

## Guidance

# 16 to 19 study programmes audit approach: 2014 to 2015

Updated 14 August 2015

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## Introduction

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1 The Education Funding Agency (EFA) provides funding to academies,

further education (FE) colleges, sixth-form colleges (SFCs), local authorities, specialist post-16 institutions (SPIs), charitable and commercial providers (CCPs) and other providers of education for children and young people in England. EFA is accountable for this funding and therefore carries out a number of assurance activities to ensure the proper use of public funds.

2 This document provides an overview of EFA's approach to undertaking funding audits for study programmes (including traineeships) for young people. It is effective for funding from 1 August 2014.

3 The audit approach set out in paragraphs 10 to 20 of this document applies directly to CCPs. The principles of this approach will also apply to SPIs, academies, local authority schools and college providers. The approach for FE colleges and SFCs is set out in the Skills Funding Agency (SFA) funding audit programmes for colleges.

4 The responsibilities for leading on assurance for different types of providers are set out in the [Joint Audit Code of Practice](#) (JACoP).

## Funding guidance

5 EFA issues [annual funding guidance](#) for 16 to 19 education providers, which sets out the funding methodology. Providers are required to comply with the guidance and follow the core evidential and compliance requirements set out therein. This is the basis of the funding audit approach.

6 Traineeships are funded as part of the post-16 funding methodology. EFAs [funding regulations for traineeships](#) and SFA's [framework for delivery of traineeships](#) are available on GOV.UK.

## Audit scope

7 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, including the condition of funding for maths and English
- to form an opinion on funding claimed by the provider ("use of funds")

8 Auditors completing the study programmes funding audit may also be required to complete a bursary funding and free meals in further education funding audit (if applicable).

9 For sub-contracted provision, auditors will have regard to the required control arrangements set out in the funding guidance.

## Audit approach

### Selecting providers for a funding audit

10 The lead assurer will select a sample from each provider type annually for a funding audit:

- CCPs will be audited by the lead assurer – as with JACoP, this will be either EFA or SFA

- For the 2014 to 2015 academic year, SPIs will be audited by EFA
- Further education colleges will be subject to audit by the SFA
- Sixth-form colleges (audits commissioned by the SFA on behalf of EFA who select the sample)
- 16-18 funding at academies will be audited if the academy is selected as part of EFA's programme
- Local authorities are expected to have their own arrangements in place for audits of maintained schools with sixth forms

11 For the 2014 to 2015 academic year, EFA will select a sample for audit of CCPs based on factors including:

- previous funding audit opinions carried out by EFA or its predecessor agencies
- external auditor opinions on financial statements
- latest financial health assessment
- amount of funding received
- other information available, for example, any intervention and investigation

## **Audit overview**

12 Providers will receive written notification 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.

13 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

14 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
- compliance with the condition of funding for maths and English
- 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
- 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

15 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%
- a timetable for any actions to be undertaken

16 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.

17 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**

18 We will issue a final audit report providing an opinion on the use of funds, any significant financial control 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**

19 Providers must undertake any data adjustments to correct any errors identified within agreed timescales, preferably before the final claim declaration is submitted. 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**

20 Depending on the severity of internal controls issues found and/or the level of funding errors, EFA's risk analysis 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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