

Statement of Accounts & Annual Governance Statement 2014/15 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 2014/15; and
- 1.3. Approve the Pension Fund Statement of Accounts for 2014/15.

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 2014/15.
- 2.2. In line with the new requirements of the Code of Practice the Accounting Policy in relation to Accounting for Schools has been amended. The impact of this change is fully disclosed in the Statement of Accounts and is summarised below.
- 2.3. A review of the Auditor's findings confirms that there are no material errors in the draft Statement of Accounts which require amendment.
- 2.4. 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 Explanatory Foreword of the 2013/14 Statement of Accounts made reference to the ongoing discussion within the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Account Advisory Committee (CIPFA/LASAAC) over the appropriate treatment of publicly funded schools.
- 3.2. In December 2014, CIPFA/LASAAC issued guidance to local authorities on how to approach the assessment of whether school assets should be included in their balance sheets.
- 3.3. The prior period comparative information has been restated to take account of Accounting Policy changes detailed in Note 2 of the Accounts as follows:
 - 3.3.1. Voluntary Controlled Schools - The Authority has restated its accounts to remove voluntary controlled schools from the opening balance sheet of the comparative period (1st April 2013).

- 3.3.2. Foundation Schools - The Authority has restated its accounts to add foundation schools to the opening balance sheet of the comparative period (1st April 2013).
- 3.3.3. Land transferred to Academy Schools - Previously the Authority had included land transferred to academy schools in its balance sheet at the value when the school became an academy. The buildings were derecognised (removed) from the balance sheet. However, the lease agreements transferring the assets from local authority control are for 125 years. It is now considered more appropriate to treat these leases as finance leases in nature and not to recognise the land value (other than a nominal £1 in the asset register as the Authority still retains freehold title). The beneficial rights arising from ownership have been transferred to the academy schools.
- 3.3.4. The net impact of these changes on the balance sheet at 1 April 2013 for voluntary controlled schools, foundation schools and land transferred to academy schools is to increase the net book value of property plant and equipment by £113 millions. Note 2 to the Accounts provides more detail.
- 3.3.5. Unfunded Pension Liabilities - Each year the Authority has paid around £1 million through service expenditure for unfunded pension liabilities relating to teachers. These liabilities are historic. The cumulative future liabilities should have been estimated and capitalised in the Authority's balance sheet. The administrator of the teachers' pensions, Capita, has provided the information and the actuary estimates that the total liability is £22.4 millions at 31 March 2014. The balance sheet has been restated.
- 3.4. None of these restatements have had any impact on the usable reserves or balances of the Authority and there is no impact on future budgets.
- 3.5. The Authority has a negative Balance Sheet as at 31st March 2015 which means that the Authority's liabilities are £185 millions greater than its assets (£8 millions restated at 31st March 2014). Although it may appear that this is a concern it is not as the Pension Liability of £1,018 millions does not represent an immediate call on the Authority's reserves and is a snap-shot valuation in time based on assumptions. The true value of the deficit is assessed on a triennial basis with contribution rates set to recover the balance over the longer-term.
- 3.6. No new borrowing has taken place this year with capital expenditure due to be met from borrowing being financed from internal resources.
- 3.7. At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £56.5 millions. During the year earmarked reserves have decreased by a net £9 millions to £47.5 millions. Of this decrease £11.9 million relates to funding the costs of service transformation. The only additions to reserves this year are in relation to the Public Health and On Street Parking statutory reserves and to the Business Rate Risk Reserve.

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 2015.

6. Conclusion

6.1 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 and the letters of representation contained in the appendices to this report.

Mary Davis
County Treasurer

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries: Angie Sinclair
Tel No: (01392) 38 0711 Room 196

Background Paper Date File Ref

There are no equality issues associated with this report

Draft management representation letter – Devon Pension Fund

22nd September 2015

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

Dear Sirs

**Devon Pension Fund:
Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Devon Pension Fund for the year ended 31 March 2015 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 2015, 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 2014/15 (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 proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- 3 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6 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 judgement 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.

- 7 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. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Fund have been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 12 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.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- i. 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.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- iv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- v. 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.
- vi. 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.
- vii. 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.
- viii. 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.
- ix. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- x. 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 22 September 2015.

Signed on behalf of the Council

Name	Cllr Richard Edgell
Position	Chairman of the Audit Committee
Date	22 September 2015

Name	Mary Davis
Position	County Treasurer
Date	22 September 2015

Draft management representation letter – County Council

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

22 September 2015

Dear Sirs

Devon County Council: Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 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") which 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements.
- 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 other material

judgements that need to be disclosed.

vii Except as disclosed 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 the Code.

xii We have considered the adjusted disclosure changes schedule included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.

xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year end.

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 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

xvi 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.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council 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.
- xx 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.
- xxi We have disclosed to you all knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxii 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.
- xxiii We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv 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

- xxv 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 22 September 2015.

Signed on behalf of the Council

Name	CLlr Richard Edgell
Position	Chairman of the Audit Committee
Date	22 September 2015

Name	Mary Davis
Position	County Treasurer
Date	22 September 2015