

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

**Responses by  
5 February 2001**

**Supplement B  
(2000) to  
Circular 99/43**

**Funding**

**Audit of 1999-2000  
Final Funding Unit Claim  
and of the 1999-2000  
Individualised Student  
Record Data**

**Guidelines for Institutions and their  
External Auditors**

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## Summary of Sources of Guidance

External auditors may obtain copies of the Council's publications from institutions, or direct from the Council's communications team at its Coventry office on 024 7686 3265.

**Funding Guidance 1998-99**, published in December 1997, describes the funding methodology and provides guidance and details of the tariff for the funding methodology for 1998-99, as well as explaining how to apply for funding. It contains details of the audit evidence that institutions are advised to retain in support of funding unit claims.

**Circular 99/01, Tariff 1999-2000**, published in January 1999, has information on some in-year provision for 1998-99 in addition to guidance for 1999-2000. This is the main audit instrument for 1999-2000.

### **Individualised Student Record (ISR)**

**Institution Support Manual 1999-2000** sets out the requirements for the return of ISR data from institutions, including the definitions to be used for each field in the record. It was published in May 1999.

**Circular 94/16** provides guidance, subsequently modified in Circular 94/23, on the auditable evidence required for entry units. **Funding Guidance 1998-99** refers to these circulars in specifying the evidence of the assessment and guidance process which the Council accepts as satisfactory for 1998-99.

**Circular 96/06** describes the arrangements for franchising, which was known as franchised provision at the time of issue.

**Circular 96/23** describes the arrangements for European Social Fund (ESF) projects, with detailed advice about the audit evidence required.

**Circular 96/32** contains supplementary guidance on franchising provision, building on the guidance in Circular 96/06. It particularly includes information on franchising with schools.

**Circular 98/12** provides information on the regional review process and the work of the regional team.

**Circular 98/41** describes the accreditation process. Accurate and timely returns to the Council are a key criterion in the accreditation of colleges.

**Circular 99/01 Tariff 1999-2000.**

**Circular 99/09** provides further information on franchising, including a detailed reference list of all Council publications relating to franchising in annex A.

**Circular 99/10** contains a detailed description of schedule 2, including the evidence required for a course to be considered eligible for funding under schedule 2(d) and 2(j).

**Circular 99/14** describes the arrangements to be considered for college companies, joint ventures and overseas operations.

**Circular 99/16 Funding Applications for Funding for Non-schedule 2 Pilot Projects.**

**Circular 99/37** provides further franchising definitions.

**Circular 99/38 Individual Learning Accounts: FE Sector Pathfinder Projects.**

**Circular 99/43 Audit of 1998-99 Final Funding Unit Claim and of the 1998-99 ISR Data.**

**Circular 99/47 Funding: Monitoring Growth 1998-99.**

**Circular 00/08 Funding Individual Learning Accounts.**

**Circular 00/11 Funding New Arrangements for Adult Learners.**

**Circular 00/16 Funding Monitoring Growth 1999-2000.**

**Youth Credits and FEFC Funding** was published jointly by the Council, the DfEE and the TEC National Council.

**Audit Code Practice** was issued in May 1998.

**Letter from the director of finance dated 30 July 1997** to heads of institutions with further details of the methodology, including the requirement for short courses of nine guided learning hours.

**Letter from the chief executive dated 12 February 1999** about funding allocations for basic skills summer schools.

**Letter from David Melville and the chief executive of HEFCE dated August 1998** to principals of all further education colleges.

**Letter from the chief executive dated 28 August 1998** to principals of all further education colleges.

**Technical Discussion Document no. 16** on feedback on data quality issues.

**Technical Discussion Document no. 17** on widening participation issues.

**Technical Discussion Document no. 18** on basic skills summer schools 1999.

**Technical Discussion Document no. 19** on early information about changes to the specification of the ISR for 1999-2000.

**Technical Discussion Document no. 20** on information about validation rules to be applied to the individualised student record for 1999-2000.

**Technical Discussion Document no. 21** on changed arrangements for recording information in the ISR for some types of students.

**Technical Discussion Document no. 22** on information about the interim tariff for distance learning for 1999-2000, how to record distance learning in the ISR and how the funding program will apply the interim tariff (September 1999).

**Professor Melville's report into the alleged irregularities at Halton College.**

**The National Audit Office report into the alleged irregularities at Halton College.**

**The thirty-seventh report of the Committee of Public Accounts (PAC)** contains details of the colleges most at risk in figure 3, page xviii.

# Self-assessment Checklist

Reference Circular 99/43

Please complete and share with your external auditor. This checklist should then be returned by the external auditor with the audit report to the Council's funding team at the Coventry office by 5 February 2001.

College name \_\_\_\_\_

Contact \_\_\_\_\_

Telephone no. \_\_\_\_\_

## THE FURTHER EDUCATION FUNDING COUNCIL

Cheylesmore House  
 Quinton Road  
 Coventry CV1 2WT  
 Telephone 024 7686 3000  
 Fax 024 7686 3100

	<b>Risk factor</b>	<b>Benchmark</b>	<b>Yes</b>	<b>No</b>	<b>Comments</b>
Guidance for use	Check the relevant box to identify the particular factor. Then check the benchmark column. If this feature of the institution's provision exceeds the benchmark value, then identify this as a risk. The more risk factors identified, the higher the risk to the provision and the more audit checks you and your external auditors should undertake	These benchmarks identify colleges which are in the top 10% of the sector within each factor	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 1	<ul style="list-style-type: none"> <li>A rapid percentage growth in units between 1995-96 and 1998-99</li> </ul>	A growth between these years of more than 75% (measured in units)	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 2	<ul style="list-style-type: none"> <li>The percentage of units franchised to other providers</li> </ul>	More than 15% of the total provision (measured in units)	<input type="checkbox"/>	<input type="checkbox"/>	

<i><b>Risk factor</b></i>	<i><b>Benchmark</b></i>	<i><b>Yes</b></i>	<i><b>No</b></i>	<i><b>Comments</b></i>
Factor 3 • The number of districts (defined as a local authority district) from which the institution recruits	More than 150 districts in total from which the institution recruits	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 4 • The percentage of recruitment from outside the institution's wider recruitment area in terms of student numbers	More than 10% of students are recruited from outside the institution's wider recruitment area	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 5 • The percentage of provision measured in units delivered as one-day courses	More than 10% of units are delivered as one-day courses	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 6 • Any provision delivered via accreditation of prior learning (APL) places this provision in the higher risk category	More than 1% of all units are delivered by APL in 1999-2000 places this provision in the higher risk category	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 7 • The percentage of provision measured in units undertaken via open and distance learning	More than 5% of all units are attributable to this activity	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 8 • Any open and distance learning claimed in loadband 4 or above	5% of students claimed for any DODL is loadband 4 or above	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 9 • The percentage of enrolments on qualifications delivered via loadbanded qualifications	More than 50% of all the enrolments on qualifications delivered by the institutions are loadbanded	<input type="checkbox"/>	<input type="checkbox"/>	

<b>Risk factor</b>	<b>Benchmark</b>	<b>Yes</b>	<b>No</b>	<b>Comments</b>
Factor 10 • The percentage of provision measured in guided learning hours delivered as NVQs	More than 25% of total provision measured in guided learning hours is delivered as NVQs	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 11 • The total number of students with non-English postcodes	More than 100 students with non-English postcodes, that is from Wales, Scotland or Northern Ireland	<input type="checkbox"/>	<input type="checkbox"/>	
Factor 12 • The percentage of direct provision measured in units delivered using facility management or by service level agreements	More than 5% of all units attributable to this activity	<input type="checkbox"/>	<input type="checkbox"/>	
<p><i>Colleges should consider their provision against each of the above factors. The level of risk incurred by the provision should be evaluated as follows:</i></p> <p>6 or more factors = higher risk provision  4 or 5 factors = medium risk provision  0 to 3 factors = lower risk provision.</p>				
<p><b>I confirm that, on the basis of the criteria set out above, the provision made by</b></p> <p>(name of college) is</p>				
risk				
Signature				
Principal/head of institution (please print name)				
Date _____ / _____ / _____				

## Suggested Checklist for Auditors

Before the start of the audit, auditors should enquire of the institution whether it has made a claim for units in any of the following areas:

- a. fee remission;
- b. additional support;
- c. childcare;
- d. loadbanded courses;
- e. schedule 2(d) courses;
- f. students under the age of 16;
- g. provision delivered outside England or for overseas students;
- h. institution staff enrolled on courses;
- i. qualifications with generic or non-specific generic codes;
- j. youth credit or partially funded students, particularly those partially funded by the European Social Fund (ESF);
- k. franchised provision, including work-based provision allocated to loadbands 5 and 6;
- l. school students on link provision, students enrolled on inward collaborative provision, full-cost recovery students or higher education students;
- m. ESOL and EFL students;
- n. qualifications gained by accreditation of prior learning and experience (APL);
- o. students studying NVQs, including those using APL, and/or involving distance learning;
- p. distance or open learning methods;
- q. qualifications which accredit complementary enrichment studies which would normally be considered to be part of a GCE/GCSE programme of 450 or more guided learning hours a year;
- r. distance learning enrolments on qualifications which are not individually listed in the tariff;
- s. students from outside the institution's local recruitment areas;
- t. provision franchised to social services day/residential colleges or hospitals or Ministry of Defence (MOD) establishments;
- u. one-day provision of nine guided learning hours;
- v. the reclassification of franchised provision to direct;
- w. the reclassification of employer-led provision to community-based;
- x. the identification of students for HEFCE funding;
- y. provision delivered via college companies or joint venture companies;
- z. provision delivered via off-site open access information technology centres in partnership with third-party companies.

This list is not designed to be exhaustive, nor a substitute for that included in Circular 99/43 and its supplements. Auditors should always use their professional judgement when deciding on appropriate testing in respect of each institution.



# Management Reports Particularly Relevant to Checks on Student Records

## Reports Available from Version 6.2 and Subsequent Versions of the Funding Program

- import log
- summary of units by category
- qualifications units report detailing all qualifications, student numbers and units by category for the institution
- manual amendments report.

## Reports from Institutions’ Student Record Systems

- course masterfile identifying loadbanded qualification aims, course name and guided learning hours
- summary of withdrawals in year by tri-annual period and comparative withdrawals for the previous year
- list of students aged under 16 enrolled at the institution
- list of 16–18 year-old students on part-time programmes (under 450 guided learning hours a year) studying for Council-funded qualifications.

## Possible Additional Reports

- list of records for students with the same surname and date of birth
- list of students whose learning programmes include one or more generic qualification codes
- list of students whose country of domicile is not England or whose nationality is not that of a country in the European Economic Area (EEA)

- list of students engaged in franchised provision allocated to loadband 4 or 5
- list of full-time students aged 16 to 19 (for external institutions)
- list of students and units claimed against the two funding allocations for basic skills summer schools (autumn 1998) and basic skills schools (spring and summer 1999)
- list of all students and widening participation (WP) factors where the student’s WP factor does not match the WP factor in the Council’s WP factor file (matched by student’s postcode)
- list of students with non-zero WP factors in ISR, with postcodes not found in the above match
- list of students where WP uplift is claimed based on definitions in paragraph 121 (‘Funding Provision for the Homeless’) on page 29 of *Funding Guidance 1998-99*
- list of students on GCE A level qualification aims, studying part-time during the day, and NVQ qualification aims, showing the qualification start and end dates, and highlighting where these do not correspond to the qualification delivery period field (Q27)
- list of students on NVQ qualifications where the qualification delivery period field (Q27) does not correspond to the allowed individual listing values, as shown in the ‘Delivery Period’ field in the qualifications database for 1998-99
- list of all ESF students where the ESF objective does not correspond to the objective for the area in which the student lives.

# Franchising Provision: Control Criteria

1 The following text is reproduced from Circular 96/06 (annex B). In that circular the term ‘college’ is used generically and includes external institutions. It is recognised that references to the college charter, to inspection and to specific committees of the governing body, such as an internal audit committee, may not be wholly appropriate to external institutions. Further definitions of terms used in franchising and clarification of aspects of control are contained in Circular 96/32, Circular 99/09 issued in April 1999, and Circular 99/37 issued in August 1999. Franchising is considered high risk. Institutions should consider the level of provision carefully when completing the self-assessment checklist.

## Entry

### Enrolment

2 Selection and rejection of students shall be at the discretion of the institution, with rights of appeal in accordance with the institution’s charter.

### Initial guidance and assessment

3 Where not undertaken by the institution’s staff, the institution shall specify:

- a framework in which initial guidance and assessment (IGA) should take place
- suitable criteria for staff undertaking IGA
- the monitoring it will undertake, including direct observation of the process, to satisfy itself that IGA has taken place in accordance with its framework and specification.

### Learning agreement

4 The learning agreement shall satisfy the requirements specified in the current Council

guidance. In the case of work-based NVQs, the delivery of the learning programme shall be sufficiently specified to make clear:

- the balance of work-based training and assessment activity and off-the-job training activity
- the estimated guided learning hours to be delivered to achieve the qualification aim.

## On Programme

### Delivery

5 The delivery of the learning programme shall be in accordance with the learning agreement subject to variation agreed by the institution.

6 The institution shall undertake monitoring activities, including direct observation at appropriate intervals, which should:

- be similar to those considered appropriate for external verification or moderation
- be sufficient to ensure student progress can be monitored. ‘Benchmark’ frequencies of visits to satisfy this criterion would have to be established
- gather regular student feedback through periodic visits and, for example, return of self-assessment forms or a telephone conversation.

7 In the main contract between the parties, the institution should identify:

- the tutors who will be responsible for the assessment of each candidate’s competence
- trainers who may undertake the specific sessions referred to above
- any other staff relevant to the delivery of the individual student’s programme.

8 Members of staff to whom students may refer if, for example, they have a concern or grievance of some sort should be specified in the appropriately adapted institution charter.

## Quality assurance

9 The following quality assurance arrangements should apply:

- the institution should be operating quality assurance procedures likely to satisfy the Council's inspectorate that they have at least a balance of strengths and weaknesses
- where the inspectorate has assessed an institution's quality assurance arrangements as having weaknesses which outweigh their strengths (grade 4 or 5), the institution may not enter into new, or extend existing, franchising arrangements until the inspectorate is satisfied that the deficiencies have been remedied.

## Achievement

### Accredited/approved centre

10 The following requirements relate to awarding bodies:

- the awarding body's accredited/approved centre for the primary learning goal qualification(s) shall normally be the institution; this would require institution staff to be the internal verifiers on NVQ programmes. Where another approved centre is used, the institution would have to monitor its activities
- compiling portfolios should be subject to institution specification and monitoring.

## Contract between Institution and Franchisee

11 There shall be a contract signed by the principal of the institution and on behalf of the partner organisation which shall comply at least with the Council's model contract (as amended from time to time) and be in place before any provision is made. Circular 99/37 contains the

latest model contract which should be put in place for 1999-2000.

12 The form of the contract shall be:

- scrutinised in advance of its operation by the institution's internal audit committee approved by the institution's finance committee or governing body.

13 The impact of the contract(s) shall be:

- subject to scrutiny by the institution's finance committee or governing body. This body shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the institution's financial forecast.

(Note: further guidance on the application of this section is set out in paragraphs 22 to 26 of Circular 96.)

## Strategic Plan

14 Where the partnership would represent a significant departure from the institution's strategic plan (see supplement C to this circular for the definition of 'significant departures'), the governing body shall approve the departure and the institution's principal shall seek the views of the appropriate TEC chief executive and inform the Council.

# Calculating Guided Learning Hours for Non-individually Listed Qualifications

1 The minimum threshold for a qualification to be eligible for Council funding is nine guided learning hours for 1998-99. This calculation does not include initial assessment and guidance, breaks for refreshments or pre- or post-course assignments. It may include up to 30 minutes for an examination or test set by an external accrediting body. Further guidance is in annex G of this supplement and in paragraphs 8 to 13 of annex A to *Funding Guidance 1998-99* and paragraphs 11, and 57 to 59 of Circular 99/01.

2 The Council expects the record of the guided learning hours delivered to individual students to reflect the actual provision made, whether or not the provision is delivered according to a regular pattern. Auditors are referred to the definition of guided learning hours in paragraphs 7, 8, 11, 47 and 209 of annex A to *Funding Guidance 1998-99*. They should note that it does not include hours where supervision or assistance is of a general nature and is not specific to the study of a student. Auditors are not asked to make educational judgements on the quality of different forms of guided learning hour. They are asked to assess whether the hours claimed constitute guided learning hours as defined in *Funding Guidance 1998-99*.

## Accreditation of Prior Learning and Experience

3 Accreditation of prior learning and experience (APL) is expected to be a substantial process. Robust evidence of the process leading to APL, for example, a log of student activity, should be sought. Supplement C to Circular 99/43 provides further reference on APL. Where only assessment services are provided by an institution, only the guided learning hours

relating to the assessment process should be claimed, both for individually listed and for loadbanded qualifications.

## Franchised Provision

4 Where an institution is engaged in franchise arrangements for the delivery of work-based programmes, the basis for the number of guided learning hours claimed for non-individually listed qualifications is of particular concern. This is so especially for those involving the delivery of programmes to an employer on the employer's premises, typically for students pursuing programmes leading to NVQs. It is expected that such programmes would usually be at loadband 4 or below.

5 This expectation is based on extensive research commissioned by the Council to investigate examples of franchised provision, and on the findings of the Council's inspectorate during inspections of such provision. In every case subjected to detailed study the number of actual guided learning hours for which Council funding could legitimately be claimed was found to be below 329 a year, that is, loadband 4.

6 The Council expects external auditors to scrutinise carefully claims for loadbanded provision for programmes allocated to loadband 5 or 6, and to complete section 4 of the audit report. In all such cases external auditors should expect the institution to provide satisfactory evidence either:

- that none of the guided learning hours claimed for the provision are delivered in the student's workplace by the employer's staff, or
- that the guided learning hours claimed for the provision, particularly those delivered in the workplace, accord with the Council's guidance.

7 For employed students, auditors will need to be satisfied by the institution that the hours claimed for guidance and supervision in the workplace are distinct from those previously forming part of the student's normal employment. Auditors are not asked to take a

view on the nature or quality of the activity, only on whether the institution can provide evidence to satisfy the auditors that the hours claimed are additional to what the employer previously provided, or would normally expect to provide, as an integral part of the student's employment. Equally, the fact that the guidance and supervision by an employer of a student can now lead to the achievement of a qualification, whereas previously it was directed to the achievement of the skills necessary to accomplish the task, does not justify the classification of such hours, which are not additional to existing activity, as Council-funded guided learning hours.

8 Where a supervisor is delivering provision to a group of students, the Council expects such provision to be scheduled, and the attendance of students on each occasion that the provision is delivered to be recorded. Otherwise, it is expected that the supervisor is delivering guided learning hours to students on a one-to-one basis. Auditors should satisfy themselves that the number of guided learning hours recorded is reasonable, bearing in mind how the supervisor's time is divided between:

- supervision or assistance specific to the study of each student they are responsible for supervising
- general supervision or assistance of these students carrying out their normal work activities
- tasks other than the supervision of individual students.

9 The following hypothetical examples of activities that are not eligible for inclusion as guided learning hours may be of assistance to institutions and auditors:

- training in the use of a till provided to checkout operators by a supermarket
- on-the-job supervision of employees by their supervisor other than where the hours involved are additional to the supervisor's previous oversight.

10 This guidance also relates to provision made in other situations such as residential homes or social services day-care provision. It is expected that, because of the possibility of double-funding with other statutory agencies, such provision is made in exceptional cases only. It is recommended that it is discussed in detail with the regional director before the delivery starts. Robust evidence that the provision is additional to that normally provided to the individual, and that it extends the education and training available to the individual, should be sought.

11 There is no provision in the Council's funding methodology for a notional calculation of the number of guided learning hours. The franchise partner should have identified in its learning agreements the number of guided learning hours to be delivered.

12 Where external auditors require further interpretation of the guidance from the Council on the calculation of guided learning hours, they are invited to contact the Council's funding and statistics support desk on 024 7686 3224.



# One-day Course Provision

## Introduction

1 The percentage of courses delivered as one-day provision is identified as a risk factor for institutions in the self-assessment checklist at annex B above. The Council notified colleges in Circular 99/09, published in April 1999, that it was following up particular concerns about the eligibility of some short programmes, especially those where the minimum of nine guided learning hours are delivered in a single day. One-day course provision has been reviewed in a number of colleges where the individualised student record (ISR) indicated that the college had substantial provision of this type in 1996-97 and 1997-98, or where particular problems had been identified.

2 The survey indicates that in some cases, provision may not have fully met the Council's guidance for funding from four identified concerns:

- a. entry units: no evidence was available of eligible activity to substantiate the claim for entry units;
- b. guided learning hours: the qualification was delivered in fewer than nine guided learning hours, if non-eligible activity such as pre- and/or post-course assignments and lunch breaks were discounted;
- c. awards: students may not have been registered with awarding bodies by some private training providers. In a few instances, there were concerns about the validity of the certification;
- d. onward subcontracting: in some cases, it appears that franchised provision was further contracted by the franchisee to other training organisations or self-employed individuals without a contract of employment.

## Action Required for 1999-2000 Audit

3 All institutions and their external auditors are requested to undertake additional checks on one-day course provision made in 1999-2000, as described in paragraphs 8 to 24 below. The survey indicates a higher risk of ineligible provision where this has been franchised to a private training organisation, particularly where the organisation has multiple franchising contracts with colleges.

4 Where the checks on 1999-2000 courses raise concerns and where the same franchise provider was used in previous years, then external auditors may consider that retrospective checks should be made on the 1998-99 provision. In exceptional circumstances, external auditors may consider it necessary to undertake retrospective checks on provision made in 1997-98. The institution and its external auditors should discuss this with the funding team on 02476 863115 before undertaking further work on 1998-99 and 1997-98 provision if this is the case.

5 Where the institution has previously received an unqualified audit report for 1998-99 or 1997-98, the institution and its external auditors should inform the funding team, as soon as possible, that the claim has been reopened.

## Review of Council Guidance

6 The Council has reviewed the funding guidance for short courses available to institutions since 1993-94. In that year, the minimum length of a course qualifying for Council funding was four weeks or 30 hours. The introduction of the funding methodology in 1994-95 reduced this threshold to the present minimum of nine guided learning hours. The definition of the minimum course length eligible for Council funding has been included in the funding agreement between the Council and the institution each year since April 1993 in addition to guidance issued in circulars.

7 For 1996-97, it appears that a number of institutions have interpreted paragraph 41 of annex A to *How to Apply for Funding 1996-97* to mean that, for individually listed qualifications, there was no minimum threshold of guided learning hours. Although this was not the intention, the Council has decided that, exceptionally, where external auditors conclude that evidence exists that this was the sole reason for an institution's non-compliance with the requirement for a minimum of nine guided learning hours, and the provision was otherwise eligible for Council funding, it will consider the evidence provided and may not claw back funding. If institutions and their external auditors do not consult the Council where this appears to have happened, and it comes to light later, the Council is unlikely to be sympathetic.

8 The Council has concluded that the guidance provided to institutions for 1998-99 and 1999-2000 clarified the position. In particular, the director of finance wrote to heads of all Council-funded institutions on 30 July 1997 to clarify aspects of the funding methodology. This letter included at annex E a statement that programmes of fewer than nine guided learning hours are not eligible for Council funding before 1 May 2000 and are expected to be self-supporting. It stated that this applies to both loadbanded and individually listed qualifications. This guidance is confirmed in paragraph 11 of annex A to *Funding Guidance 1998-99*. From 1 May 2000, institutions should refer to Circular 00/11 *Funding: New Arrangements for Adult Learners* for guidance on the funding available for courses of between 3 and 9 guided learning hours.

### Eligibility of short 6 and 3 hour courses for funding

As set out in Circular 00/11, certain short courses of between 3 and 6 guided learning hours (glh) have been eligible for funding since 1 May 2000. A broader range of these courses are eligible from 1 August 2000.

Short courses in basic skills, ICT and adult learning and employment skills have been eligible from 1 May 2000. These are as follows:

<i>Number of Glh</i>	<i>Basic Skills</i>	<i>IT</i>	<i>Adult Learning and Employment Skills</i>
3 glh	Basic skills taster courses, or specific intensive programmes of tuition to improve particular aspects of literacy or numeracy. It may also include provision of diagnostic assessment services for employers in order to identify the basic skills needs of employees.	Basic computer literacy and related It courses.  The programme of work should be based on identified standards for ICT and the specific ICT target be identified in the student's learning agreement.	Not available.
6 glh	6 hour basic skills courses in schedule 2 (e), (f), (g) or (j).	Not available.	Adult learning and employment skills. These should fall within schedule 2 for the period 1 May 2000-31 July 2000. In all cases, the primary course objective should be progression to further education, training or for employment skills.



In addition to the above, the following types of course are eligible from 1 August 2000:

<i>Number of Glh</i>	<i>Basic Skills</i>	<i>IT</i>	<i>Adult Learning and Employment Skills</i>
6 glh	Non-schedule 2 project basic skills courses.	Non-schedule 2 project IT course.	<p>Non-schedule 2 courses in adult education.</p> <p>Units of schedule 2 qualifications, of a minimum of 6 hours, may also be funded as part of the unitisation project, subject to the rules outlined in Circular 00/11, annex A, paragraph 48 and to the further guidance issued in September 2000.</p>

## Aspects of the Guidance

9 Paragraphs 10 to 26 below provide further details of aspects of Council guidance which may be helpful to institutions and their external auditors in assessing the extent to which their provision meets the Council's guidelines for funding. It is not intended to be comprehensive nor to replace the judgement of external auditors on the appropriateness of the checks to be made.

### Entry element

10 The entry element in the funding methodology is defined in paragraph 20 of annex A to *Funding Guidance 1998-99* and confirms earlier guidance in previous years. It is:

*all activities leading to the enrolment of a student on a learning programme.*

11 The value of entry units to be claimed for short programmes changed in 1998-99. In *How to Apply for Funding* (guidance issued by the Council in 1996-97 and 1997-98) institutions were entitled to claim 4 entry units for learning programmes of 10 or fewer basic on-programme units in total to completion. For 1998-99 institutions were informed that 2 entry units are available for short programmes of between 9 and 20 guided learning hours.

12 Paragraph 28 of annex A to *Funding Guidance 1998-99* confirms guidance in 1996-97 and 1997-98, that entry units should not be claimed where a student has no real choice in the programme followed (for example, where an employer determines the course of study). This may be the case where the programme of study leads to a qualification which is a statutory requirement for the particular industry or employment situation. Entry units should not normally be claimed where a qualification such as the Essential Food Hygiene Certificate or a First Aid qualification is delivered to people employed in the food handling industry, schools, day-care settings or in residential care homes. Here this is required by their employers and is a statutory obligation, and students have had no real choice in the programme followed.

13 Further information about the evidence required to claim entry units is available in paragraphs 20 to 34 of annex A to *Funding Guidance 1998-99*.

### Calculation of guided learning hours

14 Guided learning hours are defined in paragraph 8 of annex A to *Funding Guidance 1998-99* as:

*all times when a member of staff is present to give specific guidance towards the qualification or module being studied on a programme. This includes lectures, tutorials, and supervised study in, for example, open learning centres and learning workshops. It also includes time spent by staff assessing students' achievements, for example, in the assessment of competence for national vocational qualifications (NVQs). It does not include hours where supervision is of a general nature and is not specific to the study of the students.*

This replicates the guidance for 1996-97 and 1997-98.

15 The director of finance wrote to heads of all Council-funded institutions on 30 July 1997 to clarify aspects of the funding methodology. This advice included at annex E a statement that programmes of fewer than nine guided learning hours are not eligible for Council funding and are expected to be self-supporting. It stated that this applies to both loadbanded and individually listed qualifications. This guidance is confirmed in paragraph 11 of annex A to *Funding Guidance 1998-99*.

16 From the information available from the survey of one-day provision, it appears that in a few instances, institutions and their franchise partners are including in the calculation of guided learning hours:

- the activity required to claim entry units
- pre- or post-course assignments
- break and/or lunch times.

The Council has concluded that these activities do not meet the definition of guided learning and should not be included. An allowance of up to 30 minutes may be included for a test to demonstrate competence. This test should be set by the awarding body for the qualification.

### Audit evidence

17 This section clarifies the audit evidence that the Council would expect an institution to retain in order to substantiate the claim for guided learning hours. The audit evidence the Council would expect to be retained in support of the calculation of the number of guided learning hours (glh) delivered may include the following:

- marketing material which clearly states the number of glh, the start and end times of the course
- enrolment forms which specify the number of glh, the start and end times of the course
- registers (college registers should be used) which state the glh, the start and end times of the course
- the programme for the day, clearly stating the start and end times of the course
- the tutor's contract of employment stating the date of the employment and the number of hours.

### Monitoring visits

18 The inspectorate's national survey *Collaborative Provision* (published in February 1998) identified as a weakness of some franchised provision the infrequency of monitoring visits where provision is offered at some distance from the college. The survey indicated that there was insufficient monitoring of the provision by many colleges. Unannounced visits were infrequent and were often for short periods of time, often at the beginning of a session, rarely at the expected finish time. For one-day provision, the Council expects that the evaluation and monitoring of the provision by the institution should include:

- unannounced spot checks at both start and 'twilight time'
- written and/or telephone survey of at least 10% of courses to include a question on start and end times of the course.

19 External auditors should make systematic in-year checks on franchised provision. Institutions are recommended to require external auditors to undertake spot checks unannounced to themselves and their franchised partner. In the case of one-day provision, these visits should include start and twilight time to confirm the number of glh delivered. Some external auditors have also found it valuable to undertake their own written and/or telephone survey of participants.

### Claim for achievement units

19 The funding guidance for 1996-97, 1997-98 and 1998-99 defines the audit evidence for achievement as:

- lists from awarding bodies of successful candidates
- evidence of entry to a relevant programme.

20 There should be documentary evidence that:

- the college is registered as the assessment centre by the external accrediting body
- there is external assessment and monitoring by an external accrediting body
- certification from the external accrediting body is consistent with the details of the course for which it has been awarded.

### Onward subcontracting

21 From the information available, it appears that in a few instances, franchisees have entered into arrangements with self-employed individuals or other private training providers to deliver courses on their behalf. This would not

satisfy the control criteria described in annex C to Circular 96/06.

22 In order to monitor this aspect of the provision, institutions and their external auditors should seek to clarify the employment arrangements franchisees have with tutors and trainers to ensure that, for the period of the course, they are directly employed by the organisation, and the organisation is in complete control of the provision. This would not appear to be the case if the tutor was self-employed and simply invoiced the franchisee for the course after delivery.

23 The provision must meet all other aspects of the control criteria described in annex C to Circular 96/06 and reproduced in annex E of this supplement.

### **Duplicate students**

24 Annex A, paragraph 26, of *Funding Guidance 1998-99* confirms guidance from earlier years that a student who completes a qualification and re-enrols in the same 12-month period to take another qualification should have his or her learning programme revised. No additional entry units should be claimed. Institutions may claim a maximum of eight entry units for each student in any 12-month period. The guidance further states that institutions should not seek to divide programmes artificially in order to increase the numbers of units earned.

25 There are indications from the individualised student record (ISR) that in a few instances, franchised partners have enrolled the same student on a further short course with the same, or a different, institution in the same 12-month period. In other instances, different elements of a student's programme have been claimed from separate institutions during the same 12-month period of study by franchise partners. In some cases, elements of a full-time student's programme fully funded by the Council have also been claimed separately by a franchise partner. These practices lead to an overclaim of entry units and on-programme units and result in either double funding or

disproportionate expenditure, and are not acceptable. Institutions and their external auditors should seek information from their franchise partners about other partnerships with Council-funded institutions which are in place and should implement further checks to ensure that double funding and/or an overclaim of funding has not taken place. Circular 99/09 (paragraphs 38 and 39) describes the action to be taken by the Council and institutions in respect of multiple franchisees. Details of training organisations with multiple franchise contracts are available on the Council's website ([www.fefc.ac.uk](http://www.fefc.ac.uk)).

26 Institutions and their external auditors are invited to contact the funding team on 024 7686 3115 if further guidance is required.

# Comparative National Statistics

1 Comparative national statistics have been prepared for all types of institution other than specialist designated institutions.

## Funding Units

2 The Council has analysed institutions' SR13 (31 December 1998; 1997-98) returns processed through version 5.3 of the funding program. This was to establish normal ranges for the proportions of units in the various funding categories and for the number of units claimed for each full-time equivalent (FTE) student. This information is set out in table 7 of the set of tables that appear at the end of this supplement.

3 The methodology to be adopted by the Council for calculating FTE student numbers is under discussion. It is not, therefore, possible to provide national ranges for funding units per FTE student. In the interim the Council has used the following methodology to calculate an aggregate measure of the estimated student load at the institution from full-time and part-time student numbers:

$$\text{Student load} = \text{full-time students} + (\text{part-time students} \times \text{part-time weighting factor})$$

4 The part-time weighting factors shown in table 1 have been used. They are median values for each institution type and only provide an indicative student load, as the pattern of part-time provision at a particular institution may differ from the norm for the institution's family. A summary of the method used for calculating FTEs is set out in annex F of Circular 99/07. Further details will be published in the autumn.

**Table 1. Part-time weighting factors by institution type**

<i>Institution type</i>	<i>Part-time weighting factor</i>
agriculture and horticulture colleges	0.18
art, design and performing arts colleges	0.23
general further education and tertiary colleges	0.18
sixth form colleges	0.22
higher education institutions	0.13
external institutions	0.12

## Performance Indicators

5 The Council has published performance indicators for colleges derived from audited ISR10 (31 December 1997; 1996-97) returns in *Performance Indicators: Further Education Colleges in England, 1996-97*, in September 1998. These include details of individual institutions and comparative national statistics.

## Interpretation of Statistics in Table 7

6 For each statistic and type of institution shown in table 7, at the end of this supplement, the value of the median and the 90th and 10th percentiles are given.

7 The median is the value of the middle institution when sorted by this statistic. One half of institutions had a value less than or equal to this value. Some 10% of institutions had a value less than or equal to the 10th percentile and 10% of institutions had a value greater than or equal to the 90th percentile.

8 Where an institution is claiming units in proportions that lie at the extremes for their family, institutions and their external auditors are recommended to check the claim carefully, paying particular attention to the factors identified by the institution as causing the claim to be outside the normal range.

9 Reasons why a particular institution may claim units in proportions which lie outside the normal range for its family include, but are not limited to, the following:

- the pattern of course provision may differ from the family norm, as in the case of some tertiary colleges which offer a range of provision closer to that of a sixth form college than that of a general further education college
- the institution may be the main or only provider in the area of specialist provision for students with learning difficulties and/or disabilities, leading to a relatively high proportion of additional support units.

10 Institutions and external auditors will recognise that the fact that an institution is claiming proportions within the normal range for its family does not constitute evidence of the validity of the claim.

# Audit Report on Student Data Returns 1999-2000

## THE FURTHER EDUCATION FUNDING COUNCIL

(Reference Circular 99/43)

**External auditors of colleges, higher education institutions, some specialist designated institutions and external institutions are requested to photocopy, complete and return this form to the Council's funding team at the Coventry office by 5 February 2001.**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3000  
Fax 024 7686 3100

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Name of Council-funded institution in 1999-2000

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FEFC code of institution in 1999-2000

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Name of sponsoring college in 1999-2000\*

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FEFC code of sponsoring college in 1999-2000\*

(\*external institutions only)

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**1  
This section of the audit report should be completed by external auditors for all institutions.**

### **The Statement of Responsibilities and the Basis of the Opinion Apply to all Sections of the Audit Report**

#### **Statement of responsibilities**

The principal or equivalent of an institution certifies that the funding units claimed have been calculated from data correctly extracted from the institution's records, which accurately reflect enrolments during 1999-2000, in accordance with the guidance and definitions set out in *Funding Guidance 1998-99* and other relevant guidance. The external auditor's responsibility is to form an independent opinion, based on our audit of the funding claim, and to report our opinion.

#### **Basis of our opinion**

We conducted our audit in accordance with relevant auditing standards issued by the Auditing Practices Board, and with the guidelines for institutions and their external auditors set out in Circular 99/43 and its supplements. An audit includes examination on a sample test basis of evidence relevant to the funding unit claim returned by the college to the Council, and of the individualised student record (ISR19) which supports it. We planned and performed our audit in order to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the funding unit claim is free from material misstatement, whether caused by fraud or other irregularity or error.



**Risk of provision**

*Delete one of subparagraphs (a) or (b) below:*

In accordance with Circular 99/43 and the self-assessment checklist at annex B of supplement B (2000) to that circular completed by the college and signed by the principal on \_\_ (date)\_\_\_\_\_, the college has assessed its provision as \_\_\_\_\_ risk;

- a. Nothing has come to our attention during the audit which gives us cause to question the college's self-assessment;
- b. \*We disagree with the college's self-assessment for the reasons set out in the management letter. Our assessment of the provision is that, in accordance with Circular 99/43 and the self-assessment checklist at annex B of supplement B (2000) to that circular, it is \_\_\_\_\_ risk.

We have examined the entries in the attached claim for funding units, form FINAL CLAIM 2000 and form FINAL DIFF 2000, returned by the above institution, and the individualised student record ISR19 (31 December 2000; 1999-2000) return which supports it, and have carried out a programme of tests on a sample basis that includes those specified in the Further Education Funding Council's guidelines for institutions and their external auditors, Circular 99/43 and its supplements.

*Delete all but one of subparagraphs (c) to (g) below:*

- c. We have no comments on the audit, and . . .
- d. Subject to the amendments shown in red on the attached copies of returns and/or printouts of ISR records, . . .
- e. \*Subject to the comments in the attached report dated. \_\_\_/\_\_\_/\_\_\_, . . .
- f. \*Subject to the amendments shown in red on the attached copies of returns and/or printouts of ISR records, and subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_, . . .
- g. \*As explained in the attached report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that . . .

. . . in our opinion in all material respects the institution's ISR19 return is properly compiled in accordance with relevant guidance issued by the Council and in particular have been properly extracted from the records of the institution, and the institution's final claim for funding units for 1999-2000 is consistent with the ISR19 return and has been properly compiled in accordance with relevant guidance issued by the Council. The relevant guidance is specified in Circular 99/43 and its supplements.



2  
**For all institutions, the external auditors should delete either subparagraph (a) or subparagraph (b). Where subparagraph (b) is deleted, external auditors are asked to go straight to section 4 of the audit report.**

- a. The institution did not deliver any franchised provision during 1999-2000, or
- b. We have examined the institution's arrangements for franchising in 1999-2000 and have carried out a programme of tests on a sample test basis that includes those specified in the Council's guidelines for auditors, supplement A to Circular 99/43;

*Delete either subparagraph (c) or (d), whichever does not apply:*

- c. We were present at some of the institution's systematic visits to check outward franchising provision during 1999-2000, as set out in paragraph 39 of supplement A to Circular 99/43, or
- d. \*For the reasons set out in the attached report dated \_\_\_/\_\_\_/\_\_\_ we were not present at some of the institution's systematic visits to check franchised provision during 1999-2000.

*Delete all but one of subparagraphs (e) to (g) below:*

- e. We have no comments on the audit, and . . .
- f. \*Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_, . . .
- g. \*As explained in the attached report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that . . .

. . . in our opinion the institution had in place arrangements for its franchising that fully satisfied the Council's control criteria set out in annex B to Circular 96/06 and supplementary guidance in Circular 96/32.

In particular, in forming our opinion we have obtained reasonable assurance that:

- i. the institution had contracts in place for each franchised agreement that were at least as comprehensive as the model in Circular 96/06, and
- ii. the institution had adequate evidence that arrangements extended provision and did not lead to double funding or the displacement of existing funding, and
- iii. systematic checks on the provision by the institution's management conformed with the guidance in table 1, in-year checks on franchised provision by institutions and auditors, of supplement B to Circular 99/43, and
- iv. no Council funding had been transferred from institutions to employers, including via third parties, as part of a franchise arrangement to provide education and training to their employees, and
- v. where secondment arrangements had been made, appropriate legal advice had been obtained and sufficient evidence is available that a contract as described in Circular 96/06 was not required and the provision was fully in the college's control.

**3**  
**This section should be completed by external auditors for all institutions which have delivered any franchising provision during 1999-2000 which has been allocated to loadbands 5 and 6.**

We have examined the institution's franchising provision allocated to loadbands 5 and 6 and the operation of the institution's systems for ensuring that guided learning hours have been correctly calculated and the appropriate loadband determined for these programmes. We have carried out the tests on a sample basis referred to in paragraphs 36 to 42 of supplement A to Circular 99/43 and in table 1, in-year checks on franchised provision by institutions and auditors, of supplement B to Circular 99/43, including in particular, where work-based programmes are offered, checks that all guided learning hours claimed for work-based programmes are additional to that previously provided by the employer, or that the employer would normally expect to provide, as an integral part of the student's employment.

*Delete all but one of subparagraphs (a) to (c) below:*

- a. We have no comments on the audit; and . . .
  - b. \*Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_ . . .
  - c. \*As explained in the report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that . . .
- . . . in our opinion the guided learning hours for franchising programmes in loadbands 5 and 6 have been correctly calculated in accordance with the Council's guidance.

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**4**  
**This section should be completed by external auditors for all institutions which have delivered provision in respect of the additional funds listed.**

We have examined the institution's claim for additional funds for (i) adult growth, (ii) 16-18 growth, (iii) new arrangements for adult learners (as defined in Circular 30/11), (iv) any other specific grants claimed through the ISR.

*Delete all but one of subparagraphs (a) to (c) below:*

- a. We have no comments on the audit, and . . .
- b. \*Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_ . . .
- c. \*As explained in the report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that . . .

. . . in our opinion the claim(s) have been **made in** accordance with the Council's guidance.

Supplement B (2000)

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**5**  
**This section should be completed by external auditors for all institutions that have been part of a learning hub in receipt of Council funds through a recipient college. For 1999-2000 these will either be FE pathfinder projects or Ufl provision. Auditors should be aware that some colleges may have provision in both categories and some in neither.**

Please complete or delete the appropriate sub-paragraphs below.

For Council funded learning centres forming part of Council funded learning hubs

- a. We have no comments on the audit, and . . .
- b. Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_,
- c. As explained in the report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that

we have carried out the audit work set out in Supplement E to Circular 99/43 and in our opinion the claim has been properly compiled in accordance with this guidance.

For recipient colleges in receipt of direct Council funding on behalf of their learning hubs

- d. We have no comments on the audit, and . . .
- e. Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_,
- f. As explained in the report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that

we have carried out the audit work set out in Supplement E to Circular 99/43 and in our opinion the claim has been properly compiled in accordance with this guidance.

**6**  
**This section must be completed by all auditors.**

Signature

Audit firm (*please print*)

Date

Contact name (*please print*)

Contact telephone no.

*Note: Auditors proposing to qualify their report by selecting any of the subparagraphs marked \* above should contact the funding team on 024 7686 3224 or, for LEA maintained institutions, the Audit Commission, as set out in paragraph 105 of supplement A to Circular 99/43.*

Attachments	<input type="checkbox"/>	<input type="checkbox"/>	Copy of form FINAL CLAIM 2000
	<input type="checkbox"/>	<input type="checkbox"/>	Copy of form FINAL DIFF 2000
	<input type="checkbox"/>	<input type="checkbox"/>	Copy of ISR17 or ISR19 summary sheet signed on behalf of the institution (not HE institutions and some specialist designated institutions)
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	Copy of management letter

*Please ensure that any amendments to forms, where made by the auditor, are written by hand in red ink on the attached copies. Please ensure that all of the above documents are returned (including nil returns where applicable) and that any amendments to forms, where made by the auditor, are written by hand in red ink on the attached copies.*

	Yes	No	
Management letter	<input type="checkbox"/>	<input type="checkbox"/>	issues relevant to this report are included in the management letter on the financial statements
	<input type="checkbox"/>	<input type="checkbox"/>	issues relevant to this report are included in a separate management letter and attached to this report
	<input type="checkbox"/>	<input type="checkbox"/>	a separate management letter will follow this report

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# Audit Reports for Specialist Designated Institutions

1 The following seven specialist designated institutions make ISR returns to the Council and should request their external auditors to complete an audit report on the form at annex I to this supplement in the same way as for sector colleges:

- Cordwainers College
- Morley College
- The Marine Society College of the Sea
- The Mary Ward Centre
- Workers' Educational Association
- The Working Men's College
- The City Literary Institute.

2 The following six specialist designated institutions provide an aggregate return to the Council detailing the number of enrolments in 1999-2000:

- Fircroft College of Adult Education
- Hillcroft College
- The Cooperative College
- Plater College
- Northern College for Residential Adult Education
- Ruskin College.

3 Their return records numbers of students in each of the following six categories and should be accompanied by the completed audit report in the appendix of this annex, as set out below:

- full-time 30 weeks plus
- part-time 30 weeks plus
- full-time 5-29 weeks
- part-time 5-29 weeks
- full-time 0-4 weeks
- part-time 0-4 weeks.

4 Hilderstone College makes no student number return to the Council and need not return either of the audit reports at annex I or the appendix to this annex.

# Audit Report on Student Data Returns 1999-2000

(Reference Circular 99/43)

External auditors of specialist designated institutions are requested to photocopy, complete and return this form to the Council's funding team at the Coventry office by 5 February 2001.

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3000  
Fax 024 7686 3100

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Name of specialist designated institution in 1999-2000

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FEFC code of institution in 1999-2000

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**1  
This section of the  
audit report should  
be completed by  
external auditors  
for all institutions.**

## **The Statement of Responsibilities and the Basis of the Opinion Apply to all Sections of the Audit Report**

### **Statement of responsibilities**

The principal or equivalent of the institution certifies that the funding units claimed have been calculated from data correctly extracted from the institution's records, which accurately reflect enrolments during 1999-2000, in accordance with the guidance and definitions set out in *How to Apply for Funding 1998-99* and other relevant guidance. The external auditor's responsibility is to form an independent opinion, based on our audit of the funding claim and to report our opinion.

### **Basis of our opinion**

We conducted our audit in accordance with relevant auditing standards issued by the Auditing Practices Board, and with the guidelines for institutions and their external auditors set out in Circular 99/43 and its supplements. An audit includes examination on a sample test basis of evidence relevant to the funding unit claim returned by the college to the Council, and of the individualised student record (ISR19) which supports it. We planned and performed our audit in order to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the funding unit claim is free from material misstatement, whether caused by fraud or other irregularity or error.

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### **Risk of provision**

*Delete one of subparagraphs (a) or (b) below:*

In accordance with Circular 99/43 and the self-assessment checklist at annex B of supplement B to that circular completed by the college and signed by the principal on \_\_ (date)\_\_\_\_\_, the college has assessed its provision as \_\_\_\_\_ risk;

- a. Nothing has come to our attention during the audit which gives us cause to question the college's self-assessment;

- b. \*We disagree with the college's self-assessment for the reasons set out in the management letter. Our assessment of the provision is that, in accordance with Circular 99/43 and the self-assessment checklist at annex B of supplement B to that circular, it is \_\_\_\_\_ risk.

We have examined the entries in the attached return of student numbers for the teaching year 1999-2000 made by the above institution, and the institution's student records that support it, and have carried out a programme of tests that includes those relevant to points 1 to 7 of table 3 and to points 5, 7, 10, 20, 21, 22, 23 and 24 in table 5 of supplement B to Circular 99/43.

*Delete all but one of subparagraphs (a) to (e) below:*

- a. We have no comments on the audit, and . . .
- b. Subject to the amendments shown in red on the attached copies of the student number return, . . .
- c. \*Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_, . . .
- d. \*Subject to the amendments shown in red on the attached copies of the student number return, and to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_, . . .
- e. \*As explained in the attached report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that . . .

. . . in our opinion the institution's student number return is properly compiled in accordance with relevant guidance issued by the Council and properly extracted from the records of the institution. The relevant guidance is specified in supplement B to Circular 99/43.

## 2

**This section should be completed by external auditors for all institutions which have delivered provision in respect of the additional funds listed.**

### **Declaration to be completed by the external auditor**

We have examined the institution's claim for additional funds for (*please delete those not applicable*):

- (i) We have examined the institution's claim for additional funds for (i) adult growth, (ii) 16–18 growth, (iii) new arrangements for adult learners (as defined in Circular 00/11), (iv) any other specific grants claimed through the ISR.

*Delete all but one of subparagraphs (a) to (c) below:*

- a. We have no comments on the audit, and . . .
- b. \*Subject to the comments in the attached report dated \_\_\_/\_\_\_/\_\_\_, . . .
- c. \*As explained in the report dated \_\_\_/\_\_\_/\_\_\_, we cannot confirm that

. . . in our opinion the claim(s) have been properly compiled in accordance with the Council's guidance and in particular have been properly extracted from the records of the institution.

Signature

Audit firm (please print)

Date

Contact name (please print)

Contact telephone no.

*Note: Auditors proposing to qualify their report by selecting any of the subparagraphs marked \* above should contact the funding team (audit) by letter or fax on 024 7686 3112.*

	Yes	No	To follow
Attachments	<input type="checkbox"/>	<input type="checkbox"/>	Original of form FINAL CLAIM 2000
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> Original of form FINAL DIFF 2000
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> Copy of ISR17 or ISR summary sheet signed on behalf of the institution (not HE institutions and some specialist designated institutions)

*Please ensure that all of the above documents are returned (including nil returns where applicable) and that any amendments to forms, where made by the auditor, are written by hand in red ink on the attached copies.*

	Yes	No	To follow
Management letter	<input type="checkbox"/>	<input type="checkbox"/>	Issues relevant to this report are included in the management letter on the financial statements
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> Issues relevant to this report are included in a separate management letter and attached to this report
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> A separate management letter will follow this report

**Note for Information**

Where an audit report is likely to be delayed beyond 5/2/2001, a letter from the external auditor is required, explaining the reasons for the delay, an action plan to address any difficulties causing the delay and the date the audit report will be returned (see Circular 99/43, page 8, paragraph 38). Institutions and their external auditors are reminded that audit reports are to be returned to the Council's Coventry office.



**Table 1. In-year checks on franchised provision by institutions and auditors**

<b>Key elements of the Council's expectations of institutions' in-year checks of franchised provision</b>	
<b>Element</b>	<b>Notes</b>
<b>1</b>	<p>All franchising provision should be subject to systematic checks by the institution's management and external auditors.</p> <p>The checks should be carried out regularly where the provision is delivered on a regular basis. In other cases the scheduled checks should take account of the pattern of provision so that they are applied to a significant proportion of students.</p>
<b>2</b>	<p>Systematic checks should involve making unannounced visits to a sample of sites off the institution's main premises.</p> <p>Some external auditors have requested further clarification of this requirement. This means visiting without notice. It is suggested that at least some of these visits are unannounced to the institution and to the franchisee. If there are sensitivities, for instance to observe work-based training in a care home, then perhaps a courtesy telephone call just before arrival would be helpful. Franchisees should be informed of the necessity of this type of visit before the contract is signed. The times should vary, for instance, when monitoring one-day provision or short courses, unannounced visits should be undertaken at the expected start of the programme and during 'twilight' time. Institutions and their auditors should ensure that they meet and interview a sample of students and staff. Students should be asked to name the college they are enrolled at, and should also be asked if they are at the same time, or have been recently, a student at another college or Council-funded institution. Other evidence sought should include marketing material, copies of registers, learning agreements, registration documents for awarding bodies, visit notes from external moderators, and evidence of certification.</p>
<b>3</b>	<p>Systematic checks should be used to confirm that the provision exists and is consistent with the institution's expectations and the franchisee's records.</p> <p>The number and characteristics of students should accord with the institution's expectations and the franchisee's records. For example any obvious mismatch between the apparent and expected age of the students should be investigated. These checks are relevant to all forms of franchise provision.</p>

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***Examples of other issues arising from the control criteria where audit work may be facilitated by work in-year***

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<b>4</b>	<p>Guided learning hours (glh) should have been calculated correctly in accordance with the Council's guidance, and the appropriate loadband determined.</p>	<p>This is especially important in the case of work-based provision allocated to loadbands 5 and 6, particularly where the qualification aim is an NVQ. Guidance on the calculation of glh is contained in annex F to this supplement.</p> <p>The Council would not expect that institutions are claiming loadbands 5 and 6 for people who are employed full-time or are in the full- or part-time care of another statutory funding body, for instance, social services, or the health authority. Institutions making such provision are requested to contact the regional director.</p> <p>In addition, auditors should ensure that checks are undertaken on the glh for distance learning, programmes delivered by the accreditation of prior learning (APL), and one-day provision.</p>
<b>5</b>	<p>The institution should undertake monitoring activities at appropriate intervals including direct observation of initial guidance and assessment and of the delivery of provision. Monitoring activities should include checks on the eligibility of provision in addition to the quality of the learning experience.</p>	<p>Monitoring activities should be similar to those considered appropriate for external verification or moderation, sufficient to ensure student progress can be monitored, and used to gather regular student feedback.</p>
<b>6</b>	<p>Franchise partners should not sub-contract the delivery of Council-funded provision to other organisations or self-employed individuals without the express approval of the Council.</p>	<p>The Council-funded institution should be able to demonstrate complete control of the provision if it is to be considered eligible for funding. If the trainers normally sell their services as self-employed contractors the partner organisation must create an employment relationship with them. Evidence of such an employment relationship would include a statement of terms of employment and evidence of taxation under PAYE.</p> <p>This would not include members of a national body who were licensed to carry out training, unless they are directly employed by the partner organisation. See Circulars 99/09 and 99/37 for definitions.</p>

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***Examples of other issues arising from the control criteria where audit work may be facilitated by work in-year***

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7	<p>Council funding for franchised provision should not have displaced other funding, reduced the franchisee's contribution to the training and development of its staff or been used to reduce the franchisee's training budget or resources designated for training purposes.</p>	<p>The Council expects that institutions will have statements signed by a senior member of the franchise partner's staff that they have not reduced their actual or planned funding, except in cases where it is clear that no resources had been devoted to the relevant type of training in the past, and where no resources would have been devoted (but for the franchise arrangement) in the future. Such statements are not included in the model contract in Circular 96/06. Evidence to be sought to test this statement might include extended or new contracts for staff to work specifically with the identified students on the particular qualification aim. The accreditation of pre-existing activity would not in itself constitute additionality, nor would the availability of additional resources, for example, the production of new training materials such as a video. The Council would not expect to fund provision that is the responsibility of another publicly funded body. Institutions and their auditors should consult the Council's helpdesk on 02476 863224 if they wish to claim franchised provision in social services day centres, residential homes, hospitals, the probation service or Ministry of Defence establishments.</p>
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**Table 2. Areas of audit work that can be completed in advance of the ISR16 return**

<i>Area of work</i>	<i>Supplementary notes</i>
<b>1</b> Review relevant internal audit work.	In accordance with standard audit practice, a review is likely to be considered essential where the external auditor intends to place reliance on this work.
<b>2</b> Evaluate the institution’s management controls in respect of all student record systems and franchise provision. This is likely to include the following:	Internal controls associated with the preparation and checking of ISR returns and the funding unit claim should include, but are not limited to, those listed in the checklist at table 4 of this supplement.
2.1 Identification of any relevant internal audit or other reviews since the last external audit so that they can be taken into account.	In assessing the work completed by internal audit or other third parties external auditors will need to consider the extent to which any relevant issues raised have been addressed.
2.2 Checks that the processes for compiling the institution’s ISR returns and funding unit claims are documented and adequate.	Changes to the processes since the last external audit will need to be identified and taken into account.
2.3 Evaluation of the effectiveness of controls over the preparation and review by management of returns, and the processing of data by the system.	Changes to the processes since the last external audit will need to be identified and taken into account.
2.4 Compliance tests on the operation of relevant controls, where external auditors propose to rely on them.	

<i>Area of work</i>	<i>Supplementary notes</i>
<p><b>3</b> Carry out a programme of substantive testing of the ISR data to confirm that the ISR returns have been properly compiled in accordance with the Council's guidance, properly extracted from the records of the institution and that individual records are consistent with the source documentation held by the institution. This has the following two main components:</p> <p>3.1 Checks for consistency between ISR records and the institution's audit trail of other records. Auditors will need to confirm that the institution has adequate evidence that students recorded on the ISR and for whom funding units are claimed were enrolled at the institution for the recorded period, attended the recorded learning programmes, received the recorded fee remission, childcare and/or additional support and obtained the recorded achievements. Details of specific areas in which the Council is concerned to ensure the accuracy of institutions' ISR returns are set out in table 4.</p> <p>3.2 Checks on the eligibility for Council funding of students and their learning programmes, and checks that the ISR data about the correctly reflect the application of the funding methodology. Details of specific areas in which the Council is concerned to ensure the eligibility for Council funding of recorded provision are set out in table 3 below.</p>	<p>In planning their audit programme auditors should take account of their assessment of the system and the results of compliance testing, where appropriate.</p> <p>Auditors will need to judge how many records to include in the sample for substantive tests, taking account of their materiality to the institution's funding. A higher level of materiality may be appropriate with student data such as addresses which may have no funding unit effect. However auditors should note that, with the exception of external institutions, all students enrolled, whether funded by the Council or not, contribute to statistics which are used by the Department for Education and Employment to determine the size of the sector. Postcodes are also relevant to eligibility issues relating to students' residence.</p> <p>The sample of student records used is expected to be representative of the institution's provision as a whole. However, external auditors' attention is drawn to the areas listed in tables 2, 3 and 4 on which they would be expected to place particular emphasis in their testing.</p> <p>Where errors are detected, they should be brought to the attention of the institution. They should also be reported either in the management letter and, if material, reflected in the audit report. Circular describes the Council's expectations of management letters.</p>

<i>Area of work</i>	<i>Supplementary notes</i>
<p><b>4</b> Validate the funding units claimed by the institution, derived from the ISR return using the funding program. The following are examples of checks that are likely to be needed to complete this:</p>	<p>Claims for fund units should be based on the units generated by the funding program from the institution's ISR return. All differences between the claim for funding units and the number generated from the ISR return should be recorded and subject to audit checks. Differences which relate to inaccuracies in the ISR16 return should be eliminated by the institution making a revised ISR16 return to the Council. Auditor's should check that all necessary manual adjustments material to the accuracy of the claim have been made. Further guidance on the manual adjustments to be made will be provided to institutions and their external auditors in autumn 2000.</p>
<p>4.1 The claim must be based on version 7.2 of the funding program using version 13.3 of the qualification aims database.</p>	
<p>4.2 All manual adjustments claimed by the institution should either be included on the list published by the Council or have been specifically accepted in writing as valid by the Council and should be of an appropriate magnitude.</p>	<p>Guidance on the application of manual adjustments to final funding claims, including a list of manual adjustments that institutions may wish to make to the number of units generated by the funding program, will be provided to institutions and their auditors in autumn 2000.</p>
<p>4.3 All manual adjustments leading to a significant reduction in institutions' claims should have been made.</p>	<p>See above. External auditors should confirm that the institution has not knowingly failed to make adjustments reducing their claim, that could in aggregate be significant.</p>
<p>4.4 The proportion of funding units claimed in the various categories should be credible.</p>	<p>Guidance on the distribution of funding units between the various categories is attached at table 7 to this supplement.</p>
<p>4.5 The higher rate of entry units should not be claimed for students studying English as a foreign language (EFL).</p>	<p>It may be claimed for students studying English for whom English is not the language spoken at home, known as English for speakers of other languages (ESOL) students.</p>

<i>Area of work</i>	<i>Supplementary notes</i>
4.6 Institutions should only claim the higher rate for achievement units contributing to national targets where the higher rate is appropriate.	Further information is given in paragraphs 182 to 185 of annex A to the 1998-99 funding guidance, and paragraphs 226 to 231 of Circular 99/01. Institutions should not be claiming achievement units systematically at the higher rate where the lower rate is appropriate.
4.7 Entry units should normally only be claimed in the first year that the student attends the institution. Different parts of a student's programme should not be franchised to separate institutions.	Institutions should not seek to divide programmes artificially in order to increase the number of units earned. Institutions may claim a maximum of eight entry units for each student in any 12-month period.
Entry units should not be claimed where a student has no real choice in the programme followed or where no evidence is available of assessment and guidance in addition to the claim for guided learning hours.	Further information is provided in paragraphs 20 to 34 of annex A to <i>Funding Guidance 1998-99</i> and paragraphs 20 to 36 of Circular 99/01. See also annex G to this supplement.
5 Where institutions have delivered franchised provision in 1999-2000, auditors must satisfy themselves that each institution's arrangements satisfy the Council's control criteria. Checks made on institutions' arrangements will need to include confirmation of the aspects described in paragraph 39 of supplement A.	Franchised provision refers to the situation where the institution arranges with another organisation to deliver provision on its behalf. In general this will correspond to situations in which the individuals delivering the provision are not directly employed by the institution.  The control criteria for franchised provision are set out in Circular 96/06 and are reproduced at annex E to this supplement. Supplementary guidance on franchised provision is set out in Circular 96/32. Further information on definitions is contained in Circular 99/09 and Circular 99/37.  Whilst welcoming franchised provision where participation is widened and students have benefited, the Council wishes to ensure in particular that institutions exercise proper control over the provision and that such arrangements do extend provision and do not lead to double funding or the displacement of existing funding.



<i>Area of work</i>	<i>Supplementary Notes</i>
<p>5.1 Each student should have a learning agreement, signed by the student and on behalf of the institution, which accords with the Council's guidance on initial guidance and counselling and with the terms of the institution's franchise contract.</p>	<p>The institution should have specified a framework in which initial guidance and assessment would take place and should have specified suitable criteria for staff undertaking initial guidance and assessment.</p> <p>In the case of work-based NVQs, the delivery of the learning programme should be sufficiently specified in the learning agreement to make clear the balance of work-based activity and training activity, and the planned number of guided learning hours to be delivered to achieve the qualification aim.</p>
<p>5.2 Where the programme is delivered wholly or partly by a process of accreditation of prior learning (APL), appropriate evidence of the process leading to the APL must be present, module delivery data sets must be returned and the appropriate number of on-programme units should be claimed.</p>	<p>Institutions must include module delivery data sets with their 1999-2000 ISR returns where student learning programmes involve APL. These should record the guided learning hours directly attributed to the APL in separate modules from those for other learning activities associated with the qualification. This must be a robust activity for which appropriate evidence has been retained, that is, a student log of activity.</p>
<p>5.3 Provision must be eligible for Council funding. In particular it must fulfil the criteria for schedule 2 and take place in England.</p>	<p>Specific areas in which the Council is concerned to ensure the eligibility for Council funding of provision are listed in table 5.</p> <p>The application of the 'water's edge' principle to the Council's duty to secure further education provision for the population of England is referred to at point 20 of table 5 below.</p> <p>See Circular 99/10 for schedule 2.</p>
<p>5.4 Institutions must be satisfied that data returns from franchisees are made in an accurate and timely manner, and that they are supported by the appropriate auditable evidence.</p>	



<i>Area of work</i>	<i>Supplementary notes</i>
5.5 Guided learning hours (glh) should have been correctly calculated and the appropriate loadband determined.	<p>Checks on work-based programmes are especially important, particularly where they have been allocated to loadbands 5 and 6.</p> <p>In addition, auditors should ensure that checks are undertaken on the glh for distance learning, programmes delivered by the accreditation of prior learning (APL) and one-day provision.</p> <p>Guidance on the calculation of glh is contained in annex F.</p> <p>Guidance on in-year audit checks is set out in table 1 above.</p>
5.6 The institution should have ensured that franchise partners do not subcontract any of the provision.	<p>Provision should be made by staff directly employed by the franchise partner. In the case of volunteers, the control must be 'as if they were employed'. See point 6 in table 1 above and Circulars 99/09 and 99/37 for definitions.</p>
5.7 Institutions must have made systematic checks on all franchised provision.	<p>The main elements of the Council's expectations of institutions' systematic checks are listed in table 1 above.</p> <p>Monitoring of provision should include direct observation of the initial guidance and assessment process and direct observation, at appropriate intervals, of the delivery of the learning programmes, as specified in the control criteria attached at annex E.</p>

<i>Area of work</i>	<i>Supplementary notes</i>
<p>5.8 Institutions must have made appropriate arrangements for the quality assurance of franchised provision.</p>	<p>The institution should normally be the centre approved by the awarding body for the qualifications being offered by means of franchised provision. Where this is not the case, the institution should be able to demonstrate to its auditors that it is monitoring the activities of the approved centre, in particular its relationship with the awarding body, and that it is exercising control over the quality of provision.</p> <p>Where the institution is making franchised provision in curriculum areas not normally provided by the institution, it should be able to demonstrate that it can exercise effective control over the provision. The Council expects that the institution would employ a person with appropriate expertise in the curriculum area, who could provide advice on franchise arrangements and undertake the necessary checks on the operation of the arrangements, including monitoring of the quality of provision.</p> <p>Where the institution has joint approved centre status with their franchise partner, all aspects of student assessment should be carried out in accordance with directions given by the institution.</p>
<p>5.9 For each franchise arrangement a contract at least as comprehensive as the model in Circular 96/06 must have been put in place before the commencement of the provision.</p>	<p>The control criteria require that governing bodies will approve a generic contract for franchise provision. They may then delegate to the principal the responsibility for ensuring that adequate scrutiny of individual contracts is undertaken. From August 1999 the contract must be that printed in Circular 99/37.</p>

<i>Area of concern</i>	<i>Supplementary notes</i>
<p>5.10 The institution should have a written agreement, retained as auditable evidence, which confirms that the Council's funding has not displaced other funds and that there is no duplication of funding from another source for the provision.</p>	<p>This would be in addition to the model contract and should provide confirmation that the Council's funding has not displaced other public funds, has not been used to reduce the franchisee's contributions to the training and development of its staff and has not been used to reduce the franchisee's training budget or resources designated for training purposes.</p> <p>For further guidance see table 1, point 4 and point 7, above.</p>
<p>5.11 Where the amount and nature of the franchise represents a significant departure from a college's strategic plans, the appropriate TEC chief executive should have been consulted and the governing body should have approved the departure.</p>	<p>Where the franchisee is providing courses which are part-funded by the Council, the course fees charged to students should reflect the contribution made by the Council towards the cost of the courses.</p> <p>Significant departures from the strategic plan are defined as those which may have significant implications for adequacy and sufficiency. See 'significant departures' in the glossary at supplement C to this circular for examples.</p> <p>Consultation with the local TEC is not necessary in the case of external institutions.</p>

<i>Area of work</i>	<i>Supplementary notes</i>
<p>5.12 Where the franchise partner is another Council-funded institution, the institution should have evidence that the Council has agreed to fund provision delivered through the particular franchise arrangement.</p>	<p>The funding agreement with higher education institutions specifically prohibits them from delivering their Council-funded provision by means of a franchise agreement with other Council-funded institutions of any type. In Circular 96/32 the Council extended this restriction to all other Council-funded institutions. Funding Guidance 1998-99, paragraph 39, explains that the withdrawal of DLE reduces the scope for institutions to 'trade' units and to incur disproportionate expenditure. In addition, the secretary of state has encouraged institutions to promote more collaborative activity. Institutions were asked to discuss with the appropriate regional director any plans for partnership activity that might involve the transfer of units between institutions receiving funding from the Council. Auditors should expect such institutions to be able to provide documentary evidence that the Council has specifically agreed to any such development.</p> <p>This restriction does not apply to situations in which the core funding and core units of an external institution, formerly funded by the Council through a sponsorship arrangement, are combined with those of a college. In such cases the external institution ceases to be a Council-funded institution and becomes a franchise partner of the college which is subject to the control criteria set out in Circular 96/06.</p> <p>Details of the Council's guidance on franchise arrangements between Council-funded institutions are set out in paragraphs 32 to 38 of Circular 96/32.</p>

<i>Area of work</i>	<i>Supplementary notes</i>
<p>5.13 Where the franchise partner is a school and provision relates to 16–18 year-old students in full-time education, in a school, institution or combination of the two, provision is only eligible for Council funding if the supplementary guidance on the application of the control criteria in paragraphs 27 to 31 of Circular 96/32 is satisfied.</p>	<p>Full-time provision made entirely on school premises by school staff is not eligible for Council funding.</p> <p>Provision made on school premises or partly on school and partly on institution premises, where teaching is shared between school and institution staff, is only eligible for Council funding where the provision is fully under the control of the institution and a substantial part (not less than half) is delivered by staff directly employed by the institution. Other criteria that should be taken into account when determining whether the provision is ‘institution’ provision are:</p> <ul style="list-style-type: none"> <li>• provision is delivered in premises on the school site leased or rented by the institution and clearly identified as an outreach centre of the institution</li> <li>• the resources used for the provision are the property of the institution</li> <li>• participants are students of the institution rather than the school (for example there should be no requirement to wear school uniform), and provision is not confined to former pupils of the school where the provision is located, so that students from other schools may attend if they enrol with the institution.</li> </ul>
<p>5.14 The reduction by one third of tariff units for dedicated provision for employers will apply to eligible provision delivered either by an institution, or independent training provider or an employer, normally on an employer’s premises where that provision is made for that employer’s staff. The employer may be from the private, public or voluntary sector.</p>	<p>Further guidance is available in paragraphs 194 to 196 of <i>Funding Guidance 1998-99</i>.</p>

**Table 3. Schedule of possible internal controls**

This table is intended to assist institutions to prepare for audit. It may be shared with external auditors at the start of the audit.

	Yes/No	Comments
<b>Possible internal controls</b>		
1		<p>Are enrolment forms sequentially numbered? If so, have checks been carried out to ensure that all:</p> <ul style="list-style-type: none"> <li>• enrolment forms are accounted for</li> <li>• enrolment forms have been matched to learning agreements</li> <li>• learning agreements have been entered on to the institution's database?</li> </ul>
2		Are validation checks in place over the input and processing of enrolment forms and learning agreements?
3		Are periodic checks carried out on the completeness of data included on enrolment forms and learning agreements?
4		Are all changes to standing data supported by appropriate authorisations?
5		Are sample checks of course registers carried out and the results used to update the ISR database?
6		Is the ISR database reviewed to ensure there are no duplicate entries?
7		<p>Is a tri-annual comparison made of anticipated units, by funding type, against:</p> <ul style="list-style-type: none"> <li>• national, and sector-specific, statistics</li> <li>• the institution's prior year actual unit claim</li> <li>• the institution's original forecast unit claim?</li> </ul> <p>Where there have been significant variances, what action was taken?</p>

	Yes/No	Comments
8		Is there a reconciliation between the number of units claimed by the institution and the number of units calculated from the ISR data by the funding program?
9		Has the system for calculating guided learning hours and allocating programmes to loadbands been reviewed for compliance with current guidance?
10		Has the system for calculating additional support costs, and ascribing these costs to the appropriate support band, been reviewed for compliance with current guidance? For those students for whom additional support units have been claimed, is there appropriate evidence that the anticipated support has actually been provided and that the actual costs reflect the claim made?
11		Are tri-annual checks carried out to ensure students' continued eligibility for fee remission and childcare support?
12		Have in-year checks been carried out for specific aspects of provision, such as: <ul style="list-style-type: none"> <li>• distance and open learning</li> <li>• 'out of region'</li> <li>• ESF</li> <li>• Schedule 2(d)?</li> </ul>
		<b>External audit planning</b>
13		For those aspects of provision highlighted in Circular 99/43 as 'risk factors' and 'areas of concern' for audit purposes, has the institution assured itself that there is sufficient relevant and reliable evidence available to support the relevant funding claims?

	Yes/No	Comments
14		<p>Has the institution made any funding claims in respect of the areas identified in annex C to this supplement?</p> <p>If so, have listings of relevant students been provided to the auditors?</p>
15		<p>How much audit time was incurred by the external auditors in providing an audit opinion on the previous year's final funding unit claim?</p> <p>How much time is proposed to be incurred by the external auditors in providing an audit opinion on the current year's final funding unit claim?</p>
16		<p>Did the external auditors hold a planning meeting with management in relation to the audit of the current year's final funding unit claim?</p> <p>If so, did the college use the checklist provided at annex B to this supplement?</p>
17		<p>What sample size do the external auditors propose to use, and will this sample cover all aspects of the institution's provision?</p>
18		<p>How much time was incurred by the internal auditors during the current year in reviewing the institution's student records systems?</p> <p>Where such a review was carried out, what was the opinion given?</p>
19		<p>Have all external and internal audit recommendations relating to the institution's student records systems been implemented by the institution?</p> <p>Where implemented, have the relevant auditors confirmed that the action taken has been appropriate?</p>



	Yes/No	Comments
20 Has the college met the deadlines for the submission of ISR returns?	<ul style="list-style-type: none"> <li>• ISR10 (due 2/2/98)</li> <li>• ISR11 (due 7/9/98)</li> <li>• ISR12 (due 7/12/98)</li> <li>• ISR13 (due 3/3/99)</li> <li>• ISR14 (due 7/9/99)</li> <li>• ISR15 (due 6/12/99)</li> <li>• ISR16 (due 7/2/2000)</li> <li>• ISR17 (due 4/9/2000)</li> <li>• ISR18 (due 5/2/2001)</li> </ul>	
21 Has the Council been able in each case to validate the returns successfully?		
22 Have any of the audit reports on the institution's final funding unit claims for any previous year been qualified? If so, what action was taken by management to address the cause of the qualification?		
23 What changes of MIS/finance staff/systems have there been during the last 12 months?		
<b>Additional information</b>		
24 Circular 98/12 indicated that the Council, through its regional processes, would keep institutions informed about concerns arising in relation to specific aspects of their operation. Where the institution has received such a letter, or other relevant correspondence, has this been copied to the external auditors?		
25 Have the auditors been provided with the following documentation: <ul style="list-style-type: none"> <li>a. the funding agreement between the Council and the institution;</li> <li>b. the ADDCP returns for 1997, 1998, 1999 and 2000;</li> <li>c. the regional review letter;</li> <li>d. details of any college companies;</li> <li>e. details of any overseas ventures?</li> </ul>		

Table 4. Specific areas in which the Council is concerned to ensure the accuracy of institutions' ISR records

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>General</b>	
<b>1</b> Student records relating to a single individual should not be duplicated within the ISR return.	
<b>2</b> The rules for recording details about the student, set out in the <i>Individualised Student Record (ISR) Institution Support Manual 1999-2000</i> , should be interpreted correctly.	One example is the recording of a student's mode of attendance as full-time when it should be part-time. This is most common with GCE A levels, each of which is part-time even though the total programme is full-time.  For 1999-2000, institutions should ensure that franchised students are tagged correctly and linked to the correct franchise partner.
<b>Enrolments</b>	
<b>3</b> Enrolments should be promptly and accurately recorded such that ISR returns accurately reflect all students enrolled at the institution on the census dates.	Students who have enrolled but never attended provision at the institution should not be included in returns to the Council.  Students enrolling on a programme of study on or after 1 August 1999 and withdrawing without completing their programme of study should be included in the ISR return if, and only if, they withdraw on or after 1 November 1999. Students on their second or subsequent year of a programme who withdraw between 1 August and 1 November should be included. See the 1999-2000 ISR institution support manual for more details.
<b>Learning programme</b>	
<b>4</b> NVQs, NVQ Delivery Arrangements and Qualification Delivery Period fields should only contain value 9 if the qualification is not individually listed in the qualification aims database.	

<i>Area of concern</i>	<i>Supplementary notes</i>
5 The NVQ delivery arrangement and Qualification Delivery Period field directly affect how many units a qualification attracts.	For NVQs some values are invalid in the Qualification Delivery Period field as indicated in the qualification aims database. Except in these cases, the delivery period should be consistent with the qualification start and end dates.
6 GCE, A and AS levels studied part-time during the day attract a different number of units to other GCEs, and should be recorded correctly in fields Q03 and Q27 (Mode of Attendance and Qualification Delivery Period).	
7 Qualification aims records for each student should accurately describe their complete learning programme at census dates.	<p>Qualification aims should be recorded using specific codes from the qualification aims database, rather than generic codes, wherever possible.</p> <p>GNVQ or NVQ codes must not be used to record GNVQ or NVQ units added to full-time programmes. Separate codes exist for additional units.</p> <p>Students on English as a foreign language (EFL) programmes should not be recorded as on English for speakers of other languages (ESOL) programmes.</p> <p>Where students change all or part of their learning programme, such changes should be promptly and accurately recorded.</p> <p>Where students enrol for a qualification which consists of separately assessed modules, which by themselves would not be eligible for Council funding, auditors should monitor the retention and achievement rates for the full qualification with care. For the provision to be eligible for Council funding, students should be achieving the full qualification. This might be the case with certain information technology qualifications which consist of modules offering training in specific software packages, for example, Access, Excel, which by themselves would not be eligible for Council funding. Further guidance may be obtained by contacting the Council's funding team on 024 7686 3115.</p>

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>8</b>	<p>1 Where a qualification class code has been used for Council-funded provision, the appropriate code should have been selected with the correct cost-weighting factor.</p> <p>2 The class codes listed on pages 251 to 297 of the <i>ISR Manual</i> (annex L) must only be used for non-Council-funded provision.</p>
<b>9</b>	<p>The number of guided learning hours (glh) recorded on the ISR should correspond with that in the institution's supporting documentation.</p>
<b>10</b>	<p>Distance learning enrolments which are not individually listed in the tariff, should be classified as falling within loadband 3 unless they would qualify for a lower number of units if delivered by a method other than open and distance learning, in which case the lower loadband should be recorded.</p> <p>Guidance on the calculation of glh is contained in annex F and guidance on one-day provision in annex G.</p> <p>If, in 1999-2000, the institution is claiming loadband 3 for an open and distance learning programme, audit evidence should be available that the programme would not qualify for a lower number of units if delivered by a method other than open and distance learning. This may include evidence of contact with other institutions and/or the Council to ascertain the appropriate loadband. The recording of withdrawal should be checked to ascertain that students are active learners. See point 12 below.</p> <p>NVQs should not be gained entirely by distance learning.</p> <p>Institutions delivering distance learning via the Internet were requested to consult the Council in advance of delivery in Circular 99/01 published in January 1999.</p> <p>A new interim tariff for distance learning is applicable for 1999-2000.</p>

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>Completion and withdrawal</b>	
<b>11</b>	All student withdrawals must be recorded in the ISR. The definition of withdrawal is given in the glossary at supplement C to this circular.
<b>12</b>	<p>The date of a student's withdrawal should be recorded as the last date of their actual attendance, or in the case of open or distance learning, the date of missed contact, not the date on which the student's record was flagged as withdrawn. While students may not be classified as withdrawn until four weeks have elapsed since their last attendance, or for open and distance learning since the missed contact, the date of withdrawal should still be recorded as the date of last actual attendance.</p> <p>Student withdrawals are not expected to occur in a systematic pattern. Where the number of students shown as withdrawing from courses shortly after a census date appears to be disproportionate, auditors may wish to pay particular attention to the attendance records and associated management controls for such courses.</p> <p>Auditors should undertake particular checks on the recording of withdrawals by franchised provision, provision delivered by drop-in workshops, or by off-site outreach centres, or by distance learning.</p>

<b>Supplementary notes</b>	
<b>Area of concern</b>	<b>Supplementary notes</b>
<p><b>13</b></p> <p><b>Achievement</b></p> <p>Achievement should be accurately recorded and substantiated by appropriate audit evidence. The outcome field includes values which distinguish between achievement for which achievement units can be claimed and achievement for which no achievement units can be claimed. Auditors should check whether a qualification is eligible for achievement units, in addition to whether the qualification was achieved.</p>	<p>A qualification aim may only be recorded as partially achieved where the student has achieved at least half of the credits or modules towards the final qualification.</p> <p>Particular checks should be made on provision made by offsite IT centres. Where students enrol for a qualification which consists of separately assessed modules, which by themselves would not be eligible for Council funding, auditors should monitor the retention and achievement rates for the full qualification with care. For the provision to be eligible for Council funding, students should be registered with the awarding body for the full qualification. This might be the case with certain information technology qualifications which consist of modules offering training in specific software packages, for example, Access, Excel, which by themselves would not be eligible for Council funding.</p> <p>Evidence should be sought of registration to a relevant programme and listings from awarding bodies of successful candidates.</p>
<p><b>14</b></p> <p><b>Funding category</b></p> <p>All students in the following categories should be recorded as being enrolled on provision not funded by the Council:</p>	<ul style="list-style-type: none"> <li>• school students on link provision</li> <li>• students enrolled on inward-franchised provision, formerly known as franchised-in students</li> <li>• Training for Work, Modern Apprenticeships, Youth Traineeships, and other training and enterprise council (TEC)-funded provision</li> <li>• full-cost recovery students</li> <li>• overseas students</li> <li>• higher education students on prescribed higher education courses</li> <li>• students of compulsory school age for whom the institution has no written evidence that the Council has agreed to fund their provision</li> <li>• students on LEA non-schedule 2 provision</li> <li>• prisoners or people in secure units or hospital.</li> </ul>

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>ESF</b>	
<b>15</b> Students on programmes supported by the European social fund (ESF) should be recorded as partially funded rather than fully funded.	Where a student is included in a claim for ESF funding by a college or other organisation, and is also claimed to be funded by the Council, the matched funding units up to 55% may be claimed. The Council does not fully fund ESF students where an organisation other than the college is the ESF applicant.
<b>16</b> For ESF students, the correct ESF objective should be recorded in fields Q11 and Q12 (major and minor sources of funding other than tuition fees and Council/HEFCE funding).	Auditors should obtain a copy of the ESF Final Claim 1998, or the ESF Final Claim 99, if available, and agree that students are correctly flagged on the ISR as recording ESF funding.
<b>17</b> <b>Fee remission, childcare and additional support</b>	
Students' fee remission and childcare status should be accurately recorded.	
<b>18</b> Where additional support units are claimed for a student the appropriate additional support band should be accurately recorded.	See table 6 in this supplement.
<b>19</b> <b>Franchised provision</b>	
All students on franchised provision should be recorded as such on the ISR return and identified in ISR field Q30 (Collaborative Provision Partner) by the code assigned by the institution to their franchise partner.	
<b>20</b> Council funding should only be claimed once for an individual student's programme of study.	College control systems for franchise partners should include tests to ensure that students are not included on any other college's ISR return. See tables 1 and 2 in this supplement. Further information is available in the entry on duplicate students in annex G to this supplement and in the glossary at supplement C to this circular.



<b>Area of concern</b>	<b>Supplementary notes</b>
<p data-bbox="199 107 247 336"><b>Widening participation</b></p>	
<p data-bbox="247 107 327 1055"><b>21</b> Students should only be assigned widening participation (WP) units in the following cases:</p> <ol data-bbox="343 107 821 1055" style="list-style-type: none"> <li data-bbox="343 107 502 1055">1 The student's postcode corresponds to a postcode on the Council's list of postcodes and WP factors (see the Council's website: <a href="http://www.fefc.ac.uk">www.fefc.ac.uk</a>). For these students the WP factor, indicated in field S20 of the ISR, should be included in the list for that postcode.</li> <li data-bbox="518 107 678 1055">2 The student's ward (based on 1991 electoral ward boundaries) corresponds to a ward on the Council's list of WP factors. For these students, the WP factor, indicated in field S20, should match the factor in this list for that ward.</li> <li data-bbox="694 107 821 1055">3 The WP uplift is claimed for the student because the student matches the criteria in paragraph 121 ('Funding Provision for the Homeless') on page 29 of <i>Funding Guidance 1998-99</i>.</li> </ol>	
<p data-bbox="821 107 869 336"><b>Dedicated provision for employers</b></p>	
<p data-bbox="869 107 1077 1055"><b>22</b> The reduction by one third of tariff units for dedicated provision for employers will apply to eligible provision delivered by an institution, an independent training provider or an employer, normally on an employer's premises where that provision is made for that employer's staff. The employer may be from the private, public or voluntary sector.</p>	<p data-bbox="869 1055 1077 1512">It is not intended that this will affect small employers as their staff more commonly attend provision open to the public.</p> <p data-bbox="965 1055 1077 1512">For further guidance, see paragraphs 194 to 196 in the 1998-99 funding guidance.</p>
<p data-bbox="1077 107 1125 336"><b>Fields used by the funding program</b></p>	
<p data-bbox="1125 107 1295 1055"><b>23</b> The following fields are used by the funding program in the calculation of funding units and generation of reports. Institutions should, therefore, be especially careful about ensuring their accuracy.</p>	<p data-bbox="1125 1055 1295 2123">With reference to the <i>ISR Manual, 1999-2000</i> corresponding field numbers are: S01, S02, S03, S10, S14A, S14B, S15, S17, S18, S20, Q01, Q02, Q03, Q07A, Q07B, Q08, Q10, Q11, Q12, Q13, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q26, Q27, Q31, Q32, Q33, E1, E2, E3.</p>



**Table 5. Specific areas in which the Council is concerned to ensure the eligibility for Council funding of recorded provision**

<i>Supplementary notes</i>	
<i>Area of concern</i>	
<b>General</b>	
<b>1</b>	<p>Institutions should not adopt practices that artificially inflate the number of funding units generated by the provision recorded in their ISR return.</p> <p>Full-time programmes should not be systematically subdivided into a series of part-time programmes to increase unit claims artificially.</p> <p>Multi-year programmes should not be systematically divided into shorter programmes with entry units claimed more than once for the same student.</p> <p>The higher rate of units for A/AS/GCSE courses should not be claimed where the lower rate is appropriate.</p> <p>On-programme units in respect of qualifications such as NVQs should not be claimed on guided learning hours that have not been delivered by the college.</p> <p>There should not be significant numbers of programmes beginning just before a census date.</p> <p>Units should not be claimed for students enrolled on NVQ programmes who are not registered with the awarding body for the full qualification.</p> <p>Franchisees should not claim different elements of a student's programme from different franchise partners within the same 12-month period or during the length of the student's main programme.</p>
<b>2</b>	<p>Institutions should be able to satisfy their external auditors of the credibility of performance indicators generated from their ISR return. They should do this particularly in respect of withdrawal, continuation and achievement rates and of other indicators related to the comparative national statistics in annex H to this supplement.</p> <p>Comparative national statistics are referred to in table 7 below. Particular consideration should be given to the reasons identified by the institution where the performance indicator shows variation from family norms.</p>

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>Entry</b>	
<p><b>3</b> Students for whom the institution has claimed entry units should have learning agreements or equivalent which have been signed on behalf of the institution and by the student. They should include details of the student's full learning programme and of any additional support to be provided. Auditors should ensure that learning agreements include those key details of the student's planned learning programme set out in paragraph 30 of annex A of <i>Funding Guidance 1998-99</i>.  The course code on the learning agreement should be correct for the course description and the same course code should be entered on the student's ISR. Auditors should pay particular attention to testing in this area.</p>	<p>Learning agreements should include the following key details:</p> <ul style="list-style-type: none"> <li>• the student's name and address and, for franchised provision, the name of the collaborator</li> <li>• the primary learning goal</li> <li>• the number of guided learning hours in each year, average number of guided learning hours per week and number of tri-annual periods planned to complete the programme</li> <li>• a summary of any additional support to be provided to the student.</li> </ul>
<p><b>4</b> Institutions should have retained the following evidence in support of claims for entry units:</p> <p>a. confirmation that the assessment and guidance provided to each student dealt with (albeit with the appropriate emphases for different types of student):</p> <ul style="list-style-type: none"> <li>• the implications of the choice of the student's learning programme</li> <li>• the entry requirements of the chosen learning programme</li> <li>• an assessment of the suitability of the chosen learning programme for the student, including any credits or exemptions which may be appropriate to the student</li> <li>• any financial or other support required by the student, including that set out in any additional support assessment form;</li> </ul> <p>b. a brief description of the nature of the procedures and when they occurred;</p> <p>c. signatures of the appropriate members of staff and the student to confirm that the procedures had been carried out.</p>	<ul style="list-style-type: none"> <li>• where relevant, a statement that the student falls within the Council's childcare support policy and that the institution has agreed to provide crèche facilities at no cost or to meet 100% of the childcare costs incurred by the student, for each child for whom childcare support units are being claimed</li> <li>• evidence of the assessment and guidance process by which the learning agreement was reached, as set out in Circular 94/16 and as modified by Circular 94/23</li> <li>• institutions may claim a maximum of eight entry units for each student in any 12-month period</li> <li>• institutions should not seek to divide programmes artificially in order to increase the number of units earned</li> <li>• entry units should not be claimed where a student has no real choice in the programme followed, for example, where an employer determines the course of study. This may be the case if the qualification is a statutory requirement of the industry, for example, first aid or food handling qualifications.</li> </ul> <p>External auditors are not required to evaluate the assessment and guidance process beyond establishing that the audit evidence accords with the Council's guidance.</p>

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**Area of concern**

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**Attendance**

5 There should be evidence that individual students were undertaking the specified learning programme during the tri-annual period in question.

For most students this will take the form of registers of attendance. Experience has shown these to be key records used by auditors in forming their opinion on the accuracy of institutions' ISR returns. Regular management review of registers may, therefore, be of benefit to institutions in ensuring the accuracy of ISR returns and reducing the extent to which additional audit work may be found to be necessary.

Consideration should be given to sample checks on student attendance in classes.

Checks are especially important in the case of franchised provision.

For qualifications gained by the accreditation of prior experience and learning (APL), evidence of the process leading to this accreditation should be checked, particularly if the extent of APL is significant. Staff logs of time spent with individual students are an example of the type of evidence that may be available.

6 Evidence could include distance learning workbooks and records of one-to-one tutorials. It is not expected that NVQs are gained entirely by distance learning. Withdrawals should be monitored.

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**Eligibility under schedule 2**

7 Provision for students aged 19 or over; and for 16–18 year-old students in part-time study, is funded only if the course falls within the scope of schedule 2 to the *Further and Higher Education Act 1992*. Auditors should confirm, by checking a sample of qualification aims of students, that such courses fall within the scope of schedule 2. This is particularly relevant where the use of non-specific generic codes appears to be excessively high.

The specialist designated institutions listed below can claim Council funding for programmes not falling within schedule 2:

- The City Literary Institute
- The Mary Ward Centre
- Morley College
- The Workers' Educational Association
- The Working Men's College.

External accreditation of a course by an open college network (OCN) is not in itself sufficient evidence of schedule 2. Further detailed information about this and other aspects of schedule 2 is provided in Circular 99/10. Institutions and their auditors should contact Sue Yeomans on 024 7686 3037 for further information.

<i>Area of concern</i>	<i>Supplementary notes</i>
<p><b>8</b> Council funding should not be claimed for a qualification which accredits complementary or enrichment studies which would normally be considered to be part of a GCE/GCSE programme of 450 guided learning hours or more a year.</p>	<p>Programmes which do not fall within schedule 2 and those which do not represent extensions to students' programmes, which have been introduced since incorporation and have increased students' guided learning hours, are likely to constitute complementary or enrichment studies.</p>
<p><b>Guided learning hours</b></p>	
<p><b>9</b> For learning programmes leading to qualifications which were not individually listed in the tariff for 1999-2000, evidence should exist to show that the number of guided learning hours (glh) in which the programme was delivered conformed to the loadband claimed for the programme.</p>	<p>The minimum threshold of glh for Council funding before 1 May 2000 is nine hours. The calculation should not include pre- or post-course assignments, or refreshment breaks. Further guidance is given in annexes F and G to this supplement.</p> <p>Appropriate evidence for glh should include enrolment forms, attendance registers, students' workbooks and a prospectus.</p> <p>The definition of glh given in paragraphs 8 to 13 of the 1998-99 funding guidance, implies contact between a member of staff and a student. It should not include time spent by staff undertaking assessment of students without the student being present.</p> <p>Institutions should not systematically use the bottom of each loadband as glh for programmes where this does not reflect the historic pattern of provision. Some variability would normally be expected.</p>
<p><b>Students' age</b></p>	
<p><b>10</b> Institutions should have evidence for every student of compulsory school age showing that the Council has agreed to fund them.</p>	<p>Students of compulsory school age are only eligible for Council funding in exceptional circumstances and where written approval has been provided by the Council.</p>
<p><b>11</b> External institutions should not claim Council funding for any 16-18 year-old students on a full-time programme.</p>	

<i>Area of concern</i>	<i>Supplementary notes</i>
<p><b>Fee remission</b></p> <p>12 Evidence should exist to show that claims for fee remission units were justified under the Council's policy, as set out in paragraph 122 of the 1998-99 funding guidance.</p>	<p>The Council would not expect fees to be charged to full-time students aged between 16 and 19 for additional eligible part-time courses at the same institution.</p> <p>Fees may be charged for part-time students aged between 16 and 18 who are also enrolled at another institution. This includes those attending school</p> <p>full-time who also attended a Council-funded institution, for example, on a part-time basis in the evening.</p> <p>Form UB40 is not acceptable as evidence of receipt of jobseeker's allowance (JSA). Acceptable evidence of unemployment benefit or a means-tested state benefit would be:</p> <ul style="list-style-type: none"> <li>• a letter of entitlement to benefit issued by the appropriate agency, providing that it shows dates of entitlement</li> <li>• evidence that a member of the institution staff has seen an order book or benefit book</li> <li>• a certificate issued by the benefits agency that someone is currently in receipt of benefit.</li> </ul> <p>At colleges (usually sixth form colleges) where all students are allegedly aged between 16 and 19, thereby qualifying automatically for fee remission, auditors should ensure that the age of students is correctly recorded.</p>
<p>13 Institutions should have taken steps to ensure that students' eligibility for fee remission units is maintained in each tri-annual period. Such checks should accord with the requirements of paragraph of annex A to <i>Funding Guidance 1998-99</i>.</p>	
<p>14 Institutions should not claim fee remission units for non-means-tested state benefits (other than JSA), students on English as a foreign language (EFL) courses or a fee remission policy where it differs from the Council policy.</p>	

<b>Area of concern</b>	<b>Supplementary notes</b>
<b>Childcare</b>	
<b>15</b> Evidence should exist to show that claims for childcare units were justified under the Council's policy, as set out in paragraph 133 of the <i>Funding Guidance 1998-99</i> . Claims will be for students for whom the institution has provided childcare facilities, or met the full costs incurred, for each dependent child at no cost to the student.	Where a registered childminder is used the institution should ensure that a copy of the childminder's certificate of registration is seen.
<b>16</b> Institutions should have taken steps to ensure that students' eligibility for childcare units is maintained in each tri-annual period. Such checks should accord with the requirements of paragraphs 139 to 140 of annex A to <i>Funding Guidance 1998-99</i> .	
<b>Subsidiary qualifications</b>	
<b>17</b> Institutions should not claim units for a qualification which is subsidiary to one being funded by the Council.	For example, the Council will not fund a GCSE in business studies for a student who is also taking a BTEC in business studies at the same time.  Where a number of qualifications have been brought together to form a short course, external auditors should check the primary learning goal and ensure that the minimum number of guided learning hours for each qualification is nine.  The definition of primary learning goal in paragraph 6 of annex A to the 1998-99 funding guidance gives more information.
<b>Achievement</b>	
<b>18</b> Institutions may only claim achievement units where 50% or more of a qualification is achieved.	
<b>19</b> Evidence should exist to show that claims for achievement units were supported by the attainment of approved qualifications for the first time at the institution by students. The audit evidence should include listings from the awarding bodies of successful candidates and evidence of entry to a relevant programme.	Achievement units may not be claimed where the student is merely seeking an improved grade and the institution has previously claimed achievement units for the student.



<i>Supplementary notes</i>	
<i>Area of concern</i>	
<b>Overseas students</b>	
<b>20</b>	<p>Institutions should not claim Council funding for provision delivered outside England. This restriction applies to provision delivered in Wales and Scotland as well as in other countries.</p> <p>The Council has adopted a 'water's edge' principle to meeting its duty to secure further education provision for the population of England. This means that provision for eligible students taking place in England may be funded by the Council, but provision taking place outside England is not eligible for funding.</p> <p>Students that are, for example, members of the population of Scotland or Wales are eligible for Council funding where they are attending courses provided by institutions in the English further education sector at sites in England. However, the Council would not expect to fund large numbers of such students within any one college or enrolled on short programmes in a systematic way. Similarly students that are members of the population of England may be funded through the Scottish Office Education and Industry Department or the Further Education Funding Council for Wales when attending institutions in Scotland and Wales respectively.</p>
<b>21</b>	<p>Institutions should not claim funding for students who are not members of the 'home' population of England, irrespective of their mode of attendance.</p> <p>The Council does not generally fund students who are not UK or European Economic Area nationals living in England ('from overseas') unless they meet the residency requirements specified in the <i>Education (Fees &amp; Awards) Regulations 1996</i> as amended in 1998, published by The Stationery Office.</p> <p>The regulations are complex, but in general the following groups living in England are considered to be members of the 'home' population:</p> <ul style="list-style-type: none"> <li>• individuals from the European Union, or migrant workers from the European Economic Area</li> <li>• refugees and asylum seekers with 'exceptional leave to remain'</li> <li>• any individual from overseas who has been granted 'settled status'</li> <li>• any individual on a fully reciprocal student exchange</li> <li>• any individual who is 'ordinarily resident' in England</li> <li>• asylum seekers in receipt of a means-tested benefit.</li> </ul> <p>External auditors should check enrolment forms to see if evidence has been gathered on the residency status/eligibility of the student.</p>

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**Area of concern**

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**Provision funded by sources other than the Council**

**22** Council funding should not be claimed for the institution's staff enrolled on courses at their own institution during their normal contracted working hours.

**23** Where the student's provision is claimed to be fully funded by the Council, there should be no other source of funding being claimed for the student by the institution.

**Youth credits**

**24** Except in a very few cases, students aged between 16 and 18 on part-time programmes of study should be fully funded via a youth credit. Institutions should be able to provide information on the policy of their local TECs indicating which qualifications and which groups of eligible students each TEC is prepared to fund for youth credits.

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**Supplementary notes**

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Such students would only be eligible for funding by the Council as an exceptional occurrence, if the members of staff were replaced by other staff whilst studying. This would not include whole college staff development programmes in information technology or developing an 'inclusive' curriculum. Institutions should consult the Council's funding and statistics support desk if they wish to claim funding for members of staff in advance of the delivery of the programme.

Exceptions to this requirement apply where the other source of funding is the single regeneration budget, section 11 or section 210 grants.

Guidance is given in *Youth Credits and FEFC Funding*, published jointly by the Department for Education and Training, the TEC National Council and the Council in July 1996, and in the associated user guide published in December 1996.

A small number of students who are otherwise eligible for a youth credit but who fall outside the particular TEC policy may be funded by the Council providing:

- the qualification is not subsidiary or equivalent to that funded by the TEC
- the student's action plan or individual training plan (ITP) has been endorsed by the TEC or its agent as 'not funded by the TEC', giving a reason
- the institution has retained a copy of the endorsed action plan or ITP as audit evidence.

It is not expected that colleges will claim funding from the Council for students on Modern Apprenticeship and Youth Traineeship programmes unless the local TEC has confirmed, in advance of the training commencing, that in its area it will not fund the non-mandatory elements of a trainee's programme. Audit evidence would include a letter or written guidance from the TEC that this is the case for all the providers in its area. Institutions and their auditors should consult the Council's helpdesk on 024 7686 3224 if in doubt.

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<i>Area of concern</i>	<i>Supplementary notes</i>
<b>Additional support</b>	
<p>25 This area merits special checking by external auditors, especially where the percentage of additional support units claimed is significant, or has changed significantly from the previous year.</p>	<p>Specific areas in which the Council is concerned to ensure the eligibility of claims for additional support units are listed in table 6 to this supplement.</p>

**Table 6. Specific areas in which the Council is concerned to ensure the eligibility of claims for additional support units**

<i>Area of concern</i>	<i>Supplementary notes</i>
<p><b>1</b> Additional support units, or, where applicable, extra funds allocated by the Council in addition to the maximum rate of additional support units, must relate to specific individuals.</p>	
<p><b>2</b> Claims for additional support units should accord with the Council's guidance in paragraphs 141 to 159 and appendix 4 to annex A of <i>Funding Guidance 1998-99</i>.</p>	<p>The Council would not normally expect institutions to:</p> <ul style="list-style-type: none"> <li>• have large numbers of students just triggering cost thresholds for each support band</li> <li>• significantly increase from year to year the proportion of additional support units in the total</li> <li>• systematically extend the institution week or year for discrete groups of students with learning difficulties and/or disabilities</li> <li>• claim additional support funding where the majority of students in a group, studying for example an intermediate GNVC, appear to require additional help in order for them to succeed on their learning programme. This would not apply to discrete groups of students with learning difficulties and/or disabilities</li> <li>• claim additional support funding for students enrolled on franchised provision where the support is not then passed on to the franchisers</li> <li>• systematically claim for literacy or ESOL qualifications in addition to the primary learning goal of a student.</li> </ul>
<p><b>3</b> The student's learning agreement should include a summary of the additional support to be provided for the student.</p>	<p>A copy of the additional support form at appendix 4 to annex A of the 1998-99 funding guidance should be retained with the learning agreement and should be signed by the student/parent/advocate. An integral part of the establishment of the learning support plan is the scheduling of regular reviews. These reviews may result in a reassessment of the support programme. This may lead to changes in the cost. Institutions will find it helpful to ensure that this is systematically recorded.</p>

<i>Area of concern</i>	<i>Supplementary notes</i>
<p><b>4</b> The institution should have retained evidence of costings used in assessing the additional support band to be claimed.</p>	<p>Generally institutions should complete an additional support form when a student's additional support needs are first identified, and may consequently have to base them on estimated costs.</p> <p>For the final funding unit claim the form must be completed to show actual additional expenditure incurred by the institution and should not include overhead costs such as central services or premises costs.</p> <p>The value of additional support units claimed should be based on the sum of the costs reported on lines 2(c) of forms 2(a) and 2(b) of the finance record for 1999-2000.</p> <p>Costings should be reasonable in relation to expected costs. For example where averages, such as average teaching costs, are used in this calculation, the institution should have retained evidence that demonstrates that the values used are reasonable.</p> <p>Recent research by FEDA on college costing models shows a consistency in the tutor-hour rule. The mean was £34.50 and the median and mode were both £35 with an interquartile range of £30-£40. There should be evidence to show that additional support for which additional support units have been claimed, or extra funds allocated by the Council, was actually made available to the student.</p>
<p><b>5</b> Where additional support units are claimed for programmes in numeracy, literacy or English for speakers of other languages it should be in accordance with one of the three options set out in paragraph 151 of annex A to the 1998-99 funding guidance.</p>	

<i>Area of concern</i>	<i>Supplementary notes</i>
<b>6</b>	When checking the withdrawal mechanism, auditors should ensure that institutions have robust systems in place to ensure that students with erratic attendance due to illness or other legitimate circumstances are identified.
<b>7</b>	In the case of students with mental ill-health or other legitimate reasons for erratic attendance, the institutions should retain evidence of assessment and/or a notification from the student/parent/advocate/medical adviser that there is a strong intention to return. In these exceptional cases, the student need not be entered as withdrawn within the usual timescales.
<b>8</b>	The college should retain the letter from the regional director agreeing the claim and authorising the additional payment.
<b>9</b>	In these cases, additional support may be claimed even where the provision made is confidential. In order to claim, the institution will need to make a 'manual adjustment' to the final funding unit claim. Where confidentiality is an issue anonymised additional support forms can be prepared. These will need to justify the costs claimed.
<b>10</b>	The calculations are based on the 'ideal' or 'target' group size, based on the needs of the student. It is therefore inappropriate to recalculate the claim according to the size of the group when for instance one or two students drop out.
<b>11</b>	It is not acceptable to inflate the costs artificially by including management and administration that are not directly related to the delivery of additional support for students.
<b>12</b>	Depreciation costs must be claimed in line with the college's depreciation policy. This should be calculated by a college's finance department, as it must be shown in the college accounts. The same procedure applies to equipment that is leased rather than purchased.
<b>13</b>	Where a student incurs additional expenditure over and above £18,000 the college may approach the regional office for additional funds.
<b>14</b>	Where additional support units are claimed for counselling this should be in cases where it is necessary to enable students to achieve their primary learning goal.
<b>15</b>	The additional cost of a small or discrete group of students with learning difficulties should be calculated by subtracting the average teaching cost per student on a standard programme from the cost per student on a discrete programme.
<b>16</b>	The costs of administration that is directly linked to the delivery of additional support for individual students may be calculated and claimed.
<b>17</b>	Whilst the actual equipment costs cannot be included as additional support, a depreciation charge for equipment may be included. It should be calculated by dividing the actual cost of equipment used by the student for the time it was used. Capital building works are not eligible for funding under the additional support mechanism.

**Table 7. National statistics**

The table shows proportions of units in the various funding categories in 1997-98, with assumed widening participation (WP) units added for comparability with 1998-99.

Information is derived from ISRI3 (December 1998; 1997-98) data, processed through the funding program (version 5.3), using qualifications database version 11.3.

Assumed WP units are derived from WP factors in 1998-99 funding allocations.

Except for the 'Units/FTE' rows, all numbers given are percentages.

<i>Institution type</i>		<i>Art, design and performing arts colleges</i>	<i>Agriculture and horticulture colleges</i>	<i>General further education colleges</i>	<i>Tertiary colleges</i>	<i>Sixth form colleges</i>	<i>All colleges</i>	<i>External institutions</i>
Entry	10th percentile	5	4	8	7	3	3	16
	Median	6	5	10	9	4	9	28
	90th percentile	9	9	13	13	7	12	33
On-programme	10th percentile	72	72	64	64	65	64	51
	Median	73	77	68	67	68	68	61
	90th percentile	76	80	72	70	71	73	66
Achievement	10th percentile	3	2	2	3	4	2	1
	Median	4	3	3	3	5	3	3
	90th percentile	5	4	4	4	6	5	4
Fee remission	10th percentile	10	6	8	10	17	8	2
	Median	13	9	11	12	20	12	7
	90th percentile	14	10	14	17	21	20	13
Childcare	10th percentile	0	0	0	0	0	0	0
	Median	0	0	0	0	0	0	0
	90th percentile	0	0	0	0	0	0	1
Additional support	10th percentile	1	2	3	3	0	1	0
	Median	2	4	6	6	2	5	0
	90th percentile	5	12	11	10	5	10	7
Widening participation	10th percentile	0	0	0	0	0	0	0
	Median	1	0	1	1	1	1	1
	90th percentile	2	1	4	2	3	3	4
Units/FTE	10th percentile	139	203	157	155	144	148	143
	Median	164	232	177	174	158	178	201
	90th percentile	198	275	198	199	185	229	252







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