

Mr Michael Thomas
Director
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Fax:
Email:

Your ref:
Our ref:
Date: 28 August 2018

Dear Mr Thomas

Lancashire County Council Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Lancashire County Council and its subsidiary undertaking, Lancashire County Developments Limited, for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent Council financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes.
- xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its financial position at the year-end as outlined on the attached schedule.

The group and parent Council financial statements are free of material misstatements, including omissions.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

xiv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the group and parent Council financial statements.

xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Risk and Governance Committee at its meeting on 28 August 2018.

Signed on behalf of the Council

Angie Ridgwell
Chief Executive and Director of Resources

28 August 2018

County Councillor Alan Schofield
Chair of the Audit, Risk and
Governance Committee

28 August 2018

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit, Risk and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on Reserves £'000	Reason for not adjusting
<p>1 In 2017/18 the Council revalued its assets as at 1 April 2017. However, as these assets were actually being revalued throughout the year the new valuations were entered onto the asset register when they were received. The revalued assets were depreciated from the date they were entered onto the asset register rather than from the date of the valuation which was 1 April 2017. The impact is that Property, Plant and Equipment (PPE) is overstated with a corresponding understatement of depreciation in the year. The amounts involved are:</p> <p>Property, Plant and Equipment Depreciation in 2017/18</p>	3,976	(3,976)		<p>The effect of this item was assessed as being neither material nor resulting in any issues regards fair presentation.</p> <p>Due to the Oracle fixed assets system's standard account period close-down processes it is not possible to back post valuations into the April period – to do so would be to leave accounting periods open throughout the year – creating additional control risks.</p> <p>The finance team will agree the valuation certificate dates with the valuer in future.</p>
<p>2 Our detailed testing of revaluations in 2017/18 identified assets that were recorded in error by the valuer as being revalued in 2017/18. As a result, these assets were subsequently treated as revaluations in the asset register and the draft financial statements. The amounts involved are:</p> <p>Property, Plant and Equipment Revaluation Reserve Revaluations charged to CIES Depreciation in 2017/18</p>	197 (293)	(2,518)	2,614	<p>The effect of this item was assessed as being neither material nor having a significant influence on the users of the accounts.</p> <p>Additional validation checks have now been put in place to reduce the risk of this type of error occurring in future.</p>
Overall impact	£3,880	£(6,494)	£2,614	