

**Statement of Accounts 2012/13
Report of the County Treasurer**

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

1. Recommendations – it is recommended that members:

- i. Approve the Letters of Management Representation for the Devon Pension Fund and the County Council, and,
- ii. Approve the Statement of Accounts for 2012/13.

2. Background

- 2.1 The purpose of this report is to ask Members to approve the Letters of Management Representation and the Statement of Accounts for 2012/13.
- 2.2 There have been no significant changes to the requirements for producing the Statement of Accounts for 2012/13. A review of the Auditor's findings confirms that there are no material errors in the draft Statement of Accounts which require amendment.
- 2.3 The audit is still not complete and as a result our auditors may request further small changes to the Statement of Accounts. Should this be the case these changes will be disclosed at the Audit Committee.

3. Key Issues

- 3.1 Whilst the methodology for producing the Statement of Accounts has altered little, there are a number of key issues that stand out:
 - the pension liability has increased by £47 millions over the previous year. The reported deficit is now £762 millions,
 - the pension liability contributes to the balance sheet position which shows a net liability. This does not mean that the Council is no longer a going concern because the deficit will be addressed in the long run and does not represent an immediate call on the Council's reserves,
 - no new borrowing has taken place this year with capital expenditure due to be met from borrowing being financed from internal resources,
 - earmarked reserves have increased marginally over the previous year,
 - £200 millions of asset values have been derecognised due to transfers to academy and cooperative school governing bodies
 - due to its immaterial value the potential costs associated with redundant landfill sites has not be provided for,
 - two changes to the 2011/12 comparative information, which when combined are material to the accounts, have been made.

These issues along with many more less significant ones have been incorporated into the Statement of Accounts which the Audit Committee is being asked to approve.

4. Letters of Representation

- 4.1 In order to provide assurance to our auditor's that they have received complete and accurate information the Audit Committee is asked to provide letters of representation. The Draft Letters of Management Representation relating to the Devon Pension Fund and the County Council are attached in the appendices.

5. Conclusion

- 5.1 The preparation of the Statement of Accounts results from considerable effort over many months by a great many people. A constructive dialogue with our auditors has contributed to the draft statements being without material error. The Committee is recommended to approve the Statement of Accounts and the letters of representation contained in the appendices to this report.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries: Angie Sinclair
Tel No: (01392) 38 0711 Room 180

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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There are no equality issues associated with this report

Draft management representation letter – Devon Pension Fund

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

23rd September 2013

Dear Sirs

**Devon Pension Fund
Financial Statements for the year ended 31 March 2013**

This representation letter is provided in connection with your audit of the financial statements of Devon Pension Fund for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2013, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

Financial Statements

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements show a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

1. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
4. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
5. There are no un-adjusted misstatements brought to our attention in the Audit Findings Report. The financial statements are free of material misstatements, including omissions.
6. We believe that the Pension Scheme's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Pension Scheme's needs. We believe that no further disclosures relating to the Pension Scheme's ability to continue as a going concern need to be made in the financial statements.
7. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
8. We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Pension Fund's particular circumstances

for the purpose of giving a true and fair view. Those estimates reflect our judgment based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

9. We confirm that the accounting policies disclosed in the accounts are considered the most appropriate, and are appropriately adopted and disclosed as required by Financial Reporting Standard 18.

Information Provided

10. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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. unrestricted access to persons from whom you determine it necessary to obtain audit evidence.
11. 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.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We are not aware of any fraud or suspected fraud affecting the Fund involving:
 - 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.
14. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
15. We are not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
16. There have been no communications with The Pensions Regulator or other regulatory bodies during the fund year or subsequently concerning matters of non-compliance with any legal duty.
17. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
18. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
19. We confirm that no trustee of the fund is connected with, or is an associate of, Grant Thornton UK LLP which would render Grant Thornton UK LLP ineligible to act as auditor to the Fund under section 27 of the Pensions Act 1995.

Other

20. We confirm that we have obtained sufficient evidence to satisfy ourselves that the likelihood of success in the legal claim currently on-going in relation to the recovery of tax deducted from dividends is at least 'probable'. We have also received advice that

the disclosure of the likelihood of success, and the estimated amount of the likely income to be received, would prejudice the Pension Fund's position in its claim.

21. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
22. We confirm that we are not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which we considered did not require reporting under the easement introduced under The Occupational Pension Funds (Miscellaneous Amendments) Regulations 2000.
23. We have not commissioned advisory reports which may affect the conduct of your work in relation to the fund's financial statements and the schedule of contributions/payment schedule.

Yours faithfully

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Councillor Richard Edgell
Chairman, Audit Committee

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Mary Davis
County Treasurer

Draft management representation letter – County Council

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

23rd September 2013

Dear Sirs

**Devon County Council
Financial Statements for the Year Ended 31 March 2013**

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

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

1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Code; in particular the financial statements give a true and fair view in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
5. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
6. We have not adjusted all of the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the financial position at the year-end. The financial statements are free of material misstatements, including omissions.
7. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

Information Provided

8. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 10. 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.
- 11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity 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.
- 12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 13. 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.
- 14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Yours faithfully

.....
Councillor Richard Edgell
Chairman, Audit Committee

.....
Mary Davis
County Treasurer

