

**JOINT AUDIT AND FINANCE COMMITTEE
8TH JANUARY 2020**

REDACTED MINUTES FOR PUBLICATION

A joint meeting of the Audit & Finance Committees was held at Horizons, 60 Queen's Road, Reading, and remotely via Zoom videoconferencing on Wednesday 8th January 2020 from 10-11.30am.

- Present: Jat Brainch [JB] Honorary Treasurer and Chair
Amanda Clack [AC]
Chris Costigan [CC]
Alex Fraser [AF]
John Gellatly [JG]
Andrew Hynard [AH]
Kenny Miller [KM]
Ashley Wheaton [AW]
- Apologies: Alastair Martin {AM}
Stephen Jackson [SJ]
- In Attendance: Jonathan Coyle (Sayer Vincent) {JC}
Helen Elliott (Sayer Vincent) [HE]
Jane Fawkes (University College Secretary) [JEF]
Lyndsay Hughes (note taker) [LH]
Tim Mills (Director of Finance) [TM]

1) GENERAL MEETING GOVERNANCE

039 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

040 There were no conflicts of interest declared.

041 1.2/ TO RECEIVE APOLOGIES FOR ABSENCE

042 There were apologies for absence from Alastair Martin and Stephen Jackson.

2) 2018-19 FINANCIAL YEAR

043 2.1/ MEETING PURPOSE

044 AW reminded the Committee of the compressed timescales for financial reporting for the 2018-19 year as a result of registration with the Office for Students. UCEM only received confirmation that it would have to meet the new timescales for the 2018-19 accounts in October 2019. The signed and audited financial statements must be submitted to the OfS by noon on 10th January 2020.

045 The Committees **NOTED** the challenges the compressed timescales had placed on UCEM staff and the auditors and thanked the Finance team in particular for their efforts to ensure the institution can meet the deadline. The Committees also **NOTED** that the time for review of all the paperwork had been significantly compressed and therefore not yielded the time for reflection that the institution strives for through these processes.

046 2.2/ TO RECEIVE THE AUDIT FINDINGS REPORT

047 Helen Elliott and Jonathan Coyle from Sayer Vincent (Auditors) were invited to introduce the Audit Findings Report (paper 2.1).

048 The Auditors reported that interpreting the OfS expectations and guidance for audited accounts had not always been easy or clear. Sayer Vincent has given its opinion on and interpreted the guidance, but it remains subjective.

049 The Auditors also reported that the CSTT subsidiary accounts (by deed of 60% control of the Board) will not be signed and included in the UCEM group accounts by 10th January 2020. Sayer Vincent have audited the CSTT accounts to group materiality level and is content they will not pose a material consideration once their audit is completed and signed.

050 HE commented on the significant matters found during the audit as noted below that are included in their post-audit report.

051 The Committees **NOTED** that UCEM had potential additional USS pension liabilities but that following legal advice and contact with USS, UCEM has now received written confirmation that the institution is running the scheme appropriately and within guidelines internally. This means there is no backward-looking liability. UCEM now intends to run a consultation with newly eligible UCEM staff this year on whether they wish to join the scheme. **REDACTED**.

052 The Committee **NOTED** that the rescope to the Transform project, which resulted in significantly less spend than originally anticipated, and that this spend has not been capitalised.

053 The Committee **NOTED** that the funding model for apprenticeships provides the final 20% payment once the end-point assessment has been reached but that UCEM had yet to receive any such payments. UCEM is essentially accruing income within short term debtors. This sum is likely to become material in the next year and will therefore be disclosed as long-term debtors on the balance sheet in 2019-20.

054 The Committee **NOTED** that the valuation of Shinfield Grange remains at £1.7M.

055 The Committee **NOTED** that UCEM Publishing is now officially dormant and will be closed down in the current financial year.

056 The Committee also **NOTED** the audit findings for Building People which identified issues with the employment status of freelance workers, VAT and banking arrangements, which are all now being addressed.

057 The auditors also referred to the increased fee for their work undertaken throughout to meet increased expectations and requirements.

058 The Committees thanked Sayer Vincent for their audit work and for meeting the tight deadlines imposed.

059 2.3/ TO RECEIVE, REVIEW AND PRE-APPROVE THE FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 31ST JULY 2019 (AHEAD OF FULL BOARD APPROVAL AND SIGN-OFF N 9TH JANUARY 2020)

060 The Audit Committee and the Finance Committee received the Financial Statements and Annual Reports for 2018-19 for UCEM, UCEM Courses Ltd, UCEM Publishing Ltd, UCEM Asia Ltd and Building People Ltd for pre-approval ahead of the full Board meeting on 9th January 2020 (included at papers 2.3a-2.3e).

061 TM noted a few further edits which had taken place on the UCEM accounts since the document was circulated to the Committees. The documents that will be presented to the Board as final for sign-off on 9th January 2020 were available to Trustees on the Portal.

062 The further edits affected the total for the Principal's remuneration in note 5 and the numbers of staff in the various salary bandings included in note 5. In addition, it is proposed that a Justification Statement on Senior Pay be included in note 5. TM/JEF agreed to send the Office for Students guidance on senior pay to the Board for reference. REDACTED.

063 The Committees **NOTED** that no report was presented for CSTT but that the work to audit this entity was virtually complete. In the past, UCEM had only required associate accounting for CSTT and UCEM recognised a share of the profit or loss. However, as a result of UCEM having three trustees on the CSTT Board (which confers control) UCEM now has to account for CSTT as a subsidiary entity in consolidation. A statutory audit was therefore required for CSTT but this was carried out by Burgess Hodgson LLP and not Sayer Vincent.

064 The Committees **NOTED** that Sayer Vincent has consolidated the CSTT numbers into the UCEM accounts and has confirmed that the degree of materiality is negligible and that the UCEM accounts can therefore be signed off in their current form.

065 The Committees had no further queries on any of the accounts presented.

066 The members of the Audit Committee and Finance Committee **AGREED** to submit the Audit Findings Report and the Financial Statements and Accounts for each entity as presented to their respective Boards of Directors and to the full UCEM Board of Trustees for approval and final signatures on 9th January 2020.

067 2.4/ TO RECEIVE THE LETTERS OF REPRESENTATION FOR UCEM AND ITS SUBSIDIARIES

068 The Audit Committee and the Finance Committee received the Letters of Representations for UCEM, UCEM Courses Ltd, UCEM Publishing Ltd, and Building People Ltd for pre-approval ahead of the full Board meeting on 9th January 2020 (included at papers 2.4a-2.4d).

069 The members of the Audit Committee and Finance Committee **AGREED** to submit the Letters of Representations for each entity to their respective Boards of Directors

and to the full UCEM Board of Trustees for approval and final signatures on 9th January 2020.

070 2.5/ TO RECEIVE AN UPDATE ON THE APPOINTMENT OF NEW UCEM AUDITORS FOR 2019-20

071 The Audit and Finance Committees were reminded that UCEM needs to appoint new Auditors for 2019-20 as Sayer Vincent felt they were no longer sufficiently specialist for UCEM given its growth and complexity and the increasing regulation of the institution by the Office for Students.

072 TM informed the Committees that he now has three potential audit firms willing to tender for the work for the 2019-20 year onwards. Sayer Vincent are going to support UCEM with tender template documentation that can be issued in mid-January with the aim of carrying out a review of tenders in February. **REDACTED**.

073 The Committees **AGREED** to use the original joint meeting time currently held in diaries on 27th February 2020 for the tender of potential auditors.

3) ANY OTHER BUSINESS

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075 The Committee noted that given the very short timescales to have the accounts fully approved that electronic signatures are acceptable on signed account. John Gellatly gave his permission for this once the accounts are approved at the Board meeting on 9th January 2020.

076 No other matters of business were raised.

077 3.1/ DATE AND TIME OF THE NEXT MEETING

078 The date and time of the next Joint Audit and Finance Committee meeting will be Thursday 27th February 2020 at UCEM, Horizons, Reading, and this will now be used for an Audit Tender Process.

079 The subsequent joint committee meeting will be held on Thursday 22nd October 2020 at UCEM, Horizons, Reading, with Zoom remote video link available, to review the draft financial statements for the 2019-20 academic year.

Signed: 

Name: JAT BRAINCH

Date: 27/2/20