

JOINT AUDIT AND FINANCE COMMITTEE

11th November 2020

REDACTED MINUTES FOR PUBLICATION

A joint meeting of the Audit & Finance Committees was held via Zoom Videoconferencing on Wednesday 11th November 2020 from 13.00-14.00pm to review and approve the External Audit Findings and to review and approve the UCEM Annual Accounts.

Present: Jat Brainch [JB] Honorary Treasurer
Amanda Clack [AC]
Chris Costigan [CC]
Alex Fraser [AF]
Andrew Hynard [AH]
Alastair Martin [AM]
Kenny Miller [KM]
Stephen Jackson [SJ] (Chair)
Ashley Wheaton [AW]

Apologies: John Gellatly [JG]

In Attendance: Jane Fawkes (University College Secretary) [JEF]
Lyndsay Hughes (note taker) [LH]
Tim Mills (Director of Finance) [TM]

Richard Bott and Carol Davey from Mazars up to item 2.3 only

105 **1.1/ DECLARATION OF CONFLICTS OF INTEREST**

106 There were no conflicts of interest declared.

107 **1.2/ APOLOGIES FOR ABSENCE**

108 There were apologies for absence from John Gellatly.

109 **1.3/ TO RECEIVE AN UPDATE ON IMPLEMENTATION OF
RECOMMENDATIONS FROM THE 2018-19 AUDIT FINDINGS REPORT**

110 TM presented paper 1.3 which provided a list of all the recommendations from the 2018-19 Audit Findings Report from UCEM's previous auditors Sayer Vincent and an update on progress with adopting and implementing these recommendations at UCEM.

- 111 The Committee **NOTED** the update provided and that all items raised have been addressed in year. The Committee **NOTED** that UCEM Publishing Ltd had finally been closed by Companies House in October 2020 and that UCEM has been advised no AGM or Annual Report is required for the year 2019-20 despite the closure falling after this date.
- 112 The Committee **NOTED** that the key outstanding item of significance is the employment status of freelance workers for Building People CIC which relates to compliance with IR35. UCEM is required to be compliant by April 2021 and Mazars are supporting UCEM in ensuring compliance by this deadline.
- 113 2.1/ TO RECEIVE THE AUDIT FINDINGS REPORT FOR 2019-20 FROM MAZARS**
- 114 Carol Davey and Richard Bott from Mazars (Auditors) were invited to introduce the Audit Findings Report (paper 2.1). RB commented on the challenges of undertaking a new audit during the remote working practices in place across the UK as a result of Covid-19 and that despite this, both UCEM and Mazars had made the process work. The Committee thanked and praised both teams.
- 115 The Auditors reported that the audit resulted in only three principal items of note: going concern; management override of controls; and revenue recognition.
- 116 The Auditors have requested a detailed paper with regards to UCEM as a going concern inclusive of a budget for the coming years and on receipt of this document will be in a position to form a view on whether the adoption of the going concern assumption by UCEM is appropriate. The Auditors do not foresee any issue in making this judgement at the current time.
- 117 The Auditors test management override of controls and the potential for fraud during the audit. The Auditors confirmed that their review of journals and adjustments made in preparation of the financial statements has not identified any instances of inappropriate adjustments being made.
- 118 The Auditors identified risks for UCEM in revenue recognition in relation to accrued and deferred income and for cut off. This relates specifically to recognition of End Point Assessment income and costs in the correct accounting periods. UCEM has added a further £598K of debtor for end point assessments this year and an explanation of this is included within the financial statements. The Auditors also refer to this in their letter of representation. UCEM has also made an accrual of £291K in respect of costs associated with End Point Assessments for the first time. £166K should have been included to this effect last year. This amount has not been included as a prior year adjustment given its materiality. The Auditors confirmed they believe all other income streams have been recognised within the correct periods. The Auditors recommend that UCEM keeps revenue recognition under review annually as more apprentices complete their studies.
- 119 The Auditors confirmed that based on the work performed the assumptions used to determine UCEM's proportion of USS assets and liabilities was reasonable.
- 120 **REDACTED**
- 121 The Auditors made various recommendations regarding improvements to internal controls to be put in place in the coming year, these included: current contracts for CSTT staff having expired; resolution of the credit balances on the debtors ledger;

and, applying the UCEM policy introduced in May 2020 and ensuring no further fixed asset capitalisation for items under £500.

122 The proposed Letter of Representation is standard format with the specific inclusion of Shinfield Grange and End Point Assessment.

123 The Committee **NOTED** the Audit Findings Report and thanked Mazars for their work under challenging circumstances and timescales, and for the clear feedback report to the Committee. The Committee felt reassured by the review work undertaken and that the matters raised are resolvable in the current year.

124 2.2/ TO RECEIVE, REVIEW AND PRE-APPROVE THE FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 31ST JULY 2020

125 The Audit and Finance Committees received the Financial Statements and Annual Reports for 2019-20 for the consolidated UCEM group for pre-approval ahead of the full Board meeting on 27th November 2020 (included at paper 2.2). TM highlighted some specific matters to the Committee, primarily where there had been substantial changes since earlier end of year updates to the Finance Committee.

126 CC had submitted some specific comments to UCEM ahead of the meeting on the Financial Statements and their compliance with the OfS Accounts Directive. These are being considered and incorporated at the current time and will be reflected in the final document that the Board approves on 27th November 2020. They relate primarily to governance and internal controls.

127 TM highlighted the lower investment valuation in the accounts than that previously reported to Finance Committee and this relates to the impact of Covid-19. TM noted, however, that some recovery may be reasonably anticipated this year with the increasing likelihood of a vaccination being introduced.

128 TM also highlighted that UCEM formally allowed holiday carry over for staff for one year and that an accrual for this sum has therefore been made (purely an accounting movement which would only be paid out should staff leave UCEM in the current year with holiday owing).

129 TM informed the Committee that UCEM had accrued £160K for restructuring costs but in fact this ended at £130K. In addition, UCEM is now recognising £292K for End Point Assessment costs.

130 The Committee **NOTED** the Financial Statement and Annual Report and that further minor amendments were still being made to the document ahead of Board sign-off on 27th November 2020 but were content to recommend the documentation to the Board pending these final corrections.

131 The Chairman thanked CD and RB of Mazars and invited them to leave the meeting.

132 2.3/ TO RECEIVE AND PRE-APPROVE THE LETTER OF REPRESENTATION

133 The Committee **NOTED** that a final Letter of Representation for UCEM to approval will be presented to the full Board meeting on 27th November 2020.

134 The Committee also **NOTED** that UCEM's Going Concern report will be completed before the Board, will incorporate cashflow and reserves, and will be assessed by the Auditors, thereby allowing the full accounts process to be signed off and concluded.

135 2.4/ TO APPROVE THE RE-APPOINTMENT OF MAZARS AS UCEM AUDITORS AND NOVA AS UCEM ASIA LTD AUDIT PARTNER FOR A FURTHER YEAR

136 REDACTED

137 The Committee **APPROVED** the re-appointment of Mazars and Nova for a further year.

138 2.5/ TO RECEIVE AN UPDATED SOURCES OF FUNDING DIAGRAM FOR 2019-20

139 At the 2018 joint meeting of the Audit and Finance Committees, the members reviewed a breakdown of sources of funding that UCEM students use to fund their studies. The Committee requested that this data be re-presented annually to review how it may be changing over time. TM presented paper 2.5 which provided the data for 2019-20 with comparators to 2018-19.

140 The Committee **NOTED** the sources of funding update and, in particular, the increasing importance of apprenticeship funding to UCEM.

141 3/ ANY OTHER BUSINESS

142 The Committee thanked TM and the entire UCEM team for their efforts to conclude the audit process to the revised timescales.

143 There were no other items of business raised.

144 4/ MEETING CLOSE

145 The meeting was formally closed at 14.00pm.

146 The date and time of the next Joint Audit and Finance Committee meeting will be Thursday 4th November 2021 at UCEM, Horizons, Reading, with Zoom remote video link available, to review the draft financial statements for the 2020-21 academic/financial year.

Signed: 

Name: Dr Stephen Jackson

Position: Chair of Joint Audit & Finance Committee

Date: 4th March 2021