SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE
held on 11 March 2026 at 09:30
at the Sparsholt Campus

[1]**PRESENT**	G Davies (E) (Chair); R Sharpe (C) (from minute 4); N Wall (E); C Whatley (C)
In attendance:	M Cheetham, RSM (to minute 48) S Grant, Chief Operating Officer (COO) (from minute 3) S Hermiston, Data Protection Officer (minutes 50 to 54) N Heslop, Chief Financial Officer (CFO) (from minute 3) L Lloyd, Governor D Mernagh, Vice Principal & Dean of HE (minutes 3 to 28) J Milburn, Principal (from minute 3) M Treagust, Vice Principal (Sparsholt) (minutes 3 to 28) S Willson, Head of Corporate Governance (HCG)

MEETING WITH AUDITORS IN THE ABSENCE OF COLLEGE OFFICERS

1. The Chair invited M Cheetham (RSM) to comment on the internal auditors' experience of working with college management.

2. M Cheetham confirmed that no issues had arisen from the most recent audit activity and assured the committee that the auditors would notify the Committee Chair should any significant concerns emerge. M Cheetham further confirmed that the working relationship with management remained constructive, open and professional.

ATTENDANCE & APOLOGIES

3. The Chair welcomed L Lloyd to the meeting, noting that the Board had appointed L Lloyd to join the committee when C McCormack completed his term of office.

4. Apologies were received from C McCormack.

DECLARATION OF INTERESTS

5. No interests were declared in relation to items on the agenda.

6. The College Group Register of Interests records that C Whatley is Head of Finance and Revenues at Test Valley Borough Council, with which the college has financial transactions, including the lease of the Portway Stadium.

MINUTES

7. **Resolved** – that the minutes (Parts 1 and 2) of the meeting held on 20 November 2025 be confirmed as a correct record.

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

8. Ofsted – (160/25): The committee noted that the report of the Ofsted Residential Inspection in October 2025 had been published, confirming 'Outstanding' judgements in all three areas. The committee recorded its congratulations to all staff teams involved.

9. The Principal informed the committee that Ofsted was undertaking an inspection of the college's Initial Teacher Education (ITE) provision during 9-12 March 2026.

10. Property Strategy Funding (173/25): The committee received an update on recently announced capital funding opportunities - the DfE condition allocation funding mechanism, an opportunity to submit a capital grant bid to the Office for Students to support defence-related skills provision at Level 4 and above, and the new DfE post-16 and construction skills capacity funding (2026-2030).

11. Counter Fraud (201/25): The CFO confirmed that the Counter Fraud report and Counter Fraud Policy presented at the meeting had been informed by DfE guidance.

12. Risk Management (206/25): The Principal highlighted emerging challenges linked to risk ST5 (changes to government policy), including the low 16-18 funding rate rise announced for 2026-27, and confirmation of qualification reforms requiring the college to submit a strategic transition planning statement to the DfE by mid-June 2026.

13. In response to members' questions on whether qualification defunding might disadvantage existing learners, the Vice Principal (Andover) assured the committee that the college planned appropriately and that no learner would be disadvantaged. However, the reforms required further curriculum review and transition work by staff and could present a number of challenges for colleges.

14. Cybersecurity (215/25): The committee received an update on cybersecurity activity, including a simulated breach exercise to be undertaken shortly with college managers and confirmation that a further penetration test had been completed, with one minor issue identified and subsequently remedied. The Committee Chair emphasises the importance of the committee's continued oversight of cybersecurity given the continued risk to all organisations.

15. Funding Assurance (217/25): The Principal confirmed the positive outcome of the DfE PFA funding assurance review for 2024/25 which had identified total funding errors of £6,781, over half of which the college had already identified and repaid through its own internal review. The COO also updated the committee on the discussions with the DfE regarding free school meal policy, confirming that a revised process had been implemented to ensure compliance with clarified requirements.

16. In response to members' questions, M Cheetham confirmed that the outcome was highly positive compared with significant clawbacks seen elsewhere in the sector and explained common factors contributing to funding claim errors.

17. The committee recognised the importance of robust learner data management arrangements and commended the outcome of the audit, thanking the teams involved. The committee requested circulation of the full DfE report to members for information.

18. Internal Audit Service (235/25): The CFO confirmed that the Board had approved a two-year extension of the college's internal audit contract with RSM and that satisfactory contract terms had been agreed.

19. The committee noted that all previous resolutions had been implemented and that there were no further matters arising not covered elsewhere on the agenda.

INTERNAL AUDIT

Internal Audit – Education Trips

20. The committee reviewed the internal audit report (1.25/26) on Education Trips which examined whether management of UK based overnight stays and overseas visits complied with the college's policies and procedures. The audit opinion provided Reasonable Assurance, identifying five low-priority actions.

21. M Cheetham confirmed that the issues related to procedural compliance rather than concerns about the trips themselves.

22. The Vice Principal (Andover) provided assurance that the correct authorisations had taken place, although the forms had not always fully recorded this. Updated forms had since been approved by the Wellbeing Committee and all actions were complete.

23. The committee noted the assurance provided.

Internal Audit – CMA Compliance

24. The committee reviewed the internal audit report (2.25/26) on compliance with Competition and Markets Authority (CMA) consumer protection requirements applicable to HE students. The audit opinion provided Reasonable Assurance, identifying one medium and two low-priority actions.

25. M Cheetham highlighted that the CMA requirements were very prescriptive and the recommendations were administrative in nature. No significant concerns had arisen.

26. The COO provided further context on the medium-priority action relating to course information, explaining that the existing information on the website was accurate but that the auditors recommended it should be made more visible.

27. The Vice Principal & Dean of HE reported that most action points were already complete and all would be implemented by 31 March 2026.

28. The committee noted the assurance provided.

Internal Audit Progress report

29. The committee received RSM's progress report on the 2025-26 internal audit plan, noting that work was on track for completion and would inform the annual internal audit opinion.

RISK MANAGEMENT

Sector Deep Dive

30. M Cheetham presented RSM's FE-Sparsholt College Group Benchmarking report and Common Issues from Funding Assurance Reviews report.

31. In reviewing the benchmarking data, the committee recognised the value of selecting internal audit areas where additional assurance and improvement would benefit the college, as well as those where compliance failings could result in significant penalties. M Cheetham noted that, given this approach, it would be expected that not all audits would result in a Substantial Assurance audit opinion.

32. The committee also discussed with M Cheetham the common issues identified across the sector in funding audits and sought information from management on the internal processes for managing the ILR (Individual Learner Record). The COO summarised the key data processes

and the range of controls in place. M Cheetham highlighted the importance of the knowledge and capability of staff responsible for managing the process.

33. At the Committee Chair's invitation, M Cheetham provided wider reflections on risk management in the FE sector, highlighting several key themes – longstanding risks largely outside of colleges' control (such as central government policy changes), examples of governance failings observed elsewhere in the sector, and new and emerging risks (such as the far-reaching impact of AI and external geopolitical factors influencing economic stability).

34. The committee thanked M Cheetham for his observations, noting that many of the risks identified were common to the wider public sector. Members discussed how the auditors' insights, alongside the college's risk register and broader horizon-scanning activity inform the development and prioritisation of the internal audit plan.

35. The committee noted M Cheetham's forthcoming retirement and recorded its appreciation for the significant expertise and sector knowledge he had contributed through his various roles supporting the college.

<u>Risk Register</u>

36. The committee reviewed the report of the Principal on risk management, together with the strategic risk register (2025-26) dashboard, heat map and assurance report. The report also referred to the November 2025 letter from the Office for Students (OfS) Chair to governing bodies highlighting five emerging areas of sector-wide concern for HE providers.

37. The Principal reported key developments, including in relation to:

    - Risk ST2 (property strategy) - capital funding opportunities and confirmation that the college's bid to Hampshire County Council for LEP legacy reserves to support installation of a mezzanine in the Andover construction centre had progressed to the approval stage.
    - Risk ST5 (government policy) – the risk created by the low increase in the DfE 16-18 funding rate for 2026-27, noting the potential implications for affordability of the next staff pay review.

38. Members raised several questions regarding risk OP3 (recruitment and growth targets), seeking assurance on the impact of current A Level and HE recruitment performance. The Principal summarised mitigating actions being taken and assured the committee that, although A Level applications were at risk of not meeting targets, overall, FE applications were higher year-on-year and included growth in areas with higher funding rates. In relation to HE, the Principal confirmed mitigating actions were being taken in the context of both a trend towards late applications and sector-wide recruitment challenges.

39. The committee noted that Risk OP3 was the only risk on the strategic risk register which was outside of the Board's approved risk appetite levels and endorsed the action being taken to apply additional controls.

40. The committee noted that one of the Key Risk Indicators for risk ST6 (response to climate change) had been triggered due to constraints on achieving the college's net zero targets for scope 1 and 2 emissions by 2030. This reflected the impact of increased student and staff numbers and the lack of access to funding to invest in additional green energy routes for heating. The Principal confirmed there was no statutory requirement or associated penalty for not achieving the target, but the college had made a voluntary commitment and continued to explore solutions.

41. The committee noted the assurance on the relevance of the areas of HE sector-wide concerns raised by the OfS and how these were being managed by the college.

42. A member raised the importance of effective governance and management of AI. An overview of AI risk management had been presented to the committee in June 2025 and it was planned to further review the governance structures for AI and report to the committee in due course.

43. The committee was satisfied to report to the Board that the strategic risks to the college continued to be understood and actively managed.

INSURANCE

44. The committee reviewed the report of the CFO and Procurement & Insurance Officer which provided confirmation of current insurance arrangements and a summary of claims made across the College Group to highlight any areas of potential liability risks.

45. The committee noted that the college continued to maintain comprehensive insurance cover that met the DfE's minimum requirements and extended to all three subsidiary companies. The CFO confirmed that Directors & Officers Liability Insurance cover had been increased from £3m to £5m pa in aggregate with effect from 1 August 2025.

46. A member reported an example from another sector involving significant financial loss caused by AI-enabled phishing activity and explained related implications as to whether this type of loss was covered by cyber or criminal loss insurance. The CFO provided assurance regarding the strong financial controls in place for bank payments and transfers, which mitigated the likelihood of a successful phishing attempt, and undertook to seek advice from the college's insurance brokers on the policy questions raised.

47. The committee noted that the level of claims remained consistent with the size and nature of the college's operations.

48. In response to a member's question about an employer's liability claim, the Principal confirmed that, although aspects of the incident remained disputed, relevant health and safety processes had been reviewed and additional controls implemented.

49. The committee was satisfied to confirm to the Board that the college continues to hold a reasonably good insurance claim record and maintain appropriate and compliant insurance coverage.

DATA PROTECTION

50. The committee received the Data Protection Officer's (DPO's) review of the Data Protection Policy and considered the proposed policy amendments.

51. The committee noted that the policy had been updated to incorporate requirements regarding additional safeguards relating to the use of AI with personal data, reflecting the growing importance of this area.

52. In response to members' questions, the DPO provided further assurance that the policy was fit for purpose:

    - How could the DPO be confident that the policy reflected good practice in an evolving AI environment? The DPO assured the committee that he followed the latest advice of the Information Commissioner's Office (ICO).

- Was the use of the terminology ‘personal data’ and ‘personal information’ accurate and consistent? The DPO agreed to review and clarify this prior to the policy being presented to the Board.
- How were Subject Access Requests managed? The DPO confirmed, given the college’s scale and the number of requests, requests were managed through effective close working with relevant colleagues to identify relevant information and make disclosure decisions.

53. The committee noted that the Board of Governors annually reviewed a comprehensive report on data protection compliance, data requests and any breaches.

54. **Resolved** – to recommend that the Board approve the updated Data Protection Policy, subject to clarification of terminology.

COUNTER FRAUD & WHISTLEBLOWING

Counter Fraud

55. The committee received and reviewed the CFO’s annual Counter Fraud report, including the fraud register, fraud risk register, gifts and hospitality register, and the proposed new Counter Fraud Policy.

56. The CFO confirmed there were no known matters of potential or actual fraud and emphasised the college’s commitment to maintaining a strong counter fraud culture. The updated policy had been retitled and revised to reflect DfE expectations and the requirements of the Economic Crime & Corporate Transparency Act 2023, including references to digital, cyber and AI-enabled fraud.

57. **Resolved** – to recommend that the Board approve the Counter Fraud Policy.

58. The committee was assured by the evidence of counter fraud management and there were no issues of concern arising from the report.

Whistleblowing

59. The committee received and reviewed the annual whistleblowing report from the Principal and HCG, together with proposed updates to the Whistleblowing (Duty to Act) Policy.

60. The committee noted the single disclosure raised in the previous 12 months which related to health and safety concerns by a former agency worker. These had been investigated and confirmed to be unfounded.

61. The updated policy reflected new legal protections for disclosures relating to sexual harassment taking effect from 6 April 2026 and added modern slavery to the examples of criminal offences to support the college’s risk mitigation responsibilities.

62. Members discussed whether the policy wording in relation to the list of qualifying disclosures might inadvertently narrow the scope of concerns staff felt encouraged to raise. The HCG agreed to review the drafting to ensure the policy both preserved statutory whistleblowing protections and supported a broader speak-up culture.

63. **Resolved** – to recommend that the Board approve the updated Whistleblowing (Duty to Act) Policy, including further amendments to encourage staff to speak out about wrongdoing more generally.

GOVERNANCE

64. The committee received the HCG's report providing supporting information for the annual review of the committee's performance and its terms of reference.

65. The committee noted and confirmed the evidence of:

- Strong compliance with its terms of reference and regulatory requirements
- High levels of attendance and engagement
- Effective interactions with both the internal and external auditors, including the provision of private sessions
- Effective oversight of the internal audit plan and follow-up recommendations
- A clear focus on risk, supported by regular review of the strategic risk register.

66. The HCG also presented the results of the surveys completed by committee members and the Principal, COO and CFO. The findings were consistent with the wider findings of the committee's effective operation.

67. Members discussed with the Principal, COO and CFO whether the committee continued to maintain an appropriate distinction between governance oversight and operational management of audit and risk. It was recognised that the roles and responsibilities were understood and that an appropriate balance was generally achieved, acknowledging that the boundary was not always definitive and required ongoing awareness.

68. The co-opted members confirmed that they were satisfied with the level of contextual information provided outside of meetings, noting that this supported their ability to maintain independent oversight. The HCG agreed to consider a request for guidance to assist members in navigating committee papers when preparing for meetings.

69. The committee noted that there were no new external requirements necessitating changes to the terms of reference; however, some minor rewording was proposed to improve clarity and readability.

70. The committee was satisfied to report to the Board that it continued to undertake its responsibilities effectively and in accordance with its terms of reference, statutory requirements and sector best practice.

71. **Resolved** – to recommend that the Board approve the amended Audit Committee terms of reference.

MEETING WITH COLLEGE OFFICERS IN THE ABSENCE OF AUDITORS

72. The committee reviewed the annual report of the CFO and HCG on the performance of the internal and external auditors, informed by regulatory requirements and relevant sector guidance.

73. The committee noted that:

- Financial year 2024/25 was the first year of a new five-year contract with Buzzacott for external audit, awarded following competitive retender. The CFO reported no concerns with Buzzacott's performance - audit activity, independence, communication and sector expertise were all of a high quality.

- RSM's internal audit contract had been extended to July 2028 and a new audit partner would be in place from April 2026. RSM continued to perform strongly overall, delivering robust, technically sound audit work.

74. Although there was no regulatory limit on the maximum duration of an internal auditor contract, the committee agreed that a thorough review of options would be required ahead of the end of the current contract as a matter of good practice.

75. **Resolved** – to recommend to the Board that:

    a) The external audit arrangements continued to be adequate and effective, and the appointment of Buzzacott for the accounting period ending 31 July 2026 be reconfirmed.

    b) The internal audit arrangements continued to be adequate and effective, and that the appointment of RSM for 1 August 2026 to 31 July 2027 be reconfirmed.

76. The meeting closed at 12.30.

Approved by the Audit Committee meeting 11 June 2026