

**Director of Finance**

Lewis House  
Manvers Street  
Bath BA1 1JG

**Telephone:** 01225 477103

**E mail:** [Andy\\_Rothery@bathnes.gov.uk](mailto:Andy_Rothery@bathnes.gov.uk)

[www.bathnes.gov.uk](http://www.bathnes.gov.uk)

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Date: 26<sup>th</sup> November 2020

Our ref:

Your ref:

Dear Sirs

**Bath and North East Somerset Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Bath and North East Somerset Council and its subsidiary undertakings, Aequus Construction Ltd and Aequus Developments Ltd for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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 group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- ii We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We draw attention to Note 41 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in Note 41 to the financial statements, for the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of "Material Valuation Uncertainty" as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.
- vi We draw attention to Note 4 of the financial statements, which describes that the outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.

- viii Except as disclosed in the group and Council financial statements:
  - a) there are no unrecorded liabilities, actual or contingent
  - b) none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix 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.
- x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions
- xiii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv The prior period adjustments disclosed in Note 49 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xvi We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern 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 group and Council's ability to continue as a going concern need to be made in the financial statements.

- xvii We draw attention to Note 41 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in Note 41 to the financial statements, for the pooled UK property funds held in the UK Property and Secured Income portfolios (valued at £229.2m), the independent valuers consider that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value and as a result have reported the values on the basis of 'Material Valuation Uncertainty' as per VPGA 10 of the RICS Red Book-Global Standards. Consequently, for these assets, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.
- xviii We draw attention to Note 4 of the financial statements, which describes that the outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report.

### **Information Provided**

- xix We have provided you with:
- a) access to all information of which we are aware that is relevant to the preparation of the group and Council's 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) access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xx We have communicated to you all deficiencies in internal control of which management is aware.
- xxi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxii 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.

- xxiii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and 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.
- xxiv We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxv 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.
- xxvi We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

- xxviii 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.

### **Narrative Report**

- xxix The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Corporate Audit Committee at its meeting on **26<sup>th</sup> November 2020**.

Yours faithfully

Name            Andy Rothery  
Position        Director of Finance  
Date            26<sup>th</sup> November 2020 .....

Name            Cllr Mark Elliott  
Position        Chair of Corporate Audit Committee  
Date            26<sup>th</sup> November 2020 .....