

## Audit Committee Meeting

Date of Meeting	Monday 31 August 2015
Paper Title	Update on matters relating to 2014-15 accounts
Agenda Item	6
Paper Number	AC1-C
Responsible Officer	Stuart Thompson, Executive Director, City of Glasgow College
Status	Disclosable
Action	For Noting

### 1. Report Purpose

- 1.1. To highlight the process and outstanding issues in preparing the GCRB accounts for the period 1<sup>st</sup> May 2014 to 31<sup>st</sup> July 2015.

### 2. Recommendations

- 2.1. The Committee is invited to note:

- management's current thinking that GCRB should prepare accounts for the period to 31 July 2015 using the SORP (Statement of Recommended Practice);
- that management is in active discussion with the external auditors and the Scottish Funding Council about the correct reporting standard and the resulting disclosure requirements.

### 3. Background

- 3.1. GCRB's legal status as a corporate entity derives from the Further & Higher Education (Scotland) Act 2005, as amended (referred to as "the 2005 Act" below). On 29 April 2014 the Scottish Government issued an Accounts Direction which stated that "GCRB's accounts must comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared". However, the Scottish Funding Council is currently discussing with the Scottish Government whether that Accounts Direction should be replaced by one which requires GCRB to adopt the same accounting arrangements as the colleges, which encompasses FRS (Financial Reporting Standards) and SORP pronouncements.
- 3.2. During this first accounting period GCRB is accountable for all the income and expenditure incurred by other bodies on behalf of the Board.
- 3.3. GCRB related transactions processed in the period:
- 3.3.1. Between 1/5/14 and 31/12/14 expenditure relating to GCRB was handled by SFC.

3.3.2. Between 1/1/15 and 31/3/15 its expenditure was handled by GCU

3.3.3. And from 1/4/15 onwards it's been handled by City of Glasgow College

3.4. Under both accounting standards GCRB is not permitted to carry forward excess funds or create reserves to be utilised in future periods. Any surplus could potentially be retained by SFC and used to partially fund the 2015-16 expenditure. The following is a very early estimate of the income and expenditure for the period.

<b>GCRB</b>   Glasgow Colleges' Regional Board	
<b>I&amp;E Account 1st May 2014 to 31st July 2015</b>	
<b>Income</b>	
SFC	£103,580
Colleges	£243,786
	<b>£347,366</b>
<b>Expenditure</b>	
Staffing	£165,988
Chair	£45,000
Board expenses	£5,000
Office expenses	£35,000
External Audit fees	£20,000
	<b>£270,988</b>
<b>Surplus</b>	<b>£76,379</b>

3.5. The assigned College Board continues to be responsible for the governance, financial management, operation and sustainability of the individual college.

#### 4. Group Consideration

4.1. Once the GCRB and individual accounts are completed the potential consolidation would be prepared and presented to the GCRB auditors.

4.2. A separate paper on the agenda covers the consolidation issues in more detail.

#### 5. Conclusion

5.1. GCRB will prepare as a minimum a set of accounts for the Board with the possibility of a full set of consolidated accounts for the region.

#### 6. Risk Analysis

6.1. The main risk is that GCRB's external auditors do not agree with this assessment. GCRB management has therefore shared this assessment with the external auditors and is in discussion with them.

**7. Legal Implications**

**7.1.** The legal aspects of this matter flow from the accounting requirements to which GCRB is subject.

**8. Financial Implications**

**8.1.** City of Glasgow College have agreed to assist the regional board in preparing the first set of accounts at no charge.

**9. Regional Outcome Agreement Implications**

**9.1.** N/A.