

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

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.
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### **1. Recommendations – it is recommended that the Committee:**

- 1.1. Approves the Letters of Management Representation for the Devon Pension Fund and the County Council;
- 1.2. Approves the Authority's Statement of Accounts for 2019/20;
- 1.3. Approves the Pension Fund Statement of Accounts for 2019/20; and
- 1.4. Approves the preparation of both the Statement of Accounts for the Pension Fund and County Council on a going concern basis.

### **2. Background**

- 2.1. The Statement of Accounts has been prepared according to CIPFA's Code of Practice on Local Authority Accounting 2019/20. This year there have not been any significant changes to the Code
- 2.2. At its meeting of 26<sup>th</sup> November 2020, the Audit Committee received audit findings reports from the external auditors. Based on the audit findings reported at that date the Audit Committee approved the Statements of Account for the Authority and for the Pension Fund for 2019/20.
- 2.3. However, the audit of the Authority's Statement of Accounts was not completed by 30<sup>th</sup> November and a notice was published on the Authority's website in accordance with the Accounts and Audit Regulations. The two reasons provided by the auditor were:
  - the impact of Covid-19 on both the complexity of the audit and pace at which it can be completed
  - the increased assurance work that auditors are required to carry out nationally with respect to pensions and asset valuations

[Audit of accounts - public notice - Devon County Council](#)
- 2.4. The audit continued intermittently up to mid-February 2021 and is coming to an end as this report is being drafted. External audit has

identified two items to be amended in the Authority's Statement of Accounts:

- Basis of the valuation of the Exeter Energy from Waste plant which had been used in the Authority's Statements of Accounts since 2014/15.
- Payroll deductions (such as PAYE and pension contributions) from the March payroll, set up in the system to be paid automatically in April. These had been classified in the balance sheet as a cash adjustment rather than a creditor.

2.5. The adjustments have been made and there is no impact on the Authority's revenue account, usable reserves or future financing of capital expenditure. The following paragraphs provide more detail.

### **3. Exeter Energy from Waste**

3.1. The Exeter Energy from Waste plant became operational in 2014/15 and was revalued at 31 March 2015. The basis of the valuation was International Accounting Standard for leases IAS17 and this basis has been used for subsequent valuations.

3.2. For 2019/20 the Authority is changing the basis of the valuation using a more appropriate accounting standard for Property, Plant and Equipment. The impact of this change is to increase the value of the asset by £18.910 millions. This change is material to the Authority's accounts and prior period balances have to be restated.

3.3. There is no impact on the Authority's revenue account, usable reserves or future financing of capital expenditure. This change is purely an accounting change offset by changes to unusable reserves - Capital Adjustment Account £11.855 millions and Revaluation Reserve £7.055 millions.

3.4. These changes are made to the Authority's balance sheet (and related notes) at 1<sup>st</sup> April 2018 and carry forward to 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020. There are no adjustments to in year transactions.

3.5. Note 3 – Prior Period Adjustment - provides more explanation. The Authority still has a negative Balance Sheet as at 31st March 2020 but this net liability has reduced by almost £19 millions as a result of the audit adjustments. The Authority's liabilities are £37 millions greater than its assets (£84 millions (restated) at 31st March 2019).

#### **4. Cash / creditor Adjustment**

- 4.1. Every month for each payroll, deductions are made for PAYE (tax and national insurance), pension contributions and other deductions from salaries. Most of these deductions such as to HMRC and the Pension Fund are not due to be paid until the following month. However, the payments are set up in the system to be paid automatically on the due date and the system reduces the cash book total in preparation for the payments.
- 4.2. External audit has identified that these payments due at 31<sup>st</sup> March are creditors and not cash adjustments. The accounts have been amended to increase the cash figure in the balance sheet on 31 March 2020 by £12.3 millions which is matched by a corresponding increase in short term creditors.
- 4.3. This is a timing issue at 31 March and there is no impact on the Authority's future cash flows or net assets.

#### **5. Letters of Representation**

- 5.1 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.

#### **6. Annual Governance Statement**

- 6.1 The Statement has already been approved by the Audit Committee and signed by the Chief Executive and Chairman of the Audit Committee on 26<sup>th</sup> November 2020.

#### **7. Conclusion**

- 7.1 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 1310 Room 195

Background Paper Date File Ref  
There are no equality issues associated with this report

**Draft management representation letter – Devon Pension Fund**

25<sup>th</sup> February 2021

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Dear Sirs

**Devon Pension Fund:  
Financial Statements for the year ended 31<sup>st</sup> March 2020**

This representation letter is provided in connection with the audit of the financial statements of Devon Pension Fund (‘the Fund’) for the year ended 31st March 2020 for the purpose of expressing an opinion as to whether the Fund 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 Fund’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 Fund and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Fund 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.
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. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent;
  - none of the assets of the Fund 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.
7. 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.
8. 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.
9. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
10. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
11. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Fund'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 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.

## Information Provided

12. We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the Fund 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 Fund 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.

13. We have communicated to you all deficiencies in internal control of which management is aware.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. 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.

16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund 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.

17. 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.

18. 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.

19. 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.

20. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

21. 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.

22. 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 is minuted by the Council's Audit Committee at its meeting on 25<sup>th</sup> February 2021.

Yours faithfully

Name            Cllr John Mathews  
Position        Chair of the Audit Committee

Name            Mary Davis  
Position        County Treasurer

**Draft management representation letter – County Council**

25<sup>th</sup> February 2021

Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Dear Sirs

**Devon County Council: Financial Statements for the year ended 31<sup>st</sup> March 2020**

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31<sup>st</sup> 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.

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.

### **Information Provided**

15. 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.
16. We have communicated to you all deficiencies in internal control of which management is aware.
17. All transactions have been recorded in the accounting records and are reflected in the financial statements.

18. 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.
19. 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.
20. 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.
21. 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.
22. 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.
23. 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**

24. 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**

25. 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 25<sup>th</sup> February 2021.

Yours faithfully

Name        Cllr John Mathews  
Position    Chair of the Audit Committee

Name        Mary Davis  
Position    County Treasurer