



**Sub-Contracting Report**  
**Cheshire East Lifelong Learning**

November 2015

**BEEVER  
AND  
STRUTHERS**

CHARTERED ACCOUNTANTS  
AND BUSINESS ADVISORS

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## Executive Summary

Beever and Struthers was appointed to carry out a report on the effectiveness of the Cheshire East Lifelong Learning (CELL) systems and controls in operation in relation to subcontractors to enable CELL to fulfil the new annual requirement from the Skills Funding Agency (SFA) SFA Rules 2015-16 to have an annual assurance report on managing subcontracted delivery.

Beever and Struthers is a firm of Chartered Accountants and Business Advisors. We have been providing accountancy and financial support services and advice to clients for over 100 years. Our head office in Manchester consists of 16 partners and over 110 staff. Within our Manchester office we have a dedicated team of internal auditors who are trained and qualified in this profession. Our programmes of work are designed to cover key strategic, operational and financial risks across the organisations with which we work and we provide internal audit services to both public sector and commercially operating organisations.

As internal auditors, our work is concerned with the design of internal controls to manage risk and ensuring compliance to those controls and is therefore appropriate for the review required by the SFA.

The scope of work undertaken is in line with the minimum requirements as documented within the "Providing external assurance on subcontracting controls" document produced by the SFA.

Our work was undertaken at Delamere House, Crewe. We assessed the design of and compliance to subcontracting controls through interviews with key staff and review of documentation supplied as evidence. Full details of documentation reviewed and interviews undertaken are included within the findings section of the report.

In total, we reviewed 7 sections and provided a 'green' (good) rating to 4, and 3 received an 'amber' (area for improvement) rating.

The following areas for improvement have been raised (see the Action Plan for management responses and timescales for implementation):

1. The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)
2. As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)
3. The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the appropriate Accounting Officer. (Funding Rule 55)

## Action Plan

### Matters Arising 9.1.1

The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)

#### Management Response

1. This is a new requirement of the SFA and details were published after the 2015-16 main commissioning process was underway.
2. Roll-over contracts and new contracts for 2015-16 for partners with whom the service had previously and recently contracted were subjected to Quality and Risk assessment as part of the commissioning and contracting process and were approved by Head of Service before contract completion and before contracts were started.
3. At the point of second round contracts being agreed in October / November 2015, these new contracts were approved by the Head of Investment on 17th November 2015.
4. If a further round of commissioning for the current year takes place, then approval as in 3 above will be sought before contracts are again signed off.
5. Therefore this process will, as at present, be carried out at each commissioning point throughout each academic year as well as at its beginning [Funding Rule 16].

#### Responsibility

Senior Development Officer

#### Action Date

At Each Commissioning Point

### Matters Arising 9.2.1

As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)

#### Management Response

It is recognised that this information would be better included in the Tender Documentation published on the Chest etc. rather than as an enquiry to be made at the point of contract negotiation and clarification.

Procurement team are already aware of this proposal and had noted it for future publishing opportunities.

#### Responsibility

Procurement Team

#### Action Date

At Each Commissioning Point

## Action Plan (continued)

### Matters Arising 9.7.1



The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the Accounting Officer. (Funding Rule 55)

### Management Response

Supply Chain and Fees Policy is one of several matters that are jointly agreed between Cheshire East and Cheshire West & Chester councils as part of the activities of the 'Community Learning and Skills in Cheshire trust' [CLaSiC]. This had been published on the websites of both Organisations for the year 2015/16. It is agreed that CELL, together with the Head of Investment CEC should approve and record this policy annually.

### Responsibility


### Action Date

Senior Development Officer with Head of Investment CEC

June 2016

## Findings

### General subcontracting requirements

Objective 9.1	R/A/G and Opinion
<p>Check Compliance with:</p> <ul style="list-style-type: none"> <li>• Funding rules 14 to 17, 19 to 20 and associated evidence requirements.</li> <li>• Financial Memorandum (FE) - clauses 9.2 and 9.9.</li> <li>• Contract for Services - clauses 5.2, 5.9 and 5.10.</li> <li>• Conditions of funding (grant) – clauses 4.2, 4.9 and 4.10.</li> </ul>	<p style="text-align: center;"></p> <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to subcontracting requirements; however it was identified that confirmation that the Head of Investment had approved the contractors as being high quality and low risk had not been undertaken on a timely basis. (Funding Rule 16)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>• Commissioning and Monitoring Spreadsheet Sign Off.</li> <li>• Cheshire East Cabinet Meeting Minutes March 2014.</li> <li>• 2015 /16 Procurement Risk assessment Approval Document.</li> </ul>	<ul style="list-style-type: none"> <li>• Development Officer</li> <li>• Financial Consultant</li> </ul>
Matters Arising	
<b>MA 9.1.1</b>	<p>The Organisation should ensure that at the beginning of the academic year the Head of Investment approves the Commissioning and Monitoring Spreadsheet confirming that the contractors are of a high quality and low risk. (Funding Rule 16)</p>
Findings	
<p>We undertook a review of the Funding Rules 14 alongside the associated evidence requirements and identified that CELL are required to “Ensure that the Board of Directors and your accounting officer must be satisfied that all subcontracting you undertake meets your strategic aims and enhances the quality of your offers to learners – this should be evidenced through Minutes of the governing body / board of directors meetings and written evidence of accounting officer sign off. The strategic aim should reflect the reasons for subcontracting set out in the published fees and charges policy.”</p> <p>We confirmed through a review of a report presented to the Cheshire East Council Cabinet on March 2014 confirmed that the Cabinet agreed for a procurement exercise to be undertaken with bids invited and contracts awarded to the winning bidders for 1 academic year 2014/15 with the opportunity to extend for a further year of 2015/16. We confirmed that the strategic aims documented within the report to the Cabinet were in line with the reasons documented within the Supply Chain Fee Policy 2015/16.</p> <p>In addition it was identified that additional procurement was undertaken in 2015/16 in which 2 further partners were appointed, this was approved by the Head of Investment Service.</p> <p>Funding Rule 15 states that “You must only use subcontractors if you have the appropriate knowledge, skills and experience within your organisation to successfully procure, contract with and manage those subcontractors.” Discussions with the Development Officer and the Senior Development Officer identified that the service has been subcontracting contracts over the past 10 years and uses the Cheshire East Procurement and Legal Teams to ensure that skills and experience is within the organisation in relation to procurement and contract requirements for those subcontractors.</p>	



## Findings (continued)

### General subcontracting requirements

#### Objective 9.1

##### Findings

In addition it was identified that the Development Officer had attended a SFA Subcontracting Briefing event in March 2015.

Funding Rule 16 states that “You must only use subcontractors who your governing body / board of directors and your accounting officer (senior responsible person) determine are of a high quality and low risk.” We were provided with a copy of the Commissioning and Monitoring Spreadsheet which had been approved by the Head of Investment - and confirmed that the subcontractors are of high quality and low risk. It was identified that this had been completed on the 17<sup>th</sup> November 2015 and not at the beginning of the academic year. **(Matters Arising 9.1.1)**

Funding Rule 17 states that “We expect you to have robust procedures in place to ensure that subcontracting does not lead to the inadvertent funding of extremist organisations.” We identified that one of the questions within the tender documents is that the Organisation identify the following classifications of organisations - Voluntary, Community, Faith, Social Enterprise, Medium, Mini and Small Enterprise or Sheltered Workshops. The Organisation would not enter into any contracts with un-registered entities and would rely on the Organisation’s Due Diligence checks as part of the tender process to identify any potential links to extremist organisations.


A review of the Skills funding Agency Rules 19 and 20 identified that they stated “You are responsible for all the actions of your subcontractors connected to or arising out of the delivery of the services which you subcontract.” And “We can, at any time, assess your arrangements for subcontracting. We can also require you to commission an independent report on these arrangements from a third party, such as your external auditors.” For both of these statements no evidence requirements had been assigned to and no testing was undertaken.

Financial Memorandum (Further Education College) Clause 9.2 is a statement informing the Organisation that it must comply with the sub-contracting delivery provision set out within the Funding Rules as has been tested within this report and confirmed that the Organisation is responsible for all the actions of its sub-contractors. Therefore no specific testing was undertaken to ensure compliance against this clause. Clause 9.9 does not exist within the 2015/16 Financial Memorandum (Further Education Colleges).

A review of the Contract for Services (Education and Training 2015/16) and the Conditions of Funding (Grant) identified that clause 5.2 and 4.2 was the same statement as documented within the Financial Memorandum 9.2 and therefore no testing was undertaken to ensure compliance against this clause. We undertook a review of Clauses 5.9, 4.9, 5.10 and 4.10 of the Contract for Services (Education and Training) and Conditions of Funding (Grant) identified that the clauses 5.9 and 4.10 state “The Contractor may not assign any rights, duties or obligations under this Contract without the consent of The SFA.” In addition 5.10 and 4.9 state “The Contractor must notify The SFA if there is a change in its name and/or ownership. The SFA reserves the right to terminate the Contract if it considers in its absolute discretion that the change in ownership would prejudice The Contractors ability to deliver the Services.” Discussions with the Financial Consultant identified that the Organisation has not changed its name and/or ownership and does not assign any of the rights, duties or obligations without the consent of the SFA.

## Findings (continued)

### Selection and Procurement

Objective 9.2	Opinion
<p>Check compliance with:</p> <ul style="list-style-type: none"> <li>• Funding rules 21 to 27 and associated evidence requirements.</li> <li>• Financial Memorandum (FE) - clause 9.6.</li> <li>• Contract for Services – clause 5.6.</li> <li>• Conditions of funding (grant) – clause 4.6.</li> </ul>	<div style="text-align: center;"></div> <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to the Selection and Procurement of Sub-Contractors, however the Organisation could improve its processes in identifying any potential conflicts of interest. (Funding Rule 22)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>• Tender Submissions.</li> <li>• 14/15 Ofsted Report.</li> <li>• 14/15 minimum standards assessment.</li> <li>• Register of Training Organisations.</li> <li>• Contract Monitoring Spreadsheet.</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement Officer</li> <li>• Legal Officer</li> <li>• Development Officer</li> </ul>
Matters Arising	
<b>MA 9.2.1</b>	<p>As planned, for future tender processes a question should be included within the Tender Submission document asking the potential subcontractor to highlight any known conflicts. (Funding Rule 22)</p>
Findings	
<p>Funding Rule 21 states that “If you have not previously subcontracted provision we fund, you must get our approval in writing before awarding a contract to a subcontractor.” However, discussions with the Development Officer confirmed that the Organisation has previously used sub-contractors for the delivery of the Lifelong Learning Programme and therefore approval from the SFA is not required.</p> <p>Funding Rule 22 states that “When appointing subcontractors you must avoid conflicts of interest and you should:</p> <ul style="list-style-type: none"> <li>• 22.1. tell the Chief Executive, in writing, about any circumstances (for example, where you and your proposed subcontractor have common directors) which might lead to an actual or perceived conflict of interest;</li> <li>• 22.2. not award the contract without the Chief Executive’s permission in writing; and</li> <li>• 22.3. send your request to your Central Delivery Service advise.”</li> </ul> <p>The accompanying evidence requirement for this rule is: “Written details of anything that could be considered to give rise to a conflict of interests, and a copy of the response from the Chief Executive of Skills Funding.”</p>	

## Findings (continued)

### Selection and Procurement

#### Objective 9.2

##### Findings

Discussions with the Development Officer identified that any conflicts of interest are requested to be confirmed by the Selection Panel at the Tender Evaluation Meeting held with a member of the procurement team. A review of the Tender evaluation Meeting Notes recorded by the procurement team identified that for the awarding of the contracts tested the only potential conflict identified was when YMCA tendered for 2015/16 funding. It was identified that the Development Officers on the panel had worked with the partner previously. This was forwarded to the Council Legal Department who confirmed that this would not be considered as a conflict of interest and therefore the case was not referred to the Chief Executive of Skills Funding. In addition it was identified that in 2015 the Development Officer undertook a review of all directors of Partners and confirmed that none of the directors were Members of the Council, however no conflicts were identified. Discussions with the Development Officer identified that going forward a question is to be included within the Tender Submission document asking the potential partner to highlight any known conflicts. **(Matters Arising 9.2.1)**

Funding Rule 23 states that “You must carry out your own due diligence checks when appointing subcontractors. You must not use the Register of Training Organisations as a substitute for carrying out your own due diligence checks.”

We undertook a review of the Tender Documents all partners were required to submit to become a partner for the Organisation. The review identified that the following documents were provided for all parties which enabled the Organisation to undertake appropriate Due Diligence checks: Companies House Registration Details, Charity Details, VAT Number, 2 Reference contact details, Safeguarding Policies, Safe Learner Policies & Procedures and Insurance Details.

Funding Rule 24 states that “You must not appoint any subcontractors with a contract value of £100,000 or greater for each funding year unless they are listed on the Register of Training Organisations first. 24.1. This also applies if the subcontract from you would take the total value of subcontracts that the subcontractor holds to deliver education and training funded by us to £100,000 or more. 24.2. You must obtain this information from each proposed subcontractor and also refer to the latest published List of Declared Subcontractors and Register of Training Organisations.”

The accompanying evidence requirement for this rule is: “Evidence that the subcontractor is on the Register of Training Organisations and the UK Register of Learning Providers (UKRLP), and their UK Provider Registration Number (UKPRN).”

A review of the partner check undertaken by the Development Officer at the beginning of 2015/16 academic year identified through a review of the SFA list of Declared subcontractors and correspondence with the partners that 3 of the Organisations Partners had anticipated income over 100k and confirmed that all 3 organisations were listed on the Register of Training Organisations and had a UKPRN.

Funding Rule 25 states that “If a subcontractor you are using exceeds the £100,000 threshold and is not listed on the Register of Training Organisations, you must immediately end your subcontract with that organisation. This applies regardless of whether you were the provider whose contract took the subcontractor over the threshold.” However this did not apply as the Organisation had undertaken appropriate checks upon the letting of the contracts as identified above.

## Findings (continued)

### Selection and Procurement

#### Objective 9.2

##### Findings

Funding Rule 26 states that “We expect you to make sure any subcontractor you appoint continues to meet the Register of Training Organisations’ requirements and that they receive all the necessary support from you.” We identified that a Question was asked within the correspondence undertaken by the Development Officer to ensure the Organisation met rule 25 and identified that all 5 previously registered Sub-Contractors advised the Organisation that they did not require assistance.

Funding Rule 27 states that “If any of the following circumstances apply, you must not enter into new subcontracting arrangements or increase the value of your existing arrangements. These conditions will continue until we are satisfied that the concerns have been addressed and the circumstances below no longer apply.

- 27.1. If Ofsted has rated your leadership and management as inadequate.
- 27.2. If you do not meet our Minimum Standards.
- 27.3. If the outcome of your annual financial health assessment we carry out is inadequate.”

We confirmed through a review of the Organisation’s 2014/15 Ofsted Report and the 2013/14 Minimum Standards Assessment undertaken by the SFA that the Organisation had been rated as having good leadership and management and had met the SFA’s Minimum Standards. The SFA minimum standards assessment for 2014-15 is overdue and not expected to be published until March 2016.


A review of the SFA’s Financial Health Assessment guidance identified that as a Local Authority the Organisation is exempt from having an annual Financial Health Assessment.

Financial Memorandum (FE) clause 9.6 state that “The College shall ensure that subcontractors are selected fairly and have sufficient capacity, capability, quality and financial standing to deliver the Provision.” And the Contract for Services clause 5.6 states that “THE CONTRACTOR shall ensure that sub-contractors are selected fairly and have sufficient capacity, capability, quality and financial standing to deliver the Services”

We are satisfied that the procurement methods outlined within the testing undertaken to ensure that all funding rules had been appropriately met ensure that contractors are selected fairly and have sufficient, capacity, capability, quality and financial standing to deliver the provision.

## Findings (continued)

### Entering into a subcontract

Objective 9.3	Opinion
<p>Check compliance with:</p> <ul style="list-style-type: none"> <li>• Funding rules 28 to 45 and associated evidence requirements.</li> <li>• Financial Memorandum (FE) - clauses 9.4, 9.5 and 9.7.</li> <li>• Contract for Services – clauses 5.4, 5.5 and 5.7.</li> <li>• Conditions of funding (grant) – clauses 4.4, 4.5 and 4.7.</li> </ul>	 <p>We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to entering into a subcontract.</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>• Companies House Screenshots.</li> <li>• Tender Submission Documents.</li> <li>• CELL Learner Introduction Paperwork.</li> <li>• CELL Contingency Plan.</li> <li>• 2014/15 Contract.</li> <li>• 2015/16 Extension Notice.</li> <li>• 2015/16 Contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• Development Officer</li> </ul>
Matters Arising	
N/A	
Findings	
<p>Funding Rule 28 states that “All learners who are provided with education and training under a subcontract remain your responsibility. This includes learners funded by us or through a 24+ Advanced Learning Loan. If your subcontractor fails to deliver, you will be responsible for making alternative arrangements for the delivery of education and training and/or repaying Skills Funding Agency or Loan funding.” No specific testing was undertaken in this area as the rule did not require the Organisation to undertake any actions.</p> <p>Funding Rules 29 and 30 state that “You must only award contracts for delivering funded provision to legal entities. If the legal entity is a registered company, it must be recorded as ‘active’ on the Companies House database.” And “You must not award a subcontract to any organisation if:</p> <ul style="list-style-type: none"> <li>• 30.1. it has an above average risk warning from a credit agency;</li> <li>• 30.2. it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed; or</li> <li>• 30.3. its statutory accounts are overdue.”</li> </ul> <p>The accompanying evidence requirements for these rules are “Copies of the process you follow and checks you carry out when appointing subcontractors.”</p>	

## Findings (continued)

### Entering into a subcontract

#### Objective 9.3

##### Findings

We confirmed that for all 4 partners tested evidence had been retained of the Organisation checking on Companies House that the company was active and therefore a legal entity.

Additionally as part of the tender submission documents all partners are required to confirm that none of the clauses apply to the Organisation. We confirmed that the Development Officers check of the Companies House would enable the Organisation to identify if Statutory accounts are overdue. In addition as of 2015/16 contract awards Dun and Bradstreet Credit references are obtained and retained to ensure that the Sub-Contractors risk is not above average. We confirmed that for the one organisation from 2015/16 tender process a Dun and Bradstreet credit report had been retained on file confirming the Sub Contractors risk as being below average. For all 4 contractors a disclosure had been made within their tender submissions confirming that none of the rules within 30.1, 30.2 and 30.3 apply to them.

Funding Rule 31 states that “You must make sure that learners and employers supported through subcontracting arrangements know about your and your subcontractor’s roles and responsibilities in providing the learning.” We undertook a review of the paperwork submitted to all learners and confirmed that it included details of the Organisation being the lead provider, the subcontractors roles and responsibilities and contact details for the Organisation should the learner have any concerns regarding the Sub Contractor’s not fulfilling their roles and responsibilities.

Funding Rule 32 states that “You must have a legally binding contract with each subcontractor that includes all the terms set out below in paragraphs 35 to 45.”

The accompanying evidence requirement for this rule is a “Copies of your subcontracts with each subcontractor.”

We undertook testing for 4 of the Sub Contractors and confirmed that a signed contract had been retained by the Organisation which contained clauses set out in rules 35 to 45.

Funding Rule 33 states that “You must have a contingency plan in place for learners in the event that:

- 33.1. you need to withdraw from a subcontract arrangement;
- 33.2. a subcontractor withdraws from the arrangement; or
- 33.3. a subcontractor goes into liquidation or administration”

The accompanying evidence requirement for this rule is “A contingency plan.”

We were provided with the Organisation’s Contingency Plan which was developed by the Financial Consultant and approved at the CELL Strategy Meeting in November 2015. A review of the plan confirmed that it had considered all 3 scenarios documented within the rules which would require the Organisation to provide the learning through alternative means.

## Findings (continued)

### Entering into a subcontract

#### Objective 9.3

##### Findings

Funding Rule 34 states that “We need assurance that education and training provided by subcontractors will keep to our funding rules. You must make sure that the terms of your subcontracts allow you to:

- 34.1. monitor the subcontractor’s activity;
- 34.2. have control over your subcontractors; and
- 34.3. monitor the quality of education and training provided by Subcontractors.”

We undertook a review of the Organisation’s contracts and confirmed that clauses had been included within the contract to ensure that the Organisation could undertake monitoring as outlined within the Funding Rule.

Financial Memorandum (FE) Clauses 9.4, 9.5, Contract for Service Clauses 5.4, 5.5 and Conditions of funding (grant) clauses 4.4. and 4.5 state that “Where the College has sub-contracted any duties or obligations arising out of this Financial Memorandum, the College shall ensure that there is in place a legally binding sub-contract and send copies of the subcontract to the SFA if requested in writing to do so. Where the College enters into a sub-contract for the purpose of delivering the Provision, the College shall ensure that the sub-contract includes any terms specified in the Funding Rules”. And “The College shall ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term providing that the SFA has the right to enforce the terms of the sub-contract.” We have undertaken testing within the remainder of the report to ensure that the Organisation is compliant with the Funding Rules and has appropriate clauses within its subcontracting contract and confirmed compliance.


Financial Memorandum (FE) Clause 9.7 is “The College shall make payment to any sub-contractor within 30 days of receiving a valid claim for payment and ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term giving effect to this requirement.”

We confirmed that this requirement is documented within the contracts held by the Organisation.

Contract for Services clause 5.7 and Conditions of funding (grant) clauses 4.7 states that “THE CONTRACTOR may not assign any rights, duties or obligations under this Contract without the consent of THE CHIEF EXECUTIVE.” We confirmed that any SFA rights duties or obligations are not assigned by the Organisation to its subcontractors as the Organisation remains responsible.

## Findings (continued)

### Monitoring

Objective 9.4	Opinion
Check compliance with: <ul style="list-style-type: none"> <li>Funding rules 46 to 49.</li> </ul>	
	We are satisfied that the Organisation has appropriate controls and processes in place to comply with the SFA guidance in relation to the monitoring of sub-contractors.
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>Quality Observations of Teaching Learning and Assessment [OTLA] Proforma – Adult Skills and Community Learning.</li> <li>OTLA Matrix for 2015/16.</li> <li>OTLA Moderation Form.</li> <li>Outstanding Actions Monitoring Database.</li> <li>Monitoring Spreadsheets - Adult Skill and Community Learning.</li> <li>Termly Development Officer Meeting Notes.</li> </ul>	<ul style="list-style-type: none"> <li>Development Officer</li> <li>Senior Development Officer</li> </ul>
Matters Arising	
N/A	
Findings	
<p>Funding Rule 46 states that “You must robustly manage and monitor all of your subcontractors to ensure that high-quality delivery is taking place that meets the specific funding requirements for each programme being delivered.” We identified that this monitoring is undertaken at a termly meeting with all subcontractors during which all outstanding actions for the subcontractor are reviewed in addition to performance and enrolment figures for the term.</p> <p>Funding Rule 47 states that “You must carry out a regular and substantial programme of quality-assurance checks on the education and training provided by subcontractors, including visits at short notice and face-to-face interviews with staff and learners. The programme must:</p> <p>47.1. cover whether the learners exist and are eligible;</p> <p>47.2. involve direct observation of initial guidance;</p> <p>47.3. involve direct observation of assessment; and</p> <p>47.4. involve direct observation of the delivery of learning programmes.”</p> <p>Discussions with the Development Officer identified that the Organisation undertakes Quality Observations of Teaching Learning and Assessment (OTLA) which are undertaken by the Senior Development Officer, Development Officer or an external consultant. It was identified that these observations are undertaken throughout the year to ensure that each Tutor is observed during an academic year, and are undertaken during initial guidance sessions, assessment sessions and during the delivery of the learning programme. We confirmed this through a review of the OTLA programme maintained by the Senior Development Officer. In addition following enrolment onto a learning programme the Subcontractor submits eligibility paperwork to the Organisation which is reviewed by the Administration Assistant to confirm that the learner exists and is eligible.</p>	



## Findings (continued)

### Monitoring

#### Objective 9.4

##### Findings


Funding Rule 48 states that “The findings of your assurance checks must be consistent with your expectations and the subcontractor’s records” As part of the development Officer Visits the Organisation compares the Subcontractors current performance to the target for the year to ensure that the contractor is performing in line with the Organisation’s expectations. In addition, if an OTLA results in a below average score, action points are identified and the Tutor is re assessed within 3 months to ensure that the subcontractors meet the Organisation’s expectations.

Funding Rule 49 states that “You must make sure that any apprenticeship provision that you subcontract meets all of the standards required of apprenticeship delivery, including the requirements of the individual apprenticeship frameworks, the Statement of Apprenticeship Quality and the rules in the apprenticeship section of this document.”

Discussions with the Development Officer identified that the Organisation does not subcontract any apprenticeship provision.


## Findings (continued)

### Second level subcontracting

Objective 9.5	Opinion
Check compliance with: <ul style="list-style-type: none"> <li>• Funding rules 50 to 51 and associated evidence requirements.</li> <li>• Financial Memorandum (FE) - clause 9.3.</li> <li>• Contract for Services – clause 5.3.</li> <li>• Conditions of funding (grant) – clause 4.3.</li> </ul>	
	We identified that the Organisations does not have any arrangements in place in relation to second Level Sub-Contracting.
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>• 2015/16 – Sub contracting Contract</li> </ul>	N/A
Matters Arising	
N/A	
Findings	
We identified through a review of the Organisation’s sub-contracting Contract that it does not allow the subcontractor to second level subcontract and therefore no testing was undertaken in this area.	

## Findings (continued)

### Reporting on subcontracting

Objective 9.6	Opinion
Check compliance with: <ul style="list-style-type: none"> <li>• Funding rules 52 to 54 and associated evidence requirements.</li> <li>• Financial Memorandum (FE) - clause 9.1.</li> <li>• Contract for Services – clause 5.1.</li> <li>• Conditions of funding (grant) – clause 4.1.</li> </ul>	
	We are satisfied that the Organisation has appropriate controls in place to ensure that they are compliant with the SFA requirements in relation to reporting on subcontracting.
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>• Subcontractor Declaration Form</li> <li>• ILR Submission Records</li> <li>• Contractor Monitoring Spreadsheet</li> </ul>	<ul style="list-style-type: none"> <li>• Development Officer</li> </ul>
Matters Arising	
N/A	
Findings	
<p>Funding Rule 52 states that “You must provide a fully completed Subcontractor Declaration Form by the exact dates we will give you. This will be at least twice during 2015 to 2016. If you do not return the form on time, we will suspend your payments. If you do not subcontract, you must still provide a nil return form to confirm this.” The associated evidence requirement for this rule is “An up-to-date and fully filled-in Subcontractor Declaration Form. “ We were provided with email evidence of the Organisation submitting one request for the Subcontractor Declaration Form. A review of the email identified that the deadline for submission by the Organisation was the 13th November 2015 and the submission was made by the Development Officer on the 6th November 2015.</p> <p>Funding Rue 53 states that “You must also update and return your Subcontractor Declaration Form if your subcontracting arrangements change during the year.” Discussions with the Development Officer and a review of Contract Monitoring Spreadsheet identified that the Declaration Form submitted in November 2015 is consistent with the Organisation’s current subcontracting arrangements.</p> <p>Funding Rule 54 states that “You must report all subcontracted learning in the ILR” Discussions with the Development Officer and the Project Finance Officer identified that on an ongoing basis all Adult Learning Course Providers submit data regarding course completion and enrolment. This data is input onto a monitoring spreadsheet by the Business Support Assistant and is monitored by the Organisation and provided to the Organisations Data Team to enable them to include this data within the Monthly Individual Learning Record (ILR) Submission. In addition all Community Learning Courses are required to submit data by a deadline each term to allow the Organisation appropriate time to process the data and include the data within the ILR Submission. We confirmed through a review of the submission portal that the Organisation had submitted the data to the SFA on a timely basis on the last 3 occasions.</p>	

## Findings (continued)

### Reporting on subcontracting

#### Objective 9.6


##### Findings

Financial Memorandum (FE) Clause 9.1 states that “Where the College sub-contracts or intends to sub-contract any duties or obligations arising out of this Financial Memorandum the College must provide the SFA with details of all sub-contractors bi-annually, by fully and accurately completing the Declaration of Subcontractors form in accordance with the deadline set out in the Funding Rules. If the College is not sub-contracting then a nil return must be received by the deadline date. The College must notify the SFA of any within year changes to its sub-contractors. The SFA reserves the right to require the College not to enter into or to terminate any sub-contract to deliver the Provision under this Financial Memorandum.” We confirmed that this Clause had been met through testing undertaken in line with Funding Rule 53 which confirmed that the Organisation had submitted a Subcontracting Declaration form on the 6th November 2015.

Contract for Services Clause 5.1 and Conditions of Funding (grant) clause 4.1 states that “Where THE CONTRACTOR sub-contracts or intends to sub-contract any duties or obligations arising out of this Contract, THE CONTRACTOR must provide THE SFA with details of all sub-contractors bi annually by fully and accurately completing the Declaration of Subcontractors form in accordance with the deadline set out in the Funding Rules. If THE CONTRACTOR is not sub-contracting then a nil return must be received by the deadline date. THE CONTRACTOR must notify THE SFA of any within year changes to its subcontractors. THE SFA reserves the right to require THE CONTRACTOR not to enter into, or to terminate, any sub-contract to deliver the Services under this Contract.” We confirmed that this Clause had been met through testing undertaken in line with Funding Rule 53 which confirmed that the Organisation had submitted a Subcontracting Declaration form on the 6th November 2015.

## Findings (continued)

### Fees and charges

Objective 9.7	Opinion
Confirm compliance with: <ul style="list-style-type: none"> <li>Funding rules 55 to 63 and associated evidence requirements.</li> </ul>	 <p>We are satisfied that the Organisation has complied with the requirements for funding rules 56 – 63. However, we identified that the Organisation was unable to provide evidence that the Supply Chain Fees and Charges Policy had been reviewed and signed by the Board of Directors and the Accounting Officer. (Funding Rule 55)</p>
Documentation reviewed	Interview undertaken with
<ul style="list-style-type: none"> <li>Supply Chain fees and Charges Policy 2015/16</li> <li>2014/15 - Provision Subcontracting Table – CELL</li> </ul>	<ul style="list-style-type: none"> <li>Development Officer</li> </ul>
Matters Arising	
<b>MA 9.7.1</b>	The Organisation should review its process for the approval of the 2015/16 Supply Chain and Fees Policy and ensure that it enables formal sign off of the policy to be undertaken by the Accounting Officer. (Funding Rule 55)
Findings	
<p>Funding Rule 55 states that “Your supply-chain fees and charges policy must be reviewed and signed by your governing body / board of directors and your accounting officer” The associated evidence requirement for this rule is “Minutes of governing body / board of directors meetings and written evidence of accounting officer sign-off.” Internal Audit identified that the 15/16 Supply Chain and Fee Policy was reviewed and approved by the CLaSiC Trust Members however evidence of formal sign off had not been retained by the Organisation. <b>(Matters Arising 9.7.1)</b></p>	
<p>Funding Rule 56 states that “You must publish your supply-chain fees and charges policy on your website before entering into any subcontracting agreements for the 2015 to 2016 funding year. “ The Associated evidence requirement for this rule is “Evidence of a published supply-chain fees and charges policy, as set out in these funding rules.” We confirmed through a review of the Organisation’s website that the Supply-Chain Fees and Charges policy had been published in July 2015 prior to the Organisation issuing extension details and the tendering process for 2015/16.</p>	
<p>Funding Rule 57 states that “Your fees and charges policy must only include ‘provision subcontracting’. Provision subcontracting is when you subcontract the delivery of full programmes or frameworks. It is not subcontracting the delivery of a service as part of the delivery of a programme (for example, buying the delivery of part of an apprenticeship framework or outreach support). If you are not sure whether your subcontracting arrangements are defined as ‘provision subcontracting’, please discuss this with our Central Delivery Service.” The Organisation does provision subcontract and therefore is required to include all details within the subcharges policy, no other subcontracting is undertaken by the Organisation.</p>	

## Findings (continued)

### Fees and charges

#### Objective 9.7

##### Findings

Funding Rule 58 states that “Employers receiving direct grant funding from us must publish information on their fees and charges policy for the 2015 to 2016 funding year online or, where this is not appropriate, send the information to their employer development manager. This information will then be held on record and be available for requests under the Freedom of Information Act.” We confirmed that the Organisation Fees and Charges Policy are published online.

Funding Rule 59 states that “59. You must, as a minimum, include the following in your supply-chain fees and charges policy.

- 59.1. Your reason for subcontracting.
- 59.2. Your contribution to improving your and your subcontractor’s quality of teaching and learning.
- 59.3. The typical percentage range of fees you retain to manage subcontractors, and how you calculate this range.
- 59.4. The support subcontractors will receive in return for the fee you charge.
- 59.5. If appropriate, the reason for any differences in fees charged for or support provided to different subcontractors.
- 59.6. Payment terms between you and your subcontractors; timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.
- 59.7. How and when the policy is communicated to and discussed with current and potential subcontractors.
- 59.8. Timing for policy review.
- 59.9. Where the policy is published.”

We undertook a review of the Supply Chain fees and Charges Policy and confirmed that the Policy did contain all the relevant information as outlined within the Funding Rules.

Funding Rule 60 states “You must also publish the actual level of funding paid and retained for each of your subcontractors in 2015 to 2016. This data must be published within 30 days of the 2015 to 2016 ILR closing.

60.1. The actual level of funding paid and retained must only include ‘provision subcontracting’, which is defined in paragraph 57.” The associated evidence requirements for Funding Rules 60 -63 are that “Evidence of funding paid and retained in relation to supply-chain fees and charges, as set out in these funding rules.”

We identified that the Organisation has not published figures in relation to the 2015/16 financial year as this is required to be undertaken 30 days following the close of the 2015/16 ILR which will be in July 2016. We did confirm that the publishing of 2014/15 return had been undertaken within time and included details of the Organisation’s subcontracting provision.

## Findings (continued)

### Fees and charges

#### Objective 9.7

##### Findings

Funding Rule 61 states that “Employers receiving grant funding direct from us should publish their data online or, where this is not appropriate, send it to their employer development manager within 30 days of the 2015 to 2016 ILR closing. This information will then be held on record and be available for requests under the Freedom of Information Act.” We confirmed that the Organisation’s Data had been published online for the 2014/15 financial year.

Funding Rule 62 states that “You must, as a minimum, include the following in your published supply-chain fees and charges.


- 62.1. Name of the subcontractor.
- 62.2. The UKPRN number of the subcontractor.
- 62.3. Contract start and end date.
- 62.4. Type of provision (for example, 16 to 18 apprenticeships, 19+ apprenticeships, classroom learning, workplace learning).
- 62.5. Funding we have paid to you for provision delivered by the subcontractor in that academic year.
- 62.6. Funding you have paid to your subcontractor for provision delivered in that academic year.
- 62.7. Funding you have retained in relation to each subcontractor for that academic year.
- 62.8. If appropriate, funding your subcontractor has paid to you for services or support you have provided in connection with the subcontracted provision.”

We undertook a review of the published information for the 2014/15 academic year and confirmed that the table provided included all of the information documented within Funding Rule 62.

Funding Rule 63 states that “You must publish this information on actual fees and charges alongside your supply-chain fees and charges policy.” We confirmed that the two documents had been published on the same page within the Organisation’s website.

## Appendix 1: Definitions

We have assessed the control framework in each area on a red, amber, green basis, in order to provide an 'at a glance' summary of the strength of controls in place. Definitions for scoring are as follows:

Rating	Definition
	Inadequate
	Area for Improvement
	Good



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