

# Funding Audit 2017/18 Survival Guide

AUDIT | TAX | CONSULTING



## Agenda

- Background to audit
- Preparing for audit
- ESFA update
- Overview of process
- Audit finalisation



## Background to Audit

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- Circa 60 providers have been selected for audit in 2017/18
- The selection of providers for audit is a mixture of those considered as a 'risk' and those that have been selected at random. Some providers who were 'risk' last year have been selected again as part of the random sample
- Risk factor to consider is the last time an audit was carried out
- Audit work is completed by one of three appointed audit firms or by the Provider Risk and Assurance Team (ESFA own auditors)



## Top Tips on surviving audit

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### So you've been picked for audit...

- Identify key players at your organisation, it's not all about MIS
- Make sure you know where the subcontracting, free meals, bursary and Apprenticeship people are before, during and after the audit
- Ensure your ILR is clean and as up to date as possible (including achievements) – please try to resolve errors before submitting
- Confirm your funding starting point with the auditors – suggest you submit the ILR to the hub (where possible) and get PFR back and supply with ILR



## Getting ready for Audit

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- Start planning now, you have c. 2-5 weeks to prepare your ILR from now
- Once you have your agreed audit date work backwards;
  - ILR submitted two to three weeks prior to the audit date
  - Audit date of 3 September may require an ILR on 13 or 20 August
  - 1 week with the auditors to run samples and review DSATs, one to two weeks for you to collate evidence (depends on who is doing audit)
- Samples and DSAT review will be sent to you – email or secure drop box system



## Getting ready for Audit

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- Please check your DSATs including those that you may not have control over (especially if you 'stitch' files'). If possible, send your annotated DSATs with your ILR file
- Please complete and return the questionnaire you're sent at the start of the process – drives other funding stream testing
- Work closely across all departments including subcontracting teams
- For ESF match funding ensure you have posters up (plaques don't meet publicity requirements for contracts from 2014), your subcontractors have updated marketing materials, put ESF logo on their websites and retention polices are updated to reflect deadline date
- Subcontracting Declaration should also be supplied, especially if new partners have been taken on and are not on the last submission made to the ESFA



## On site requirements

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- Make sure the room is big enough for a team of three auditors for the week
- Consider security arrangements for evidence files
- Wi-fi access is appreciated
- Let the funding team know about key staff availability for the week
- But most importantly... have all sample the evidence ready for our arrival



## Funding Audit for 2017/18

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- 16-19 classroom – Maximum sample size 50
- AEB and Apprenticeships pre May including Standards – Maximum sample size 50
- Apprenticeships post May 2017 – Maximum sample size is 30
- Advanced Learning Loans – Maximum sample size 30
- Subcontracting – two approaches – AEB/Pre 1 May Apprenticeships/16-19 classroom and Post May Apprenticeships. All subcontractors will be checked
- ESF match funding – no sample



## Funding Audit for 2017/18

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- 16-19 Bursary and free meals in FE – 6 providers being audited based on a sample of 15 learners
- Other funding streams – Franchised HE, overseas etc. maximum sample size for each 20
- Completeness testing – to trace source documentation back to ILR. 10 Apprentices (5 withdrawn where possible) and 10 classroom registers (both adult and 16-19) – all learners tested
- DSAT – C1 review of reports, C2 is sample selection. Maximum sample size 20. More important than ever due to Funding and Monitoring
- Funding and Monitoring will be covered as part of the audit – following up concerns raised by ESFA



## Key Evidence Requirements

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Key things to remember for a smooth audit:

- Provide samples split by the four funding streams (AEB, Post 1 May Apprenticeships, Loans and 16-19)
- Eligibility – if residency status inconclusive provide additional evidence
- Please provide maths and English initial assessments for all 16-19 learners who do not have GCSE grade D
- Please provide a PLR for all Pre 1 May 16-18 Apprenticeships on level 2
- Evidence of level 2 offer where maths and English was completed early



## Key Evidence Requirements

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- For 16-19 where element 3 funding has been claimed we only require evidence of local authority approval to pay
- PLR provided for all AEB learners where legal entitlement is being claimed (L2/3 and maths/English)
- For Adult Learning Support learners (classroom and apprenticeship) we require evidence of assessment, plan to support need and evidence of delivery of support – keep the confidential material away from us
- Where an aim is achieved please include supporting evidence with all other documents including non-regulated aims
- Where Age Grant has been claimed please provide the signed claim form with the other audit evidence



## 16-19 - What do we look for?

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- Eligibility
- All activity is on the learning agreement and is signed by both parties
- Evidence of IAG, assessment, learning plan etc.
- Core aim – makes sense, transfer implications and new study programme considerations



## 16-19 - What do we look for?

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### Condition of funding for maths and English

- Flagged as having maths/English and not studying – Evidence of meeting requirements (can include PLR information)
- Exempt for other reason – signed off but it must make sense
- Roll over of records from prior years
- Where maths and English are delivered need to see evidence of delivery
- Where learners have withdrawn extra check on days in learning, did they pass 42 days?



## 16-19 - What do we look for?

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- Planned study hours are deliverable – register MUST tally to the plan i.e. you plan 35 weeks, the register must have 35 weeks
- If you can total up your timetable that would save a lot of time
- Is all activity on the timetable? If not how will you demonstrate offer and that it took place?
- Alternative evidence of workplace 'cost'
- Not a detailed reconciliation between timetable and register



## 16-19 - What do we look for?

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- Registers still required to confirm start dates for all activity and withdrawal dates
- If you have work experience make sure information is included in the learner file e.g. who provided the placement, for how long and any agreements between college and employer if they are in place
- Is a withdrawal a real withdrawal or transfer and vice versa?
- Hours adjusted for withdrawal or completion prior to 42 days?
- Learner Support is for those in excess of £6,000 and is agreement/EHCP only. Evidence of actual delivery is not required
- Subcontracted provision – check of wider contractual and monitoring arrangements.



## AEB/Pre 1 May Apprenticeship - What do we look for?

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- Confirmation of residency or alternative evidence
- Funding stream/line are correctly recorded (35 & 16-18 Apprentice etc.)
- Apprentices – confirmation of employment and hours worked to assess eligibility and duration
- Apprenticeship minimum duration – returning from break. Have 366 days been met when two durations are added together
- Traineeship eligibility – Duration and content





## AEB/Pre 1 May Apprenticeship - What do we look for?

### AEB

- Maths and English – Paragraph E25 to 27 requires learners to be enrolled on aims that are higher than the level they are assessed at – funding error if not compliant

### Apprenticeships

Framework funding rules C18 to C27:

- Level 2 participation where they have level 1
- Offer of level 2 where level 1 completed early
- Learners must be enrolled on the level higher than they are assessed at



## AEB/Pre 1 May Apprenticeship - What do we look for?

### Full and co-funding –

- Correct age for Apprenticeship full funding or coded correctly
- Evidence/Declaration in place
- Legal entitlement for level 2/3 – PLR evidence required if available and are aims on the approved list
- Discretionary waiver – does it make sense?
- Data fields – Employment status/Date Employment started/Benefit status indicator
  - Missing data
  - Odd combinations
  - A lot of this will also be covered in depth under DSAT review



## AEB/Pre 1 May Apprenticeship - What do we look for?

- Have adjustments been made for prior qualifications? Where proxies/relaxations are given evidence must be valid and available – Usage of PLR? Apprentices progressing from level 2 to 3?
- Apprenticeship AGE Grants – Evidence to support claim (usually completed form)
- If breaks in learning are taking place ensure they are appropriate and when learners return that adjustments in funding have been completed, restart indicator flagged and enhanced funding indicator used if required
- If learner support has been claimed ensure you have the assessment of need, a plan of how the need will be supported and evidence of support being provided to the learner



## AEB/Pre 1 May Apprenticeship - What do we look for?

- Start and planned end dates still need to be accurate. Evidence of learning activity on start date for Apprentices
- Withdrawals – looking for even higher levels of accuracy due to funding implications
- Achievement – 20% of funding, make sure you can prove it especially non-regulated aims
- Framework claims – have you got the certificate within three months of claim? If not remove achievement (do it before you send the ILR)
- Job outcomes – self declaration
- ESF logos and declaration are present on all enrolment forms – DSAT report implications, is data being collected?



## Post 1 May 2017 Apprenticeship Starts

D4 for all starts post May 1<sup>st</sup> 2017

Nine questions = 33 critical factors

Some over lap with existing audit arrangements

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



## New areas for Apprenticeship Audit

### Negotiated Price

- We need to see a breakdown of what is included within the negotiated price
- Does it include eligible employer costs?

### English and maths

- We need to see prior attainment and initial diagnostic for learners enrolled on L1
- We need to see evidence of participation and, if applicable, that learner have taken the L2 test

### 20% Off the job

- We need to see how 20% OTJ has been calculated (hours worked, duration)
- We need to see the delivery plan for 20% OTJ requirement
- What progress is being made in-year to deliver?

### Written agreement and commitment statement

- Does the commitment statement include all required elements
- Is there a written agreement with the employer
- Have these documents been signed prior to learning starting



## New areas for Apprenticeship Audit

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### Payment of employer co-investment

- Is there evidence that co-investment has been received in the ILR and finance system
- Is there evidence that co-investment has been invoiced and credit control procedures applied

### Payment of price over funding band maximum

- Is there evidence of payment in the ILR and finance system
- Is there evidence that it has been invoiced and credit control procedures applied

### Additional payments for 16-18 or 19-24 with EHCP

- We will need to see evidence of an EHCP being in place



## New areas for Apprenticeship Audit

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### Small Employer – co-investment waiver

- Declaration from the employer confirms eligibility
- Correctly recorded on the ILR

### Completion and end point assessment

- Has 20% OTJ been delivered?
- Are all certificates on file?
- Has minimum duration been met?
- Have all monies due from the employer been received?



## Advanced Learning Loans – what do we look for?

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- Does learner information between ILR, register, loan letter and loan portal reconcile? This includes:
  - Learner details
  - Learning aim reference
  - Start date
  - Actual end date if withdrawn
  - Planned end date
- When checking registers is it clear that the learner is still active over the duration the loan was claimed?



## Subcontracting – AEB and 16-19

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- UKPRN on declaration reconciles to ILR
- Name of organisation reconciles to UKRLP website
- Subcontractor is on RoTO where contract value is greater than £100k (cumulative across all providers)
- Legally binding in contract in place
- All SFA required clauses are in the contract
- Procedures for monitoring subcontractors and evidence of visits taking place
- Second tier subcontracting – Approval from ESFA



## Subcontracting – Post 1 May 2017 Apprenticeships

- UKPRN on declaration reconciles to ILR
- Name of organisation reconciles to UKRLP website
- Subcontractor is on RoATP where contract value is greater than £100k (cumulative across all providers) between 1 May 2017 and 31 March 2018
- Supporting providers are on RoATP and is in receipt of no more than £500k (cumulative across all providers) between 1 May 2017 and 31 March 2018
- Evidence of ESFA approval if subcontracting for the first time
- Contract in place with employer and all mandatory clauses included
- Supply-chain fee and charges policy is in place



## Subcontracting – Post 1 May 2017 Apprenticeships

- ESFA has been informed of the actual level of funding paid and retained for each subcontractor for the duration of the contract
- Contract in place with subcontractor and all mandatory clauses included
- Procedures for monitoring subcontractors and evidence of visits taking place
- Reporting of inconsistencies to the ESFA
- Contingency arrangements
- Employer-providers - evidence of the actual costs of delivery of apprenticeship training and on-programme assessment delivered



## Subcontracting – Post 1 May 2017 Apprenticeships

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- How much does the training provider directly deliver
- Does the training provider act as the Prime
- Second tier subcontracting – Approval from ESFA
- Evidence of subcontractor collecting employers' co-investment contributions



## Other areas of Audit - DSAT

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- DSATs (C1) – Review the C1 and clear queries. Demonstrate this at the audit by showing updated reports. If you believe your data is correct present your evidence to the auditor. Please have this done prior to the audit – we expect to see corrected reports to confirm data has been fixed
- DSAT samples (C2) – Evidence requirements will be explained. These will tend to be:
  - Apprenticeship minimum duration exceptions
  - Post 1 May 2017 Apprentices enrolled on L1 English and/or maths
  - Withdrawn learners – confirm start and end dates and planned hours for 16-19
  - High study programme/weekly hours – Hours are supported by timetables
  - Early Completers – did learner actually complete the syllabus



## Other areas of Audit - DSAT

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- DSATs will continue to be a big focus this year due to Funding and Monitoring
- New and amended reports to respond to data issues
- All reports must be reviewed and cleared preferably prior to audit
- As a minimum check and clear reports related to:
  - Apprenticeship/Traineeship durations
  - Employment exceptions
  - Restarts/Resumers
  - Work experience aims
  - Study programmes with planned learning hours but no s.96 learning aims
  - New Apprenticeship leavers shortly after incentive payment earned
  - Co-investment payments



## Other areas of Audit

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- 16-19 Bursary and free meals in FE – Not all providers will be audited on this. Bursary testing covers both vulnerable and discretionary bursary. Residential or other bursaries are not covered as part of this audit
- ESF Match Funding – Range of areas covered under this. Ensure appropriate procedures on document retention, equal opportunities and sustainable development are in place for you and your subcontractors. ESF logos are on documents and websites and that relevant posters are displayed where required
- Completeness – Reverse testing going from source documentation to the ILR sample sizes are 10 Apprentices (five withdrawals where possible) and 10 classroom registers that cover both Adult and 16-19 provision
- Other funding streams – send the lists with the ILR. This testing can be done off site before the audit starts





## B3 – Query Matrix

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- Lists all queries across the various areas of testing
- Check the query, more than one query may appear on a line
- When providing additional evidence please note the query number on the evidence so we can look them up on the B3
- Try to respond to queries in a timely way – more dealt with onsite the better
- Outstanding B3 queries will be followed up. Can be done either onsite or evidence can be sent to auditors



## Follow up work

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- Some errors may require a 100% check of a population, including DSATs
- Once completed update the ILR accordingly
- Send updated ILR
- New sample(s) will be selected by auditor and sent back
- Date for follow up work will be agreed usually at the end of the fieldwork



## Follow up work

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If data has been added to the ILR after it was submitted for sampling additional work may be required if there has been a significant increase in funding. Areas traditionally covered are:

- Adult Achievement funding including framework achievement
- New enrolments
- Additional claims for Adult learning support



## Auditors word is not final

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- You may not agree with everything we say – we may take a different view based on what we see across the sector as a whole
- If you believe you are correct present your case to the lead auditor and if necessary their line manager
- If you're still unhappy ask for a ruling from Agency
- You will supply evidence to the auditors who pass through to the agency with their comments (don't worry you get to see everything) on why they believe it is an error
- Once the Agency has ruled whatever action (if required) must be followed through



## Audit Finalisation

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- Deadline for final ILR is 18 October and for claims is 29 October
- Consider ILR will need to be checked by auditors so expect to submit prior to 18 October especially as PFR report is required to confirm 16-18 Apprenticeship funding values – Monday of that week is the norm
- All ILR amendments need to be agreed before the hub closes on 18 October – any further change would be a manual adjustment



## Audit Finalisation

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- Reconciliation – Detailed account of all movements between the ILR at start of the process and the final ILR recorded by category
- For each audit adjustment on the reconciliation a complete breakdown by learner and funding value will also be required
- Don't forget we also need a copy of the final claim documents and the funding report from the Hub



## Feedback and Reporting

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- Daily feedback on queries – use this time to resolve queries onsite
- Formal feedback meeting at end of audit
- Management letter – may be issued as draft during the audit or provided afterwards for management response.
- Separate bursary and free meals document



QUESTIONS  
AND ANSWERS?



THANK YOU FOR  
YOUR TIME AND  
ATTENTION