

**SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 20 November 2025 at 09:30
at the Sparsholt Campus**

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

In attendance: S Blakemore, Buzzacott (to minute 211)
E Gipson, RSM (to minute 226)
S Grant, Chief Operating Officer (COO) (from minute 155)
N Heslop, Chief Financial Officer (CFO) (from minute 155)
R Lynn, Head of IT Services (minutes 203 to 216)
J Milburn, Principal (from minute 155)
R Price, Director of Learning & Quality (minutes 203 to 211)
S Willson, Head of Corporate Governance (HCG)

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

151. The Chair invited S Blakemore for Buzzacott and E Gipson for RSM to provide feedback on the auditors' experience of working with college management and any matters arising from their recent audit activity not covered by the reports.
152. S Blakemore commended the Finance team for their high level of preparedness and co-operation, noting that the Head of Finance & Procurement was pro-active in seeking clarification at an early stage on accounting disclosure changes and tax matters.
153. E Gipson explained that it was still early in the programme of internal audit activity but that one review was in progress and the scope of the next review agreed. E Gipson also confirmed a continuing effective working relationship, including in relation to discussion of funding rule compliance matters.
154. There were no matters which members wished to raise with the auditors and the Chair thanked them for their feedback.

ATTENDANCE & APOLOGIES

155. The Committee Chair welcomed C Whatley to his first meeting of the committee.
156. Apologies were received from N Wall who had provided feedback on the reports in advance of the meeting which the HCG undertook to report on the member's behalf under the relevant agenda items.

DECLARATION OF INTERESTS

157. There were no interests to declare in matters on the agenda. The College Group Register of Interests records that C Whatley is Head of Finance and Revenues at Test Valley Borough Council and the college has financial transactions with the council, including the lease of the Portway Stadium.

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

MINUTES

158. **Resolved** - that the minutes of the meeting (Parts 1 and 2) held on 12 June 2025 be confirmed as a correct record.
159. Governance (69-74/25): The HCG confirmed that the FE Commission's intervention assessment report on Weston College and a review of compliance with related governance and financial controls best practice was received and considered by the Remuneration Committee and the Board of Governors in July 2025. There were no areas of concern identified in relation to College Group governance but an additional control had been introduced to the Board's oversight mechanisms (annual review of the Principal's expenses by the Remuneration Committee).
160. Residential provision – (78/25): The Principal provided an update on management and staffing resources for residential provision, noting the appointment of a new residential manager and new part-time wardening responsibility for existing college staff to provide additional cover when needed, including a member of staff experienced with students with SEND. The Principal was also pleased to report the positive outcome of the Ofsted Residential Inspection in October, with the report expected to be published shortly.
161. Work experience – (85/25): The Principal explained that, after further reflection, the SLT had decided to retain the management of work experience by the curriculum area Assistant Principals.
162. Qualification accreditation (100/25): The Principal confirmed that the full accreditation for the FdSc Veterinary Nursing Science had been confirmed by the Royal College of Veterinary Surgeons in June 2025.
163. Risk management policy (113/25): The committee had been consulted via email in September on further developments to the draft Risk Management Policy and Risk Register for 2025-26 prior to approval by the Board of Governors in October. The final version of the Risk Management Policy had been circulated to members.
164. 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.

EXTERNAL AUDIT REPORT

165. The committee had received the post-audit management report prepared by Buzzacott, including an appendix summarising key sector developments.
166. S Blakemore confirmed that Buzzacott expected to give an unqualified audit opinion for both the financial statements and regularity assurance with no adjustments or recommendations. The report set out the outstanding work for finalisation of the audit, including receipt of the report of the DfE assurance review (PFA) for the 2024/25 funding year which was due shortly.
167. The committee commended the Finance team for their work and the outcome of the audit.
168. S Blakemore also highlighted the summary of financial performance, noting that the impact of the Local Government Pension Scheme (LGPS) adjustments had been less than in previous years as it depended on the latest valuation by the scheme's actuaries. However, any LGPS surplus was not recoverable by the college.
169. S Blakemore shared with the committee that nearly all LGPS schemes were currently in surplus and therefore contribution rates were likely to be reduced from April. Members discussed

whether this direction of travel would continue, noting that there were indicators of a positive outlook in the short to medium term.

170. S Blakemore explained the approach taken by Buzzacott to introduce categorisation of the key areas of audit risks – using definitions of high to low risk based on the sector, rather than the level of risk for the college. Some colleges had opted not to include this categorisation and the committee and Principal (as Accounting Officer) discussed which approach would be most helpful going forward, recognising that the alert to risks was useful context in relation to the audit approach but could be misinterpreted as a judgement of the college without clear signposting, further explanation or benchmarking. It was agreed with S Blakemore to retain the risk statement providing that clear signposting to this being a sector-wide categorisation of risk was added in this section of Buzzacott’s report.
171. The committee probed the financial health ratios and benchmarking data in the report, seeking to understand the difference between the current ratio score in Buzzacott’s report compared to the score previously reported to governors in the College Group’s monthly management accounts. The CFO explained that the difference was due to a variation in the methodology used in the management accounts (which were based on the FE Commissioner’s adjusted current ratio which excluded restricted cash) and the standard calculation used by the auditors and the sector previously.
172. The current ratio of 1.65 is within the 1.5-2.5 benchmark range advised by the Funding Body and the committee was assured by the explanation given by the CFO of the strategic expenditure decisions taken prior to 2024-25 year end (such as IT hardware to prepare for the rollout of Windows 11) and the changes to cash reserves. The CFO confirmed that current assets were being effectively managed and complied with the college’s reserves policy.
173. The CFO also explained the reasons for the decrease in borrowing as a percentage of income and S Blakemore confirmed that nothing of note had been identified by the auditors from the benchmarking to highlight to the committee. The Principal highlighted the risk around uncertainty of future capital funding and absence of public borrowing mechanisms.
174. S Blakemore also emphasised that the financial health score benchmark data could not be interpreted in isolation, for example the payroll ratio would vary depending on whether a college had outsourced services such as cleaning and catering.
175. The CFO emphasised the EBITDA as a percentage of income as a useful financial performance measure, noting that the college had a strong record and that the slight decrease in the percentage for 2024-25 was due to carefully considered strategic decisions, such as to invest in strengthening WiFi coverage and upgrading building conditions to enhance the teaching and learning experience.
176. S Blakemore also drew the committee’s attention to several points in the summary of sector developments: DfE guidance on digital and technology standards; the use of generative AI in education and governance oversight; and the changes to UK GAPP and FE/HE SORP accounting standards from the financial year ending 31 July 2027.
177. The Head of Finance & Procurement summarised for the committee’s information the expected impact of the accounting standard changes and would therefore impact the FE Commissioner financial health ratios and the bank covenant calculations, both of which would require amendment. For governance purposes, it would be important to also report the position excluding leases.

178. Members questioned the impact of other regulatory developments (Martyn’s Law, changes in financial thresholds for company statutory reporting) on the College Group and were satisfied by the information provided that corresponding actions were being taken where relevant.
179. Emerging from the discussions, the committee agreed two potential topics for future risk deep dives - the college’s approach to DfE digital standards and estate security and business disruption.
180. The committee noted that the post-audit management report would be received by the Board in full at its meeting in December and that there were no matters identified which required Buzzacott to attend in person to discuss with the Board.

REGULARITY AUDIT

181. The committee had received the report of the HCG highlighting updates in the DfE’s College Accounts Direction requirements and providing the regularity self-assessment questionnaire (RSAQ) for information and to enable the committee to raise any questions in relation to the college’s internal control framework.
182. Responding to a member’s suggestion, the HCG and Head of Finance & Procurement undertook to revise the formatting of the RSAQ presented to the committee in future years to highlight key changes in the college’s responses from the previous year.
183. The committee was satisfied to note the assurance provided by the RSAQ to support the Statement of Regularity, Propriety and Compliance in the college’s annual report and that the auditors expected to give an unqualified opinion on regularity. There were no matters to highlight prior to the Principal (as Accounting Officer) and Chair of Governors signing the RSAQ.

ANNUAL REPORT AND FINANCIAL STATEMENTS

184. The committee had received the draft report and accounts for the year ended 31 July 2025, together with a commentary from the CFO and the draft combined letter of representation for the financial statements and regularity audits.
185. The CFO noted that the structure of the annual report and financial statements complied with the requirements of the DfE College Accounts Direction. New developments to previous year’s reports included the addition of key financial performance indicators (using the same benchmarks as the FE Commissioner) and the performance in relation to the new adopted reserves policy. There were some minor updates to be made to the annual report and financial statements prior to submission to the Board, including the addition of a disability statement, a correction to the trade unit facility report data, and review of the wording of the benefits in kind note. These would be signed off by the auditors.
186. A member questioned whether the wording of the section on the capacity to handle risk was accurate as it referred to the Board of Governors reviewing the controls which had been implemented to mitigate risks where as the regular review of the risk register was undertaken by the Audit Committee, reporting to the Board, and that the controls came under the remit of different committees. Members discussed the point, noting that the wording was based on the AoC Casterbridge model accounts and that the reference to the Board of Governors could be taken to mean the overall operations of the Board, including committees. S Blakemore agreed that this was implied and, that while it was the Board’s prerogative to vary the wording, she did not consider this a necessity. The committee concluded that it was satisfied not to amend the wording in the 2024-25 annual report.

187. S Blakemore shared that the two areas of reporting that she would highlight to governing bodies to ensure were compliant were the related party disclosures and pay disclosures in the financial statements.
188. **Resolved** - that the Board of Governors be recommended to approve the annual report and financial statements for the year ended 31 July 2025, subject to the recommendation of the Resources Committee.
189. The CFO highlighted some key points in the proposed letter of representation and confirmed the text had been agreed with Buzzacott.
190. **Resolved** – that the Board of Governors be recommended to approve the letter of representation for the year ended 31 July 2025 for signature by the Chair of Governors.

INTERNAL AUDIT

Internal Audit – Fixed Assets

191. The committee had received the internal audit report (6.24/25) on a review of Fixed Assets, including an inspection of the Fixed Assets Register, as well as surrounding documentation and system backups. The internal audit opinion provided ‘Substantial Assurance’ that the college had a solid framework in-place governing Fixed Assets, however four ‘low priority’ management actions had been identified to strengthen controls.
192. Referring to the process for authorising asset disposals, the committee questioned whether controls were appropriate where the CFO was the cost centre manager and the authoriser. The CFO explained that this only applied to the finance cost centre which did not dispose of assets and gave additional assurance about the delegations for authorising disposals as defined in the Financial Regulations.
193. The committee noted the assurance provided by the positive outcome of the audit and confirmation that the management actions would be implemented.

Internal Audit – Follow Up

194. The committee had received the internal audit report (5.24/25) on the review of progress made to implement the agreed management actions from the previous year.
195. The committee was pleased to note that the review had concluded ‘Good’ progress in implementing the agreed management actions with all actions either implemented or superseded.
196. The COO reported for assurance progress with an action from 2023-24 in relation to an audit of cybersecurity risk management explaining that there had been a delay organising a cyber breach crisis scenario exercise due to the availability of the supplier but that this had now been undertaken.

Internal Audit Annual Report and Opinion

197. The committee had received the internal audit annual report for the year ended 31 July 2025, which confirmed that the College had an adequate and effective framework for risk management, governance, internal control and economy, efficiency and effectiveness – a ‘green’ opinion.

198. E Gipson emphasised that a ‘green’ opinion was unusual in the sector amongst RSM’s clients and recognised the strength of governance, risk management and internal controls demonstrated through the reviews undertaken during the year.

199. The committee commended to the Board the assurance provided by the annual audit opinion.

Sector Reports

200. The committee had received for information RSM’s FE Emerging Issues and Risk Radar reports for information.

201. The Committee Chair requested that the CFO’s annual report on the counter-fraud strategy in Term 2 included a review of the two good practice guides published by the DfE on indicators for potential fraud and fraud awareness.

202. Referring to the sector updates, members also sought and discussed additional information from college officers about the college’s cyber insurance, implications of changes to the DfE funding rules for 2025/26 (apprenticeships), and devolution.

RISK MANAGEMENT

Risk Register

203. The committee had received and reviewed the report of the Principal on risk management, together with the strategic risk register (2025-26) dashboard, heat map and assurance report.

204. The Principal drew the committee’s attention to key points, explaining the factors informing the scoring of the risks since the previous meeting.

205. The committee sought additional information to understand the risk assessment of ST2 (property strategy) in relation to capital funding mechanisms, space capacity and condition of the estate. The Principal gave examples of the different challenges on each campus and confirmed that these would be captured in the new property strategy.

206. The committee recognised that the reduced residual risk rating of ST5 (changes to government policy) took into account publication of the Post-16 Education and Skills White Paper which enabled management to progress related planning but that there remained some key uncertainties and risks associated with new developments.

207. The committee noted that the Principal expected the risk level for FN1 (financial plan outputs) to reduce over time as commercial contracts and the outcome of the DfE funding assurance audit (PFA) were confirmed. The current level of risk was within the risk appetite for financial risks.

208. The committee reviewed the latest iteration of the Strategic Risk Register, noting the updates to controls since the last meeting, and was satisfied to report to the Board that the risks continued to be understood and actively managed.

Risk Deep Dive – Education Regulatory Compliance & Quality Marks

209. The committee reviewed a presentation from the Principal and Director of Learning & Quality on risk in relation to risk CM1 (education regulatory compliance and quality accreditations).

210. The deep dive covered recent external assurance and accreditation achieved by the college, the emerging challenges presented by the Office for Students consultation on the future of HE

quality regulation and the Teaching Excellence Framework, and the controls being put in place to respond to the new Ofsted FE inspection toolkit.

211. The committee welcomed the evidence of the FE improvement priorities being implemented in 2025/26, noting the role of the Quality & Standards and Curriculum, Skills & Stakeholders committees in monitoring related performance.

Risk Deep Dive – Cybersecurity & Business Disruption

212. The Head of IT Services gave a presentation to the committee in relation to risks OP2 (business disruption) and OP5 (cybersecurity), providing a recap of the college's key cyber security and recovery mechanisms, the new actions implemented for 2025-26 and an overview of the recent cyber breach incident response workshop run by Jisc for college management and the IT team.
213. The presentation included recorded video feedback from Jisc which praised the preparedness and response of those participating in the simulated cyber breach exercise. The COO also gave examples of some of the more detailed findings from the exercise for the committee's assurance, confirming that Jisc had recognised the knowledge of the IT team and the extent of cyber security systems in place.
214. Asked whether an intentional real breach exercise would offer further benefits, the Head of IT Services explained that Jisc had built a simulation based on the college's infrastructure so the experience was similar. In addition, the college had experience from actual contained breaches.
215. The Head of IT Services also confirmed that Jisc undertook annual penetration testing (in line with Cyber Essentials requirements) and summarised the activities planned next to continue to develop the college's cyber defence strategy.
216. The Committee Chair thanked the Head of IT Services for his presentation and noted the assurance provided of continuing commitment to mitigating the cyber security risk.

EXTERNAL ASSURANCE

Funding Assurance

217. The COO provided a verbal update on the DfE assurance review (PFA) for the 2024/25 funding year which had commenced in August, conducted by auditors Mazars, and was due to report shortly.
218. The COO outlined the issues which had been identified by the auditors around the approach to reconciliation of free school meals funding and around bursary funds for student transport in cases where students withdrew where college management considered the interpretation in each case was unreasonable given the time tabling and student transport operations of a land-based college. A further issue had also been identified around checks the DfE wanted in relation to right of residency which might require the college to revert to in-person enrolment.
219. The COO reported that the expected clawback risk from the audit at this point was c£6k which E Gipson confirmed would be a positive outcome compared to audits across the sector.

Financial Health

220. The committee had received and noted for assurance the letter from the DfE to the Principal of 4 November 2025, confirming the College's financial health grade for both the 2024-25 outturn forecast and the 2025/26 budget year as Good following review of the College Financial Forecasting Return.

COUNTER FRAUD

221. 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.

COMMITTEE ANNUAL REPORT

222. The committee had received from the HCG the draft annual report of the committee to the Board and Accounting Officer, together with the committee's annual business plan.

223. The committee noted that the report complied with the requirements of the DfE College Financial Handbook (CFH) and would be received by the Board before the statement of corporate governance and internal control was signed.

224. The committee reviewed the draft report and requested that a reference to the DfE assurance audit which was currently underway be added to the section on data quality.

225. In relation to the committee's annual business plan, a member suggested that the selection of subjects for risk deep dives be shared with the Board in advance. The committee endorsed the value of this when timing allowed but noted that the committee needed to retain flexibility to respond to in-year developments and that the agreement of the Committee Chair was sought to the proposed deep dives at the point that the meeting agenda was being finalised.

226. **Resolved** – that:

- a) the annual report of the committee be amended as agreed and submitted to the Board of Governors
- b) the committee's annual business plan be approved.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

227. The Committee Chair sought the opinions of members of the SLT present on the activities of the internal and external auditors.

228. The CFO confirmed that he was satisfied with Buzzacott's approach to audit activity, although the team would be feeding back some suggestions to enhance the way in which Buzzacott's new digital information exchange portal could be used in future audits.

229. The COO confirmed that RSM had offered constructive support with funding rule matters arising during the DfE funding assurance audit (PFA).

230. The committee noted that the feedback from college officers aligned with the views of the auditors and there were no concerns requiring the committee's consideration.

Internal Audit Service

231. The committee had received and reviewed the report of the CFO and HCG to consider options available for the future internal audit service, noting that RSM had been reappointed from August 2021 on a 5 year agreement with the option of a two-year extension.

232. The committee noted the requirements for obtaining assurances concerning internal control and risk set out the DfE College Financial Handbook and that, following an assessment of options and consultation with the Principal (as Accounting Officer), the CFO recommended seeking to agree a two-year extension.
233. The CFO also confirmed that, although there was no regulatory requirement to retender, his intention at this point would be to recommend a retender in two years as good practice.
234. The committee considered and supported the reasons identified by the CFO in the report for seeking a two year extension and agreed that the CFO should seek to negotiate reasonable terms to ensure continuing value for money for the college, recognising that the final cost would be dependent on the number of audit days decided when each annual internal audit programme was confirmed.
235. **Resolved** – that the Board be recommended to approve a two-year extension of the agreement for RSM to provide internal audit services subject to the CFO agreeing satisfactory terms with RSM.
236. Confidential matters were recorded separately.
237. The meeting closed at 12.30.

Approved: Audit Committee meeting 11 March 2026