

# Circular 02/10

For Action: Responses to Annex A are requested by 28 February 2003

## Funding

Audit of the Use of Adult and Community Learning Funds in Local Authorities from 1 April 2001 to 31 July 2002

### Summary

This circular provides guidance to local education authorities on the preparation of a statement showing the use of their funding allocations for adult and community learning for the period from 1 April 2001 to 31 July 2002.

Each local education authority should arrange for its statement to be signed by the chief financial officer and the officer designated as the officer responsible for adult and community learning and then arrange for the statement to be audited by its external auditor.

Audited statements should be returned to the responsible local Learning and Skills Council office by 28 February 2003.

This circular is of interest to chief education officers, local education authority chief financial officers, the local education authority officer responsible for adult and community learning and the external auditors of local education authorities.





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Use of Funds Statement for the Period 1 April 2001 to 31 July 2002	

## **Further information**

For further information, please contact

National Provider Financial Assurance Division  
The Learning and Skills Council  
Cheylesmore House  
Quinton Road  
Coventry  
CV1 2WT

Enquiries: LSC Provider Financial Assurance, tel: 024 7649 3975 or email [ian.mason@lsc.gov.uk](mailto:ian.mason@lsc.gov.uk).  
External auditors with enquiries should contact the Audit Commission directly,  
tel: 0117 975 7816 or email to [apagtechsupport@audit-commission.gov.uk](mailto:apagtechsupport@audit-commission.gov.uk).

## **Responses to this document**

Responses to Annex A are requested by 28 February 2003

# Executive Summary

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This circular provides guidance to local education authorities on the preparation of a statement showing the use of their funding allocations for adult and community learning for the period from 1 April 2001 to 31 July 2002.

Each local education authority should arrange for its statement to be signed by the chief financial officer and the officer designated as the officer responsible for adult and community learning and then arrange for the statement to be audited by its external auditor.

Audited statements should be returned to the responsible local Learning and Skills Council (local LSC) office by 28 February 2003.

This circular is of interest to chief education officers, local education authority chief financial officers, the local education authority officer responsible for adult and community learning and the external auditors of local education authorities.



# Audit of the Use of Adult and Community Learning Funds in Local Authorities from 1 April 2001 to 31 July 2002

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## Introduction

1 This circular sets out the requirements of the Learning and Skills Council (LSC) for the audit of the use of LSC funds provided to local education authorities to deliver adult and community learning during the sixteen month period from 1 April 2001 to 31 July 2002.

2 Under the *Learning and Skills Act 2000*, the LSC took over responsibility for the provision and funding of education and training for persons over 16, with effect from 1 April 2001. This includes the provision of the adult and community learning. Adult education was previously provided by local education authorities and funded by the Department for Education and Employment.

3 Each local authority in receipt of adult and community learning funds (local education authorities) from the LSC has agreed an adult learning plan with the LSC. The adult learning plan sets out the post 19 adult and community education to be provided in each local education authority area using LSC funds. The LSC grants funds to local education authorities for the delivery of adult and community learning in accordance with the adult learning plans. A funding agreement, signed by both parties, records the agreement regarding the amount of funding to be paid in support of the local education authority's agreed adult learning plan.

4 The LSC has consulted the Audit Commission on the guidance contained in this circular. Later in 2002 the Audit Commission will make a certification instruction available to those auditors whom it has appointed as local education authority external auditors to provide guidance on the audit of adult and community learning.

5 The LSC has a duty to account to Parliament each year on the proper use of the public funds that it provides to learning providers. To support this process the Chief Executive of the LSC, as the responsible accounting officer, requires local education authorities to provide an annual audited use of funds statement. The arrangements described in this circular will allow the Chief Executive of the LSC to discharge his responsibility with respect to funds used for adult and community learning.

6 In addition to funding for adult and community learning, local education authorities also receive funding from the LSC for delivery of further education by local education authority maintained external institutions. LSC Circular 01/17 covers the audit of the use of further education funds granted by the LSC for the 2000-01 academic year in these external institutions. Circular 01/17 directs that local education authorities must account separately for these further education funds by way of a use of funds statement and auditor certification submitted

to the LSC relating to these funds. This circular does not affect the requirements of circular 01/17. In the interests of reducing bureaucracy on providers, the LSC will work in future towards combining its returns for all funding of local education authorities.

## Requirements: Use of Learning and Skills Council Funds

7 This circular sets out the LSC's requirement for all local education authorities to provide a statement of the use of LSC funds and an auditor certification that they have been used for the purposes intended.

8 The local education authority's chief financial officer (designated officer under section 151 of the *Local Government Act 1972*) and the responsible officer for LSC funding of adult and community learning are named in the local education authority's funding agreement with the LSC. These officers are required to sign a declaration that the information included on the statement of the use of LSC funds has been correctly extracted from the local authority's records, that the LSC's funds have been solely used to meet the costs of delivering the agreed adult learning plan and the local authority has exercised proper control over those funds it has received from the LSC. The conditions under which the LSC provides funds are set out in individual local education authorities' funding agreements with their local LSC.

9 Local education authorities and their auditors are reminded that the period covered by the statement of the use of Council funds covers a sixteen-month period and ends on 31 July 2002.

## Eligibility of Expenditure

10 Except as otherwise agreed by the local LSC office in writing, the LSC's funds have been solely used to meet the costs of delivering the agreed adult learning plan

during the period from 1 April 2001 to 31 July 2002.

## Completion of the Return

11 The statement of the use of funds requires local education authorities to identify:

- the level of funds that the local learning authority has been allocated by the LSC for adult and community learning in the sixteen-month period from April 2001 to July 2002
- the level of funds that the local education authority has received from the LSC for adult and community learning between April 2001 and July 2002
- the total of the local learning authority's expenditure on adult and community learning that has been met from LSC funds.

12 Local authorities should complete the statement of the use of funds in annex A.

- **Enter on line 1** the total LSC funding for the period from 1 April 2001 to 31 July 2002 which was approved in the final allocation letter sent by the DfEE to the local education authority, and, if applicable, any additional funding for this period which has been allocated by the LSC. The final allocation letter was attached to the original funding agreement
- **Enter on line 2** the total cash which the local education authority received from the Council between 1 April 2001 and 31 July 2002
- **Enter on line 3** the amount of the local education authority's total spending on adult and community learning which has been funded by grant from the Council. **This figure should not exceed the total allocation figure on line 1. If it is greater than line 1 enter the total allocation figure**



- **Enter on line 4** the difference between cash received (line 2) and actual expenditure (line 3).

13 The adult and community learning activities of many local education authorities generate tuition fees and other income and are also part funded from the local education authority's own resources. This additional income should not be offset against the total expenditure entered on line 3.

14 The period covered by the use of funds statement will not coincide with the financial reporting period of the local education authority. However the LSC expects local education authorities to have procedures in place for identifying income and expenditure for the sixteen-month period to 31 July 2002. Local authorities should ensure that their accounting systems enable the preparation of the information required for the use of funds statement.

15 The chief financial officer and the officer designated with responsibility for adult and community learning must complete the declarations on the use of funds statements before passing it to the local education authority's external auditor. To enable the LSC's Chief Executive to fulfil his responsibility for the proper use and control of public funds, the LSC requires a certificate from the chief finance officer. Where the chief finance officer of the local education authority has delegated authority under section 151 to another officer to provide the certificate, this must be stated on the declaration and evidence of such delegation of section 151 authority provided to the local education authority's external auditors.

16 The declarations confirm that the information on the return is correctly extracted from the local education authority's records, that the funds received have been solely used to meet the costs of delivering the agreed adult learning plan and that the local authority has exercised proper control over those funds. The conditions of funding are set out in the funding agreements made between

individual local education authorities and the responsible LSC.

17 The signed return should be sent to the local education authority's external auditor by 31 October 2002. A copy should also be sent to the local LSC by 31 October 2002.

## Audit of the Return

18 The use of funds statement requires each external auditor to certify:

- the local education authority's entitlement to funds during the period from 1 April 2001 to 31 July 2002
- the amount of funds that the local education authority received from the LSC during the period from 1 April 2001 to 31 July 2002
- the use of those funds in delivering the agreed adult learning plans in the period from 1 April 2001 to 31 July 2002.

19 The expenditure on line 3 must not exceed the allocation on line 1. If the expenditure on line 3 exceeds the grant received on line 2 then the local education authority will receive the balance of funding from the LSC.

20 If the grant received on line 2, which the local education authority has already received, exceeds expenditure on line 3, then the LSC will review the circumstances surrounding underspend of funds disclosed in line 4. This review will be conducted through negotiation between the responsible local LSC and the local education authority. The responsible local LSC may permit the local education authority to carry forward the whole or part of the underspend disclosed in line 4 to future years spending in addition to future years LSC funding. This permission would be where the responsible local LSC was satisfied as to how these additional funds would be applied to LSC purposes. For example this might be an

increase in LSC funded activity through the adult learning plan. Further guidance will be issued by the LSC on the use of carried forward funds.

21 Where the responsible local LSC is unable to identify how underspent funds would be applied for LSC purposes, the determination of the amount repayable will be at the responsible LSC's sole discretion. The method of recovery will be agreed by negotiation and may be through a reduction in the LSC's allocation to the local education authority during a funding year or a repayment in cash. In all circumstances the LSC will seek a recovery of funds where:

- the adult learning plan is not delivered satisfactorily
- there is evidence from audit or other review that LSC funds declared as having been applied to LSC purposes have not been so applied.

## **Timetable for 2001/2002 Returns**

22 The LSC has sent two copies of this circular to each local education authority and requests that the responsible officer for adult and community learning passes one copy to the external auditor.

23 For 2001-2002, the Audit Commission have indicated that they will only be in a position to provide assurance by February 2003. The Council will therefore have no formal assurance over the use of funds for adult and community learning until then and will be looking to put into place a programme of assurance work during the summer and autumn of 2002. This work may be performed by local provider financial assurance teams or by others commissioned by the Council to do this work. The work will be done at a sample of local authorities.

24 Local authorities need to agree a timetable with the external auditors for the

audit that allows the audited statement of the use of funds to reach the responsible local LSC by 28 February 2003. Any local education authority unable to meet this deadline is asked to inform their responsible local LSC in writing and provide a date when the return will be available. Where external auditors become aware of a likely delay they are also requested to inform the responsible local LSC.

25 Audited statements of the use of funds, using the form provided at Annex A to this circular, should be sent to the responsible local LSC to arrive by 28 February 2003. The addresses of local LSCs can be obtained from the LSC's web site at ([www.lsc.gov.uk](http://www.lsc.gov.uk))

## **Support Arrangements**

26 Local authority chief financial officers, responsible officers and their external auditors may make enquiries regarding the compilation and audit of the use of funds statements by contacting the LSC's National Provider Financial Assurance Division (telephone 024 7649 3975, fax 024 7649 3835).

## **Overdue Returns and Qualifications**

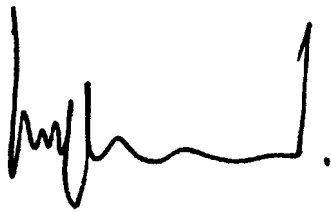
27 Local education authorities are reminded that the LSC has a statutory duty to account to Parliament each year on the proper use and control of public funds. In the absence of audited statements, the LSC cannot assure Parliament that its funds were applied properly.

28 Where the Chief Executive of the LSC cannot secure timely assurance about the proper use and control of funds at a local education authority, the LSC may:

- seek to secure other provision for the learners
- require satisfactory assurances and action by the local education authority. Such an agreement will also be

supported by restrictions on the funding provided. The agreement and other relevant correspondence will be copied to the Audit Commission.

29 Where a return is qualified, the Council may impose similar sanctions to those set out above.

A handwritten signature in black ink, appearing to read 'John Harwood', with a stylized flourish at the end.

*John Harwood, Chief Executive*

# Annex A: Use of Funds Statement for Adult and Community Learning for the Period 1 April 2001 to 31 July 2002

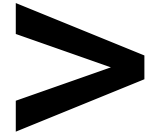
Cheylesmore House  
Quinton Road  
Coventry  
CV1 2WT  
T 024 7649 3975  
F 024 7649 3835

www.lsc.gov.uk  
ian.mason@lsc.gov.uk

(Reference Circular 02/10)

This form should be completed, certified by the chief financial officer of the local authority in receipt of funds and the officer designated with responsibility for adult and community learning, and countersigned by the local authority's external auditor.

Adult and community learning provision 1 April 2001 to 31 July 2002



**Learning+Skills Council**

Local authority name <i>(please print)</i>
Contact officer for queries
Name
Telephone

1 Local authority's total agreed allocation from LSC from April 2001 to July 2002	<input type="text"/>
2 Total cash received by local education authority from LSC from 1 April 2001 to 31 July 2002	<input type="text"/>
3 Local authority's total adult and community learning expenditure in 2001/02 funded by LSC	<input type="text"/>
4 LSC funds not applied to adult and community learning expenditure (line 2 less line 3)	<input type="text"/>

**Certificate of Chief Financial Officer and Responsible Officer**

Local authority name .....

**I certify that to the best of my knowledge and belief that**

- the information in lines 1 to 4 has been correctly extracted from the local authority's records
- that the Learning and Skills Council's funds have been solely used to meet the costs of delivering the agreed adult learning plan
- that the local authority has exercised proper control over those funds that it has received from the Learning and Skills Council.

as set out in the local authority's funding agreement with the local Learning and Skills Council.

<b>Chief Financial Officer</b>	<b>Responsible Officer</b>
Signature .....	Signature .....
Name ( <i>please print</i> ) .....	Name ( <i>please print</i> ) .....
Job title .....	Job title .....
Date .....	Date .....

## Certificate of Auditor Appointed by the Audit Commission

The Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns, issued by the Audit Commission, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors. I/we have:

- examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated .....)\* and the related accounts and records of the authority in accordance with Certification Instruction A1 prepared by the Audit Commission for its appointed auditors: and
- carried out the tests specified in Certification Instruction EDU 47 (01/02) prepared by the Audit Commission for its appointed auditors, and I /we have obtained such evidence and explanations as I/we consider necessary.

(Except for the matters raised in the attached qualification letter dated .....)\*

I/ we have concluded that the entries are

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature .....

Name (*please print*) .....

Organisation .....

Job title .....

Date .....

\* (*delete as necessary*)

The certified return should be sent to the responsible local Learning and Skills Council, and a copy of the return should be sent to the Local Authority by 28 February 2003.

# Notes

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