

**JOINT AUDIT AND FINANCE COMMITTEE**  
**9<sup>th</sup> November 2022**

**REDACTED MINUTES FOR PUBLICATION**

A joint meeting of the Audit & Finance Committees was held via Zoom Videoconferencing on Wednesday 9<sup>th</sup> November 2022 from 12.30-13.50pm to review, scrutinise and pre-approve the External Audit Findings Report and the UCEM Annual Report and Financial Statements.

Present: Jat Brainch [JB] Honorary Treasurer  
Prof. Nick Braisby [NB]  
Amanda Clack [AC] Chair of the Board of Trustees  
Chris Costigan [CC]  
Dr Stephen Jackson [SJ] Chair of Committee (& Vice Chair)  
Prof. Michelle Hones [MJ]  
Dominic O'Rourke [DOR]  
Ashley Wheaton [AW]

Apologies: Alex Fraser [AF]  
Harps Kaur [HK]  
Alastair Martin [AM]  
Prof. Kenny Miller [KM]

In Attendance: Laura Bell McMillan (Board Apprentice) [LBM] – observing  
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 end item 2.2 only

**194 1.1/ DECLARATION OF CONFLICTS OF INTEREST**

195 There were no conflicts of interest declared.

**196 1.2/ APOLOGIES FOR ABSENCE**

197 There were apologies for absence from Alastair Martin, Kenny Miller, Alex Fraser and Harps Kaur.

**198 1.3/ UPDATE ON ACTIONS AND IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT FINDINGS REPORT**

199 TM presented paper 1.3 which provided a summary of the Audit Findings from previous years and an update on progress with adopting and implementing the recommendations made at UCEM. The Committees were reminded that whilst Mazars did discuss some matters with management in 2020-21 there were no

significant findings to be addressed. There was one finding from 2019-20 which UCEM has continued to resolve through the last year relative to unreconciled creditors. At that time this stood at £402K and was reduced to £336K at the time of the 2120-21 audit.

200 TM reported that further work to investigate each credit balance contributing to this total was undertaken in the last year on a student-by-student basis. The credit balances span back to 2009 and have now been resolved. An adjustment of £234K has been made for the balances on the accounts receivable in the 2021-22 audit, reflecting them as creditors in the financial statements. £123K of this related to Student Loan Company balances (overpaid to UCEM in 2013-2017) which will be returned to the SLC by deductions against new loans advanced to UCEM between October 2022 and February 2023. The remainder of the creditors balance is individual students where the student has paid in advance but UCEM has yet to deliver the service at yearend, and overpayments from sponsors where UCEM will seek to make refunds.

201 The Committee **NOTED** the update provided and that all items raised have now been fully addressed.

**202 2.1/ RECEIVE THE AUDIT COMPLETION REPORT FOR 2020-21 FROM MAZARS**

203 Richard Bott and Carol Davey from Mazars (Auditors) were invited to introduce the Audit Findings Report (paper 2.1).

204 The Auditors reported that all audit work was completed to schedule and there were no significant findings to report to the Committees against the various risks investigated. The auditors found all policies and controls are applied appropriately and that UCEM's liability for increased USS pension provision has been calculated reasonably.

205 **REDACTED**

206 Just one minor internal control finding was highlighted in the report relative to the fixed asset register which, whilst historic, has already been corrected. It was also confirmed that UCEM's exposure to risk as a result of the Harpur b. Brazel HR case was considered very low.

207 Overall, the audit raised no issues of concern and the way UCEM carries out its accounting and controls are well managed. The Committees congratulated the UCEM teams on a clean audit.

208 The Chair of the Board of Trustees requested that a sentence be added to the Executive Summary to give greater clarity on the lack of findings, the positive outcome to the audit and the unqualified report that follows – the way it is currently worded implies there were significant findings within the areas of risk investigated through the audit process.

**ACTION: Provide an updated Executive Summary for the Audit Findings report. [CD]**

209 The Committees were updated on the increased USS pension provision which has significantly changed the accounts this year to the tune of £1.9M. This is an enforced

increase to the liability provision UCEM must hold on its Balance Sheet for its share of the USS pension deficit and is carried below the line. UCEM's liability for this had to be increased from 2% or 6% which impacts the P&L but not cashflow. It is expected to decrease over the coming years as the liability is now carried over a longer term.

- 210 The Committee **NOTED** the Audit Findings Report and the absence of any significant findings or recommendations for the 2021-22 year.
- 211 2.2/ RECEIVE, REVIEW AND PRE-APPROVE THE UCEM FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 31ST JULY 2022**
- 212 The Audit and Finance Committees received the UCEM Financial Statements and Annual Report for 2021-22 for scrutiny and pre-approval ahead of approval at the full Board meeting on 1<sup>st</sup> December 2022 (papers 2.2 & 2.2a).
- 213 TM highlighted some key points to the Committee. Year on year there is a growth in income from £16.1M to £17.1M driven by the growth in and mix of students. Costs have also increased by £1M through the year, largely relative to the apprenticeship growth and support staff needs. UCEM's investment portfolio has also been impacted in the year due to economic and environmental factors to the tune of £500K. Despite this, operational activities returned a surplus in year of £649K.
- 214 The pension deficit is recorded below the line, and this has also been made consistent in the accounts for 2020-21. It comprises the increase due to growing UCEM memberships and the increase due to liability provision. Overall, this demonstrates that the operational UCEM business has performed well despite these exceptional increases.
- 215 **REDACTED**
- 216 TM highlighted the loss in investment income in the year to the tune of approximately £500K, but this has not materially impacted the Balance Sheet as cash in the bank has remained positive.
- 217 Finally, TM apologised to the Committee for the papers being circulated so late, which is largely due to the workload involved in such compressed timescales. As a result, however, final proof reading, checking and formatting had not been undertaken prior to circulation. Through starting final checks though, TM has found a small error on the reporting of unrestricted reserves (total number correct but the movement between unrestricted and designated reserves should be £119K – the net impact of this between the two lines is zero).
- 218 The Committees queried the risk of further significant increases in USS pension deficit provision, but it is impossible for UCEM to predict if any further increases could be imposed. It is wholly outside of UCEM's control, although UCEM might consider changes to its reserves policy in the future to ensure the institution is sufficiently financially robust to absorb any further future increases.
- 219 Overall, the Committees welcomed the positive results for the year which were somewhat unexpected at the outset. The Committees are mindful, however, that cost increases exceeded increased income for the year. The Committees were reminded that the previous year had seen significant cost savings due to be wholly impacted by Covid-19 pandemic, the current year by default saw some of these costs

return as the year was only partially impacted by Covid-19 which makes comparison difficult.

220 The Committees reviewed the narrative in the Annual Report, given it will go to the Charity Commission in the Board's name. The Committees praised the report as an excellent overview of UCEM but highlighted two further anomalies in the draft accounts presented. Firstly, Chris Costigan's name was mis-formatted. Secondly, it was agreed it not to disclose the salaries of the Staff Trustees in this report as their salaries relate to their paid employment at UCEM and not their Trustee roles.

**ACTION: Amend the formatting on Chris Costigan's name in the list of Trustees and remove the Staff Trustees salaries from the Annual Report and Financial Statements document ahead of finalisation and Board sign-off. [TM]**

221 The Committees thanked all those UCEM staff involved in preparing this comprehensive and detailed annual report.

222 The Committees **NOTED** the Financial Statements and Annual Report 2021-22 as detailed, appropriate and comprehensive and were content to recommend the documentation to the Board for sign-off as part of the full group accounts for 2021-22 on 1<sup>st</sup> December 2022.

223 The Chair thanked RB/CD of Mazars for their attendance and invited them to leave the meeting.

### **224 2.3/ RECEIVE AND PRE-APPROVE THE LETTER OF REPRESENTATION**

225 The Committees were content to recommend that the Letter of Representation for 2021-22, as provided in paper 2.1a by the auditors, be signed by the Chair of the Board of Trustees on 1<sup>st</sup> December 2022 when UCEM accounts are given final approval.

**ACTION: Transfer the Letter of Representation into a Word document and prepare for the Chair's signature on 1<sup>st</sup> December 2022. [LH]**

### **226 2.4/ CONSIDER THE RE-APPOINTMENT OF MAZARS AS UCEM AUDITORS AND NOVA AS UCEM ASIA LTD AUDIT PARTNER FOR A FURTHER YEAR**

227 TM presented paper 2.4 to the Committee on the re-appointment of Mazars as UCEM Auditors and Nova as UCEM Asia Ltd Audit Partner for a further year.

228 **REDACTED** The audit returned to largely in-person with the use of a supporting system both teams were comfortable with. Considering the compressed timelines in 2022 this was a welcome result. TM also recommended the reappointment of Nova for UCEM Asia Limited given their knowledge of the local market, their experience with UCEM, their thorough approach to the work and their competitive price. The Board should also take comfort from the knowledge that Mazars also review the work Nova undertake for UCEM Asia Ltd.

229 The Committees suggested that given UCEM has used Nova continuously since 2015/16 it would be prudent and best practice to consider alternative firms for this work. UCEM should demonstrate consideration of alternatives has been undertaken even if it ultimately continues to re-appoint Nova on a rolling annual basis.

**ACTION: Undertake research and present findings to Finance Committee on a potential tender process for new auditors in Hong Kong for UCEM Asia Ltd. [TM]**

230 The Committee PRE-APPROVED the re-appointment of Mazars for a further year as UCEM auditors – final approval to re-appoint will be provided by the full Board of Trustees on 1<sup>st</sup> December 2022.

**231 2.5/ RECEIVE AN UPDATED SOURCES OF FUNDING DIAGRAM FOR 2021-22**

232 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 2021-22 with comparators to 2018-19, 2019-20 and 2020-21. The key points to note were that UCEM's proportion of income from apprentices continues to grow. In addition, the percentage of income from unsponsored students has dropped but the value of the income to UCEM remains consistent. Sponsored students' income has reduced in favour of apprenticeship income. Rathbone income has now ceased, and Eastleigh income will end this year.

233 The Committees commented on the value of seeing this data but cautioned that the growth in apprenticeship income is both a positive and a negative. Whilst the growth in income from apprenticeships is positive, UCEM is increasingly exposed to potential changes in policy and funding rules around the apprenticeship levy. Most other sources of UCEM income have declined in the same period in terms of absolute value. UCEM must continue to think about how it may mitigate for this increasing risk. This may also provide opportunity for UCEM too and this was discussed by the Audit Committee earlier on 9<sup>th</sup> November 2022.

234 The Committees **NOTED** the sources of funding update and, in particular, the ever-increasing importance of apprenticeship funding to UCEM.

**235 3/ ANY OTHER BUSINESS**

236 The Committee thanked TM and the entire UCEM team for their efforts to conclude the audit process to the tight timescales imposed by the OfS reporting requirements.

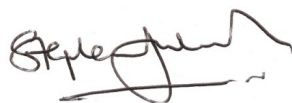
237 There were no other items of business raised.

**238 4/ MEETING CLOSE**

239 The meeting was formally closed at 13.35pm.

240 The date and time of the next Joint Audit and Finance Committee meeting will be Thursday 9<sup>th</sup> November 2023 at UCEM, Horizons, Reading, with Zoom remote video link available, to review the draft financial statements for the 2022-23 academic/financial year.

**Signed**



**Name**

Stephen Jackson

**Position**

Chair of Audit Committee

**Date**

9 March 2023