

Apprenticeship funding audit

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LEARNING & SKILLS
EVENTS, CONSULTANCY & TRAINING



FM36
Apprenticeships
Assurance

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Agenda

- Background to review
- The assurance review approach
- Common themes
- Subcontracting
- The role of DSATs in the new assurance approach



Post May Apprenticeship Starts

Referred to as D4 FM36

Maximum sample size of 50 (up from 30)

Nine questions = 33 critical factors

No reference to ESF match funding

Some over lap with existing review arrangements

- Eligibility
- Age
- Employed status
- Employment Hours
- Apprenticeship Training Agencies
- AGE Grants
- Prior learning
- Duration
- Delivery location
- Distance learning
- Breaks in learning
- Learning Support
- Start and end dates plus activity
- Achievement



New areas for Funding Assurance Review

New areas for review

- Wider Eligibility – Substantial skills development
- Negotiated Price – initial assessment
- English and maths
- 20% off the job – quantity & delivery
- Written agreement and commitment statement
- Payment of employer co-investment
- Payment of price over funding band maximum
- Additional payments for 16-18 or 19-24 with EHCP and Care Leaver Bursary
- Small Employer – co-investment waiver
- Completion and end point assessment

So what does it look like? Lets take a look...



Eligibility – more than residency

As per 2018/19 Apprenticeship funding rules for training providers

- P63.3 The individual must not be undertaking another apprenticeship or be in receipt of any other DfE funding during their apprenticeship programme; this includes another apprenticeship or any other DfE funded FE/HE programme. Individuals on a sandwich placement as part of a degree programme must not undertake any part of an apprenticeship during this placement.
- P67. We will fund an apprentice to undertake an apprenticeship at the same or lower level than a qualification they already hold, if the apprenticeship will allow the individual to acquire substantive new skills and you can show that the content of the training is materially different from any prior qualification or a previous apprenticeship.



Eligibility – evidence pack requirements (P285)

285.4 Your assessment and evidence of eligibility for funding and a record of what evidence the apprentice has provided, including that the apprenticeship leads to substantive new skills and that the learning is materially different where the apprenticeship is at the same level as, or lower level than, prior qualifications. This assessment must include an analysis of the apprentice's existing knowledge, skills and behaviours versus those required to complete the apprenticeship. This also includes evidence of prior attainment for English and maths. This evidence could include the following:

- 285.4.1 information from the individual's **personal learning record**
- 285.4.2 evidence of proof of equivalency from **UK Naric** where an individual has an international qualification
- 285.4.3 **details of previous qualifications** including modules/units undertaken compared to the content of the apprenticeship, demonstrating how they are materially different where appropriate



Eligibility – evidence pack requirements (P285)

- 285.4.4 **skills gap analysis**, demonstrating the new skills needed by the individual and how the apprenticeship will address these
- 285.4.5 details of any **relevant experience and achievements**, both inside and outside their current working role

For a 16-18 new entrant we can be pragmatic in our approach, for older apprentices and those that have been in post for a period of time it's for the provider to demonstrate there is sufficient evidence to confirm eligibility

The recent OTJ guidance makes it clear when considering prior learning and eligibility:

48.1 Work experience (this is particularly important where the apprentice is an existing employee);

Do you have a robust assessment towards the results of skills scan?

Do you review the results with Apprentice and Employer?

Do you document your reasons why an Apprentice is eligible?



Eligibility to Negotiated Price

Initial Assessment – more than maths and English

ESFA does not mandate how a provider assesses or determines prior learning, just that **it must be done** and the findings taken account of. The relevant apprenticeship framework or standard should normally be used as the basis for initial assessment, i.e.:

- What is the goal and what is the apprentice trying to achieve?
- Where are they currently against this goal?
- How much of the content is new to them?
- Do they require significant and sustained new learning?

The ESFA does not mandate how prior learning should be recorded, only that the initial assessment must be documented in the evidence pack and summarised on the commitment statement. **Initial assessment is subject to audit checks and funds may be recovered where initial assessment has not taken place, has not been evidenced or a price reduction has not been made to reflect the prior learning.**



Negotiated Price

Assurance review question 3i asks:

Funds within the employers digital account or government employer co-investment are **used for funding evidenced eligible costs and activities** within the agreed price, including any subcontracted delivery of training and on-programme assessment, up to the band maximum, and for training and end-point assessment (required for apprenticeship standards) **as recorded in the written agreement.**

As auditors we're looking for two components

Price is made up of Eligible Costs

Price and written agreement
reconcile



Negotiated Price

Initial Assessment – more than maths and English

Following on from eligibility the ESFA published new guidance in March 2019 regarding prior learning and negotiated price

- Recognition of prior learning extends beyond English, maths and existing qualifications;
- All the knowledge, skills and behaviours set out in the standard should be considered in reviewing the prior learning of the apprentice;
- Recognition of prior learning is part of the learner eligibility assessment;
- Apprenticeships could be poor value for money and unnecessarily long if training covers areas that the apprentice already knows, and public funding should not be used for learning which is not new;
- Initial assessment is vital to ensure high-quality apprenticeships and Ofsted inspections look for evidence of a robust initial assessment.



Negotiated Price

Initial Assessment – more than maths and English

The funding band of the apprenticeship is based on an apprentice requiring the full content of the apprenticeship, and in the case of standards this means all the listed knowledge, skills and behaviours.

100% of content = 100% of price

ESFA funding rules state that the apprenticeship content, duration and price must be reduced where the individual has relevant prior learning.

Prior learning must be factored into the price

Apprenticeship funding must not be used to pay for, or certify, the delivery of existing knowledge, skills and behaviours as this represents poor value for money.

There are audit checks to ensure a price reduction has been made to account for prior learning and the reduced training content required. To meet the ESFA funding rules, the training element within the apprenticeship must have a minimum duration of 12 months with at least 20% off-the-job training.



Negotiated Price

'Why do I need to provide a breakdown?'

Any price agreed with an Employer can only be made up of eligible items as specified in paragraph P93 – if you don't document we don't know what's in there

If you include elements from P97 then your agreed price is in error and will need to be amended

Evidence pack requirements P290.4 Details of the cost negotiated by the employer and main provider, and by details we mean that it should be clear that only eligible costs have been included in the price. .

What we are looking for is a breakdown of what makes up your price into the various elements e.g. training costs, material, registration with awarding body, certification etc. What we don't ask for is a breakdown of your costs and we certainly will not be asking how much profit or contribution you make per Apprenticeship



Role of Employer

If you negotiate a reduced price with the employer as they are delivering some of the content this is not compliant with funding rule P195:

- You must not offset the negotiated price with the costs of any service provided by the employer. If the employer is legitimately delivering relevant training or an eligible cost supported by these rules then this must be included into the overall price. The cost of the apprenticeship must be transparent.

If a provider is reliant on the employer delivering some of the provision then the employer is a subcontractor and will need to be paid as such.

The total negotiated price will be the provider's price combined with the employer's cost

From 19/20 employers acting as subcontractors will have to be on RoATP

Where Employers are reinforcing content you have delivered this IS NOT considered subcontracting



Common Errors from funding assurance review

Following completion of a number of funding assurance reviews the key issues identified were:

- Written agreements not signed so unclear if negotiated price has actually been agreed
- Negotiated price on ILR does not reconcile to agreed price on written agreement e.g. change from standard to framework and contract not updated
- Negotiated price not supported by a breakdown, what's really going in?
- Prior attainment not being considered as part of negotiated price – progression of level 2 to 3 etc.
- Results of skills scan not being considered or work experience and time in post – 100% of price for 95% of content
- Wrong price recorded on ILR



20% Off the Job

Assurance review question 3xi states:

The evidence pack must contain details of how the 20% off the job training will be **quantified** and **delivered**

As auditors we're looking for two components

20% Quantified i.e.
How much is 20%

20% Delivered i.e.
How it will be delivered



20% Off the Job

Version 6 clarified the rules for starts between 1 May 17 and 31 July 2018:

- Annual leave cannot be excluded – calculation of OTJ is based on 52 weeks
- Any start after the rules were clarified must be based on 52 weeks

For starts from 1 August 2018, statutory annual leave can now be deducted – 28 days only. Any additional annual leave over this cannot be excluded.

- Calculation is now based on 46.4 weeks

OTJ guidance published in March 2019 also offered this advice:

For starts in the period 1 May 2017 to 31 July 2018 (prior to the annual leave rule change) if the deduction of annual leave is the sole reason why there is non-compliance against the off-the-job training policy (i.e. annual leave has been deducted before this deduction was part of the policy) then **this will not be considered a funding error.**

Audit will probably still treat it as a controls/compliance error and report accordingly



20% off the Job – Starts from 1 May 2017 to 31 July 2018

How much is 20% for each Apprentice?

Weekly hours paid	Number of weeks	Actual Duration (Years)	Total hours required
30	52	1	312
37.5	52	1	390
36	52	1.5	561.6
37.5	52	1.5	585
35	52	3	1,092
40	52	3	1,248



20% off the Job – Starts after 1 August 2018

How much is 20% for each Apprentice?

Weekly hours paid	20%	Number of weeks minus Statutory Annual Leave	Actual Duration (years)	Gateway Duration	Duration from start to gateway (years)	Total hours after Statutory Annual Leave and assessment time removed
30	6	46.4	1	N/A	N/A	278.4
35	7	46.4	1.5	1 month	1.41.667	460.1
40	8	46.4	3	3 months	2.75	1,020.8

NB The rules for annual leave are for statutory leave only - 28 days



20% Off the job - delivered

Planning OTJ delivery

Contracted Hours and duration	20% Off the job requirement	Delivery	Balance
30 hours per week with one year duration	278 hours	Day release, 6 hours a day for 36 weeks 216 hours 4 onsite reviews 6 hours each=24	278-216=62 hours Reviews won't count unless OTJ is taking place and can be evidenced
35 hours per week with one year duration	325 hours	Day release, 6 hours a day for 36 weeks 4.5 main aim 1.5 Functional Skills 4.5X36=162 hours 4 onsite reviews 7 hours each=28	325-162=163 hours Reviews won't count unless OTJ is taking place and can be evidenced



20% Off the Job

- Can you clearly evidence participation and progress against OTJ requirement
- Withdrawals – can you evidence how much of the 20% OTJ has been completed up to the point of withdrawal and is it inline with plan?
- Some activity will not be considered as OTJ – evidence of work based activity linked to the standard or repeated activity still being claimed as OTJ e.g. how many cars does an Apprentice need to wash before the activity doesn't count?
- Language used in recording activity – 'I was trained in...' changes to 'I did XXX and was checked by XXX' – how much of the latter is on the job but still claimed as off the job
- Misclassification of activity – maths and English being flagged as OTJ
- Functional Skills ICT where required as part of the framework or standard can contribute to 20% OTJ



Common errors at funding assurance review

- 20% not calculated or calculated incorrectly
- 20% requirement not documented
- Delivery model is insufficient - going into the workplace twice a month for three hours at a time won't reach 20%, nor will day release at the provider
- No plan to work with employers to confirm how evidence will be collated to support their contribution to the 20% requirement – does the activity relate to the framework/standard or is it employer specific?
- Poor record keeping on progress against 20% requirement or counting repeated activity as OTJ
- Claiming maths and English as OTJ
- Not claiming functional skills ICT as OTJ



Off the job requirement

- *“If the individual can pass the end-point assessment, without undertaking 20% off-the-job training, can they still be an apprentice?”*
- No, if the apprentice can satisfy the requirements of an end-point assessment, without the minimum required training, then this would indicate that they were not eligible for the apprenticeship programme in the first place. It is likely that they did not require significant new skills and the individual’s prior learning has not been taken into account. Apprenticeship funding must not be used.

And early completion is allowed – however, the requirements of 20% still don’t appear to have been answered. Is it hours required for the programme or hours required up to completion?



20% Off the Job

20% means 20%

- We have tested achievements and are actively looking for 20% OTJ over the duration of the Apprenticeship
- Where an Apprentice has achieved and has not completed 20% they will be deemed ineligible subject to para 66 of additional guidance
- Funding will be recovered

Ensure checks are implemented to confirm 20% has been completed before putting an Apprentice forward for Gateway or a Framework certificate claim



Commitment Statements

The Commitment statement is a key document for the process and a range of issues were identified

- Non compliance with requirements of what needs to be included in the Commitment Statement – see full list at paragraphs 44.1 to 44.9 of 18/19 funding rules

Key omission we've noted this year:

- The process for resolving any queries or complaints regarding the apprenticeship, including quality. This must include details of the escalation route within the main provider's own organisation and the escalation process to the ESFA through the apprenticeship helpdesk (on 08000 150400 or email nationalhelpdesk@apprenticeships.gov.uk).

This is not included in the template issued by the ESFA

- Commitment statements not signed either prior to or on start date

The Apprenticeship Agreement cannot be included within the commitment statement as it serves a different purpose and is an extension of the contract of employment guaranteeing certain rights as an Apprentice

OTJ guidance also states:

- 77 The ESFA will not fund an apprenticeship unless there is a valid apprenticeship agreement in place.



Employer Co-Investment

Assurance review question 8 asks the following questions:

8i: The employer co-investment recorded on the ILR is **evidenced by a transfer of funding visible in the provider's (or subcontractor's) financial systems**; this will typically be in the form of a provider invoice and corresponding employer payment for a provider. For employer providers, they must evidence how the costs are calculated.

8ii: The **employer has paid the full difference between the band maximum and the total cost** where the employer provider evidences costs that are more than the band maximum or, in the case of a provider, where they have negotiated a price is above the maximum.

As auditors we're looking for two components

Co-investment payments have been invoiced and collected

Any value agreed above the funding base has been paid by the Employer



Employer Co-investment

Most common issues are:

- Co-investment not recorded on the ILR even when it has been collected
- Co-investment not paid by Employers and Apprentice has been on programme for more than 90 days
- Co-investment hub report not checked to determine if Levy paying employer should be contributing
- No checks on subcontractors collecting co-investment payments
- Contracts including contradicting information on who will collect co-investment payments

And if you claim a completion payment without having recorded the co-investment in TNP1 the funding system will stop the payment – if you've already claimed that will be recovered



Employer Co-investment

Common question – **'Our subcontractor has paid us the co-investment element and we can evidence that, that's okay isn't it?'**

Unfortunately not – we need to see money moving from the employer to the training provider, whether it's the provider or their subcontractor. What's suggested above does not confirm that the Employer has actually paid anything.



Employer Co-investment

Payment over the band

Where providers have negotiated over the band we also need to ensure that element is also being collected.

We've been asked can we collect at the end, simple answer is no. The expectation is that the funding agreed over the band should be collected throughout the programme, the same way that a provider is funded by the ESFA.

Same principles apply, invoices and evidence of payment will be required along with recording values on the ILR.



Small Employer Waiver

Assurance review question 9iv asks:

The employer declaration confirms that the employer has 49 or fewer paid full or part-time employees and so confirms eligibility for an additional payment

As auditors we're looking for two components

Declaration signed by Employer
is in place and with appropriate
wording

Apprentice is eligible for Small
Employer Waiver



Small Employer Waiver

What we're looking for:

- Confirmation of age of Apprentice and supporting evidence where claimed for 19-24 (EHCP or letter from Social Services confirming recent care leaver)
- Declaration has been completed and signed (preferably confirming actual numbers)
- Declaration has appropriate wording - average of 49 or less employees for the 365 prior to the start of the Apprenticeship
- Review of funding and monitoring report where concerns are raised about an employer – respond accordingly

NB If possible providers should include a clause on the declaration advising them that if any information provided is found to be incorrect they will be liable for the 10% Co-investment contribution



Small Employer Waiver

Most common issues are:

- No small employer declaration in place as alternative evidence used such as Health and Safety Assessments
- Incorrect wording of declaration
- Declaration not being revisited where an employer takes on additional Apprentices later in the year
- Not claimed despite having the evidence (under claims)
- Small employer waiver flagged against ineligible Apprentices
- Funding and monitoring reports suggesting that flagged employer(s) are not eligible



Subcontracting – written agreement

Written agreement requirements:

- If you and an employer agree the use of delivery subcontractors, you must have an up-to-date written agreement in place with each employer that sets out the following for the delivery of their apprenticeship programme:
- The apprenticeship training and/or on-programme assessment that you will directly deliver.
- The amount of funding you will retain for your direct delivery.
- The apprenticeship training and/or on-programme assessment that each delivery subcontractor will contribute to the employer's apprenticeship programme.
- The amount of funding you will pay each delivery subcontractor for their contribution.



Subcontracting – written agreement

- The amount of funding you will retain to manage and monitor each delivery subcontractor.
- The support you will provide each delivery subcontractor in exchange for the amount of funding you will retain.
- The monitoring you will undertake to ensure the quality of the apprentice training and/or on-programme assessment you have contracted your delivery subcontractors to carry out.
- Any actual or perceived conflict of interest between you and any delivery subcontractors. For example, where you and a delivery subcontractor are part of the same group, share common directors or senior personnel, or where you will benefit financially from using a particular delivery subcontractor.

We've regularly found these requirements have not been included in written agreements with employers.

Advice from ESFA is also to have subcontractor sign the commitment statement if they are a 'significant delivery partner'



DSAT Reporting for new Apprenticeships

New DSAT reports have been specifically developed to look at post May 2017 Apprenticeship starts.

Report Number	Report Title	Implication
19A-103	All learners and learning aims within the new apprenticeship programme	Listing report – use this to check whole population
19A-207	Apprentices undertaking level 1 or below in English and/or maths within an Apprenticeship	Where level 1 is being claimed there must be initial assessment evidence to support this
18A-208	Negotiated prices as a proportion of maxima	Is it in line with expectations? Check under 50% and over 100%



DSAT Reporting for new Apprenticeships

Report Number	Report title	Implication
19A-214	Apprentices withdrawing from the programme soon after attracting an additional payment	If Apprentices withdraw soon after incentive payment are made, start and end dates will be confirmed to ensure the 90/365 day requirement had been met
19A-215	Recording co-investment payments	Identifies learners where co-investment is due but none is recorded on the ILR
19A-209	Functional skills at level 2 or below in an Apprenticeship having already achieved level 2	Possible double funding issue – if learner already has an aim it cannot be funded again through an Apprenticeship



DSAT Reporting for 2018/19

Additional reports have been developed for the current academic year

Report Number	Report title	Implication
19A-208	Higher level apprentices undertaking English and/or maths at level 2	Lists all those on higher apprentice and enrolled on level 2 – is it required and is delivery happening?
19A-212	Negotiated price and actual cost	Compares negotiated prices between your own apprentices and other employers
19A-213	Apprenticeship planned durations	Provides breakdown of duration for each framework and standard. Enable comparison of duration and price at high level
19A-216	Apprenticeship standards with no end point assessment	Review and update when an EPAO is available. High volumes on the report may suggest incomplete data.



19A-211 Negotiated price

Total negotiated price as proportion of funding band maximum (%)	Count of learners
> 150%	3
141% to 150%	0
131% to 140%	0
121% to 130%	0
111% to 120%	0
101% to 110%	0
100%	302
90% to 99%	13
80% to 89%	6
70% to 79%	1
60% to 69%	6
50% to 59%	1
< 50%	4

Those above 150% will be queried – is the employer willing to pay the actual value over the funding band maximum? Or is it a data input error?

Will this still be the norm after initial assessment?

Those below 50% will be queried – why is the price so low? Eligibility queries or data input error



19A-212 Negotiated prices and actual cost

Apprenticeship name	Programme type	Framework code	Apprenticeship pathway	Apprenticeship standard code	Total training price (TNP1)	Count of learners (own employees)	Count of learners (other employers)
Business Administrator	25			196	£5,000.00	1	4
Customer Service	2	488	1		£2,000.00	4	5
Customer Service Practitioner	25			122	£3,520.00	2	9
Team Leader/Supervisor	25			105	£4,240.00	1	0

The point of the report is identify your own Apprentices (LDM=356), where Employer Provider rules apply, and compare the TNP1 field to other employers you're working with on the same framework or standard.

Where the TNP1 is the same as the 'price' to the Employer, why is the value the same when you can only claim 'cost' under Employer Provider rules?



19A-213 Apprenticeship planned durations

Apprenticeship name	Programme type	Framework code	Apprenticeship pathway	Apprenticeship standard code	Total negotiated price	Up to 372 days	Greater than 372 days and up to 18 months	Greater than 18 months and up to 24 months	Greater than 24 months and up to 30 months	Greater than 30 months and up to 36 months	Greater than 36 months
Beauty Therapy Massage	2	422	3		£2,500.00	4	0	0	0	0	0
Business and Administration	3	490	1		£2,000.00	2	52	12	4	0	0
Decorative Finishing and Industrial Painting	3	522	1		£6,000.00	1	0	2	17	0	0
Horticulture	3	527	1		£2,000.00	1	2	13	0	1	0
Supporting Teaching and Learning in Schools	2	420	1		£2,500.00	1	2	0	0	0	0
Wood Occupations	2	522	2		£9,000.00	1	16	0	3	0	0

Key observation from auditors will be why is the same price for differing durations?



Funding Reports

The Hub reports are pivotal for the provider so expect the auditor to ask to see them as part of any review

Found in the 'Apps Period End Reports' zip file

Report Name	Purpose	Assurance Review Use
Apps Co-funding Contributions Report	Identifies Apprentices where co-investment is required	Identifies Levy Employers where co-investment is required
Apps Monthly Payment Report	Summary of funding paid for each Apprentice for every month on programme	Provides actual funding values for Levy funded Apprentices
Apprenticeship Data Match Report	Details Levy funded Apprentices who have failed double lock and therefore are not funded.	Identifies potential under claims and controls weakness



Around the corner...

Based on recent events it's likely the assurance arrangements will have a 'few tweaks' to reflect current concerns:

- Timely recording of withdrawals – in the year they left
- Apprentices in learning beyond planned end date – clear evidence of still being supported
- Breaks in learning
- Any other activity that may be considered 'data gaming'

Plus amendments for 19/20 ILR returns including changes to planned end dates and recording planned OTJ hours in the ILR



QUESTIONS
AND ANSWERS?

RSM

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THANK YOU FOR
YOUR TIME AND
ATTENTION

Contact me at Karl.Bentley@rsmuk.com or on 07800 617220

RSM

This slide features a blue background with a white rounded rectangle containing the text 'THANK YOU FOR YOUR TIME AND ATTENTION'. A green line starts from the top left corner of this rectangle, loops around to the left, and then down to a smaller white rounded rectangle on the left side of the slide. The contact information and RSM logo are located in the bottom section of the slide.