

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 14 November 2023 at 09:30
at Sparsholt College

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

In attendance: S Blakemore, Buzzacott (to minute 265))
E Gipson, RSM (to minute 265)
S Grant, Deputy Principal (from minute 207)
N Heslop, Director of Finance (from minute 207)
R Lynn, IT Manager (minutes 253 to 258)
J Milburn, Principal (from minute 207)
S Willson, Head of Corporate Governance

APOLOGIES & CHAIRING

202. The committee noted that C Wilson had been asked to chair the meeting on behalf of G Davies.
203. Apologies were received from A Fagg. C Wilson 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.

DECLARATION OF INTERESTS

204. There were no interests to declare.

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

205. The Chair invited E Gipson for RSM and S Blakemore for Buzzacott to provide feedback on the auditors' experience of working with college management since the last meeting.
206. E Gipson and S Blakemore confirmed that there were no matters of concern to report.

MINUTES

207. **Resolved** - that the minutes of the meeting held on 8 June 2023 be confirmed as a correct record.
208. Risk management (minute 94/23): The Deputy Principal reported that the Local Skills Improvement Fund (LSIF) submission had been successful, and the funding awarded.
209. Audit fees (minute 106/23): The Director of Finance reported the outcome of discussions with the internal and external auditors regarding audit fees.
210. Register of interests (minute 116/23): The Head of Corporate Governance confirmed that the enhanced support process for annual declarations of interest and third-party transactions had been implemented, with a list of key college suppliers provided for cross reference.

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

211. Wellbeing (minute 162/23): The Principal confirmed that actions in relation to the wellbeing action plan had been delivered.
212. 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.

INTERNAL AUDIT

Internal Audit Report and Opinion

213. The committee had received the internal audit annual report for the year ended 31 July 2023, which confirmed that the College had an adequate and effective framework for risk management, governance and internal control, while also noting that the internal audit work had identified further enhancements.
214. Responding to a member's question about the range of audit opinions available to RSM and the level of opinion awarded to the college given the small amount and generally low level of management actions recommended during the year, E Gipson explained the factors which informed RSM's opinion.
215. The Principal confirmed that the audit opinion was accepted by college management as a fair assessment.
216. The committee commended the annual audit opinion as providing satisfactory assurance to the Board.

Progress Report

217. The committee had received for information RSM's progress report on the 2023-24 internal audit plan, together with RSM's report on Emerging Issues for FE.
218. It was noted that there was good progress at this point of the year with all audits scheduled to commence between January and April and to report at either the March or June committee meetings.
219. The committee was satisfied that the Emerging Issues report confirmed and consolidated information reported to the committee and Board via other routes and no questions were raised.

EXTERNAL AUDIT REPORT

220. The committee had received the post-audit management report prepared by Buzzacott which included an appendix summarising key sector developments.
221. S Blakemore confirmed that Buzzacott expected to give an unqualified audit opinion for both the financial statements and regularity assurance and noted that this year's audit work had included additional checks in relation to public sector funding requirements.
222. S Blakemore noted the requirement to receive the ESFA funding reconciliation and the report of the public funding audit (PFA) before finalising the audit. The requirement for the PFA report had been made known to the ESFA's auditors.
223. The Deputy Principal confirmed that the PFA had not identified any material issues and that college management was doing all it could to facilitate the issue of the final report.
224. S Blakemore also summarised key points in relation to liaison with the internal auditors, audit of capital works and accounting, treatment of pension schemes, work in relation to ISA 315

about IT controls in relation to finance data, and assessment of the ESFA financial health grade and EBITDA comparators.

225. The Director of Finance explained the impact on the current ratio measure of having received large capital grants in advance and that this would reduce as the grant funding was spent. Future capital grants were not expected to be paid in advance of spend.
226. The committee noted the minor audit observation regarding inclusion of bank accounts in the general ledger and that there was no material misstating of bank balances at year end.
227. The committee discussed the advisory audit recommendation to include at least two governors as signatories on college bank mandates and the related governance and operational implications. It was acknowledged that there was no day to day need for governors to be signatories but that there could be exceptional circumstances where management signatories were unavailable and governor signatories might be necessary. The Head of Corporate Governance advised that protocols for use of governor signatories should be considered to enable the governors to act on behalf of the Board in such circumstances and it was suggested defining procedures and controls in the Financial Regulations. It was also noted in discussion that the college held several bank accounts and suggested that governor signatories be considered for the main account(s) only.
228. **Resolved** – that the advisory audit recommendation and considerations in relation to governor bank mandate signatories be highlighted to the Board of Governors and that the Director of Finance provide information on options at the next Audit Committee meeting, alongside the review of the Financial Regulations to report to the next Resources Committee meeting.
229. It was noted that Buzzacott’s full report would be considered by the Board of Governors at its meeting, alongside the minutes of the committee meeting. There had been no issues identified which required the auditor to be present at the Board meeting.
230. The committee welcomed the auditors’ findings and thanked Buzzacott and the Finance team for their efforts.

REGULARITY AUDIT

231. The committee had received the report of the Head of Corporate Governance on the Regularity Self-Assessment Questionnaire required by the ESFA’s Post-16 Audit Code of Practice 2022-23 (ACOP) and used as evidence for the regularity audit opinion contained within the auditor’s report. This year’s regularity audit had included some additional reporting requirements in relation to the reclassification of FE colleges into the public sector.
232. The Head of Corporate Governance reported that a committee member had provided some queries and comments on the wording of some of the college’s responses in the regularity audit questionnaire to add clarity and to highlight potential areas of development going forward.
233. S Blakemore confirmed that Buzzacott was content to review and confirm clarifications to wording ahead of the questionnaire being presented to the Board of Governors and being signed by the Chair of Governors and Accounting Officer.
234. **Resolved** – that the Finance Manager update the questionnaire and resubmit to Buzzacott for confirmation ahead of circulation to the Board of Governors.
235. **Resolved** – that the committee report to the Board of Governors that the completed self-assessment questionnaire had been reviewed by the auditors, that an unqualified audit opinion

for the regularity audit for 2022-23 was expected and that minor amendments to wording would be made and confirmed by the auditors ahead of signature of the questionnaire.

[Addendum: the revised regularity audit questionnaire was confirmed by Buzzacott on 22 November 2023.]

ANNUAL REPORT AND FINANCIAL STATEMENTS

236. The committee had received the draft report and accounts for the year ended 31 July 2023, together with a commentary from the Director of Finance and the draft combined letter of representation for the financial statements and regularity audits.
237. The Director of Finance explained that after any updates from the review by the Audit Committee and Resources Committee, the final accounts would be resubmitted to the auditors for confirmation prior to presentation to the Board of Governors.
238. The Director of Finance noted the bank loan covenants had been tested internally and by the auditors and that no issues had been identified for 2022-23. In addition, the ESFA had confirmed that the College had a financial health rating of 'Outstanding'. A report of information relevant to 'going concern' considerations would follow to the Board.
239. The Principal highlighted the inclusion of reference to the new Annual Accountability Statement under the curriculum developments section of the report of the governing body.
240. The Head of Corporate Governance drew the committee's attention to the 'Statement from the Audit Committee' in the Statement of Corporate Governance and Internal Control and confirmed that this had been drafted in consultation with the Committee Chair. There were no comments raised by members on the statement.
241. **Resolved** - that the Board of Governors be recommended to approve the annual report and financial statements for the year ended 31 July 2023, subject to the agreement of the Resources Committee and to finalisation of the annual report and financial statements.
242. S Blakemore highlighted some key points in the proposed letter of representation and explained the purpose of the letter.
243. Responding to a member's question as to the consistency of the working in section 14 on unadjusted misstatements with the findings of the auditor's report, S Blakemore undertook to amend the wording to refer to 'trivial' unadjusted misstatements.
244. **Resolved** – that the Board of Governors be recommended to approve the letter of representation for the year ended 31 July 2023 with the section 14 amended.

RISK MANAGEMENT

Risk Register

245. The committee had received the report of the Principal on risk management, together with the strategic risk register assurance report and heat map. It was noted that the deep dives into risk 7 and risk 12 had been rescheduled to the next meeting of the committee to enable the inclusion of a presentation on cyber security.
246. The Principal summarised the developments, noting that of the 14 risks, there were two risks which were still graded as 'very high' after controls had been applied (3, 10) two risks where the residual risk rating had increased (6, 10) and four risks where the residual risk rating had

decreased (4, 8, 9 and 11) since the previous meeting, explaining the key reasons for the assessment.

247. The committee discussed the update of risk management in relation to English and Maths GCSE outcomes, noting the continuing challenges were exacerbated by the significant increase in new learners enrolled in 2023-24 who had not yet achieved their English and/or Maths qualifications. This continued to be a high priority for the SLT who recognised the value of English and Maths GCSE to enable learners to progress and was under termly scrutiny at Quality & Standards Committee meetings.
248. In relation to the risks associated with the reclassification of colleges as public sector and the anticipated issue of a new ESFA Financial Handbook, the Principal confirmed that the CPD for members of the SLT and Head of Corporate Governance had included webinars and guidance relating to the public sector finance requirements and that changes were tracked and reviewed by the SLT half-termly.
249. The committee noted the addition of reference to reclassification specific risks in the description of several of the strategic risks and recognised that this was appropriate in the short-term to highlight the new area of risk. However, it was suggested that at such point as these developments became 'business as usual', the wording be reviewed with the aim of keeping the description succinct and relevant.
250. **Resolved** – that the descriptors of the strategic risks be kept under review in relation to the public sector reclassification and updated as appropriate.
251. Positive developments noted by the committee included the increased ESFA funding settlement and consequent revised budget for 2023-24 and the level of the staff pay award.
252. The committee welcomed the updates to the actions and controls on the risk register assurance report and the evidence that the risks were understood and actively mitigated by college management.

Cyber security

253. The committee had received ahead of the meeting the report of the IT Manager on the context for the agenda item and, tabled at the meeting, a confidential report on the approach that the IT Services department took to defending the college's IT networks against cyber-attacks.
254. The IT Manager gave a comprehensive presentation on the work of the IT Services team and the range of security measures in place, together with highlighting the further works in-train or under review, responding to questions from committee members. Discussion included the resourcing of IT services, the use of outsourced expertise, testing and training activities, and learning from experiences of cyber breaches in the education sector and elsewhere.
255. The committee welcomed the evident recognition by college management of the risks associated with cyber security and the commitment to continuing to strengthen the college's resilience and responsiveness.
256. S Blakemore welcomed the attention being given to cyber security by the committee, noting the heightened risk of cyber security breaches in the charity and education sectors.
257. It was noted that cyber-security arrangements would also be subject to an internal audit by RSM the following term to provide further assurance to the Board and the SLT about the risk control measures in place.

258. It was raised in discussion that, while oversight of the risks was a collective responsibility of the Board, it would be valuable for the membership of the Board to include a governor with IT, digital and/or cyber security expertise and confirmed that this had also been identified as a priority by the Governance & Search Committee.

Financial Risk

259. The committee had received and noted for assurance the letter from the ESFA to the Principal as Accounting Officer of 3 November 2023 confirming the College's financial health grade for 2022-23 as Outstanding, following a review of the College's Financial Forecasting Return. The predicted grade for 2023-24 was Good.
260. It was noted that the financial return and grade for 2023-24 were based on the original budget approved in July and that a revised budget had been approved in October following the increased funding settlement by the ESFA.

COUNTER FRAUD

261. 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 previously reported. A confidential update on this matter was provided by the Director of Finance.
262. The Director of Finance confirmed that mandatory fraud awareness training had been delivered to College Group staff as part of the August/September CPD programme. This had included highlighting reporting routes for members of staff to raise any concerns.

GOVERNANCE

263. The committee had received from the Head of Corporate Governance the draft annual report of the committee to the Board, together with the committee's annual business plan.
264. It was noted that the report had been drafted to comply with the requirements of the ESFA Post-16 Audit Code of Practice.
265. **Resolved** - that the annual report of the committee be amended as agreed and submitted to the Board of Governors and that the committee's annual business plan be approved.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

266. The Committee Chair sought feedback from members of the SLT members present on the auditors' activities and these were confirmed to be satisfactory.
267. The Director of Finance noted that the external audit had run smoothly and there was a good working relationship in place with Buzzacott. It was noted that the five-year external audit contract ended in October 2024 and it would be necessary to retender the audit service.
268. Confidential matters are minuted separately.
269. The meeting closed at 12.00.

Approved: Audit Committee Meeting 6 March 2024