

Mrs Fiona Mitchell Knight
Assistant Director
Audit Scotland
7th Floor
Plaza Tower
East Kilbride
G74 1LW

21 September 2012

Dear Mrs Mitchell Knight

**FALKIRK COUNCIL
2011/12 FINANCIAL STATEMENTS**

This representation letter is provided in connection with your audit of the financial statements of Falkirk Council and its group for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements present a true and fair view of the financial position of Falkirk Council and its group as at 31 March 2012 and its income and expenditure for the year then ended.

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:

Legality of Financial Transactions

1. The financial transactions of Falkirk Council are in accordance with the relevant legislation and regulations governing its activities. All known or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to you, together with the actual or contingent consequences which may arise.

Accounting Policies

2. All material accounting policies adopted are as shown in the Statement of Accounting Policies. The continuing appropriateness of the Council's accounting policies and estimation techniques has been reviewed having regard to the concepts and qualitative characteristics set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* ("the Code").
3. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.
4. The Chief Officers have assessed the Council's ability to carry on as a going concern, and have disclosed, in the accounts, any material uncertainties that have arisen as a result.

Assets

General

5. The assets shown in the books and accounts at 31 March 2012 were owned by Falkirk Council, other than assets which have been purchased under lease.

Non-current Assets

6. For the year ended 31 March 2012, title deeds for properties owned or mortgaged to Falkirk Council were held by the Council and all such deeds were in order.
7. All non-current assets are appropriately classified. The net book amount in the balance sheet was arrived at
 - (i) after taking into account all material capital expenditure on additions thereto but not expenditure properly chargeable to revenue;
 - (ii) after the amounts at which the land and buildings were stated in the balance sheet were properly calculated in accordance with the approved bases of valuation and fairly represented the values at 31 March 2012, and no properties were omitted from or duplicated in the valuation;
 - (iii) after deducting the cost and accumulated depreciation relating to items sold or scrapped;
 - (iv) after providing for depreciation and obsolescence (except in the case of council house dwellings where in my view, the amount of depreciation would be regarded as immaterial) on bases and at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its probable useful life.
8. At 31 March 2012, Falkirk Council had contracted to pay for its window replacement programme by way of a finance lease. The Council is committed to making minimum lease payments of £1.027 million under these leases.
9. Intangible assets have been recognised in accordance with the Code and IAS 38, as disclosed at note 11 to the financial statements.

Heritage assets

10. With the exception of civic regalia assets heritage assets have not been subject to a valuation because it is considered that reliable cost or valuation information cannot be obtained or that the cost of obtaining such information would be disproportionate to the benefits to the users of the Council's financial statements.

Long Term Debtors and Prepayments

10. All such debtors and prepayments have been fully provided for in the books of account.

Inventories

11. The Council's inventories have been valued at the lower of cost and estimated net realisable value, at average cost or at latest invoice price and all inventories are included in the financial statements. The use of average cost or at latest invoice price does not comply with the Code and this is disclosed in the Statement of Accounting Policies. The departure from the Code is not considered material.

Other Current Assets

12. On realisation in the ordinary course of Falkirk Council business the other current assets in the balance sheet are expected, in my opinion, to produce at least the amounts at which they are stated. In particular adequate provision has, in my opinion, been made against all amounts owing which are known or may be expected to be irrecoverable.

Liabilities

General

13. All liabilities have been provided for in the books of account, including the liability for all purchases to which title has passed prior to 31 March 2012.

Contingent Liabilities

14. There are no significant contingent liabilities other than those disclosed in Note 20 in the Core Financial Statements, arising either under formal agreements or through informal undertakings requiring disclosure in the accounts. All known contingent assets and liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided for under the Code and IAS 37.

Provisions

15. Provisions have been made in the accounts for all material liabilities which have resulted, or may be expected to result, by legal action or otherwise, from events which had occurred by the balance sheet date and of which Falkirk Council could reasonably be expected to be aware.
16. Actual and potential claims in relation to equal pay legislation have been reviewed and the probability that some transfer of economic benefit will be needed to settle this class of potential obligations as a whole has been assessed. Provision has been made where required for such liabilities that remained unpaid at 31 March 2012 in accordance with the Code and FRS 12. The amount recognised as a provision is £5.216m. Accordingly, I am of the opinion that the provision of £5.216m is appropriate.

Commitments

17. All commitments under capital contracts have been disclosed in note 16 to the core financial statements. Any other significant commitments or obligations which might adversely affect the Council have been disclosed.

Loans Fund

18. All borrowings have been confirmed as being compliant with the provisions of the

Local Government (Scotland) Act 1975.

Other Matters

19. Expenditure on the purchase of vehicles, plant and equipment below £5,000 has been charged to the income and expenditure account. Items costing more than £5,000 have been treated as non-current assets.
20. Except as disclosed in the financial statements, the results for the period were not materially affected by
 - (i) transactions of a sort not usually undertaken by Falkirk Council;
 - (ii) circumstances of an exceptional or non-recurrent nature;
 - (iii) charges or credits relating to prior periods;
 - (iv) any change in the basis of accounting.
21. All related party transactions have been identified and disclosed at note 4 to the financial statements in accordance with the Code.

Local Government in Scotland Act 2003

22. Following the introduction of the statutory duty to demonstrate Best Value under the above Act, trading service accounts have been prepared for all significant trading operations in accordance with guidance issued by CIPFA/LASAAC.

Corporate Governance

23. I acknowledge, as the officer with responsibility for the proper administration of the Council's financial affairs under section 95 of the Local Government (Scotland) Act 1973, my responsibility for the systems for internal control and that the disclosures I have made are in accordance with relevant guidance.
24. I acknowledge that it is the responsibility of the Council to prevent and detect fraud and other irregularity. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor the results of this review, including any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

General

25. I acknowledge my responsibility, and that of the Council, 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 Falkirk Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all Council and other meetings.

26. Disclosure has been made in the financial statements of all matters necessary for them to present a true and fair view of the transactions and state of affairs of Falkirk Council for the year ended 31 March 2012.
27. All common good assets and liabilities and revenue transactions have been included in the common good accounts and have been properly separated from the Council's single entity accounts. Similarly, all assets and liabilities and revenue transactions relating to trusts managed by the Council have been properly separated from the Council's single entity accounts and are reflected within the trust fund accounts (Note 31 to the financial statements).

Events Subsequent to the Date of the Balance Sheet

28. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
29. Since the date of the balance sheet, no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should be brought to your attention.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bryan Smal', with a horizontal line underneath.

Chief Finance Officer