



Skills Funding  
Agency

# Providing external assurance on subcontracting controls

September 2015

Of interest to lead providers

## Introduction

- 1 The [Skills Funding Letter](#) issued in February 2015 required the Skills Funding Agency (SFA) to further consider the risks that subcontracting presents and how they can be mitigated.
- 2 In response, our funding agreements for 2015/2016 contain a new clause about an annual subcontracting assurance requirement. This clause, along with strengthened subcontracting [funding rules](#), will go some way towards providing the assurance being sought.
- 3 The clause requires lead providers that will subcontract more than a defined level of provision in 2015/2016 to obtain a report from an external auditor that provides assurance on the arrangements in place to manage and control their subcontractors. The clause requires lead providers in scope to supply us with a certificate confirming that the report provides satisfactory assurance.
- 4 The purpose of this document is to provide additional guidance on the clause and outline the information we need from you to enable us to place assurance on your subcontracting systems and controls. You must read this guidance alongside the full wording of the clause which can be found in your funding agreement. If you are uncertain whether you are in scope to take any action as a result of reading the clause and this guidance you should contact your central delivery service adviser for advice.

## Definitions

- 5 A subcontractor is a legal entity that has an agreement with you to deliver education and training funded by us.
- 6 In relation to this clause, an external auditor is a professionally qualified person from an organisation external to you that is able to provide an external independent report on systems and controls and is 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 your organisation, irrespective of whether their normal role is to carry out audit work for you.

## Process

- 7 You must select and engage an external auditor that fulfils the definition above.
- 8 You must obtain a report from your chosen external auditor that provides assurance on the **systems and controls** you have in place in 2015/2016 for managing subcontracted delivery.

9 The report must reflect the end-to-end subcontracting process and subcontracting requirements set out in your funding agreement and the funding rules for 2015/2016. It must cover the following as a minimum.

9.1 General subcontracting requirements:

- Funding rules 14 to 17, 19 to 20 and associated evidence requirements
- Financial Memorandum (FE) - clauses 9.2 and 9.9
- Financial Memorandum (SFC) - clauses 6.2 and 6.9
- Contract for Services - clauses 5.2, 5.9 and 5.10
- Conditions of funding (grant) – clauses 4.2, 4.9 and 4.10
- Conditions of funding (grant) employer – clause 4.12

9.2 Selection and procurement:

- Funding rules 21 to 27 and associated evidence requirements
- Financial Memorandum (FE) - clause 9.6
- Financial Memorandum (SFC) - clause 6.6
- Contract for Services – clause 5.6
- Conditions of funding (grant) – clause 4.6
- Conditions of funding (grant) employer – clause 4.16

9.3 Entering into a subcontract:

- Funding rules 28 to 45 and associated evidence requirements
- Financial Memorandum (FE) - clauses 9.4, 9.5 and 9.7
- Financial Memorandum (SFC) - clauses 6.4, 6.5 and 6.7
- Contract for Services – clauses 5.4, 5.5 and 5.7
- Conditions of funding (grant) – clauses 4.4, 4.5 and 4.7
- Conditions of funding (grant) employer – clauses 4.14 and 4.15

9.4 Monitoring:

- Funding rules 46 to 49

9.5 Second level subcontracting:

- Funding rules 50 to 51 and associated evidence requirements
- Financial Memorandum (FE) - clause 9.3
- Financial Memorandum (SFC) - clause 6.3
- Contract for Services – clause 5.3
- Conditions of funding (grant) – clause 4.3
- Conditions of funding (grant) employer – clause 4.13

9.6 Reporting on subcontracting:

- Funding rules 52 to 54 and associated evidence requirements
- Financial Memorandum (FE) - clause 9.1
- Financial Memorandum (SFC) - clause 6.1
- Contract for Services – clause 5.1
- Conditions of funding (grant) – clause 4.1
- Conditions of funding (grant) employer – clause 4.11

9.7 Fees and charges:

- Funding rules 55 to 63 and associated evidence requirements

- 10 Whilst there are other funding rules and funding agreement clauses that refer to subcontracting and subcontractors, these are not included within the scope of our minimum requirements of the report.
- 11 We are not prescribing the process that the auditor must follow in undertaking the assignment. It is your role to agree this with the auditor.
- 12 Once the report has been completed, your accounting officer or senior responsible person must review it. Examples of the senior responsible person are: chief executive, managing director, principal or their equivalent.
- 13 Your accounting officer or senior responsible person must then complete a certificate. The certificate must also be signed by the auditor. A template of the certificate can be found at Annex A.
- 14 When your certificate has been completed, you must send it to your SFA central delivery service adviser by 31 January 2016. You do not need to send a copy of the report to the SFA, but we reserve the right to request a copy from you.
- 15 For the avoidance of doubt, the external auditor will not be liable to us for the work it has undertaken for you.

## Providing external assurance on subcontracting controls Certificate

### Lead Provider

We certify that the report prepared by **RSM Risk Assurance Services LLP** provides satisfactory assurance on the systems and controls we have in place to manage subcontractors delivering education and training funded by the Skills Funding Agency in 2015/16.

We certify that the report identified no recommendations or, where recommendations were identified, either these have been implemented or there is an implementation plan that sets out when the recommendations will be completed by.

The full copy of the report and, where relevant, the implementation plan are available to the SFA if required.

Name: **Ms Frances Wadsworth**

Job title: **Principal and CEO**

Signature:



Date:

### External Audit Company

We certify that we have delivered a report of the subcontracting systems and controls of **Croydon College** in accordance with the requirements set out in 'providing external assurance on subcontracting controls'.

Name: **PLEASE SEE AUDITORS TRANSMITTAL LETTER**

Job title:

Signature:

Date:



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