

i For information



Leading learning and skills

Supplement A to the Regularity Audit Framework: College Self- assessment and Information to Support Regularity Audit

2006

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College Self-assessment and Information to Support Regularity Audit

Summary

- 1 The Learning and Skills Council (LSC) funds further education (FE) colleges through a Financial Memorandum. The Financial Memorandum requires colleges to make audit arrangements in accordance with the LSC's *Audit Code of Practice* (LSC, 2004; published as Supplement A to Circular 04/07) (the Code). The Code has been revised for the funding year 2004/05 and issued as LSC Circular 04/07 (see Appendix to Annex A of this Supplement for bibliographic references).
- 2 Under the Code, for 2004/05 onwards the LSC has removed its requirement that most colleges are subject to an annual funding audit. The LSC is however requiring all colleges to appoint their financial statements auditors to give a revised opinion to the LSC and to colleges on the regularity of colleges' expenditure. This framework sets out the LSC's expectations of colleges and their financial statements auditors, acting as regularity auditors, in giving this regularity opinion.
- 3 The framework is in two parts:
 - a regularity self-assessment and information summary to be completed by colleges
 - a regularity audit programme guide recommended by the LSC for the use of regularity auditors in giving their opinion. The programme guide is issued as Supplement B to this framework.
- 4 The self-assessment is at Annex A to this Supplement, and the information summary is at Annex B. These documents are purely for the use of the college and its auditors, and do not need to be submitted to the LSC.
- 5 The LSC expects regularity auditors to use their professional judgement in giving their regularity opinion. Regularity auditors will need to decide for themselves whether the areas covered in the self-assessment, the college's responses to the self-assessment and the information the college presents are sufficient. Where the regularity auditor concludes that the information and responses are insufficient, he or she will need to obtain additional evidence as he or she considers necessary.

The Regularity Self-assessment

- 6 The college regularity self-assessment at Annex A sets out the evidence, documentation and information the LSC considers that colleges should give the regularity auditors for them to be able to do their work. Much of this information is already provided to financial statements auditors as part of the financial statements audit. Much of this information may also be helpful to colleges' internal audit services.

If colleges have this information available, review it regularly and keep it up to date, it will significantly reduce the amount of work the regularity auditor has to do and hence keep disruption to the college to a minimum. The self-

assessment, once completed, should be relatively easy for the college to update for subsequent audits.

- 7 The self-assessment at Annex A is based upon the areas covered, and information requested, by one of the leading current providers of financial statements and regularity audit to colleges. The LSC has made minimal additions to this existing approach. The LSC believes that colleges should not have to do much extra work to complete this self-assessment on top of the work they have previously done to support financial statements and regularity audits in 2003/04 and earlier years. Whether more work is needed will of course depend on the scope and extent of the college's previous financial statements and regularity audit.
- 8 The college should complete/update its regularity self-assessment in time for the regularity auditors to do their work. The principal should confirm the completed self-assessment. The LSC recommends that the corporation, on the advice of the college's audit committee, should review the self-assessment. Owing to time constraints, this may be done retrospectively rather than in advance of the document's being passed to the auditors.
- 9 The college self-assessment contains the following columns.
 - **Column 2** identifies an area of interest in regularity or propriety.
 - **Column 3** refers to statute, LSC requirements or good practice for each question. The Appendix to Annex A gives references.
 - **Column 4** asks specific questions and/or seeks information.
 - **Column 5** is for the college's response. A Yes or No answer will be enough for many questions, together with a reference to the documentation that the college is presenting to support its response.
 - **Column 6** suggests evidence that the college may want to present to the regularity auditor to support the college's responses. Colleges are free to submit other evidence as they feel appropriate for the regularity auditor to review.

Abbreviations used in the self-assessment are explained at Annex C.

Annex A: Learning and Skills Council: College Regularity Self-assessment

College:

I confirm that the answers included in this self-assessment are correct to the best of my knowledge and belief.

Signed

.....
Principal Date

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
	General activities				
1	All activities (and transactions) within the power of the college	Principal powers contained within s18 F&HE Act 1992 and supplementary powers within s19	<ul style="list-style-type: none"> Does the college periodically review the profile of its activities to ensure they are within its powers? Is the college satisfied in monitoring the financial performance of any non-core (teaching and learning) activities that they are not being materially subsidised from public funding? 		Provide: <ul style="list-style-type: none"> management accounts Board minutes considering such a review.
2	College must have effective governance and management arrangements over its investments (subsidiaries, associates, joint ventures, trusts and foundations)	Circular 99/14 and, in the case of activities carried out through subsidiary companies, Circular 02/12. FEFC and NAO (May 2000).	<ul style="list-style-type: none"> Has the college established appropriate arrangements for each subsidiary and/or associate and/or joint venture to enable governors to discharge their accountability responsibilities which include: <ul style="list-style-type: none"> appropriate representation by governors on the boards (please give names) arrangements for regular reporting of performance to the corporation a clear memorandum of understanding in place coverage of activities within the internal audit plan? 		Provide: <ul style="list-style-type: none"> details of each subsidiary and/or associate and/or joint venture holding copies of the latest management accounts for the company and a copy of the memorandum of understanding between the college and the company details of directors and/or other officers of subsidiary and/or associate and/or joint venture and their relationship to the college.

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
3	College cannot acquire shares or securities in company to run the college through it nor to provide education funded wholly or partly by LSC funds without prior consent	Circular 02/12 and L&S Act 2000	<ul style="list-style-type: none"> Do any of the college companies or joint ventures provide education funded by the LSC? If so, has the college obtained consent from the LSC under Circular 02/12? 		Provide: <ul style="list-style-type: none"> copy of any consent letters.
Financial Memorandum					
4	College has clear policy of payment to governors and does not provide remuneration	DfES (2001) <i>Guidance to Statutory Instrument and Articles</i> and charity law requirements (See Charity Commission (2003, 2004)	<ul style="list-style-type: none"> Does the college have a clear policy on the payment of governors? Have any payments been made in the year? If yes, provide details. 		Provide: <ul style="list-style-type: none"> copy of policy details of any payments in the period.
5	Compliance with consent requirements over secured and unsecured borrowing limits and leasing of freehold and leasehold land and buildings	Section 19(4)(c) and 19(5) F&HE Act 1992, paras 27-30 Circular 99/48 <i>Financial Memorandum</i> and paras 8-11 of explanatory notes appended to Circular 99/48	<ul style="list-style-type: none"> Has the college or does the college plan in the current year to enter into new borrowing or leasing of land and buildings? Please provide details. Is LSC consent required under the Financial Memorandum? If yes, provide a copy of the consent letter where received. 		Provide: <ul style="list-style-type: none"> details of borrowings and/or leasing arrangement (amount, timescales and so on) copy of consent letter(s).
6	Requirement for the corporation to be regularly informed of financial position	Para. 10 Circular 99/48 <i>Financial Memorandum</i>	<ul style="list-style-type: none"> Does the corporation receive written reports on the college's financial position at least once each term? 		Provide: <ul style="list-style-type: none"> corporation meeting minutes for review.

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
7	Obtain LSC consent for land and building transactions where total cost exceeds lower of £1m or 5% annual revenue	Specific power to acquire and dispose of property contained in s19 (4)(a) F&HE Act 1992, consent requirements contained in para. 24 Circular 99/48 <i>Financial Memorandum</i> and paras 12-13 of explanatory notes to the Circular 99/48 <i>Financial Memorandum</i>	<ul style="list-style-type: none"> • Has the college or does the college plan in the current year to purchase or sell any land and/or buildings? If yes, please provide details. • Is LSC consent required under the Financial Memorandum? If yes, provide a copy of the consent letter(s) where received. 		Provide: <ul style="list-style-type: none"> • details of capital transactions (amount, timescales and so on). • copy of consent letter(s).
8	Operating within investment powers	Specific power of investment contained in s19(4)(d) F&HE Act 1992, must be exercised in accordance with the Trustee Act 2000	<ul style="list-style-type: none"> • Does the treasury management policy, financial regulations or financial procedures state the type of investments that the college can make and do these comply with the requirements of the Trustee Act 2000? If yes, please provide a copy of the relevant document. 		Provide: <ul style="list-style-type: none"> • financial regulations, financial procedures and treasury management policy.
9	Restrictions on redundancy and/or severance payments to staff	Paras 1-7 of explanatory notes to Circular 99/48 <i>Financial Memorandum</i> . For staff eligible to join TPS or LGPS, Teachers Pension Scheme Regulations 1997 as amended 2001; Teachers (Compensation for Redundancy and Premature Retirement) Regulations 1997, and local government equivalent	<ul style="list-style-type: none"> • Has the college made or does it plan to make redundancy or severance payments during the year? If yes, please provide details of the policy and copies of any corporation meeting minutes (or equivalent) approving the policy (and any subsequent payments). • Has the college taken legal advice? If yes, please provide copies of the advice. • If pension enhancements are being provided, please provide details of arrangements with each pension fund and amounts to be paid (including notifications from the relevant schemes). 		Provide: <ul style="list-style-type: none"> • copy of severance policy, details of payments made, extracts of corporation meeting minutes approvals • copies of legal advice • details of pension enhancements, including arrangements and amounts.

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
10	Consent to retain or repay exchequer funding attached to disposed assets	Para. 24 Circular 99/48 <i>Financial Memorandum</i>	<ul style="list-style-type: none"> • Has the college disposed, or is the college intending to dispose, of any exchequer-funded assets? If yes, please provide details of how the funds have been or will be used. • Has LSC consent been obtained for the use of the receipts? 		Provide: <ul style="list-style-type: none"> • supporting documentation for sales receipts and use of receipts • evidence of LSC approval for any use of receipts.
11	Monitoring subsequent investment of sales proceeds in accordance with agreement with LSC	Para. 25 Circular 99/48 <i>Financial Memorandum</i>	<ul style="list-style-type: none"> • Is the college still in the process of spending capital proceeds from earlier years in accordance with previous LSC consents? If yes, provide details of progress on spend. • Provide details of any further proceeds or expected proceeds in the current year that will also have restrictions over subsequent use. 		Provide: <ul style="list-style-type: none"> • schedule of brought-forward unspent proceeds and spend against them in year to date. (The opening position should agree to disclosure in prior year's financial statements) • details of additional proceeds in the current year and copies of relevant LSC correspondence setting out and/or agreeing how monies should be spent.
12	Notify LSC of any significant deterioration in financial position	Para. 33 Circular 99/48 <i>Financial Memorandum</i> , and para. 17 of Appendix to Circular 99/48	<ul style="list-style-type: none"> • Has the college notified the LSC of any significant deterioration in financial position (for example if the college forecasts it will exceed its overdraft limits in the next 12 months or become reliant on LSC or other third-party support to continue trading)? 		Provide: <ul style="list-style-type: none"> • copy of correspondence with LSC.

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
13	College or auditors should report significant cases of fraud or irregularity to the LSC (serious weaknesses, significant frauds, major accounting or other breakdowns, frauds over £10,000 where complex and/or in public interest)	Para. 41 Circular 99/48 <i>Financial Memorandum</i> ; paras 97-101 <i>Audit Code of Practice</i> (LSC, 2004); ISA 240 <i>The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements</i>	<ul style="list-style-type: none"> Does the college have a fraud policy? Has the college formally considered those areas of its activities that are most susceptible to fraud and/or irregularity (for example, areas of cash collection, purchasing, debtors (raising invoices and collecting payment), cheque payments, portable asset security and so on) and reviewed the adequacy of preventative and/or detection controls? Has the college become aware of any actual and/or potential fraud and/or irregularities during the period since the last self-assessment? If yes, please provide details together with reports to governors and the LSC as appropriate. 		Provide: <ul style="list-style-type: none"> copy of fraud policy formal assessment of areas susceptible to fraud copy of reports on fraud to governors and LSC.
14	Appointing, grading, suspending, dismissing and determining pay of principal and senior post-holders (including severance payments and any changes to contractual terms)	Para. 10 Circular 99/48 <i>Financial Memorandum</i> ; paras 1-7 of Appendix to Circular 03/08; PAC (1998) report on Swansea Institute re inappropriate contractual terms (pension rights, notice periods)	<ul style="list-style-type: none"> Has the corporation determined who are the senior post-holders (provide details)? Is there a framework for the appraisal, appointment, suspension, dismissal and pay and conditions of service of senior post-holders that includes receiving advice from the audit committee? If there is no remuneration committee, what alternative framework is in place? What pay awards and severance arrangements are agreed or planned in the current year? Do the arrangements for determining remuneration include clear criteria (for example, the results of appraisal and benchmark data) against which to consider remuneration? If so, what are they? 		Provide: <ul style="list-style-type: none"> remuneration committee minutes and papers and other evidence to support the areas identified where severance payments are being made to senior post-holders, copies of appropriate legal advice, correspondence with the relevant pension scheme compromise agreements, reports to support the level of severance being paid, details of any changes that have been made to the individual(s)' contracts of employments in the previous 12 months (for example notice periods).

	Area	Source ref.	Questions	College response	Supporting evidence (suggested in brackets)
15	College not to give any guarantees, letters of comfort or indemnities incurring contingent liabilities other than in the normal course of commercial business dealings	Para. 39 Circular 99/48 <i>Financial Memorandum</i>	<ul style="list-style-type: none"> Has the college given any guarantees, letters of comfort or indemnities incurring contingent liabilities? Please provide details. 		Provide: <ul style="list-style-type: none"> details of guarantees, letters of comfort or indemnities incurring contingent liabilities.
16	Complying with any specific requirements laid down by the LSC in Part B of the Financial Memorandum	Part B of Financial Memorandum (annual funding agreement)	<ul style="list-style-type: none"> Are there any specific restrictions over college activities set out within Part B of the Financial Memorandum with the college for the year? Please provide details and set out how the college is ensuring compliance with such terms. 		Provide: <ul style="list-style-type: none"> Part B of the Financial Memorandum evidence to show compliance with specific terms.
17	Restrictions on governors holding interests in matters relating to the college and that college must maintain a register of governors' interests	DfES (2001) <i>Guidance to Instrument and Articles</i> and Charity Commission (2003, 2004) on law requirements; also gives advice to Trustees who wish to enter into contracts to supply good and services to public bodies)	<ul style="list-style-type: none"> Please describe the process for updating the register of governors' interests and provide a copy of example returns and guidance issued to the governors. Do all committee agendas contain, as a standing item, disclosure of potential conflicts of interest and are any disclosures recorded within the minutes? 		Provide: <ul style="list-style-type: none"> register of governors' interests for review at interim and final visits copy of guidance sent to governors and example return form.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
	LSC (other funding)				
18	Compliance with terms and condition of discrete revenue funding: LSC learner support funds (LSF)	<i>Funding Guidance for Further Education in 2004/05</i> (LSC, 2004)	<ul style="list-style-type: none"> • Does the college have approved LSF policy and procedures operating during the year? • Do the policy and procedure comply with the terms and conditions for the application of such funds as set out in Circular 99/48? • Describe how the college monitors expenditure of LSF. • Does the college utilise LSF against any specific college-run service (for example transport)? If yes, please provide details. • Has the college completed and returned the LSF return to the LSC and reconciled the payments to individual claim forms (year-end only)? 		Provide: <ul style="list-style-type: none"> • LSF policy and procedures • details of how the college monitors LSF expenditure • copy of example claim form signed by learner • evidence of approval of LSF policy by governors • Details of any allocation of funds to a college service (for example transport) • Summary of spend to date (interim) and year-end monitoring form(s) to LSC (year-end) and access to supporting claims (interim and final).
19	Compliance with terms and conditions of discrete revenue funding (LSC FE childcare places)	Circular 01/12 Reference to be updated when current guidance obtained	<ul style="list-style-type: none"> • Does the college have any FE childcare funding? If yes, please provide copy of bid and funding letter from local LSC. • Have there been any problems with the project? If yes, please provide a copy of any correspondence with the LSC about this. • Has the project been revised? If yes, please provide evidence of governor approval and agreement by the LSC. 		Provide: <ul style="list-style-type: none"> • copy of bid and funding letter from local LSC • copies of correspondence with the LSC • evidence of governor approval and agreement by the LSC for project revisions.
20	Compliance with terms and conditions of LSC discrete capital grant funding: FE capital buildings (including disability access); ILT funding	Circular 03/05	<ul style="list-style-type: none"> • Does the college have any discrete LSC capital grant funding in the year? If yes, please provide copies of project application and offer letter, and recent correspondence with grant provider (including returns). • Please provide evidence of project approval by governors. 		Provide: <ul style="list-style-type: none"> • copies of grant application or offer letter, and recent reports to grant provider.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
21	Compliance with terms and conditions of discrete grant funding: CoVE (capital and revenue)	Circular 03/05	<ul style="list-style-type: none"> Does the college have any CoVE capital funding? If yes please provide CoVE development plan updated for actual expenditure incurred against the plan. Have financial returns with supporting invoices been returned to the LSC within agreed deadlines? Has the LSC raised any concerns over the returns or the grant in general? Provide latest LSC correspondence in connection with the project. 		Provide: <ul style="list-style-type: none"> CoVE development plan, updated for actual expenditure incurred against the plan latest expenditure report submitted to the LSC and latest LSC correspondence
22	Compliance with terms and conditions of other discrete revenue LSC funding (for example increased flexibility for 14-16 year olds, LID funding (Transforming local delivery, Better teaching and learning, golden hellos, WBL, ESF co-financing, E2E, workforce development, youth, ethnic minority student achievement grant, LIF funding, learning partnerships)	not applicable	<ul style="list-style-type: none"> Is the college aware of any issues in respect of its application of any of these funding streams? 		Provide: <ul style="list-style-type: none"> details of other discrete LSC funding, allocation letter, expenditure incurred, confirmation of outputs.
Non-LSC funding					
23	Compliance with terms and condition of discrete revenue funding (HEFCE teaching funding)		<ul style="list-style-type: none"> If the college has HEFCE funding, confirm that HEFCE has not raised any issues with data returns during the year. Provide a copy of correspondence from HEFCE in respect of funding in the current year (and holdback) and details of the findings if an HEIFES audit has been undertaken in the year. 		Provide: <ul style="list-style-type: none"> copies of holdback letter for the year and any other relevant correspondence.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
24	Compliance with terms and condition of discrete revenue funding (ESF traditional)	Audit requirements set out in ESF guidance issued by DWP (www.esf.gov.uk)	<ul style="list-style-type: none"> Please provide details of all traditional ESF projects, recent claims, correspondence with Government Office, internal and external auditor reports. 		Provide: <ul style="list-style-type: none"> details of all ESF projects, recent claims, correspondence with Government Office, internal and external auditor reports.
25	Compliance with terms and condition of discrete revenue funding (other grants (for example RDA), activity being funded within general teaching activity and no funding body requirement to track expenditure separately, that is, output driven)	not applicable	<ul style="list-style-type: none"> Provide details of any other revenue grant funding received during the year associated with discrete projects or to fund specified teaching and learning activities. For each funding stream in excess of 0.5% of the college's total income, please confirm that latest discussions with the funding body, returns made to funding body and correspondence with funding bodies or internal audit reviews have not revealed any issues in respect of compliance with the terms of funding or delivery of agreed outputs. Where issues have been identified, please describe actions being taken to move forward. 		Provide: <ul style="list-style-type: none"> copies of relevant grant application or offer letter recent reports to, and correspondence with, grant provider for all grants with income in excess of 0.5% of the college's total income.
26	Compliance with terms and condition of discrete revenue funding (other grants for example RDA), expenditure separately tracked and outputs monitored	not applicable	<ul style="list-style-type: none"> Provide details of any other revenue grant funding received during the year associated with discrete projects or to fund specified teaching and learning activities that are based upon returns of expenditure. For each funding stream in excess of 0.5% of the college's total income, please confirm that latest discussions with the funding body, returns made to funding body, correspondence with funding bodies or internal audit reviews have not revealed any issues in respect of compliance with the terms of funding or delivery of agreed outputs. Where issues have been identified, please describe actions being taken to move forward. 		Provide: <ul style="list-style-type: none"> copies of relevant grant application or offer letter recent reports to, and correspondence with, grant provider for all grants with income in excess of 0.5% of the college's total income.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
27	Compliance with terms and conditions of discrete non-LSC capital grant funding	not applicable	<ul style="list-style-type: none"> Does the college have any discrete non-LSC capital grant funding in the year? If yes, provide copies of grant application or offer letter where the grant funding is in excess of 0.5% of the college's total income. Have any grant funding bodies (either in current year or in respect of previous capital grant funding) reviewed progress on the projects or delivery of outputs agreed under the project, or undertaken their own assurance work in the year? If yes, please provide details of correspondence. Have any issues or concerns been raised? If yes, please provide details. 		Provide: <ul style="list-style-type: none"> list of capital grant funding in year, identifying grantor, level of grant, level of associated capital spend for funding in excess of 0.5% of the college's total income, copies of grant application or offer letter, and any recent reports to and/or from the grant provider.
Propriety					
28	Complying with terms and conditions of specific donations and/or trusts and so on	relevant trust terms	<ul style="list-style-type: none"> Does the college have any specific donations, trusts and so on? If yes, please provide terms and conditions. 		Provide: <ul style="list-style-type: none"> donation and/or trust documents.
29	Clear protocols to mitigate against corruption (in addition to register of interests) for example policies on acceptance of gifts and/or hospitality	Public Audit Forum guidance	<ul style="list-style-type: none"> Does the college have a policy for gifts and/or hospitality? If yes, please provide a copy. Does the college have a register of interests which extends to staff in relevant position of trust (for example, procurement officer, franchise contract managers and so on). Is the procurement process clearly documented in college financial regulations or financial procedures? 		Provide: <ul style="list-style-type: none"> gifts and hospitality policy.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
30	Conflicts of interest and related parties. Clear framework and monitoring of such transactions must extend to all staff in significant procurement positions (for example, liaison with partners, franchise operatives and project heads)	PAC (1994, 1999, 2000) reports; Circular 03/08	<ul style="list-style-type: none"> Does the clerk maintain a register of interests in accordance with the instrument of government, and is this register available to any person wishing to inspect it? Does it cover all key staff? 		Provide: <ul style="list-style-type: none"> register of staff interests.
31	Dealing with staff concerns openly. Clear whistle-blowing procedures and so on	PAC (1998, 1999, 2000) reports; Circular 00/25	<ul style="list-style-type: none"> Has the corporation approved a procedure for handling whistle-blowing that enables concerns to be raised confidentially inside, and, if necessary, outside, the college? Is the college aware of any ongoing whistle-blowing allegations or investigations? If yes, please provide details. 		Provide: <ul style="list-style-type: none"> whistle-blowing policy.
32	Safeguarding assets from theft and so on		<ul style="list-style-type: none"> What procedures does the college have to safeguard the assets from fire and theft (for example physical security and compliance with fire regulations)? Has the college experienced any such occurrences in the current year? If yes, please provide details. Is insurance cover regularly reviewed for adequacy in this area? 		Provide: <ul style="list-style-type: none"> relevant policies and procedures evidence of physical checks evidence of insurance cover.
33	Clear policy and monitoring of overseas travel expenses	NAO (April 1999) report on Halton College; Circular 03/08	<ul style="list-style-type: none"> What was the level of travel and subsistence expenditure on overseas trips in the year to date? If this is significant, does it relate to a strategy for overseas activities approved by the corporation, and is the corporation informed of this expenditure? 		Provide: <ul style="list-style-type: none"> overseas travel policy reports to governors.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
34	Clear protocols to mitigate against inappropriate disposal of assets (property and other)	PAC guidance	<ul style="list-style-type: none"> Do the financial regulations detail procedures for the disposal of assets? Have there been any fixed asset disposals in the year? 		Provide: <ul style="list-style-type: none"> financial regulations approval for disposal of fixed assets.
35	Controls and monitoring over expense claims (particularly SMT) and use of college credit cards	PAC (1999) report on Halton College	<ul style="list-style-type: none"> Does the college have policies and procedures for expenses claims that are regularly reviewed? Describe the authorisation process of expense claims for senior management (including the principal). 		Provide: <ul style="list-style-type: none"> expense claim policies and procedures.
36	Lack of project appraisal and monitoring or lack of control over discrete projects and initiatives, including non-core activities	PAC (1998, 1999, 1999, 2000) reports on Swansea Institute, Halton College, Southampton Institute and Gwent Tertiary College	<ul style="list-style-type: none"> Does the corporation (or other relevant committee) receive separate reports on the progress of significant projects and initiatives from their inception (including risk and financial assessment) through to completion and subsequent post-implementation review? Does this extend to capital and revenue projects? Is this requirement embodied within the college financial regulations? 		Provide: <ul style="list-style-type: none"> relevant committee meeting minutes examples of appraisal forms.
37	Reasonableness of procurement policies (for example, limits for purchase of individual purchase without recourse to governors and so on). Unnecessary extravagance in purchases (for example, refurbishments, equipment and so on)	PAC (1999) report on Halton College	<ul style="list-style-type: none"> Describe the expenditure levels above which formal quotations are required and further approval levels operate (for example at committee) to ensure the college is receiving value for money through its procurement processes. 		Provide: <ul style="list-style-type: none"> financial regulations.

	Area	Source ref	Questions	College response	Supporting evidence (suggested in brackets)
38	Independence of the clerk	Circular 99/48 paras 10, 16	<ul style="list-style-type: none"> How has the corporation ensured that the clerk to the corporation is independent of the governors and management of the college, and is able to provide the corporation with independent advice, including seeking independent legal advice if needed? 		
39	Ongoing review of corporation decision-making processes	PAC (1999) report on Halton College	<ul style="list-style-type: none"> Does the corporation review its decision-making processes (for example, standing orders, code of conduct, calendar of business, financial regulations) at least annually? 		Provide: <ul style="list-style-type: none"> relevant committee meeting minutes.

Appendix to Annex A: References for Self-assessment

DfES publications

DfES (2001) *Guidance to Instrument and Articles The Further Education Corporations (Former Further Education Colleges) (Replacement of Instruments and Articles of Government) Order 2001*, London: DfES (www.dfes.gov.uk/furthereducation)

Note that sixth form colleges will have different references as their model articles of government are provided in DfES (2001) *The Further Education Corporations (Former Sixth Form Colleges) (Replacement of Instruments and Articles of Government) Order 2001*, London: DfES (www.dfes.gov.uk/furthereducation)

Catholic sixth form colleges have their own instrument and articles of government agreed between the DfES and the appropriate Catholic Church authorities.

FEFC circulars

The following FEFC circulars can be obtained from <http://lsc.wwt.co.uk/documents/circulars>

99/14: Circular 99/14: *College Companies, Joint Ventures and Overseas Operations*

99/48: Circular 99/48: *The Financial Memorandum*

00/25: Circular 00/25: *Complaints to the Council*

LSC circulars

The following LSC circulars can be obtained from www.lsc.gov.uk/National/Documents/Series/Circulars/default.htm

01/12: Circular 01/12: *Access to Learning: the FE childcare places grant programme 2001-02 to 2003-04*

02/12: Circular 02/12: *College Involvement in Companies*

03/08: Circular 03/08: *FE Colleges: Accounting Policies and Return of Audited Financial Statements*

03/05: Circular 03/05: *Capital Project Grant Support: New and updated arrangements for 2003-04 awards and consultation on the rate of grant support*

04/07: Circular 04/07: *Audit Code of Practice*

Acts and Statutory Instruments

HM Government (1992) *Further and Higher Education Act 1992*, London: HMSO (www.hmso.gov.uk/acts/acts1992/Ukpga_19920013_en_1.htm)

HM Government (1997) *Teachers Pension Scheme Regulations 1997*

HM Government (1997) *Teachers (Compensation for Redundancy and Premature Retirement) Regulations 1997* SI 311, London: HMSO (www.legislation.hmso.gov.uk/si/si1997/19970311.htm)

HM Government (2000) *Learning and Skills Act 2000*, London: HMSO (www.hmso.gov.uk/acts/acts2000/20000021.htm)

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Annex B: Information Required by Regularity Auditor

- 1 Regularity auditors may need the information set out in Table 1 below to do their work. Colleges should have been giving the auditor most of this information anyway under the audit approach up to 2003/04. The college and auditor should discuss the list as part of the audit planning. The auditor may not need all of this information or they may need different or additional information.
- 2 In Table 1, information that may be needed for the interim audit reporting to 31 March is shown as 'I' in column 2. Information that may be needed for the final audit reporting to 31 July is shown as 'F'. In the case of colleges which have a final regularity audit only, this column can of course be ignored.

Table1: Information needed by regularity auditor and timescales.

Information needed	When
General information for planning purposes	
Copy of three-year development plan.	I
Organisational charts of senior management and the finance department.	I
Access to corporation, finance committee, audit committee, standards committee, search committee and remuneration committee – agendas and minutes (all meetings in last 12 months). Note: Any confidential corporation or committee minutes should also be provided. 'Agenda' indicates the order of business only, not the accompanying papers, which should be made available for auditors to see during the visit.	I & F
Register of interests for governors and staff.	I & F
College senior management team meetings (agendas, minutes and papers).	I & F
Most recent reports to governors on franchised activity, college companies and other activities with partners (where applicable).	I & F
The current college budget and latest three-year financial forecast approved by governors and accompanying papers to corporation.	I
Copy of the college capital budget (if not included above).	I
Latest monthly management accounts.	I & F
Copy of latest PFA reports (where applicable).	I & F
Copy of latest recovery and tolerance statement from the LSC.	I
Copy of the current funding agreement with the LSC.	I
Copy of Part 2 of the college's current Financial Memorandum with the LSC.	I
Details of top 15 suppliers and customers (excluding public funding sources) in the current year to date.	I & F
General control environment	
College financial regulations and procedures and copies of the following policies if not included within the financial regulations: <ul style="list-style-type: none"> • payments to governors • treasury management • redundancy and/or severance (if operated during the period under review) • overseas travel expenses • fraud response. 	I
Most recent annual report of the audit committee.	I
The last internal audit annual report.	I
Current internal audit plans (if available).	I & F
Internal audit assignment reports for the current year to date.	I & F
College risk management plan and latest monitoring report.	I & F
Reconciliation between end-of-year management accounts and the audited financial statements for the previous year (where completed).	I
Reconciliation between end-of-year management accounts and the audited financial	F

Information needed	When
statements for the current year.	
Overview of college activities	
Details of any partnerships, joint ventures and/or associate companies.	I & F
Details of any analysis of financial contribution by activity if not contained within the management accounts (for example for franchise and/or partnership activities (name of providers or partners, expected income, costs and margins).	I & F
Memorandum of understanding between the college and each of its companies (where applicable).	I
Analysis of FTE numbers by age category (prior year actual, current year to date and projected to year-end).	I & F
Compliance with Financial Memorandum	
Copies of LSC letters for consents for building disposals.	I
Copies of any LSC letters in respect of borrowing and/or leasing consent.	I
Use of funds (LSC)	
Copies of letters and funding agreements with LSC in respect of the discrete capital and/or revenue grants detailed in the self-assessment.	I/F
LSC remittance advice(s) summarising cash received during the period.	I & F
Copies of LSF returns and details of individual payments.	I/F
Use of funds (non-LSC)	
Copies of any relevant funding letters and agreements for capital and/or revenue funding received or receivable in the period as set out in the self-assessment.	I & F

Annex C: Abbreviations

IAASB	International Auditing and Assurance Standards Board
CC	Charity Commission
CoVE	centre of vocational excellence
DCG	deferred capital grant
DfES	Department for Education and Skills
DWP	Department of Work and Pensions
ESF	European Social Fund
F&HE Act 1992	Further and Higher Education Act 1992
FEFC	Further Education Funding Council
FM&G	financial management and governance
FTE	full-time equivalent
HEFCE	Higher Education Funding Council
HEIFES	Higher Education in Further Education: Students Survey
IFAC	International Federation of Accountants
ILR	individual learner record
ILT	information and learning technology
ISA	International Standard on Auditing
L&S Act 2000	Learning and Skills Act 2000
LGPS	Local Government Pension Scheme
LID	local initiative and development fund
LIF	local initiative fund
LSF	learner support funds
PAC	Public Accounts Committee
PFA	provider financial assurance
NAO	National Audit Office
RDA	regional development agency
s (as in s18, s20 and so on)	section (of a Parliamentary Act)
SAQ	self-assessment question
SMT	senior management team
TPS	Teachers' Pensions Scheme
TSO	The Stationery Office
WBL	work-based learning

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