

Skills Funding Agency

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The Skills Funding Agency funds and regulates adult further education and skills in England.

An agency of the Department for Business, Innovation and Skills.

Name of Provider **WORKED EXAMPLE**

UPIN:

UKPRN:

Form B: Financial Management and Control Evaluation (FMCE) return for all non-college providers including Independent Specialist Colleges that receive more than £50,000 annually from the Skills Funding Agency and/or the YPLA (certain local authorities were involved with funding some of these providers in the period 1 April 2010 to 31 July 2010)

Notes

Please read the Skills Funding Agency guidance document, *Guidance on the self-assessment of a providers' financial management and control arrangements using the Financial Management and Control Evaluation (FMCE) annual return* before completing the FMCE return.

The completion of a full FMCE return is not mandatory for all providers in 2010/11. Some providers may opt, instead of completing a full FMCE return again, to submit a short FMCE return which consists only of Parts 1 and 2 of this form, that is, the Summary of Grades and a revised and updated Improvement Plan which should demonstrate where improvements have been made since last year. This option is only available to providers:

- who do not wish to change last year's overall self-assessed grade and the regional PFA team of the former LSC concurred with that grade; and
- have not undergone any significant changes since last year (organisational changes; mergers; changes in ownership; deterioration in financial health; adverse audit or inspection outcomes).

The Skills Funding Agency and YPLA would recommend that all eligible providers consider this option. However, some non-college providers who are inspected in 2010/11 may also be visited by a PFA team at the same time. If this does happen then the provider will have to complete a full FMCE return as it will be this document that the PFA team will wish to validate.

If **providers that the Skills Funding Agency takes the "lead" for on assurance matters** need any support, assistance and guidance in completing their FMCE return then they should contact their Audit Manager. If **providers that the YPLA take the "lead" for on assurance matters** need any support, assistance and guidance in completing their FMCE return then they should contact Mike Croker, Jonathan McAllister or Ian Stafford.

Part 1: Summary of Grades

We have read the Skills Funding Agency guidance document, *Guidance on the self-assessment of a providers' financial management and control arrangements using the Financial Management and Control Evaluation (FMCE) return* and self-assessed our financial management and control arrangements for the period **from 1 August 2009 to 31 July 2010** using the Financial Management and Control Evaluation return in accordance with that Guidance. We have decided to submit a full FMCE return/ a short FMCE return (delete as appropriate) and our self-assessed grades are summarised in the following table.

Area	Section	Grade (Outstanding/ Good/Satisfactory/ Inadequate/ N/A)	Grade (Outstanding/ Good/Satisfactory/ Inadequate/ N/A)
1 Accountability Arrangements	1.1 Strategic Oversight	GOOD	GOOD
	1.2 Operational Oversight	GOOD	
	1.3 Sub-contracting Arrangements	N/A	
2 Financial Planning Arrangements	2.1 Long-term Financial Planning	SATISFACTORY	GOOD
	2.2 Short-term Financial Planning	GOOD	
3 Internal Control Arrangements	3.1 Risk Management	SATISFACTORY	GOOD
	3.2 Internal Control System	GOOD	
4 Financial Monitoring Arrangements	4.1 Financial Monitoring	GOOD	GOOD
The overall self-assessed grade for our financial management and control arrangements is			GOOD

A file of evidence has been prepared to support this grade, which we will make available to the Skills Funding Agency and/or the YPLA for validation when requested.

Signed: (Chief Executive Officer or equivalent)

Name:

Date:

Provider Name:

For those providers submitting a short FMCE return the signing off of Part 1 of the FMCE return indicates there have been no significant changes in their organisation in the last 12 months.

If you have any queries on this FMCE return then please contact:

1. John Smith, director of finance on or email @.....

2. Elizabeth Jones, director of quality on..... or email @.....

Provide contact details of the person(s) we should contact if we have any queries on the FMCE return, that is, name, job title, telephone number and email address)

Part 2: Improvement Plan

An Improvement Plan has to be prepared by all providers irrespective of which FMCE return is being submitted unless no weaknesses or areas for improvement have been identified.

Area & Question Reference	Weakness or Area for Improvement	Proposed Actions	Name and Position of Person Responsible	Planned Completion Date
2008/09 FMCE Weaknesses – show the following details for all issues included in last year’s Improvement Plan				
Ref	Please repeat the issue included in the pervious years Improvement Plan	Please show the progress made on the issues included in the pervious years Improvement Plan	Repeat details from last year’s Improvement Plan (unless responsible person has changed)	Specify if issue has been addressed and actual date of completion or specify revised completion date
Ref	Please repeat the issue included in the pervious years Improvement Plan	Please show the progress made on the issues included in the pervious years Improvement Plan	Repeat details from last year’s Improvement Plan (unless responsible person has changed)	Specify if issue has been addressed and actual date of completion or specify revised completion date
2009/10 Weaknesses/ Areas for Improvement				
1.1.2	Cost base	Our external auditors are undertaking a review of our cost base to try to identify savings	Chief Executive	31.12.2010
3.1.2 & 3.1.5	Risk register	Prepare a formal risk register for board approval	Chief Executive	31.12.2010
3.2.1	Copy in the recommendation included in the PFA report	Copy in your response to the recommendation included in the PFA report	Copy in details that were included in the PFA report	Provide details of (revised) implementation date and any action taken since the PFA report was produced.
3.2.1	Copy in the recommendation included in the PFA report	Copy in your response to the recommendation included in the PFA report	Copy in details that were included in the PFA report	Provide details of (revised) implementation date and any action taken since the PFA report was produced.
3.2.1.	Copy in the recommendation included in the external auditors’ management letter	Copy in your response to the recommendation included in the	Copy in details that were included in the action	Provide details of (revised) implementation date and

		external auditors' management letter	plan you provided for the external auditors (if provided).	any action taken since the external auditors' management letter was produced.
4.1	Form and content of our management accounts	Our external auditors have been asked to consider the form and content of our management accounts and make recommendations for their improvement	Director of Finance	Any changes to the form and content of our management accounts will be implemented at the start of the next financial year

Part 3: Control Arrangements and Evaluation

Area 1 Accountability Arrangements: Appropriate accountability arrangements should be in place to enable management to effectively discharge their financial management and control responsibilities.

Please answer all questions in Area 1 below by providing a “Yes”, “No” or “Not Applicable (N/A)” answer. There has to be evidence to support each “Yes” answer. You can specify briefly the evidence supporting each answer in the third column below. Furthermore, the Skills Funding Agency and the YPLA believe it would be useful if you keep an Evidence File to support all your “Yes” answers. There may be occasions when you have to provide a “No” answer. However, this does not have to be treated as a weakness or an area for improvement and carried forward to the Improvement Plan, if you believe that action would not produce any additional benefits. If this is the situation then this fact should be recorded in the Evidence column below. Furthermore, we suggest that if there is a “N/A” answer a brief explanation as to why this is the case should also be recorded in the Evidence Column. Although answering “No” or “N/A” need not have an adverse effect in self-assessment gradings you should maintain the evidence needed to justify the grade for the area of response.

Area 1 Section 1: Strategic Oversight

The Skills Funding Agency and the YPLA wish to establish (where applicable) whether persons who are not involved in day-to-day management scrutinise and challenge management actions. The primary consideration is not whether there is a governance framework in place (if required by statute such as company law) but how effectively the framework operates in practice, with reference to outcomes.

This section may not be applicable to some providers.

Question	Yes/No/ N/A	Evidence –a description of the evidence held to support a “Yes” answer is needed here
1 Are there any strategic (non-executive) oversight arrangements in place in your organisation that cover the performance of Skills Funding Agency (and YPLA) contracts?	Yes	We have a board and it consists of...members who represent..... The board meets on a monthly basis and the minutes of the meetings will demonstrate that the board does challenge the strategic direction of the company.
• if “No”, is the performance of Skills Funding Agency (and YPLA) contracts subject to any kind of scrutiny?	N/A	
• if “Yes”, do these oversight arrangements comply with any applicable statutory requirements (For example, Charity Commission guidance, company law, or Stock Exchange rules)?	Yes	Company Law and Charities Commission.
<i>This question should be applicable to some providers.</i> 2 Does any external organisation provide regular independent challenge to the day-to-day financial management of the company (For example, your bank, or firm of accountants that prepares your management accounts)?	Yes	We utilise our external auditors to carry out various assignments on our behalf. They are currently carrying out a review of our cost base to try to identify some savings. We are aware that there will be reductions in the government funding we receive and are thus looking to reduce our cost base if possible without, of course, impacting on the quality of our provision.

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<i>This question would only be applicable to those providers who have a training unit that is responsible for LSC funded provision.</i>	N/A	
3 Do you have a separate training unit or similar entity that is responsible for the delivery of Skills Funding Agency (and YPLA) funded training contracts?		
• if “Yes”, does the training division report to those within the wider organisational structure?	N/A	
4 Are there any other controls in existence in this Section which while not mentioned above are relevant for the purpose of your self-assessment? If “Yes” please provide a brief description of the controls and indicate evidence that supports them. Certain providers including independent specialist colleges may need to explain briefly how their particular strategic oversight arrangements work.	No	

Area 1 Section 2: Operational Oversight
Operational oversight refers to the way in which financial management and control arrangements are delegated throughout a provider’s organisational structure. This includes not only the operation of the provider’s finance team but also, more widely, includes consideration of the financial responsibilities undertaken by non financial managers within the business.

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
1 Is there a director or designated manager in place who is responsible for the Skills Funding Agency (and YPLA) contract(s)? The Skills Funding Agency and the YPLA would expect there to be someone in the provider who has overall responsibility for these funds. This person would normally be the one who liaises with the Skills Funding Agency and the YPLA on funding matters.	Yes	The person who deals with the daily, on-going issues is our Director of Quality. She reports to our chief executive.

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>2 Does the director or designated manager responsible for the Skills Funding Agency (and YPLA) contract(s) attend the meetings of the senior management team (SMT), or some equivalent group, that formally considers business operations including Skills Funding Agency (and YPLA) funds?</p> <p>If “No” are Skills Funding Agency (and YPLA) contract/funding matters discussed at a different level within the Provider?</p> <p>If Skills Funding Agency (and YPLA) funds are a provider’s major income source then the Skills Funding Agency (and YPLA) would expect funding matters to feature regularly at SMT (or equivalent) meetings. This would not necessarily be the case where Skills Funding Agency (and YPLA) income only constitutes an insignificant part of a provider’s overall income. However, the Skills Funding Agency (and YPLA) would still expect that funding/ contract matters are subject to discussions at some level.</p>	<p>N/A</p>	<p>The director of quality is a member of the senior management team long with the chief executive, director of finance and [<i>name all SMT members</i>]. The SMT meets formally on a monthly basis when both contract and financial performance are standing items on the agenda. The SMT also meets informally when needed if any issues arises which warrants immediate action and consideration.</p> <p><i>There are minutes kept of SMT meetings (Chief executive’s secretary) and these detail the actions agreed at the meetings.</i></p>
<p>3 Are those staff involved in the administration of the Skills Funding Agency (and YPLA) contract(s):</p> <ul style="list-style-type: none"> • fully conversant with the relevant funding guidance and contractual requirements; and • do they have the necessary skills, knowledge and experience to deliver the contract? <p>The Skills Funding Agency (and YPLA) would expect staff to be conversant with all the relevant funding guidance and contractual requirements otherwise funding errors and mistakes could occur when claims are being processed. A provider needs to ensure relevant staff are kept up-to-date with all changes.</p>	<p>Yes</p> <p>Yes</p>	<p>We have a small team lead by the director of quality, who are conversant with all the relevant funding guidance and contractual requirements. The director of quality has been involved in the sector for....years and the person responsible for all data input has been with the company for....years.</p> <p><i>Their CVs can be made available.</i></p> <p>Team is suitably experienced. The outcomes of the PFA audits demonstrate this.</p>

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>4 Is there an ongoing programme of financial training made available to all staff, particularly:</p> <ul style="list-style-type: none"> • those responsible for the delivery of the contract; and • those with financial responsibilities? <p>Training should improve the performance of staff.</p>	Yes	<p>The director of finance is a qualified accountant and continues to attend CPD courses. His assistant is studying for the AAT qualification. <i>Their CVs can be made available.</i></p>
<p>5 Is the team or function responsible for the delivery of the Skills Funding Agency (and YPLA) contract monitored?</p> <p><i>The Skills Funding Agency (and the YPLA) would expect that the performance of team/function responsible for funds is monitored so that managers and staff are held accountable for the performance of their area. Without this, performance could fall and these funds could be put at risk.</i></p>	Yes	<p>As noted above contract performance is a standing item on all meetings of the SMT so the chief executive knows how well/poorly the company is performing against our contracts.</p>
<p>6 Does the team or function responsible for the delivery of the contract receive adequate support from the finance and MI functions?</p> <p>Reliable and suitable management information needs to be prepared on a timely basis. Without this information the provider’s staff would not be able to monitor performance against the contract.</p>	Yes	<p>The people responsible for both these teams are members of the SMT.</p>
<p>7 Does the finance and MI functions:</p> <ul style="list-style-type: none"> • have appropriately qualified and experienced staff; and • have the resources to fulfil its duties and responsibilities? <p>The risk here is that management information may not be reliable.</p>	Yes	<p>See comments @ question no. 4 above for finance. The director of quality’s team is responsible for the production of our contract information and there is no evidence to suggest this team does not operate efficiently.</p>
	Yes	<p>Finance – All our external audits go smoothly which suggests the team can fulfil its duties and responsibilities.</p>

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
8 <i>Did the provider actively consider its financial management and control arrangements when arriving at its self-assessed grade for Leadership and Management?</i>	Yes	We have recognised in our self-assessment that both our financial and contract performance has been excellent in recent years.
<p>9 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment of this Section?</p> <p>If “Yes” please provide a brief description of the controls and indicate evidence that supports them.</p> <p><i>If any provider has answered “No” or “N/A” to most of the above questions then they should take the opportunity here of explaining what operational oversight arrangements they actually have in place because as stated previously, the Skills Funding Agency (and the YPLA) would expect all providers in receipt of funds to have some kind of arrangements in place. The Skills Funding Agency (and the YPLA) wants to know how the contract and/or funding is managed.</i></p>	No	

Area 1 Section 3: Sub-contracting Arrangements

Sub-contracting arrangements cover any arrangements that providers have in place to deliver their agreed volumes, across any of the Skills Funding Agency’s (and YPLA’s) funding streams, through the use of sub-contracted provision. The Skills Funding Agency and the YPLA would expect a provider to have controls in place to mitigate the risks of financial failure of and non-delivery by the sub-contractor, as the Skills Funding Agency and the YPLA would themselves seek to mitigate those risks with the providers it contracts with directly.

This section will not apply to every provider.

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
1 If you sub-contract Skills Funding Agency (and YPLA) funded provision to other providers, do you select sub-contractors using appropriate open and transparent procurement arrangements?	N/a	We do not sub-contract any of our provision

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
2 <i>If you sub-contract Skills Funding Agency (and YPLA) funded provision to other providers, have you submitted details of these arrangements to your Agency account manager on the Annex I form as required in the ILR guidance?</i>		
3 Do you have robust procedures in place to ensure that all sub-contractors engaged to deliver any part of the contracts have the necessary skills, experience, financial health and resources/systems to be able to deliver and sustain high-quality provision?		
4 Are there legally enforceable sub-contract agreements (not service-level agreements) that comply with the funding and contractual requirements in place with all sub-contractors prior to delivery taking place?		
5 Do the contracts clearly specify the obligations and responsibilities of the provider and their sub-contractors, including rights of access and responsibilities in the event of recoveries?		
6 Do you ensure that your sub-contractors have robust systems of control in place which comply with relevant funding guidance and funding is only claimed for:		
<ul style="list-style-type: none"> • learners who exist and are eligible for the programme? 		
<ul style="list-style-type: none"> • learners who have actually started and remain in active learning? 		
<ul style="list-style-type: none"> • learning that meets learners’ needs? 		
<ul style="list-style-type: none"> • qualifications that are eligible? 		
<ul style="list-style-type: none"> • qualification achievements that are fully completed and validated? 		
<ul style="list-style-type: none"> • where relevant, expenditure that has actually been incurred and paid (actual cost contracts only)? 		
7 Does this system of control allow an independent, objective assessment of sub-contractor performance?		

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
8 <i>Do you ensure that ILR data and other learner documentation is completed fully and accurately and is readily accessible at the sub-contractor’s premises?</i>		
9 Does this system of control include the monitoring of the quality of provision?		
10 Are conflicts of interest between your organisation and any sub-contractors recognised and managed appropriately?		
11 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment? If “Yes” please provide a brief description of the controls and indicate evidence that supports them.		

Area 1 - Summary of the Effectiveness of the Accountability Arrangements

Can you please summarise briefly below how effective your accountability arrangements are in achieving the stated objectives namely:
 “Appropriate accountability arrangements should be in place to enable management to effectively discharge their financial management and control responsibilities”

Please identify strengths in terms of positive impacts and outcomes. If there are any areas of improvement and/or weaknesses identified during the course of this self-assessment that you believe would bring benefits then these should be included in the Improvement Plan.

You may wish to refer to your last Self-Assessment Report which should record strengths in respect of Leadership and Management.

Our board has contributed to our strategy. We have sought to increase our existing contracts in the areas we operate in as opposed to moving into areas where we previously have had no presence.

We are making use of our external auditors’ financial expertise to try to identify cost savings.

We have self-assessed our Leadership and Management as grade 2 this time (it was grade 3 at the last inspection) as we believe the improvements in our success rates, the quality of our provision and financial and contract performance warrants this.

As the company has grown we have ensured by recruiting suitably experienced and committed staff that the quality of our provision has not suffered.

Area 1 Accountability Arrangements - Self-Assessment of each Section and overall assessment for Area

Area 1. Section 1: Strategic Oversight	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 1. Section 2: Operational Oversight	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 1. Section 3: Sub-contracting Arrangement if applicable)	NOT APPLICABLE (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 1. Accountability Arrangements	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)

Area 2 Financial Planning Arrangements: Financial planning arrangements should contribute to the proper, economic, efficient and effective use of resources

Please answer all questions in Area 2 below by providing a “Yes”, “No” or “Not Applicable (N/A)” answer. There has to be evidence to support each “Yes” answer. You can specify briefly the evidence supporting each answer in the third column below. Furthermore, the Skills Funding Agency and the YPLA believe it would be beneficial if you keep an Evidence File to support all your “Yes” answers. There may be occasions when you have to provide a “No” answer. However, this does not have to be treated as a weakness or an area for improvement and carried forward to the Improvement Plan if you believe that action would not produce any additional benefits. If this is the situation then this fact should be recorded in the Evidence column below. Furthermore, we suggest that if there is a “N/A” answer a brief explanation as to why this is the case should also be recorded in the Evidence Column. Although answering “No” or “N/A” need not have an adverse effect in self-assessment gradings you should maintain the evidence needed to justify the grade for the area of response.

Area 2 Section 1: Long-term Financial Planning

The Skills Funding Agency would expect all providers in receipt of Skills Funding Agency funds (and those from the YPLA) to have some kind of plans in place that stretch beyond the end of the current contract period even if these are not fully detailed.

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>1 Are there any costed, medium/longer-term (>1 year) business plans in place that cover the whole organisation (including the provision of Skills Funding Agency (and YPLA) funded training)?</p> <p>If “Yes” then can you please answer the following questions. If “No” or “N/A” then please go to question 3.</p>	N/A	We do have a long-term plan which outlines what we hope to achieve over that period including some broad indicators of our ongoing financial position. This plan has been presented to and considered by our board. However, due to the uncertainty about future government funding which still remains our main income source, developing costed long term plans is not really a realistic option.
<ul style="list-style-type: none"> are these plans in alignment with the strategic objectives of the organisation overall? 	Yes	We aim to continue to expand our operations in a controlled manner like we have done in the past years. However, we are keen to ensure that the quality of our provision is not adversely affected by any expansion, so that is why any expansion is controlled.
<ul style="list-style-type: none"> have these plans been documented and approved at board or most senior executive level? 	Yes	The plan has been presented to the board and they are content with the form and content of our long term plans.
<ul style="list-style-type: none"> does the financial information within the plans include a forecast profit and loss account, balance sheet; cash flow forecast, and clear financial objectives, extending beyond the end of the current financial year? 	N/A	
<ul style="list-style-type: none"> have the plans been subject to any external independent review and advice and/ or prepared with the help of those with financial expertise? 	N/A	

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<ul style="list-style-type: none"> do the plans take account of future uncertainties and their potential financial impact including the use of sensitivity analysis? 	N/A	
<p>is the business plan underpinned by documented assumptions that have proved realistic and soundly based in the past?</p>	N/A	
<ul style="list-style-type: none"> does the information in the plans correlate to that included in the annual budget? 	N/A	
<p>2 Have the medium/ long term financial plans that were developed in the last three years proved to be accurate?</p>	Yes	In recent years the company has continued to expand and broaden its income base, in a controlled manner, in accordance with previously agreed plans.
<p>3 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment of this Section? If “Yes” please provide a brief description of the controls and indicate evidence that supports them.</p> <p><i>If any provider has answered “No” or “N/A” to the above two questions then they should take the opportunity here of explaining what long-term financial planning arrangements they actually have in place.</i></p>	No	

Area 2 Section 2: Short-term Financial Planning

All Providers should have short-term planning arrangements in place otherwise there would be no controls over income and expenditure.

Question	Yes/No/ N/A	Evidence –a description of the evidence held to support a “Yes” answer is needed here
<p>1 Is there an annual budget :</p> <ul style="list-style-type: none"> • for the delivery of <i>Skills Funding Agency (and YPLA)</i> funded provision; or • for the organisation as a whole that includes this funded provision <i>(please specify which of the above applies)</i> <p>that has been approved by the board of directors or trustees (or equivalent) before the beginning of the financial year?</p> <p>All organisations need a budget so that income and expenditure can be properly controlled. If there is no budget for <i>Skills Funding Agency (and YPLA)</i> funded provision then please go to last question in this Section and outline how <i>Skills Funding Agency (and YPLA)</i> income, and the expenditure related to this, is controlled.</p>	<p>Yes</p>	<p>We always produce an annual budget which is approved by our board in July which is for the organisation as a whole.</p> <p>Our main income source is Government funded provision. However, our dependency on this income source has declined in recent years.</p>
<p>2 If the annual budget has proved to be unrealistic and/or inaccurate, can you demonstrate that appropriate action has been taken on a timely basis to revise the budget or forecast?</p>	<p>Yes</p>	<p>The adult responsive budget proved to be slightly inaccurate because of the cut backs in funding from 1 April 2010. This was due to circumstances beyond our control. However, we did take action immediately to control our expenditure by thereby ensuring we did not incur a significant loss in the last four months of our financial year. As this exercise demonstrated there were cost savings to be made, so we have asked our external auditors to review our cost base.</p>

Question	Yes/No/ N/A	Evidence –a description of the evidence held to support a “Yes” answer is needed here
<p>3 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment of this Section? If “Yes” please provide a brief description of the controls and indicate evidence that supports them.</p> <p>If any provider has answered “No” or “N/A” to the above questions then they should take the opportunity here of explaining what short-term financial planning arrangements they actually have in place because the <i>Skills Funding Agency</i> would expect all Providers in receipt of <i>Skills Funding Agency (and YPLA)</i> funds to have some kind of arrangements in place.</p>	No	

Area 2 - Summary of the Effectiveness of the Financial Planning Arrangements	
<p>Can you please summarise briefly below how effective your financial planning arrangements are in achieving the stated objectives namely: “Financial Planning arrangements should contribute to the proper, economic, efficient and effective use of resources” Please identify strengths in terms of positive impacts and outcomes. If there are any areas of improvement and/or weaknesses identified during the course of this self-assessment that you believe would bring benefits then these should be included in the Improvement Plan.</p>	
<p>We have increased our overall turnover by x% over the last five years in accordance with our planned strategy and at the same time we have reduced our dependency on government income from 90% to 75%. We have recognised that government funding may be reduced and continue to seek alternative funding sources to compensate for this (a policy that has been relatively successful in recent years). We remain financially sound. We acted rapidly to ensure our financial health was not compromised when we became aware our funding was to be limited for the last four months of the financial year. We believe we have potential to reduce our cost base without impacting on our performance and this is why we have asked our external auditors to review our cost base</p>	
Area 2 Financial Planning Arrangements - Self-Assessment of each Section and overall assessment for Area	
Area 2 Section 1: Long-term financial planning	SATISFACTORY (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 2 Section 2: Short-term financial planning	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 2 Financial Planning Arrangements	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)

Area 3: Internal Control Arrangements: Adequate and effective internal control arrangements should be in place to safeguard and protect Skills Funding Agency (and YPLA) funds

Please answer all questions in Area 3 below by providing a “Yes”, “No” or “Not Applicable (N/A)” answer. There has to be evidence to support each “Yes” answer. You can specify briefly the evidence supporting each answer in the third column below. Furthermore, the Skills Funding Agency and the YPLA believe it would be beneficial if you keep an Evidence File to support all your “Yes” answers. There may be occasions when you have to provide a “No” answer. However, this does not have to be treated as a weakness or an area for improvement and carried forward to the Improvement Plan if you believe that action would not produce any additional benefits. If this is the situation then this fact should be recorded in the Evidence column below. Furthermore, we suggest that if there is a “N/A” answer a brief explanation as to why this is the case should also be recorded in the Evidence Column. Although answering “No” or “N/A” need not have an adverse effect in self-assessment gradings you should maintain the evidence needed to justify the grade for the area of response.

Area 3 Section 1: Risk Management

Question	Yes/No/ N/A	Evidence –a description of the evidence held to support a “Yes” answer is needed here
<p>1 Do you have a documented policy and process in place by which you identify and assess the key risks facing your business (this should cover publicly funded provision) and how you are going to mitigate and monitor them?</p> <p>If Skills Funding Agency (and YPLA) funded provision is not included in the documented policy and process then please identify at Question 6 below how the risks relating to such are being addressed.</p>	Yes	<p>The main risk to us is a reduction in government funding and we have contingency plans in place to deal with this scenario, for example, recent staff appointments have been on a contract basis so if we need to reduce staff we can easily do this. Furthermore, when the need arises for us to open new premises we ensure short term leases are taken out so that we can vacate them easily if such a course of action is warranted.</p>
<p>2 Is there a risk register (this should cover <i>publicly funded</i> provision) that is subject to regular review?</p> <p>If Skills Funding Agency (and YPLA) funded provision is not included in the risk register then please identify at Question 6 below how the risks relating to such are identified and then dealt with.</p>	No	<p>We can formalise things and present a paper to the board.</p>
<p>3 Are appropriate actions being taken to address the most significant risks identified in the risk register?</p>	Yes	<p>We dealt with a reduction in funding in the period from 1 April 2010 onwards.</p>
<p>4 Have the risk management arrangements proved to be effective in the past?</p>	Yes	<p>We dealt with a reduction in funding in the period from 1 April 2010 onwards.</p>
<p>5 Are risk management arrangements fully embedded throughout the organisation?</p>	No	<p>See comments @ question 2 above. However, both the board and the SMT are aware of the main risk facing the company.</p>

Question	Yes/No/ N/A	Evidence –a description of the evidence held to support a “Yes” answer is needed here
6 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment? If “Yes” please provide a brief description of the controls and indicate evidence that supports them.	No	

Area 3 Section 2: Internal Control System

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
1 Have all the auditors (<i>including those of the Skills Funding Agency</i>) in the last year or since you completed your previous FMCE: <ul style="list-style-type: none"> • provided clean audit opinions; and • not identified any significant or fundamental control weaknesses? <p>A qualified Use of Funds opinion from PFA should be treated as a significant weakness.</p>	Yes	<p>The last PFA report on our employer responsive provision in ...2010 provided clean opinions. There were a couple of recommendations in this report and has these have not yet been fully implemented we have included them in our Improvement Plan.</p> <p>We do not have separate internal auditors. However, our external auditors always undertake some basic testing of our internal controls as part of their year-end audit work. The cost of this work is built into the audit fee we pay them. The few issues raised by the external auditors are included in their management letter</p>
<p>If significant or fundamental control weaknesses were identified, have appropriate actions been taken to address the weaknesses?</p> <p>If there have been no significant or fundamental control weaknesses identified then a “n/a” answer should be given.</p> <p>If no action is taken to address identified weaknesses then <i>Skills Funding Agency</i> funds and other funds could be at risk. Failure to implement auditors’ recommendations would also be viewed as a weakness.</p>	N/A	

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>2 If your last financial statements were subject to independent audit, were the auditors able to certify the financial statements without the need to make significant adjustments, identified during the course of the external audit, to the draft version given them?</p> <p>If there were any adjustments this could indicate there are weaknesses in a provider’s financial management arrangements.</p>	Yes	<p>No issues at year-end financial statements audit. We always have a detailed planning meeting with our external auditors before the external audit commences and any issues which might have an impact on the external audit are discussed at this meeting. We believe this course of action helps the external audit go smoothly.</p>
<p>3 Are there robust arrangements in place to ensure that ILR data is accurate complete and valid prior to submission to the <i>Skills Funding Agency</i>? (For example, the use of the Data Self-Assessment Toolkit (DSAT).</p> <p><i>If data is not accurate then funds could be put at risk. The Skills Funding Agency and the YPLA would expect providers who self-assess themselves as either Outstanding or Good to make use of the DSAT as this would display a commitment to ensuring data is accurate.</i></p>	Yes	<p>DSATs are run monthly and all discrepancies investigated.</p>
<p>4 Are there robust systems of control in place which comply with the <i>relevant</i> funding guidance and claims for funding are only made for:</p>	Yes	<p>We have our own in-house QA procedures which we believe addresses all these areas. The outcomes of the PFA audits would indicate this view is a valid one. <i>The director of quality would be able to explain what our procedures consist of.</i></p>
<ul style="list-style-type: none"> learners who exist and are eligible? 		
<ul style="list-style-type: none"> learners who have actually started and remain in active learning? 		
<ul style="list-style-type: none"> learning that meets learners’ needs? 		
<ul style="list-style-type: none"> qualifications that are eligible? 		
<ul style="list-style-type: none"> qualification achievements that are fully completed and validated? 		

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<ul style="list-style-type: none"> where relevant, expenditure that has actually been incurred and paid (actual cost contracts only)? 		
<p>5 Are documented procedures and/or policies in place that cover all the key areas in respect of the administration of <i>Skills Funding Agency (and YPLA)</i> contracts including :</p> <ul style="list-style-type: none"> eligibility; initial assessment; learner documentation; ALN and ASN provision; continued learning; outcomes; allowances and support costs; and MIS. <p>If procedures do not exist then errors and mistakes could be made that could put funds at risk.</p>	Yes	We have our own procedures.
<p>6 Are there robust, documented self-assessment processes in place?</p>	Yes	We believe this to be the case.
<p>7 Are your systems of internal control free from any fundamental weaknesses?</p>	Yes	Our audit reports would suggest this to be the case. Our own in-house QA procedures also contribute to our effective internal control system
<p>8 (For larger providers) Is there an internal audit or compliance function that reviews the adequacy and effectiveness of the provider’s systems of internal control regularly and frequently?</p>	N/A	

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>If “Yes”, does the scope of this function include assessment of financial management and control across the organisation, including the delivery of <i>Skills Funding Agency (and YPLA)</i> funded training provision?</p> <p>Providers are not obliged to have an internal audit function so a “No” answer to this question does not imply there is a weakness. However, most providers should, as a minimum, have some internal checks in place over expenditure, cash and the monitoring of the <i>Skills Funding Agency (and YPLA)</i> contracts that they believe are strengths and if so they should refer to these at question 10.</p>	N/A	
<p>9 Have there been any instances of fraud and/ or irregularity identified in the last year?</p> <p>The existence of frauds etc may indicate that the internal control system has weaknesses.</p>	No	
<p>10 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment? If “Yes” please provide a brief description of the controls and indicate evidence that supports them.</p> <p>If any provider has answered “No” or “N/A” to many of the above questions then they should take the opportunity here of explaining what internal control arrangements they actually have in place.</p>	Yes	As noted above, our external auditors do undertake some internal control work over and above their routine external audit work. This work has resulted in us making changes to our procedures which should further improve the quality of our data.

Area 3 - Summary of the Effectiveness of the Internal Control Arrangements

Can you please summarise briefly below how effective your internal control arrangements are in achieving the stated objectives namely:
 “Adequate and effective internal control arrangements should be in place to safeguard and protect Skills Funding Agency (and YPLA) funds”
 Please identify strengths in terms of positive impacts and outcomes. If there are any areas of improvement and/or weaknesses identified during the course of this self-assessment that you believe would bring benefits then these should be included in the Improvement Plan.

We recognise our risk management procedures need formalizing but we would stress we have dealt with any issues when they arise.
 We are committed to improving our internal control system as evidenced by the commissioning of our external auditors to carry out a review of our internal controls.
 The PFA audits have also been positive
 We continue to use DSATs which do demonstrate the ongoing accuracy and validity of our data

Area 3 Internal Control Arrangements - Self-Assessment of each Section and overall assessment for Area

Area 3 Section 1: Risk Management	SATISFACTORY (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 3.Section 2: Internal Control System	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)
Area 3 Internal Control Arrangements	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)

Area 4 Financial Monitoring Arrangements: Financial Monitoring arrangements should enable management to monitor, control and improve financial and contractual performance effectively

Please answer all questions in Area 4 below by providing a “Yes”, “No” or “Not Applicable (N/A)” answer. There has to be evidence to support each “Yes” answer. You can specify briefly the evidence supporting each answer in the third column below. Furthermore, the Skills Funding Agency and the YPLA believe it would be beneficial if you keep an Evidence File to support all your “Yes” answers. There may be occasions when you have to provide a “No” answer. However, this does not have to be treated as a weakness or an area for improvement and carried forward to the Improvement Plan if you believe that action would not produce any additional benefits. If this is the situation then this fact should be recorded in the Evidence column below. Furthermore, we suggest that if there is a “N/A” answer a brief explanation as to why this is the case should also be recorded in the Evidence Column. Although answering “No” or “N/A” need not have an adverse effect in self-assessment gradings you should maintain the evidence needed to justify the grade for the area of response.

Area 4 Section 1: Financial Monitoring

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
1 Are there documented procedures and/or policies in place that govern the production, form, content and distribution of the various reports used by managers to monitor financial and contractual performance?	Yes	We have a defined suite of reports produced on a monthly basis. The form and content of our management accounts has not changed for several years. Accordingly, we have asked our external auditors, using the experience that they have gained at similar sized companies, to consider their suitability and make, if necessary, recommendations for changes/improvements. We await their report.
2 Do you use a proprietary accountancy system to produce financial management information?	Yes	<i>[Name of accountancy system used]</i>
3 Are reliable, suitable, accurate and up-to-date financial and contractual performance reports produced each month that include Skills Funding Agency and/or YPLA income (previously LSC income)? <i>All providers need to know how well or otherwise they are performing against their contract(s). If the financial reports (management accounts) do not include Skills Funding Agency and/or YPLA income (previously LSC income) then please go to the last question in this Section and outline how Skills Funding Agency and/or YPLA income is accounted for.</i>	Yes	These are discussed at the monthly SMT meetings

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>4 Is the earned income figure within the management accounts reconciled monthly to underlying learner performance data?</p> <p>If there is no reconciliation then the <i>Skills Funding Agency and/or YPLA</i> income figure included in the management accounts may be inaccurate.</p>	Yes	We ensure it is the earned income which is included in the management accounts.
<p>5 Are the financial and contractual performance reports effectively used by senior and operational management to identify, monitor and take timely action in respect of financial and contractual issues?</p> <p>The <i>Skills Funding Agency and the YPLA</i> would expect all providers to monitor actual performance against the contract. Appropriate action can then be taken as and when required.</p>	Yes	As noted previously, performance is discussed on a monthly basis at SMT meetings. Our contracts have increased in size.
<p>6 Is final year-end financial and contractual performance reported and compared to what was expected at the year-end and any significant variances fully explained?</p> <p>If there have been issues that have arisen in one year then these would be flagged up through this year-end reconciliation. Hopefully action would then be taken to ensure such does not re-occur.</p>	Yes	As noted previously, performance is discussed on a monthly basis at SMT meetings. We have not faced any performance issues.
<p>7 (For smaller providers where all of the above questions may not be relevant) Do you have sufficiently reliable records using double-entry accounts, a recognised simple accounting system or spreadsheets to control your business finances?</p>	N/A	

Question	Yes/No/ N/A	Evidence – a description of the evidence held to support a “Yes” answer is needed here
<p>8 Are there any other controls in existence in this Section that while not mentioned above are relevant for the purpose of self-assessment?</p> <p>If “Yes” please provide a brief description of the controls and indicate evidence that supports them.</p> <p>If any provider has answered “No” or “N/A” to the above questions then they should take the opportunity here of explaining what financial monitoring arrangements they actually have in place because the <i>Skills Funding Agency and the YPLA</i> would expect all Providers in receipt of <i>Skills Funding Agency (and YPLA)</i> funds to have some kind of arrangements in place that enable <i>Skills Funding Agency (and YPLA)</i> income to be properly accounted for.</p>	No	

Area 4 - Summary of the Effectiveness of the Financial Monitoring Arrangements

Can you please summarise briefly below how effective your financial monitoring arrangements are in achieving the stated objectives namely: “Financial Monitoring arrangements should enable management to monitor, control and improve financial and contractual performance effectively”. Please identify strengths in terms of positive impacts and outcomes. If there are any areas of improvement and/or weaknesses identified during the course of this self-assessment that you believe would bring benefits then these should be included in the Improvement Plan.

There have never been any contract performance issues. Indeed our success here has resulted in increases in the size of our contracts. We are looking to improve the quality of our financial reports because as we expand we want to know the contributions the various parts of our business are making so we can focus our attention on any poorly performing areas. We make use of key financial performance indicators and these do demonstrate we remain financially successful.

Area 4 Financial Monitoring Arrangements - Self-Assessment for Area

Area 4. Financial Monitoring Arrangements	GOOD (delete as appropriate and enter into Part 1 – Summary of Grades)
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Skills Funding Agency

Skills Funding Agency

Coventry Office

Cheylesmore House

Quinton Road

Coventry CV1 2WT

T 0845 377 5000

www.skillsfundingagency.bis.gov.uk

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