

# North Lanarkshire Council Report

## Audit & Scrutiny Panel

approval  noting

**Ref** EK/FC

**Date** 29/10/20

## Annual Accounts 2019/20 Letters of Representation

**From** Elaine Kemp, Head of Financial Solutions

**Email** CarneyF@northlan.gov.uk

**Telephone** Fiona Carney, 01698 302402

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### Executive Summary

The purpose of this report is to provide Members with information on the Letter of Representation required to be submitted to Audit Scotland in respect of the Council's Annual Accounts and the Council's Charitable Trust Accounts for 2019/20.

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### Recommendations

The panel is invited to note the Letters of Representation provided to Audit Scotland

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### The Plan for North Lanarkshire

Priority All priorities

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

## **1. Background**

- 1.1. The Local Government (Scotland) Act 1973 requires all local authorities to appoint an officer who has responsibility for the administration of their financial affairs (known as the Section 95 Officer).
  - 1.2. International Standards on Auditing (ISA580 Written Representations) require external audit to request a written representation from the accountable officer providing written assurance on aspects of the Council's financial statements and Charitable Trust and Educational Trust Accounts including the judgements and estimates made in their preparation.
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## **2. Report**

- 2.1. The letters of representation have been signed in my capacity as Section 95 Officer for the Council and Trustee for the Charitable Trust and Educational Trust. A copy of both letters are attached.
  - 2.2. As in previous years, the letters set out the representations of management and confirms that the accounts are free from material misstatement.
  - 2.3. During the course of the audit, the external auditors have highlighted a number of misstatements within the Council's financial statements; some of which have been adjusted whilst others have remained unadjusted due to materiality.
  - 2.4. A list of items that have arisen relating to the Council's accounts and the Charitable Trust and Educational Trust accounts are contained within the External Audit Annual Audit Report which forms part of this meeting's agenda.
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## **3. Equality and Diversity**

### **3.1. Fairer Scotland**

There is no specific impact in relation to Fairer Scotland.

### **3.2. Equality Impact Assessment**

There is no specific Equality Impact Assessment required.

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## **4. Implications**

### **4.1. Financial Impact**

There is no financial impact resulting from the contents of this report.

### **4.2. HR/Policy/Legislative Impact**

There is no HR, Policy or Legislative impact resulting from the contents of this report.

### **4.3. Environmental Impact**

There is no environmental impact resulting from the contents of this report.

### **4.4. Risk Impact**

There is no risk impact resulting from the contents of this report.

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## **5. Measures of Success**

N/A

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## **6. Supporting Documents**

**Appendix 1** North Lanarkshire Council Letter of Representation

**Appendix 2** Charitable Trusts and Educational Endowments Letter of Representation

A handwritten signature in black ink, appearing to read 'Elaine Kemp', written in a cursive style.

**Elaine Kemp**

**Head of Financial Solutions**



Our Ref: EK/FC  
 Your Ref:  
 Contact: Elaine Kemp  
 Tel: 01698 302408  
 E-mail: KempE@northlan.gov.uk  
 Date: 15 October 2020

Brian Howarth  
 Audit Director  
 Audit Scotland  
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 8 Nelson Mandela Place  
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#### Chief Executive's Office

Elaine Kemp  
 Head of Financial Solutions  
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Dear Brian

#### North Lanarkshire Council Annual Accounts 2019/20

1. This representation letter is provided for your audit of the annual accounts of North Lanarkshire Council and its group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of North Lanarkshire Council's annual accounts for the year ended 31 March 2020.

#### General

3. North Lanarkshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by North Lanarkshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.



## **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the North Lanarkshire Council and its group at 31 March 2020 and the transactions for 2019/20.

## **Accounting Policies and Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to North Lanarkshire Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information, however I recognise the additional uncertainty created by the Covid-19 pandemic. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed North Lanarkshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I acknowledge that the auditors of Mears Scotland LLP have included an Emphasis of Matter paragraph relating to the going concern position of this body, however this is not material to the group financial statements. I am not aware of any material uncertainties that may cast significant doubt on North Lanarkshire Council's ability to continue as a going concern.

## **Assets**

10. As a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date, however I recognise the additional uncertainty caused by the Covid-19 pandemic. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. I have provided you with all information of which I am aware regarding the valuation exercises carried out.

11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements. I am satisfied that all relevant items have been appropriately classified and that the fixed asset register is complete in line with our accounting policies.
12. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

13. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts. There are no plans or intentions that are likely to affect the carrying value or classification of liabilities recognised in the financial statement.
14. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
15. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
16. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
17. The pension assumptions made by the actuary in the IAS 19 report for North Lanarkshire Council have been considered and I confirm that they are consistent with management's own view.

### **Contingent liabilities**

18. There are no significant contingent liabilities, other than those disclosed in Note 22 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2019/20 accounting code and IAS 37.

### **Fraud**

19. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements

- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

20. I 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.

### **Related Party Transactions**

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all North Lanarkshire Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

22. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

23. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

24. I confirm that North Lanarkshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

25. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. In response to the Covid-19 pandemic we have moved to homeworking for staff and virtual Council and Committee meetings from 13 August 2020. Prior to that decision making powers were delegated to the Chief Executive as approved by the Council on 19 March 2020. I am satisfied that governance arrangements have been adequately maintained.

### **Group Accounts**

26. I have identified all the other entities in which North Lanarkshire Council has a material interest and have classified and accounted for them in accordance with the 2019/20

accounting code. Any significant issues with the financial statements of group entities, including any modified audit opinions, have been advised to you.

27. I have considered the accounting policies of all subsidiaries and ensured that any differences with those of North Lanarkshire council have been corrected through consolidation adjustments.

#### **Events Subsequent to the Date of the Balance Sheet**

28. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

#### **Common Good**

29. The Council is in the process of finalising its Common Good Register and has published on its website an initial list of assets which may be part of the Common Good of North Lanarkshire. As this exercise is not yet complete, these assets are not separately identified within the annual accounts. Work is undertaken as part of the disposal process to confirm that the asset is not a common good asset.

Yours sincerely

**Elaine Kemp**  
**Head of Financial Solutions**



Our Ref: EK/FC  
 Your Ref:  
 Contact: Elaine Kemp  
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 Date: 15 October 2020

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**Chief Executive's Office**

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Dear Carole

**JC McNaught Poor Children's Holiday Fund and North Lanarkshire Educational Endowments  
 Annual Accounts 2019/20**

1. This representation letter is provided in connection with your audit of the financial statements of North Lanarkshire Council's registered charities where the sole trustees are officers of North Lanarkshire Council, in an ex-officio capacity, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments and statement of balances of each registered charitable trust for the year ended 31 March 2020.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audits for the year ended 31 March 2020.

**General**

3. I acknowledge my responsibility and that of North Lanarkshire Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charities have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustee's Annual Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.



### **Financial Reporting Framework**

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
7. Disclosure has been made in the financial statements of all matters necessary for them to properly present the receipts and payments and statement of balances of each registered charitable trust for the year ended 31 March 2020.

### **Accounting Policies & Estimates**

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements.

### **Going Concern Basis of Accounting**

9. I have assessed each registered trust's ability to carry on as a going concern and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

10. I am not aware of any material transactions with related parties.

### **Events Subsequent to the Date of the Statement of Balances**

11. There have been no material events since the date of the Statement of Balances which should be brought to your notice.

### **Corporate Governance**

12. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

### **Fraud**

13. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements.

Yours sincerely

**Elaine Kemp**  
**Head of Financial Solutions**