



Skills Funding
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Joint Audit Code of Practice

This Joint Audit Code of Practice sets out the specific requirements for the assurance, accountability and audit arrangements for providers of post-16 education and training and the broad framework in which they should operate.

August 2015

Of interest to principals and chief executives, finance directors, chairs of finance and audit committees, financial statements auditors, internal auditors, directors of funding bodies, and other key organisations in the further education and skills sector.

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SECTION 1: INTRODUCTION

1. The Joint Audit Code of Practice (JACOP) sets out a common standard for the provision of assurance in relation to funding of post-16 providers. It sets out:
 - the overarching assurance arrangements applicable to post-16 providers, including:
 - further education college corporations
 - commercial and charitable providers (CCPs)
 - sixth-form college corporations
 - special post-16 institutions (SPIs)
 - academies with post-16 provision
 - Local Authority (LA) controlled adult education centres and LA maintained schools with sixth-forms
 - non-maintained special schools
 - the specific responsibilities within the audit and assurance framework for college corporations
2. JACOP is relevant to the funding bodies, providers of apprenticeships, young people's education and adult skills and their external auditors / reporting accountants. It should be read alongside any agreements setting out the conditions of funding, including any contract with Skills Funding Agency (SFA) or Education Funding Agency (EFA).
3. This version of JACOP is relevant to accounting periods ending on or after 31 July 2015. It will be updated by SFA and EFA as required.

Purpose and principles

4. The SFA, EFA and LAs (the 'funding bodies') are responsible for commissioning and funding young people's education, apprenticeships and adult skills.

5. The funding bodies have a duty to demonstrate that they spend public money in accordance with HM Treasury's guidelines and that they have properly discharged any statutory and other legal requirements. JACOP sets out how the funding bodies gain assurance from providers to meet this duty.
6. JACOP adopts the principle of 'one provider, one assurance lead'. Following this principle, one funding body secures assurance on behalf of all others. Each provider will therefore typically deal with just one funding body and there will be no duplication of effort.

What has changed in this edition?

7. From 2014 to 2015, JACOP is published as a single document which supersedes all previous versions. We have restructured and edited this version to make it clearer for users.
8. Within this version of JACOP we have made no significant changes to the overarching assurance arrangements.
9. Similarly, we have made no significant changes to the audit framework that applies to the annual report and financial statements (annual accounts) of college corporations.
10. We have updated the reporting accountant's assurance report on regularity that applies to college corporations. This reflects a change in the level of assurance provided, from reasonable to limited assurance (see [Section 4](#) and [Annex D](#)). This change impacts on certain terminology used within the regularity assurance framework, reflecting that the regularity assurance engagement is no longer an audit.
11. We have set out standard terms of reference for the regularity assurance engagement for college corporations (see [Section 5](#) and [Annex B](#)). These terms clarify elements of the tripartite engagement between the college corporation, the reporting accountant and the funding bodies, including the duty of care owed by the reporting accountant to the funding bodies.

12. We have provided additional guidance for the reporting accountant on how to approach the regularity assurance engagement at college corporations. This includes additional guidance on understanding the framework of authorities, testing and reporting findings (see [Section 4](#)).
13. These changes reflect the latest developments in technical standards and the regulatory environment within which colleges operate.

SECTION 2: ASSURANCE ARRANGEMENTS FOR POST-16 PROVIDERS

This section sets out the framework of assurance between the funding bodies and will be of interest to all post-16 providers.

Lead arrangements

15. Following the principle of 'one provider, one assurance lead', one of the funding bodies will typically secure assurance on behalf of all of the funding bodies for each provider. This funding body is the 'assurance lead'.
16. [Table 1](#) sets out the assurance leads for different types of provider. It also sets out how assurance is shared with other funding bodies and the type of work undertaken to obtain that assurance.
17. There are a small number of exceptions to the principle of 'one provider, one assurance lead', including:
 - SFA will gain assurance over all funding from the European Social Fund regardless of the assurance lead
 - LAs will gain assurance over element 3 high needs funding through their contract management arrangements
 - The Higher Education Funding Council for England (HEFCE) is the assurance lead for higher education institutions. HEFCE will give assurance via an accounting officer letter to the SFA on higher education institutions funded for apprenticeships, young people's education and adult skills. The SFA will share that assurance with EFA.
 - In respect of schools, JACOP is only concerned with SFA and EFA funding for apprenticeships, young people's education and adult skills. Assurance over other LA funds paid to schools is covered by separate requirements between LAs and EFA as part of dedicated schools grant arrangements.

Table 1: Lead arrangements and summary assurance processes

| Provider type | Assurance lead | Area of assurance | Shares assurance with: | Assurance processes |
|--|--|---|--|---|
| Further education college corporations | SFA | Use of funds Internal control Regularity and propriety Accounting requirements | EFA via accounting officer letter | <p>SFA and EFA are responsible for their own assurance processes, however these share similarities including:</p> <ul style="list-style-type: none"> ▪ using the work of others, including: <ul style="list-style-type: none"> - opinion on the annual accounts - assurance report on regularity - statement of corporate governance and internal control - annual report of audit committee ▪ sample of funding reviews ▪ targeted work on identified concerns ▪ financial health assessment <p>Not all these processes apply to all providers and are determined by the area of assurance and the provider type,</p> |
| Commercial and charitable providers (CCPs) | SFA or EFA (depending on the balance of funding) | Use of funds | <i>If SFA lead: EFA via accounting officer letter</i> <i>If EFA lead: SFA via accounting officer letter</i> | |
| Sixth-form college corporations | EFA | Use of funds Internal control Regularity and propriety Accounting requirements | SFA via accounting officer letter | |
| Special post-16 institutions (SPIs) | EFA | Use of funds | | |
| Academies with post-16 provision | EFA | Use of funds Internal control Regularity and propriety Accounting requirements | N/A | |
| LA controlled adult education centres and LA maintained schools with sixth-forms | LAs | Use of funds Internal control Regularity and propriety Accounting requirements | EFA via annual grant return , who will share assurance with SFA as needed | <p>LAs are responsible for their own assurance processes, which may include:</p> <ul style="list-style-type: none"> ▪ compliance with internal management frameworks and financial regulations ▪ using the work of internal / external audit ▪ review of schools financial value standard (SFVS) and assurance forms |
| Non-maintained special schools (NMSSs) | LAs | Use of funds | | |

Areas of assurance

18. The funding bodies require assurance over the use of funds for all post-16 providers, that is, whether the learning provider has legitimately earned those funds by delivering learning in accordance with the terms of their funding agreement or contract.
19. For certain types of post-16 provider, the funding bodies' assurance requirements need to cover more than this given their responsibilities for oversight. For such providers, assurance must cover the system of internal control, regularity and propriety and whether they have adhered to accounting requirements. [Table 2](#) sets out the different areas of assurance.

Table 2: Areas of assurance

| Area of assurance | Underlying requirements |
|--------------------------|--|
| Use of funds | Income should only be receivable where the provider has earned the funding in accordance with the underlying conditions of funding. |
| Internal control | The system of internal control should be designed and implemented so as to deliver the provider's objectives and ensure compliance with statutory and contractual requirements. |
| Regularity and propriety | <p>Expenditure should be incurred and income received in a regular manner.</p> <p>Concerns over propriety of income and expenditure should be recorded where noted.</p> <p>Regularity and propriety are defined in HM Treasury's Managing Public Money and further discussed in Section 3 and Section 4.</p> |
| Accounting requirements | Adequate financial records should be kept and annual accounts should be produced in accordance with accounting requirements. |

20. For the principle of 'one provider, one assurance lead' to work, funding bodies must accept the assurance work carried out by each other, and must accept that

this work has been completed to a suitable standard. Funding bodies should determine quality assurance arrangements for their own work. These arrangements should be reviewed and accepted by each funding bodies' own auditor. Additional peer review between the funding bodies may be undertaken by mutual agreement.

SECTION 3: AUDIT AND ASSURANCE FRAMEWORK FOR COLLEGE CORPORATIONS: REQUIREMENTS FOR THE COLLEGE CORPORATION

This section sets out the assurance framework for college corporations and will be of interest to further education and sixth-form college corporations and their auditors / reporting accountants.

General responsibilities

21. General responsibilities of college corporations are set out within the Articles of Government and the financial memorandum with SFA / funding agreement with EFA.
22. Further responsibilities are set out within:
 - legislation, including Further and Higher Education Act 1992, Apprenticeships, Skills, Children and Learning Act 2009 and the Education Act 2011
 - charity law (as applicable to exempt charities)
 - Accounts Direction (as updated each year)
 - specific terms and conditions from other sources of funding
23. Colleges should be familiar with all of these documents and the requirements therein.

Articles of Government

24. The main responsibilities of the college corporation are set out within the Articles of Government.
25. Under the Education Act 2011 college corporations may change their Articles, although any changes are subject to the limitations set out in the Act, specific requirements of JACOP and the conditions of funding.

26. The Articles must set out the responsibilities of the college corporation which must include the effective and efficient use of resources, the solvency of the institution and the college corporation and the safeguarding of their assets. The Articles must prohibit the college corporation from making changes to the Articles that would result in the body ceasing to be a charity.

Financial memorandum with SFA / funding agreement with EFA

27. College corporations may receive funding under a financial memorandum with SFA and/or funding agreement with EFA.
28. The financial memorandum / funding agreement sets out in detail the requirements on, and responsibilities of, college corporations, including that any mandatory requirements of JACOP form a condition of funding.
29. For a complete picture of funding bodies' assurance requirements for college corporations, JACOP should be read alongside the financial memorandum / funding agreement.

College audit committee

30. It is a condition of funding that college corporations establish an audit committee.
31. The audit committee should advise the college corporation on the adequacy and effectiveness of the college corporation's assurance framework. In addition the audit committee advises and supports the college corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities. The Accounts Direction sets out the funding bodies' specific requirements including the required format of the college corporations' statement of corporate governance and internal control.
32. The college corporation must set out clear terms of reference for the audit committee. These terms of reference should reflect accepted good practice for

audit committees of publicly funded organisations. As a minimum, the terms of reference must set out:

- the right to investigate any activity within its terms of reference
- the right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit
- a minimum membership of three, a majority of whom must be governors, but must not include the chair of the corporation or the principal
- a responsibility to maintain its independence in appointing members
- a responsibility to include individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively. Collectively, members of the committee should have recent, relevant experience in risk management, finance and audit and assurance
- a restriction not to adopt an executive role

33. In addition, the audit committee must:

- assess and provide the corporation with an opinion on the adequacy and effectiveness of the college corporation's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets
- advise the corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant and other assurance providers (if applicable) and establish that all such assurance providers adhere to relevant professional standards
- inform the corporation of any additional services provided by the external auditor, reporting accountant and other assurance providers (if applicable) and explain how independence and objectivity were safeguarded
- monitor, within agreed timescales, the implementation of recommendations arising from any reports of audit and assurance providers
- oversee the college corporation's policies on fraud, irregularity and whistleblowing, and ensure:

- the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity
- that investigation outcomes are reported to the audit committee
- that the external auditor (and internal auditor if applicable) has been informed, and that appropriate follow-up action has been planned / actioned
- that all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body
- produce an annual report for the corporation, summarising the committee's activities relating to the financial year under review, including:
 - a summary of the work undertaken by the committee during the year
 - any significant issues arising up to the date of preparation of the report
 - any significant matters of internal control included in the reports of audit and assurance providers
 - the committee's view of its own effectiveness and how it has fulfilled its terms of reference
 - the committee's opinion on the adequacy and effectiveness of the college corporation's audit arrangements, its framework of governance, risk management and control, and its processes for securing economy, efficiency and effectiveness
 - submit the annual report to the corporation before the statement of corporate governance and internal control in the annual accounts is signed

Accountability to parliament

34. Parliament's interest is that recipients of public funds apply and account for those funds properly and use them economically, efficiently and effectively. The Comptroller and Auditor General (C&AG), as Head of the National Audit Office, is the external auditor of the funding bodies.
35. The C&AG has the right to inspect the annual accounts of any college that receives funding, and the right to carry out value for money investigations. The

C&AG is selective in the use of inspection rights and will seek to rely on the work of the funding bodies' own assurance processes.

Responsibilities regarding the annual accounts

36. College corporations must prepare annual accounts in accordance with directions given by the funding bodies, and appoint an external auditor to audit these annual accounts.
37. College corporations must allow the external auditor unrestricted access to all records, information and assets which they consider necessary to fulfil their responsibilities.
38. By 31 December immediately following the financial year end, college corporations must send to the relevant funding body a copy of:
 - the audited annual accounts
 - the external auditor's management letter, including the college corporation's response to any recommendations made, timescale for action and the individual responsible for taking the required action

Responsibilities regarding regularity and propriety

39. Regularity and propriety are discussed within HM Treasury's '[Managing Public Money](#)' (MPM). MPM sets out that the accounting officer of the funding bodies has a personal responsibility for safeguarding the public funds for which they have charge, and for ensuring regularity and propriety in the handling of these funds.
40. Significant amounts of public funding are passed to college corporations from the funding bodies each year. This framework sets out how the accounting officer of the funding bodies seeks to obtain assurance over the regularity and propriety of public funds to satisfy their responsibility.

41. MPM defines regularity as the requirement that 'resource consumption should accord with the relevant legislation, the relevant delegated authority and this document'.
42. For college corporations, this encompasses legislation (for example, the Further and Higher Education Act 1992), conditions of funding and other guidance issued by the funding bodies.
43. Propriety is a related concept concerned with standards of conduct, behaviour and corporate governance. MPM defines propriety as the requirement that 'patterns of resource consumption should respect Parliament's intentions, conventions and control procedures'.
44. Propriety is less prescriptively defined but includes matters such as fairness, integrity, the avoidance of private profit from public business, even handedness in the appointment of staff, open competition in the letting of contracts and avoidance of waste and extravagance. There are no definitive guidelines for propriety and professional judgement is required.

Statement on regularity, propriety and compliance

45. College corporations must publish a statement on regularity, propriety and compliance within their annual accounts. The format of this statement is set out in the Accounts Direction.
46. College corporations should ensure that any references in their final signed statement to instances of material irregularity, impropriety or funding non-compliance are consistent with any findings from the work of the reporting accountant.
47. To form their conclusion the college corporation must ensure that it is working within the boundaries of regularity and propriety. This work should be performed throughout the year, as part of their oversight of internal control processes such as:

- review of management reporting documents
- review of corporation minutes and reports
- confirming compliance with delegated authorities

48. The following tests may be useful for the college corporation to consider whether a transaction is regular and proper:

- is the expenditure in the best interest of the college corporation?
- does the expenditure comply with approved procurement rules and policies?
- is there a valid benefit to the organisation from the expenditure and not just personal benefit to an employee?
- is the expenditure necessary?
- is the expenditure reasonable – does it meet the identified and agreed needs?
- has the expenditure been properly authorised?

49. The college corporation can also draw comfort from the work of the audit committee and internal auditor (if applicable) which provides a process for independent checking of internal control processes.

50. It is for the college corporation to determine if further work is necessary at year end to make their statement on regularity, propriety and compliance. If proper internal control processes have operated during the year, there should be no need for significant additional scrutiny.

Self-assessment questionnaire

51. To support college corporations in drafting the statement on regularity, propriety and compliance, a self-assessment questionnaire has been developed. This provides clarity over the framework, including the funding bodies' interpretation of the key requirements and the type of evidence that should be considered.

52. [Annex C](#) sets out this self-assessment questionnaire. The self-assessment questionnaire must be completed and signed by the college accounting officer and Chair of Governors.
53. A copy of the self-assessment questionnaire must be provided to the reporting accountant for review. The reporting accountant should use professional judgement in reviewing the self-assessment questionnaire to inform their own assessment of risk and to design further procedures as required. The self-assessment questionnaire may also flag issues that merit comment in their assurance report on regularity and / or management letter.
54. Where the corporation has concerns about its ability to identify any material irregular or improper use of funds it should notify its reporting accountant in the first instance and, if necessary, consult with the relevant funding body.

Retaining evidence in support of regularity

55. The college corporation must be able to support both their statement on regularity, propriety and compliance and the responses given in the self-assessment questionnaire. Although specific documentation is not required, the accounting officer should retain a file which details work undertaken throughout the year. This is to provide support for the sign off at year end and to assist with reporting accountant queries.
56. The retention of working papers would also assist the college corporation if the accounting officer changed during the reporting period, or before finalisation of the annual accounts.
57. Where there is a change of accounting officer during the year, or up to the date of signing the declaration, it is the responsibility of the new accounting officer to be satisfied they can support their signing of the statement. This will be achieved through evidence of discussions between the new accounting officer and the college corporation, the internal auditor (if applicable), the senior leadership team and, where possible, the previous accounting officer, along with the availability of all relevant minutes and reports during the period covered by the statement.

Fraud

58. It is the responsibility of the college corporation to establish and maintain an adequate system of internal control, to ensure compliance with statutory and other regulations, and to prevent and detect of irregularities, including fraud.
59. College corporations must have policies and procedures, including a whistleblowing policy, on the process to be followed when suspicion arises of a potential irregularity, including fraud, corruption, any impropriety or major weakness or breakdown in the accounting or other control framework. The agreed policy and procedures must include the provision that when any significant instance of fraud, irregularity or major weakness or breakdown in the accounting or other control framework is suspected or discovered, the chair of the audit committee and the relevant funding body are informed as soon as practically possible.
60. Significant fraud is usually where one or more of the following factors are involved:
- there is likely to be great public interest because of the nature of the fraud or the people involved
 - the sums of money are in excess of £10,000
 - the particulars of the fraud are novel or complex
61. Fraud, by its inherent nature of deception to result in financial or personal gain, means that the transaction must be irregular and improper. The college corporation will need to include any material fraud identified in their statement on regularity, propriety and compliance.

SECTION 4: AUDIT AND ASSURANCE FRAMEWORK FOR COLLEGE CORPORATIONS: REQUIREMENTS FOR THE EXTERNAL AUDITOR / REPORTING ACCOUNTANT

This section sets out the assurance framework for college corporations and will be of interest to further education and sixth-form college corporations and their auditors / reporting accountants.

General responsibilities

62. It is a condition of funding that college corporations appoint an external auditor to audit the annual accounts. The funding bodies have determined that the criteria for eligibility as external auditor must be the same as set out in Part 42 of the Companies Act 2006; in essence, a firm or individual holding membership of a relevant supervisory body and allowed to carry out audits under the rules of that body.
63. College corporations must also appoint a reporting accountant to provide an assurance report on regularity each financial year. The reporting accountant must be the same as the external auditor.
64. The external auditor / reporting accountant is expected to adhere to relevant professional standards in undertaking their work.

Responsibilities regarding the annual accounts

65. The external auditor must audit the annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
66. The external auditor must provide an opinion on whether the annual accounts, in all material respects, give a true and fair view and have been prepared in accordance with the relevant Statement of Recommended Practice: Accounting for Further and Higher Education.

67. The external auditor must report by exception whether, in their opinion, the college corporation has not kept adequate accounting records, the annual accounts are in agreement with the accounting records and if they have received all the information and explanations required for their audit.
68. The external auditor has a professional duty to consider the members' report / operating and financial review within the annual accounts. This will include the college corporation's statement of corporate governance and internal control. They are required to take appropriate action under auditing standards if the statements made are materially inconsistent with the audited financial statements or any information is apparently materially incorrect based on, or materially inconsistent with, their knowledge of the college corporation acquired in the course of performing the audit. They are not required to provide a formal audit opinion on these issues, but to report by exception.
69. The relevant funding body will confirm the value of the main funding grants, generated through the Individualised Learner Record (ILR) returns, to be included as income within the college corporation's annual accounts. The auditor will rely on the assurance provided by the relevant funding body when considering whether income recognised in the accounts from the main funding grants generated through the ILR returns is fairly stated. Responsibility for the accuracy of funding claims remains with management and the corporation.
70. Where the external auditor is unable to provide an unqualified audit opinion or where they wish to use an alternative form of wording, they must communicate this to the accounting officer, the chair of the corporation, the chair of the audit committee and the relevant funding body, as soon as practically possible.
71. The external auditor must set out any findings arising from the audit in a management letter to the college corporation each year. This should cover:
- the external auditor's approach to the audit
 - the areas covered by the audit
 - the external auditor's findings, including any significant concerns, if arising including ratings of the importance/risk, e.g. high/medium/low

- any audit recommendations for the period
- the status of any audit recommendations from the previous year

72. The management letter must also report on the regularity assurance engagement.

Responsibilities regarding regularity and propriety

73. College corporations must appoint a reporting accountant to provide an assurance report on regularity each financial year. The reporting accountant must be the same as the external auditor.

74. The reporting accountant must undertake the engagement so as to provide limited assurance. Limited assurance engagements are defined as those concluding whether, based on the procedures performed and evidence obtained, nothing has arisen that suggests that information is materially misstated¹.

75. For colleges, the reporting accountant provides limited assurance that expenditure disbursed and income received have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

76. The reporting accountant must set out any material matters within their assurance report on regularity.

77. Any other findings arising from the engagement should be set out in their management letter to the college corporation, including any concerns over propriety.

¹ See International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information

Framework of authorities and criteria for assessment

78. The reporting accountant's assurance report on regularity refers to the authorities which govern the college corporation. Understanding the framework of authorities relevant to the conduct of the activities of a college corporation will assist the reporting accountant in planning their work and identifying risk of potential material irregularities in the annual accounts.
79. The reporting accountant should have regard to Audit Practice Board's Practice Note 10 (PN10). This sets out a general framework for obtaining reasonable assurance over regularity. The regularity assurance framework for colleges seeks limited assurance, however PN10 remains a useful reference for:
- understanding the framework of authorities
 - testing to obtain sufficient appropriate evidence
 - reporting on regularity
 - understanding materiality and risk
80. Much of the work required to understand the activities and relevant framework of authorities will already have been considered in the audit of the annual accounts². In making their assurance report on regularity the reporting accountant will need to further understand and assess how the corporation has interpreted the framework of authorities in its own context and the systems, procedures and controls that have been put in place to ensure compliance.
81. The college corporation's statement on regularity, propriety and compliance and self-assessment questionnaire should inform the reporting accountant's work by demonstrating how the requirements are met. Many reporting accountants will already have detailed knowledge of the college corporation's systems, procedures and controls from previous years' audit work.

² See International Standard on Auditing (UK and Ireland) 315 and International Standard on Auditing (UK and Ireland) 250A

Testing

82. In planning their testing, the reporting accountant should refer to PN10, which sets out the general framework for obtaining assurance over regularity and ISAE 3000, which sets out some specific considerations for limited assurance engagements.
- PN10 (paragraph 314) sets out that procedures designed to test regularity would comprise a mix of tests of controls and substantive procedures
 - ISAE 3000 sets out that the nature and extent of testing is a matter for the professional judgement of the reporting accountant, although it is anticipated that testing will be based primarily on the college corporation's statement on regularity, propriety and compliance
83. It will typically be most efficient to undertake regularity work in conjunction with, and at the same time as, the audit of the annual accounts.
84. The funding bodies have accepted responsibility for obtaining direct assurance over the college corporation's main funding grants generated through the ILR returns. The college corporation remains responsible for the accuracy of these returns; however, regularity testing of the completion of these returns is excluded from this framework. Similarly, the funding bodies have accepted responsibility for the regularity of partner organisations delivering provision through these data returns on behalf of a college corporation. The reporting accountant is therefore limited to considering whether payments are made in line with any contractual terms and in accordance with the college corporation's financial regulations.
85. Other than the exclusions above, the regularity work should include all college expenditure and income received, regardless of source. This includes income and expenditure of any subsidiaries or joint venture arrangements to the extent that they are included as part of the consolidated annual accounts submitted to the funding bodies.
86. The funding bodies expect that if potential regularity matters that could impact the ILR returns and associated claims come to the reporting accountant's attention during their work, they will notify the college corporation and funding bodies.

87. Where the reporting accountant has concerns over the regularity of income and expenditure at a college, the reporting accountant may ask the funding bodies for a summary of any matters that they are aware of, such as fraud and whistleblowing.
88. The reporting accountant should consider whether they can rely on the work of a third party (such as internal audit, if applicable) who has undertaken assurance reviews relevant to the objective of the regularity assurance engagement. It is a matter of professional judgement as to how much reliance the reporting accountant places on this work.
89. The funding bodies do not require reporting accountants to maintain separate files in respect of the audit of the annual accounts and their regularity work. As mentioned above, they can incorporate regularity sampling into the audit of the annual accounts; however, they will need to document clearly the objectives, method and conclusion.

The assurance report on regularity

90. [Annex D](#) sets out the required format of the reporting accountant's assurance report on regularity, including the format of the limited assurance conclusion.
91. Limited assurance engagements are defined by as those concluding whether, based on the procedures performed and evidence obtained, anything has arisen that suggests that information is materially misstated.
92. For colleges, the reporting accountant provides limited assurance that expenditure disbursed and income received have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
93. The reporting accountant must set out a summary of the work performed in the assurance report on regularity e.g. enquiry, inspection and review, observation and re-performance.

94. Where the reporting accountant identifies potential irregularities they should discuss these with the college corporation and accounting officer. The potential irregularities should be considered individually and in aggregate in terms of whether they represent a material irregularity, whether by value or nature. The reporting accountant should also revisit their risk assessment.
95. When the reporting accountant concludes that there are matters of material irregularity, by virtue of value or nature, either individually or in aggregate of transactions underlying the annual accounts, this will lead to a modified assurance report on regularity including full disclosure of those matters in that report. In such instances, the reporting accountant should consult with the appropriate funding body in advance.
96. Where irregularity is identified but the reporting accountant concludes it is not material by virtue of value or nature, either individually or in aggregate, or does not relate to transactions underlying the annual accounts, the issue will be reported in the reporting accountant's management letter.
97. Where the reporting accountant is unable to provide a report on regularity or where they wish to use an alternative form of wording, they must communicate this to the accounting officer, the chair of the corporation, the chair of the audit committee and the relevant funding body, as soon as practically possible.
98. The reporting accountant must consider the impact of any regularity issue on their audit of the annual accounts.
99. The assurance report on regularity has due regard to propriety; however, propriety is concerned with conduct and behaviour rather than compliance with a framework of authorities and it is therefore not readily susceptible to objective verification. PN10 (paragraph 279) sets out that when issues of propriety come to light, the reporting accountant should consider whether and, if so, how, they may be reported.

Materiality and risk

100. PN10 (paragraph 305) sets out that the auditor's assessment of what is material is a matter of judgement and includes both quantitative (value) and qualitative (nature) considerations. Materiality affects both the way in which the auditor plans and designs the audit work on regularity and how the auditor evaluates and reports the results of that work. The assessment of materiality at the planning stage is likely to be at the same value for regularity as for other aspects of the audit of the financial statements.
101. Materiality is relevant when planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures, and when evaluating whether the subject matter information is free of misstatement.
102. For the testing of transactions as to whether they are regular, or have been used in accordance with the terms of grant, a materiality level similar to that applied to the annual accounts may be appropriate. However, when assessing materiality in the context of propriety, a lower materiality level may need to be considered. For example, the reimbursement of governors' expenses may be appropriate in terms of value, but if those expenses were extravagant in that they included the hire of a limousine and chauffeur, this might be considered improper and material by its nature.

Fraud

103. Fraud, by its inherent nature of deception to result in financial or personal gain, means that the transaction must be irregular and improper.
104. Material identified fraud will lead to a modified assurance report on regularity including full disclosure of those matters in that report. Where significant fraud is identified but the reporting accountant concludes it is not material the issue will be reported in the reporting accountant's management letter.

105. The additional requirement to report fraud as a breach of regularity does not alter, reduce or replace the standard reporting requirements for fraud including the Proceeds of Crime Act 2002.

SECTION 5: TERMS OF ENGAGEMENT

This section sets out information on the terms of engagement for audits and regularity assurance reviews undertaken at college corporations and will be of particular interest to further education and sixth-form college corporations and their auditors / reporting accountants.

Required provisions

106. The duties of the external auditor / reporting accountant must be clearly set out in an engagement letter in accordance with ISA 210.
107. [Annex A](#) sets out the tripartite arrangement for the regularity assurance engagement, which allows funding bodies to draw assurance from the assurance report on regularity.
108. Where the college corporation and/or external auditor / reporting accountant want to use an alternative form of words, they must agree this with the relevant funding body.
109. [Annex B](#) sets out standard terms of reference for the tripartite arrangement for the regularity assurance engagement. These terms outline the responsibilities of the college corporation, reporting accountant and funding bodies in relation to the engagement, and the duty of care owed by the reporting accountant.
110. To avoid bureaucracy there is no expectation that the engagement letter would be signed by the funding bodies.
111. For 2014 to 2015, where the engagement letter has already been agreed it is for the external auditor / reporting accountant to consider whether they will need to reissue.

Annex A: Terms of engagement

The following paragraphs must be included in the letter of engagement between the college corporation and its external auditor / reporting accountant.

Regarding the audit of the annual accounts:

This letter establishes an agreement between [name of audit firm] and the college corporation in relation to the audit of, and reporting on, the college corporation's annual report and financial statements (annual accounts).

We shall conduct our audit of the college corporation's annual accounts in accordance with the International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board ('ISAs') and in full compliance with any instructions, guidance or frameworks issued by the funding bodies, including those within the Accounts Direction [20XX to 20XX].

We have a professional responsibility to report if the annual accounts do not comply in any material respect with applicable accounting standards and the requirements of the Accounts Direction [20XX to 20XX], unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified, we will consider whether:

- the departure is required for the annual accounts to give a true and fair view
- adequate disclosure has been made concerning the departure

We shall report to the [Skills Funding Agency / Education Funding Agency], as soon as practically possible, any significant fraud or major weakness or breakdown in the accounting or other control framework, of which we become aware, subject only to the requirements of the Proceeds of Crime Act 2002.

Where we cease to hold office for any reason, we will provide the corporation with either a statement of any circumstances connected with the removal or resignation that we consider should be brought to the corporation's attention, or a statement that there are no such circumstances. The college corporation must copy this statement to the [Skills Funding Agency / Education Funding Agency], as soon as practically possible following receipt.

Regarding the regularity assurance engagement:

The [Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency] has adopted the standard terms of reference included within the Joint Audit Code of Practice.

We will report to the [Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency] in accordance with those standard terms of reference.

The [Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency] will not be required to sign this engagement letter.

Annex B: Standard terms of reference for the tripartite regularity assurance engagement

The following are the pre-agreed terms of reference on which the Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency engages the reporting accountant to perform a limited assurance engagement on regularity in connection with the college corporation.

The funding bodies accept that an agreement between the college corporation, its reporting accountant and the funding bodies on these terms is formed when the reporting accountant signs and submits its assurance report on regularity to the funding bodies. The funding bodies are not required to sign anything.

The Joint Audit Code of Practice and the Accounts Direction provide the framework and reporting requirements for the statement on regularity, propriety and compliance.

The large number of college corporations in scope of this engagement make it impractical to have an engagement letter with each individual reporting accountant. Standard terms of reference are therefore in place. Amendment to these standard terms may only be considered in very rare circumstances. Amendments may cause delay to the reporting accountant's work leading to late submission of the related report and consequent breaches of funding conditions.

1 Introduction

The college corporation is required to submit to [Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency] an assurance report on regularity signed by a reporting accountant, which provides limited assurance, as part of its annual report and financial statements (annual accounts). These terms of engagement set out the basis on which the reporting accountant will sign the assurance report on regularity.

2 The college corporation's responsibilities

The college corporation is responsible for:

- complying with the requirements of the [financial memorandum with Skills Funding Agency / funding agreement with Education Funding Agency]

- producing annual accounts to 31 July in accordance with the requirements of the Accounts Direction
- having these accounts audited by a registered auditor
- submitting the audited accounts to [Skills Funding Agency / Education Funding Agency] by 31 December
- ensuring the accounting officer's report has been made without bias
- maintaining proper records complying with the terms of any legislation or regulatory requirements and the terms and conditions of funding
- providing information as required by the [financial memorandum with Skills Funding Agency / funding agreement with Education Funding Agency]

The college corporation's accounts shall meet the requirement of the Accounts Direction to include the reporting accountant's assurance report on regularity.

The college corporation will make available all records, correspondence, information and explanations that the reporting accountant considers necessary to enable the reporting accountant to perform its work. The reporting accountant will request and the college shall provide:

- written representations in relation to matters for which independent corroboration is not available
- confirmation that significant matters have been brought to the reporting accountant's attention

The college corporation and [Skills Funding Agency / Education Funding Agency] accept that the ability of the reporting accountant to perform its work effectively depends upon the college corporation providing full and free access to financial and other records and the college corporation shall procure that any such records held by a third party are made available to the reporting accountant.

The reporting accountant accepts that, whether or not the college corporation meets its obligations, there remains an obligation on the reporting accountant to [Skills Funding Agency / Education Funding Agency] to perform its work with reasonable care. The failure by the college corporation to meet its obligations may cause the reporting accountant to modify its conclusion or be unable to provide a conclusion.

3 Scope of the reporting accountant's work

The reporting accountant will use professional judgement and take account of the particular circumstances of the college corporation to determine the scope of work to support the conclusion in accordance with the Joint Audit Code of Practice (JACOP).

The reporting accountant may communicate with [Skills Funding Agency / Education Funding Agency] as part of the planning and delivery of the regularity engagement where they believe there is an issue with a specific college corporation.

4 Form of the reporting accountant's report

The mandatory report which the reporting accountant will provide, on the assumption that the reporting accountant is able to report in that form, is included in the JACOP.

The reporting accountant's report is prepared on the following bases:

- that with [Skills Funding Agency / Education Funding Agency] has no right by virtue of regularity engagement to place reliance on the work of the external auditor / reporting accountant and the opinion they form in respect of their audit of the annual accounts of the college corporation
- the reporting accountant's report is prepared solely for the use of the college corporation and [Skills Funding Agency / Education Funding Agency] and solely for the purpose of submission to [Skills Funding Agency / Education Funding Agency] in connection with the requirements of the Joint Audit Code of Practice. It may not be relied upon by the college corporation or [Skills Funding Agency / Education Funding Agency] for any other purpose
- neither the college corporation, [Skills Funding Agency / Education Funding Agency] or others may rely on any oral or draft reports the reporting accountant provides. The reporting accountant accepts responsibility to the college corporation and [Skills Funding Agency / Education Funding Agency] for the reporting accountant's final signed reports only
- to the fullest extent permitted by law, except for the college corporation and [Skills Funding Agency / Education Funding Agency], the firm of reporting accountants, its partners and staff neither owe nor accept any duty to any person (including, without limitation, any person who may use or refer to any of [Skills Funding Agency /

Education Funding Agency]'s publications) and shall not be liable for any loss, damage or expense of whatever nature which is caused by any person's reliance on representations in the reporting accountant's reports

5 Liability provisions

The reporting accountant will perform the engagement with reasonable skill and care and accepts responsibility to the college corporation and [Skills Funding Agency / Education Funding Agency] for losses, damages, costs or expenses ('losses') caused by its breach of contract, negligence or wilful default, subject to the following provisions:

- the reporting accountant will not be responsible or liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than the reporting accountant, except where, on the basis of the enquiries normally undertaken by reporting accountants within the scope set out in these terms of engagement, it would have been reasonable for the reporting accountant to discover such defects
- the reporting accountant accepts liability without limit for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude
- subject to the previous paragraph, the reporting accountant should discuss any proposal to limit their liability, whether to the college corporation or to [Skills Funding Agency / Education Funding Agency] or both, arising on any basis, whether in contract, tort (including negligence) or otherwise, arising from or in any way connected with this engagement (including any addition or variation to the work) with the audit committee and relevant funding body in advance of approval by the college corporation on the basis that the college corporation and [Skills Funding Agency / Education Funding Agency] agree that any such limitation on the reporting accountant's liability will apply in aggregate to the reporting accountant's liability to each and all of the college corporation and [Skills Funding Agency / Education Funding Agency].

The college corporation and [Skills Funding Agency / Education Funding Agency] agree that they will not bring any claims or proceedings against any individual partners, members, directors or employees of the reporting accountant. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the Contracts (Rights of Third Parties) Act 1999 ('the Act'). Notwithstanding

any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party's consent. Other than as expressly provided in these terms, the Act is excluded.

Any claims, whether in contract, negligence or otherwise, must be formally commenced within three years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action and in any event no later than six years after the relevant report was issued (or, if no report was issued, when the reporting accountant accepted the engagement in writing). This expressly overrides any statutory provision which would otherwise apply.

6 Fees

The reporting accountant's fees, together with VAT and out-of-pocket expenses, will be agreed with and billed to the college corporation. [Skills Funding Agency / Education Funding Agency] is not liable to pay the reporting accountant's fees.

7 Quality of service

The reporting accountant will investigate all complaints. [Skills Funding Agency / Education Funding Agency] or the college corporation has the right to take any complaint to the professional supervisory body governing the reporting accountant.

8 Provision of Services Regulations 2009

The reporting accountant will not be prevented or restricted by virtue of the reporting accountant's relationship with the college corporation and [Skills Funding Agency / Education Funding Agency], including anything in these terms of engagement, from providing services to other clients. The reporting accountant's standard internal procedures are designed to ensure that confidential information communicated to the reporting accountant during the course of an assignment will be maintained confidentially.

9 Freedom of Information Act 2000

If [Skills Funding Agency / Education Funding Agency] receives a request under the Freedom of Information Act 2000 for the disclosure of confidential information, it will inform the college corporation promptly of such request and ensure that any

representations made by the college corporation or the reporting accountant within a reasonable period of time in relation to such a request are fully taken into account when it responds to the request. However, the decision to release information rests with [Skills Funding Agency / Education Funding Agency].

10 Alteration to terms

Amendment to these standard terms of engagement may only be considered in very rare circumstances. All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms do not affect any separate agreement in writing between the college corporation and the reporting accountant.

11 Applicable law and jurisdiction

This agreement shall be governed by and interpreted and construed in accordance with English law.

The college corporation, [Skills Funding Agency / Education Funding Agency] and the reporting accountant irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise on any basis in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

Annex C: Self-assessment questionnaire

College corporation corporations must complete the following self-assessment questionnaire and provide a copy to the reporting accountant to form the basis of their work.

Self-assessment of compliance with requirements

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

Signed

.....

Accounting Officer

.....

Date

.....

Chair of Governors

.....

Date

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|--|--|------------------------------|--|
| <p>Compliance with any specific terms and conditions of revenue grants/income/donations (from whatever source) including where the college acts in the capacity as agent.</p> <p>Compliance with any specific terms and conditions of capital grants/income/donations (from whatever source)</p> | <p>Has the corporation approved policies and procedures operating during the year for each funding stream that has specific terms attached?</p> <p>Do the policies and procedures comply with the terms and conditions for the application of such funds?</p> <p>Has the college completed and returned any related funding claims/returns and reconciled this to specific eligible costs/activities incurred/delivered?</p> | | <p>[Minutes demonstrating corporation consideration and approvals]</p> <p>[College policies and procedures]</p> <p>[College funding claims/returns and reconciliations]</p> <p>[College actions taken]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|---|---|------------------------------|---|
| | Has the college complied with the funding requirements around managing subcontracting provision? | | |
| <p>Financial memorandum / funding agreement</p> <ul style="list-style-type: none"> • The corporation is free to spend its funding as it sees fit, provided it fulfils the conditions of funding imposed. • Additional terms may be applied through a Notice of Concern/Financial Notice to Improve that should be considered as part of this review. <p>Extract from Education Act 2011, specifically relating to 'Part 2 of Schedule 4' as revised from the Further and Higher Education Act 1992:</p> <ul style="list-style-type: none"> • 'The effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets' • 'An instrument must prohibit the body from making changes to the instrument of government or articles of government that would result in the body ceasing to be a charity' | <p>Can the corporation demonstrate that:</p> <ul style="list-style-type: none"> • it is discharging its responsibilities to safeguard the college's assets? • due consideration of decisions made over the operation and direction of a college's activities in the context of risk to the college's financial health? • policies and procedures are in place that set powers of authorisation and situations where corporation approval is required compared against day-to-day management • members of the corporation are discharging their responsibilities as charitable trustees? • it periodically reviews the profile of its activities to ensure they are within its powers? • it is satisfied in monitoring the financial performance of any non-core activities that they are not being materially subsidised from public funding? • it has established appropriate arrangements for each subsidiary and/or | | <p>[Corporation and committee minutes]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|--|---|------------------------------|---|
| | <p>associate and/or joint venture to enable it to discharge its accountability responsibilities? Where such operations are loss making there is an expectation that the corporation would be aware of and consider the continued support of such operations in view of the overall objective of the organisation</p> <p>Has EFA/SFA been informed as soon as is reasonable practicable of any transactions that could jeopardise financial viability?</p> | | |
| <p>The corporation shall demonstrate that payments in respect of termination are regular and secure value for money and avoid spending Funds on settlements where disciplinary action would have been more appropriate.</p> | <p>Where the corporation has considered entering into an agreement to settle any employment claims brought by a senior post holder, has it:</p> <ul style="list-style-type: none"> • taken appropriate professional advice? • approved the terms of any final agreement? • brought all settlements to the attention of the reporting accountant? | | <p>[The corporation should be able to demonstrate these matters through advice received, minutes of consideration and notification to reporting accountant]</p> |
| <p>Clear protocols to mitigate against corruption (in addition to register of interests) for example policies on acceptance of gifts and/or hospitality, including compliance with the Bribery Act 2010 and Proceeds of Crime Act 2002 plus basic charitable principle to act in good faith for the benefit of the</p> | <p>Does the college have a policy for personal gifts and/or hospitality?</p> <p>Does the college have a register of personal interests which extends to staff in relevant position of trust (for example, procurement officer, partnership contract managers and so on)?</p> | | <p>[Gifts and hospitality policy] [Register of interests] [Minutes] [Financial regulations and procedures]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|---|---|------------------------------|---|
| college and consider 'The Essential Trustee' | Is the procurement process clearly documented in college financial regulations or financial procedures? | | |
| 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, partner / associate operatives and project heads) | <p>Does the clerk maintain a register of personal interests in accordance with the instrument of government, and is this register available to any person wishing to inspect it?</p> <p>Does it cover all governors and key staff with significant financial and decision making responsibility?</p> | | <p>[Register of interests and access arrangements/requests]</p> <p>[Staff structure with names of key staff in a position of authority]</p> <p>[Summary of potential conflicts and actions taken to mitigate]</p> |
| Clear whistleblowing procedures | <p>Has the corporation approved a procedure for handling whistleblowing that enables concerns to be raised confidentially inside, and, if necessary, outside, the college?</p> <p>Is the college aware of any ongoing whistleblowing allegations or investigations?</p> | | <p>[Whistleblowing policy]</p> <p>[Details of any on-going whistleblowing allegations or investigations]</p> |
| Safeguarding assets per financial memorandum / funding agreement | <p>What procedures does the college have to safeguard the assets from fire and theft (for example physical security and compliance with fire regulations)?</p> <p>Has the college experienced any such occurrences in the current year? If yes, please provide details.</p> <p>Is insurance cover regularly reviewed for adequacy in this area?</p> | | <p>[Details of approved terms and conditions that are different to the standard terms applied to all staff]</p> <p>[Relevant policies and procedures]</p> <p>[Evidence of physical asset checks]</p> <p>[Evidence of insurance cover]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|--|--|------------------------------|--|
| | <p>Can the corporation demonstrate even-handedness on appointment of staff?</p> <p>Have payments to partner organisation been made in line with any contractual terms and in accordance with the college corporation's financial regulations?</p> | | |
| <p>Safeguarding assets</p> <ul style="list-style-type: none"> - Investment in subsidiary, joint ventures or similar arrangements <p>Basic charitable principle: Act in good faith for the benefit of the college</p> <p>'The Essential Trustee'</p> | <p>Has the college entered into any subsidiary, joint ventures or similar arrangements?</p> <p>Are regular reports provided to governors on performance?</p> <p>Has a cost/benefit analysis been prepared and approved by the corporation (or other relevant committee)?</p> | | <p>[Corporation papers and minutes of consideration and approvals]</p> |
| <p>Clear protocols to mitigate against inappropriate disposal of assets (property and other)</p> <p>Public Accounts Committee guidance</p> <p>Financial memorandum / funding agreement</p> | <p>Do the financial regulations detail procedures for the disposal of assets?</p> <p>Have there been any fixed asset disposals in the year?</p> | | <p>[Financial regulations and details of any asset disposals]</p> |
| <p>Controls and monitoring over expense claims (particularly senior management team expenses and all overseas expenses) and use of college credit cards</p> | <p>Does the college have policies and procedures for personal expenses claims that are regularly reviewed and include the authorisation process of personal expense claims for senior management?</p> | | <p>[Expense claim policies and procedures]</p> <p>[Example claims for senior management]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|--|---|-------------------------------------|---|
| | <p>What was the level of travel and subsistence expenditure on overseas trips in the year to date?</p> <p>If this is significant, does it fit with the charitable objects or relate to a strategy for overseas activities approved by the corporation, and is the corporation informed of this expenditure?</p> <p>Does the college operate a credit card and if so describe the authorisation process.</p> | | <p>[Evidence of control and monitoring]</p> <p>[Evidence of fit with charitable objects and strategy for overseas activities]</p> <p>[Reports to corporation and minutes of consideration and approval]</p> |
| <p>Lack of project appraisal and monitoring or lack of control over discrete projects and initiatives, including non-core activities</p> | <p>Does the corporation (or other relevant committee) receive separate reports on the progress of any significant projects and initiatives from their inception (including risk and financial assessment) through to completion and subsequent post-implementation review?</p> <p>Does this extend to capital and revenue projects?</p> <p>Is this requirement embodied within the college financial regulations?</p> | | <p>[Corporation papers and minutes of consideration and approval]</p> <p>[Financial regulations]</p> |
| <p>Reasonableness of procurement policies (for example, limits for purchase of individual purchase without recourse to governors and so on).</p> | <p>Has the corporation approved expenditure levels above which formal quotations are required and further approval levels operate to ensure the college is receiving value for money through its procurement processes?</p> | | <p>[Corporation papers and minutes of consideration and approval]</p> <p>[Financial regulations]</p> |

| Requirements | Questions | College corporation response | Supporting evidence (suggested items given in brackets) |
|---|---|-------------------------------------|---|
| Unnecessary extravagance in purchases (for example, refurbishments, equipment and so on) | | | |
| Ensuring value for money in all transactions involving public funds (financial memorandum paragraph 3.2 / funding agreement paragraph 2.2) | <p>The corporation should be able to demonstrate consideration and approval of:</p> <ul style="list-style-type: none"> • value for money, especially for public interest activity and expenditure, such as overseas activity, termination payments, investments and so on, and where necessary consideration/ documentation of cost against benefit • clear documentation to consider not just can the college do something but should it and why • justification for activity/expenditure that does not appear to benefit the college, directly or indirectly • consideration of return on investment/good use of public funds | | <p>[Notification to funding body]</p> <p>[Corporation papers and minutes of consideration and approval]</p> |
| The corporation shall properly manage and develop its property with regard to good practice guidance in the further education sector and ensure that it maintains premises which are properly equipped in order to deliver the education and training for which it is funded by the funding bodies. | <p>Has the corporation agreed a property strategy?</p> <p>Where the corporation has considered such disposals, has the funding body been notified?</p> | | <p>[Notification to funding body]</p> |

Annex D: Reporting accountant's assurance report on regularity

To: The corporation of [name of college] and [Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency / Secretary of State for Education acting through Education Funding Agency]

In accordance with the terms of our engagement letter dated [x] and further to the requirements of the [financial memorandum with Skills Funding Agency / funding agreement with Education Funding Agency] we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by [name of college] during the period [insert the start date of the period for which the annual report and financial statements (annual accounts) have been prepared] to 31 July [20XX] have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which [Skills Funding Agency / Education Funding Agency] has other assurance arrangements in place.

This report is made solely to the corporation of [name of college] and the [Skills Funding Agency / Education Funding Agency] in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of [name of college] and [Skills Funding Agency / Education Funding Agency] those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of [name of college] and [Skills Funding Agency / Education Funding Agency] for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of [name of college] and the reporting accountant

The corporation of [name of college] is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period [insert the start date of the period for which the annual

accounts have been prepared] to 31 July [20XX] have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- [X]
- [X]

Conclusion

In the course of our work, [except for the matters listed below] nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period [insert the start date of the period for which the annual accounts have been prepared] to 31 July [20XX] has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- [Matter 1]
- [Matter 2]

Signed:

[Firm of accountants]

[Date]



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