

**SPARSHOLT COLLEGE HAMPSHIRE**  
**MINUTES OF THE MEETING OF THE**  
**AUDIT COMMITTEE**  
**held on 13 March 2025 at 09:30**  
**at the Sparsholt Campus**

**<sup>1</sup>PRESENT**        G Davies (E) (Chair); C McCormack (E); R Sharpe (C); N Wall (E)

In attendance: E Gipson, RSM (to minute 229)  
S Grant, Chief Operating Officer (COO) (from minute 5)  
N Heslop, Chief Financial Officer (CFO) (from minute 5)  
R Lynn, Head of IT Services (minutes 32 to 35)  
J Milburn, Principal (from minute 5)  
S Willson, Head of Corporate Governance (HCG)

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

1. The Chair invited E Gipson for RSM and to provide feedback on the auditors' experience of working with college management since the last meeting.
2. E Gipson confirmed that the working relationship between RSM and management continued to be constructive and effective.
3. In discussion, members sought further information about how the auditors responded to any challenges from management during the finalisation of audit reports and were assured both that the auditors had processes in place to ensure the independence of the audit opinions to the committee and that SLT leads engaged respectfully and constructively with the process. The committee was further assured that, in circumstances when the auditors and management held different opinions, these were reflected openly in the reports and at the committee meetings. In extremis, it was noted that the auditors had the contact details of the committee chair in order to make direct contact.
4. E Gipson also provided additional context in response to members' questions about the internal audit report on Office for Students HE data and the timetable for the internal audit programme.

**ATTENDANCE**

5. The Committee Chair welcomed attendees.
6. There was a vacancy on the committee for a co-opted member.

**DECLARATION OF INTERESTS**

7. There were no interests to declare.

**MINUTES**

8. **Resolved** - that the minutes of the meeting held on 19 November 2024 be confirmed as a correct record.

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

9. The committee also noted the written resolution of 4 December 2024 in relation to the tender process for the external auditors (recorded as an addendum to the minutes of 19 November 2024).
10. Procurement (178/24): The CFO confirmed that college processes had been reviewed and updated to comply with the new Procurement Act 2023 regulations which took effect from February 2025.
11. Financial reserves policy (179/24): The CFO reported that a financial reserves policy had been developed for review by the Resources Committee and would be presented to the Board for approval in April, in line with expectations set out in the ESFA College Financial Handbook.
12. FE bursaries funding compliance (189/24): The COO reported that the scope of the Learner Numbers funding audit had been updated to include FE bursaries and would focus on the 2024/25 data given that the college had been selected for an ESFA assurance audit of the application of the residential bursary fund in 2023/24 (reported later on the agenda).
13. The COO also reported that RSM had been asked to raise with the DFE the guidance on funding of free school meals where the eligibility requirements linked to timetabled teaching hours did not take into account timetabling and transport factors of a rurally located land-based college. Measures had been in place in the meantime to support students and the COO assured the committee that there was no current funding clawback risk.
14. Freedom of Information (222/24): The COO reported that the college had co-operated with the OfS for the OfS to respond to an FOI request about the awarding of capital grants to colleges, confirming that the college's information had been provided with some redactions relating to commercial interests on legal advice.
15. 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

16. The committee had received the internal audit report (1.24/25) on compliance with Office for Students (OfS) requirements regarding the submission of the annual Individualised Learner Record (ILR) data return.
17. E Gipson noted that the scope of the audit was consistent with that approved by the OfS for other providers and incorporated all student data for courses at Level 4 and above, including non-student loan funded students. The audit had confirmed well designed controls in a number of areas and had not identified any errors which impact the funding claimed by the college. The audit had identified three 'low priority' actions to improve controls in relation to introducing written procedural documents and to the holding and verification of student source documentation and related ILR data.
18. The COO assured the committee of management's commitment to robust ILR data and compliance processes and confirmed that the recommended management actions had been accepted. The COO also explained the discussions which had taken place with RSM to clarify position of the OfS in relation to non-funded learners.

19. Members raised a number of questions for clarification about the requirements and about the level of staffing and training of staff engaged with validation and verification of HE data and were satisfied by the information provided by the COO and E Gipson.
20. The committee was content to report to the Board that the advisory audit had provided satisfactory assurance in relation to the controls in place for HE data compliance requirements and that these would be further strengthened by the agreed management actions.

#### Progress Report & Sector Reports

21. The committee had received for information RSM's progress report on the 2024-25 internal audit plan, together with the Sparsholt College Group Benchmarking Report and Bursaries & Free Schools Meals – Lessons Learnt Report. It was noted that a report on FE Funding – Lessons Learnt had also been produced by RSM and would be made available to the committee.
22. E Gipson confirmed that all remaining audits had been scheduled and were due to report at the June committee meeting.
23. The committee welcomed the provision of benchmarking data on the outcomes of RSM's internal audit activity in the sector in 2023/24, noting the assurance of the college's performance in relation to the sector.
24. The RSM report also provided a thematic overview of high actions in the sector and the Principal confirmed that these had been reviewed with relevant cost centre managers and SLT leads to identify any learning points, noting actions in train in relation to documentation of business continuity actions for specific incidences and developing proposals for consideration of risk appetite with the Board. At the Principal's request, E Gipson undertook to clarify the intent of the wording of a governance and risk management action in the report.
25. In relation to a reference in the report to mandatory cybersecurity training for staff (internal audit report 3.23.34), the COO reminded the committee that it had been confirmed at the time of the previous audit that mandatory training had taken place but that it had not been possible to produce training records for one of the sessions because of the training platform used. Subsequent training had been implemented to ensure that participation could be tracked.
26. In response to a member's question about bursary funds conditions, the COO confirmed that the college had clearly defined terms and conditions for awarding bursaries linked to attendance or behaviours.

#### **RISK MANAGEMENT**

##### Risk Register

27. 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.
28. In relation to matters arising from discussion of risks at the previous meeting:
  - Risk 2 (minute 210/24): the Principal highlighted that the controls listed in the risk register had been expanded to provide assurance to the committee about the quality assurance and management processes in place to ensure compliance with awarding bodies' requirements for exams. The list would be condensed in future iterations of the risk register.

- Risk 2 (minute 211/24): the Principal provided an update on management and staffing resources for residential provision, confirming that satisfactory arrangements were in place.
  - Risk 12 (minute 212/24): The Principal confirmed that a draft new property strategy would be presented for consideration at the May Governors' Seminar.
  - Risks 4, 9, 15 (minute 214/24): The CFO reported that the increase in the Employers NI rate from April 2025 remained a financial risk and continued to delay finalisation of staff pay award proposals, with the mechanism and level by which the Government would support colleges still not known.
29. 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 and provided a summary of the latest risk assessments.
30. Members discussed with management the assessment of risks and the mitigating controls in a number of areas, including in relation to:
- The underlying factors for the reduction in staffing vacancies and staff turnover in relation to actions taken by the college and the external jobs market, particularly in relation to teaching staff and opportunities arising such as routes for military veterans and new teacher apprenticeships;
  - Progress with raising the achievement levels for English and Maths, including the benefits of the changes to the approach to November GCSE resits and benchmarks with the sector;
  - Development of the new property strategy to quantify the level of future investment needed and the current uncertainty around funding routes for colleges, such as to invest in sustainability projects on the college estate;
  - Financial planning for 2025/26 including in relation to DfE funding allocation, recruitment/enrolments and the increase in Employers National Insurance.
31. The committee concurred with the assessments presented by management. In particular, the committee recognised that risk 15 (change of Government policies) remained the highest risk to the college in relation to both likelihood and impact, and its linkage to a number of other risks, and acknowledged the focus by the SLT on actions to prepare for and respond to developments.

#### Risk Deep Dive – Cyber Security

32. The Head of IT Services gave a comprehensive presentation on the work of the IT Services team and the range of cyber security measures in place and tabled a confidential report for the committee's information about the approaches taken to defending the college's IT networks.
33. Members probed a number of areas in discussion about the college's approach to cybersecurity, including the focus of Head of IT Services' time, the arrangements with CrowdStrike, the risks and opportunities presented by the use of AI, the nature of the threats in relation to data systems and financial implications, the risk management support provided by the college's cyber insurers, contingency/cover arrangements in place for the Head of IT Services, processes for assessment and testing of whether the IT security infrastructure is fit for purpose, and cyber security accreditations.

34. The committee welcomed the additional security measures implemented since the previous presentation to the committee and the evidence of continued investment and commitment by management to the security of the college's IT systems.
35. The committee confirmed the value of regular review of cyber security by the committee given the high level of risk to all organisations of cyber-attacks and the evidence of targeting of the education sector.

## **INSURANCE**

36. The committee had received and reviewed the report of the CFO and Procurement & Insurance Officer on insurance claims against the College Group to highlight any liability risks and to provide confirmation of insurance cover.
37. The committee noted that the College continued to hold a reasonably good insurance claim record overall and noted the summary of claims.
38. The committee noted the confirmation of the College Group's current insurance policies and was assured that that the level of cover complied with DFE funding condition.
39. A member questioned whether the level of cyber cover in place was sufficient when assessed in relation to the college's high risk rating for cybersecurity. The committee discussed the level of cover available and the cost of cover in the market and recognised that the college also needed to balance spend on insurance with continuing to invest to maintain and enhance its IT security and recovery systems. The COO and CFO undertook to explore insurance options and report back to the committee.
40. In response to a query which had been raised by a director of one of the college's subsidiary companies, the committee considered the level of Directors and Officers/Governors liability insurance in place and whether this was adequate. It was noted that there would be an additional annual cost to increase the level of cover from £3m (in the aggregate) to £5m (in the aggregate). In discussion, members noted that there had been no previous claims and that this level of insurance had been in place for some years. However, the complexity of the College Group operations was also recognised, together with the fact that the number of eligible individuals had grown with the increase in numbers of governors and directors of the subsidiary companies and that these individuals included executive, as well as non-executive, appointments. £5m (in the aggregate) was the maximum level available under the College Group's main Aviva policy (at an additional cost of c.£2,500 pa) and it also appeared that insurance of £5m (in the aggregate) was fairly common in the FE sector.
41. **Resolved** – that the Board of Governors be recommended that the Directors and Officers/Governors liability insurance be increased to £5m (in the aggregate).

## **EXTERNAL ASSURANCE**

42. The committee had received the ESFA funding assurance review report of 16 January 2025 which confirmed the outcome of an audit of compliance with 16-18 Residential Bursary Fund requirements for funding of support for residential students in 2023-24.
43. The committee noted that the audit had resulted in a 'satisfactory opinion' which confirmed that the college had substantially met contractual requirements with no funding errors identified. E Gipson noted that this clean audit was the only one of this area by the ESFA that she was aware of in the FE sector year to date and the committee commended the work of the teams involved in managing the bursaries.

## **COUNTER FRAUD**

44. The committee had received and reviewed the annual report of the CFO on the College Group's Counter Fraud Strategy, including the fraud risk register, confirmation of compliance with the anti-fraud checklist from the ESFA Post-16 Audit Code of Practice, the gifts and hospitality register and the fraud register.
45. The CFO confirmed that the requirements of the new Economic Crime and Corporate Transparency Act 2023 in relation to prevention of fraud had been reviewed and that measures taken by the college to prevent fraud appeared to reasonable and in line with the guidance. Reference to the new requirements had been added to the updated Financial Regulations due to be presented to the Board in April to emphasise the importance of fraud prevention.
46. In discussion, members sought and receive confirmation that internal audits of both learner numbers funding compliance and financial controls took place annually, providing additional assurance of controls relevant to the prevention of fraud.
47. At the invitation of the Committee Chair, members of the SLT present also confirmed that they were not aware of any current matters of potential/actual fraud.
48. The committee was satisfied with the information provided and assured that there were no issues of concern raised by the report and associated information.

## **WHISTLEBLOWING**

49. The committee had received and reviewed the annual report on whistleblowing from the Principal and HCG.
50. It was noted that the college's Whistleblowing (Duty to Act) Policy had been reviewed and updated the previous year and that the policy was expected to require a further update if the government's proposal under the Employment Rights Bill to add sexual harassment to the list of qualifying disclosures came into law. It was noted that sexual harassment could also already fall under one of the other qualifying disclosures if relevant.
51. The committee noted that there had been no whistleblowing disclosures in the previous 12 months and sought further information about awareness of the policy and the wider college culture in relation to employees and others feeling able to, and be encouraged to, speak out and raise any areas of concern.
52. The Principal and Head of Corporate Governance confirmed the ways in which the awareness of the policy was promoted and explained the intention to introduce posters in staff areas with reporting routes, including a QR code, for matters such as harassment, and undertook to also highlight whistleblowing.
53. It was noted that there were various routes through which members of staff might raise concerns with their managers, HR or the SLT in day-to-day business, including informal and formal routes under the Grievance Policy, at meetings of various forums such as the Health & Safety Working Group, and through staff surveys. Additionally, complaints to the college from other stakeholders were analysed and reported to the Quality & Standards Committee annually for review.
54. The Committee Chair mooted whether there would be an appropriate way of informing the committee of other types of concerns which would provide additional assurance to the Board in relation to the absence of whistleblowing disclosures while recognising the responsibility of

the Principal for the management of the college and leadership of the staff. The Principal undertook to consider this and report back to the committee.

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

55. The committee had received the report of the CFO and HCG on the annual performance review of the internal and external auditors, which also reported on the external auditor tender.
56. The CFO confirmed that college management perceived RSM to have performed strongly, providing a high level of scrutiny and challenge while maintaining appropriate dialogue with management leads.
57. Members noted that there was one year remaining of the current five-year contract with RSM and agreed that the CFO bring options to a future meeting for engaging an internal audit service from 1 August 2026.
58. **Resolved** – that the Board of Governors be recommended to note that the performance review was satisfactory and confirm the reappointment of RSM as internal auditors for 2025-26 within the terms of the current contract.
59. The CFO reported the process undertaken for the tender of the external auditor contract, confirming that the process had complied with procurement regulations and that the membership of the selection panel had been the CFO, Principal, Head of Finance & Procurement and a member of the Audit Committee.
60. The member of the Audit Committee on the panel concurred that the process had been thorough and robust and the Committee Chair thanked him for his time and input.
61. The committee noted that the incumbent audit firm had achieved the highest scoring and, given that this would result in an appointment for a second five-year contract, and a member raised whether there would be benefits from seeking a change of audit partner. The CFO explained that the knowledge the audit partner had developed regarding the complexities of the organisation and her performance advising the committee were valued and that there were currently no indications of a lack of independence.
62. The CFO reported the increase in the audit fees and the underlying reasons for the increase.
63. **Resolved** – that the Board of Governors be advised that a robust and compliant tender had been undertaken for the external audit service and be recommended to appoint Buzzacott as external auditors from April 2025 for a period of 5 years, to be reconfirmed annually by the Board of Governors and directors of the college's subsidiary companies.
64. The committee agreed that the audit firms which took part in the process be informed of the outcome and that this was subject to being ratified by the Board of Governors at its meeting on 3 April 2025. The HCG undertook to update the Chair of Governors.
65. The meeting closed at 12.30.

***Approved: Audit Committee meeting 12 June 2025***