

## Audit Committee Meeting

Date of Meeting	Monday 15 May 2017
Paper Title	Accounts Consolidation
Agenda Item	9
Paper Number	AC4-E
Responsible Officer	Jim Godfrey, Interim Finance and Resources Director
Status	Disclosable
Action	For noting

### 1. Report Purpose

- 1.1. This paper provides an update for GCRB in respect of the consolidation of financial statements for 2016-17

### 2. Recommendations

- 2.1. The Committee is invited to note this report.

### 3. Report

- 3.1. As members are aware, this matter has been discussed at previous meetings of this Committee. At the most recent meeting on 20 February 2017, the Committee recommended to the Board that the financial statements for 2016-17 should be consolidated. This recommendation was agreed by the Board at the meeting on 22 March 2017. Following the decision, a number of actions have taken place and these are outlined below.
- 3.2. A meeting took place between the Interim Director Finance & Resources and finance colleagues from the 3 assigned colleges. The purpose of the meeting was to consider issues arising in respect of consolidation (and also to review the information that could be provided to GCRB to enable the Regional Body to fulfil its monitoring role).
- 3.3. With regard to the consolidation, the following items were considered:
- a timeline of audit fieldwork, accounts preparation and committee meetings was discussed and amendments proposed;
  - accounting policies for depreciation, pension valuation and property valuation were reviewed and minor changes agreed; and
  - the process for merging the financial information into a common template.

**3.4.** Issues surrounding the consolidation of financial statements were also discussed with the external auditors (Scott Moncrieff) at the audit planning meeting on 25 April 2017 and in subsequent emails.

**3.5.** Discussions have also taken with finance colleagues in the Scottish Funding Council regarding the opportunities to share practice and knowledge with others.

#### **4. Risk Analysis**

**4.1.** The key risks relating to the consolidation of the financial statements are:

- The consolidated financial statements of the Regional Board are dependent upon the 3 assigned colleges. Any issue arising in respect of an assigned college, for example a delay, will have a direct impact on the ability of the Regional Board to meet its deadlines and obligations.
- There is a very little time available between the date an assigned college completes a task (during the year-end process) and the date when the Regional Board is due to complete the same task.

#### **5. Legal Implications**

**5.1.** There are no legal implications arising from this report.

#### **6. Financial Implications**

**6.1.** Scott Moncrieff has advised that the external audit fee for 2016-17 is expected to be £20,000 (including VAT and a recharge from Audit Scotland). This cost reflects the additional work necessary to audit the consolidated financial statements.

**6.2.** In addition, there are the additional costs to GCRB for preparing the consolidated financial statements. This task will be undertaken by the Interim Director of Finance & Resources.

#### **7. Regional Outcome Agreement Implications**

**7.1.** This report does not have a direct impact on the Regional Outcome Agreement, although it does contribute to the wider objective of effective governance.