11 February 2010

Dear Colleague,

**Joint Audit Code of Practice, Part 1 - consultation**

As you will be aware, colleagues in the Department for Children, Schools and Families (DCSF), the Department for Business, Innovation and Skills (BIS), the LSC and the Local Government Association are working hard to turn the Machinery of Government reforms into operational reality.

From 1 April 2010, the Skills Funding Agency (SFA), local authorities and the Young People’s Learning Agency (YPLA) will be the successor funding bodies for what is now LSC funding. Together, the funding bodies will continue to make a very significant investment in young peoples and adult learning. All involved are committed (together with the schools, colleges and learning providers they will fund) to ensuring that this public money is properly accounted for.

A key means of ensuring this accountability is through putting in place effective audit of the funding bodies themselves and those they fund. Some of these audit arrangements are made under statute and are beyond the scope of the Machinery of Government reforms, in particular the annual statutory external audit and internal audit of the successor bodies and of schools, colleges and providers.

Most of the other audit arrangements are to ensure that the funding bodies can demonstrate that schools, colleges and providers have delivered claimed learning outcomes against their funding. Part 1 of the Joint Audit Code of Practice (the Joint Code) sets out how the funding bodies will obtain assurance on their funding through the evidence of audit.

Learning and Skills Council

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At the heart of the Joint Code is a shared ambition to minimize burdens arising from audit as a result of the Machinery of Government reforms.

Over the last ten years, the level of audit within the further education sector has significantly reduced. This reflects increased levels of trust in learning providers, and more sophisticated and targeted methods of delivering audit work. However, one potential outcome of the current reforms is that some schools, colleges and learning providers could be subject to three separate audits of their funding from the SFA, YPLA and local authorities. This is a real possibility as government bodies have often found it difficult to put in place arrangements for mutual exchanges of assurance. The proposals in Part 1 of the Joint Code describes practical working relationships between the LSC’s successor funding bodies which are designed to remove this possibility for the vast majority of schools, colleges and learning providers.

These proposals have been developed following extensive discussions between local government, the departments, agencies, and with learning providers, their representatives and statutory and professional auditors. We see this as an early, significant and real example of our desire to establish a pattern of the SFA, YPLA and local authorities working together to maximise the deployment of government investment into learning. We also believe this is an innovative and unique partnership in minimizing audit requirements between local and central government.

For 16-19 funding, these proposals are aligned with the wider proposals outlined in the DCSF’s National Commissioning Framework (NCF), published in November 2009 for consultation. Part 1 of the Joint Code is being consulted upon now, as certainty over the assurance arrangements is required by 1 April 2010. The results of this consultation exercise will be considered in the context of the feedback received from the consultation on the NCF.

Subject to the results of this consultation on Part 1 of the Joint Code, a “Part 2” document will be developed and consulted on later in 2010. This document will cover matters such as colleges’ internal audit, financial statement audit and regularity audit arrangements and arrangements for college audit committees. Until replaced, the LSC’s existing Audit Code of Practice will remain in force for these matters.

Please return the consultation response form to the address stated by 12 March 2010. In the meantime, if you have any questions then please contact:

pfm@lsc.gov.uk
Yours sincerely,

David Cragg
SFA interim chief executive

Peter Lauener
YPLA chief executive designate

John Freeman
Local Government Association
Joint Audit Code of Practice, Part 1 - Consultation Questions

Please provide answers to the questions below:

Questions for all

1. Should there be a Joint Code of Practice for the SFA, YPLA and Local Authorities?  
   Yes / No / no opinion

2. Should it cover all types of learning provider?  
   Yes / No / no opinion

3. Do you agree with the principle of one provider, one funding assurer?  
   Yes / No / no opinion

4. What level of guidance should the SFA, YPLA and Local Authorities issue to learning providers on assurance matters? (noting that this will be addressed under Part 2 of the proposed Joint Audit Code of Practice, which will be subject to separate discussion and consultation)  
   Detailed requirements
   Detailed guidance
   Outline guidance
   The minimum necessary to discharge statutory, legal and regulatory responsibilities

Which areas of assurance activity would you welcome guidance on, if any:

5. Should assurance work be consistent for similar types of learning provider, and proportional in approach (that is, with lower risk providers receiving less assurance coverage)?  
   Yes / No / no opinion

Where you have answered a question with a NO, please expand your response in the box below, or provide general or further comments as appropriate.

General Comments on the Joint Audit Code of Practice, Part 1

Completed by:
Organisation:
Contact Number:
Please return this document to:

Steve Finnemore  
Provider Financial Assurance  
Learning and Skills Council  
Quinton Road  
Coventry CV1 2WT

Or by email to: pfm@lsc.gov.uk