

Providing external assurance on subcontracting controls

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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 not 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 subcontracts to deliver provision with an aggregate value of more than £100,000 for the delivery of all adult provision each funding year.

Definitions

- 6 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. A separate legal entity includes companies in your group, other associated companies and sole traders. It also includes individuals who are self-employed or supplied by an employment agency, unless those individuals are working under your direction and control, in the same way as your own employees.
 - 7 An external auditor is a professionally qualified person from an organisation
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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

- 8 The provider selects and engages an external auditor that fulfils the definition above.
- 9 The external auditor must be able to sign the certificate provided.
- 10 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.
- 11 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.
- 12 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.
- 13 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.
- 14 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.
- 15 When the certificate has been completed, it must be sent to this email address: aeb@london.gov.uk. This must be done by 30 November 2020 for the 2019/20

delivery year. A copy of the report does not need to be sent to the GLA, but we reserve the right to request a copy. We will review it as part of our compliance arrangements.

- 16 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.
- 17 For the avoidance of doubt, the external auditor will not be liable to us for the work it has undertaken for the provider.
- 18 It may be the case that the provider is engaging an auditor to provide assurance on subcontracting controls relating to ESFA funded provision. In these circumstances, it would be acceptable for that engagement to also report on the assurance arrangements for provision funded by the GLA, and for a certificate to be provided to the GLA as set out in this guidance.
- 19 Providers can check if they are in-scope to take any action or if they have any other questions by contacting the GLA AEB Delivery team.

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