

**Appendix 'A'**

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

26 September 2016

Dear Sirs

**Lancashire County Council  
Group Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the group financial statements of Lancashire County Council and its subsidiary undertaking Lancashire County Developments Limited, for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view 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 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. We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group or 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.
- viii. 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.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. 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 and are free of material misstatements, including omissions.

- xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached in Appendix 1. 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 group and parent Council financial position at the year-end
- xiv. 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.
- xv. 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**

- xvi. 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 group and parent Council from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xix. 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.
- xx. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
  - 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.

- xxi. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xxii. 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 the group and parent Council's financial statements.
- xxiii. We have disclosed to you the identity of all the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. 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.
- xxv. We have provided you with all relevant information to confirm that the valuation of our assets relating to our waste plants has been considered fully.

#### **Annual Governance Statement**

- xxvi. 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 Statement**

- xxvii. The disclosures within the Narrative Statement 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 and Governance Committee at its meeting on 26 September 2016.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

## Appendix 1 - Unadjusted misstatements

		Comprehensive Income and Expenditure Statement	Balance Sheet
1	<p><b>PPE – waste plant</b></p> <p>The Executive Scrutiny committee received a report on 19 February 2016 which set out several recommendations about the future use of the plants and changes to the services delivered from these sites.</p> <p>The Council obtained an external valuation to identify whether the decisions taken to change the way the plants were used had an impact on the valuation of the assets held by the Council. This valuation was received on 2 September 2016. The impact on the net book value of the asset included in the Council's balance sheet at 31 March 2016 is a reduction in value of £22m.</p>		£22m
2	<p><b>Group Accounts</b></p> <p>The Group Accounts for the Council were prepared using the draft financial statements for the company. However, there have been some amendments to the company accounts which impact on the group consolidation. These are not material and therefore the Council has not amended the group accounts</p>	<p>2014/15 increase in net expenditure of £3.1m</p> <p>2015/16 increase in net expenditure of £1.4m</p>	<p>2014/15 £0.5m</p> <p>2015/16 £1.9m</p>

