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Ask for: Andy Wood
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Date: 24 July 2014
Our Ref:

Dear Sirs

Kent County Council - Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Kent County Council for the year ended 31 March 2014 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 Standards.

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. In addition, we have made a critical judgement in respect of the valuation approach adopted for 2013/14 and believe the Net Book Value of Property, Plant and Equipment is fairly stated as at 31 March 2014.
- 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 2014. 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 2014.

Signed on behalf of the Committee

Andy Wood
Corporate Director Finance and Procurement
24 July 2014

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 Property, Plant and Equipment (note 15)</p> <p>The Council has made a critical judgement that £31,057k within the AUC opening balance and £6,209k of in year capital expenditure, a total of £37,266k, relating to spend on assets that have been revalued in 2013/14 should not be added to the asset register as an addition in 2013/14 as this would be overstating the value of the assets in the Balance Sheet. The Code requires assets to be revalued ignoring construction works. Once construction is complete, the costs should be transferred to land and buildings and then valued. There should be no impairment against the AUC costs.</p> <p>The Council has accounted for this expenditure as an 'impairment charge where assets have been revalued in year' in note 10 (Adjustments between accounting basis and funding basis under regulations) and in note 15 as 'impairment losses recognised in the surplus/deficit on the Provision of Services' which does not comply with the Code requirements to account for the capital expenditure as a downward revaluation.</p> <p>There is no impact on the CIES or Balance Sheet. The misstatement is between the Revaluation Reserve (RR) and Capital Adjustment Account (CAA) as currently the £37,266k is accounted for through the CAA. If the Code was followed, it is likely that an element of the £37,266k would go to the RR.</p> <p>This accounting treatment has also impacted on the AUC accumulated depreciation opening balance. This should be nil for 2012/13 and 2013/14. Note 15 has been amended to include an additional disclosure of £26,624k for 2012/13 and £31,057k in the 'other movements in cost or valuation' line to ensure the opening balance is fairly</p>	<p>We adopted this accounting policy to mitigate the double counting that would occur if we followed the Code. This was due to the respective timing of our revaluations and additions from assets under construction. To mitigate the double counting, we impaired the value of assets under construction for revalued assets as the value is likely to be within the revaluation.</p> <p>This issue was raised last year and we agreed to change our practice by adding the value in assets under construction to the asset at the end of the year prior to the asset being revalued, where such value is significant. However, we have always said that we would not be able to adjust for assets under construction held at 31 March 2013 for assets</p>

stated. However, based on the above explanation of the unadjusted misstatement these entries would not be required if the Council followed the Code in respect of AUC and valuations.

The Council has revised its accounting treatment for capital spend on assets during 2013/14 which will remove the AUC to impairment accounting entry in future.

valued in 2014 as the books were closed. Our proposal was accepted for this, particularly as it doesn't impact the primary statements. To make the changes required would involve a significant amount of work and the risk of making errors to statements already audited is high.

It is unlikely that £37,266k would go to the RR as stated, as it would be split between impairment, a reduction in the RR and additions to the RR, depending on the revaluation of the individual asset.