

Finance

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

Guidelines for Institutions and their External Auditors

Supplement E to Circular 99/43

Revised version 10 October 2000

Introduction

1 In Circular 99/43 and the earlier supplements A to D the Council provided the main guidance for auditing final funding claims for the years 1998-99, 1999-2000 and 2000-01. The information in this supplement updates this guidance and only refers to the 1999-2000 final funding claim audit. This guidance does not impose any additional work for auditors who have not yet signed off college claims for 1998-99 or earlier years.

2 The Learning and Skills Council will take over responsibility for the audit of student numbers at colleges for returns covering the year 2000-01. The Council wrote to all institutions on 11 August 2000 regarding these new arrangements.

3 This supplement provides guidance on the new types of provision funded by the Council in 1999-2000. These are the new arrangements for adult learners, individual learning accounts (ILAs) and ILA FE Pathfinder projects, University for Industry (Ufi) and non-schedule 2 pilot projects. The guidance previously issued on partnership and franchising arrangements, open and distance learning and APL has been clarified. The requirements for auditing new hub-based funding are also explained in detail.

Background

4 The audit opinion has only been amended to take account of changes in funding arrangements during 1999-2000. The main opinion is virtually unchanged from 1998-99. The Council recognises the difficulties that arise when changes are made to the audit opinion late in the year and will consult institutions and auditors during the early part of 2001 about the audit opinion for 2000-01. An additional supplement B (2000) has been published on the Council's website for the year 1999-2000. These supplements will be published in written form during October 2000 as well as being available on the Council's website.

5 Institutions and their external auditors are reminded that paragraph 3 of Circular 99/01, *Tariff 1999-2000*, provides advice to institutions about consulting the Council, especially where new and/or possibly contentious modes of delivery are involved. Where institutions have made provision in these categories, auditors should expect to find copies of relevant correspondence between the institution and the Council. Auditors should also be looking for this correspondence where there is any significant change in the profile of institution delivery between 1999-2000 and 1998-99.

6 Guidance is given in supplement A of Circular 99/43, in paragraphs 80 to 83, on qualifications of audit reports confirming that the Council requires the opinion: 'to give reasonable assurance that the funding unit claim is free from material misstatement, whether caused by fraud or other irregularity or error'. As advised to college and external auditor representatives at the audit of student numbers working party meeting of 23 June 2000, the Council accepts that institutions are responsible for the actual data they return to the Council. Institutions should therefore have checked the accuracy of their data before sending their data to their external auditors. Auditors are expected to perform the appropriate audit work to enable them to reach their opinion.

Format

7 This supplement is divided into two sections for ease of reference. The first provides general guidance provided by the Council for new types of provision and areas of contention that have arisen during 1999-2000 and concerns raised over the 1998-99 external audits. The second either repeats in detail the new audit guidance contained in the earlier circulars, or references existing guidance in order to assist institutions and external auditors in easy accessing of Council guidance.

8 The new types of funding and guidance issued by the Council in 1999-2000 are referred to in annex A and B.

Management Letters

9 When auditors issue management letters on their audit of student numbers (or make reference to the audit of student numbers in their financial accounts management letter), the Council needs to know on which ISR return the comments in the management letter are based. The Council also needs to know whether any units associated with concerns raised by auditors have been excluded from the final ISR. Where auditors are able to advise that all relevant amendments have taken place prior to the final ISR, and the final claim has been adjusted accordingly, the internal validation process of final funding claims is made significantly easier. This will assist in maintaining a smooth three-way relationship between college, auditor and the Council.

10 Auditors are reminded that the Council can only fund provision for which it has been authorised by parliament and any provision found outside these terms must be excluded from final funding claims (for example, overseas students).

New Types of Provision

New arrangements for adult learners (Circular 00/11)

11 In Circular 00/11, guidance is given to institutions and their external auditors on new funding arrangements for adult learners commencing from **1 May 2000**. This includes details of the funding arrangements for new three and six guided learning hour (glh) courses in basic skills, information and communications technology (ICT) courses for which the primary objective is progression to further education, training or employment skills, or to the non-schedule 2 pilot projects.

12 Before this initiative, which began on **1 May 2000**, the Council did not fund qualifications delivered in less than nine guided learning hours. Where institutions claim units for this type of provision, auditors are asked to refer to Circular 00/11 as to whether the provision complies with the guidance provided. The Council recognises this is a new type of activity for many institutions and expects institutions to have used the final few weeks of the summer term to trial this provision and identify any potential difficulties with its delivery. The Council recognises that this type of provision in 1999-2000 will usually fall below materiality levels, but expects this type of provision to grow significantly throughout 2000-01. The Council expects auditors to be prepared to assist institutions in developing systems and evidence for claims in the full year 2000-01 as the lessons are learnt from the early pilots.

Individual Learning Accounts (Circular 00/08)

13 The fee discounts introduced for learners for IT courses and qualifications should not affect the final funding claim as they should not generate any additional units. Colleges will be reimbursed for these discounts by completing annex D of Circular 00/08. These claims should be submitted by 30 September 2000. These arrangements will be subject to the normal financial audit arrangements for receipt of specific Council grants.

FE pathfinder projects (Circular 99/38)

14 For the individual learning accounts FE sector pathfinder projects, student enrolment details are required to be recorded on the 'lead' institution ISR. The funding program will include all the units generated for pathfinder activities in the unit total generated for the 'lead' institution. In order to prevent any double-funding, the 'lead' institution will be required to enter these units separately on their final funding claim. These units will not form part of the main claim and a copy of the final pathfinder claim form should be attached to the final claim form as the audit evidence to support the pathfinder unit entry. Thus, the units generated for pathfinder activity will always exactly match the units deducted from the final overall claim.

15 The funding was paid out separately to the main allocation with 10% available for development and implementation work. The other 90% was issued to support fees allocated through individual learning accounts and units generated. The final funding claim will include a section for Pathfinder ILA pilot project activity, which will count against the separate allocation and not against the main funding allocation.

16 Non-lead (or delivery) institutions should send a copy of the monitoring form to the 'lead' institution relating solely to their own students. These students should not be entered on their own ISR. If, however, any non-lead institution has entered pathfinder students on their ISR, they will either have to delete the students from their ISR or make a negative manual unit adjustment on their FINAL DIFF to deduct these units from their final claim.

17 Auditors should note that pathfinder students are only a very small part of any institution's overall activity. Where the partner learning centre is another FE college, an HE institution or an external institution, the recipient college and its external auditors and the learning centre institution and its external auditors should use the same procedures set out in annex B for Ufi hub funding.

University for Industry (Ufi)

18 The Council has allocated £5.27 million in 1999-2000 to support the development of the Ufi. The initial development phase is to enable partnerships of colleges, HE institutions, external institutions, employers and voluntary organisations to form learning hubs. These will develop a variety of learning centres, with common procedures and processes, to enrol learners and to pilot Ufi learning material, prior to the official launch of the Ufi in Autumn 2000. Funding was allocated in two phases, 1 November 1999 to 14 May 2000 and 15 May 2000 to 31 July 2000.

19 The Council anticipated that Ufi partnerships will be at varying stages of development during this initial phase to the end of July 2000. External auditors should therefore expect some variance in practice between hubs and their centres. However, it is expected that all hubs and their centres will have the appropriate systems and required contracts in place by 31 July 2000. Institutions are requested to ask their external auditors to confirm that this is the case as part of their audit testing of provision made in 1999-2000, and in particular:

- a. contracts according to Ufi Guidance notes 1999/02 and 2000/09 between the recipient college and the non-FE college learning centres are signed and in place by 31 July 2000;
- b. systems for ensuring the control criteria for any franchised provision are met as described at annex E of supplement B of Circular 99/43 and are in place by 31 July 2000;
- c. memorandums of agreement or similar documentation, agreed by the hub partnership, which detail the number of students enrolled, the number of units and the funding to be claimed, should be in place between the recipient college and other sector colleges or higher education institutions by 31 July 2000;
- d. the number of students enrolled on Ufi provision in the hub and recorded in the recipient college's ISR is commensurate with the numbers agreed by the hub and in line with funds allocated and claimed for this purpose;
- e. the funds have not been used for any other purpose.

20 For the development phase 1999-2000 only, it has been agreed with Ufi that students do not have to complete the programme for the funding to be claimed. It is expected, however, that students have registered and have undertaken some study at the centre.

21 The franchising discount does not apply to Ufi provision for 1999-2000.

22 Hubs bid for funds according to Ufi Circular 2000/09, and provide the Ufi with business plans that detail the provision each partner expects to make and this has provided the basis of the allocations to each hub via its recipient college. Each recipient college should provide its external auditors with a copy of the hub business plan.

23 Recipient colleges' external auditors should undertake checks to ensure that the funds paid to the hub have been used solely for the purpose of UfI activity. Virement between budget headings is allowed, but funds may not be used for non-UfI activity or subcontracted to organisations that are not members of the hub.

24 The college in receipt of Council funds (the recipient college) for each hub will require its external auditors to confirm the arrangements in place between it and its learning centres are as required in Council guidance. During this development phase, the recipient college may retain a fee agreed by members of the hub to support the additional administration and monitoring required.

25 The majority of recipient colleges will have their arrangements for delivering UfI Council-funded provision audited as part of the provision they make in 1999-2000 in the usual way by their external auditors. Where the partner learning centre is not an institution funded by the Council, the recipient college should ask its external auditors to undertake the usual checks as with any other franchised provision described in Circular 99/37.

26 These arrangements should be read in conjunction with UfI Guidance notes 99/02 and 2000/09 when auditing UfI provision in 1999-2000.

27 Guidance on completing the individualised student record (ISR) is contained within the separate UfI and Council guidance. **The ISR is completed only by the recipient college.** A clear audit trail should be established between the recipient college and the partner learning centre and its learners.

28 Where the partner learning centre is another FE college, an HE institution or an external institution, the recipient college and its external auditors are expected to enter into an agreement with the institution's external auditors to undertake checks to confirm that the underlying data provided to the recipient college are compiled in accordance with Council guidance. Annex B provides more details of these arrangements.

Non-schedule 2 pilot projects (Circular 99/16)

29 The Council agreed for 1999-2000 to fund a number of pilot projects for non-schedule 2 provision for adults from disadvantaged backgrounds. These projects were intended to provide innovative learning programmes for disadvantaged adults in 1999-2000. The outcome of these projects will inform the approach to funding non-schedule 2 provision in subsequent years.

30 The Council funding was intended to widen participation and deliver additional activity over and above any existing LEA provision. The Council also recognised the importance of an integrated approach to the development of lifelong learning provision and working together with the strategic lifelong learning partnerships launched in a letter of 4 January 1999 from the secretary of state.

31 Applications for funding from institutions should usually have been endorsed by the relevant lifelong learning partnership(s) and should involve other relevant members of the partnership. Where there was no lifelong learning partnership endorsement, the 'lead' college should retain evidence of the reasons for this.

32 The Council is only able to fund directly non-schedule 2 provision in colleges and HE institutions, as section 6(6) of the *Further and Higher Education Act 1992* limits its power to fund provision in external institutions to schedule 2 courses.

33 The provision supported by the pilot projects should have been focused on the lifelong learning partnership area and locally delivered. Franchised or open/distance learning provision for students outside the partnership area were not eligible for funding.

34 Paragraphs 14 to 20 of Circular 99/16 give details of the types of students this funding was expected to support. The funding was paid separately to the main allocation with 5% available to a 'lead' college for development work and the other 95% issued on a student and unit basis to be claimed through the ISR. The final funding claim will include a section for non-schedule 2 pilot project activity which will count against the separate allocation and not against the main funding allocation.

35 The units available for this provision are set out in paragraphs 21 to 26 of Circular 99/16. Paragraph 23 confirms the values of on-programme units available for the loadbands set out in annex A of Circular 99/01. The provision attracted cost-weighting factor (c), based on the expectation, which applies to basic education programmes, that the learning groups for this provision were likely to be relatively small. Further audit guidance for these pilots is contained in annex B of this document.

Changes and Amendments to Previous Guidance

Fee remission

36 Following changes in arrangements for state support of asylum seekers, fee remission is now available for asylum seekers in receipt of the equivalent of a means-tested benefit, and their dependants.

Accreditation of prior experience and learning (APL)

37 APL is a process where the student is given exemption from particular elements of a programme because of prior knowledge and experience. For an individually-listed qualification, the full value of on-programme units may be claimed when the programme is delivered wholly or partly by APL, subject to a minimum threshold of nine guided learning hours. For a qualification that is not individually-listed, the value of units claimed for APL should be the value for the loadband into which the qualification falls. Provision in the workplace is not expected to exceed 329 guided learning hours a year. It would be unusual to gain a whole qualification by APL and it is expected that some guided learning would be required. Where institutions are carrying out assessment of, for example, employees leading to the award of an NVQ after little or no guided learning input, this would not be eligible for funding.

38 It is expected that this is a substantial process and that there should be robust evidence of the process leading to APL, including a sufficiently detailed record, or log, of individual student activity.

39 The Council will amend Factor 6 on the Self-assessment Checklist for APL and ask colleges to identify if 'more than 1% of all units are delivered by APL in 1999-2000'.

Franchising and other types of partnership

40 Franchising advice is unchanged and auditors should in particular read supplement A, paragraphs 40 to 42 before completing their audit opinion.

41 The Council's view is that for the purposes of providing direct provision the college should control and provide the education. Colleges use a variety of means and methods to finance and provide facilities they use for providing direct provision.

42 The Council is aware that many colleges have entered into partnership arrangements with third parties whereby the company provides accommodation, computers, facilities, support staff, sometimes educational materials (e.g. workbooks) and sometimes tutorial and supervisory staff.

43 The Council's view is that the nature of partnerships lies somewhere between direct and franchised provision. Provision could be described as 'direct' when using partner facilities but using college staff and educational materials. Provision could be described as 'franchised' when the partners provide both the facilities and the staff.

44 During the past year a number of colleges have switched from franchised provision to what they regarded as direct partner-assisted provision and in a small number of cases appear to have failed to realise that they are in fact still providing franchised provision. Further guidance is being considered for the Council's website in the autumn on the differences between direct and franchised provision and the use of facility management to support direct provision.

45 Where colleges have mistakenly assessed provision as direct rather than franchised, auditors are reminded that the institution should recalculate the percentage of franchised provision. This will ensure the requirements defined in paragraph 40 of supplement A to Circular 99/43 during the year being audited are being met. Any recalculated percentage should also be used when completing Section 2(a) of the audit opinion.

46 The Council will include on the Self-assessment Checklist for 1999-2000 a Factor 11 asking if more than 5% of all units claimed as direct provision are provided using facilities management arrangements or service level agreements. Further details are contained in annex B. **Further guidance on facilities management arrangements will also be published on the Council website during the year.**

Open and distance learning

47 The Council provided guidance on Distance Learning Programmes in Circular 99/01, *Tariff 1999-2000* paragraphs 86 to 93. This specified that on-programme units for such provision should be determined using the tariff table in annex A. These rules were updated in *Technical Discussion Document no.22*. The Council has published updated guidance for 2000-01 in *Guidance on the Tariff 2000-01* part B, paragraphs 150 to 175. It is important that auditors understand the rules for each year and apply them appropriately to the relevant year. As set out in paragraph 166, the Council will monitor the claims for units for 1999-2000 to identify institutions where a potential overclaim of units would occur if the 2000-01 guidance was applied to the 1999-2000 claim. Where this occurs, the Council will discuss with institutions the likely result on funding for 2000-01. Any unit overclaim will not be applied retrospectively to the 1999-2000 claim.

48 Colleges were notified in *Council News* No.54 that the Tariff Advisory Committee (TAC) had agreed the recommendation of its Distributed Open and Distance Learning (DODL) subgroup that an interim tariff for distance learning be implemented for 1999-2000.

49 Where distance learning constitutes more than 5% of a college's provision, it is identified as a risk factor in the self-assessment checklist at annex B of supplement B of Circular 99/43. A further high-risk category will appear for 1999-2000 for institutions which have delivered DODL in load bands 4 or above.

Open College Network (OCN) (Technical Discussion Document no.23)

50 The Council provided guidance on claiming units for Open College Network accredited programmes in *Technical Discussion Document no. 23*. Auditors should use these guidelines when evaluating unit claims for OCN provision. The document explains how the credit achievements can be used to calculate the relevant loadband.

Monitoring Growth 1999-2000 (Circular 00/16)

51 Institutions and auditors are reminded that Circular 00/16, *Monitoring Growth 1999-2000* sets out the intended method for monitoring institutions' performance for 1999-2000. This advice updates the information in supplement A paragraphs 54 to 60 accordingly. The Circular also updates the procedures the Council will use for calculating recovery of funds for 1997-98, 1998-99 and 1999-2000.

52 The Council will issue statements to institutions advising them of their tolerance account positions together with the basis of the calculation (i.e. audited return or ISR estimate). Statements for 1997-98 and 1998-99 were issued by the Council in August 2000. Statements for 1999-2000 will be issued in March 2001 after the Council has received the final claims for 1999-2000 in February 2001. These statements should help institutions and their auditors determine whether any appropriate provisions are needed in the financial accounts from 1999-2000 onwards.

Final funding claims 1999-2000

53 The final funding claim for 1999-2000 and the audit opinion will be amended to take account of the additional units for additional activities provided by the Council in 1999-2000. This includes the UFI, FE pathfinder projects, basic skills summer schools and any other additional units allocated in 1999-2000. In particular, institutions that act as hub recipients from the Council must ensure their final claim fully complies with the additional requirements for hub funding.

54 The Council expects to issue the final funding claim circular in October 2000.

Annex A to Supplement E

This annex provides a list of the main circulars and guidance notes issued that update guidance for the 1999-2000 teaching year. These documents are available on the Council's website at www.fefc.ac.uk.

Circulars Relating to 1999-2000 Funding

Circular 99/01	<i>Tariff 1999-2000</i>
Circular 99/10	<i>Schedule 2</i>
Circular 99/16	<i>Applications for Funding for Non-schedule 2 Pilot Projects</i>
Circular 99/37	<i>Franchising and Fees</i>
Circular 99/38	<i>Individual Learning Accounts: Further Education Sector Pathfinder Projects</i>
Circular 99/47	<i>Monitoring Growth 1998-1999</i>
Circular 00/08	<i>Individual Learning Accounts</i>
Circular 00/11	<i>New Funding Arrangements for Adult Learners</i>
Circular 00/16	<i>Monitoring Growth 1999-2000</i>

ISR Returns

Individualised Student Record (ISR) Institution Support Manual 1999-2000

Technical Discussion Documents Relating to 1999-2000 Funding and ISR Returns

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).

Technical Discussion Document no.23 on changed arrangements for recording information in the individualised student record (ISR) for Open College Network accredited programmes (September 1999).

Technical Discussion Document no.24 on updated widening participation category codes in the ISR for 1999-2000.

Technical Discussion Document no.25 on feedback on data quality issues in the ISR

Technical Discussion Document no. 29 on completing the ISR for 1999-2000 for students studying UfI provision.

The following circulars relating to guidance issued for 2000-01 also contain guidance that institutions and external auditors may find helpful in resolving issues raised during the course of the 1999-2000 external audits. This advice is not intended to act retrospectively against previously published advice but merely provide some clarity in resolving difficult issues.

Guidance on the Tariff 2000-01

The following audit paragraphs from the circulars mentioned in this supplement are listed below to assist in providing easy cross-referencing of the audit work required for new types of provision.

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

Audit of the provision Paragraphs 19 and 20

Annex A Audit evidence: Paragraphs 30 to 32, 49 to 50

Annex B to Supplement E

This annex provides more detail and examples of the audit work required for new types of provision.

University for Industry (UfI)

1 Each hub is made up of a recipient college and a number of other institutions some of which will also be Council funded. The other non-recipient institutions in each hub in receipt of Council funding are regarded as learning centre institutions. The following guidance sets out the audit work required for each type of institution. Where funds provided by the Council are made available by the hub to institutions not directly funded by the Council then all the Council guidance on franchised provision should be applied (apart from the discount rule).

2 Recipient colleges of hub funding will require the following work from their auditors:

- a. to establish that appropriate contracts are in place with each learning centre as at 31 July 2000;
- b. agree that the contracts have been signed by the accounting officer;
- c. agree returns have been received from each learning centre;
- d. agree final returns have been signed by the accounting officer;
- e. use an appropriate programme of tests on a sample basis agree UfI students:
 - i. from the returns to the ISR
 - ii. from the ISR to the returns.
- f. for students whose learning centre is the recipient college use an appropriate programme of tests and on a sample basis agree UfI students from source data underlying ISR returns;
- g. from discussions with the college, agree that internal control systems are in place by 31 July 2000 to establish the integrity and accuracy of data received from learning centres. The following examples of the controls expected are :
 - i. copy enrolment forms
 - ii. copy registers (these maybe electronic)
 - iii. in year checks to establish the quality of delivery together with checks on the accuracy of the data and actual existence of students
 - iv. regular meetings to discuss progress and any emerging issues.

3 Learning centre institutions of hub funding and who are also funded by the Council will require the following work from their auditors:

- a. agree that returns have been submitted to the recipient college;
- b. agree that either a full return (or all individual returns) is submitted signed by the accounting officer and covering the full claim for the year being audited;
- c. from the list of students included on returns, using an appropriate programme of tests on a sample basis agree:
 - i. the students are enrolled at the learning centre
 - ii. the students are excluded from the ISR of the delivery centre
 - iii. the students undertook the course for which the claim is made
 - iv. the courses actually took place.

4 Following representations from the major external audit firms a separate paragraph has been added to the audit opinion to cover Council funding distributed on a hub basis. The Council expects the funds provided for FE pathfinder hubs to be audited in the same way as UfI funds.

Specific Guidance on Partnership Provision including Open Access Information and Learning Technology (ILT) Centres

5 Colleges should have determined at the outset whether provision made in partnership with another organisation is franchised or direct. In either case the college must be fully in control of the provision. If the provision is franchised, the appropriate discount of funding units should be applied. Where the partnership arrangement is for facilities management, the provision may be classified as direct if the conditions as set out above are met.

6 Agreements and arrangements that have previously been unit based and deemed franchise agreements should not normally be transferred to a facilities type contract and assumed to be direct provision. If a college wished to transfer the provision as direct provision prior consultation should have been sought from the Council.

7 Colleges wishing to transfer franchised provision to direct provision are expected to have undertaken a value for money study (VFM) to ensure that the arrangement did not lead to disproportionate expenditure, i.e. that the public purse is not paying more for the same provision and that the new arrangements are in the best interests of the college. This should not simply be a means of avoiding the franchising discount but be to the benefit of students. Where provision is transferred to a college company or a new one is established, or other joint venture arrangements are entered into, then the guidance document *College companies and joint ventures* published in May 2000, should be consulted.

8 The Council accepts that where Council funded direct provision has always been delivered via a unit based facilities management agreement, the arrangement may continue to be regarded as direct provision, provided Council guidance has been followed previously.

9 Facility management arrangements regarded as direct provision will be based on a payment for the services provided and not normally agreed on a unit price basis. It is expected that colleges and not facility management partners will take the risk for the successful delivery of direct provision and the operation of the centre. Where colleges have entered into or reverted to unit based agreements then the reasons should be documented and shared with their legal advisors and external auditors.

10 Partner staff, in exceptional circumstances, may be used as temporary staff under the control of the College. Such arrangements should normally be short-term, for instance to cover emergency short-term sick leave. The college should ensure that staff are suitably qualified, medically fit and able to be employed as teachers under the Education (Teachers) (Amendment) Regulations 1998. Colleges should make sure that checks have been made into the credentials of any agency staff engaged in direct or franchised provision. Colleges should make sure that they retain full control of the provision.

11 Auditors are requested to assist colleges in ensuring all new contracts meet these criteria and that colleges are seeking to amend existing contracts so that this guidance is met in full for 2000-2001 provision.

12 Colleges should make sure that IT centres offer a range of programmes that are sufficiently wide to meet the identified needs of students. Where IT centres only offer a single programme or qualification aim, students should receive adequate and impartial guidance on all the educational opportunities available to them so that they are offered a full curriculum choice. If another curriculum or mode of delivery is more appropriate, students should be directed towards another college centre or partner provision.

13 Colleges using IT centres should pay attention to individual student attendance and retention and not simply run them to maximise units at the expense of student's learning. Colleges should also take proper account of actual experience of guided learning hours and course duration in setting their standard parameters on the ISR. This should be reflected in the student enrolment and learning agreements in accordance with previous guidance.

Open and distance learning

14 *Technical Discussion Document no.22* published in September 1999 provided colleges with information on completing the individualised student record (ISR). Colleges were requested to enter into field (Q15) the actual guided learning hours provided to each learner. The funding programme will then automatically multiply the actual guided learning hour by 14 where field Q03 is also set to 14 to provide the enhanced distance learning guided learning hour. It is the enhanced guided learning hour that provides the loadband for each student.

15 Where a student is provided with tuition in a group then the college must divide the enhanced guided learning hour for this activity by the number in the group. Where a

mixture of group and one-to-one support is provided, the two figures may be added together to give the loadband to be claimed.

16 For 1999-2000 only, the cap of loadband 3 is lifted and all qualifications are returned to the loadbands. As some tutorial support and pastoral care must be provided for the course to be eligible for Council funding, at least 40 minutes of tutor support should be identified in order to claim loadband 0.

17 Where no tutor support is provided, and packs of material only are provided then the course is not eligible for Council funding.

18 In order to claim entry units, evidence must be available that initial assessment and guidance has been provided to the student. This may be provided by face to face contact, by telephone, by videoconference or other electronic means.

19 Colleges including in their final funding claim any distance learning need to ensure the claimed guided learning hours are correctly calculated for distance learning students and the appropriate loadband is selected. As the claim is made on an individual student basis, it is expected that there will be some variation in the pattern of claiming. For auditors, the size of any sampling is a matter for individual judgement, but should take account of the college entry on the self-assessment check list. Auditors should gain sufficient assurance to confirm that any claim that includes distance learning is materially correct.

20 Evidence to support the claim for guided learning hours may include:

- one-to-one tutorial support, counselling and guidance
- tutorial support in a group
- the provision of a robust written comments service, that is over and above that provided to students in a classroom situation
- telephone support
- e-mail
- videoconference.

21 Paragraph 89 on page 17 of Circular 99/01, *Tariff 1999-2000* states that a log of student contacts should be maintained for each student and retained as audit evidence. This repeats the guidance in *Funding Guidance 1998-99*. Supplementary evidence may be obtained from tutors' contracts of employment that may detail the student load and the expected contact to be provided to each student. Administrative and technical support may not be included in the calculation of guided learning hours.

22 Students should be considered to have withdrawn where a student fails to make the planned contact and four weeks or more have elapsed. The withdrawal date is the date of the first missed contact. A contact is defined as the receipt of work or projects by the tutor or a meeting, or telephone call between the student and the student's tutor.

23 It should be noted that a telephone contact between a member of the college's administrative staff and the student to ascertain that the student is still active on the programme **should not be included in the calculation of guided learning hours.**

24 The Council does not expect that NVQs will be gained entirely by distance learning because of the nature of the assessment process. Distance learning students must be resident in England and otherwise eligible for Council funding. The Council expects colleges to be aware of the local priorities guidance in Circular 99/39, *Local Priorities* which applies to all modes of learning, including distance and open learning.

25 The Council expects particular care to be taken to confirm the funding claim where distance learning provision is franchised as both are identified as risk factors in the self-assessment checklist.

Non-schedule 2 pilot projects

26 Colleges applied for funding for non-schedule 2 pilot projects in 1999-2000 under the criteria set out in Circular 99/16, *Applications for Funding for Non-Schedule 2 Pilot Projects*. Funding was allocated on the basis of student numbers and funding units to individual colleges working in partnership arrangements. For audit purposes, colleges were reminded in Circular 99/16 that they should retain evidence of the initial assessment and guidance, together with evidence of guided learning hours delivered. Audit evidence will also be required on the eligibility of the students and the following list, while not exhaustive, may give colleges some prompts when initially marketing programmes and assessing potential recruits:

- a. marketing and publicity leaflets showing clearly the target groups, e.g. adults experiencing alcohol dependency;
- b. reference letter from an agency recognised as having expertise working with adults in the target group which may have referred the person on;
- c. eligibility assessment developed by a group of partnerships, approved by those partnerships and agreed by the appropriate regional director of the Council;
- d. in addition, the signature of the principal of the relevant college verifying that the student has confirmed their eligibility within the target group(s).

27 The lead college in each partnership is responsible for its own audit arrangements and for audit of expenditure for the maximum 5% project development costs. Eligible items of revenue expenditure for development costs include:

- hire of equipment necessary to deliver activity
- hire of facilities necessary to deliver activity
- purchase of project materials
- minor redecoration or refurbishment

- new marketing materials
- staff development directly associated with project delivery
- communications materials
- steering group meetings related to the delivery and co-ordination of the project
- staff time dedicated to the co-ordination of the project.

28 Projects allocated funds for the first time for 2000-2001 should use these audit guidelines in making their arrangements. The Council will also be evaluating projects and may visit a sample of colleges. The Council may seek further information from colleges for evaluative and monitoring purposes.