Guidelines for assessing the

‘Business and Governance Status’ (BGS)
of ACFE Board registered organisations



**Disclaimer:**

These guidelines for assessing the ‘Business and Governance Status’ (BGS) of adult community education organisations are a tool for the determination of eligibility to apply for funding.

A determination under these guidelines that an ACFE Board registered organisation is eligible to apply for funding does not necessarily mean that it will be allocated funding. In addition, a determination that an organisation is eligible to apply for funding does not carry with it any assurance that is, or will remain, a viable community business.

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2 Treasury Place,

MELBOURNE 3000.

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# Introduction

## Purpose and scope

Adult, Community and Further Education (ACFE) Board funds are managed and monitored through the Department of Education and Training (DET).

Learn Local Organisations and Adult Education Institutions registered with the ACFE Board must be assessed as having business and governance arrangements and performance that support their suitability to apply for government funding.

The Business and Governance Status assessment must be completed by an independent accountant. A determination that an organisation is eligible for funding does not guarantee that funds will be granted.

**Limitation on Scope**

The following organisation categories are exempted from the BGS submission requirements:

1. Registered Training Organisations (RTO) with Victorian Training Guarantee (VTG) Contracts;
2. Providers operating under the auspice of Local Government

## Completing the assessment – notes for the independent accountant

This document sets out the process and the criteria for assessing the business and governance status of registered organisations. The documents to be completed and submitted to the ACFE Board as part of the assessment are also included.

The assessment is conducted in three steps:

1. Assessment of mandatory or threshold requirements (item 2.1).
	* If the organisation does not meet all mandatory requirements they are ineligible to apply to receive funds. No further assessment is required.
2. Assessment of five Tier One criteria (item 2.2) which relate to the business status of the organisation.
	* The organisation must score a **minimum of 4** in this assessment before the Tier Two assessment is considered by the ACFE Board.
	* You should proceed with Tier Two criteria even where the organisation scores below **4**. This facilitates the training organisation requesting consideration of external factors or any further information by the ACFE Board in assessing their Tier One score.
3. Assessment of nine Tier Two criteria (item 2.3) which relate to the governance and business systems of the organisation.
	* The organisation must score a **minimum of 5** in this assessment before the overall assessment indicates that the organisation is eligible to apply for funds.

## Timeframes for completing assessment – notes for the organisation

From 1 July 2016 the ACFE Board will require **all assessments to be** **completed within 2 months of your organisation’s financial year end reporting date**. It is therefore suggested that training organisations build the assessment into their financial year end timetables for completion with their financial reports.

## Lodging the completed assessment – notes for the organisation

If the assessment indicates that your organisation is eligible to apply for funding, and you wish to be considered for funding, return the following to the ACFE Board:

* Completed **originals of pages 10 and 11 of this document** (Assessment and Certification)
* A copy of the **organisation’s most recent Annual Report** including financial statements.

If the assessment indicates that your organisation is not eligible to apply for funding, but you wish to seek further consideration of your organisation’s circumstances, return the following to the ACFE Board:

* Completed **originals of pages 10 and 11 of this document** (Assessment and Certification)
* A copy of the **organisation’s most recent Annual Report** including financial statements
* **Any further information** you wish to provide regarding the outcomes of the assessment, *including factors that you request be taken into account* by the ACFE Board with regard to your eligibility.

Documents are to be returned to

Adult, Community and Further Education Board
Level 3, 2 Treasury Place

MELBOURNE VIC 3000

# Criteria for assessing business and governance status

## Mandatory requirements

**2.1.1 Certificate of Registration from the ACFE Board**

The organisation must have a current Certificate of Registration from the ACFE Board.

**2.1.2 Financial reports**

The organisation’s most recent Annual Report must be available and provided with this assessment. The financial statements in the report must meet the conditions outlined below.

**Annual Revenue under $250,000 (revenue from all sources)\***

The organisation is required to submit an Annual Report (including Statement of Income and Expenditure and Balance Sheet) for the organisation’s most recent financial year. The Statement of Income and Expenditure must identify government funds allocated by the ACFE Board as a discrete line item within the statement. The Balance Sheet has to show current assets, non-current assets, current liabilities, non-current liabilities and any mortgages, charges and securities affecting any of the property.

**Annual Revenue over $250,000 (revenue from all sources)\***

The organisation is required to submit an Annual Report, (including an audited Statement of Income and Expenditure and Balance Sheet) for the organisation’s most recent financial year. The Statement of Income and Expenditure must identify government funds allocated by the ACFE Board as a discrete line item within the statement.

The Balance Sheet has to show current assets, non-current assets, current liabilities, non-current liabilities and any mortgages, charges and securities affecting any of the property of the organisation.

The Annual Report must be accompanied by an independent audit report certified by a registered company auditor or an independent accountant who holds a current certificate of public practice issued by the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants. Financial Statements must be prepared in accordance with the Australian Accounting Standards.

The report should include words stating that, in the auditor’s opinion, the financial report is in accordance with the relevant regulatory framework (e.g. the Associations Incorporation Reform Act 2012, the Co-operatives National Law Application Act 2013, or the Corporations Act 2001) including giving a true and fair view of the organisation’s financial position at year-end and of its performance for the financial year.

In addition, other than an “emphasis of matter” or specific qualification on completeness of income from fund raising activities, the auditor’s report must be “unqualified” and be issued by an independent auditor.

\* These levels are consistent with those of the Associations Incorporation Reform Act 2012

**2.1.3 Insurance**

The organisation must have public liability insurance for not less than $10 million per occurrence. If the current insurance policy expires before end of the period covered by the assessment, the Chairperson of the Board or Committee of Management of the organisation must declare the organisation’s commitment to extend the insurance for the remainder of the period.

If the organisation employs staff it must have a current WorkCover insurance policy and documented health and safety procedures.

Note: Organisations already in receipt of funds from DET or the Neighbourhood House Co-ordination Program of the Department of Human Services are covered for public liability to the required level through the Community Services Organisations policy held by the Departments.

**2.1.4 Next steps**

If the organisation meets **all** the mandatory criteria, tick the ‘yes’ box in section 3.1 and proceed to the assessment of Tier One.

If the organisation does not meet **all** the mandatory criteria, it is ineligible to apply for funding. Please advise the organisation if this is your assessment.

## Tier One Criteria

For each of the criteria below consider the evidence provided and determine the score that should be given.

**2.2.1 Reporting requirements**

The organisation’s statutory compliance and compliance with ACFE Board requirements (including reporting relating to current funds and contracts) must be up-to-date. The organisation must demonstrate a record of timely attendance to such matters.

On the basis of the evidence provided determine the appropriate score

|  |  |
| --- | --- |
| **Status** | **Score** |
| Non-compliant  | 0 |
| Compliant  | 1 |

**2.2.2 Working capital ratio**

The working capital ratio is calculated by dividing current assets by current liabilities as set out in the audited statement of financial position. This ratio gives an indication of the organisation’s ability to meet its short-term liabilities from liquid or near-liquid assets.

|  |  |
| --- | --- |
| **Status** | **Score** |
| Less than 0.8 | 0 |
| Between 0.8 and 1.5 | 1 |
| Greater than 1.5 | 2 |

**2.2.3 Debt to equity ratio**

The debt/equity ratio is calculated by dividing total liabilities by total equity (sometimes described as “members’ funds”) as set out in the audited statement of financial position. This ratio gives an indication of the organisation’s longer-term financial health.

|  |  |
| --- | --- |
| **Status** | **Score** |
| Greater than or equal to 1.0 | 0 |
| Less than 1.0 | 1 |

**2.2.4 Operating result**

Based on the annual audited statement of financial performance for the most recent financial year, and for the comparative years, determine the operating position of the organisation. An organisation with only one full year of trading history can score a maximum of 1 point under this criterion.

|  |  |
| --- | --- |
| **Status** | **Score** |
| Total deficit in past three years (or no trading history) | 0 |
| **Net** surplus over past three years | 1 |
| Surplus in **each** of the past three years | 2 |

**2.2.5 Diverse revenue sources**

A high proportion of funds allocated by the ACFE Board as a percentage of operating revenue is indicative of a degree of economic dependency on these funds that could make the organisation unviable without them. Funds allocated by the ACFE Board as a percentage of operating revenue is to be measured for the most recent full-year period subject to external audit.

|  |  |
| --- | --- |
| **Status** | **Score** |
| ACFE funds are 85 per cent or more of operating revenue | 0 |
| ACFE funds are less than 85 per cent of operating revenue  | 1 |

**2.2.6 Next steps**

Transfer the score for each criterion to the summary in section 3.2 and total the score for Tier One.

If the total score is **between 0 and 3** the organisation is ineligible to apply for funding. Please proceed to the Tier Two criteria and advise the organisation they will need to provide additional information for consideration by the ACFE Board.

If the total score is **4 or more** please proceed to the assessment of Tier Two criteria.

## Tier Two Criteria

For each of the criteria below consider the evidence provided and determine the score that should be given.

**2.3.1 Achievement of ACFE Board and government outcomes**

The organisation meets its obligations to the ACFE Board and delivers programs and services in accordance with its contract.

|  |  |
| --- | --- |
| **Status** | **Score** |
| Non-compliant  | 0 |
| Compliant  | 1 |

**2.3.2 Governance**

Are the composition and activities of the governing body (i.e. Board or Committee of Management) suitable for the size and structure of the organisation? Do members have a range of appropriate financial, management and training expertise? The governing body must include representation from the community, meet formally at least four times a year and include people experienced in the governance of training organisations.

|  |  |
| --- | --- |
| **Appropriate board or governing body structure** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.3 Organisation chart**

The organisation must have an organisation chart and duty statements, or terms of reference that clearly show the lines of authority in the organisation and allocation of functions consistent with its purpose.

|  |  |
| --- | --- |
| **Duties and responsibilities are clearly communicated** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.4 Business/operational plan**

Does the organisation have a current business/operational plan that documents adult community education as an objective of the organisation?

Is there evidence that plans are based on market analysis and research and are developed in a consultative manner?

|  |  |
| --- | --- |
| **Comprehensive business plan** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.5 Accounting systems and processes**

Does the organisation have appropriate accounting systems and processes in place and produce regular reconciled management accounts? This may include an outsourced accounting arrangement with management accounts prepared at least monthly.

|  |  |
| --- | --- |
| **Robust accounting systems and processes** | **Score** |
| No | 0 |
| yes | 1 |

**2.3.6 Policies and operational guidelines**

Is the organisation governed by appropriate policies, operational guidelines and quality procedures that allow it to meet its legal requirements as an incorporated body and its business and community obligations?

|  |  |
| --- | --- |
| **Appropriate policies and operational guidelines** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.7 Fraud prevention and fraud management**

The organisation must have a fraud policy which applies to the whole organisation and includes fraud identification, reporting, investigation, management responsibility and accountability?

|  |  |
| --- | --- |
| **Appropriate fraud policy in place** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.8 Budgetary process**

Does the organisation have a comprehensive financial budgetary process in place?

|  |  |
| --- | --- |
| **Financial forecast of surplus for at least 12 months** | **Score** |
| No | 0 |
| Yes | 1 |

**2.3.9 Diversification strategy**

Does the organisation have a diversification strategy that demonstrates business sustainability beyond any one source of funding?

|  |  |
| --- | --- |
| **Appropriate diversification policy in place** | **Score** |
| o | 0 |
| Yes | 1 |

**2.3.10 Next steps**

Transfer the score for each criterion to the summary in section 3.3 and total the score for Tier Two.

If the total score is **between 0 and 4** the organisation is ineligible to apply for funding. Please advise the organisation if this is your assessment.

If the total score is **5 or more** the organisation is eligible to apply for funding**.**

Proceed to completion of the certification.

# 3. Assessment and Certification

Trading organisation (legal name):

Address:

Suburb: Postcode:

## 3.1 Mandatory Requirements

The organisation meets all mandatory requirements.

[ ]   **Yes:** Relevant documents have been sighted.

[ ]   **No:** The organisation is ineligible to apply for funding

## 3.2 Tier One Criteria

|  |
| --- |
| **Score** |
| 1. Reporting requirements |
| 2. Working capital ratio |
| 3. Debt to equity ratio |
| 4. Operating result |
| 5. Diverse revenue sources |
| **Total - Tier One Criteria**  |

Tier One score is 4 or more [ ]  **Yes:** Tier One requirements to be eligible to apply for funding are met

[ ]  **No:** The organisation is ineligible to apply for funding\*

## 3.3 Tier Two Criteria

|  |
| --- |
| **Score** |
| 1. Achievements of ACFE Board and government outcomes |
| 2. Governance |
| 3. Organisation chart |
| 4. Business/operational plan |
| 5. Accounting systems and processes |
| 6. Policies and operational Guidelines |
| 7. Fraud prevention and fraud management |
| 8. Budgetary process |
| 9. Diversification strategy |
| **Total - Tier Two Criteria**  |

Tier Two score is 5 or more [ ]  **Yes:** Tier Two requirements to be eligible to apply for funding are met

[ ]  **No:** The organisation is ineligible to apply for funding

Note \* Additional information will need to be provided to the ACFE Board for consideration (Refer 2.2.6)

## 3.4 Certification

**Independent Accountant’s Certificate**

I, the Accountant named below, certify that:

* I have assessed the organisation named at item 3 against the *Guidelines for assessing the business and governance status of ACFE Board-registered organisations.* A copy the assessment is attached.
* I have been provided with sufficient and appropriate records and documents to support the assessment made above. Nothing has come to my attention that would cause me to believe that the organisation has withheld or misrepresented any material fact or circumstance relevant to this assessment.

Full Name: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Signature: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ Date: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Professional Body: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Certificate of Public Practice Number: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

**Chairperson / Accountable Officer Declaration**

*I, the person named below, am the:*

[ ]  Chairperson of the governing body; or

[ ]  Accountable Officer (for entities limited by guarantee)

*for the training organisation named at item 3, and certify that:*

* The documents, data and other material provided by the organisation to the Accountant named above for the purposes of this assessment and Certificate were complete and accurate in every respect.

Full Name: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Signature: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ Date: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

***Witness***

Full Name: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Signature: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ Date: \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

**Note**

* The certificate and declaration must not be amended or qualified in any way. Incomplete, amended or qualified certificates / declarations will not be accepted by the ACFE Board.
* See section 1.4 for information on lodging this assessment.