



Education & Skills
Funding Agency

Providing external assurance on subcontracting controls

June 2018

Of interest to providers and employer-providers who deliver adult provision, including apprenticeships and traineeships

Introduction

- 1 We set out in our funding agreements and funding rules the requirement for providers we fund to obtain an annual report from an external auditor that provides assurance on their arrangements to manage and control their delivery subcontractors. The provider must send a certificate to us each year, to confirm that they have received the report from the external auditor.
- 2 The purpose of this document is to give providers additional information about this requirement and outline the information we need from them each year.
- 3 This guidance must be read alongside our funding agreements and the associated subcontracting funding rules for the provision being delivered.
- 4 We will no longer routinely update this publication on an annual basis. Instead, we will revise it as and when required to reflect any future changes to relevant funding agreements and funding rules.

Providers in scope

- 5 Providers are in scope if they have entered into subcontracts to deliver provision with:
 - a an aggregate value of more than £100,000 each financial year (for 2017-18, from 1 May 2017 to 31 March 2018) for new apprenticeship starts from 1 May 2017.
 - or
 - b an aggregate value of more than £100,000 for the delivery of all other adult provision each funding year, including apprenticeship starts before 1 May 2017.
- 6 If a provider is in scope to obtain an external audit report for both 5a and 5b above, a single combined report is required.

Definitions

- 7 A subcontractor is a separate legal entity that has an agreement with a provider to deliver any element of the education and training we fund. This includes delivery of apprenticeship training and/or on-programme assessment for new apprenticeships that started from 1 May 2017.

- 8 An external auditor is a professionally qualified person from an organisation external to the provider that is able to provide an independent report on their subcontracting systems and controls. The person should be registered with an appropriate professional body. For the sake of clarity, the external auditor cannot be an employee, director, trustee, shareholder or any other similar party with a vested interest in the provider, irrespective of whether their normal role is to carry out their audit work. The external auditor does not necessarily have to be a provider's existing external auditor.

Process

- 9 The provider selects and engages an external auditor that fulfils the definition above.
- 10 The external auditor must be able to sign the certificate provided.
- 11 The provider obtains a report from their chosen external auditor that provides assurance on the **systems and controls** they have in place, in the relevant year, for managing subcontracted delivery.
- 12 The report must reflect the provider's end-to-end subcontracting process and the subcontracting requirements set out in their funding agreements and the associated funding rules for the respective year.
- 13 We are not prescribing the process that the auditor must follow in undertaking the assignment. It is the provider's role to agree this with their auditor.
- 14 Once the report has been completed, the provider's accounting officer or senior responsible person must review it. Examples of the senior responsible person are chief executive, managing director, principal or their equivalent.
- 15 The provider's accounting officer or senior responsible person must sign the certificate. The auditor must also sign the certificate. We will not accept transmittal letters or other forms of letter as a replacement for the certificate.
- 16 When the certificate has been completed, it must be sent to this email address: CF1718.SUBCONTRACTING@education.gov.uk. This must be done by 31 July each year (for 2017-18, this date is 14 September 2018). A copy of the report does not need to be sent to the ESFA, but we reserve the right to request a copy. We will review it as part of our compliance arrangements.

- 17 If the external auditor has indicated that an implementation plan is required following their audit, we reserve the right to request a copy. We will review it as part of our compliance arrangements.
- 18 For the avoidance of doubt, the external auditor will not be liable to us for the work it has undertaken for the provider.
- 19 Providers can check if they are in-scope to take any action or if they have any other questions by contacting the Service Desk on 0370 267 0001, or email:
SDE.SERVICEDesk@education.gov.uk

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