

JOINT AUDIT AND FINANCE COMMITTEE

14 November 2024

REDACTED MINUTES FOR PUBLICATION

A joint meeting of the Audit & Finance Committees was held via Zoom Videoconferencing on Thursday 14 November 2024 from 12.30-14.00pm to review, scrutinise and pre-approve the External Audit Findings Report and the UCEM Annual Report and Financial Statements.

Present:	Prof. Nick Braisby [NB]	
	Chris Costigan [CC]	Chair of Committee
	Jyotveer Gill [JG]	
	Dr Stephen Jackson [SJ]	Vice Chair of the Board
	Prof. Michelle Jones [MJ]	
	Dominic O'Rourke [DOR]	
	Graeme Scott [GS]	Honorary Treasurer
	Emma Shipp [ES]	
Apologies:	Ashley Wheaton [AW]	
	Amanda Clack [AC]	Chair of the Board of Trustees
	Ros Kerslake CBE [RK]	
	Gareth Ralphs [GR]	
In Attendance:	David Balme (Chief Operating Officer) [DB]	
	Jane Fawkes (University Secretary) [JEF]	
	Lyndsay Hughes (note taker) [LH]	
	Jim Kerr (Finance Director) [JK]	
	Helen Knowles & Carol Davey from Forvis Mazars up to end item 2.3 only	

293 1.1/ DECLARATION OF CONFLICTS OF INTEREST

294 There were no conflicts of interest declared.

295 1.2/ APOLOGIES FOR ABSENCE

296 There were apologies for absence from Ros Kerslake, Amanda Clack and Gareth Ralphs.

297 1.3/AUDITORS RECOMMENDATIONS AND FINDINGS FROM 2022-23 – UPDATE AND CLOSURE

298 Jim Kerr advised that all significant findings identified in the FY23 audit had now been addressed (as updated in Paper 1.3). These predominantly related to the End Point Assessment, Shinfield Grange and the Expenses Policy and its associated

approvals matrix. Just one issue remains unresolved, that of the finance system superusers being based within the Finance Team and not the IT Team (Forvis Mazars are cognisant of this and accepting). It was suggested this should be considered this year by management, given that Forvis Mazars continue to recommend it and UCEM is continuing to grow as an institution.

ACTION: Management to consider Audit recommendation to have Finance System Superusers sit within the IT Team rather than the Finance Team as a positive internal control measure. [DB]

299 The Committee **NOTED** that action was taken, and all matters bar one raised in the Audit Findings Report in 2023 have now been successfully addressed.

300 **2.1/ RECEIVE THE AUDIT COMPLETION REPORT FOR 2023-24 FROM FORVIS MAZARS**

301 Helen Knowles and Carol Davey from Forvis Mazars (Auditors) were invited to introduce the Audit Completion Report (paper 2.1a). HK took over from Richard Bott as Audit Partner for UCEM, having joined Forvis Mazars in early 2024. She previously worked at both KPMG and BDO.

302 The Auditors reported that, overall, the audit had been very smooth in 2024 with full cooperation from the UCEM teams. Work is predominantly now complete and Forvis Mazars anticipate issuing an unqualified opinion for their work this year, with no major findings to report. There is just one small unadjusted misstatement to report related to EPA but this falls below the materiality threshold.

303 Forvis Mazars advised of all the risk areas they reviewed, as outlined in the Audit Strategy Memorandum, and that no significant issues were found. Their recommendation remains that Finance System superusers should sit within the IT Team in the future and not the Finance Team and management committed to considering this during 2024-25.

304 Forvis Mazars confirmed that the USS pension scheme liability had been removed from the financial statements this year and that their valuers had agreed with the Shinfield Grange valuation of £1.7M on the Balance Sheet. Forvis Mazars also confirmed the team had done a lot of work to challenge the judgements on End Point Assessment completion rates and accrued income and that given the large adjustment made in 2023 they were content with the calculations on that basis in 2024. Finally, Forvis Mazars confirmed that UCEM had released a £51K donation into the P&L this year following completion of checks into any conditions associated with the funding.

305 Forvis Mazars advised that the appendices are largely provided as standard but that the Board should be aware that a revised FRS 102 will come in during 2027.

306 Following Forvis Mazars report, the Joint Audit and Finance Committee members posed questions. It was queried whether materiality at £400K was appropriate and Forvis Mazars replied that they typically use a figure between 1 & 2% of income but in reality their checks at UCEM went to around £320K. It was also noted that although the USS deficit had been released from the Balance Sheet because the scheme is now in surplus, UCEM must remain cognisant this could easily change again in future years.

- 307 The Committee **ACCEPTED** the Audit Findings Report for the 2023-24 year and will recommend it to the Board on 4 December 2024.
- 308 The Committee thanked Forvis Mazars for their comprehensive work to audit UCEM so thoroughly and the comfort levels this provides to the Trustees on the financial health of the institutions and the controls it has in place.
- 309 **2.2/ RECEIVE, REVIEW AND PRE-APPROVE THE UCEM FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 JULY 2024**
- 310 The Audit and Finance Committees received the UCEM Financial Statements and Annual Report for 2023-24 for scrutiny and pre-approval ahead of final approval at the full Board meeting on 4 December 2024 (paper 2.2a).
- 311 JK advised the Committee that there remain a few minor formatting errors to correct before the final document is provided to the Board of Trustees (GS was thanked for his detailed comments sent to JK ahead of the meeting). Overall, the operating surplus is much higher than the targeted operating breakeven position for the year. From both this and the release of USS liability the position is significantly more positive than last year with student income having exceeded £20M for the first time in UCEM's history. In comparison to the general financial picture across higher education this is an exceptional result.
- 312 The Committee commented that whilst wordy in places, the annual report tells a very positive story for UCEM. The team will look to make it more concise next year where possible in line with anticipated revised branding / name change. It was commented that UCEM could be using elements of the information in marketing to promote UCEM and assure its customers of the positive position the institution is in.
- 313 JK advised that Forvis Mazars will continue to challenge UCEM on its EPA accrued income but as more apprentices complete and cohort data improves this should make judgements easier to justify. UCEM anticipates greater improvements given its work over the last two years to improve Qualification Achievement Rate performance and UCEM continues to lobby where elements remain outside of its direct control.
- 314 The Committee commented that increased visibility on the Hong Kong operation would be beneficial and was assured that a Board discussion will be held on this on 4 December 2024 to consider strategy going forward in light of both historical and projected finances.
- 315 The Committee queried why there were two different figures quoted within the report with regards to those with salaries in excess of £100K and JK assured the Committee that these reflect two different statutory disclosures. It was also commented that the ratio between Head of Provider's remuneration vs all staff is slowly increasing, and that Remuneration Committee should be mindful of this in the decisions it takes annually. The Chair of Remuneration Committee, Graeme Scott, commented that this was fully considered in the Committee in September 2024 and that sector benchmarks were provided for comparison. It has therefore been agreed that it remains within an acceptable range despite the small increase on last year.
- 316 AW commented that the report reflects an extraordinary operational performance in 2023-24 and that the Board should find a way to thank all staff for this. The OfS

just released a report on the financial status of the sector referring to a £3.4bn reduction in potential income for the sector which could leave up to 75% of providers in deficit (up from 40%) – in this context UCEM’s performance is to be commended.

317 Overall, the Committees welcomed the positive results for the year and thanked all the UCEM staff involved in the preparation of these documents.

318 The Committees **NOTED** the Financial Statements and Annual Report 2023-24 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 2023-24 on 4 December 2024 pending resolution of some final formatting changes.

319 **2.3/ RECEIVE AND PRE-APPROVE THE LETTER OF REPRESENTATION**

320 The draft Letter of Representation was presented to the Committees for consideration (paper 2.3). Forvis Mazars confirmed it is their standard letter with a couple of minor changes since last year.

321 The Committee commented that the letter should consistently refer to institution and Trustees, not company and directors and should refer to Vice Chancellor and not Principal.

ACTION: Undertake minor semantic updates to the Letter of Representation. [JK]

322 The Committees were content to **RECOMMEND** that the Letter of Representation for 2023-24 (as provided in paper 2.3a but with the minor amendments agreed at minute 321) be signed by the Chair of the Board of Trustees on 4 December 2024 when the UCEM accounts are given final Board approval.

323 The Chair thanked HK/CD of Forvis Mazars for their attendance and invited them to leave the meeting.

324 **2.4/ CONSIDER THE RE-APPOINTMENT OF FORVIS MAZARS AS UCEM AUDITORS AND NOVA AS UCEM ASIA LTD AUDIT PARTNER FOR A FURTHER YEAR**

325 REDACTED

326 REDACTED

327 REDACTED

328 REDACTED

329 The Committee **PRE-APPROVED** the re-appointment of Forvis Mazars for a further year as UCEM auditors – final approval to re-appoint will be requested of the full Board of Trustees on 4 December 2024. The Committee will next reconsider when it should re-tender for new auditors in late 2025.

330 REDACTED

331 The Committee **APPROVED** the re-appointment of Nova for a further year as UCEM Asia Ltd auditors.

332 2.5/ RECEIVE AN UPDATED SOURCES OF FUNDING DIAGRAM FOR 2023-24

333 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. JK presented paper 2.5 which provided the data for 2023-24 with comparators to prior years. The key points to note were the overall growth in student income to over £20M and that UCEM's proportion of income from apprentices continues to grow, now representing some two thirds of all income.

334 The management team is fully cognisant of the dominance of ESFA income to UCEM and looks to manage this risk appropriately. It was noted that a cessation of Level 7 apprenticeships has been proposed but that because UCEM's income on level 7 comes through a Level 6 standard UCEM may be insulated from this. UCEM is also monitoring the proposals for how the Apprenticeship Levy will change into a Growth and Skills Levy in the future. To offset these risks, UCEM does still retain a healthy level of B2B students, the total income from which is also increasing year on year.

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

336 3/ ANY OTHER BUSINESS

337 The Committee thanked the entire UCEM team for their efforts to conclude the audit process to the tight timescales imposed by the OfS reporting requirements and in securing a clean audit.

338 There were no other items of business raised.

339 4/ MEETING CLOSE

340 The meeting was formally closed at 13.26pm.

341 The date and time of the next Joint Audit and Finance Committee meeting will be Thursday 13 November 2025 via Zoom video-conferencing, to review the draft financial statements for the 2024-25 academic/financial year.

Signed



Name

Chris Costigan

Position

Chair of Audit Committee

Date

22 May 2025