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To: The Chair and Members
of the Audit Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

Date: 17 February 2021

Contact: Fred Whitehouse, 01392 381362

Email: fred.whitehouse@devon.gov.uk

AUDIT COMMITTEE

Thursday, 25th February, 2021

A meeting of the Audit Committee is to be held on the above date at 2.15 pm at Virtual Meeting to consider the following matters.

Phil Norrey
Chief Executive

A G E N D A

6 Statement of Accounts & Annual Governance Statement 2019/20 (Pages 1 - 8)

Report of the County Treasurer (CT/21/29), Attached

Electoral Divisions(s): All Divisions

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CT/21/29
Audit Committee
25th February 2021

Statement of Accounts & Annual Governance Statement 2019/20 Report of the County Treasurer

1. Update – amended Movement in Reserves Statement (MIRS)

- 1.1. The covering report to the Statement of Accounts and Annual Governance Statement (Agenda Item 6) sets out the audit adjustments to the Statement of Accounts related to the revaluation of the Exeter Energy from Waste plant.
- 1.2. The version of the Statement of Accounts that was published with the agenda did not include the required adjustments to the Movement in Reserves Statement (page 119 of the agenda papers).
- 1.3. The opening balance to unusable reserves at 1st April has now been adjusted by £18.910 millions to be consistent with the revised balance sheet and Note 3 (page 141 of the agenda papers). This adjustment carries forward through to 31 March 2019 and 31 March 2020. The updated Statement is shown in Appendix 1, where unusable reserves at 1st April 2018 have changed by £18.91 millions from £418.244 millions to £399.334 millions.
- 1.4. There is no impact on the Authority's revenue account, usable reserves or future financing of capital expenditure.

2. Letter of representation – Devon County Council

- 2.1. Since the publication of the agenda papers, external audit has asked for an additional paragraph to be added to the letter of representation for the Authority's Statement of Accounts regarding the Prior Period Adjustment in Note 3.
- 2.2. The additional wording is set out in the new paragraph 15 of Appendix 2. There is no change to the letter of representation for the Pension Fund.

Mary Davis

Electoral Divisions: All
Local Government Act 1972

List of Background Papers

Contact for Enquiries: Angie Sinclair
Tel No: (01392) 38 1310 Room 195

There are no equality issues associated with this report

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the movements of the statutory General Fund Balance (including earmarked reserves) in the year following those adjustments. The 'Net (increase)/decrease shows the movement on the statutory General Fund Balance including earmarked reserves. The statutory General Fund Balance also includes reserves held by schools (School carry forwards); details are included within Note 9.

	General Fund and Earmarked General Fund Balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1st April 2018 (Restated)	(140,480)	(37,703)	(13,760)	(191,943)	399,334	207,391
<u>Movement in reserves during 2018/19</u>						
Total Comprehensive Income & Expenditure	29,897			29,897	(152,952)	(123,055)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(51,179)	(5,239)	1,139	(55,279)	55,279	0
Net (Increase)/Decrease in 2018/19	(21,282)	(5,239)	1,139	(25,382)	(97,673)	(123,055)
Balance at 31st March 2019 Carried Forward	(161,762)	(42,942)	(12,621)	(217,325)	301,661	84,336
<u>Movement in reserves during 2019/20</u>						
Total Comprehensive Income & Expenditure	56,829			56,829	(104,105)	(47,276)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(65,691)	15,280	704	(49,707)	49,707	0
Net (Increase)/Decrease in 2019/20	(8,862)	15,280	704	7,122	(54,398)	(47,276)
Balance at 31st March 2020 Carried Forward	(170,624)	(27,662)	(11,917)	(210,203)	247,263	37,060

Appendix 2

Revised draft management representation letter – County Council

25th February 2021

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Dear Sirs

Devon County Council: Financial Statements for the year ended 31st March 2020

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31st March 2020 for the purpose of expressing an opinion as to whether the 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

1. We have fulfilled our responsibilities for the preparation of the 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.
2. We have complied with the requirements of all statutory directions affecting the Council 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Agenda Item 6

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. 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.
6. 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.
7. 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; and
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
8. 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.
9. 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.
10. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
11. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

12. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the 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 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.
13. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report.
14. We have considered the unadjusted misstatements schedule included in your Audit Findings Report, relating to the revaluation of the Exeter Energy from Waste plant. 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. The financial statements are free of material misstatements, including omissions.
15. The prior period adjustments disclosed in Note 3 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

Information Provided

16. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - 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.
17. We have communicated to you all deficiencies in internal control of which management is aware.

Agenda Item 6

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. 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.
20. 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.
21. 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.
22. 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.
23. 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.
24. 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

25. 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

26. The disclosures within the Report of the Treasurer and Chief Executive (Narrative Report) fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation is minuted by the Council's Audit Committee at its meeting on 25th February 2021.

Yours faithfully

Name	Cllr John Mathews
Position	Chair of the Audit Committee

Name	Mary Davis
Position	County Treasurer

