



## Annex 1: Additional FSMG checks

1 This document describes how and in what circumstances QAA carries out additional financial sustainability, management and governance (FSMG) checks. It also describes what providers are required to do.

### Introduction and the purpose of additional checks

2 Higher Education Review (Alternative Providers) has two components: a check on financial sustainability, management and governance ('the FSMG check') and a review of the applicant's arrangements for maintaining the academic standards and quality of the courses they offer ('the review of quality assurance arrangements').

3 For providers seeking to acquire or maintain specific course designation, the FSMG check is carried out by the Office for Students on behalf of the Department for Education. For providers seeking to acquire or maintain educational oversight from QAA, the check is carried out by QAA. The purpose of the QAA FSMG check is to give students reasonable confidence that they should not be at risk of being unable to complete their course as a result of financial failure of their education provider. The QAA FSMG check normally takes place before the review of quality assurance arrangements. Further information is available on QAA's website at [www.qaa.ac.uk/en/reviewing-higher-education/types-of-review/higher-education-review/applying-for-review](http://www.qaa.ac.uk/en/reviewing-higher-education/types-of-review/higher-education-review/applying-for-review)

4 Providers subject to the QAA FSMG check undergo a full check at least once every four years, to coincide with the full review of quality assurance arrangements. In addition, some providers are judged by QAA to require additional checks in between full checks, either annually or at QAA's request. This occurs where the full check finds that the provider's financial position is heavily reliant on a planned change not guaranteed to come to fruition (such as significant growth in student numbers) or where issues have been identified in the full check which need to be revisited. The purpose of the additional check, therefore, is to compare the provider's actual audited or unaudited performance against the financial forecasts it provided for the previous full FSMG check (or previous additional check), as a means of assuring QAA that material issues have not emerged or crystallised.

### How the additional check works

5 Additional checks may take place annually or at QAA's request (but not more often than annually). The requirement for an additional check will be communicated to the provider as part of the outcome of the previous full FSMG check or additional check.

6 QAA will initiate the additional check by contacting the provider to request a set of information (see 'Information requirements' below). The provider will have one month from the receipt of the request to provide the information requested. In some cases, QAA may agree to postpone the deadline for the submission of information, for example, where a delay would allow the provider to submit more up-to-date information.

7 The provider should upload the information requested to [FSMG@reviewextranet.qaa.ac.uk](mailto:FSMG@reviewextranet.qaa.ac.uk)

8 The request for information will be accompanied by an invoice for the additional check fee, which must be paid before the check can commence. The fee for the additional check shall be £1,200.

9 The provider is responsible for ensuring that the information submitted is complete, and that all requested information is provided. During the checking process QAA, or those retained by QAA for the purposes of carrying out the check, may request further information or seek clarification on specific issues.

10 The additional checks will be carried in two stages:

- Stage 1 is a preliminary check that the provider has given all the information requested. Stage 1 must be successfully completed in order to progress to stage 2. Providers that have not included all the required information, or who have not paid the check fee, will be informed that their additional check will not proceed (see paragraph 11).
- Stage 2 is a detailed comparison of the information submitted against the financial forecasts which the provider submitted as part of the previous full FSMG check or previous additional check.

## **Outcomes**

11 Should the provider not progress beyond stage 1 of the additional check, they will be deemed to have lost educational oversight from QAA and QAA will notify the Home Office and the provider's awarding bodies and/or organisations accordingly.

12 The outcome of Stage 2 shall be either 'material issues identified' or 'no material issues identified'.

13 Should the outcome be 'no material issues identified', that outcome shall be conveyed to the provider in writing and the process will be completed.

14 Should the outcome be 'material issues identified', then QAA shall notify the applicant as soon as possible in writing, explaining what the material issue is and why it is considered material. The provider may then either accept the outcome, withdraw from QAA's review schedules and be deemed to have lost educational oversight by QAA, or opt to undergo a full FSMG check according to the published procedure at [www.qaa.ac.uk/en/reviewing-higher-education/types-of-review/higher-education-review/applying-for-review](http://www.qaa.ac.uk/en/reviewing-higher-education/types-of-review/higher-education-review/applying-for-review)

15 There is no right of appeal against the outcome of an additional check.

## **Information requirements**

16 The standard information requirements for the additional check are as follows:

- Latest audited financial statements
- Latest full year or part year unaudited financial statements
- Populated financial tables which will be provided to the applicant on an Excel spreadsheet to complete. These will include:
  - Financial tables comparing the latest actual figures to the original forecast figures provided in the original full FSMG check for that year. For example, if in the full FSMG check the first forecast period was FY17 we are requesting the actual figures for FY17 to compare with the original forecast submitted for FY17. Where there are

variances between the actual and forecasts please provide commentary to explain these.

- Revised financial forecasts for the four years following the latest audited financial statements including assumptions underpinning the forecasts.

17 QAA may request additional information in relation to specific issues identified in the previous full FSMG check or additional check.

### **Publication**

18 QAA shall not publish the outcome of the additional check.

### **Data protection**

19 Any personal information submitted will be treated in confidence and only shared with organisations involved in the Higher Education Review (Alternative Providers) process.

20 Further information on rights to access information that QAA holds about providers can be found in QAA's Data Protection Policy.