts Approval

- 4.3 The Annual Accounts are to be noted by the Audit Committee on 27 September 2006 and signed by the Accountable Officer in October 2006. These arrangements and timescales have been agreed with Management.

Audit Adjustments

- 4.4 We are pleased to report that only a small number of audit adjustments were required to the financial statements presented to us for audit. These have been accepted by management and changes made as advised. Significant adjustments have been noted below:
- £48,000 of prepayments had not been accrued in the draft financial statements; and
 - the trade creditor balance was overstated by £40,000.

Scottish Family History Centre

- 4.5 The main contractor involved in the construction of the Scottish Family History Centre, Peter Walker Ltd, went into receivership just after the end of financial period 2005/06. The majority of the capital expenditure is borne by the lead partner on the project, National Archives for Scotland, but GROS will manage the tender for the completion of the works. The original tender, assessed by GROS and awarded to Peter Walker Ltd was subject to a Gateway review in 2004/05 with no significant issues identified.

Action Point 1

5. Prevention and Detection of Fraud and Irregularities

Fraud and Corruption Reviews

- 5.1 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 GROS, together with key controls surrounding asset management. Our findings were included in our Interim Management Letter, in which we reported that no significant areas of concern had been identified.

Fraud and Irregularities Guidance

- 5.2 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

- 5.3 A return is submitted to Audit Scotland of all reported frauds during the year. GROS submitted a nil return for 2005/06.

6. Standards of Conduct, Integrity and Openness

Governance Arrangements at GROS

- 6.1 As part of the requirements of the Code of Audit Practice we undertook a review of the arrangements in place within GROS for ensuring appropriate financial governance arrangements. Our findings and recommendations from this review were included in our Interim Management Letter, in which we reported that no significant areas of concern had been identified.
- 6.2 In addition to that review we followed-up on prior year recommendations (refer also to Section 7), including the recommendations made in prior years in relation to the arrangements in place for securing appropriate governance arrangements. Our findings and recommendations from this review were included in our Follow Up Report 2005/06 and included a recommendation that management should contact the Scottish Executive on an annual basis to ask for details of any interests, gifts or hospitality that have been registered. This point has been agreed with management and appropriate action is being undertaken to implement this recommendation for the start of 2006/07.

7. Systems of Internal Control

Statement of Internal Control

- 7.1 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 for identifying and evaluating risks. In addition, key elements of the Agency control framework have been highlighted including the risk management framework and internal and external audit input.

Follow Up Report on previous control matters

- 7.2 Our follow up report on our 2004/05 control recommendations was issued to GROS in February 2006. Of the 33 agreed recommendations made in our 2004/05 Follow up Report, 2004/05 Interim Management Letter, 2003/04 Annual Report to Management and 2004/05 Final Management Letter, two were classed as not yet implemented, with 19 recommendations that were partially implemented or where implementation was ongoing.
- 7.3 The key areas where further actions remain are in respect of:
- the development of procedures for the preparation and timely review of bank and fixed asset revaluations;
 - ongoing problems relating to the SLA with the Scottish Executive HR department; and
 - ongoing physical verification of fixed assets.

- 7.4 Our Follow-Up report will be provided to next year's external auditors to enable them to continue to monitor and report on progress.

Financial Systems and our 2005/06 Internal Controls Report

- 7.5 At our interim visit, we reviewed the following areas, relying on the work of internal audit where appropriate:
- 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 including fixed assets, payroll and the purchasing and payables cycle.
- 7.6 A total of sixteen control issues were reported to management in our Interim Management Letter in December 2005. The key issues related to budgetary control and the monitoring of monthly management reports, the disposal of fixed assets and the development of desktop procedural notes for all of the core financial systems.

Action Point 2

Internal Audit's Report on GROS's Internal Controls

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

On the basis of the work undertaken up to this point, and the results of our colleagues' audits of relevant aspects of the Scottish Executive's centrally managed systems, we can provide substantial assurance in respect of the Department's risk, control and governance arrangements. We found the areas covered to be well managed and subsequently we have not raised any significant matters.

Additional control points identified during our final audit visit

7.8 As noted in paragraph 4.4 above, a number of audit adjustments in relation to the identification and recording of creditors and debtors, including prepayments, were identified during the course of the audit, indicating a need for year-end procedures in this area to be reviewed.

Action Point 3

8. Performance Targets

- 8.1 As part of its Corporate Plan, GROS has a number Strategic Corporate Objectives which are supported by a variety of business objectives. Performance measures and target dates have been established for each objective and progress against these is monitored by the organisation throughout the year. The final performance against target is reported in the GROS Annual Performance Review. This document is referenced in the GROS annual accounts and made available on the GROS internet site.
- 8.2 The Strategic Corporate Objectives reflect the activities of the organisation and are divided into those relating to Registration activities, those relating to Statistics activities and those that cut across the organisation, which are monitored by the Corporate Services Branch. The Annual Performance Review was not available for review the time of our final audit but will be published by GROS before the presentation of the annual accounts.

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 GROS has agreed the action plan arising from that review, with work already completed for some of the agreed actions. In particular:
- GROS published its first Annual Performance Review in respect of 2004/05;
 - In 2005/06 GROS submitted a strategy paper to the Audit Committee reviewing the budget setting process. In 2005/06 GROS reported an underspend of £246,000, which is a marked improvement on the prior year performance against budget underspend of £1.44 million; and
 - GROS has established a standard methodology for option appraisals and purchasing. It is our understanding that Internal Audit is satisfied that this guidance meets the requirements identified by GROS.
- 9.3 Following the Best Value review in 2004/05 the Accountable Officer for GROS has taken up membership on the Best Value External Reference Group. The remit of this Group, established by the Scottish Executive, is to develop Best Value guidance for all organisations under the control of the Scottish Executive.
- 9.4 This guidance will be based on the nine characteristics of Best Value already outlined in the existing Local Government Best Value Guidance. The ultimate aim of the Group is the establishment of a “toolkit of best practice” that will facilitate self assessment within each of the Scottish Executive organisations. In addition, the Scottish Executive has secured the support of Quality Scotland, which will broadcast best practice on its web-site. Best Value checklists will also be developed by Audit Scotland and Quality Scotland.
- 9.5 GROS intends to utilise the knowledge gained from the membership of the External Reference Group to address the outstanding recommendations from the PwC Best Value Report.

Action Point 4

Appendix 1: Action Plan

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 1	The main contractor involved in the construction of the Scottish Family History Centre, Peter Walker Ltd, went into receivership just after the end of the financial year 2005/06.	GROS and NAS may incur additional costs to ensure completion of the project.	GROS should ensure that the appointment of a contractor to complete the work on the Scottish Family History Centre is done on the basis of ensuring value for money.	We are strictly following Government procurement procedures to ensure that value for money is achieved for interim emergency works and for the replacement main contract. We anticipate that the overall cost of the project will increase due to the receivership of Peter Walker Ltd. We have checked (and will continue to check) that our business case is still sound and that the project can be delivered within the existing GROS and NAS budget baseline.	Duncan Macniven Registrar General and Chair of the SFHS Programme Executive Committee On-going
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; and • Interim Management Letter - 2005/06. 	Identified weaknesses in GROS systems may not have been corrected.	Management should ensure that all recommendations are implemented as agreed.	We are addressing the points raised in previous audits in a methodical manner. We have prioritised these and are dealing with them in an order relative to their impact. We review progress on audit action points roughly quarterly.	Eddie Turnbull Accountable Officer On-going

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 3	During the audit of the 2005/06 financial statements PwC identified a number of adjustments where both income and expenditure were allocated to the incorrect financial period	The financial statements may not represent to true financial position of GROS at the end of the financial year.	Management should ensure that procedures are established that will facilitate income and expenditure being recorded in the correct period.	We have made improvements to the way accruals are captured. A new electronic requisitioning document will be launched in October, which will require requisitioners to specify the extent that goods and services will be consumed across financial years.	Brian Finnie Finance Manager 31 October 2006
Action Point 4	As part of the 2004/05 audit process, we undertook a Best Value review. There are still a number of recommendations outstanding: <ul style="list-style-type: none"> • Development of a standard complaints procedure; 	Identified weaknesses in GROS Best Value arrangements have not been addressed.	Management should ensure that all recommendations are implemented as agreed.	See comments against each issue:- <ul style="list-style-type: none"> • This is a low priority task, and a revised date has not been set. However, the procedures will be reviewed by the time the SFHS is launched in Autumn 2007; 	Craig Stewart Strategic Finance Manager no date yet set

Report Reference	Issue	Risk	Recommendation	Management Response	Responsible Officer/Due Date
Action Point 4 (cont.)	<ul style="list-style-type: none"> Provision of suitable training for risk management; 			<ul style="list-style-type: none"> We have a specification prepared for training/consultancy services. But we decided, in advance of 2006-07 corporate planning, that the time was not right to refresh our Risk guidance and training (we had already refreshed requisitioning guidance and general budgeting and corporate planning guidance – we did not want to create “corporate overload”). Risk Management guidance and training will be refreshed for 2007-08 planning; 	31 December 2006
	<ul style="list-style-type: none"> Timely submission of the Annual Performance Review; and 			<ul style="list-style-type: none"> The 2005-06 deadline was missed due to delays encountered in closing other important tasks. Once the initial version of this Annual Performance Review is set up (End October 2006), its completion in future years should be less onerous; and 	30 June 2007
	<ul style="list-style-type: none"> Redevelopment of the MTA to reflect the introduction of the Scottish Family History Research Service. 			<ul style="list-style-type: none"> The redevelopment of the MTA was on schedule, but was postponed due to delays enforced by the receivership of Peter Walker Ltd. The revised MTA for Records Enterprise and the new SFHS MTA will be put in place following the settling of final 2007-08 budget requirements. 	31 January 2007

Appendix 2: Responsibilities of External Audit and the Agency 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 GROS 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 GROS 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 GROS and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to GROS or any other party.

The prime responsibility for the prevention and detection of fraud and irregularities rests with GROS. 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 GROS 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 GROS 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 GROS 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 GROS 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 GROS during the year and as listed at **Appendix 4**.

Appendix 3: Audit Opinion

Independent auditor's report to the General Register Office for Scotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the General Register Office for 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.

We do not, in giving this opinion, accept or assume responsibility for any other purpose of to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Agency, the Registrar General for Scotland, the Accountable Officer and the Auditors

The agency and Registrar General for Scotland 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 Registrar General for Scotland's and Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with 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 the 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 statement 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 and the Statement of Registrar General for Scotland's and Accountable Officer's Responsibilities. 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 the 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 Registrar General for Scotland 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	✓	✓	-
• 2005/06 Final Management Letter		✓	

Freedom of Information (Scotland) Act 2002

This report is intended solely for the information of the General Register Office for Scotland. In the event that, pursuant to a request which GROS 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. GROS agrees to pay due regard to any representations which PwC may make in connection with such disclosure and GROS shall apply any relevant exemptions which may exist under the Act to such External Audit Report. If, following consultation with PwC, GROS 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. PricewaterhouseCoopers LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

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