

# Post May 2017 Apprenticeships The Audit

AUDIT | TAX | CONSULTING



## Agenda

- Background to audit
- Overview of audit
- Common errors identified
- The role of DSATs in the new audit approach
- Other areas the new audit approach considers – Hub reports, FaM and subcontracting



## Background to Audit

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- Circa 50 providers were selected for audit in 2016/17
- The selection of providers for audit is a mixture of those considered as a 'risk' and those selected at random. Some providers who were 'risk' last year were selected again as part of the random sample
- Audit work is completed by one of three appointed audit firms or by FAS2T (ESFA own auditors)
- Where a College had post 1 May 2017 Apprenticeship starts these were covered as part of the audit (usually 100%)



## Post May Apprenticeship Starts

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New audit approach – For 17/18 now referred to as D4 FM36

Nine questions = 33 critical factors

No reference to ESF match funding

Some over lap with existing audit arrangements

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



## New areas for Apprenticeship Audit

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New areas for audit

- Negotiated Price
- 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
- Small Employer – co-investment waiver
- Completion and end point assessment

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



## Working papers Review

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## Common Errors from funding audit

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

- Employers not told about co-investment and no intent to charge/collect
- ACT1 vs ACT2 – incorrect flagging resulting in under claims
- Contract of service not signed by provider or employer
- Negotiation Price – Breakdown of the price, what's really going in?
- Prior attainment not being considered as part of negotiated price – progression of level 2 to 3
- No declaration in place to confirm employer is eligible for small employer waiver
- Small employer waiver not claimed even when eligible
- Small employer waiver applied to Apprentices who are over 24



## Negotiated Price

What we are looking – a breakdown of what makes up your price into the various elements e.g. training costs, material, registration with awarding body, certification etc.

Most common question asked to date,

‘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 P79 – if you don't document we don't know what's in there

If you include elements from P82 then your agreed price is in error and will need to be amended

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



## Common Errors from audit

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- Incorrect training costs (negotiated fee - TNP) or no training costs recorded on ILR
- Assessment costs incorrectly recorded on ILR when compared to contracts
- Co-investment not collected – not invoiced, employer pushback
- Hub reports not reviewed to confirm if Levy employer needs to pay co-investment
- Co-investment values not recorded on the ILR
- Refunds to employer recorded on the ILR that were more than the actual co-investment value
- Employers charged co-investment when they were eligible for full funding



## Common Errors from audit

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

- 20% Off the Job requirement not quantified – how many hours over the duration of the Apprenticeship
- 20% Off the Job requirement not detailed – how it will be delivered
- Commitment statements not signed either prior to or on start date

The Apprenticeship Agreement can no longer be included within the commitment statement as this only requires employer and employee signatures



## 20% off the Job - Quantified

How much is 20% for each Apprentice?

Weekly hours paid	Annual Leave	Number of weeks per year	Number of weeks minus Annual Leave	Duration in years	Total hours required	Total hours after Annual Leave
30	20 days	52	48	1	312	288
35	25 days	52	47	1.5	546	494
40	30 days	52	46	3	1,248	1,104

10 people completing the same Apprenticeship but all have different off the job requirements based on contracted hours and annual leave allowance – ASSUME NOTHING!

NB The rules around annual leave have been clarified as of March 2018, however, providers may have excluded prior to the clarification



## 20% Off the job - delivered

What does your plan look like? Lets take an example

Contracted Hours and duration	20% Off the job requirement	Delivery	Balance
30 hours per week with one year duration	312 hours	Day release, 6 hours a day for 36 weeks 216 hours 4 onsite reviews 6 hours each=24	312-216=96 hours Reviews won't count unless OTJ is taking place
35 hours per week with one year duration	364 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	364-162=202 hours Reviews won't count unless OTJ is taking place



## 20% Off the Job

The Commitment statement is tri-partite agreement between Apprentice, Employer and Training Provider



So we're looking for the total hours and delivery plan to be documented in the Commitment statement



## Common Errors from audit

- Employment start vs Apprenticeship start
- What contributes to OTJ – when activity takes place and duration of activity
- Evidence of start dates – provision moving pre and post May 2017
- Functional Skills – Evidence of delivery



## 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
18A-108	All learners and learning aims within the new apprenticeship programme	Listing report – use this to check whole population
18A-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 inline with expectations? Check under 50% and over 100%
18A-209	Apprentices funded for English and/or maths within the adult education budget	If taking place at the same time, AEB aims need to be removed and funded as part of the Apprenticeship



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Report Number	Report title	Implication
18A-210	Apprentices withdrawing from the programme soon after attracting an additional payment	If Apprentices withdraw soon after incentive payment are made end dates will be checked
18A-211	Apprentices that withdraw from existing programmes and restart in funding model 36	Possible funding over claims where Apprentices have moved funding streams
18A-212	Recording co-investment payments	Identifies learners where co-investment is due to none recorded on the ILR
18A-213	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





## Hub 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	Audit 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



## Funding and Monitoring

Published October 2017 a number of reports now directly relate to the new Apprenticeship system, not forgetting all reports need to be reviewed!

Report Number	Report title
Report 13	Apprentices withdrawing within 14 days of an additional payment being earned
Report 14	Small Employer Waiver
Report 15	Apprentices withdrawing from existing frameworks or frameworks and restarting in funding model 36



## Funding and Monitoring continued

Report Number	Report title
Report 16	Recording co-investment payments
Report 17	Apprentices who are also being funded for English and/or maths provision in the Adult Education Budget
Report 18	Learners repeating an identical programme (no restarts, match framework, programme type and pathway)
Report 19	Learners undertaking level 2 or below in English and maths within an apprenticeship when they have already achieved a level 2



## Future Thinking

So what might the future hold...

- Audit of new providers
- Implications of non-compliance 20% Off the Job
- The role of the EPA – subject to audit or not?
- Completion versus achievement



QUESTIONS  
AND ANSWERS?



THANK YOU FOR  
YOUR TIME AND  
ATTENTION

Contact me at [Karl.Bentley@rsmuk.com](mailto:Karl.Bentley@rsmuk.com) or on 07800 617220

