

*Our Ref:* JW/MM  
*Your Ref:*  
*Date:* 30 September 2011  
If calling please ask for Joyce White  
Tel: (01389) 737606

**DRAFT**

KPMG LLP  
191 West George Street  
Glasgow  
G2 2LJ

Dear Sirs

This representation letter is provided in connection with your audit of the Group and Council financial statements of West Dunbartonshire Council (“the Council”), for the year ended 31 March 2011, for the purpose of expressing an opinion as to whether the financial statements:

- i. give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the local government body as at 31 March 2011 and of the income and expenditure of the group and the local government body for the year then ended;
- ii. have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

These financial statements comprise the Balance Sheet as at 31 March 2011, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Accounting Movement in Reserves Statement, the Council Tax Account, the Non-Domestic Rates Account, Trust Funds and Common Good Fund, and the group accounts (comprising the Group Balance Sheet as at 31 March 2011, the Group Comprehensive Income and Expenditure Statement, Group Movement in Reserves Statement and Group Cash Flow Statement for the year then ended) for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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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, under the Local Government (Scotland) Act 1973, for the preparation of financial statements that:
  - give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the Council as at 31 March 2011 and of the income and expenditure of the group and the Council for the year then ended;
  - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
  - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

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

2. Measurement methods and significant assumptions used by myself in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IFRSs require adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. 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 myself for the purpose of the audit; and
  - unrestricted access to persons within West Dunbartonshire Council and the group from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. 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.

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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.

7. I have disclosed to you all information in relation to:
- (a) fraud or suspected fraud that I am aware of and that affects West Dunbartonshire Council and the group 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 West Dunbartonshire Council and group financial statements communicated by employees, former employees, analysts, regulators or others.
8. 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. Further, I have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements in accordance with IFRSs all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. I have disclosed to you the identity of West Dunbartonshire Council's and the group's related parties and all the related party relationships and transactions of which I am aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IFRSs.

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.

10. I confirm that:

- (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding West Dunbartonshire Council's and the group's ability to continue as a going concern as required to provide a true and fair view.
- (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of West Dunbartonshire Council and the group to continue as a going concern.

11. On the basis of the process established by West Dunbartonshire Council and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with my knowledge of the business and employee population profile.

I confirm that the Council's share of the Strathclyde Pension Fund has been accounted for as a defined benefit plan and the Scottish Teachers' Superannuation Scheme has been accounted for as a defined contribution plan in accordance with IAS 19 *Employee Benefits*. There are no other plans.

I agree with the findings of Hyman Robertson LLP as the Council's actuarial specialist in preparing the pension plan valuations. In connection with the actuarial specialist's study, I have provided the specialist with all significant and relevant information of which I am aware. I did not give or cause any such instructions to be given to the actuarial specialist with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the independence or objectivity of the actuarial specialist.

I further confirm that:

- (a) 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.
  - (b) all settlements and curtailments have been identified and properly accounted for.
  - (c) the change from Retail Prices Index to Consumer Prices Index for pension increases has been appropriately accounted for as a change in benefit in line with the Urgent Issues Task Force Abstract 48 and the Local Authority Accounting Panel's Bulletin 89.
  - (d) all employee benefits for key management personnel are disclosed adequately;
  - (e) I have provided you with all information regarding significant assumptions applied in estimating fair values of plan assets.
  - (f) I have provided you with all information regarding significant assumptions applied in estimating the expected return on plan assets.
12. West Dunbartonshire Council and the group have satisfactory title to all assets.

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13. Non-current assets classified as held for sale are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets, and their sale is highly probable as defined by IFRS 5 *non-current assets held for sale and discontinued operations*.
14. I have appropriately performed impairment testing in accordance with IAS 36 *Impairment of Assets* including at the reporting date, I have performed impairment testing for any asset or cash generating unit (CGU) for which there is an indication of a possible impairment at that date. In this regard, I confirm that I have as appropriately assessed, at the reporting date, whether there is any indication that an asset or CGU may be impaired.
15. All property, plant and equipment is completely and accurately disclosed and valued appropriately in line with the requirements of IAS 16 *property, plant and equipment*, using consistent accounting policies.
16. Leases have been accounted for appropriately and in line with the requirements of IAS 17 *leases*.
17. Operating segments have been identified appropriately based on the way in which the segments are organised within West Dunbartonshire Council and the group for making operating decisions and in assessing performance. Subject to the specific requirements of IFRS 8 *operating segments*, financial information is disclosed in the same manner and based on the same policies as they are reported internally and used by the executive leadership team (West Dunbartonshire Council's chief operating decision maker) that make decisions about the resources to be allocated to the operating segments and assess their performance.
18. Information which comprises the management commentary and remuneration report included within the annual report is consistent with the financial statements.

Yours faithfully

Joyce White  
Executive Director of Corporate Services

**Appendix A to the Management Representation Letter of West Dunbartonshire Council:**

**Definitions**

**Financial statements**

A complete set of financial statements comprises:

- West Dunbartonshire Council and group balance sheet as at the end of the period;
- West Dunbartonshire Council and group comprehensive income and expenditure statement for the period;
- West Dunbartonshire Council and group movement in reserves statement for the period;
- West Dunbartonshire Council and group cash flow statement for the period;
- West Dunbartonshire Council housing revenue account income and expenditure statement;
- West Dunbartonshire Council housing revenue account movement in reserves statement;
- West Dunbartonshire Council council tax account;
- West Dunbartonshire Council non-domestic rates account;
- West Dunbartonshire Council common good and sundry trust fund; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

**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 the following:

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 statements 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:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) 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**

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- (b) the party is an associate (as defined in IAS 28 *investments in associates*) of the entity;
- (c) the party is a joint venture in which the entity is a venturer (see IAS 31 *interests in joint ventures*);
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

**Related party transaction**

A transfer of resources, services or obligations between related parties, regardless of whether a price is charged.