

**SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 8 June 2023 at 09:30
at Sparsholt College**

¹PRESENT G Davies (E) (Chair); SJ Radford (C); C Wilson (E).

In attendance: S Blakemore, Buzzacott (minutes 86 to 136 & 180 to 201)
D Carrig, Health & Safety Officer (mins 151 to 160)
M Cheetham, RSM (except minutes 175-177)
S Grant, Deputy Principal (from minute 93)
S Hermiston, Director of Information & Funding and Data Protection Officer
(mins 121 to 147)
N Heslop, Director of Finance (from minute 93)
P Jordan, External Governor
J Milburn, Principal (from minute 93)
A Robertson, Governance Co-ordinator
B Stokes, Vice Principal Curriculum Andover (minutes 121 to 163)
S Willson, Head of Corporate Governance

APOLOGIES & ATTENDANCE

86. Apologies were received from A Fagg and C McCormack. The Chair explained that A Fagg had forwarded a number of comments and questions on the reports received by the committee which the Chair would raise under the relevant agenda items.

87. The Chair welcomed P Jordan who was attending the meeting as a guest.

DECLARATION OF INTERESTS

88. There were no interests to declare.

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

89. The Chair invited M Cheetham for RSM and S Blakemore for Buzzacott to provide feedback on the auditors' experience of working with college management since the last meeting.

90. M Cheetham reported that the 2022/23 internal audit programme had been completed, with no significant audit issues having arisen. There followed a discussion about the process for finalising internal audit reports and responding to challenge from management where there was a difference of opinion about areas of the findings or proposed management actions.

91. The committee noted that it was important that the auditors and management maintained an effective and mutually respectful working relationship and that the auditors continued to provide independent advice to the committee, informed by support from management

¹ (E) = External; (C) = Co-opted Committee Member

* attended remotely via online videoconference

in providing information and evidence. The Committee Chair undertook to seek feedback from management under the later agenda item.

92. S Blakemore advised that it was early in the audit cycle for 2022-23 to provide feedback but that interactions with management remained positive and constructive.

MINUTES

93. **Resolved** - that the minutes of the meeting held on 17 March 2023 be confirmed as a correct record.
94. Risk management (minute 33, 37, 44/23): The Principal and Deputy Principal provided updates in relation to the conclusion of the 2022-23 pay award consultation, the timing of the planned IT disaster recovery training exercise, and the new Local Skills Improvement Fund (LSIF).
95. Insurance (minute 51/23): The Director of Finance confirmed that current NFU insurance policy in relation to the farm had been reviewed and the NFU had confirmed that the level of insurance in place was as high as available for the matters covered.
96. Counter fraud (minute 56/23): Fraud risk reviews would be incorporated in counter fraud CPD being planned for staff.
97. Accountability Statement (minute 64/23): The new Accountability Statement had been approved by the Board and submitted to the DfE by the deadline.
98. The committee noted that the resolutions of the committee had been implemented and that there were no matters arising not covered elsewhere on the agenda.

EXTERNAL AUDIT STRATEGY

99. The committee had received the External Audit Strategy for the year ending 31 July 2023 from Buzzacott which covered the financial statements audit, regularity assurance and return to Teachers' Pension Scheme (TPS) audit and set out an indicative timetable. The report also included a summary of the changes and considerations coming from the ESFA Post-16 Audit Code of Practice (ACOP) 2022-23.
100. S Blakemore summarised key developments to audit requirements, including in relation to the ONS reclassification of colleges and compliance with HM Treasury's 'Managing Public Money' (MPM). S Blakemore also explained the additional activity in relation to IT systems and data required in line with the revised ISA 315 auditing standard.
101. In discussion, it was noted that Government was considering requiring colleges to change their financial year to align with central government at a future point, although both the college sector and external and internal audit sector continued to raise significant concerns about the workability of this. The new draft Financial Handbook for colleges was anticipated in the autumn and likely to be very prescriptive if it followed the academies model.
102. S Blakemore welcomed the inclusion in the proposed internal audit plan for 2023-24 of an IT/cybersecurity audit given the awareness of the cost and reputational damage to other colleges from cyber-attacks.
103. S Blakemore also highlighted investigations in the sector by the ESFA in relation to 'shadow fraud', cautioning that robust due diligence needed to be in place of related parties when awarding contracts. The Principal noted the investment in procurement management with the extension of the Procurement Officer post to full-time.

104. The committee noted the inclusion of the audit of the TPS return for 2022-23 and the reasons for this.
105. The Director of Finance confirmed that the Finance team had agreed the audit timetable and noted that it included a mix of remote work and face-to-face work, which was welcomed.
106. The Director of Finance noted the increase in audit fees from the previous year and requested that the auditors consider whether the increase could be adjusted given that college funding had not seen an inflationary increase. S Blakemore provided some context about the auditors' fees and undertook to reflect and respond to the Director of Finance.
107. **Resolved** – that the External Audit Strategy for the year ending 31 July 2023 be recommended for approval to the Board of Governors.

AUDIT CODE OF PRACTICE

108. The committee had received the Annex C of the ACOP on regularity concerns for review. This supplemented the reporting of changes to the ACOP for 2022-23 in RSM's report on Emerging Issues and Buzzacott's External Audit Strategy and responded to a previous request from the committee to review any updates to the ESFA's regularity concerns summary annually.
109. The Head of Corporate Governance advised that a new indicator of potential regularity concerns in relation to effective management had been added to refer to 'failure to reflect the changes arising from reclassification of the statutory further education sector' in the college's systems and procedures. Assurance would be provided through new confirmation and evidence required in the updated regularity audit questionnaire.
110. The committee received and noted the update.

PROCUREMENT AND VALUE FOR MONEY

111. The committee had received the annual report of the Director of Finance on procurement so that the committee could advise the Board on the effectiveness of the College's arrangements for securing value for money.
112. The Director of Finance summarised key developments in the College Group's procurement practices and activities, including in relation to compliance with procurement legislation and best practice. New innovations to deliver value for money included more use of purchasing consortium frameworks and working with a new energy advisor to move to a flexible procurement model for electricity. It was intended to align gas purchasing to a similar model. It was noted, however, that achieving cost reduction and added value across the College Group's procurement and contract management was particularly challenging in the current inflationary climate.
113. The Director of Finance reported the management of the main outsourced contracts, noting that positive working relationships were in place with the cleaning and catering suppliers.
114. The committee sought further information about the procurement approach to assessing the balance between the quality of services with cost and the Director of Finance explained the tender methodologies in place to ensure that services were fit for purpose while also providing value for money. The Procurement Officer worked closely with the cost centre managers and there was an onus on developing effective partnerships with suppliers and advisors.

115. Asked by S Blakemore how conflicts of interest were avoided, the Director of Finance explained that the financial controls in place reflected the size of the contracts and included levels of review and sign off. The College Group Register of Interests also alerted Finance and Procurement to potential conflicts with individuals' outside interests.
116. S Blakemore suggested that this process could be enhanced by sharing a list of large contracts with governors and managers and asked them to confirm that they had no relationship with the suppliers. The Head of Corporate Governance undertook to work with the Director of Finance to include this in the annual declarations of interest process.
117. The committee welcomed the clarity of the report and was content to advise the Board of the continued commitment of management to securing value for money, minimising cost inflation and managing service levels.

FINANCIAL ASSURANCE

118. The committee had received the letter from the ESFA to the Principal of 29 March 2023, confirming the College's financial health grade for 2021-22 as Outstanding following a review of the College's audited financial statements.
119. The committee noted the assurance provided the ESFA financial health grade in relation to the financial sustainability of the College Group and that the Governors Dashboard would be received by the Resources Committee and Board.

COUNTER FRAUD

120. At the invitation of the Committee Chair, members of the SLT present confirmed that they were not aware of any matters of potential/actual fraud or irregularity, other than one matter concerning an internal investigation into a potential irregularity which had been reported to the Committee Chair and Chair of Governors. A confidential report was provided by the Director of Finance.

INTERNAL AUDIT

Readiness for T Levels

121. The committee had received the report of RSM (3.22/23) on a review of the controls in place to prepare for delivery of T levels.
122. The report provided 'substantial assurance' about the college's approach, noting that the college's curriculum as well as the wider experience within the sector had been considered when deciding whether or not to proceed with T Levels, that governors had been kept up to date with decisions and that an implementation plan had been used to monitor progress. There were no management actions arising.
123. M Cheetham confirmed that the uncertainties and risks around T Levels were linked to factors external to the college, such as government policy and delays to launching new T Levels.
124. Asked if it was usual for only one member of staff to be interviewed, it was explained that in this case the audit scope was very specific, and the college had been able to provide comprehensive information. The auditors had spoken to the Vice Principal Curriculum (Andover) during a visit to the new T Level facilities at Andover College.
125. The committee commended the outcome and was pleased to report the substantial assurance to the Board.

Key Financial Controls

126. The committee had received the report of RSM (4. 22/23) on an audit of the process and controls in relation to the College Group monthly management accounts which provided 'substantial assurance' and one low priority management action.
127. In relation to the action to outline the responsibilities for the management accounts within the Financial Regulations, the Director of Finance confirmed that this has been completed.
128. The Director of Finance responded to questions raised by the Chair on behalf of A Fagg, noting that the occasional delays completing credit card reconciliations and postings by the end of the month were a result of either issues with timing or staffing availability and explained the processes in relation to control accounts.
129. The Director of Finance acknowledged the results of the benchmarking against the ESFA's good practice guidance on management accounts which had been provide as an appendix to the audit report but concurred with A Fagg's feedback to avoid duplication of information in other reports, such as the Healthcheck report.
130. The committee discussed the role of the management accounts in supporting the Board and SLT with the effective leadership and operation of the College Group, agreeing that the information reported needed to be meaningful and useful. It was also noted that developments to the management accounts might be required once the new ESFA Financial Handbook was in place.
131. The committee welcomed the assurance provided by the audit and noted the implementation of the management action.

Learner Number Systems

132. The committee had received the report of RSM (6. 22/23) on Learner Number Systems which reviewed whether aspects of ILR data was adequately controlled to give assurance that no potential funding problems would arise. This was an advisory audit and had identified five low priority actions for management.
133. M Cheetham confirmed that the audit outcome was positive and that no funding risks had been identified.
134. The Deputy Principal and Director of Information & Funding welcomed the overall outcome and provided additional context in relation to the management action to undertake regular reconciliations between learner attendance and their start dates recorded on the ILR. They confirmed that the systems currently in place ensured that there would not be errors in funding claims and that, where there were timing differences, this would be in relation to sequencing only of small amounts and not to overall funding.
135. M Cheetham reaffirmed that the audit finding remained and explained that the approach taken by RSM was consistent with how the ESFA would audit compliance.
136. The committee agreed that it should have been advised of the point in the audit report, while recognising that there was no material risk impact.
137. The Deputy Principal also expanded on the management response to the finding in relation to the documentation of the off-the-job delivery for apprentices on programme, offering assurance that this was an area of good internal practice and that the college had already identified the issue and been proactively following up with employers.
138. M Cheetham noted the challenges across the sector in relation to apprenticeship requirements and complexities.

139. Overall, the committee was content with the approach taken by the auditors and assured by the findings of the audit and the confirmation of management to undertake the actions. The Chair commended the work of the Apprenticeship Manager.

Follow Up

140. The committee had received the report of RSM's audit on the follow up of audit activity during 2021-22 (5. 22/23) which confirmed good progress in implementing agreed management actions.
141. The committee emphasised the importance of following up actions arising from audits and welcomed the confirmation that all actions had been implemented.

Data Protection

142. The committee had received the report of the Data Protection Officer which followed up management actions in the internal audit report on GDPR (2. 22/23) which had been reviewed at the previous meeting, together with proposed amendments to the Data Protection Policy.
143. The policy had been updated to include reference to the Information Retention Schedule which was overseen by the SLT and version control had been added to the Data Breach Guidance and this had been appended to the policy.
144. Responding to a suggestion from A Fagg that third party data processing be referenced in the Data Protection Policy, the Data Protection Officer undertook to add this prior to the policy being received by the Board of Governors for approval.
145. The Chair asked that the nomenclature in relation to description of the college be checked prior to republication.
146. **Resolved** – that the updated Data Protection Policy with the addition of a reference to third party data processing be recommended to the Board of Governors for approval.
147. The committee also noted the confirmation that the Asset Register had been updated with a date stamp and all owners had been finalised and retention periods set.

Emerging Issues

148. The committee had received for information RSM's report on Emerging Issues in the FE sector (Spring 2023) which include a summary of the impact of public sector reclassification, changes to the ACOP and College Accounts Direction, and other policy, funding and governance matters.
149. The Principal noted that the issues covered by the report had been considered during the review of the college's risk register.
150. Responding to a reference in the report to subcontracting requirements in the ACOP, it was confirmed that this was not relevant to the college.

RISK MANAGEMENT

Risk Register

151. The committee had received the report of the Principal on risk management, together with the strategic risk register assurance report and heat map.
152. The Principal summarised the developments, noting that of the 15 risks, there were three risks which were still graded as 'very high' after controls had been applied (4, 9, 10) and

four risks where the residual risk rating had decreased (1, 3, 5 and 12) since the previous meeting, explaining the key reasons for the assessment.

153. The Principal and Vice Principal Curriculum explained the context to assessment of risk 4 (English and Maths outcomes), noting the support in place for attendance at exams and providing an update on staff recruitment. The Principal also explained the challenges in relation to HE recruitment (risk 9) and gave examples of recruitment activities (risk 10).
154. The Principal went on to report the SLT's reasoning in assessing the risks where the residual risk rating had decreased.
155. The committee reviewed the updates to the actions on the risk register assurance report and sought additional information about the college's controls in relation to the risk of hacking or a cybersecurity breach (risk 11) in the context of experiences in other education institutions and the increase by organisations in other sectors of their cybersecurity risk levels. The Deputy Principal summarised the IT resilience infrastructure in place and the measures related to the Cyber Essentials accreditation. A report was proposed to follow to the next meeting on cyber security measures and an internal audit was proposed for 2023-24.
156. The committee noted the improvement in the risk heat map over the previous 18 months and asked whether there were areas of risk which the SLT considered could escalate rapidly. In response, it was noted that the nature and complexity of the college's operations raised the potential of a risk in areas such as risk 7 (breach of legislative, regulatory or contractual obligations). There were also known risks in relation to future budgets and financial planning because of actions which were outside of the college's control, such as the funding gap with changes to T Levels and Industry Work Placements.
157. The Chair proposed that the wording of risks 12 and 14 be revisited during the review of the risk register for 2023-24 to articulate what was at risk which required mitigating and the Principal undertook to follow this up.

Risk Deep Dive – Health & Safety

158. The committee received a presentation from the Health & Safety Officer on two health & safety case studies linked to risk of breach of legislative obligations (risk 7).
159. The Health & Safety Officer summarised the Health & Safety Executive's (HSE's) guidance for managing health and safety and how this related to the College Group's Health & Safety Policy, going on to illustrate how the policy was implemented through the examples of the two case studies. The first related to inspection and maintenance of gym equipment, the issues which were identified and the enforcement and then follow up actions. The second related to the investigation into a RIDDOR reportable accident during a tractor hitching practical and the actions taken. It was noted that the student had made a full recovery.
160. The committee noted the comprehensive explanation of how health and safety policies and processes were applied in these examples and recognised the commitment to mitigating health and safety risks and learning from incidences when they did occur.

Risk Deep Dive – Staff Wellbeing

161. The committee received a presentation from the Vice Principal Curriculum (Wellbeing SLT Lead) on activities linked to the Staff Wellbeing internal audit report reviewed at the previous meeting of the committee.

162. The Vice Principal summed up the key learning points from the audit and how they were being integrated into the wellbeing action plan. For example, to seek to assess the impact of staff wellbeing activities and inform future planning, a feedback survey would be run after the staff CPD and wellness day on 3 July. Other actions included signposting to the staff wellbeing intranet site and raising staff awareness of the actions which were being undertaken to support wellbeing, such as in relation to staff workload. Training to support line managers in their role in implementing a positive culture towards health and wellbeing was being planned and wellbeing impacts would be considered when reviewing policies.
163. The committee welcomed the positive and proactive development of the College Group's strategy and actions in relation to staff wellbeing.

Risk Management Policy

164. The committee had received the report of the Principal on the annual review of the Risk Management Policy and risk register, ahead of the updated documents being presented to the Board of Governors in October.
165. The Principal confirmed that the SLT believed the changes made to risk management processes in 2021-22 had continued to be effective this academic year and proposed to continue with the more recent introduction of Key Risk Indicators and the separate reporting of completed actions in the termly risk register assurance report.
166. Having reviewed the policy and risk register, it was proposed that risks associated with the ONS reclassification of colleges should be embedded across the risk register in 2023-24 as opposed to introducing a new stand-alone risk. Members were supportive of this approach. It was also noted that there were still uncertainties about further impacts as a result of reclassification and these would be reviewed as they materialised.
167. The Principal summarised the review of risks associated with the emerging issues highlighted in RSM's report for colleges and how these would be monitored through existing risks on the register.
168. The Chair proposed that section 6.7 of the Risk Management Policy be updated to define the 'pink' colour coding of risks on the heat map.
169. **Resolved** – that the Board of Governors be recommended to approve the Risk Management Policy (with section 6.7 updated) and the approach to the risk register for 2023-24, subject to review of the Strategic Plan at the July Board meeting and finalisation of the risk register for the October Board meeting.

INTERNAL AUDIT PLAN

170. The committee had received the Internal Audit Plan 2023-2024.
171. The Chair reported that he had joined a planning meeting with RSM and members of the SLT to inform the development of the plan and that there had been agreement between the areas suggested by RSM and the areas suggested by the SLT.
172. Members confirmed that they had reviewed the plan and were satisfied that the proposed audits covered key areas of control and risk to the College Group and support the committee in advising the Board. The programme would also inform the audit partner's annual opinion.
173. In line with the earlier discussion relating to the external audit, the Director of Finance raised the same request in relation to the internal auditors' fees and M Cheetham undertook to consider and respond to the Director of Finance.

174. **Resolved** – that the Board of Governors be recommended to approve the Internal Audit Plan for 2023-24.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

175. The Committee Chair sought feedback from members of College management on the auditors' activities.
176. The resulting discussion referred to the earlier discussions of the internal audits, noting that the SLT understood RSM's position and that the level of challenge from management reflected the SLT's desire to ensure the drafting of the audit reports portrayed the College Group's activities accurately. It was also noted that sometimes the managers interfacing with the auditors could find the process difficult when it involved their work being assessed and reported and discussed how managers could be supported in understanding the process and the outcomes. The Director of Finance undertook to reflect on this and discuss with RSM.
177. The Director of Finance reported that there were no points to raise in relation to the relationship with Buzzacott but noted that there was a requirement to retender external auditors every five years. Feedback from the sector suggested that there were very few auditors engaging with colleges and consideration would be given to a review process which recognised the realities of the market and the quality of service provided by Buzzacott.
178. Confidential matters are minuted separately.
179. The meeting closed at 12.30.

Approved: Audit Committee meeting 14 November 2023