



Education & Skills  
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**To accounting officers in college corporations. Copied to chairs of governing bodies** - please share this letter with your chief financial officer or equivalent and board of governors and at your next governing body meeting

Dear colleague

I write to introduce myself to you as the interim accounting officer and chief executive of ESFA. I am delighted and privileged to be appointed to this role and am very much looking forward to working with colleges through the coming months.

I am taking this early opportunity to thank you for your efforts in responding to the unprecedented challenges faced by colleges this year, due in no small part to the effects of COVID-19.

As an accounting officer, you play a key position in setting the standards for good financial management and governance in your corporations. This letter sets out my thoughts and expectations concerning these themes and in the context of the pandemic's impact on your day-to-day work issues. I hope you will find this useful as you prepare your accounts for the year 2020 to 2021, address the challenges of this new academic year and plan for the years ahead.

**Supplementary Bulletin to the College Accounts Direction and the Post-16 Audit Code of Practice**

Following the publication of the updated [College Accounts Direction](#) and [Post-16 Audit Code of Practice](#) in March 2021, we issued an updated [supplementary bulletin](#) in July 2021 to help you reflect the pandemic related challenges in your accounts.

Please ensure your chief financial officer or equivalent is familiar with the content of the bulletin and that you work with your governing body board to agree content for the strategic report in line with this guidance.

You will soon be able to provide feedback on these publications, via our online survey which we will be launching in the next few weeks.

### **Maintaining the integrity of ILR data**

When we published the Post 16 Audit Code of Practice for the year 2020 to 2021, we clarified the status of the annual funding confirmation statements that we provide to colleges and their auditors.

Following feedback from the sector, we have published supporting [guidance](#) which highlights the importance of maintaining the integrity of the Individualised Learner Record (ILR) and the utility of the [provider data self-assessment toolkit](#) (PDSAT).

Implementing the guidance will help you to manage your business effectively and minimise the risks of any unexpected reductions in the income figures stated in your year-end annual financial statements identified by your year-end review processes or external audit. It will also help you be better prepared for audit work on your ESFA funding.

Please read our guidance and take all necessary steps to ensure that your college's ILR data remains accurate and up to date throughout the year.

### **Related party transactions**

To maintain transparency and deter conflicts of interest, colleges must disclose in their financial statements any transactions with organisations and individuals they have a close association with.

In a minority of cases, it hasn't been clear from the disclosure itself that the process for managing potential conflicts of interest had been fully observed, for example, individuals with an interest not always completely stepping aside from the awarding of contracts. In some cases, ESFA had to run further checks.

The elimination of any such conflicts of interest is a key factor in maintaining public confidence in the sector, and as accounting officers you must take all necessary steps to uphold the necessary standards and processes.

### **Audit committees**

An effective and appropriately constituted audit committee provides robust and fair challenge. The effectiveness of committee members is established by personal qualities as much as it is by formal qualifications or sector knowledge. What is possibly the most important quality is the instinct to ask the right question at the right time and to press for clarification when the information provided seems partial or unclear. This will ultimately benefit both the corporation and the reputation of sector.

I ask you to work with the chair of your governing bodies to do what you must in your own college to continue to attract and retain the best people for your audit committee.

### **Governance professionals**

There is little doubt that over the last few years, the role of governance professionals has expanded significantly, to the point where they play a critical role as a technical adviser and strategic enabler to boards and a key source of advice to yourselves as accounting officers.

I am pleased to be able to share with you the new [programme of learning and support](#) for college governance professionals that has been commissioned by the Department for Education (DfE) and developed by the Education & Training Foundation and partners.

The programme aims to:

- further professionalise this role and raise its profile across the sector
- equip your governance professionals with the skills and confidence to discharge their responsibilities effectively.

There is a new requirement in college funding agreements that any person who is selected by the governing body for appointment as the governance professional or clerk must have a qualification relevant to the role, or equivalent experience. There must be a report in the college annual report and accounts on activities undertaken over the year to develop your governance professionals.

### **The Further Education CFO Programme**

Continuing with the theme of training and development, I would like to draw your attention to the [Further Education CFO Programme](#), funded by the DfE and commissioned by the Education & Training Foundation.

This programme has been designed to deliver a step change in the CFO's ability to partner with their CEO in driving strategy forward and is available to senior finance professionals in the sector at a reduced rate. If your CFO has not already taken part in this valuable programme, then I strongly suggest that you do consider speaking to them about it.

### **Changing auditors**

Another change introduced in the Post-16 Audit Code of Practice this year was a requirement for college corporations to have a policy in place for regular re-tendering of external auditors, which should happen at least every five years. This does not mean that corporations are unable to re-appoint the same firm of external auditors, but that a retendering exercise be carried out and the market tested.

We also updated our requirement that college corporations notify ESFA of the resignation or removal of auditors. ESFA needs to know about these situations as they are a risk indicator for us. Notification is not required when an agreed term of appointment routinely expires.

As accounting officers, I hope that you agree that these changes are proportionate and strengthen the accountability framework for the sector.

### **Compliance with OfS accounts direction disclosures**

Colleges that are registered with Office for Students (OfS) are required to comply with their conditions of registration, including the requirements of the [OfS accounts direction](#). This includes some requirements over and above those required by the ESFA. We have found that for the year 2019 to 2020 a substantial number of registered colleges had not fully complied with these requirements. I expect that colleges will fulfil all requirements of the OfS accounts direction for the year 2020 to 2021.

### **Consultation on further education funding and accountability**

Earlier this year, the Department for Education published its [Skills for Jobs White Paper](#).

We are keen to hear from colleges through the DfE's [consultation](#), so that they can help shape the reforms the government will make to adult and skills funding and the accountability system for further education in England. The consultation closes on 7 October 2021.

Finally, I want to thank those from your teams who have helped over the last few months to develop our publications and returns, especially representatives from the College Financial Directors' Group.

You can stay up to date with latest announcements on GOV.UK and in [ESFA Update](#).

Yours sincerely

**John Edwards**

Interim Chief Executive

Education and Skills Funding Agency