



Education & Skills
Funding Agency

Financial handbook for independent training providers

For independent training providers in receipt of funds from the Department for Education (DfE) and Education & Skills Funding Agency (ESFA)

Effective from 1 August 2024

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Foreword

Independent training providers (ITPs) are key and valued partners of DfE and ESFA, delivering vital education and skills training through public funding amounting to around £1.5 billion a year. Effective governance, operational and financial management is essential for ITPs to deliver training, enable them to manage their finances, report accurately and transparently to customers and funders, and to make informed business decisions for their future. Such arrangements protect delivery for learners and, therefore, help achieve the best outcomes.



This financial handbook for ITPs is designed to:

- support the sector's governance and financial management arrangements
- provide a framework for ITPs' governance, financial management and oversight, and assurance, and
- assist us to identify and manage risks.

We have developed handbooks and other publications covering financial management and governance to support the academy and college sectors. Through this handbook we are extending this support to ITPs, providing certainty to you about which requirements apply and what good practice looks like. We have aimed to provide this support through the handbook in a simple and proportionate way, so that the information you need is in one place.

The handbook includes a combination of requirements and recommendations to support governance and financial management, as well as providing reminders of relevant statutory and contractual obligations.

It works alongside existing oversight arrangements to help ensure your governance, financial management and assurance processes are robust and fit for purpose. Our aim is to work collaboratively to improve governance, financial management and financial health and reduce the likelihood of intervention.

The sector is diverse, ranging from private companies to public limited companies to charities to community groups to sole traders to employer providers and more. The handbook reflects areas that are common to this diverse market, but also takes this diversity into account by ensuring that arrangements are proportionate to the amount of public funds you receive from us.

I recognise that you may need time to prepare for, and adapt to, the handbook and, for this reason, it will not apply until 1 August 2024. Prior to this, you have the

opportunity to baseline your current arrangements against the handbook and, where necessary, adjust accordingly.

We know that many of you have robust processes already and we want to help ensure this is the case across the sector. Financial stability and good governance are the bedrock in creating a stable and effective training environment with high educational standards where learners can realise their potential.

David Withey

Chief Executive, Education and Skills Funding Agency

Part 1: Introduction

Who the handbook is for

- 1.1. The handbook is applicable to all ITPs in receipt of funds provided directly by DfE / ESFA. Annex A provides more information on providers within the scope of the handbook.
- 1.2. Readers of the handbook are expected to include chief executives, chief operating officers, chief financial officers, finance directors, managing directors, heads of management information, chairs of the board and other board members, owners with a controlling interest and major shareholders, accountancy firms who audit the annual accounts of ITPs and any professional advisors.
- 1.3. The handbook is applicable for the duration that an ITP has a contract of service with DfE / ESFA.

Consultation

- 1.4. In Autumn 2021, all ITPs were invited to express an interest in attending workshops to discuss the development of governance and financial management arrangements across the sector.
- 1.5. Around 40 ITPs attended the workshops, facilitated by ESFA. The workshops discussed ITPs' existing arrangements and introduced the concept of a financial handbook for the sector. The ITPs were a wide cross section of organisations, whose annual funding from DfE / ESFA ranged from £25,000 to £33 million. We invited ITPs to comment on the principles of a financial handbook and its proposed content. Their valuable feedback has been used to help develop this handbook.
- 1.6. In addition, in March 2022, ESFA invited all ITPs in receipt of DfE / ESFA funding to take part in an online survey relating to their existing governance and financial management arrangements, with particular focus on arrangements being considered for inclusion in the handbook. Over 220 ITPs responded to the survey, including a full cross section of providers in terms of size, type of organisation, levels of DfE / ESFA funding and reliance on it. The scale and diversity of the response to the survey provided confidence that the results were representative of the sector. The results of the survey have informed the content of this handbook, as it has enabled understanding of what most ITPs in different funding groups already have, and indicated areas where gaps exist.

- 1.7. ESFA has also liaised closely with the Association of Employment & Learning Providers (AELP), which supports using the handbook and the work being done to develop governance and financial management in the sector. We will continue to work with them to ensure the handbook is suitable for all parties. ESFA will also continue to welcome feedback from the sector to inform future updates to the handbook.
- 1.8. In Autumn 2023, we shared a draft copy of the handbook with a sample of ITPs, representative of the sector as a whole. Their feedback and suggestions have been invaluable in developing this published version.

Overview of handbook arrangements

- 1.9. Parts 3 to 5 of this document are split into three key areas:
- governance
 - financial management and oversight
 - assurance
- 1.10. In each section, the expectation levels are set out i.e. whether an arrangement is required, recommended, or discretionary, dependent on the ITP's funding group (using a 'handbook matrix').
- 1.11. Where appropriate, the handbook provides guidance on ITPs' compliance with the obligations applicable to them under the handbook.

The handbook matrix

- 1.12. The ITP sector is diverse in many ways, including organisation size, legal status, types of training provided / funding streams delivered, the amount of funding received from DfE / ESFA and level of reliance on it. Given this diversity, the governance and financial management arrangements in the handbook apply to ITPs depending upon the level of risk, which is driven by the amount of training ITPs deliver for DfE and ESFA. Consequently, a handbook matrix has been designed (summarised at annex B), which identifies requirements and recommendations applicable to ITPs dependent upon the level of funding they receive from DfE and ESFA. There are 3 aspects to the matrix:

Aspect 1: funding groups

- 1.13. Funding groups categorise all ITPs into cohorts, depending upon their level of annual DfE / ESFA funding. A number of factors were considered when

defining the groups, including existing thresholds used for categorising ITPs, volumes of ITPs which would fit into each group, and ensuring proportionate requirements and recommendations could be applied to each group.

1.14. For clarity, ITPs should calculate their funding group by adding together all funds received directly from DfE and ESFA, in the previous full funding year (August to July). All funding envelopes within the period should be included. Devolved funding received through agreements with mayoral combined authorities and the Greater London Authority is not in scope (see section 2.4 for further information). For the majority of ITPs, it should be clear which funding group they fall within. Where an ITP is unsure which group they are in, ESFA will work with them to agree which group they fall into. Where ITPs move groups between years, they **must** comply with arrangements set out in their new group and flexibility may, subject to the agreement of DfE / ESFA, be provided to allow ITPs to adapt to the change. Where an ITP is in its first consecutive year of receiving direct funding from DfE and ESFA (i.e. it did not receive any direct funding in the previous funding year), it should calculate its funding group by reference to its expected funding in that first year.

1.15. The 4 funding groups are:

Total annual funding the ITP receives directly from DfE and ESFA	Funding Group 1	Funding Group 2	Funding Group 3	Funding Group 4
	More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000

1.16. Some ITPs will also receive funding under sub-contracting arrangements. ESFA's [Sub-contracting standard](#) guidance explains how lead ITPs are expected to have a performance management framework and service level agreements in place with sub-contractors. These mechanisms could be used by 'lead' ITPs to encourage sub-contractors to align themselves with elements of the financial handbook, based on total combined funding the sub-contractor receives from the lead and from DfE / ESFA directly.

Aspect 2: applicability

1.17. The categories below set out the extent to which each governance and financial management arrangement applies to ITPs:

Required – must be in place
Recommended – best practice for ITP to have
Discretionary – ITPs have discretion to do

Aspect 3: arrangements

1.18. The governance and financial management arrangements are broken down into three key areas: governance; financial management and oversight; and assurance.

1.19. The matrix at annex B summarises each arrangement and how it applies to ITPs within each funding group. Expectations for different funding groups are based on a range of factors, including contractual requirements, the risk level associated with the arrangement and proportionality. Expectations are higher of ITPs who receive greater funding from DfE / EFSA. Some arrangements reflect existing contractual requirements or agreements that ITPs may already be required to comply with.

Compliance with the handbook

1.20. As explained in the foreword, the aims of the handbook are to:

- support the sector’s governance and financial management arrangements
- provide a framework for ITPs’ governance, financial management and oversight, and assurance, and
- assist DfE / ESFA to identify and manage risks

1.21. It is critical, therefore, that ITPs comply with those arrangements which are classified as ‘required’, as well as giving full consideration to introducing ‘recommended’ arrangements. The long-term benefits for ITPs of doing so are outlined throughout this handbook. Complying with the handbook should help place ITPs in a better position to manage their finances and resources and reduce the level of risk to their organisation.

Transition period

1.22. The handbook applies from 1 August 2024¹. The preceding transition period post-publication enables ITPs to:

- understand the contents
- review their current governance and financial management arrangements
- baseline their existing processes against the requirements and recommendations in this handbook
- prepare and adapt their organisation to comply with any requirements applicable to them from 1 August 2024

1.23. ITPs may find it beneficial to adopt areas of the handbook relevant to them in advance of the date the handbook becomes effective.

Future editions

1.24. The handbook will be periodically reviewed. ESFA welcomes feedback from the sector to inform future editions.

¹ ESFA may extend the transition period for certain requirements beyond 1 August 2024 in response to sector feedback received following publication of this handbook.

Part 2: Responsibilities

General responsibilities

- 2.1. ITPs **must** meet their statutory responsibilities under company / charity law and any other legislation applicable in relation to annual accounts, audit, and other legal, financial and governance requirements.
- 2.2. ITPs receive funding under contracts for services with DfE / ESFA. These set out the requirements placed on, and responsibilities of, ITPs in detail. Requirements included in those contracts / agreements form a condition of funding.
- 2.3. The conditions of funding include DfE / ESFA assurance requirements. For a complete picture of assurance requirements, the handbook should be read alongside contracts for services, the [Post-16 Audit Code of Practice](#), the [ESFA's approach to assessing the financial health of organisations](#) and its [assurance reviews of the subcontracting standard for post-16 providers](#).
- 2.4. Some ITPs also receive funding under agreements with mayoral combined authorities (MCAs) or the Greater London Authority (GLA) in respect of devolved adult education funding. These funding agreements are **not** within the scope of this handbook. More information on devolved funding can be found in the DfE policy document on [Adult education devolution](#).
- 2.5. All ITPs may be subject to a funding audit by ESFA in respect of DfE / ESFA funds received.

Part 3: Governance

Governance arrangements

- 3.1. Part 3 of the handbook outlines expected governance arrangements and how they apply to ITPs dependent upon the funding group they fall within.

Board and non-executive directors

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Discretionary	Discretionary	Discretionary

- 3.2. To have at least one non-executive director (NED) or equivalent (registered companies only). This could include non-executive investor directors or governors, if they provide independent challenge. The NED (or equivalent) might report at group level but their remit should extend to DfE / ESFA-funded delivery. NEDs bring expertise, experience, and additional credibility to the board. As they are removed from day-to-day management responsibilities, they offer a fresh perspective and independent challenge to processes, policies, performance and the business's strategic direction. Other types of organisations such as charities should, where possible, make similar use of independent expertise, for example through trustees.
- 3.3. For registered companies, [directors' duties](#) are outlined in the Companies Act 2006. Directors will have skills and experience consistent with the responsibilities of a training organisation, including knowledge of sector funding. Other types of organisations should follow good practice for their sector. For example, for charities, the '[Charities and Meetings](#)' guidance.

Audit and risk committee

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Recommended	Discretionary	Discretionary

- 3.4. To have an independent audit and risk committee. This could be at group level or specific to DfE / ESFA funded delivery. Audit and risk committees play an important role in ensuring organisations have the best possible framework to protect public funds and other income / funding. They provide independent

advice to boards on the adequacy and effectiveness of their governance, risk management (including business continuity), controls and assurance frameworks. They also assist boards to ensure they fulfil their statutory and regularity responsibilities for their annual accounts.

Responsibilities of the audit & risk committee

3.5. For those ITPs where an audit and risk committee is required under this handbook, or where the ITP otherwise decides to have one, the responsibilities of the committee may include:

- Following terms of reference for the committee set by the board. As a minimum these **must** include (a) assuring and challenging the design and operation of the organisation's systems of control, (b) the committee's right to investigate any activity and (c) the committee's right to access all the information and explanations it considers necessary, from whatever source, to fulfil its remit.
- Advising the board on the adequacy and effectiveness of the ITP's governance, risk management, control and assurance arrangements and processes for the effective and efficient use of resources, safeguarding of assets and maintaining the ITP's solvency.
- Advising and supporting the board in explaining in its annual accounts the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.
- If the ITP's accounts are audited, the committee should advise on the appointment, reappointment, dismissal, and remuneration of the external auditor, review the reports of the external auditor, and monitor the implementation of recommendations arising from those reports, within agreed timescales.
- If the ITP has an internal audit service, the committee should review the reports of the internal auditor and monitor the implementation of recommendations arising from those reports, within agreed timescales. If the internal audit service is outsourced, the committee should advise on the appointment, reappointment, dismissal and remuneration of the internal auditor.
- Overseeing the ITP's policies on fraud, irregularity, impropriety, and whistleblowing. To ensure:
 - the proper, proportionate and independent investigation of all allegations and instances of fraud and irregularity, and outcomes are reported to the committee

- internal and external auditors (if applicable) are informed of investigation outcomes, and appropriate follow-up has been planned / actioned
- fraud or suspected fraud, theft and / or irregularity, are reported to ESFA as soon as possible.
- Producing an annual report for the board, summarising the committee’s activities relating to the financial year under review, including:
 - a summary of the work undertaken by the committee
 - any significant issues arising up to the date of preparation of the report
 - the committee’s opinion on the adequacy and effectiveness of the corporation’s assurance arrangements, framework of governance, risk management and control processes
 - any significant financial governance and / or internal control matters identified by the committee or external assurance functions.
 - an assessment of the effectiveness of the committee.

Membership of the audit & risk committee

3.6. Where an ITP has an audit and risk committee, it is recommended the committee includes:

- A minimum of 3 people.
- Non-executive directors, where appointed.
- People with the relevant skills to carry out the responsibilities listed above.
- If possible, people with experience relevant to the organisation.

3.7. The Financial Reporting Council produces [guidance](#) relating to the operation of audit committees including membership suggestions.

Funding compliance scrutiny function

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Recommended	Discretionary

3.8 To have a funding compliance scrutiny function, which provides guidance and checks in relation to any funding data / claim submissions to DfE / ESFA. This

acts as an additional layer of assurance to protect ITPs against incorrect funding data / claim submissions that could result in a significant DfE / ESFA funding clawback. The accuracy and reliability of individualised learner records (ILR) data and funding claims submitted by ITPs is critical, as it forms the basis for the issue, allocation, and payment of public funds to each ITP. As a minimum, the function **must** be sufficient to satisfy the management of the ITP that data submissions which trigger funding are complete and accurate before they are sent. Data cleansing should take place on an ongoing basis throughout the funding year and not just prior to data submissions or audit. Those responsible for scrutiny should have a strong understanding of any funding streams / rules the ITP is claiming funding under. (ITPs also have access to the free [PDSAT tool](#) to help them validate and cleanse ILR data prior to submission and to the [Post 16 Monitoring Reports Dashboard](#)).

3.9 The role of a funding compliance scrutiny function is to:

- provide oversight of funding claims and ILR data submissions
- ensure that funding claims / ILR data submissions follow funding rules and submission requirements and guidance.
- ensure that funding claims / ILR data submissions are complete, accurate and consistent with actual learning activity, including through use of the PDSAT tool, exception reports, and validation checks.
- recommend any improvements / amendments to the processes, used for submitting funding claims / ILR data, to the senior management of the ITP

3.10. The funding compliance scrutiny function should be separate from, although report to, either an audit and risk committee or another layer of oversight within the organisation, which is primarily responsible for protecting DfE / ESFA funding. The function should be focussed solely on the underlying data that generates funding, whilst any audit committee should focus primarily on the organisation's controls. The ITP should ensure that the size of the scrutiny function is proportionate to funding received.

Sub-contracting

3.11. ESFA requirements relating to sub-contracted DfE / ESFA-funded delivery ensure that there is appropriate accountability and transparency over the use of public funds and the protection of the quality of education provision.

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Required	Required

3.12. To comply with sub-contracting requirements, as set out in any contract for services, and to adhere to DfE / ESFA requirements for sub-contracting, including the [sub-contracting standard](#) (where applicable) and related [assurance framework](#).

Codes of governance

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Recommended	Discretionary	Discretionary

3.13. To comply with a code of governance appropriate to the organisation. The codes listed below are examples that could be used:

- [Code of Good Governance for Independent Training Providers](#) (Association of Employment and Learning Providers)
- [UK Corporate Governance Code](#) (Financial Reporting Council)
- [Charity Governance Code](#) (endorsed by the Charities Commission)
- [Community Interest Companies - Information and guidance notes Chapter 9 – Corporate Governance](#) (Office of the Regulator of Community Interest Companies)

3.14. These codes help organisations to achieve strong governance, regularity, propriety and effective business operations. Compliance with relevant governance codes gives confidence that ITPs are committed to good governance and appropriate use of public funds.

Part 4: Financial management and oversight

Financial oversight

4.1. The ITP's management team is responsible for maintaining robust oversight of their publicly funded delivery and for financial affairs, stewardship of assets and proper and effective use of resources to maximise outcomes for learners.

Basic control principles

4.2. Sound governance, robust financial and risk management, clear internal frameworks, and strong assurance processes are basic control principles which can be achieved through a tiered approach, including:

- clearly communicated policies, procedures, structures, and training of staff
- internal controls which include appropriate supervision and checks by managers
- a clear plan for all aspects of budgetary management
- risk management procedures
- internal review, including internal audit
- external audit

Financial leadership

4.3. Clear lines of leadership, including a clearly identified person / role responsible for financial matters creates clarity and accountability. For ITPs, the person could be a chief financial officer, a finance director, finance manager, or the business owner in smaller organisations. The person should have skills and knowledge, consistent with the delivery of publicly funded training, appropriate qualifications, and membership of professional bodies depending upon the type and size of organisation.

Financial planning

4.4. ITPs should plan carefully to ensure they can effectively deliver the public funding they have received. Planning should include:

- Ensuring that financial plans are prepared and monitored, satisfying itself that the organisation has sufficient cashflows to operate, remains a going concern and is financially sustainable.

- Taking a longer-term view of financial planning consistent with the length of contracts to deliver training.
- Setting accurate and realistic budgets and ensuring rigour and scrutiny in budget management, including considering lessons learned from budgeting in previous years.
- Monitoring the budget. This should include preparing regular management accounts, preparing forecasts, reviewing and addressing variances between actual and budgeted income / expenditure, measuring performance against key financial indicators, understanding potential liabilities such as VAT, and acting quickly when any financial performance issues are identified.

Financial management and oversight arrangements

4.5. The remainder of part 4 below outlines financial management and oversight arrangements and how they apply to ITPs depending upon their funding group.

Submission of annual accounts

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Required	Required

4.6. To submit annual accounts, approved by the board, to ESFA within the timescales set out in the table below, using submission methods determined by ESFA and following any published ESFA guidance outlining the criteria required for the accounts.

Period in which the ITP's accounting year commences	Time to submit accounts to ESFA after ITP's year-end			
	More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
1 August 2024 to 31 July 2025	Within 7 months ²	Within 9 months	Within 9 months	Within 9 months
1 August 2025 to 31 July 2026	Within 5 months ²	Within 7 months	Within 7 months	Within 9 months
On or after 1 August 2026	Within 5 months	Within 5 months	Within 5 months	Within 9 months

² May apply for an extension to the submission date of up to 2 more months.

- 4.7. To protect learners and to be able to support ITPs, it is important that ESFA knows as early as possible about the actual financial health of ITPs via their annual accounts. The current deadlines, which align with statutory filing deadlines required by Companies House or the Charity Commission, often mean it is too late for ESFA to identify financial risks or make effective decisions to help. Earlier submission will also enable ESFA to make better informed decisions about future funding allocations.
- 4.8. As set out in the table above, most ITPs³ will be required to submit annual accounts to ESFA within 5 months of their year-end. This will achieve earlier clarity over the ITP's latest annual financial performance and position, a strong feature of sound financial management. It will also align with the 5 month deadline colleges and higher education institutions have to submit accounts to ESFA and the Office for Students respectively. However, ESFA is aware that this could impact on existing business and audit cycles, particularly for ITPs with group structures. Therefore, ESFA will phase in earlier submission of accounts over a period of time as set out in the table above.

Cash flow forecasts

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Required	Discretionary

- 4.9. To maintain a rolling cash flow forecast, which sets out the expected financial position for the organisation for the next 12 months. This will enable ITPs to plan and budget for changes in income and manage funding cycles. Additionally, some ITPs will be required to submit a more detailed forecast to ESFA from time to time as per the [financial forecast guidance](#), and those ITPs in scope will be notified individually by DfE / ESFA.

Financial health information

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Required	Required

³ ITPs which only contract with DfE to deliver Skills Bootcamps are exempt from submitting accounts annually to DfE / ESFA, as DfE has alternative arrangements for assessing providers' financial health.

- 4.10. To submit financial health records as required by DfE / ESFA.
- 4.11. ESFA [monitors the financial health](#) of ITPs it allocates funding to. This enables ESFA to support ITPs which encounter financial problems and helps prevent public funds from being allocated to ITPs which might not be able to deliver the contracted level of provision.
- 4.12. ITPs **must** inform DfE / ESFA of any financial difficulties that could impact upon contract delivery, as well as following contractual requirements to inform DfE / ESFA of any change of name, ownership, control, or investment structure.

Counter fraud and error

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Recommended	Discretionary

- 4.13. To have a counter fraud and error policy and procedures, including mechanisms to report suspected fraud and error to DfE / ESFA, and to provide training to all staff working on DfE / ESFA-funded contracts on fraud awareness / indicators. Ideally, the policy and procedures should be a standalone document, but could be part of wider operational documents an ITP may already have.
- 4.14. ITPs **must** be aware of the risks of fraud, theft and irregularity and mitigate them by establishing proportionate controls. ITPs **must** take appropriate action where fraud and error, theft or irregularity is suspected or identified. For further advice see the [Action Fraud](#) website.
- 4.15. ITPs **must** also be aware of the risks from cybercrime, establish proportionate controls and take appropriate action where a cyber security incident has occurred.
- 4.16. DfE / ESFA supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.
- 4.17. Fraud is a serious threat to ITPs and prevention is the first line of defence. It is important that ITPs also have sufficient measures to protect themselves and public funds against the threat of fraud.
- 4.18. **What to include in a counter fraud and error policy:**

- How the ITP assesses the risk of fraud and error.
- Which areas of the ITP are potentially vulnerable to fraud and error.
- A list of potential fraud and error indicators.
- Details of how the ITP raises awareness of fraud and error internally, how they aim to prevent and detect fraud and error, and how they investigate and sanction suspected internal and external fraud and error.
- How the ITP tests its internal systems to assess robustness against fraud and error.
- A list of policies, procedures, and prevention methods, the ITP has to help counter fraud and error.
- A list of responsibilities for named job roles relating to counter fraud and error.
- Definitions of fraud, bribery and corruption as set out in UK Law.

4.19. ITPs **must** notify DfE / ESFA as soon as possible, of any instances of fraud or suspected fraud, theft and / or irregularity linked to DfE / ESFA-funded delivery.

Risk management and business continuity

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Recommended	Discretionary

4.20. To have risk management policies and procedures, which are updated on a regular basis. These would include:

- A **risk management policy** – outlining the overall strategy for managing risk.
- A **risk register** – listing and ranking current and potential future risks. Consider impact versus likelihood and potential mitigations.
- A **business continuity policy** – outlining how learning delivery can continue in exceptional circumstances.
- A **conflict of interest policy** – covering how the organisation manages conflicts of interest between their contracted delivery of DfE / ESFA funding and any other interests they or individuals in the organisation and their related parties might have.

4.21. Ideally, the policies would be standalone documents but could be part of a wider operational manual used by the ITP.

4.22. ITPs can help protect themselves and public funds from financial and other risks by having mechanisms to identify, prevent, mitigate, record and deal with risks that may arise. It is also important to have business continuity plans to ensure, wherever possible, learning can continue to take place in changing circumstances.

Whistleblowing

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Required	Discretionary ⁴

4.23. To have a whistleblowing policy that is readily accessible to all employees, who carry out any work related to DfE / ESFA-funded delivery. The policy **must** include details of how to make a disclosure directly to DfE / ESFA, including a reference to ESFA’s guidance ([How ESFA handles whistleblowing disclosures](#)) or a link to the document. The policy could be organisation wide or specific to DfE / ESFA-funded delivery. Ideally the policy should be a standalone document but could be part of a wider suite of documents an ITP might already have.

4.24. What to include in a whistleblowing policy:

- How to make an internal whistleblowing disclosure.
- Details of how the ITP deals with a whistleblowing disclosure, including timescales for doing so.
- How the person making the disclosure will be protected.
- A link to the document titled [Whistleblowing for Employees](#) on the GOV.UK website.
- A link explaining how to make [direct disclosures to the ESFA](#).
- A link to the [Protect](#) website (formerly ‘Public Concern at Work’), which is a whistleblowing charity that advises and supports individuals and organisations.

⁴ Whilst these ITPs are not required under the handbook to have all the features described in paragraphs 4.23 and 4.24, they must have whistleblowing procedures as set out in their contracts of service / funding agreement.

Part 5: Assurance

- 5.1. This section outlines assurance arrangements and how they apply to ITPs, depending on the funding group they fall within.

Internal controls review

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Recommended	Discretionary	Discretionary

- 5.2. To have, and follow, a formalised internal review process which ensures that the ITP's policies, procedures, and controls relating to financial management and governance are robust, effective and up to date.
- 5.3. The approach an ITP could use might vary dependent on the size, scale and type of funded contracts / income they have, but could range from an annual review of key policies to a full internal audit of relevant processes, policies and programmes of work.
- 5.4. Having internal audit would provide DfE / ESFA with additional confidence that an ITP can effectively deliver allocated funds. Internal audit could be carried out by an independent in-house function or by a bought-in internal audit service.
- 5.5. Where internal audit is undertaken, it should:
- be independent and objective – for example it should not be performed by a member of the finance team or by anyone with a controlling influence over the organisation
 - be conducted by suitably experienced and, where appropriate, qualified individuals, able to draw on technical expertise, as required
 - be timely, with the programme of work spread appropriately over the year, so higher risk areas are reviewed in good time
 - evaluate the suitability and effectiveness of, and level of compliance with, financial and other controls, including the ITP's oversight of any sub-contracted delivery
 - offer advice and insight to the management team of the organisation on how to address weaknesses in financial and other controls, acting as a catalyst for improvement, but without diluting management's responsibility for the day to day running of the organisation

- ensure all categories of risk are adequately identified, reported, and managed
- identify on a risk-basis (with reference to its risk register, where appropriate) the areas it will review each year, modifying checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed
- take account of other assurance arrangements and procedures to inform the programme of work. For example, it should have regard to any recommendations from external auditors and from any reports produced by ESFA as part of their programme of assurance activity.

Appointment of external auditors

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Required	Discretionary	Discretionary

- 5.6. To appoint an external auditor to provide an opinion on whether the ITP's annual accounts are a true and fair view of its financial performance and position, even if not a statutory requirement for the ITP. This might be an audit of group level accounts if there are no separate subsidiary accounts. This is effective for accounting periods **commencing on or after 1 August 2025**.
- 5.7. Many ITPs are already required to appoint external auditors under the Companies Act 2006, Charities Act 2011 or Limited Liability Partnership Audit and Accounts Regulations 2008.
- 5.8. ITPs **must** note any areas for improvement identified by the external auditor and have a plan to implement and monitor the recommended improvements. ITPs with an audit and risk committee (or equivalent) should ensure the committee hold the management team to account in relation to improvements identified.

External audit management letters

More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Required	Recommended	Discretionary	Discretionary

- 5.9. To submit management letters provided by external auditors (where appointed) to DfE / ESFA, using submission methods determined by DfE / ESFA. Control risks for wider group structures, which are unrelated to DfE / ESFA-funded delivery may be redacted. Access to management letters will enable ESFA to work with ITPs to mitigate risks and protect funds and learning delivery.
- 5.10. Management letters will outline and rank control risks, if any, identified by the external auditors and make recommendations to the ITP.

ESFA assurance activity

- 5.11. ESFA will continue to perform its regular programme of assurance activity relating to ITPs. This includes funding audits, sampled on a random and risk basis, as well as financial health assessments. This handbook helps ITPs establish processes which will enhance the likelihood of positive assurance outcomes from those audits and assessments.

ESFA funding audits

- 5.12. ITPs receive funding under contracts for services with DfE / ESFA. These require providers to comply with funding rules, maintain individualised learner records (ILRs) and submit ILR data and other returns to DfE / ESFA to support their funding claims. They also provide for DfE / ESFA to conduct funding assurance and other ad hoc reviews.
- 5.13. ESFA obtains direct assurance over providers' funding through individualised learner record (ILR) data returns. ESFA conducts a programme of funding monitoring and data validation, which involves data analysis and identifying providers' ILR data anomalies. ESFA informs providers of the ILR data anomalies and explains how to correct any errors. ESFA also obtains direct assurance through a programme of funding assurance reviews (funding audits).
- 5.14. In addition to the direct assurance performed by ESFA, mayoral combined authorities (MCAs) / Greater London Authority (GLA) may adopt their own processes for assurance on the funding they give to ITPs.
- 5.15. Providers may sub-contract the delivery of ESFA-funded learning, provided they comply with the sub-contracting requirements set out in ESFA's funding rules and in the [Assurance reviews of the subcontracting standard for post-16 providers](#).

Part 6: Oversight and intervention

DfE / ESFA oversight

- 6.1. DfE's and ESFA's accounting officers are accountable to Parliament for how DfE / ESFA use their funds and are personally responsible for the regularity, propriety and value for money of their expenditure.
- 6.2. Oversight work specific to ITPs includes monitoring reviews of ESFA funding, funding assurance reviews, assessment of controls at newly contracted ITPs, and financial health assessments.
- 6.3. DfE takes a risk-based approach to oversight and managing contracts. Resource is focused on providers where their financial accounts and other relevant data suggest that there is a risk of failure and / or overclaim of funds. The potential impact of failure on learners is also considered. We use specific triggers in our risk assessments to indicate where there may be areas of concern.

DfE / ESFA access

- 6.4. DfE / ESFA or their agents may carry out reviews, audits or investigations of ITPs, which require access to all books, records, information, explanations, assets, premises, and staff, and DfE / ESFA may take copies of relevant documents.

Provision of information to DfE / ESFA

- 6.5. DfE / ESFA or their agents will require, on request, any information from ITPs to meet published funding requirements.
- 6.6. ITPs need to notify DfE / ESFA of changes relating to their ownership.

Intervention & investigation powers

- 6.7. DfE / ESFA may use intervention powers, where a breach of contract is identified, or specific financial performance or quality measures are not being met.
- 6.8. The priorities of any DfE / ESFA intervention are to safeguard the interests of learners and protect public funds.
- 6.9. Intervention activity may include:

- requirements to provide additional financial information
- requirements to design and implement an improvement plan to address quality issues / financial position, including specific targets to be met within a specified period of time
- requirements to cease using a particular sub-contractor
- suspension of learner enrolments
- termination of contract(s)

6.10. Further information on our intervention arrangements is set out in [How ESFA maintains oversight of Independent Training Providers](#).

6.11. ESFA may conduct or commission investigations into allegations of fraud and error, theft or irregularity, relating to DfE / ESFA funded activity, in any ITP, based on information received or uncovered. DfE / ESFA may involve other authorities, including the police.

DfE / ESFA work with the Charity Commission

6.12. Where there is a concern relating to an ITP with charitable status, DfE / ESFA may notify the Charity Commission, reflecting the commission's interest in addressing non-compliance with legal or regulatory requirements, misconduct, or mismanagement in the administration of any charity, and in ensuring individuals running the charity do so in compliance with their legal duties.

DfE / ESFA work with the Insolvency Service

6.13. DfE / ESFA may refer directors of ITPs to the Insolvency Service, which may consider whether the conduct of a director is such that they are unfit to be involved in management of a company, and whether or not it would be in the public interest for a disqualification order to be sought.

Annex A: Providers covered by the handbook

This financial handbook applies to the following types of independent training provider (ITP) in receipt of post-16 funding from DfE / ESFA:

- private limited companies
- private companies limited by guarantee
- private companies limited by guarantee, no share capital issued
- private limited companies limited by guarantee, no share capital issued limited exemption
- private unlimited companies
- companies incorporated by royal charter
- industrial / provident companies
- public limited companies
- partnerships and sole traders
- limited liability partnerships
- community interest companies
- charitable incorporated organisations
- charitable unincorporated associations
- charitable trusts
- other charities
- employer associations
- independent associations
- employer-providers (who are also any of the above)

For the avoidance of doubt this financial handbook is not applicable to any of the types of organisations listed below:

- all types of schools, academies, and academy trusts
- further education (FE) college groups and sixth form college groups, including college subsidiaries
- special post-16 institutions (SPIs)
- universities and other higher education institutions (other than subsidiaries which have a separate contract with DfE / ESFA to operate as ITPs)
- central government departments
- public corporations & trading funds
- HM prisons
- health and social service trusts
- NHS England foundation trusts
- NHS England non-foundation trusts
- NHS other organisations

- local authorities
- combined authorities
- fire authorities
- police authorities
- trade unions
- sub-contractors of ITPs who do not receive any funding directly from DfE / ESFA, although their lead ITP may encourage the sub-contractor to align with elements of the handbook

Annex B: Handbook components

The matrix below provides a brief summary of each arrangement applicable from 1 August 2024⁵. More details are provided on each arrangement in parts 3 to 5 of the handbook.

Total annual funding the ITP receives directly from DfE / ESFA		More than £8 million	More than £1 million up to £8 million	More than £100,000 up to £1 million	Up to £100,000
Arrangement summary	Area of handbook				
To have at least one non-executive director (or equivalent) in place (companies only) to provide independent oversight of financial & governance processes.	Governance	Required	Discretionary	Discretionary	Discretionary
To have an audit and risk committee in place to direct and oversee independent assessment of financial & governance processes.	Governance	Required	Recommended	Discretionary	Discretionary
To have a funding compliance scrutiny function in place to oversee the submission of data that triggers funding.	Governance	Required	Required	Recommended	Discretionary
To comply with all contractual obligations and DfE / ESFA guidance in relation to sub-contracting arrangements and delivery.	Governance	Required	Required	Required	Required
To comply with a relevant published governance code .	Governance	Required	Recommended	Discretionary	Discretionary
To submit annual accounts to ESFA within timescales as set out in this handbook ⁶ .	Financial Management and Oversight	Required	Required	Required	Required

⁵ ESFA may extend the transition period for certain requirements beyond 1 August 2024 in response to sector feedback received following publication of this handbook.

⁶ ITPs which only contract with DfE to deliver Skills Bootcamps are exempt from submitting accounts annually to DfE / ESFA, as DfE has alternative arrangements for assessing providers' financial health.

To maintain a rolling cash forecast which sets out expected financial position for the next 12 months.	Financial Management and Oversight	Required	Required	Required	Discretionary
To submit financial health records as per any request from DfE / ESFA.	Financial Management and Oversight	Required	Required	Required	Required
To have a counter fraud & error policy and procedures in place, and fraud awareness training for staff.	Financial Management and Oversight	Required	Required	Recommended	Discretionary
To have risk management processes in place to include a risk management policy, risk register, business continuity policy, and conflict of interest policy.	Financial Management and Oversight	Required	Required	Recommended	Discretionary
To have a whistleblowing policy in place which references how to make disclosures directly to DfE / ESFA.	Financial Management and Oversight	Required	Required	Required	Discretionary
To have and to follow a formalised internal review process in relation to the ITP's financial management and governance procedures.	Assurance	Required	Recommended	Discretionary	Discretionary
To appoint an external auditor to provide an opinion on whether the annual accounts are true and fair, even if not a statutory requirement.	Assurance	Required	Required	Discretionary	Discretionary
For ITPs whose annual accounts are externally audited, to provide management letters to ESFA.	Assurance	Required	Recommended	Discretionary	Discretionary



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