

Indicative Examples of Grade Components for:

- all non-college providers who have been in receipt of a contract from the Chief Executive of Skills Funding for over 12 months; and
- Independent specialist providers and appropriate charitable and commercial providers (with a majority of 16-19 provision) who are funded by the YPLA.

Version 1

August 2011

Of interest to non – college providers

Notes

To assist providers reach the correct self-assessed grade for their financial management and control arrangements, the Chief Executive of Skills Funding has issued this additional provider guidance document, Indicative Examples of Grade Components which lists, section by section, those components one might expect to see under the four grades used for self-assessment purposes. However, the lists are neither exhaustive nor prescriptive in what constitutes a grade component and they should not prevent providers identifying further components. This additional provider guidance document should be read in they see no mileage in an appeal Guidance on the self-assessment of a provider's financial management and control arrangements using the Financial Management and Control Evaluation (FMCE) annual return.

AREA 1: ACCOUNTABILITY				
INDICATIVE EXAMPLES OF GRADE COMPONENTS				
	OUTSTANDING	GOOD	SATISFACTORY ("the benchmark")	INADEQUATE
	The processes and controls listed under the headings 'Satisfactory' and 'Good' plus many of the following characteristics should be in place and working efficiently and effectively	The processes and controls listed under the heading 'Satisfactory' plus many of the following characteristics should be in place and working efficiently and effectively	Generally complies with the majority of the following processes and controls which are in place and working efficiently and effectively.	Significant non-compliance with the Agency's (YPLA's) contract or other regulatory requirement as appropriate, <i>and/or</i> an accumulation of any of the following
SECTION 1: Strategic Oversight	<ul style="list-style-type: none"> - Non -executives challenge the strategic direction of the provider contributing to improvements. - The external organisation challenges existing arrangements with recommendations that are taken into account to effect improvements. - The manager in the wider organisational structure involves other managers throughout the whole organisation, as appropriate, in developing the strategy and contributing to the provider's successt. - In the smaller or training-based organisation management arrangements are benchmarked externally, leading to continuous improvements in planning 	<ul style="list-style-type: none"> - Non-executives actively contribute to the strategy of the provider. - The external organisation makes recommendations for better financial management. - The manager in the wider organisational structure is actively involved in the strategy of the training unit. - In the smaller or training-based organisation the management arrangements effect improvements in planning provision and services - Other identified controls not mentioned above ensure that the strategy for provision and services is reviewed and improvements made. 	<ul style="list-style-type: none"> - A board of directors or trustees exists and their oversight does cover the performance of the Agency (and YPLA) contracts. - The provider is a legal entity and registered with Companies House and/or the Charities Commission. - A bank, accountant or other external organisation keeps an eye on the financial management. - Where part of a larger organisation, training is coordinated by a business unit which reports to a manager within the wider organisational structure. - In a smaller or training-based organisation there are formal management arrangements to plan, monitor and review provision and learner services 	<ul style="list-style-type: none"> - No strategic oversight by non-executives exists. - The oversight arrangements in place do not comply with the applicable statutory requirements. - No external organisation is in a position to influence the financial management of the provider. - External organisations have challenged the provider's financial management and no action has been taken. - The provider is a separate training unit but the managers within the wider structure have no oversight of the training unit. - No other identified controls give significant strategic oversight of the provision.

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	provision and services - Other identified controls not mentioned above ensure the strategy of the provision is subject to scrutiny and challenge leading to improvements.		- Other identified controls not mentioned above provide satisfactory strategic oversight of the provision.	
SECTION 2: Operational Oversight	- The management team meetings attended by the director or designated manager routinely discuss the contract. - An on-going programme of financial training is available to staff responsible for the contract. - The team responsible for the Agency/YPLA contract work particularly effectively in partnership with the finance and management information functions. - Other identified controls not mentioned above ensure the	- The director or designated manager attends management team meetings at an appropriate level. - The financial performance of the team responsible for the delivery of the Agency/YPLA contract is monitored. - The finance and management information functions have qualified and experienced staff, and have the resources to fulfil their duties and responsibilities. - Other identified controls not mentioned above ensure that the operations are reviewed and	- A director or designated manager is responsible for the Agency/YPLA contract. - The provider has evidence to show that there is sufficient resources and skills to carry out all the required contractual obligations. - Staff involved in the Agency/YPLA contract are fully conversant with the relevant funding guidance and contractual requirements. They have the necessary skills, knowledge and experience. - The team responsible for the delivery of the Agency/YPLA	- No director or manager is designated as responsible for the Agency/YPLA contract. - Ofsted, following an inspection, have assessed the provider's Leadership & Management as inadequate. - Critical PFA reports are not escalated within the provider. - There have been serious breaches of the contract which has adversely, materially and substantially affected the performance or delivery of the service.

**AREA 1: ACCOUNTABILITY
INDICATIVE EXAMPLES OF GRADE COMPONENTS**

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	<p>operations are subject to scrutiny and challenge leading to improvements.</p>	<p>improved.</p>	<p>contract receives adequate finance and management information support.</p> <ul style="list-style-type: none"> - Other identified controls not mentioned above provide satisfactory oversight of the operations of the staff responsible for the delivery of the Agency/YPLA contract. 	<ul style="list-style-type: none"> - Staff have insufficient understanding of the Agency's/YPLA's requirements or they do not have the necessary skills, knowledge and experience. - The provider's staff are not sufficiently competent to deliver and assess training. - The provider does not have in place a rigorous system of quality assurance based on a regular review and assessment of the quality of services delivered. - The team responsible for the delivery of the Agency/YPLA contract does not receive adequate finance and management information support. - No other identified controls give significant operational oversight of the provision.
<p>SECTION 3: Sub-Contracting</p>	<ul style="list-style-type: none"> - The provider works in partnership with its sub-contractors to maximise the 	<ul style="list-style-type: none"> - Sub-contract ors are selected using procedures which ensure they have high quality provision. 	<ul style="list-style-type: none"> - Sub-contract ors are selected using procedures which ensure they have adequate resources 	<ul style="list-style-type: none"> - Sub-contract or selection procedures are inadequate.

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<p>Arrangements</p>	<p>benefit to learners and the value for money to the Agency/YPLA.</p>	<ul style="list-style-type: none"> - The performance of sub-contractors is regularly reviewed by managers and leads to improvements in the sub-contracted provision. 	<p>and financial health.</p> <ul style="list-style-type: none"> - Details of the provider's sub-contracting arrangements are submitted on the relevant form to the Agency. - Agreements with sub-contractors are legally enforceable, comply with requirements and clearly specify the responsibilities of each party. - Sub-contractors have robust systems in place to ensure only valid funding claims are made. - Other identified controls provide satisfactory control of sub-contracting arrangements. 	<ul style="list-style-type: none"> - Agreements do not comply with Agency/YPLA requirements or do not specify the responsibilities of each party sufficiently clearly. - Sub-contractors' systems risk them making claims which do not comply with Agency/YPLA rules. - No other identified controls give significant control of the sub-contracting arrangements.

Area 2 Sections	AREA 2: FINANCIAL PLANNING INDICATIVE EXAMPLES OF GRADES			
	OUTSTANDING The processes and controls listed under the headings 'Satisfactory' and 'Good' plus many of the following characteristics should be in place and working efficiently and effectively	GOOD The processes and controls listed under the heading 'Satisfactory' plus many of the following characteristics should be in place and working efficiently and effectively	SATISFACTORY ("the benchmark") Generally complies with the majority of the following processes and controls which are in place and working efficiently and effectively.	INADEQUATE Significant non-compliance with the Agency's (YPLA's) contract or other regulatory requirement as appropriate, <i>and/or</i> an accumulation of any of the following.
SECTION 1: Long-term Financial Planning	<ul style="list-style-type: none"> - The provider has a record of accurate long-term planning. The current plans are underpinned by realistic and soundly-based assumptions. 	<ul style="list-style-type: none"> - Long-term business plans are costed and approved at a senior level. 	<ul style="list-style-type: none"> - Business planning extends more than one year ahead and covers Agency/YPLA funds. - The plans show the provider has the financial resources and level of turnover to continue to perform the contract. - Plans show there will be investment in staff development & training, repairs and maintenance and equipment for the benefit of learners. - Long-term business plans take account of future uncertainties. - Long-term business plans are realistic in terms of financial health and borrowings. 	<ul style="list-style-type: none"> - No planning takes place beyond the period of the next 12 months. - Long-term plans do not take into account future uncertainties. - Plans do not identify key risks in delivering the contract and also fail to identify any contingency plans. - Long-term plans are unrealistic in terms of the financial health or borrowings of the provider.
SECTION 2: Short-term Financial Planning	<ul style="list-style-type: none"> - The provider has a record of producing robust budgets which have proved to be realistic and accurate. 	<ul style="list-style-type: none"> - The annual budget is produced in consultation with staff and partners to ensure it is realistic and accurate. 	<ul style="list-style-type: none"> - An annual budget covers the Agency/YPLA funds and is approved by the board of directors, trustees or equivalent 	<ul style="list-style-type: none"> - No adequate annual budget is approved before the beginning of the financial year.

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	<ul style="list-style-type: none"> - Action has been taken in the past in a timely manner to amend budgets when external circumstances have made them unachievable. 	<ul style="list-style-type: none"> - The annual budget is reviewed and amended if necessary at intervals during the year. 	<ul style="list-style-type: none"> - before the beginning of the financial year. - If the annual budget proves to be unrealistic or inaccurate, an amended budget is produced and approved in a timely manner. 	<ul style="list-style-type: none"> - Budget fails to include level of anticipated funding and, associated staff, material and accommodation costs. - Insufficient action is taken, or action is taken too late, to amend the budget if it proves to be unrealistic or inaccurate.

Area 3 Sections	AREA 3: INTERNAL CONTROL INDICATIVE EXAMPLES OF GRADES			
	OUTSTANDING The processes and controls listed under the headings 'Satisfactory' and 'Good' plus many of the following characteristics should be in place and working efficiently and effectively	GOOD The processes and controls listed under the heading 'Satisfactory' plus many of the following characteristics should be in place and working efficiently and effectively	SATISFACTORY ("the benchmark") Generally complies with the majority of the following processes and controls which are in place and working efficiently and effectively.	INADEQUATE Significant non-compliance with the Agency's (YPLA's) contract or other regulatory requirement as appropriate, <i>and/or</i> an accumulation of any of the following.
SECTION 1: Risk Management	<ul style="list-style-type: none"> - Risk management arrangements have proved to be effective in the past. - Risk management arrangements are fully embedded throughout the organisation and are an integral part of decision making. 	<ul style="list-style-type: none"> - A register of risks, covering the Agency/YPLA funds, is maintained and reviewed or audited regularly. - Other controls exist to identify and prevent risk to the business and to the delivery of the Agency/YPLA contract. 	<ul style="list-style-type: none"> - A risk assessment procedure is in place which covers the Agency/YPLA funds. - Actions are taken to mitigate and monitor significant risks. - Nominated risk champion. 	<ul style="list-style-type: none"> - No systematic approach is taken to risk assessment – no policy, no risk register, no risk champion, no training and development on risk management for staff etc
SECTION 2: Internal Control	<ul style="list-style-type: none"> - Internal audits review the adequacy and effectiveness of the financial control systems, including those covering the Agency funded contract, regularly and frequently. - Other identified controls not mentioned above ensure the operations are subject to scrutiny and challenge leading to improvements. 	<ul style="list-style-type: none"> - Financial control systems are subject to independent audit and are found to be sound. - The Data Self-assessment Toolkit (DSAT) is used to ensure that data is accurate. - Good track record of implementing auditors' recommendations. - Other identified controls not mentioned above ensure that the strategy of the provision is reviewed and improved 	<ul style="list-style-type: none"> - Robust internal controls are in place which comply with Agency/YPLA funding guidance. - Arrangements are in place to ensure that ILR data and claims for funding are accurate, complete and valid prior to submission. - the external auditors signed off the financial statements without making a significant number of adjustments to them and this was done within a reasonable period after the actual year-end. - Other arrangements not 	<ul style="list-style-type: none"> - Audits, including those undertaken by PFA, have identified weaknesses in the financial control systems. - Poor track record of acting on audit reports. - Submitted ILR data or claims for funding are not accurate. - DSATs are not used. - Instances of fraud or financial irregularity have been identified in the last year and the Agency/YPLA was not informed of

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			mentioned above contribute to effective internal controls.	these. - Financial probity cannot be demonstrated. - No other arrangements give significant internal control of the provision.

AREA 4	AREA 4: FINANCIAL MONITORING INDICATIVE EXAMPLES OF GRADES			
	OUTSTANDING The processes and controls listed under the headings 'Satisfactory' and 'Good' plus many of the following characteristics should be in place and working efficiently and effectively	GOOD The processes and controls listed under the heading 'Satisfactory' plus many of the following characteristics should be in place and working efficiently and effectively	SATISFACTORY ("the benchmark") Generally complies with the majority of the following processes and controls which are in place and working efficiently and effectively.	INADEQUATE Significant non-compliance with the Agency's (YPLA's) contract or other regulatory requirement as appropriate, <i>and/or</i> an accumulation of any of the following.
Financial Monitoring	<ul style="list-style-type: none"> - The quality and clarity of the financial information available to staff and managers is reviewed regularly and improved. 	<ul style="list-style-type: none"> - Procedures govern the production, content and distribution of reports used by managers to monitor financial and contractual performance. - A proprietary accountancy system is used to produce financial management information. - Key performance indicators have been developed to help monitor performance against Agency/YPLA contracts. - Earned income figure within the management accounts is reconciled monthly to underlying learner performance data. 	<ul style="list-style-type: none"> - Reliable, suitable, accurate and up-to-date financial and contractual performance reports are produced each month covering Agency/YPLA contracts. - Financial reports supported by appropriate commentary. - The reports are used by managers to take action when necessary. 	<ul style="list-style-type: none"> - Financial and contractual reports are not available to managers. - No key performance indicators developed to help monitor performance against Agency/YPLA contracts. - Financial and contractual reports available to managers are inaccurate or incomplete. - Financial reports not produced on an accruals basis and/or do not show earned Agency/YPLA income. - No proper cash flow forecasting in place. - Managers fail to use the reports to take action when necessary.

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