

## **Audit Committee Meeting – 5<sup>th</sup> September 2016**

### **Statutory Accounts 2015/16**

#### **Purpose**

1. To present the draft Financial Statements (**Appendix 1**) and the Audit Management Report (**Appendix 2**) for the year ended 31<sup>st</sup> March 2016.

#### **Financial Statements**

2. The Audit report for the year is unqualified. Scott-Moncrieff concludes the financial statements show a true and fair view and comply with the Companies Act and all relevant accounting standards.

#### **Key Points**

3. Note the following key points from the financial statements:
  - The strategic report provides a full review of the business as a going concern, key financials and programme achievements in the year and an overview of priorities and budgets going forward.
  - Consistent with previous financial years, at the operational level the company broke even. However a £238,057 deficit for the year arises from the combined impact of FRS 17 pension entries of £247,000 offset by bank interest received of £8,943.
  - The balance sheet has returned to a positive position in 2015/16 due to the overall pension liability decrease from £1,416,000 in 2014/15 to £161,000 in 2015/16. This is because financial assumptions at 31st March 2016 were more favourable than 31st March 2015.

#### **Audit Management Report**

4. In relation to audit risk areas the report concludes the following:

**Audit risk areas:** The auditors gained satisfactory assurance in respect of the audit risk areas identified at the planning stage, specifically in relation to potential management override of controls and revenue recognition application. The Auditor's concluded risks were being mitigated / managed appropriately and there were no issues to report.

**Going concern and subsequent events:** The Auditor's concluded there were no issues affecting the company's ability to continue as a going concern.

5. In relation to significant audit and accounting matters the report notes:

**Audit adjustments:** Scott-Moncrieff undertook the FRS17 pension calculation and adjustments on behalf of the Improvement Service. A number of other adjustments were applied as a result of the timing of transactions.

**Qualitative aspects of accounting practice:** A range of qualitative aspects in relation to IS financial reporting processes were considered by the auditors. All were found to be operating satisfactorily with no issues to report.

6. In relation to other matters:

**Review of financial performance** – The report provides an analysis of movement in balances between 2015/16 and the previous year.

**Accounting systems and internal controls** – The audit work noted that follow up actions from last year's audit were completed and no further areas of weakness were identified.

## **Recommendation**

7. The Audit Committee is asked to:

- Review and comment on the 2015/16 position.
- Recommend that the Financial Statements and the External Audit Management Report for the year ended 31<sup>st</sup> March 2016 are accepted by the Board of Directors (formal approval will take place at the Company AGM in December).