

Statement of Accounts & Annual Governance Statement 2016/17 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 2016/17;
- 1.3. Approve the Pension Fund Statement of Accounts for 2016/17;
- 1.4. Approve the preparation of both the Statement of Accounts for the Pension Fund and County Council on a going concern basis; and
- 1.5. Note that there are no significant events since the Audit Committee meeting in June that would require an amendment to the Annual Governance Statement.

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 2016/17.
- 2.2. CIPFA's Code of Practice on Local Authority Accounting introduced two significant changes to the way information is presented in the financial statements:
 - the structure of the Comprehensive Income and Expenditure Statement (CIES); and
 - the introduction of the Expenditure and Funding Analysis
- 2.3. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis now include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

3. Key Messages

- 3.1. The format of the Comprehensive Income and Expenditure Statement (CIES) reflects the Authority's reporting segments in 2016/17 - i.e. People, Place, Corporate Services and Non Service Directorate (consistent with the Authority's budget book and budget monitoring reports).
- 3.2. The Authority has a negative Balance Sheet as at 31st March 2017 which means that the Authority's liabilities are £304 millions greater than its

assets (£106 millions at 31st March 2016). Although it may appear that this is a concern it is not as the Pension Liability of £1,175 millions does not represent an immediate call on the Authority's reserves and is a snapshot 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.

- 3.3. No new borrowing has taken place this year with capital expenditure due to be met from borrowing being financed from internal resources.
- 3.4. At the beginning of the financial year, earmarked reserves (excluding schools and non-schools carry forwards) stood at £56.1 millions. During the year earmarked reserves have increased by a net £15.3 millions to £71.4 millions. The reasons for this overall increase are explained in the Report of the Treasurer and Chief Executive.
- 3.5. The Authority has budgeted to use £11.6 millions from the Budget Management Reserve to support its revenue expenditure in 2017/18.
- 3.6. External audit has reported one material adjustment - to reclassify £30 millions from Cash and Cash Equivalents to Short Term Investments because the notice period on the deposit was 6 months. The notice period would have to be no more than 90 days to be classified as Cash and Cash Equivalents.
- 3.7. In addition, external audit reported that bank transactions on the last day of the year were posted to an uncleared suspense account. The clearance of this suspense account resulted in reductions to creditors of £2.4 millions with corresponding reductions to bank balances of £1.1 millions and debtors of £1.3 millions.
- 3.8. 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.

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 on 30th June 2017. There have not been any significant events since June that would require any amendment to the Statement and its re-approval.

6. Conclusion

- 6.1 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 196

Background Paper Date File Ref

There are no equality issues associated with this report

Draft management representation letter – Devon Pension Fund

14th September 2017

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

Dear Sirs

**Devon Pension Fund:
Financial Statements for the year ended 31st March 2017**

This representation letter is provided in connection with your audit of the financial statements of Devon Pension Fund ('the Fund') for the year ended 31st March 2017 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 31st March 2017, and of the amount and disposition at that date of its assets and liabilities in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code') and applicable law.

We confirm that to the best of our knowledge and belief having made such enquiries 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:
 - there are no unrecorded liabilities, actual or contingent;
 - none of the assets of the Fund have been assigned, pledged or mortgaged; and
 - 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.
13. 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

14. 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 determined it necessary to obtain audit evidence.
15. We have communicated to you all deficiencies in internal control of which management is aware.
16. 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.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We have disclosed to you all 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.
19. We have disclosed to you all 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.
20. 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.
21. 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.
22. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
23. We have disclosed to you the identity of all the Fund'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.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 14th September 2017.

Signed on behalf of the Council as the administering body of the Pension Fund

Name Cllr John Mathews
Position Chairman of the Audit Committee
Date 14th September 2017

Name Mary Davis
Position County Treasurer
Date 14th September 2017

Draft management representation letter – County Council

14th September 2017

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

Dear Sirs

Devon County Council: Financial Statements for the year ended 31st March 2017

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31st March 2017 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 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code"); which give a true and fair view 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 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 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.
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. 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.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
10. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
12. We have considered the adjusted misstatements, misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
14. 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.
15. We are satisfied that the material judgements in relation to the accounting treatment of schools are appropriate and in accordance with the Code.

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 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.
17. We have communicated to you all deficiencies in internal control of which management is aware.
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 our knowledge of fraud or suspected fraud affecting the Council involving:
- 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 our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, 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 all 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.

Report of the Treasurer and Chief Executive

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 14th September 2017.

Signed on behalf of the Council

Name	Cllr John Mathews
Position	Chairman of the Audit Committee
Date	14 th September 2017

Name	Mary Davis
Position	County Treasurer
Date	14 th September 2017