Ref: **E1**

Skills Funding Agency

Funding Assurance Reviews 2013/14
Adult Skills Budget & 16-18 Apprenticeships
EFA Funded 16-19

Assurance Overview & Planning Guidance

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1 Assurance Overview

1.1 Introduction

This document draws together an overview of the assurance approach, sample selection and error treatment for 2013/14 funding assurance reviews in colleges/providers paid on profile (ASCs) and training organisations/providers paid on actual (ASTOs). The approach relates to Skills Funding Agency (SFA) funded Adult Skills Budget (ASB) & 16-18 Apprenticeships provision and, where applicable, Education Funding Agency (EFA) funded 16-19 provision.

There are various names used for different elements of SFA and EFA funding. The table below seeks to clarify this.

<table>
<tr><td rowspan="5">Skills Funding Agency
(ILR Funding Model 35)</td><td rowspan="4">Workplace Learning</td><td colspan="2">16-18 Apprenticeships</td><td>Paid on Actual Earnings</td></tr>
<tr><td rowspan="4">Adult Skills Budget</td><td>19-23 Apprenticeships</td><td rowspan="4">ASCs: Paid on Profile, Reported in SFA Funding Claim
ASTOs: Paid on Actual Earnings</td></tr>
<tr><td>24+ Apprenticeships</td></tr>
<tr><td>Other Workplace Learning</td></tr>
<tr><td>Classroom Learning</td><td>Classroom Learning (Adults)</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td>Education Funding Agency
(ILR Funding Model 25*)</td><td>Classroom Learning</td><td colspan="2">EFA Funded 16-19</td><td>Paid on Profile, Reported in EFA Funding Claim</td></tr>
</table>

* Learners (excluding Apprentices) that started aged 16-18 but are 19+ at the start of the current teaching year and funded by the Skills Funding Agency are recorded in Funding Model 25.

16-18 Apprenticeships are paid on actual earnings on a monthly basis and are not reported in the *Adult Skills Budget Funding Claim 2013/14*. However, they are within the scope of the Adult Skills Budget assurance approach within the Apprenticeship element and are referenced separately only where necessary.

Traineeships are included in the approach within the Classroom Learning funding model.

The approach also includes learners funded by 24+ Advanced Learning Loans and Loans Bursary funding.

1.2 Assurance Approach

The core emphasis of the assurance approach will be coverage of learners returned on Providers' ILRs funded under recurrent funding grants and contracts allocated by the SFA and the EFA.

The approach differs depending on the type of provider. ASTOs are reviewed during the funding year and the review seeks to confirm that the Provider's earnings to date are not

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misstated. ASCs are reviewed after the end of the funding year and the review seeks to confirm that the submitted funding claims, and earnings for 16-18 Apprenticeships, are not misstated. In both cases, the review confirms that funding claims and earnings are supported by documentation held by the Provider. Note that throughout this document, any further reference to 16-18 Apprenticeships is specific and reference to funding claims specifically excludes 16-18 Apprenticeships.

This work programme now covers Learning Support (formerly known as Additional Learning Support) for all Adult Skills Budget & 16-18 Apprenticeships provision, including the Classroom Learning element of the ASC funding claim for 2013/14.

The approach requires up to three separate main substantive samples to be selected as applicable, one to include EFA Funded 16-19 learners, one to include both SFA funded ASB learners and 16-18 Apprentices and one to include learners funded by loans ("Loans Learners"). The SFA funded sample can consist of learners in each of the following five sub-populations:

- 16-18 Apprenticeships
- Adult Apprenticeships (19-23 & 24+);
- Other Workplace Learning;
- Classroom Learning (Adults);
- Traineeships[1].

The main samples of learners will be selected from the ILR returns made by Providers. See Section 2.2.1 below for sample sizes for SFA and EFA funded provision. See Section 2.2.2 below for sample sizes for Loans Learners.

In addition to testing the learners in the main substantive samples, the approach includes:

- review of reports produced from the Provider Data Self-Assessment Toolkit (PDSAT). This review identifies potential data anomalies in the ILR and may lead to issues/errors within the funding claim or earnings. This review will involve undertaking some testing of the data back to source documentation;
- testing of the Provider's subcontracting arrangements;
- testing the Provider's compliance with ESF match funding requirements, including learners' eligibility to be used as match;
- review of EFA funded 16-19 Bursary Fund;
- testing around the other funding sources to confirm that there is no double funding of provision/learners;
- completeness testing to gain assurance that all enrolled learners are included in the ILR, fully and accurately;
- follow-up of previous recommendations where applicable.

Outcomes from the assurance review will be shared with the Provider, the EFA and the SFA. The results of an assurance review may require data to be adjusted in support of the funding claim to both the SFA and the EFA and may inform negotiations between a Provider and the EFA regarding future funding profiles in respect of EFA funded 16-19 provision. In exceptional cases results may be referred for further investigation.

[1] Traineeships are not flagged as Workplace Learning and so form a subset of Classroom Learning. However, Traineeships will be considered separately to Classroom Learning to ensure that they form part of the sample, where applicable.

1.3 Timetable and days required to complete the assurance review

Details of the process are provided in Section 2.1 below. The number of days required to complete the assurance review will be dependent on the size and complexity of the Provider.

ASTOs:

A small provider with the smallest sample of 30 learners for Skills Funding Agency funding and 30 Loans Learners may require 10 days, whereas a large provider with largest sample of 80 learners for Skills Funding Agency funding and 30 Loans Learners may require up to 20 days.

EFA funded 16-19 provision is not routinely tested in ASTOs. However, if the EFA requires any testing to be undertaken on its behalf, this will increase the number of days required to complete the review.

For reviews of 2013/14 funding, the assurance reviews take place between January 2014 and August 2014. Providers are notified of the date on which the most recent ILR dataset available on the Data Exchange Service (DES) will be downloaded and used for PDSAT report analysis and sampling. Funding errors identified that require data adjustment should be corrected as soon as possible after they are identified. It is expected that this will be by the next monthly return date in most cases. The deadline for submission of the final R14 ILR is 24 October 2014.

ASCs:

A small provider with the smallest sample of 30 learners for EFA funding, 30 learners for SFA funding and 30 Loans Learners may require 15 days, whereas a large provider with largest sample of 80 learners for EFA funding, 80 learners for SFA funding and 30 Loans Learners may require up to 25 days.

The deadline for submission of the final R14 ILR is 24 October 2014 and all claims and supporting documentation are required by 28 October 2014. For reviews of 2013/14 funding, auditors should aim to commence fieldwork in early September or earlier if possible. Work can begin on the most complete ILR dataset that the Provider is able to provide to enable the process to start.

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2 The Assurance Review

2.1 Process Outline

For ASCs, a letter will have been sent to the Provider by the SFA informing it that it has been selected for an Assurance Review of its 2013/14 Final Claims and 16-18 Apprenticeships provision.

	Action	ASTO	ASC
1	**Determine what is to be tested**	Determine what is to be reviewed (ASB & 16-18 Apprenticeships, EFA funded 16-19, Subcontracting, ESF Match, 16-19 Bursary Fund, Other Funding Streams, Completeness Testing & 24+ Advanced Learning Loans and Loans Bursary). Note that the Earnings Adjustment Statement (EAS) is not in scope for review.	Determine what is to be reviewed (ASB & 16-18 Apprenticeships, EFA funded 16-19, Subcontracting, ESF Match, 16-19 Bursary Fund, Other Funding Streams, Completeness Testing & 24+ Advanced Learning Loans and Loans Bursary). Note that the Earnings Adjustment Statement (EAS) is not in scope for review.
2	**Assurance review file**	Set up the assurance review visit file using the standard documentation issued by the Agency, available using the following links: Internal PFA Team Site: https://teamsites.lsc.gov.uk/sites/eastofengland/pfa/Assurance%20approach/Forms/AllItems.aspx - Assurance Approach - FAA-RAA External Website: http://skillsfundingagency.bis.gov.uk/providers/finance/financialassurance/auditprogrammes/	Set up the assurance review visit file using the standard documentation issued by the Agency, available using the following links: Internal PFA Team Site: https://teamsites.lsc.gov.uk/sites/eastofengland/pfa/Assurance%20approach/Forms/AllItems.aspx - Assurance Approach - FAA-RAA External Website: http://skillsfundingagency.bis.gov.uk/providers/finance/financialassurance/auditprogrammes/
3	**Contact Provider**	Contact the Provider to explain the scope and structure of the review and make the visit arrangements.	Contact the Provider and arrange a convenient date and time for the Assurance Review Planning Meeting.

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	Action	ASTO	ASC
4	**Planning discussion/meeting with Provider**	During the telephone conversation, agree dates for the visit to take place, the scope of the assurance review and the date that the most recently uploaded ILR will be taken from the DES. Explain that the PDSAT reports and samples will be produced from this ILR. If applicable, ask for a list of learners receiving 16-19 Bursary Fund payments. Obtain a current Provider Funding Report (PFR) from the Provider (note that PFA should obtain the up-to-date PFR from DES). Where external audit firms are undertaking the assurance review, PFA will supply the ILR and the PFR.	Attend Assurance Review Planning Meeting (using Planning Meeting Aide-Memoire (**E7**)) and agree dates for the visit to take place, the scope of the assurance review and the date that the Provider will supply the ILR for the review. Explain that the PDSAT reports and samples will be produced from this ILR. Ensure that the Provider is aware that it must maintain a full record of changes that it makes to its data between the date that it supplies the ILR for review and the start of the assurance visit that will affect the value of its funding. In addition, ensure that the Provider is aware that it must continue to maintain this record during the visit in order that a reconciliation of ILR movements can be completed at the end of the visit. If applicable, ask for a list of learners receiving 16-19 Bursary Fund payments. Obtain a current Provider Funding Report (PFR) from the Provider (note that PFA should obtain the up-to-date PFR from OLDC). When agreeing dates, work backwards from the ILR submission deadline of 24 October 2014. This will ensure that the assurance review can be conducted within given timescales, notice of samples can be given and that it allows for any follow up work to be undertaken.
5	**Issue confirmation letter and confirm dates to relevant parties**	Send the Provider a letter (using Confirmation Letter and Provider Questionnaire (**E2**)) confirming details of the assurance review and the date that most recently uploaded ILR will be taken from DES, from which main substantive samples will be selected and PDSAT reports will be run, analysed and additional samples selected as appropriate.	Send the Provider a letter (using Confirmation Letter and Provider Questionnaire (**E2**)) confirming details of the assurance review and the date that the Provider should supply the ILR from which main substantive samples will be selected and PDSAT reports will be run, analysed and additional samples selected as appropriate.

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	Action	ASTO	ASC
6	**Process ILR using FIS**	On the agreed date, obtain the most recently uploaded ILR from DES (PFA will provide the relevant ILR to audit firms) and process the ILR through the Funding Information System (FIS). See Section 2.3.2 for instructions on how to do this. Ensure that you create a [FIS Export] database as this is required for creating PDSAT reports and samples.	On receipt of the ILR from the Provider, process the ILR through the Funding Information System (FIS). See Section 2.3.2 for instructions on how to do this. Ensure that you create a [FIS Export] database as this is required for creating PDSAT reports and samples. Run and keep *[FIS Funding Reports]* on file as these will form the starting point for the assurance review and any reconciliation.
7	**Run PDSAT reports**	Produce PDSAT reports using the *[FIS Export]* database created from the ILR. See Section 2.3.3 for instructions on how to do this.	Produce PDSAT reports using the *[FIS Export]* database created from the ILR. See Section 2.3.3 for instructions on how to do this.
8	**Analyse PDSAT reports**	Analyse PDSAT reports to identify any issues that should be followed up with the Provider. Use working paper **C1** (PDSAT Review 2013_14) to record the findings from the PDSAT report analysis. Any learners that need to be tested back to source documentation should be selected and sent with main substantive samples (as per stage 9 below).	Analyse PDSAT reports to identify any issues that should be followed up with the Provider. Use working paper **C1** (PDSAT Review 2013_14) to record the findings from the PDSAT report analysis. Any learners that need to be tested back to source documentation should be selected and sent with main substantive samples (as per stage 9 below).
9	**Main substantive sample selection**	Main substantive samples are selected using the PDSAT Sampling module. See Section 2.3.4 for instructions on how to do this. The Sampling module automatically determines the sample sizes based on the information in Section 2.2.1.	Main substantive samples are selected using the PDSAT Sampling module. See Section 2.3.4 for instructions on how to do this. The Sampling module automatically determines the sample sizes based on the information in Section 2.2.1.

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	Action	ASTO	ASC
10	**Send the samples (including 16-19 Bursary Fund) with the "Prepared by Provider" document**	The following samples should be sent to the Provider with sufficient time to enable it to prepare records for review (for example, no less than 5 working days in advance of the testing commencing): • main substantive samples • any additional samples selected following the PDSAT report analysis (stage 8 above) • 16-19 Bursary Fund sample. The Prepared by Provider Document (see **E4**) should also be sent with the sample as this provides details of the documentation and evidence that we require in undertaking our testing. **Ensure that samples are zipped and encrypted.**	The following samples should be sent to the Provider with sufficient time to enable it to prepare records for review (for example, no less than 5 working days in advance of the testing commencing): • main substantive samples • any additional samples selected following the PDSAT report analysis (stage 8 above) • 16-19 Bursary Fund sample. The Prepared by Provider Document (see **E4**) should also be sent with the sample as this provides details of the documentation and evidence that we require in undertaking our testing. **Ensure that samples are zipped and encrypted.**
11	**Commence fieldwork**	The auditor will visit the Provider's premises to undertake substantive testing. Working papers in sections **C** (PDSAT) and **D** (Substantive Testing Working Papers) of the assurance programme must be used to record the auditor's findings. The number of days spent on site will depend on the sample size and the level of additional testing that is required. The assurance review team is expected to remain on site for sufficient time to ensure that all testing is undertaken and to provide the Provider with the opportunity to clear any queries as they arise. The visit should also include follow up of recommendations from 2012/13 assurance reviews where applicable.	The auditor will visit the Provider's premises to undertake substantive testing. Working papers in sections **C** (PDSAT) and **D** (Substantive Testing Working Papers) of the assurance programme must be used to record the auditor's findings. The number of days spent on site will depend on the sample size and the level of additional testing that is required. The assurance review team is expected to remain on site for sufficient time to ensure that all testing is undertaken and to provide the Provider with the opportunity to clear any queries as they arise. The visit should also include follow up of recommendations from 2012/13 assurance reviews where applicable.

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	Action	ASTO	ASC
12	**Treatment of errors**	During testing, any errors identified should be carefully considered to determine whether they are isolated or systematic. Errors in the sample should be deemed systematic until proven otherwise. Where an error does not appear to be systematic, a limited amount of additional testing should be undertaken to confirm to the auditor that the error is isolated. Where a systematic error is identified, the affected population should be identified and a provider self-audit should be instigated to determine the full extent of the error. The justification for determination of an error as either isolated or systematic should be recorded in the relevant column in the **B3** (Excel) feedback form.	During testing, any errors identified should be carefully considered to determine whether they are isolated or systematic. Errors in the sample should be deemed systematic until proven otherwise. Where an error does not appear to be systematic, a limited amount of additional testing should be undertaken to confirm to the auditor that the error is isolated. Where a systematic error is identified, the affected population should be identified and a provider self-audit should be instigated to determine the full extent of the error. The justification for determination of an error as either isolated or systematic should be recorded in the relevant column in the **B3** (Excel) feedback form.
13	**Ongoing feedback**	Auditors must provide frequent updates (this can be agreed during the planning discussion referred to at stage 4 above or at the commencement of the fieldwork visit) to the Provider, including details of any queries. The aim should be to enable issues to be cleared or corrected as soon as possible including, where applicable, the locating of alternative or missing evidence. Wherever practicable, findings should be subject to manager review prior to the feedback meeting at the end of the initial fieldwork visit. Leaving feedback to the end of the fieldwork creates delays in finalising the review.	Auditors must provide frequent updates (as agreed at the planning meeting referred to at stage 4 above) to the Provider, including details of any queries. The aim should be to enable issues to be cleared or corrected as soon as possible including, where applicable, the locating of alternative or missing evidence. Wherever practicable, findings should be subject to manager review prior to the feedback meeting at the end of the initial fieldwork visit. Leaving feedback to the end of the fieldwork creates delays in finalising the review.

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	Action	ASTO	ASC
14	**Formal interim feedback**	Auditors must provide written feedback using the Provider Feedback Form (see working paper **B3**). A formal interim feedback meeting must take place at the end of the initial fieldwork visit, ideally once all queries have been resolved. It may be that, at this stage, there may be some queries that remain unresolved and the feedback may need to be updated once this has happened. The feedback must include details of: • any queries that remain outstanding; • actual and potential corrections that need to be made to the ILR; • proposed actions for the Provider. A timetable should be agreed for: • any further information or explanations that may be required; • self-audit by the provider; • potential visits required for retesting. The auditor will need to allow time for: • receipt of the provider's self-audit workings and calculation of error; • selecting samples for retesting; • providing the Provider time to collate the documents for retesting; • retesting to be undertaken on site. Note that where no issues remain outstanding at this point, this will be the Formal Closure Meeting (proceed to stage 20).	Auditors must provide written feedback using the Provider Feedback Form (see working paper **B3**). A formal interim feedback meeting must take place at the end of the initial fieldwork visit, ideally once all queries have been resolved. It may be that, at this stage, there may be some queries that remain unresolved and the feedback may need to be updated once this has happened. The feedback must include details of: • any queries that remain outstanding; • actual and potential corrections that need to be made to the ILR; • proposed actions for the Provider. A timetable should be agreed for: • any further information or explanations that may be required; • self-audit by the provider; • potential visits required for retesting. The auditor will need to allow time for: • a new ILR to be submitted; • selecting samples for retesting; • providing the Provider time to collate the documents for retesting; • retesting to be undertaken on site. Note that where no issues remain outstanding at this point, this will be the Formal Closure Meeting (proceed to stage 20).

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	Action	ASTO	ASC
15	**Further testing (if applicable)**	Further testing should be undertaken to gain assurance over funding identified by the Provider as earned in its self-audit workings. Any funding errors declared by the Provider are accepted and the ILR must be corrected accordingly.	Further testing (retesting) should only be undertaken to establish if a certain error that existed in the ILR has been corrected by the Provider. For example, if the only error found at the Provider related to incorrectly recording learning actual end dates in a certain curriculum area, retesting would be restricted to a sample of withdrawals in the same curriculum area. We would not retest any other element, e.g. learner eligibility, in this instance.
16	**Review of additional evidence**	The Provider may present the auditor with additional evidence (that may not have been presented during the first visit). The auditor should allow time for this.	The Provider may present the auditor with additional evidence (that may not have been presented during the first visit). The auditor should allow time for this.
17	**Changes made to the ILR**		Some providers will continue to make changes to the ILR whilst the assurance review is in progress. The auditor must ask the Provider to note all changes to the ILR from the ILR that was submitted for assurance review and from which the sample was selected for testing. In addition, after the initial testing, any corrections should also be tracked. This is important as the auditor will need to reconcile the ILR submitted for assurance review to the ILR submitted with the final funding claim as per Section 3.4 below and working paper **B1**. The Provider must correct all data errors identified during the review. **Please ensure that you make it clear which issues have been grouped together under a single heading.**

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	Action	ASTO	ASC
18	**Reconciliation**		Auditors must reconcile all movements resulting from data amendments between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims. This includes: • adjustments made as a result of data errors identified by the auditor; • adjustments made in the course of routine data cleansing by the Provider. Movements must be in line with auditors' expectations. See Section 3.4 below for further details.
19	**Extrapolation**	Extrapolation is to be used only in the most exceptional circumstances.	If the Provider is unable to make all of the corrections to the ILR due to timing issues, the auditors should look to identify the sample population and value of the error and perform an extrapolation (see Section 3.3). Note that extrapolation must not be used routinely.

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	Action	ASTO	ASC
20	**Closure meeting**	On completion of all testing, including review of any additional evidence and further testing of any provider self-audit work, a closure meeting must take place at which final written feedback will be provided. This will include the results of additional testing, the agreed value of any funding errors, the opinion on the use of funds and the action plan. The opinion on the use of funds is dependent upon the error rate in our main sample (i.e. monetary value of funding errors in the main substantive sample as a percentage of the monetary value of the main substantive sample). An error rate less than 5% will result in a satisfactory opinion on the use of funds being reached. An error rate at or above 5% will result in an unsatisfactory opinion on the use of funds being reached.	On completion of all testing, including review of any additional evidence and further testing of any provider self-audit work, a closure meeting must take place at which final written feedback will be provided. This will include the results of additional testing, the reconciliation process and the action plan. The deadline for submitting the final funding claim and reconciliation is **28 October 2014.**
21	**Data amendments**	All errors must be corrected through data amendment. It is expected that the ILR or other relevant data return will be corrected as soon as possible and by the deadline date for the next monthly return. Where the Provider does not correct its data within the required timescale, the issue must be escalated within the Agency and a draft report is to be issued informing the Provider of this (see working paper **A1/B4**).	

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	Action	ASTO	ASC
22	**Reporting**	Once all data amendments have been made, a final report must be issued including the opinion on the Provider's use of funds and highlighting the key issues during the assurance review (see working paper **A1**). Only in the most exceptional circumstances will a final report be issued without data amendments having been made. These are laid out in the report template.	The assurance review will provide an opinion (see working paper **A2**) and management report highlighting the key issues during the assurance review (see working paper **A1**).
23	**Reporting deadlines**	Based on the data amendment timescale described in stage 21, the final report should be completed (and forwarded to the Agency by external audit firms) immediately after the data amendment is made. In any event, all final reports must be completed (and forwarded to the Agency by external audit firms) by **24 October 2014**.	All Opinions and Draft Management reports must be completed (and forwarded to the Agency by external audit firms) by **28 October 2014**. All Final Management reports must be completed (and forwarded to the Agency by external audit firms) by no later than the first week in December 2014.

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2.2 Sample selection and sizes

2.2.1 *Main substantive sample selection*

Up to two separate main substantive random samples will need to be selected, one for each of the following:

- EFA funded 16-19 learners
- ASB learners and 16-18 Apprentices.

The samples of learners will be selected from ILR data provided to us by Providers. The following sample sizes are used for the statistical based sampling selected from the PDSAT.

Learner Numbers		Sample Size
>1,300		80
601 to	1,300	75
451 to	600	70
326 to	450	65
251 to	325	60
226 to	250	55
176 to	225	50
151 to	175	45
141 to	150	40
125 to	140	35
<125		30

As an example, if we have a provider which has 350 learners attracting SFA funding and 260 learners attracting EFA funding, using the table above the sample sizes selected will be as follows:

- 65 learners for SFA testing; and
- 60 learners for EFA testing.

The SFA sample will be apportioned across the five sub-categories based on the respective values of funding in each of these sub-categories, subject to a minimum of 5 per sub-category.

2.2.2 *Loans Learners sample selection*

The sample of Loans Learners will be selected from the Provider's ILR data.

The sample size will be ⅓ of the total number of learners, subject to a minimum of 5 and maximum of 30 (unless there are less than 5 records in the population).

For example, a population of 30 learners will result in a sample size of 10 (⅓ of 30). A population of 100 learners will result in a sample size of 30 (⅓ of 100, subject to maximum).

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2.3 Sample production guide

2.3.1 *Software requirements*

The following software is required in order to be able to select samples and run PDSAT reports:

- FIS
- PDSAT version 14.xx

FIS automatically uses the latest available Learning Aim Reference Service (LARS).

The software and related guidance documentation can be found on the Data Service website using the link below.

http://www.thedataservice.org.uk/Services/DataCollection/software/

PDSAT software is also available to PFA on the PFA Team Site using the link below:

https://teamsites.lsc.gov.uk/sites/eastofengland/pfa/PDSATs/Forms/AllItems.aspx - PDSATs - Provider DSATs

2.3.2 *Processing the ILR in FIS*

The FIS user guide explains how to process the ILR and produce reports but the key steps are summarised below.

No	Steps required
1	Obtain the ILR file.
2	Open FIS.
3	FIS automatically checks for updates when it is started. However, you can manually check for updates if you wish. To do this, click **Tools** and **Check for Updates**. Where any Component Sets updates need to be made, they should appear in the *Update Component Sets* dialogue box. Click **Update Selected** (or **Skip** if there are no required updates). Where any Data Sets updates need to be made, they should appear in the *Update Data Sets* dialogue box. Click **Update Selected** (or **Skip** if there are no required updates).
4	Check that the values for *Data Collections*, *Component Sets* and *Data Sets* are appropriate to the data to be processed (they default to the latest values but can be changed if older data is being processed). Change the values using the drop down menus if necessary.
5	In the *Procedure(s) to Execute* section, select **Export ILR data to an Access database (Dependent on 'Import, (amalgamate) and validate an ILR submission')**. Click **Execute**.

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No	Steps required
6	For each ILR file, in the *Import File* window, click **Add**. In the Open dialogue box, navigate to the location of the ILR file and click **Open**. Once all necessary ILRs have been selected, click **Import**.
7	*[Awaiting information on FIS]*

2.3.3***Producing PDSAT reports***

No	Steps Required
1	*[Awaiting release of PDSAT software]*

2.3.4***Generating the samples using PDSAT***

No	Steps Required
1	*[Awaiting release of PDSAT software]*

2.4 Testing

2.4.1***ILR and Funding Documentation***

Auditors should pay due regard to the following documents.

ILR (Information Authority website):

- Specification of the Individualised Learner Record for 2013/14

SFA Funding documents (SFA website):

- Funding Rules 2013/14
- Adult Skills Budget Funding Claims and Audit Returns 2013/14

EFA Funding documents (EFA website):

- EFA 16-19 Funding Guidance 2013/14

2.4.2***D1: SFA Testing (Adult Skills Budget & 16-18 Apprenticeships)***

Substantive testing of SFA funding is undertaken at learner level and the transaction value is the total year-to-date funding value for the learner's entire programme of learning. Consequently, auditors must consider each of the learner's funded learning aims as listed in the sample when undertaking testing. The D1-5,10 working paper file in the assurance programme contains a worksheet called SFA References. This worksheet contains all the critical factors that should be considered in undertaking each test.

- Does evidence exist to confirm that the learner is eligible for Agency funding?
- Is the learner eligible for the programme(s) and has/have the programme(s) been correctly identified and coded?

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- Is the programme as designed eligible for funding and is the correct funding being claimed?
- Does learner documentation meet the minimum requirements outlined in the Funding Rules and agree to underlying data?
- Is the learner eligible for Learning Support funding and is there evidence of delivery of Learning Support?
- Is the learner's programme and the learner's attendance as recorded on the ILR consistent with the underlying records?
- Where the learner has not achieved, does the learning actual end date recorded on the ILR agree with underlying records?
- Does evidence exist to confirm that the learner has achieved/completed the learning aim/framework?
- Is there evidence that the learner is eligible for, and has evidence to support, the claim for a job outcome payment?
- Is the learner eligible to be used in the Agency's ESF match funding claim?

2.4.3***D2: EFA Testing (16-19)***

Substantive testing of EFA funding is now undertaken at learner[2] level and the transaction value is the total annualised funding value for the learner's planned study programme. Consequently, auditors must consider the learner's entire study programme as listed in the sample when undertaking testing. The D1-5,10 working paper file in the assurance programme contains a worksheet called EFA Guidance. This worksheet contains all the additional guidance notes that appear as comments in the D2 EFA working paper that should be considered in undertaking each test.

- Has the Institution correctly assessed that the student is eligible for Agency funding?
- Does the learning agreement/enrolment form/timetable agree to the ILR in terms of data?
- Has the learning agreement/enrolment form been signed by both the student & Institution?
- Has the correct learning aim been recorded as the Core Learning Aim?
- Are the activities included in the study programme eligible activities (relevant, planned and take place during institution's normal working hours)?
- Has the number of planned hours for the academic year been correctly recorded on the ILR?
- Is there evidence that the student has been provided with IAG, an Initial assessment, a Learning Plan and other base documentation (including timetable if applicable)?
- Attendance: Does the start date recorded on the ILR reconcile to registers held?
- If the student is undertaking Work Experience as part of their programme, have the placement details been fully documented and have arrangements for the recording of attendance been made?
- If the student has withdrawn from the programme or any learning aims, have the correct

[2] Note that the EFA refers to "students" rather than "learners". The latter will generally be used in this document for consistency, except when quoting specific EFA guidance or documentation.

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learning end dates been recorded?

- If the student has withdrawn from the programme or any learning aims, does the period of attendance qualify for funding?
- If the student has withdrawn have the correct leaving codes been recorded on the ILR?
- Are you satisfied that the student has not withdrawn from any learning aims which have not been processed as withdrawn?
- If any of the learning aims are recorded as achieved, is there evidence to support this?
- Is the student either undertaking Maths & English, in order to progress the student to GCSE level, or is there evidence of Prior Attainment to support the rationale for not undertaking them both?
- Does the range of documents reviewed provide reasonable evidence of student existence, and do the student's signatures appear consistent?
- High Needs Student Support:
  For 16-18 high needs students where Learner support payment is £6,000 or above, as flagged in the ILR, is there evidence of the home Local Authority agreement to fund the students higher cost needs?
  For 19-24 EFA funded students is there evidence of a Learning Difficulty Assessment and/or an Education, Health and Care Plan and/or are continuing students funded in 2012/13 with high cost additional learning support as flagged in the ILR?

2.4.4 ***D3: Subcontracting Testing***

Where the Provider has informed the SFA that it is using subcontractors to deliver all or part of its SFA funded provision, a high level review of each subcontract must be carried out. Auditors will need the details of the Provider's subcontractors from the *College and Training Organisation Declaration of Subcontractors* ("the Declaration"). Note that PFA will supply external audit firms with this information.

To ensure completeness, where the auditor identifies the use of a subcontractor that the Provider has not recorded on the Declaration (for example, using PDSAT Report 140-510, during substantive testing or through conversation with the Provider), the subcontractor should be added to the **D3** working paper and tested accordingly.

- Does the UKPRN on the Declaration agree with the UKPRN on the PDSAT Report 140-510?
- Does the name of the subcontractor on the Declaration agree with the name on the UK Register of Learning Providers website (www.ukrlp.co.uk)?
- Is there a contract in place with the subcontractor?
- Have all of the mandatory terms for inclusion in the lead provider's subcontract been included within the contract in line with the Funding Rules 2013/14?
- If there is second level subcontracting, does the provider have written approval from the Agency or EFA?

2.4.5 ***D4: Earnings Adjustment Statement (EAS)***

The EAS is not within the scope of the review for 2013/14.

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2.4.6 ***D5: ESF Match Funding Testing***

The SFA has notified providers in the sample that their 2013/14 provision may be used as match for the 2007-13 ESF programme. This means that as part of their contract, providers must comply with additional requirements relating to ESF policies, data, learner notification, the use of logos and document retention. This is required in order that the Agency can fully support its ESF match funding claims.

The assurance programme contains a new working paper, **D5**, which should be used to record tests undertaken to confirm whether or not the Provider is complying with these requirements.

- Have the Provider and its subcontractors displayed an ESF plaque prominently in their premises?
- Have the Provider and its subcontractors displayed the current ESF logo on their websites?
- Have the Provider and its subcontractors displayed the current ESF logo on their learner enrolment documentation and training materials?
- Do the Provider and its subcontractors inform learners during induction that they are part-funded by the ESF?
- Do the Provider and its subcontractors have a document retention policy that ensures that all documents necessary to verify ESF Co-financed provision are retained in line with contractual requirements (currently until 31 December 2022)?
- Do the Provider and its subcontractors have in place an equal opportunities policy and action plan, a policy for sustainable development (including an environmental implementation plan) and, for health projects in the London region, policies/plans to cover health related issues in the project activities
- Has the review of the Provider's ILR data confirmed that ESF related data fields have been completed? This test should be performed with reference to PDSAT report 140-400.

Note that for the final bullet, PDSAT report 140-400 provides a listing of ILR records where providers have not used relevant ILR field values in a way that renders such records useful for ESF Match Funding purposes. The listing is an amalgamation of two sets of ILR records:

- Learners that have completed all of their learning aims and the provider has recorded Destination = 98 (Not known/not provided).
- Learners who, on their programme or learning aim start date, have Employment status = 98 (Not known/not provided) as their most up-to-date employment status record.

In the latter case in particular, the absence of a useful value for the learner's employment status at the start of their programme or learning aim means that the Agency is unlikely to be able to use the learner's funding as match. We should use this report to encourage the provider to update its ESF Match Funding related ILR fields where possible, in line with the requirements laid down in the contract.

2.4.7 ***D6: Additional Testing Schedules***

These working papers must be used to record additional testing that is required, either as a specific part of this assurance programme or as a result of the findings from the main substantive testing.

The specific element to these additional tests relates to English and maths learning aims.

The additional tests are to ensure that learners have been assessed in accordance with the Funding Rules and are undertaking the appropriate level of qualification. Details of testing must be recorded on the **D6_1 (English and maths)** working paper.

This additional English and maths testing must be undertaken under the following circumstances:

- Where the main substantive sample testing has identified any errors relating to inconsistencies between the outcome of the assessment of learners and the level of qualification that they subsequently undertake;
- Where the main substantive sample includes neither English nor maths learning aims to test.

Other additional testing may arise in the following instances:

- Testing of a population or sub-population to confirm errors as isolated/systematic;
- Testing to gain assurance over a provider's self-audit;
- 100% testing of a population or sub-population.

This is not an exhaustive list of uses for the additional test schedules and they can be used for any situation where a separate review of a specific population, sub-population or issue is required (except for PDSAT related testing for which **C2** working papers should be used and referenced to the **C1** working paper).

2.4.8 *D7: 16-19 Bursary Fund*

The programme and working papers for testing the EFA's 16-19 Bursary Fund have been produced by the EFA and can be found in section **D7** of the work programme.

It includes references to relevant funding guidance and EFA contacts for raising queries or sending results.

2.4.9 *D8: Other Funding Streams*

In addition to the sampling above, judgmental samples will need to be selected to ensure that the Provider is not double claiming funding for learners. For example:

- ESF Co-financing funding and Workplace Learning funding;
- ESF Co-financing funding and Classroom Learning funding;
- HEFCE funding and Classroom Learning funding.

For a full list of tests, refer to D8 of the assurance programme. It should be noted that the programme may not capture all the funding available to providers but it highlights the most common sources. As part of the planning process, auditors should determine whether a provider is in receipt of any other sources of funding not explicitly referred to in the programme and test them as appropriate.

2.4.10 *D9: Completeness Testing*

These working papers must be used to record the outcome of completeness testing. The auditor should aim to access source attendance records and learner files as described below and check the details back to the ILR. Checks should be carried out to see that each enrolled learner, the corresponding learning aim(s) and relevant dates and data fields are included and recorded accurately in the ILR.

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Completeness testing should be undertaken across the Provider's provision as follows:

- For Workplace Learning provision (i.e. flagged in the ILR as WPL), select 10 learner files, ensuring that they include learners that have withdrawn;
- For Classroom Learning provision (i.e. not flagged in the ILR as WPL), select 10 registers, ensuring that they include learners that have withdrawn.

The review of Classroom Learning provision should seek to cover EFA, as well as SFA, funded provision if EFA funded provision is within the scope of the assurance review.

2.4.11***D10: 24+ Advanced Learning Loans & Loans Bursary***

Substantive testing of Loans Learners is undertaken at learner level. The sample of Loans Learners will include a proportion of learners receiving Loans Bursary. In respect of SFA funding, the transaction value is the total year-to-date Loans Bursary funding value for the learner's entire programme of learning. However, auditors must consider each of the Loans Learner's learning aims as listed in the sample when undertaking testing as any errors will need correction, both in the ILR and in the loans portal. The D1-5,10 working paper file in the assurance programme contains a worksheet called Loans References. This worksheet contains all the critical factors that should be considered in undertaking each test.

- Do learner and programme details as recorded in the *learning and funding information letter*, the loans portal, the Learning Agreement and the ILR agree?
- ASTOs only: Where the learner has received 24+ Advanced Learning Loans Bursary Fund support, is the learner eligible for the funding as coded in the ILR?
- Is the learner's programme and the learner's attendance as recorded in the ILR and on the loans portal consistent with the underlying records?

2.5 PDSAT reports

PDSAT reports have been made available to the sector throughout the year. Included in the assurance programme is working paper **C1** for use by auditors reviewing providers' PDSAT reports. These must be reviewed when the main assurance review sample is selected. The results of the review along with additional samples and queries should be sent to the Provider at the same time the main assurance review sample is sent.

The full suite of PDSAT reports can be categorised into those which are included in **C1** for which a review as part of the standard assurance programme is mandatory, and others that provide information that may be of assistance to the auditor.

Sample testing and explanations of items will need to be obtained on a case by case basis.

Working paper **C2** must be used to record the results of testing any additional PDSAT samples.

For ASCs, PDSAT reports will need to be reviewed prior to the final ILR data submission to ensure that any data amendments that are required have been made and that no new issues or errors have arisen.

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3 Treatment of Errors

3.1 Error Collation and Evaluation

Following the completion of the assurance review work above, the auditors will be required to collate and evaluate all identified errors using the Provider Feedback Form (see working paper **B3**) detailing the nature of the errors arising during the course of the testing. This document should be used to record both funding errors and observations relating to other data issues.

Within this document the auditors should provide clear feedback to the Provider notifying it of the errors identified and suggested ways to resolve the issues on a macro level to enable the auditor to gain sufficient assurance for the funding claim and opinion.

When assessing funding errors identified, auditors will need to consider appropriate processes to identify the affected populations and methods to retest. The table below contains some examples of recommended action.

Details of potential funding error	Recommended action to determine if error is isolated or systematic
Learning Agreement not confirmed by the learner.	Determine whether similar learners are affected, for example, those in the same cohort or those enrolled by the same member of staff or on the same day.
Data on the ILR do not agree to the Learning Agreement and/or enrolment form.	Determine if the data error has an impact on funding. For example, if the date of birth is incorrect and the learner is funded at the 16-18 rate but is not 16-18, select a small sample of other 16-18 learners and confirm the accuracy of the date of birth.
Eligible EFA funded learner has been charged tuition fee.	Seek an explanation from the Provider as to what the fee was for. If it is a tuition fee then identify all such learners that have been charged such fees as the EFA Funding Regulations preclude this. The Provider may need to refund the fee to the learner.
Learning aim selected in sample is not on the Learning Agreement and/or Enrolment Form.	Determine whether similar learners are affected, for example, those in the same cohort or those enrolled by the same member of staff or on the same day.

3.2 Correction of Errors

3.2.1 *ASTOs*

Any errors identified during the course of this assurance review must be corrected promptly and in time for the following scheduled monthly data return. The exception to this is where

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errors are identified and the Provider informed after the R12 return date (6 August 2014). This is because there are no more return dates before the R14 return date on 24 October 2014, and since the Provider is required to ensure that data returns are complete and accurate, data amendments must be made within two weeks of being reported to the Provider or by the R14 return date, whichever is sooner.

3.2.2***ASCs***

Any errors identified during the course of this assurance review must be corrected prior to submission of the final ILR (R14). Note that although the final ILR is due by 24 October 2014, the Funding Claims, Audit Opinion and related reports are required by 28 October 2014. The Provider will need to ensure that it submits its ILR in sufficient time to allow for the finalisation of these documents for submission by the deadline.

The auditor will need to identify the funding lines that are affected by the errors (e.g. EFA funded 16-19 provision, 19-23 Apprenticeships). This is because the findings relating to the two funding bodies are reported separately within the management report, although only one opinion is reached on the funding claims.

In the first instance the auditor should determine the population that contains the errors. This should be discussed with the Provider and a timetable should be agreed with the Provider for the ILR to be corrected. The auditor may then need to select an additional sample of learners from the updated ILR to ensure that the errors have been corrected. It should be noted that all this is required to be completed in time for a final ILR submission prior to the 24 October 2014.

All errors should be corrected by data amendment. As a last resort, if the Provider is unable to make all of the corrections to the ILR due to timing issues, the auditors should look to identify the sample population and the value of the error and perform an extrapolation (see the example in Section 3.3 below).

Where a specific sub-population can be isolated so that a particular type of error can be ring-fenced (for example, errors relating to unlisted learning aims or fee remission) then this should be done.

3.3 Example extrapolation

The table below shows how an extrapolation may be calculated and the impact of ring-fencing errors.

When initially calculated, the Provider has an overall error rate of 8.0% in the sample. By applying the sample error rate to the whole population, the result is an extrapolated error of £400,000.

However, by analysing the errors, we find that they relate to two issues, eligibility and the omission of evidence of learning activity for a specific learning aim in one curriculum area. Consequently, we can ring-fence the errors and extrapolate at this level, resulting in the following:

- Although we have a 24.0% error rate on the specific learning aim, the funding error is less because the Provider has claimed only £500,000 in respect of the sub-population consisting of the learning aim for the specific curriculum area.
- The value of learners where we found errors relating to eligibility accounted for 2.0% of total population tested. We apply 2.0% error rate to the whole population as eligibility impacts on all learners and cannot be isolated to a specific sub-population in this case.

- The table shows that it is in the Provider's interest to ring-fence the errors as the potential error is £196,000 compared with £400,000 if the overall error rate is extrapolated across the whole population without ring-fencing.

Example Extrapolation		**Initial Calculation**	**Recalculation, ring-fencing where possible**		
Ref	**Description**	**Total errors**	**Learning Aims in Specific Curriculum Area**	**Eligibility Issue**	
a.	Value of the population	£5,000,000	£500,000	£5,000,000	
b.	Value of the sample	£100,000	£25,000	£100,000	
c.	Value of actual errors from the sample	£8,000	£6,000	£2,000	
d.	**Error rate**	**8.0%**	**24.0%**	**2.0%**	c ÷ b
e.	**Total funds at risk to be reported and corrected**	**£400,000**	**£96,000**	**£100,000**	a x d
	Recalculated extrapolated error		**£196,000**		

3.4 Reconciliation

The reconciliation from the reviewed ILR to the final R14 ILR return takes place for ASCs only.

Auditors should reconcile all movements resulting from data amendments between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims.

Additional sample testing may need to be completed where appropriate. For example, if the Provider has added a significant number of additional learners to the ILR, a sample of the learners added may need to be tested due to the original sample having been selected from an incomplete data set.

Where errors have been identified during the course of the testing, the associated data will need to be reviewed to ensure that they have been adjusted.

The reconciliation should be recorded on the Reconciliation Statement (**B1**) and the values should be derived from the findings from the assurance review (recorded on the Provider Feedback Form (**B3**)) and the value of additional data adjustments made by the Provider in finalising its ILR.

The deadline for submitting the final claim along with the opinion is **28 October 2014.**

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4 Reporting

4.1.1 *ASTOs*

The main outcome of the assurance review is a management report provided by the auditor and issued to the Provider.

Where the review is undertaken by an external audit firm, the return to the Agency's PFA Team must consist of:

- A management report
- Management Information:
  - A summary of funding errors by funding stream and critical factor/issue, identifying whether they are isolated or systematic. The B3 can be used to provide this or a suitable alternative method can be used.
  - Process control dates as requested by the Agency's PFA Team

4.1.2 *ASCs*

The main outcome of the assurance review is an opinion and a management report provided by the auditor and issued to the Provider.

Where the review is undertaken by an external audit firm, a return to the Agency is also required, consisting of:

- Audit opinion, accompanied by:
  - Original form ASB Funding Claim 2013/14 (SFA)
  - Original form ILR Funding Claim 2013/14
    - Part 1 Claim Form
    - Part 2 Funding Diff Form
  - Reconciliation Statement (movements between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims)
  - Funding Information System (FIS) reports derived from final R14 ILR return (note that the values on these reports must match the funding claim values)
    - SFA LR Funding Claim Report
    - EFA LR Funding Claim Report
  - Provider Funding Report (PFR)
- A management report.

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