

BISHOP GROSSETESTE UNIVERSITY

MINUTES OF THE MEETING OF THE
JOINT FE&GP and AUDIT COMMITTEE

TUESDAY 5 NOVEMBER 2019
1:00 PM IN HARDY SEMINAR ROOM 2

Present

Mr David Babb
Mrs Jackie Croft
Mr Stephen Lawrence
AVM Gavin Mackay
Revd. Canon Professor Peter Neil, Vice-Chancellor
Right Revd. Nigel Peyton
Dr Stephen Critchley
Revd. David Dadswell
Mr Richard Hallsworth (Chair)
Mr Philip Wright

In attendance

Professor Scott Fleming, Deputy Vice-Chancellor
Stephanie Gilluly, Registrar & Secretary (Clerk)
Mr Steve Hurley, Chief of Finance & Operations
Miss Jill Stubbley, Finance Manager
Mr Jonathan Cheeseman, Director of HR
Mr Sean Ryan (Uniac)
Mr Hugh Swainson (Buzzacott)
Kelly Fisher, Head of Quality & Regulatory Compliance (minuting)

Action

Welcome

The Chair, Richard Hallsworth, welcomed members to the joint meeting.

Apologies

Apologies for absence were RECEIVED from Professor Marianne Howarth and Rev. Dr Sally Myers.

Declarations of interest

There were no declarations of interest.

1. BG (Lincoln) Ltd. Accounts 2018/19

The Chief of Finance and Operations, Steve Hurley, presented the BG (Lincoln) Ltd. Accounts 2018/19.

The Committee commented that the numbers were not at all opaque, due to both the subsidiary and accounting for pensions including the adjustment for the administrative expenses as mentioned in the auditor's report.

The Committee AGREED that the BG (Lincoln) Ltd. met the requirements for regulatory submission, however requested more detailed information be presented to the Committee.

The Clerk to Council clarified that the full accounts needed to be provided in the statutory format and then presented to the relevant Committees more comprehensively and in an understandable format.

Members RECOMMENDED the Report and Financial Statements to Council for approval.

Governance

2. Summary accounts and variances for 2018/19

The Chief of Finance and Operations, Steve Hurley, presented the summary accounts and variances to the joint meeting.

Members NOTED that the surplus deficit before the gains was £1.78 million, this came back to a £476,000 operating deficit. SH advised that the original budget and forecast indicated that University would break even and that the shortfall against this particularly related to Tuition Fees.

SH clarified that the budget included nothing for the pension sheet adjustment as this is not a predictable cost.

The Committee requested the following amendments to be undertaken:

- removal of duplicated information relating to Council Member transactions;
- correct the senior staff remuneration to reflect 2018, the report incorrectly reflected 2017; and
- correct the month of receipt of the remuneration report for 2018/19 from March to November.

SH

The Committee requested that the amendments noted above be made to the accounts, and the decision regarding sign off be carried forward to the meeting of University Council on the 27 November 2019.

Governance

Members RECOMMENDED the summary accounts and variances for submission to University Council.

Governance

3. Draft Audited Financial Statements

The Chief of Finance and Operations, Steve Hurley presented the draft audited financial statements.

The Clerk to Council highlighted the Statement of Corporate Governance and Statement of Internal Control and requested that any comments on these were to be forwarded by email to SG prior to Council.

Members RECOMMENDED the draft audited financial statements for signing by University Council.

All

4. Draft Audited Financial Statements

Audit Completion Report and Management Letter

The External Auditor, Hugh Swainson, presented the Audit Completion Report and management letter of representation.

HS highlighted that the purpose of the work of the undertaken by the external auditors was to form an opinion on the financial statements. The External Auditor ADVISED the Committee that that this year's Audit had gone well and was a positive experience, meeting the overall timetable for delivery.

The Committee NOTED that the External Auditors intention was to issue an unqualified audit opinion, advising that the points noted on page 4 of the report would need to be finalised prior to the opinion being issued.

SH

The External Auditor CONFIRMED that the University's accounting policies are appropriate and in line with the accounts direction.

The External Auditor CONFIRMED that they had identified no significant issues with internal controls.

It was NOTED the outcomes against key issues highlighted earlier in the year; the anticipated deficit of £750,000, once stripped out the underlining deficit is £476,000 at the end of this period, therefore slightly less than expected. Hugh Swainson advised that further deficits were anticipated in coming years and close attention would need to be maintained.

Hugh Swainson reported that following the University's incorporation on 1 August 2019, everything moving forwards it going to new legal entity which has some implications for financial statements; everything is treated as a going concern and the accounts presented contained disclosures regarding the transfer.

The Committee NOTED that next year's accounts will be classed as merger accounts.

It was HIGHLIGHTED that the most significant issue arising was related to the Endowment Fund of £697,000. From the work undertaken with the University's Lawyers opinion is that more of the University's assets should be considered as endowment. The process for this is ongoing and there are two options for this set of financial statements – either change to endowment fund or if there is significant uncertainty around this, then a disclosure would be appended to the financial statements regarding current status. At present the accounts would be left as they are with a note to confirm that the endowments are being reviewed.

The Committee requested clarity with regards to the ongoing query pertaining to the endowment, the Clerk advised that as far as she can tell this is linked to the Land Registry and un-registered land. The Clerk NOTED that Rachel Gwynne from Shakespeare Martineau had been invited to advise on this and resolve. The land is in permanent endowment and the issue is concerns the buildings that sit on that land.

SG

Hugh Swainson CONFIRMED that the disclosure will cover this but that the impact would show on the balance sheet as a deficit.

The Committee AGREED they were content for an interim disclosure to be added into the financial statements for this year.

A review on the position would be undertaken by University Council at the meeting on the 27 November 2019. The Chair CONFIRMED that prior to Council a paper will be put together for the current position with both disclosures available dependent upon the decision.

SH

Process of purchasing land from the Council.

It was noted the planning is still pending on the Riseholme development and costs £88,000 are shown on the balance sheet on the basis that the project will continue.

Income recognition

Presentational adjustments had been made around deferred capital grants, updated the presentation to ensure the release was aligned to the depreciation.

Management overriding controls

The External Auditors CONFIRMED that there was no evidence of accounting manipulation and that they were happy with the consolidation of the subsidiary entity.

Accounting Estimates

Bad debt provision of £92,000 historic and recommended adjustment.
Unit 4 costs now treated as a debtor as we will receive benefit of £183,000, as the judgement would be that we would still receive a benefit from this.

Related interests

Declaration of Interests (FRS8's) for the Senior Management Teams and Trustees are required to prior to sign off.

Financial Performance

The intent on page 14 was to reach an operational deficit or surplus each year, although the accounts show a deficit of £750,000, once operational costs have been stripped out underlining deficit is £476,00. The shift from the previous

year's surplus was noted, factors such as student numbers affecting income and staff costs have impacted on this. The External Auditor recommended that this area remained a focus of challenge and oversight.

Recommendations made during the Audit

The Committee NOTED the following recommendation made during the audit:

- Payroll authorisation – evidence of authorisation required.
- Salary Pay Letters – VC pay letter should be issued by HR
- Bad Debt Provision
- Deferred Capital Grant Income
- Fixed Asset Register – items in use should be depreciated correctly.

Key Financial Ratios

The External Auditor advised that a comparison had been undertaken of the 2018 figures against 3 other universities. The Committee NOTED that the current ratio very good– however current performance against the payroll ratio is dipping.

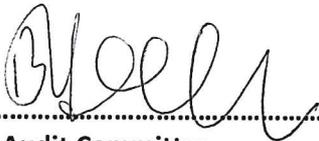
Letter of Representation

This is a letter from the University to Buzzacott, the letter sets of details of the arrangement, which is mostly standard representation apart from matters related to the incorporation.

It was NOTED that in the event of a key judgement in relation to the endowment, the letter would require amendment.

The committee were CONTENT to not adjust the unadjusted items listed on page 18 of the report.

The Chair thanked the Auditor and the Finance Team for their work on the report, noting that it is an Office for Students (OfS) requirement that this management letter and provider response must be submitted to the Audit Committee prior to submission to the OfS.

Signed  Date 4/5/2020

Signed  Date 26/2/20

