



# SFC Guidance

## Guidance on the audit requirements for Education Maintenance Allowances (EMAs) for the period 1 August 2012 to 31 July 2013

Issue date: 19 July 2013

Summary: This publication gives guidance to Scotland's colleges on the audit requirements for the operation of the EMA programme

FAO: Principals and directors of Scotland's colleges

Further information:

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## **Guidance on the audit requirements for Education Maintenance Allowances (EMAs) for the period 1 August 2012 to 31 July 2013**

### **Purpose**

1. This publication gives guidance to colleges on the audit requirements for the operation of the EMA programme.

### **Background**

2. The Scottish Funding Council (SFC) has managed the national EMA programme for Scotland's colleges on behalf of the Scottish Government since 5 April 2004. For the majority of colleges, payments to students started in academic year 2005-06.
3. The use of EMA funds is governed by the EMA (Scotland) Business Model (version 12 for 2012-13) and Guidance (version 11 for 2012-13). These documents have been developed and are updated regularly by the Scottish Government, with input from the SFC and from local authorities, colleges and schools.

### **Conditions of grant and audit requirements**

4. The EMA conditions of grant for 2012-13 are set out in circular [SFC/12/2012](#).
5. The high-level audit requirements are set out in the EMA (Scotland) Business Model. Colleges should note that the audit should include the assessment of evidence that spot-checks of five per cent of applications and payments, with a minimum sample size of five students, have been carried out during the period.
6. Colleges are reminded that they are required to provide SFC with evidence that these spot checks have been carried out during the course of the academic year. This evidence must be submitted to SFC timeously.
7. **Annex A** to this guidance summarises colleges' EMA administrative responsibilities and details the information which should be retained for audit purposes. **Annex B** gives guidance on the operation of spot-checking procedures during the year. **Annex C** gives an example of the standard audit certificate required to be submitted to SFC by **30 October 2013** by the college's independent auditors.

8. Please note it is the individual college's responsibility to ensure that the timing and quality requirements are met. Failure to provide the certificate on time will have an impact on our ability to send the SFC return to the Scottish Government. If it appears that the auditors will be unable to sign the certificate by the due date, SFC should be notified at once.

**Further information**

9. For general EMA enquiries please contact Jane Scott, Policy Officer, Funding Policy, Tel: 0131 313 6660, email: [jscott@sfc.ac.uk](mailto:jscott@sfc.ac.uk). For audit queries, please contact Andrew Millar, Senior Financial Analyst, Learning, Governance and Sustainability, Tel: 0131 313 6538, email: [amillar@sfc.ac.uk](mailto:amillar@sfc.ac.uk).

A handwritten signature in black ink, appearing to read 'Brian Baverstock', with a stylized flourish at the end.

**Brian Baverstock**

Head of Learning, Governance and Sustainability

### Guidance for Education Maintenance Allowances (EMAs) data checking

1. Section 3 of the EMA Scottish Business Model version 12 states that: “systems and processes must comply with all relevant legislation and Scottish Government’s internal requirements with particular regard to audit”. All business processes are required to maintain and provide an audit trail sufficient to satisfy the Scottish Government, Audit Scotland and Education Scotland.
2. The specific requirements for colleges are:
  - on confirmation of attendance either stating 100 per cent attendance or accompanied by proof of authorised absence, the college bursary/finance officer will authorise a weekly payment of EMA which will be paid on a fortnightly basis to students;
  - on a monthly basis, colleges will make a claim to SFC to draw down funds for payments made to date. These claims will be certified by the college’s chief executive officer or nominated deputy;
  - the final summary provided by SFC for the academic year August to July will be certified by the college’s chief executive officer and **submitted to SFC by 31 August 2013**;
  - when submitting the year-end statement, colleges will provide evidence of **five per cent** spot-checks carried out throughout the year and should provide assurances that any issues identified are being acted upon. These should be submitted to SFC with the certified year-end statement; and
  - an externally audited statement certified by an independent auditor should be **returned to SFC by 30 October 2013**. This statement will cover the academic year from 1 August 2012 to 31 July 2013. A copy of the audit certificate is included in **Annex C**.
3. The systems in place at colleges should ensure that payments are:
  - made only to eligible students;
  - made only to students who have met the attendance criteria in accordance with their EMA learning agreement; and
  - accurately recorded on the monthly claim forms.

4. Each college will have set up its own systems and procedures for administering EMAs. However, as a guide to maintaining an appropriate audit trail, the college should as a minimum have the following:
- (i) copy of procedures manual or equivalent, indicating clearly the individual responsibilities of staff, system access rights and authorisation procedures. This should encompass controls in place to ensure duplicate applications or payments cannot be processed;
  - (ii) log of all applications received, including those rejected;
  - (iii) copies of application forms for each student, supported by documentary evidence of student age, nationality and residence;
  - (iv) documentary evidence of income details of parent/guardian and their partners;
  - (v) documentary evidence to support approval and rejection decisions;
  - (vi) copy of the Notice of Entitlement should be held on file;
  - (vii) evidence of any re-assessment as a result of detrimental changes in financial circumstances;
  - (viii) the relevant information and a record of the decision made where an appeal has taken place;
  - (ix) copies of individual learning agreements signed by the student;
  - (x) copies of attendance records for each individual or proof of authorised absence;
  - (xi) a summary form showing the individual payments making up the total monthly claim to SFC;
  - (xii) copies of monthly claims to SFC;
  - (xiii) a reconciliation of the year-end EMA claim to both the nominal ledger and the individual monthly claims; and

- (xiv) working papers detailing the internal spot-checks which have been carried out during the year.
- 5. Colleges should ensure that the collection, transfer, processing and sharing of EMA data is carried out in accordance with Data Protection legislation.

### Spot-check procedures

1. Below is a suggested programme to perform a check on individual applications and payments. Colleges will obviously tailor the tests to suit their individual systems and methods.
2. It is recommended that the testing be carried out by staff who are independent of the student support administration and that there is a clear line to report findings to college management.
3. The business model requires five per cent spot-checking to be carried out during the year. SFC suggests that a minimum sample size of five students be checked in the year.
4. The testing should be carried out throughout the year to give regular and timely updates on the operation of the systems. This should also ensure that any problem areas will be identified early in the year.
5. The checking carried out must be clearly documented to enable a review by the auditor. A sample of a working paper is attached.

### Example work programme for spot-checks:

- (i) Obtain a copy of the EMA Scottish Business Model (version 12) and Guidance (version 11), and a copy of the college's procedures for the operation of EMAs.
- (ii) Select a sample of students and obtain the student record file. (Sample should be selected partly from the application list and partly from actual payments made. Sample should cover five per cent of applications and payments for the year with a minimum sample size of five students.)
- (iii) Agree the student personal details to the supporting documentation on file (this may be photocopies of documents or a statement by the member of staff who vouched the original birth certificates or other documents). Confirm the student's age, residence and bank account details.
- (iv) Confirm that appropriate income records were obtained.
- (v) If the student was rejected, review the reasons for the decision and ensure this was in accordance with national policy. Also, confirm that no payments were made.

- (vi) If the student was accepted, confirm that checks were carried out to ensure no prior application had been received for that student.
- (vii) Ensure that decisions made were properly authorised by the appropriate member of staff.
- (viii) Agree details to the Notice of Entitlement.
- (ix) Ensure that student bank details were correctly recorded on the system. If possible, confirm that no other applications contain that bank account reference or, if there is a second student with those details, obtain an explanation (for example, they may be a married couple).
- (x) Check the award of EMA and ensure the student was eligible based on income level. Review any re-assessments in-year.
- (xi) Select the most recent payment period for the student and confirm that they had 100 per cent attendance (as defined by college policy and individual learning agreement) for the relevant period. If the student had sickness absences, confirm they have been covered by self-certification forms or doctor's notes. For any other authorised absences, ensure there is an acceptable explanation which accords with the EMA Guidance.
- (xii) Trace the payment to the student to the BACS payments summary ensuring bank details are in agreement.
- (xiii) Trace the individual payment to the summary invoice claim to SFC.
- (xiv) Summarise any errors noted and consider whether overpayments or underpayments have occurred. Identify any areas where the procedures and controls should be amended to prevent similar errors in future.



- (xv) Follow up with EMA staff any errors noted, and note any actions required and agreed upon to prevent similar errors in the future. Follow up any outstanding points raised from previous spot-checks, ensuring that the agreed course of action or response has been implemented. Where outstanding points remain unresolved, discuss with the appropriate member of staff and agree a way forward.
- (xvi) If there are significant problems noted in the operation of the EMAs ensure that this is reported to the Board of Management and SFC.

### Sample EMA spot-check working paper

Test Ref	Student reference number or ID (name not required)	Application form checked and details confirmed to supporting documents	Acceptance agreed	Rejection in accordance with policy	Notice of entitlement correctly issued	Learning agreement on file and signed	Attendance confirmed	Prior application	Payment at correct rate	BACS payment confirmed	Payment traced to SFC claim	Comments and subsequent action	Testing completed by and date.
1	xxxx	x	x	n/a	x	x	x		x	x	x	Satisfactory	BB 15/4/06
2	xxxx	x	x	n/a	x	x	x		x	x	x	Unauthorised absence. One Payment not made. No learning agreement filed. Agreement now located.	WG 16/9/06
3	xxxx	x	n/a	x	n/a	n/a	n/a		n/a	n/a	n/a		MN 12/10/06

Note: The above is only intended as a guide to the type of working paper which should be retained. This model does not cover all the tests which will be necessary and colleges should produce individually tailored working papers which indicate all the tests carried out.

**Standard Form of Auditor's Report for EMA returns**

Name of college: \_\_\_\_\_

Auditors' Report to the Scottish Funding Council (SFC) for the period from 1 August 2012 to 31 July 2013.

I/We have examined the books and records of the above college, including evidence of checks of five per cent of applications and payments, with a minimum sample size of five students, and have obtained such explanations and carried out such tests as I/we considered necessary.

On the basis of my/our examination and of the explanations given to me/us, I/we report that (subject to the reservations set out in our letter dated xx/xx/xxxx) the information set out in these forms is in agreement with the underlying records.

I/We also report that, in my/our opinion, the college used these funds in accordance with the SFC's conditions and the principles of the Education Maintenance Allowance programme.

I am/We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate.

Signed:

Date: