



Education
Funding
Agency

2013 to 2014 young people's study programmes: audit approach

**For providers and stakeholders involved
in 16 to 19 EFA funded provision**

November 2013

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Introduction

1. The Education Funding Agency (EFA) was established on 1 April 2012 as an executive agency of the Department for Education (DfE).
2. The EFA provides funding to academies, further education (FE) colleges, sixth form colleges, local authorities, independent specialist providers (ISPs), charitable and commercial providers (C&CPs) and other providers of education for children and young people in England. The EFA is accountable for this funding and therefore carries out a number of assurance activities to ensure the proper use of public funds.

Background

3. This document provides an overview of the EFA's assurance approach to undertaking funding audits for study programmes (including traineeships) for young people. It is effective for funding from 1 August 2013.
4. The overview approach set out in this document applies directly to C&CPs, but the principles of the approach are also relevant to other types of providers and will be reflected in the Skills Funding Agency funding audit programmes for colleges.
5. Lead assurer responsibilities for providers are set out in the Joint Audit Code of Practice (JACoP), available on the [Skills Funding Agency website](#).

Funding guidance

6. The EFA issues annual Young People's funding guidance that sets out the funding methodology and it contains the core evidential and compliance requirements providers are required to follow. This is the basis of the funding audit approach, and the 2013 to 2014 guidance is on the [DfE website](#).
7. The traineeship programme for 16-18 was launched on 1 August 2013, and is funded under the same methodology as other study programmes.
8. We will publish the funding audit programme and EFA audit working papers in December 2013. These documents may be subject to change, for example to reflect any possible amendment to the Young People's funding guidance.

Audit scope

9. The overall funding audit approach for study programmes remains the same in principle as in previous years:
 - to gain assurance over the existence and eligibility of students recorded on the provider's individualised learner record (ILR);
 - to confirm that the submitted funding ILR data is supported by documentation held by the provider;
 - to ensure compliance with funding requirements; and
 - to form an opinion on funding claimed by the provider ("use of funds").
10. Auditors completing the study programmes funding audit may also be required to complete a bursary funding audit (if applicable).
11. For sub-contracted provision, auditors will have regard to the required control arrangements set out in the funding guidance.

Selecting providers for a funding audit

12. The lead assurer will select a sample from each provider type annually for a funding audit:
 - C&CPs will be audited by the lead assurer – as with JACoP, this will be either the EFA or the Skills Funding Agency;
 - In 2013 to 2014 ISPs will be audited by the EFA under transitional arrangements reflecting high needs pupil reforms;
 - Further education colleges will be subject to audit by the Skills Funding Agency;
 - Sixth form colleges (audits commissioned by the Skills Funding Agency on behalf of the EFA who select the sample);
 - 16-18 funding at academies will be audited if the academy is selected as part of the EFA programme of academy funding audits.
13. For 2013 to 2014 the EFA will select a sample of C&CPs based on factors including:
 - previous funding audit opinions carried out by the EFA or its predecessor agencies;
 - external auditor opinions on financial statements;
 - latest financial health assessment;

- amount of funding received; and
- other information available.

Audit overview

14. Providers will receive written notification (see funding audit programme) of the date the funding audit will commence and other relevant details of the visit. Providers will be required to supply student files and other relevant evidence in time for the auditor's arrival.
15. For each provider subject to a funding audit, a sample of students will be selected for testing. We will select the main sample on a random basis, and will base the sample size on our assessment of the level of risk. The sample will be generated using the provider data self-assessment toolkit (PDSAT) software.

In addition to this, we will analyse the PDSAT reports (which providers are required to run as per their funding agreement) before the visit, and depending on the outcome we may also request a further sample of student files to carry out additional audit work.

Audit objectives

16. The objective of the audit testing is to confirm that the submitted funding claims or returns are not overstated and are supported by adequate documentation held by the provider. Auditors will assess the risk of errors occurring, require providers to correct any errors identified, and make recommendations to improve providers' controls to help prevent such errors from occurring again. Onsite testing of documentary evidence will seek to verify learner existence, eligibility and compliance with requirements from the funding regulations, summarised as:
 - student existence and eligibility;
 - student eligibility for full or part time funding;
 - eligible activities for inclusion in the study programme;
 - student attendance (or achievement);
 - whether the correct learning aim has been accurately recorded as the core learning aim (i.e. there is a clear rationale to demonstrate why the specific learning aim has been identified);
 - whether the student has been provided with relevant information, advice and guidance, an initial assessment, a learning plan and a timetable of activity (if applicable);

- whether any work experience arrangements (if applicable) have been appropriately evidenced; and
- whether the student is being funded at the appropriate rate based on planned attendance;

Discrepancies in the above may lead to a funding error

Audit testing and summary

17. Auditors should provide frequent updates on progress to the provider during the audit visit. On completion of the audit fieldwork, the funding auditors are expected to brief the provider with their initial findings at an exit meeting. This will be followed up with a written summary of audit findings. Providers will have five working days following the issuing of the written audit feedback to respond to the findings and provide additional evidence, if required. Providers can expect the following minimum information to be included within the summary of audit findings;
 - any queries or issues that are still outstanding after the fieldwork stage;
 - any potential corrections that need to be made to the ILR, preferably highlighted via a student number;
 - any control issues highlighted during the fieldwork and associated recommendation;
 - an error schedule detailing the sample value and if applicable, the percentage value of any potential corrections highlighted;
 - details of any further self-testing required of the provider as a result of the error percentage exceeding 5%; and
 - a timetable for any actions to be undertaken.
18. If audit testing errors exceed 5% of the value of the sample (after any additional evidence has been given to the auditor), the provider will be required to undertake a 100% self-check as reflected in the summary of audit findings. Evidence of the work carried out and findings should be submitted to the funding auditors within an agreed timescale.
19. Subject to satisfactory review of the findings, these will be amalgamated with those outstanding from the summary of audit findings. The auditor will confirm if further re-testing is required, either by the provider or a through re-testing visit by the auditors to verify the accuracy of the self-checking. The auditor will include agreed timescales.

Audit reporting

20. We will issue a final audit report providing an opinion on the use of funds, any significant issues highlighted during the assurance visit and, where relevant, details of any ILR adjustments. The final audit report will also be shared with other relevant EFA teams.

Audit Error Treatment

21. Providers must undertake any data adjustments to correct any errors identified within agreed timescales, preferably before the final claim declaration is submitted. The EFA must be satisfied that all data adjustments have been made and may, if necessary, request evidence from the provider that the adjustments have been completed.

Follow-up

22. Depending on the severity of internal controls issues found and/or the level of funding errors, the EFA's external assurance division may be required to carry out a follow-up visit to evaluate the effectiveness of the agreed actions to be taken and/or the provider may be subject to a further funding audit in the subsequent funding year.



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