

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 12 June 2025 at 09:30
at the Sparsholt Campus

¹PRESENT G Davies (E) (Chair); C McCormack (E); R Sharpe (C); N Wall (E)

In attendance: S Blakemore, Buzzacott (to minute 143)
E Gipson, RSM (to minute 143)
S Grant, Chief Operating Officer (COO) (from minute 75)
N Heslop, Chief Financial Officer (CFO) (from minute 75)
J Milburn, Principal (from minute 75)
A Roberston, Governance Co-ordinator (minutes 74 to 117)
S Willson, Head of Corporate Governance (HCG)

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

66. The Chair congratulated S Blakemore on the reappointment of Buzzacott as the College Group's external auditors and invited E Gipson for RSM and S Blakemore for Buzzacott to provide feedback on the auditors' experience of working with college management.
67. E Gipson confirmed that the working relationship between RSM and management continued to be constructive and effective. The reports of the remaining two internal audits in the 2024/25 programme had not yet been finalised but there had been no substantial concerns identified during the audit work.
68. S Blakemore noted that it was early in the external audit process for this year but that college management seemed well prepared and continue to plan early, for example engaging with the auditors on future changes to accounting standards.
69. The Chair raised with the members present and the auditors the FE Commissioner's intervention assessment report on governance and financial control failings at Weston College, noting that the HCG was preparing a report to be considered at meetings of the Remuneration Committee and full Board in July. The Chair of the Remuneration Committee had asked that it be formally raised with the Audit Committee whether any additional internal or external assurance work needs to be undertaken to ensure that the college is fully compliant with the recommendations of the report (as relevant) and/or on a preventative basis.
70. E Gipson endorsed all governors receiving a copy of the FE Commissioner's report and assuring themselves of the controls in place in relation to the recommendations which were relevant to the college.
71. S Blakemore stressed the importance of managing conflict of interest, noting the wider significance of ensuring financial controls were in place for the award of large contracts and management of related party interests.

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

72. A member raised a question following his governor Link visit to the Andover Skills Centre extension project about the use of prequalifying for contracts and the Chair suggested that this be raised with the Chief Financial Officer for clarification. .
73. A member asked about the processes in place for approval of the Principal’s expenses and the Head of Corporate Governance confirmed how this was covered in the Financial Regulations and undertook to report to the Remuneration Committee for review.
74. Summing up, the Chair recognised the seriousness of the issues which had occurred at Weston College and that, while there was no suggestion of malpractice or lack of suitable controls at Sparsholt College Group, it was appropriate for the Board to review the FE Commissioner’s report and assurance report from the Head of Corporate Governance and to then consider if any further action was required.

ATTENDANCE

75. The Committee Chair welcomed attendees to the meeting.

DECLARATION OF INTERESTS

76. There were no interests to declare.

MINUTES

77. **Resolved** - that the minutes of the meeting held on 13 March 2025 be confirmed as a correct record.
78. Risk management – Riks 2 (28/25): The Principal provided an update on management and staffing resources for residential provision, noting that the college was recruiting a new Residential Manager and that robust interim arrangements were in place.
79. Risk management – Risks 4, 19, 15 (28 & 30/25): Confirmation of government funding in relation to the increase in the Employers NI rate was outlined, and, responding to a member’s question to establish the impact on financial risk going forward, the CFO summarised the unfunded gap in relation to staff costs, plus additional costs via subcontractors and uncertainty about the supply chain. It was also confirmed that the DfE funding allocation formula for 2025/26 had been received, with increases in both base funding and land-based programme weightings giving a positive outlook for 2025/26 and that that the college’s approach to managing adult funding had secured in year growth funding. However, there remained longer term funding uncertainties and financial risks, including in relation to the government’s Spending Review announcements.
80. Insurance (39 & 41/25): The CFO reported that the college’s insurance brokers had confirmed that the cyber insurance currently in place was fit for purpose in terms of the level of cover and the expertise of the insurers. This had been reported to the Board in March. The Board had also considered and agreed that the level of directors and officers (encompassing governors and directors of the subsidiary companies) liability insurance be increased to £5m pa (in the aggregate) from the start of the next insurance year (1 August 2025).
81. Whistleblowing (54/25): The Principal reported that the Staff Code of Conduct had been reviewed and rewritten for approval by the Board in July and included encouraging staff to raise concerns about malpractice or unsafe behaviour using the college’s whistleblowing procedures.

82. 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 2024-25

Internal Audit – Work Placements

83. The committee had received the internal audit report (2.24/25) on FE work experience and work placement which provided ‘Substantial Assurance’ that suitable controls were in place and operating effectively, with one ‘low priority’ action raised in relation to standardising retention of the employers’ health and safety policies on the college files.
84. Responding to members’ questions, E Gipson confirmed that there were no underlying concerns from the auditors that students were not safe and the COO assured the committee that the college did not rely on employers’ health and safety policies but undertook its own evaluations of the safety of the workplaces.
85. The Principal reported that, with the establishment of T Levels, the management of FE work experience was being merged with work placements from September, under the expertise of the Business Development Manager - Industry Placements.
86. The committee noted the assurance provided by the positive outcome of the audit and confirmation that the management action would be implemented by September.

Internal Audit – Learner Number Systems

87. The committee had received the internal audit report (4.24/25) on compliance with DfE funding rules which had confirmed that no funding errors had been identified from the sampling and reported a small number of ‘low priority’ exceptions where record keeping did not demonstrate full compliance.
88. E Gipson confirmed that the outcome of the audit was very positive given the complexity of the funding rules and had not identified any systematic failings or concerns about use of public funds.
89. A member sought additional information to understand the nature of the risk-based sampling process for the audit and E Gibson explained the selection of funding streams and of the students sampled, using methods and software that would be used in a DfE funding audit. It was noted that apprenticeships were prioritised more than other programmes because the complexity of the rules and working with external organisations tended to present the biggest risks to compliance. The overall sample numbers were constrained by the agreed number of audit days within the overall audit programme.
90. The COO confirmed to the committee that, although the management actions identified were administrative, the findings were helpful and used by management to check whether these were isolated incidences and whether processes could be strengthened going forward.
91. Responding to members’ feedback about the format and structure of the report, E Gipson explained that this differed from the previous report as it was an advisory audit and did not provide an audit opinion but undertook to consider if other aspects of the report could be aligned.
92. The committee noted the assurance proposed by the positive outcome of the audit and confirmation that the two management actions had been implemented.

Internal Audit – Governance

93. The committee had received the internal audit report (3.24/25) of governance which had focused on the AOC Code of Good Governance for English Colleges and provided ‘Substantial Assurance’ that the college had adopted and was following the code, with no actions arising.
94. The HCG briefly outlined the approach which had been taken to demonstrating that the Board’s practices aligned with the principles and recommendations set out in the code. Asked by a member about the reference in the report to the Economic Crime & Corporate Transparency Act, the HCG explained that the CFO’s counter fraud report to the Audit Committee encompassing a review of the new prevention of fraud legal requirements had been recorded as part of the code review process.
95. The committee noted the assurance about adoption of the AOC Code of Good Governance and related good governance practices.

Sector Reports

96. The committee had received for information RSM’s FE Emerging Issues and FE Funding – Lessons Learnt reports for information.
97. The Emerging Issues report include a section on balancing the risks and rewards of generative AI which was to be covered by a risk management deep dive later on the agenda. A member also commended the RSM’s Managing AI and Fraud in Education webinar which she had attended.

RISK MANAGEMENT

Risk Register & Assurance Report

98. 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.
99. The Principal drew the committee’s attention to key points, explaining the latest evaluation of the scoring of the risks in light of developments since the previous meeting.
100. The committee welcomed the indication of a positive outcome from the measures taken to ensure the processes for the RCVS FdSc Veterinary Nursing Science practical exams (OSCEs) were compliant with the accreditation requirements (Risk 2) and the decrease in the residual risk rating in relation to improved achievement rates for English and Maths (Risk 3). The committee also acknowledged the continuing uncertainty and instability connected with government policy and funding (Risk 15).
101. In relation to Risk 2, the COO also reported to the committee the findings of a recent JCQ (Joint Council for Qualifications) inspection of the Andover and Sparsholt exam centres which had identified three administrative errors linked to errors by individuals. These had not invalidated the exams or resulted in any sanctions, however, inspections were usually clean and the COO assured the committee that actions had been taken to prevent any repeat occurrences.
102. The committee reviewed the latest iteration of the Strategic Risk Register, noting the updates to controls since the last meeting as evidence that the college continued to seek to actively manage the risks.

Risk Management Policy Review

103. The committee had received and reviewed the report of the Principal on the review of the Risk Management Policy and risk register for 2025-26.
104. The Principal highlighted the key areas of the review and proposed revisions to the management of risk going forward, which include an assessment of the college's risks in relation to the Emerging Risk Radar published by RSM to ensure that there were no key omissions and identify potential enhancements. The Principal also highlighted the introduction of a new section to the Risk Management Policy to explain how the risk management cycle operated in terms of risk identification, risk assessment, risk mitigation and risk monitoring and reporting.
105. The committee endorsed the proposed removal of Risk 9 (staff recruitment) due to the improved vacancy rates and outcomes for recruitment, together with the proposed updates to the wording of Risks 13, 14, and 15.
106. The committee also endorsed continuation of the risk matrix scoring model and use of key risk indicators (KRIs) and discussed whether the structure of the risk register could be revised to reduce the length for readability, for example the detail of the controls.
107. Responding to a member's feedback about the definition of 'impact' and the criteria for considering the financial impact of risks in the Risk Management Policy, the Principal undertook to clarify these.
108. The committee supported continuation of a rolling programme of risk deep dives (preferably two at each meeting if time allowed) to cover both those deemed to provide the biggest threats and those which had not been reviewed in depth for some time. The committee requested avoiding overlap with areas of risk which were subject to an internal audit review, a clear focus for each presentation, and that cybersecurity to continue to be considered at least annually.
109. The committee welcomed the Principal's proposal to introduce a statement on risk appetite to the policy and a draft set of risk appetite definitions were provided for the committee's consideration. It was also proposed to categorise the risks into groupings which would assist agreeing the risk appetite for each grouping (or subgrouping) and members provided feedback on the groupings and on the wording. E Gipson noted that there were challenges for the FE sector in defining risk appetite as it was often necessary for colleges to respond flexibly and some projects would cross over different categories of risk. The Principal explained that this section of the policy would be further refined before being presented to the Board for approval and may require further iterations going forward.
110. Responding to a member's question as to the extent to which categorisation of risk appetites by the college would inform the internal audit programme, E Gipson noted that further assurance through internal audit reviews might be required by the college for risks categorised as low appetite but that the auditors would also want to cover a range of risks through a cyclical approach.
111. Members discussed the proposed approach, endorsing the draft overarching statement of risk appetite and supporting the intention to introduce processes for defining and reviewing risk appetite, recognising that the process would be likely to evolve over time and would need to be fit for purpose for the college.

112. The committee noted that the revised Risk Management Policy and risk register for 2025/26 were due to be presented to the Board for approval in October and that the risk register would continue to be updated by the SLT and monitored by the committee termly. The Committee Chair requested that, if timing allowed, the Risk Management Policy and Risk Register be circulated to the committee members in advance of the Board meeting for any comments.
113. **Resolved** – that the proposed developments to the Risk Management Policy and Strategic Risk Register 2025-26 be recommended to the Board of Governors, noting that further refinements would be made to the Risk Management Policy ahead of presentation to the Board for approval.

Risk Deep Dive – Artificial Intelligence

114. The COO gave a presentation to the committee on risk management of Risk 13 (failure to identify, understand and/or respond to the threats and opportunities of AI), summarising the key strategic aims of the college for AI and the checks and balances in place. The presentation also gave some specific examples of how AI platforms were being introduced and used in the college and stressed the importance of building digital skills for staff as well as students.
115. Members raised questions about the use and misuse of AI in assessments and discussed with the COO the systems being used to detect misuse of AI, recognising that both use and detection were rapidly developing areas. The COO also confirmed that the college followed the requirements of awarding bodies in relation to prohibition of AI in exams, unless an exam specifically permitted use of AI.
116. Asked by a member about the outcomes of the AI Working Group, management’s monitoring umbrella for AI, the COO confirmed that notes of the discussions and actions were recorded and informed management strategies and relevant reports, for example the Principal’s report on the college’s Strategic Plan to the Board.
117. The Committee Chair thanked the COO for the presentation, acknowledging college management’s commitment to both the opportunities of AI and the necessity for controls to mitigate the potential risks.

INTERNAL AUDIT 2025-26

118. The committee had received and reviewed the proposed Internal Audit Plan 2025-26, including the audit fees and a provisional timetable.
119. E Gipson introduced the plan, outlining the planning process which had included a meeting of RSM with the Principal, COO and CFO, together with the HCG (attending on behalf of the Audit Committee Chair).
120. The Principal provided additional explanation about the selection of the Educational Trips and Destinations and Progressions areas of audit activity to provide assurance to college management and the Board.
121. A member noted that the last GDPR audit was in 2022/23 and questioned the reasoning behind not revisiting this during 2025/26, particularly given the financial penalties which the ICO could issue. E Gibson explained that there had not been issues with data management identified during other recent audits which prompted prioritising a further GDPR audit at this point. The Committee Chair also noted that the Board received an annual assurance report from the DPO (Data Protection Officer) on data requests and breaches, including any notifications to the

ICO and the actions taken, which enabled ongoing oversight by the Board and requested that the report also be circulated to the co-opted members for information going forward.

122. **Resolved** – that the Board of Governors be recommended to approve the Internal Audit Plan for 2025-26.

EXTERNAL AUDIT STRATEGY

123. The committee had received the External Audit Strategy for the year ending 31 July 2025 from Buzzacott which covered the financial statements audit, regularity assurance and Teachers' Pension Scheme (TPS) audit and set out an indicative timetable and audit fees.
124. S Blakemore set out the context for the auditor's work, noting minor developments to the DfE College Accounts Direction and the publication of the DfE's new 'framework for auditors and reporting accountants of colleges' which replaced the former Post-16 Audit Code of Practice, noting that the substance of the requirements remained unchanged.
125. S Blakemore also explained the selection of key issues of audit significance and the intended audit approach.
126. The committee was content with the clarity and comprehensiveness of the audit plan.
127. **Resolved** – that the External Audit Strategy for the year ending 31 July 2025 be recommended for approval to the Board of Governors.

PROCUREMENT & VALUE FOR MONEY

128. The committee had received and reviewed the annual report of the CFO and Procurement & Insurance Officer on procurement activities.
129. The CFO highlighted confirmation of actions to prepare for and comply with the new Procurement Act 2023, noting that most of the college's procurement activity was beneath the public procurement thresholds.
130. The CFO highlighted the tender exercise for college campus bus services as having significant strategic, operational and financial implications, noting that a specialist transport consultant had been commissioned to advise the college. The outcome was the award of 15 routes in total to three suppliers from 1 August 2025 with a reduction in the number of suppliers, an additional route and service enhancements at competitive rates.
131. The CFO also drew the committee's attention to key forthcoming tenders, including fire safety, mechanical and electrical maintenance contracts and the purchase of desktops/laptops to support Windows 11.
132. At the request of the Committee Chair, the CFO undertook to include a list of the largest suppliers in term of financial cost, with the figures, in the next annual report to aid the committee's understanding of scale and impact.
133. 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 through appropriate procurement management strategies and controls.

EXTERNAL ASSURANCE

134. The committee had received and noted for assurance the letter from the DfE to the Principal of 28 April 2025, confirming the College's financial health grade for 2023-24 as Outstanding following a review of the College's audited financial statements.

COUNTER FRAUD

135. At the invitation of the Committee Chair, members of the SLT present confirmed that they were not aware of any current matters of potential/actual fraud.
136. The committee had received for review Buzzacott's fraud assessment completed by the CFO and Head of Finance & Procurement to inform the external auditor's assessment of fraud to comply with International Standards on Auditing (ISAs). The CFO confirmed that the responses aligned with the counter fraud report and risk register which he had presented at the committee's previous meeting. There were no questions arising from members.

COMMITTEE PERFORMANCE REVIEW

137. The committee had received and reviewed the report of the Head of Corporate Governance providing supporting information for the annual review of performance and terms of reference of the committee.
138. The committee considered developments to the external regulatory framework and best practice, noting the recommendation of the FE Commissioner to Weston College to have a qualified accountant on the Audit Committee. It had been the established practice at Sparsholt College Group to have at least one, usually two, co-opted members of the committee who were qualified accountants (if there was not a governor on the committee with an accountancy qualification). Members discussed whether formalising this would be too prescriptive, for example if an alternative skills set/qualification was identified as relevant, but agreed that the at least one member of the committee should be a qualified accountant, with the aim of appointing two such members recognising that members were not always able to attend a meeting.
139. The HCG provided an update on the recruitment of a new member to fulfil the current vacancy for a second co-opted member, noting that an accountancy qualification alongside relevant experience would be prioritised.
140. The committee agreed that, in response to the proposal from Buzzacott that the fraud questionnaire completed by management be reviewed by the Board or delegated to a committee of the Board to review, the Board be requested to approve an update to the committee's terms of reference to confirm this delegation.
141. **Resolved** – that the Board of Governors be recommended to approve the updated terms of reference of the Audit Committee.
142. The committee reviewed the feedback survey results of the committee members and the Principal, COO and CFO and agreed to there were no matters identified requiring further exploration.
143. 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

144. The Committee Chair reported positive feedback from the internal and external auditors earlier in the meeting and sought the opinions of members of the SLT present on the auditors' activities.
145. The Principal noted that there had been a strong level of alignment between management and the auditors about the areas identified as priorities for next year's internal audit programme, demonstrating a good level of shared understanding of areas of risk for the college and wider sector.
146. The CFO noted planning for the external audit had begun and confirmed that there were no substantial concerns about the work of the internal audits. Management had experienced some variation in the experience and approach of the individual auditors but this was recognised to be expected and there was a clear path of communication to the client manager if needed.
147. The CFO noted that the current internal audit five year contract was due to complete in July 2026 and that options would be brought to the committee ahead of them to consider. Members noted that consideration would need to be given to the extent of audit activity necessary to provide an appropriate range and level of assurance and to the experience and independence of the auditors.
148. The meeting closed at 12.40.

Approved: Audit Committee Meeting 20 November 2025