

**SPARSHOLT COLLEGE HAMPSHIRE**  
**MINUTES OF THE MEETING OF THE**  
**AUDIT COMMITTEE**  
**held on 6 March 2024 at 09:30**  
**at Sparsholt College**

**<sup>1</sup>PRESENT** A Fagg (C); G Davies (E) (Chair); C McCormack (E); SJ Radford (C) (to minute 55);  
C Wilson (E).

In attendance: M Cheetham, RSM (to minute 63)  
N Heslop, Director of Finance (from minute 5)  
J Milburn, Principal (from minute 5)  
A Robertson, Governance Co-ordinator  
M Treagust, Vice Principal Curriculum (Sparsholt) (minutes 5 to 12)  
S Willson, Head of Corporate Governance

**APOLOGIES**

1. There were no apologies received from committee members. The Deputy Principal had sent her apologies.

**DECLARATION OF INTERESTS**

2. There were no interests to declare.

**MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS**

3. The Chair invited M Cheetham for RSM to provide feedback on the auditors' experience of working with college management since the last meeting.
4. M Cheetham confirmed that there were no matters of concern to report.

**MINUTES**

5. **Resolved** - that the minutes of the meeting held on 14 November 2023 (Parts 1 and 2) be confirmed as a correct record.
6. Public Finance Audit (minute 222/23): The Principal reported that the draft ESFA Funding Assurance Review report had been received in December and the ESFA's auditors had confirmed that the college had substantially met contract requirements on the use of funds which was a positive outcome. This had provided the college's external auditors with assurance required for them to sign off the College Group's statutory accounts and these had been submitted to the ESFA by the 31 December 2024 deadline. c£59k of funding errors had been identified in the report, but the college was contesting £44k of this in relation to the Adult Education Budget. The ESFA had been unable to indicate yet when a response would be received.
7. It was noted that the timing of ESFA funding assurance audits was variable and, therefore, although it was most likely to be some years until the next one, this could change.

---

<sup>1</sup> (E) = External Governor; (C) = Co-opted Committee Member

8. 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**

### Risk Management – Health & Safety

9. The committee had received and reviewed the internal audit report on risk management (1.23/24) which covered a deep dive into Risk 6 of the risk register (serious breach of legislative, regulatory or contractual obligations), focusing on health and safety in the curriculum element of this risk. This included induction for staff and students in relation to health & safety, completion of internal curriculum health & safety audits and monitoring and reporting via the Wellbeing Committee.
10. The internal audit found that the Board could take ‘substantial assurance’ that the controls on which the college relied to manage this area were suitably designed, consistently applied and effective. There was one ‘low priority’ management action to add the Healthcheck report (health & safety data) to the risk register controls and this had been actioned.
11. Asked by a member if students had a means of raising concerns about health & safety anonymously, the Principal explained that students were encouraged to raise any concerns via the ‘See It, Say It’ process which included a QR code reporting process.
12. The committee welcomed the assurance provided by the review that the controls set out in the risk register were accurate and in place and acknowledged the work of the teams involved.

### Payroll Controls

13. The committee had received and reviewed the internal audit report on Payroll (2.23/24) which confirmed that the Board could take ‘substantial assurance’ that the Payroll controls were suitably designed, consistently applied and effective. There were no management actions arising, although the auditors had provided some guidance about the review of procedural documents.
14. The committee welcomed the positive outcome and commended the work of the Director of HR and HR & Finance teams.
15. In relation to the checks on the process for staff leavers, a member enquired whether these also extended to other financial controls, such as credit cards. The Director of Finance explained that the college only held a small number of credit cards and use of these was controlled by the Financial Regulations.
16. The auditors had also provided benchmark data covering 10 colleges on payroll costs as a percentage of college income and on average salary per FTE which positioned the college at the lower end of both sets of data. In discussion, it was noted that the data would be impacted by a range of factors, including whether colleges were land-based and if colleges had outsourced catering and/or cleaning services, and was from the 2021/22 academic year so did not reflect the pay increases implemented in 2023 and 2024. The Director of Finance confirmed that management took into account ESFA benchmark measures when budgeting staff costs. The committee appreciated sight of the data and the additional context provided by the Principal and Director of Finance.

## Progress Report

17. The committee had received and reviewed RSM's progress report on the 2023-24 internal audit plan, together with RSM's reports on FE Benchmarking and ONS reclassification for information.
18. M Cheetham confirmed that the audit on IT – Cyber Security had been completed and the draft report would be issued shortly.
19. The Director of Finance reported that, although there was a potential timing issue with the planned Capital Projects audit because of the revised timetable for the HE centre build, management wished to proceed with the selection of this project because of the size of the budget and the strategic importance of the project. The scope of the audit would need to focus on the relevant controls for the stage of the project.
20. The committee confirmed that it was useful to receive the additional reports for information from RSM and the Principal noted that the risk management report under the following agenda item included an analysis of RSM's thematic review of internal audit high actions in relation to FE college clients in relation to the college's risk management processes.

## **RISK MANAGEMENT**

### Risk Register

21. The committee had received and reviewed the report of the Principal on risk management, together with the strategic risk register assurance report and heat map.
22. 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) and two risks where the residual risk rating had increased (5, 13) since the previous meeting, explaining the key reasons for the assessment. The Principal also responded to members' questions about these and other updates in the risk register, including in relation to the property strategy, budget planning and cybersecurity.
23. In relation to risk 5 (severe business disruption), the Principal reported details of a major water leakage which had taken place on the Sparsholt campus during the February Reading Break and the actions which had taken place to ensure the welfare of staff, students and animals and to restore the water supply to the whole campus. While actions were already underway to survey the water pipe infrastructure, this had highlighted the risk resulting from the age and design of the pipework and the need for further mitigating actions. Specialist advisors were being commissioned to advise on installation of a new pipework circuit so that water supply to key parts of the campus could be maintained even if part of the system had to be shut down due to a leak or to support longer term actions to upgrade the existing infrastructure.
24. In relation to risk 13 (stakeholder relationships), the Principal provided an update on the disbandment of the EM3 Local Enterprise Partnership (LEP) and the creation in its place by Hampshire County Council of a new Hampshire Skills Forum (working title). Alongside the anticipated devolution deal for Surrey, this created an increased level of uncertainty in relation to future funding and the current strategic partnerships linked to the Local Skills Improvement Plan area. The committee explored some of the issues in the changing relationships and noted the SLT's engagement with the stakeholders as a means of seeking to mitigate the risks.

25. The Principal explained that it was intended to add risk management controls relating to use of Artificial Intelligence (AI) to the risk register, as this was recognised as a rapidly emerging area of risk for the FE sector.
26. The committee noted the assurance provided by the SLT's assessment of the high action areas in RSM's FE Benchmarking report which confirmed the relevant controls in place at the college and a number of actions to enhance the controls.
27. The committee noted the clarity of 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.

#### Commercial Activity Deep Dive

28. The committee received a presentation on risk 7 from the Director of Finance which highlighted the measures being taken in relation to commercial activity targets, providing information about the range of commercial activity, challenges to commercial delivery and risk management actions.
29. The committee noted the substantial level of activity and the contribution which commercial income made to the College Group's overall financial position. A number of examples were discussed, including planned developments to the equine centre to manage weather conditions and the challenges posted by the increasing demand for room space caused by exam arrangements. A member sought clarity about the management oversight of commercial activity and the Principal confirmed that the Deputy Principal had the lead responsibility.

#### Property Strategy Deep Dive

30. The committee received a presentation on risk 12 from the Director of Finance which explained the current key risk mitigation activities in relation to the risk of failing to develop and deliver the 5 year property strategy.
31. The committee discussed the substantial funding which had been achieved through DfE and other grants and the related financial cost and funding implications in relation to maintenance and replacement in the long term, noting the assurance about actions taken to seek to mitigate these. It was noted that access to the public sector loan scheme had not yet been put in place for colleges following the requirement not to enter into commercial borrowing arrangements post ONS reclassification, although it was anticipated to be confirmed in the next twelve months. Examples were also given of alternative creative solutions for expanding student and staff accommodation capacity which were being progressed or considered.
32. The committee noted that there had been excellent progress up to now in delivering what had been seen as an ambitious property strategy at the time of approval in 2021 and that the risk management challenges for progressing the strategy were understood and being addressed where feasible.

#### **INSURANCE**

33. The committee had received and reviewed the report of the Director of Finance and the Procurement Officer on insurance claims against the College Group to highlight any liability risks and to provide confirmation of insurance cover.
34. The Director of Finance reported that one of the reported claims (animal management, August 2023) had now been closed.

35. The committee noted that the College continued to hold a reasonably good insurance claim record overall.
36. The report also provided confirmation of the College Group's current insurance policies and the committee was assured that adequate insurance was in place and that this complied with the requirements of the ESFA funding conditions. It was confirmed that the insurance included directors'/governors' liability cover.
37. A member highlighted a discrepancy in the NFU Livestock schedule in the way the policyholder was described, and the Director of Finance undertook to arrange for this to be amended in the new policy (from August 2024).
38. It was noted that the current contract with the main insurer, Zurich, ended in July and that a tender process had commenced, with a specialist external adviser providing guidance given the significance of the contract. It was anticipated that costs would rise, in line with the market and following an updated insurance valuation of the college estate, and the College would look for ways to achieve value for money. This might include reviewing the excess levels.

## **BANKING**

39. The committee had received and reviewed the report of the Director of Finance which proposed actions to respond to an advisory recommendation from the external auditor, Buzzacott, that authorised signatories on bank accounts included at least two governors.
40. This followed discussions at the November meeting of the committee where it had been recognised that there might be exceptional circumstances where management signatories were unavailable and governor signatories might be necessary. With this in mind, the Director of Finance had identified the Natwest Bank accounts as the main accounts covering receipts and payments and the Nationwide Bank accounts as the principal savings account on short notice as the most relevant accounts. It was proposed that the Financial Regulations be updated to add that two governors should be authorised signatories of these accounts and this was also being recommended to the Resources Committee.
41. The committee discussed the proposals, seeking additional information about other college bank accounts and about the other signatories to the accounts. Members were satisfied on this basis of the selection of the Natwest and Nationwide accounts and the addition of two governors to the authorised signatories, agreeing that these would normally be expected to the Chair and Vice Chair and that the Chair of the Audit Committee should not be a signatory in order to maintain the office holder's independence from direct financial activity.
42. The committee also discussed the potential in extremis circumstances in which a governor signatory might be required to act, the practical actions which were required of bank signatories, and the financial controls in place to ensure the integrity and accuracy of the financial transactions authorised in such circumstances. It was emphasised that the use of governor signatories should be in exceptional circumstances only and not be used for normal operational purposes. Members agreed that it would be preferable for such transactions to be authorised by one governor, along with one management signatory, and noted that governors would expect the normal college financial controls and procedures to be followed. It was noted that there was a balance to be achieved between prescribing the process in detail and enabling sufficient flexibility for governors to act reasonably and in the best interests of the college in exceptional circumstances.

43. The Director of Finance undertook to report the points raised by the committee at the Resources Committee meeting on 7 March 2024 alongside that committee's annual review of the college's banking arrangements and Financial Regulations.
44. **Resolved** – that the Board of Governors be recommended to approve that the Financial Regulations be amended to include the requirement for two external governors, normally the Chair and Vice Chair of Governors (but not the Chair of the Audit Committee), to be authorised signatories of the college's principal bank accounts (currently Natwest and Nationwide) on the basis that a governor would act alongside a management signatory only in extraordinary circumstances and with due regard to financial controls and procedures.

## **COUNTER FRAUD**

45. The committee had received and reviewed the annual report of the Director of Finance on the College Group's Counter Fraud Strategy, including the fraud risk register, the anti-fraud checklist from the ESFA Post-16 Audit Code of Practice, the gifts and hospitality register and the fraud register.
46. The Director of Finance highlighted counter fraud activities in the preceding year.
47. Responding to a member's feedback about the gifts and hospitality register, the Director of Finance and Head of Corporate Governance undertook to revise the reporting of dates for clarity.
48. M Cheetham drew the committee's attention to the Economic Crime and Corporate Transparency Act 2023 which brought in new obligations to prevent fraud and introduced company administration changes focused on preventing economic crime and increasing corporate transparency. The Director of Finance and Head of Corporate Governance were aware of the act and undertook to monitor the emerging guidance and confirm at the next meeting whether further actions were required in relation to fraud prevention as a result.
49. The committee was satisfied with the information provided and assured that there were no issues of concern raised by the report and associated information.
50. At the invitation of the Committee Chair, members of the SLT present and the Head of Corporate Governance also confirmed that they were not aware of any matters of potential/actual fraud or irregularity, other than one matter which had been previously reported. A confidential update on this matter was provided by the Director of Finance.

## **GOVERNANCE**

### Whistleblowing

51. The committee had received and reviewed the annual report on Whistleblowing and the review of the Whistleblowing (Duty to Act) Policy from the Principal and Head of Corporate Governance.
52. It was confirmed that there had been no whistleblowing disclosures in the previous 12 months.
53. The policy had been reviewed and updates were proposed to clarify wording (using text from the Eversheds model policy for FE colleges), to add a link to new guidance published by ACAS and to clarify the procedures for managers to undertake when investigating and reporting disclosures to support managers to follow best practice and to ensure compliance with legal requirements. Responding to a member's question, the Principal confirmed that the use of the term 'cost centre manager' was understood across the College Group.

54. It was noted that the Government was currently conducting a review of the effectiveness of the legal whistleblowing framework and there was no indication as yet as to when this would complete.
55. **Resolved** – that the Board of Governors be recommended to approve the updated Whistleblowing (Duty to Act) Policy subject to review by Warner Goodman and consultation with the ICE Group.

#### Committee Performance Review

56. The committee had received and reviewed the report of the Head of Corporate Governance providing supporting information for the annual review of performance of the committee.
57. This committee review followed the annual report on the work of the committee which had been presented to the Board of Governors in December and review of its annual business plan in November.
58. The supporting information for the review included a CIPHA best practice checklist, reference to the FE Code of Good governance and ESFA good practice guide, a survey of members of the committee and SLT members, and outcomes of the external board performance review which had reported to the Board of Governors in January.
59. The committee explored the survey results in relation to whether members were satisfied with the extent to which they were kept informed about material matters between meetings. It was noted that it was usual to make the Chair and Vice Chair aware immediately of major incidences/developments, with the Chair of the Audit Committee informed in some circumstances in line with policies and procedures. The full Board was normally informed subsequently by email, if very significant, or through normal reporting at the next meeting.
60. The committee discussed the programme of management deep dives into risks on the risk register and agreed there would be value in continuing these, with some flexibility as to which risks were selected and potentially introducing wider areas of risk discussion, such as horizon scanning. The Principal undertook to consider this as part of the annual review of the Risk Management Policy and report at the next meeting.
61. M Cheetham highlighted the role of the Board's other committees in risk management and the ability of those committees to conduct deep dives into areas under their remit and report through the risk register to the Audit Committee.
62. There were no changes to the terms of reference identified at this time as necessary.
63. The committee was satisfied to report to the Board that it continued to undertake its activities in line with its terms of reference and that no concerns had arisen about the effective operation of the committee in relation statutory requirements or best practice guidance.

#### **MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS**

##### Auditors Performance Review.

64. The Committee had received the report of the Director of Finance and Head of Corporate Governance on the annual review of the performance of the internal and external auditors.
65. The committee noted that the contract for external audit services would be required to be retendered during 2024-25 when Buzzacott's five year term of appointment ended. The tender would take place after completion of the 2023-24 annual report and financial statements and

the proposed tender process and selection criteria would be presented to the committee for agreement in time to facilitate this.

66. The Director of Finance confirmed that the Finance Manager and he were satisfied with the level of service and expertise provided by the external auditors (Buzacott) and that the auditors had continued to work with management constructively and with appropriate rigour. The report also confirmed compliance with the assessment criteria for external auditors set out in the ESFA good practice guidance.
67. The Director of Finance confirmed the overall feedback from college management was that the internal auditors (RSM) continued to be well informed, robust in their approach, technically competent and respectful in their challenge. As previously reported, management had adjusted its approach to ensure that the internal audit scope was clear and fit for purpose and to ensure the appropriate managers were involved in the audit feedback and reporting process.
68. The committee examined the value for money delivered by the internal service and discussed whether there were benefits to be gained from commissioning specialist auditors in certain areas of business. While recognising that this had potential advantages, the committee reconfirmed the value of a mixed programme of audit work by RSM which resulted in an annual audit opinion and recognised that RSM had valuable widespread sector knowledge.
69. The Director of Finance also confirmed that the audits were sufficiently robust for management to recognise that practices and controls had been scrutinised. Although this was often in areas already a priority for management focus, it was agreed that this provided additional assurance for both management and the Board.
70. A member noted that the key performance indicators in RSM's progress reports did not include a measure for completing an audit on time, although there were other measures of time in relation to issuing of draft and final reports.
71. The committee was content to concur that an adequate and effective level of service was provided by both the internal and external auditors.
72. **Resolved** – that the Board of Governors be recommended to note the performance review and confirm the reappointment of:
  - a) Buzacott as external auditors of the College's annual report and financial statements to 31 July 2024 within the terms of the current contract
  - b) RSM as internal auditors for 2024-25 within the terms of the current contract.
73. Confidential matters are minuted separately.
74. The meeting closed at 12.40.

***Approved: Audit Committee meeting 13 June 2024***