

**Delayed Office Opening
for Employee Training**

*This office will be closed from
8.45 am - 11.00 am on the first
Thursday of each month.*

**Finance Division**

Head of Service **Stewart MacKenzie**

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Our ref KPMG

Your ref

Date 27 September 2022

Dear Sirs,

This representation letter is provided in connection with your audit of the Group and council only financial statements of Perth and Kinross Council ("the Council"), for the year ended 31st March 2022 for the purpose of expressing an opinion:

- i. as to whether these financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 give a true and fair view of the state of the Group's and of the Council's affairs as at 31st March 2022 and of the Group's and Council's income and expenditure for the financial year then ended;
- ii. whether the group and council financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"), as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

These financial statements comprise the following: Balance sheets, the Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, and Cash Flow Statements for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

I confirm that, the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

I confirm that, to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial statements

1. I have fulfilled my responsibilities, as set out in the terms of the audit engagement dated 31 May 2016, for the preparation of financial statements that:
 - i. give a true and fair view of the state of the Group's and of the Council own affairs as at the end of its financial year and of the Group's and Council own income and expenditure for that financial year ;
 - ii. have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted, and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; and
 - iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used by me in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. I have provided you with:
 - access to all information of which I am aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from me for the purpose of the audit; and
 - unrestricted access to persons within the Group and the Council from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. I confirm the following:

I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. I have disclosed to you all information in relation to:

a) Fraud or suspected fraud that I am aware of and that affects the Group and the Council and involves:

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

b) allegations of fraud, or suspected fraud, affecting the Group and the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, I acknowledge my responsibility for such internal control as I determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. 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 the financial statements.

10. I have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. I have disclosed to you the identity of the Group and the Council's related parties and all the related party relationships and transactions of which I am aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as I understand them and as defined in IAS 24.

12. I confirm that:

- The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Council's and the Group's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 Presentation of Financial Statements.
- No material events or conditions exist that may cast significant doubt on the ability of the Council and the Group to continue as a going concern.

13. On the basis of the process established by me and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with my knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

I further confirm that:

- all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. I confirm that I have appropriately recognised heritage assets, completely and accurately, to the extent possible in accordance with FRS 102, Section 34 Specialised Activities as interpreted and adapted under the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22, including any revaluation, and confirm that:

- For those assets not recognised on the Group's and Council's Balance Sheet, a relevant and appropriate value cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, and there is no historic cost information for those assets to otherwise be recognised; and
- in respect of those assets not recognised on the Group's and Council's Balance Sheet, in some cases for which an insurance cover amount has been obtained, I do not consider the insurance cover amount to be a relevant, reliable or appropriate valuation meeting the requirements for recognition as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 and 'LASAAC Guidance on Accounting for Heritage Assets (May 2012)'.

This letter was tabled and agreed at the meeting of the Audit & Resources Committee on 27 September 2022.

Yours faithfully,

Stewart MacKenzie
Head of Finance

Appendix to the Board Representation Letter of Perth and Kinross Council: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in IAS 1 paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with IAS 1 paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.”

Additionally, the financial statements contain the Council Statement of Financial Position, Statement of Changes in Equity, a Statement of Cash Flows and related notes.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity").

1. A person or a close member of that person's family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the

reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

- The entity is controlled, or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix 1 – Schedule of uncorrected misstatements

1. Judgemental unadjusted audit difference for additional obsolescence for external works areas of £6,839,000

Debit reserves and credit Property, plant and equipment.

(The specific split of the debit side of the entry between income and expenditure or various reserves is not known due to extensive additional analysis required)