

The Members
Orkney and Shetland
Valuation Joint Board
Town Hall
LERWICK
ZE1 0HB

The Controller of Audit
Audit Scotland
18 George Street
EDINBURGH
EH2 2QU

31 October 2006

Ladies and Gentlemen

**Orkney and Shetland Valuation Joint Board
Annual Report to Members 2005/06**

We have completed our audit of Orkney and Shetland Valuation Joint Board's (the "Board") accounts for the year ended 31 March 2006.

Our statutory duties as your external auditor are contained in the Local Government (Scotland) Act 1973. These duties and the responsibilities which are derived from the Act are contained in greater detail within the Code of Audit Practice (the "Code"), which has been approved and issued by the Accounts Commission for Scotland. Appendix 1 to this report outlines our key responsibilities and the responsibilities of management in this regard.

Our audit opinion to the Members dated 29 September 2006 was unqualified. We have no other matters to raise regarding our audit of Orkney and Shetland Valuation Joint Board for the year ended 31 March 2006.

However, it should be appreciated that this Annual Report to Members is derived from the conduct of our normal audit procedures, which we carried out on a selective basis in accordance with the framework and principles embodied within the Code. As a result, we may not have identified all of the audit issues and related matters that may exist within the Board.

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 our audit.

Yours faithfully

PricewaterhouseCoopers LLP

Responsibilities of Management and the External Auditor

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 Board 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.

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

The prime responsibility for the prevention and detection of fraud and irregularities rests with the Board. 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 has remained undetected.