

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 19 November 2024 at 09:30
at the Sparsholt Campus

¹**PRESENT** G Davies (E) (Chair); R Sharpe (C); N Wall (E) (to minute 235)

In attendance: S Blakemore, Buzzacott (to minute 229)
E Gipson, RSM (via online videoconference to minute 229)
S Grant, Chief Operating Officer (COO) (from minute 172)
N Heslop, Chief Financial Officer (CFO) (from minute 172)
J Milburn, Principal (from minute 172)
A Robertson, Governance Co-ordinator (to minute 220)
B Stokes, Vice Principal Curriculum (Andover) (minutes 207 to 220)
M Treagust, Vice Principal Curriculum (Sparsholt) (minutes 207 to 220)
S Willson, Head of Corporate Governance

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

167. The Chair invited S Blakemore for Buzzacott and E Gipson for RSM and to provide feedback on the auditors' experience of working with college management since the last meeting.
168. S Blakemore confirmed that the external audit process had run smoothly, commending the preparation by the Finance team and the transparent and constructive approach taken towards communication with the auditors over accounting matters.
169. A member sought further understanding about Buzzacott's approach to defining materiality levels and was satisfied with the response provided.
170. Asked for any suggestions as to further enhancements, S Blakemore highlighted the role of the committee members in offering an independent perspective and members went on to discuss the level of detailed information presented to the committee and ways to support focus on key issues.
171. E Gipson confirmed that the necessary planning was in place for the internal audit activity to be completed during 2024/25 and that there were no issues to raise about the working relationship with management.

MEMBERSHIP & APOLOGIES

172. The Committee Chair welcomed N Wall to her first meeting as a member of the committee.
173. Apologies were received from C McCormack, and it was noted that there was a vacancy on the committee for a co-opted member.

DECLARATION OF INTERESTS

174. There were no interests to declare.

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

MINUTES

175. **Resolved** - that the minutes of the meeting held on 13 June 2024 (Parts 1 and 2) be confirmed as a correct record with the addition of the risk definitions at minutes 127.
176. Insurance (93/24): The CFO confirmed that a new insurer, Aviva, had been confirmed for the College Group's main insurance policies from 1 August 2024. As anticipated, the cost of insurance had increased, although the increase had been contained as far as possible. The annual report on insurance would follow to the next meeting.
177. Cybersecurity (118/24): In relation to RSM's Emerging Issues report on cybersecurity matters, the COO confirmed that that the college met the cyber security standards published by the ESFA and held the Cyber Essentials accreditation. The COO reported the outcome of the most recent phishing exercise and the actions which had been taken as a result, confirming that staff awareness training and testing would continue. In addition, new cyber security systems had been installed. There were no cyber attacks to report since the last meeting.
178. Procurement (140/24): It was noted that the date for the new Procurement Act 2023 regulations to take effect had been postponed until February 2025 and that college management was preparing for the new requirements.
179. Reserves (133/24): The CFO confirmed that it was intended to develop a reserves policy in the spring term, to be in place by the end of the 2024/25 financial year.
180. 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

181. The committee had received the internal audit annual report for the year ended 31 July 2024, which confirmed that the College had an adequate and effective framework for risk management, governance and internal control, and that the internal audit work had identified further enhancements.
182. E Gipson confirmed that the 'green/amber' audit opinion was a positive outcome, particularly when taking into account the approach for selecting areas for internal audit and when compared with the outcomes for other colleges.
183. The Committee Chair welcomed the approach of college management and the internal auditors to seek to identify enhancements to controls and to mitigate risks in key areas.
184. The committee commended the annual audit opinion as providing satisfactory assurance to the Board.

Progress Report

185. The committee had received for information RSM's progress report on the 2024-25 internal audit plan, together with RSM's Emerging Issues for FE and Risk Radar reports.
186. It was noted that all audits were scheduled to report at either the March or June committee meetings.
187. The Committee Chair requested that the draft scopes of the Fixed Assets and Governance audits be shared with him for any input prior to finalisation.

188. The COO proposed that the planned internal audit activity be expanded by one day to include a review of the college's FE bursary policy and processes in the context of widespread issues arising in the sector relating to the funding rules for bursaries which had led to the clawback of funds at some colleges. The proposed audit would be in addition to a training exercise which had already taken place with a RSM specialist and a management review of the bursary policy.
189. **Resolved** – that the Board of Governors be recommended that the internal audit plan (learner number systems) be extended by one day to cover FE bursaries.

EXTERNAL AUDIT REPORT

190. The committee had received the post-audit management report prepared by Buzzacott which included an appendix summarising key sector developments.
191. S Blakemore confirmed that Buzzacott expected to give an unqualified audit opinion for both the financial statements and regularity assurance with no further observations or recommendations. It was also confirmed that the two recommendations from the previous year's audit had been actioned. The report set out the outstanding work for finalisation of the audit.
192. The committee discussed a number of points emerging from the auditor's report, including the reasons for a decrease in Cash Days in Hand, the potential approaches to developing a formal reserves policy, the government's announcements regarding a Local Government Pension Scheme (LGPS) guarantee for FE colleges and intention to merge LGPS assets for UK investment, and the steps taken by the college to date to manage the risks and opportunities presented by the growth in generative AI.
193. The committee welcomed the auditor's findings and thanked Buzzacott and the Finance team for their efforts.

REGULARITY AUDIT

194. 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 2023-24 (ACOP) and used as evidence for the regularity audit opinion contained within the auditor's report.
195. The Head of Corporate Governance confirmed that feedback from a committee member at the November 2023 review of the previous regularity audit had been taken into account when completing the 2023-24 questionnaire.
196. **Resolved** – that the committee report to the Board of Governors that the completed self-assessment questionnaire had been reviewed by the auditors and that an unqualified audit opinion for the regularity audit for 2023-24 was expected.
197. The questionnaire would be signed by the Chair of Governors and Principal.

ANNUAL REPORT AND FINANCIAL STATEMENTS

198. The committee had received the draft report and accounts for the year ended 31 July 2024, together with a commentary from the Chief Financial Officer and the draft combined letter of representation for the financial statements and regularity audits.
199. The CFO noted that the structure of the annual report and financial statements complied with the requirements of the ESFA College Accounts Direction. There were no matters identified

which were a risk to the college remaining a going concern and a report to confirm the financial position would be presented to the Board prior to approval of the annual report and financial statements.

200. The Principal highlighted the inclusion of reference to the new strategic plan and updated risk register in the report of the governing body.
201. Responding to a member's questions about the process for drafting the Statement of Corporate Governance and Internal Control, the Head of Corporate Governance confirmed that the structure and content was based on a standard FE college model produced by the AoC which complied with the ESFA requirements. The committee recognised that meeting attendance data was not always a good measure of effectiveness and noted that the statement also included a summary of the Board's external performance review.
202. It was noted that the information contained in the statement was based on the work of the committee during the year, as well as the wider operations of the Board. The statement from the committee had been drafted by the Head of Corporate Governance, in consultation with the Committee Chair, and aligned with the committee's annual report to the Board.
203. It was confirmed that if issues of governance and internal control had arisen, these would be required to be covered in the report.
204. **Resolved** - that the Board of Governors be recommended to approve the annual report and financial statements for the year ended 31 July 2024, subject to the agreement of the Resources Committee.
205. The CFO highlighted some key points in the proposed letter of representation and confirmed the text had been agreed with Buzzacott.
206. **Resolved** – that the Board of Governors be recommended to approve the letter of representation for the year ended 31 July 2024 for signature by the Chair of Governors.

RISK MANAGEMENT

Risk Register

207. The committee had received and reviewed the report of the Principal on risk management, together with the strategic risk register (2024-25) assurance report and heat map.
208. The Principal summarised the developments, noting that of the 16 risks, there were five risks which were still graded as 'very high' after controls had been applied (2: achieving quality marks, 3: English & Maths strategic outcomes, 10: cybersecurity, 12: funding mechanism for future property works, 15: change of government impacts), four risks where the residual risk rating had increased (2: achieving quality marks, 4: financial plan outputs, 8: student recruitment, 12: funding mechanism for future property works), and two risks where the risk ratings had decreased (7: commercial activity, 10: cybersecurity) since the previous meeting, explaining the key reasons for the assessment.
209. In relation to risk 2 (quality marks), the Principal explained the increase of the risk level related to the FdSc Veterinary Nursing Science. It was noted that a detailed report on this matter would be presented to the Quality & Standards Committee for scrutiny.
210. Responding to a member's challenge as to whether there was a gap in the college's controls in relation to this occurrence, the Principal undertook to review the risk register controls and update at the next meeting.

211. The Principal also reported arrangements in place to handle manager and staffing absences in the Student Experience department, which included management of residential provision, noting that an Ofsted residential inspection was expected during the year (three yearly cycle). The Principal assured the committee that maintaining the quality and safety of the residential student experience was a priority and undertook to provide an update at the next meeting.
212. The committee also discussed risk 12 (property strategy), noting that, while the college had made excellent progress in delivering an ambitious programme of capital projects, there was no grant funding or public sector borrowing mechanism in place to fund emerging property strategy priorities, including expansion of residential accommodation and maintaining infrastructure in an aging estate with associated financial and business disruption risks. The Principal confirmed that she had commissioned the college's property consultants to support development of a new property strategy so that the college was in a good position to respond to funding opportunities as these became available.
213. Asked by a member about risk 13 (opportunities and threats of AI), it was noted that a deep dive was scheduled for the committee at its June meeting.

Risk Deep Dive - UK Government Budget

214. The committee received a presentation from the CFO covering the financial impacts of the UK Autumn budget (risks 4, 9 and 15), including National Living Wage, employers National Insurance (NI), revenue and capital funding for colleges, Local Government Pension Scheme policy changes.
215. The committee sought assurance as to the criticality of the outcome on DfE support for the additional employers NI costs in order to maintain a balanced budget and the CFO explained the pressure that would be put on implementing the budgeted pay award and other factors which would need to be considered, including the pay gap with schools and multi-academy trust sixth forms, wider inflationary cost pressures on the supply chain, and the impact on future financial years.
216. In relation to the uncertainty about how DfE would award the skills capital allocation, the Principal reported that Landex had made representation to DfE about the specific requirement for land-based colleges to maintain and invest in residential accommodation.

Risk Deep Dive - Qualification Reforms

217. The committee received a presentation on curriculum development (risk 1) from the Vice Principals Curriculum (Andover & Sparsholt) which explained national policy context for changes to qualifications under the previous government and the actions of the current government to date, highlighting the continued uncertainty about the future of Level 3 qualifications, proposed changes to Apprenticeship funding, and the impact on 19+ (adult) provision.
218. The Vice Principals explained the risk implications for planning and delivery of the curriculum, and recruitment of students, and the mitigating actions taken by the college. This included making representation to the DfE and Exam Boards, development of new HE qualifications and offer of alternative apprenticeships routes for 19+ learners.
219. Questioned as to whether the risk profile was different for the college than the rest of the sector, the Principal explained the variations in the roll out of T Levels and the curriculum mix. The Principal also reported that applications figures for the Sparsholt campus were currently

slightly down for 2025/26 and this could potentially be linked to uncertainty and negative press reporting about T Levels, in addition to the reduced Full Time offer for 19+ learners.

220. The committee was assured from the presentation and discussion that the risks presented to the education offer and outcomes for learners were understood by management and the mitigating controls continued to be put in place, and noted that the Curriculum, Skills & Stakeholders Committee reviewed termly updates on the situation.

Office for Students

221. The COO reported for assurance that the Office for Students (OfS) had selected the HE Science Centre capital grant for an audit by the OfS Funding Team. The OfS had reviewed the evidence of expenditure and confirmed on 14 November 2024 that that all funding had been accounted for and there were no queries arising.
222. The COO also reported for information that the awarding of the HE Science Centre grant was covered by a Freedom of Information request to the OfS regarding the selection process for capital grants, along with information from other successful bidders. The college had indicated that some of the information provided in the college's application was commercially sensitive and should be withheld.

ESFA Financial Health Assurance

223. The committee had received and noted for assurance the letter from the ESFA to the Principal of 3 November 2024, confirming the College's financial health grade for 2023-24 as Outstanding (the latest outturn forecast year) and for 2024-25 as Good (the current budget year).
224. The committee noted that the Board had previously confirmed that a change of rating from Outstanding to Good was not in itself a concern and continued to monitor key performance indicators.

COUNTER FRAUD

225. 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. In relation to the investigation during the previous year, the CFO confirmed compliance to date with the repayment plan.

GOVERNANCE

226. 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.
227. It was noted that the report had been drafted to comply with the requirements of the ESFA Post-16 Audit Code of Practice.
228. The annual business plan reflected discussion at the previous meeting about the approach to risk deep dives, including scheduling sessions on cybersecurity and AI. Additional deep dives could be scheduled during the year.
229. **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

230. The Committee Chair sought feedback from members of the SLT on the auditors' activities.

231. The committee was assured of the effective working relationships of the college's management with the internal and external auditors.

EXTERNAL AUDIT TENDER

232. The committee had received the report of the CFO setting out the proposed retender process for the external audit service, in line with the requirement of the ESFA Post-16 Audit Code of Practice that the Board ensure that the external audit contract is put out to tender at least every 5 years (not necessarily requiring a different audit firm to be appointed).
233. The committee noted its duty under the ACOP to advise the Board on the appointment/reappointment and remuneration of the external auditor and to establish that the audit firm adhered to relevant professional standards. The ACOP also defined the activities which the external auditor was required to undertake.
234. The CFO confirmed that the tender value was likely to exceed the public procurement services threshold and therefore the college was required to comply with the Public Contracts Regulations (PCR) 2015.
235. The committee considered the proposed tender process, seeking additional clarity about the requirements under the procurement regulations for undertaking the selection process and the options for the involvement of the committee in finalising the recommendation to the Board. The Board would be asked to agree the appointment of the auditors at its April meeting.
236. As a member of the committee needed to leave the meeting at this point, the committee was confirmed to be inquorate. The Committee Chair agreed that the remaining members continue to discuss the proposals with the SLT members and to subsequently seek agreement by written resolution to advise the Board on the tender process.
237. The committee members were satisfied with the proposal to tender the contract via the Crescent Purchasing Consortium (CPC) External Audit South East Lot on the basis that the framework was recommended by the DfE and covered all regulatory requirements, the evaluation of suppliers included financial risk assessment, evidence of technical and professional ability and confirmation of adherence to specified insurance levels, and there was a sufficient range and number of firms.
238. It was noted that the current framework was due to expire in early December and the CFO undertook to seek confirmation that there would be an equivalent list of firms on the new framework and to finalise the tender timetable accordingly.
239. The committee members discussed the proposed selection criteria and weighting with the SLT members, noting that the CPC framework set the criteria and maximum weightings, and the college was responsible for defining the evaluation of each of the criteria. There was a consensus that, while price of the contract was relevant, the quality of the audit service in meeting the college's requirements and the added value of specialist services and advice were essential to achieve value for money from the auditor's work and support effective governance. The committee members therefore agreed with the proposed price weighting of 30%, Customer Requirements 60% and Added Value 10%.
240. The committee members and SLT members discussed aspects of the experience of audit firms and ways of working which were considered important to ensuring the service met the college's needs. The CFO undertook to oversee the development of the evaluation process and tender documents to incorporate these considerations.

241. The committee members were concerned that the procurement regulations did not allow for involvement of the committee (such as a presentation by shortlisted firms) prior to the finalisation of the evaluation and subsequent recommendation to the Board. The Board would be required to appoint the audit firm which had scored most highly from the evaluation of the criteria by the evaluation panel. However, it was noted that the evaluation panel could include a member of the committee with appropriate skills, if a member were available. It was recognised that the total time commitment would be dependent on the number of bids received. It was therefore proposed that the panel consist of the CFO, the Head of Finance & Procurement and a member of the committee (if available) and/or another senior post holder.
242. The meeting closed at 13.15.

Addendum

The committee agreed by written resolution on 4 December 2024 that the external audit service be retendered with the aim of confirming an appointment in April 2025 and using:

- *the Crescent Purchasing Consortium framework*
- *selection criteria of price (30%), customer requirements (60%), added value (10%)*
- *a selection panel of the Chief Financial Officer, Head of Finance & Procurement, and an Audit Committee member (if available) and/or second senior post holder.)*

Approved: Audit Committee Meeting 13 March 2025