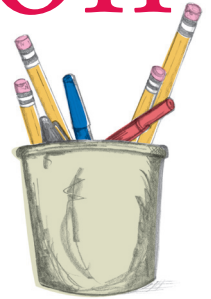


# Further Education & Skills News



October 2011

## New opportunities – new risks

**Recent experience shows that many FE institutions are following the lead set by their HE peers by seeking to grow or maintain their income by attracting students from overseas, and sometimes, agreeing joint ventures or affiliates outside the UK.** This is entirely understandable, particularly at a time of shrinking budgets.

However, whilst new sources of income provide opportunities, they also bring new risks and FE Colleges need to ensure that operations with an overseas element do not damage the integrity of qualifications and learning. It is equally important that colleges do not fall outside the requirements of existing or new legislation, such as the Bribery Act.

### Change or face closure

A salutary example of what can happen to an education institution if you get it wrong when attracting students from overseas came earlier this summer when the message ‘Change or face closure’ was delivered to the University of Wales (UoW) following a series of reports prepared by the Quality Assurance Agency (the QAA).

In this example, the QAA concluded that the education institution had failed to undertake sufficient financial due diligence before entering into overseas partnerships and/or had not

subsequently refreshed this analysis.

In particular, had the education institution undertaken due diligence before entering into a relationship with one of the partnerships, Fazeley International College in Kuala Lumpur, it might have established that the College’s Managing Director did not hold the qualifications he claimed, and was instead a Malaysian pop star. As the QAA explained, with due diligence, the education institution might have been able to manage the College in a way which ‘gave less room for ridicule’.

Investigations we have recently undertaken for FE Colleges have demonstrated that the above example is not unique and many education institutions in both the FE and HE sectors do not truly know who their overseas partners are or how they win work on behalf of UK colleges. This creates risks from both a quality perspective, but also the risk that college funds may be used to pay bribes, contrary to the Bribery Act.

Therefore, although the QAA’s message was delivered to a university, it is highly relevant to many organisations within the FE sector. This is because, from 2012, colleges looking to recruit international students for study in the UK will need Tier 4 educational oversight and the FE sector needs to take the risks associated with international learning seriously. This is especially true if the

recent upward trend in the number of overseas students receiving some of their education in the UK is to continue.

Both Grant Thornton’s international network and our “internet intelligence” offering are useful tools for any organisation looking to win work or operate abroad as part of a due diligence process intended to mitigate reputational and financial risk.

### Agents and Bribery

It might be said that it is unfortunate that the lack of due diligence at many educational institutions corresponds with the recent introduction of the Bribery Act, heralded by some commentators as the world’s toughest anti-bribery law and with extra-jurisdictional reach.

Under the Bribery Act, colleges are obliged to take responsibility for agents working on their behalf. So, a UK college whose agent pays a bribe, anywhere in the world, to win or retain business on their behalf will be liable to an unlimited fine, unless the college can demonstrate that it had ‘adequate procedures’ to prevent bribery.

Prior to the introduction of the Bribery Act, the government provided guidance concerning the procedures that organisations might implement.

*continued overleaf*

The guidance is based on a series of six principles:

- proportionate procedures
- top level commitment
- risk assessment
- due diligence
- communication (including training)
- monitoring and review

So, both, the QAA and the government's anti-bribery guidance place important emphasis on the need for colleges to undertake thorough and ongoing due diligence concerning the agents they employ.

These are both areas where Grant Thornton can assist clients. For example, we have experience

in delivering training to senior management, facilitated risk assessment workshops and risk registers, desktop reviews of policies and procedures, monitoring and reviewing the reliability of controls and support within their due diligence process using our unique internet intelligence offering.

The extent to which the Bribery Act will affect colleges is not yet certain. However, through the use of detailed risk assessments and due diligence for example, colleges can continue to benefit from income from overseas sources, protect the integrity of their qualifications and courses and tap new and important markets.



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**Sources**

www.walesonline.co.uk - 20th September 2011  
www.bbc.co.uk/wales - 20th September 2011  
www.qaa.ac.uk - 20th September 2011  
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Grant Thornton is ranked as a top three adviser to the charity, education and housing sectors and we pride ourselves on providing specialist knowledge to those sectors.

We would like to invite you to attend a series of seminars focusing on some of the current issues affecting organisations within these sectors. Each of these sessions will address a different issue and you are welcome to attend as many sessions as you wish.

**Seminar programme**

**An update on IFRS**

As the migration of UK GAAP to IFRS continues to develop, this session will provide an update on the latest position for the not for profit sector, highlighting key developments, areas of concern and practical issues which need addressing. Specialists from our not for profit and IFRS conversion teams will lead the session with plenty of opportunity for debate.

**Birmingham**

**Wednesday 12 October 2011**

9.30am Registration and coffee  
10.00am Seminar commences  
1.00pm Lunch

**Tax/VAT/employee issues update**

Our tax seminar will provide an update on developments in direct taxes, VAT and an update on employee issues as they affect the sector, as well as providing timely reminders on topical issues.

**London**

**Wednesday 16 November 2011**

3.30pm Registration and coffee  
4.00pm Seminar commences  
5.30pm Drinks and canapés



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