



Direct Dial/Ext: 01622 694342  
Fax:  
e-mail: [andrew.tait@kent.gov.uk](mailto:andrew.tait@kent.gov.uk)  
Ask for: Andrew Tait  
Your Ref:  
Our Ref:  
Date: 17 July 2013

Dear Member

**GOVERNANCE AND AUDIT COMMITTEE - WEDNESDAY, 24 JULY 2013**

I am now able to enclose, for consideration at next Wednesday, 24 July 2013 meeting of the Governance and Audit Committee, the following Appendix to the Draft Statement of Accounts report that was unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
11	<b><u>Draft Statement of Accounts 2012/13</u> (Appendix 2) (Pages 1 - 4)</b>

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Sass', is written over a light blue horizontal line.

**Peter Sass**  
**Head of Democratic Services**

This page is intentionally left blank



Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

**Finance and Procurement**  
Sessions House  
County Hall  
Maidstone  
Kent ME14 1XQ

External Tel: (01622) 694622  
Ask for: Andy Wood  
Email: andy.wood@kent.gov.uk  
Date: 24 July 2013  
Our Ref:

Dear Sirs

### **Kent County Council - Financial Statements for the year ended 31 March 2013**

This representation letter is provided in connection with the audit of the financial statements of Kent County Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

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 financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

- vii 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.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the 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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the 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.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the 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 financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii 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.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xx We have disclosed to you the Council's relationship with its subsidiary companies, including the newly formed companies as at 1 April 2013. We have fairly reflected the transactions with the existing companies during the financial year and those considered as part of preparing the financial statements.

### **Annual Governance Statement**

- xxi 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.

### **Approval**

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on 24 July 2013.

### **Signed on behalf of the Committee**

Andy Wood  
Corporate Director Finance and Procurement  
24 July 2013

## Unadjusted misstatements

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

Detail	Reason for not adjusting
<p>1 <b>Revenue Expenditure Funded from Capital Under Statute (Comprehensive Income and Expenditure Statement)</b></p> <p>As part of the asset register refresh during the year, the Council identified capital expenditure totalling £14.8m in Assets Under Construction (AUC) as at 1 April 2012 that related to spend in prior years on assets that the Council does not own or on schools that have transferred to Academy status. The Council incorrectly wrote off this expenditure to Revenue Expenditure Funded from Capital Under Statute (REFCUS) in 2012/13. However, the Council should have accounted for the capital expenditure in relation to these assets as an impairment or loss on disposal when derecognising the assets. The disclosure in note 10 (Adjustments between accounting basis and funding basis under regulations) has been enhanced to separately identify the £14.8m prior year spend. We recommend officers identify all spend in AUC as part of the disposal or transfer of the asset in future years. See management response in the action plan at appendix A.</p>	<p>We have not adjusted for the £14.8m AUC to REFCUS figure as this is a change in treatment from previous years and would impact a significant number of lines and notes in the financial statements. However, we have taken on board the audit recommendation and will account for this in the recommended way in future years.</p>