

Statement of Accounts & Annual Governance Statement 2013/14 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:

- 1.1. Approve the Letters of Management Representation for the Devon Pension Fund and the County Council;
- 1.2. Approve the Statement of Accounts for 2013/14;
- 1.3. Approve the Pension Fund Statement of Accounts for 2013/14; and
- 1.4. Approve the Annual Governance Statement 2013/14.

2. Background

- 2.1. The purpose of this report is to ask Members to approve the Letters of Management Representation, the Statement of Accounts and the Annual Governance Statement for 2013/14.
- 2.2. There have been no significant changes to the requirements for producing the Statement of Accounts for 2013/14. 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 Messages

- 3.1. The pension liability has increased by £30 millions over the previous year. The reported deficit is now £792 millions;
- 3.2. 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;
- 3.3. No new borrowing has taken place this year with capital expenditure due to be met from borrowing being financed from internal resources;
- 3.4. Earmarked reserves have increased marginally over the previous year;
- 3.5. £131 millions of asset values have been derecognised due to transfers to academy and cooperative school governing bodies;
- 3.6. Two items were raised by the external auditors in their report on the 2012/13 accounts, the first in relation to providing for the future cost of

landfill site maintenance and the second in relation to recognising the PFI school liability in relation to St Peter's Voluntary Aided school. These two items are now included within the authority's accounts for 2013/14 but due to their immaterial nature no prior year adjustment was required;

3.7. The CIPFA Code has required a change to the Accounting Policy in relation to the presentation and disclosure of Pensions. This change has no effect on the overall pension liability but changes the classifications of some of the components that make up the total. The new Policy has been applied retrospectively and the 2012/13 comparative information restated. Full details of the restatement are shown on page 39 of the Accounts.

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. Annual Governance Statement

5.1 The Statement was approved by the Chief Executive and the Chairman of the Audit Committee at the Audit Committee meeting in June 2014. Since that time a typographical error has been corrected within the first sentence of the section headed 'Organisational performance' and a sentence added to the first page to confirm that the governance framework has been in place for the year ended 31st March 2014 and up to the date of approval of the Statement of Accounts.

6. Conclusion

5.1 The Statement of Accounts is the product of many months work 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, the Governance Statement 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 196

<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

25 September 2014

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

Dear Sirs

**Devon County Council Pension Fund:
Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with your audit of the financial statements of Devon County Council Pension Fund for the year ended 31 March 2014 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 2014, and of the amount and disposition at that date of its assets and liabilities in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code).

Financial Statements

- i. 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.
- ii. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- iii. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- iv. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- v. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- vi. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- vii. We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the Fund's accounts at the year-end. The financial statements are free of material misstatements, including omissions.

- viii. We believe that the Fund'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 Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.
- ix. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- x. 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 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.

Information Provided

- xi. We have provided you with:
 - 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;
 - additional information that you have requested from us for the purpose of your audit; and
 - unrestricted access to persons from whom you determine it necessary to obtain audit evidence.
- xii. 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.
- xiii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xiv. We have disclosed to you our knowledge of fraud or suspected fraud affecting the Fund involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xv. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
- xvi. 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.
- xvii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xviii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

- xix. 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.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 25 September 2014.

Signed on behalf of the Council

Name	Cllr Richard Edgell
Position	Chairman of the Audit Committee
Date	25 September 2014

Name	Mary Davis
Position	County Treasurer
Date	25 September 2014

Draft management representation letter – County Council

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

25 September 2014

Dear Sirs

Devon County Council: Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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 financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions 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 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.
- vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

- vii Except as stated in the financial statements:
- there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Council has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for.
- 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 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii The financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council'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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
- 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;
 - additional information that you have requested from us for the purpose of your audit; and
 - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xviii 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.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects 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.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi 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.
- xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii 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

- xxiv 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.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 25 September 2014.

Signed on behalf of the Council

Name Cllr Richard Edgell
Position Chairman of the Audit Committee
Date 25 September 2014

Name Mary Davis
Position County Treasurer
Date 25 September 2014