



Skills Funding  
Agency

# Selection of Colleges for Funding Assurance Reviews 2012/13

June 2013

Of interest to colleges

Last year we undertook the Whole Provider View consultation project with the sector to identify and remove unnecessary bureaucracy. One of the recommendations was that the Agency should choose its sample of colleges for funding audits based largely on risk rather than on the statistically-based selection method previously used. We accepted the recommendation and we will commission funding audits on 2012/13 data mostly on the basis of a risk assessment using existing information we hold on colleges.

We have kept the number of audits for 2012/13 at 56, the same number as in 2011/12. We will select the sample of colleges on an 80:20 basis – 80 per cent being selected due to a higher risk rating and 20 per cent being selected at random.

The factors that we will take into account in determining an overall risk score will be as shown below.

#### 1. Audit track record

We will take into account whether:

- external auditors issued qualified opinions on financial statements or on regularity in 2011/12
- internal auditors issued a qualified internal audit annual report for 2011/12
- the college had a funding audit on 2011/12 classroom based or workplace based funding and the outcome of that audit.

#### 2. Other factors

We will take into account:

- the last financial health assessment of the college – a college with weaker financial health will be considered as higher risk
- the proportion of funding delivered through subcontracting (as we have seen that there can be a higher incidence of error in subcontracted provision)
- the quality of data submissions from the Data Services Data Quality Standards report

- other information available to the Agency such as the issuing of Notices of Concern, performance against contract and changes in delivery, inspection grades, success rates or other factors.

We will notify those colleges selected for audit in July 2013 using a letter in the form set out in Annex 1 with further details of the process. We remind colleges that, where the audit work identifies the necessity to make adjustments to the ILR data, they must make these adjustments in time to meet the final funding claim timetable.

Colleges selected for a funding audit will need to ensure that their ILR data is ready for audit by the beginning of September 2013, so that the auditors have sufficient time to complete their work and return their opinion to the Agency with the college's final funding claim by **25 October 2013**. We recommend that colleges use the Data Self-Assessment Toolkit (DSAT) software to run the relevant reports and clear errors before submitting their data to the auditors for review. The current DSAT software, updated guidance and interactive e-learning tool are available [on the Data Service website](#).

Funding audits on 2012/13 funding will cover the whole of the Agency's Adult Skills Budget funding, 16-18 Apprenticeship funding and the Education Funding Agency 16-19 funding, where applicable. The 2012/13 Adult Skills College (ASC) testing programme which we will use will be available [to view on our website](#) before the work begins.



Skills Funding  
Agency

<Addressee name>

<Address line1>

<Address line2>

Date

Dear

**Re: Adult Skills Colleges Selected for Funding Assurance Reviews 2012/13: Risk-Based Selection**

*or*

**Re: Adult Skills Colleges Selected for Funding Assurance Reviews 2012/13: non-Risk-Based Selection**

I am writing to you to inform you that <<provider College>> has been selected for an assurance review of your 2012/13 funding. The review will encompass all 2012/13 funding for:

- Skills Funding Agency Adult Skills Budget (excluding Classroom Learning Additional Learner Support).
- 16-19 Apprenticeship Funding
- Education Funding Agency 16-18 Funding

Following consultation through the Whole Provider View Project, we agreed to change the way colleges would be selected for direct assurance reviews from a statistically-based sampling methodology to a largely risk-based selection.

Colleges have been selected on an 80:20 basis; 80 per cent being selected due to a higher risk rating and 20 per cent being selected randomly to enable the Chief Executive of Skills Funding to gain some assurance over funding across all colleges in the sector. I can confirm that <<provider College>> has been selected [due to a higher risk rating.] or [as part of the non-risk-based sample. In selecting the non-risk-based sample the Agency has sought to ensure reviews do not take place in successive years.]

This review will be completed as part of the Agency's programme of assurance reviews of your 2012/13 funding. The nature of the assurance review will be similar to that followed in previous years and we will make available the assurance programmes and working papers for 2012/13 will be made available in July 2013 on [our website](#).

You can find the Data Self-Assessment Toolkit (DSAT) software on [the Data Service website](#).

Assurance review work will need to start in early September 2013, or earlier if possible, to ensure final funding claims can be submitted by the 25 October 2013 deadline. The Agency's auditors will need to be in a position to be able to reach their conclusion by completing and returning the Auditor's Report (opinion) on your final funding claims and original final funding claim documentation to the Agency by 25 October 2013.

We encourage you to arrange your funding audits as early as possible to allow sufficient time for data amendments to be made and verified by the auditors, if necessary, prior to 25 October 2013.

During the course of our assurance review the auditors will seek to feedback regularly on findings and queries. You will be given the opportunity to provide further evidence in response to findings and you may be required to undertake a further review of evidence you hold to support your final funding claims in instances where our assurance review has identified systematic or significant errors.

In all cases you will be required to make the necessary ILR data amendments to correct any errors that are identified. Consequently, any ILR data amendments should be made to enable the review of such amendments prior to the final claim submission date of 25 October 2013. The auditors will check the ILR to confirm that data amendments have been made prior to completing their opinion. Where ILR data amendments have not been made within the required timescale, or sufficient time has not been given for these amendments to be verified as part of the assurance review process, this may result in a qualified opinion on your final funding claims.

You can find guidance in respect of final funding claims on [our website](#) or on the [EFA website](#).

You should ensure that the auditors are supplied with the most up-to-date ILR data prior to the start of the assurance review. We recognise you will still be working on your data at the time of our assurance review and this will be taken into account, but you will need to be able to clearly demonstrate to the auditor all amendments you have made to the data.

Your funding assurance audit review will be directed by the Agency's Provider Financial Assurance Team. The appointed auditors who will complete your review are:

[\[Auditor contact details\]](#)

The auditors will contact you directly to discuss the arrangements and contact should take place prior to the end of July 2013.

If you have any queries regarding the assurance review, please do not hesitate to contact [Diane Rogers](#).

Yours sincerely

Chris Griffin

Director Provider Finance



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