

Addendum to ILR Audit Guidance for 2002/03

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1 This addendum sets out some additional audit guidance for 2002/03 and will be incorporated in the main Individualised Learner Records (ILR) audit guidance for 2003/04. This additional guidance has been written to offer providers possible reductions in the bureaucracy attached to ILR audits and to assist some providers in resolving any issues being raised by their ILR auditors. For providers that have complied with the original guidance, none of this additional guidance need be applied to their claims.

2 This document will be printed as an Annex A of ILR audit guidance 2003/04 and is being separately placed on the Learning and Skills Council (LSC) website until the full document is printed, later in the Autumn 2003.

3 For 2003/04 ILR audit guidance, most of the guidance in this addendum will be replicated in the main ILR FE audit guidance 2003/04 and the only other change to the ILR audit guidance will be on distance learning to reflect the new funding arrangements. All FE funded providers are expected to use the 2002/03 ILR audit guidance until the new 2003/04 ILR audit guidance is published later in the Autumn 2003.

Background

4 This annex provides additional audit guidance on the following matters:

- Materiality & Computer Assisted Audit Techniques (CAATS).
- Distance learning provision.
- Small work placements within a programme.

- Full cost recovery courses.
- Basic skills programmes.
- Ufl.
- Funding reconciliation for Ufl recipient college hubs.
- Reference to delivery postcode field on ILR.

Materiality & CAATs

5 Providers and ILR auditors are reminded that providers were expected from 2002/03 to run the CAATs in year and use them to clean their data prior to substantive audit testing. The LSC ILR audit opinion is now based on the final funding claim and includes reference to claims being materially correct. The LSC thus acknowledges the difficulty for providers in trying to provide data with perfect precision. Where a provider can demonstrate that errors identified by CAATs are not material, the LSC does not expect auditors to impose unnecessary bureaucratic burdens on providers in clearing these through the funding claim. Providers should be able to claim reasonable funding for all eligible learners and under no circumstances be forced to lose all the funding for a few learners to solve their data processing problems.

6 Similarly, the LSC is not expecting providers to have to make small overall manual adjustments to their funding claim in accordance with the finding of the Bureaucracy Task Force. As explained in a note published in November 2002 on the LSC website, providers and auditors have the opportunity to adjust funding claims by an audit manual adjustment up to 2% of the

ILRF05 total, rather than having to make time consuming and bureaucratic changes to the actual ILRF05 data return.

7 The LSC expects providers to agree their main funding claim total (ILRF04) with their ILR auditor for their interim claim. The only material change that should then occur to the final funding claim total (ILRF05) is the actual calculation of achievement funding. The LSC does not expect auditors to ask providers to re-run all the CAATS reports unless there has been a material movement in the on programme or additional support funding agreed at the interim stage. Within the spirit of the new *Trust in FE* approach, the LSC does not want those providers trying to improve their final data returns to be subjected to any unnecessary delay or bureaucracy for small insignificant funding changes.

Distance Learning

8 The LSC has recognised the administrative bureaucracy incurred by providers complying with the funding rules on claiming distance learning using the learning multiplier over the past three years. To reduce this burden, the LSC has now set out new guidance for claiming distance learning delivery in 2003/04 and is now offering some optional additional guidance for 2002/03.

9 This additional guidance is intended to assist providers that might otherwise have difficulties with their ILR auditors in evidencing the actual number of glh delivered to each learner in 2002/03. This guidance is intended to assist providers and auditors in achieving timely funding claim returns. The changes offered reflect the changes to funding methodology in 2003/04 and the intended reduction in bureaucracy.

10 First, for 2003/04 listed provision can be claimed at listed rates. This means that for 2002/03 the LSC is content that providers may now claim funding at the listed value (subject to the distance learning funding cap) where this is equal or less than their previous expected claim in accordance with the audit rules for listed provision.

11 Second, providers will have agreed with their local LSC a funding claim for loadbanded distance learning in 2003/04. Again, this may assist in providing a simpler route to agreeing the funding for 2002/03 in reconciling overall costs rather than the bureaucratic reconciliation of individual learning logs. In many cases the funding agreed for 2003/04 will have been based on the providers experiences and the costs arising in 2002/03. Please also see the main ILR audit guidance for 2002/03 page 19 and in particular the second Q&A referring to overall resource reconciliation.

12 Third, auditors may not use any of the above guidance to impose a cap on claims by providers who have complied with the full ILR funding and audit guidance issued by the start of the year. The above guidance is purely intended to assist providers that have found the audit cost of proving their glh claims prohibitive and difficult.

Small work placements within a program

13 During the course of the 2001/02, ISR audits a small number of providers who experienced difficulties in providing the necessary audit evidence to support their glh claims for work based experience. This was resolved in the past by agreeing a glh based on the glh that would have been claimed had the learners been attending their normal classes. This was agreed on the basis that the lecturers concerned were spending the same time supporting learners at their placements in the workplace as they would have spent delivering normal classes. As the placements were only a small part of the overall loadband claim, the LSC view was that it seemed reasonable to allow the loadband claim to stand.

14 In this example, the provider was sending all the learners out on four week block placements and the tutor was then supporting the learners by travelling round seeing all his individual learners in their workplaces. The tutors had difficulties evidencing the actual amount of glh and argued much of their

support was on a one-to-one model. As the time the tutors were spending supporting their learners matched their normal classroom delivery time, the LSC was content for them to claim equivalent glh to that generated during their class-based weeks of attendance.

15 As the LSC has abandoned the 14 multiplier for 2003/04, providers may see this type of approach as a fair means of claiming funding that reduces the bureaucracy in trying to evidence work placement guided learning. Any provider wishing to consider this should consult its local LSC. For those providers where the lecturers are travelling around providing support to their individual class learners for short block placements, this approach recognises the costs to the provider are no less than those incurred by normal classroom delivery.

Full Cost Recovery Courses

16 The Department for Education and Skills has set the LSC challenging fee targets. This includes contributions from both learners and employers. The LSC is well aware that many FE providers already contribute towards these targets by running full cost recovery courses and see no need to seek LSC funding for these learners. The LSC is also aware that some provision can be very expensive to run and providers need to charge fees in excess of the usual 25% fee element. This means it is often very difficult to determine the precise boundary between full cost recovery and LSC - funded provision.

17 In general, the LSC expect providers to see their provision as full cost where the tuition fee charged to the learner approaches 75% of the national rate available for the programme of study. Providers charging learners a high fee that incorporates a number of factors will need to distinguish between the tuition fee charge and any other charges before seeking LSC funding for these learners.

18 The LSC has been presented with questions from providers where the fee charged to the learner include the following items:

- residential costs for course placements;
- books and other similar learning materials;
- specialised equipment and/or related consumable expenses;
- fees for non LSC funded courses;
- registration fees with relevant professional societies; and
- fees for specialised services not related to the learners LSC funded programme.

19 Providers wishing to claim LSC funding for learners being charged high fees that include any of the above are asked to ensure that they provide their learners with a detailed breakdown of the fee so that only the real tuition fee charge is used in determining whether LSC funding is appropriate. Providers are expected to consult their Local Learning and Skills Council (local LSC) where the tuition fee approaches (or in a few rare cases exceeds) the 75% limit, to, avoid unnecessary difficulties with ILR auditors.

20 Paragraph 78 of the booklet *Funding Guidance for FE in 2003/04* refers to further guidance in paragraph 330 of that booklet and providers should instead refer to this guidance.

Basic skills programs

21 Learners following non-accredited, other basic skills learning aims are recorded on the ILR against the generic (CBS) class codes that reflect both the subject area (literacy, numeracy or ESOL) and the level of the programme (pre-entry level, entry level, level 1 or level 2). The breadth of each level is such that many learners are unlikely to achieve a whole level in one go. As a result, some providers divide each level into smaller components of learning, and learners enrolled on several different learning aims at the same level, in the same academic year (or in the case of learners following part-time programmes, in subsequent academic years), using the same generic class code.

22 Where this is the case, the learning aims must be clearly differentiated to provide evidence that the learner is progressing and is not simply repeating the same learning. Achievement funding may be claimed where there is clear evidence of achievement against each of the stated, and differentiated, learning aims.

23 In 2002/03, providers were concerned to understand what counted as appropriate audit evidence to support claims for achievement funding where learners achieved non-accredited, other basic skills learning aims. The LSC expects evidence to support such claims to be as robust as that presented in support of claims for achievement funding for nationally recognised and approved qualifications on the NQF. In this respect, there are no specific additional requirements for non-accredited learning aims.

24 Appropriate evidence may include the following: enrolment forms, learning agreements, attendance registers, records of progress, assessment and internal verification, learners' work and institutions' certification of achievement, as specified in the learners' learning agreements.

25 Where providers use Individual Learning Plans (ILPs) to record learners' learning aims, goals and progress towards achievement, it is achievement of the stated learning aims and not of the ILPs that count as evidence for achievement funding. This is because ILPs often include goals that are personal to the learner and that are not strictly about the learning aim.

26 The LSC provides further guidance to local LSC's by publishing basic skills bulletins on its intranet and some of these are then also published on the LSC external website. Numbers 5 and 9 have currently been published at: <http://www.lsc.gov.uk/National/Documents/SubjectListing/FundingLearning/BasicSkills/default.htm>

Disadvantage uplift – when does a basic skills learner become eligible for the disadvantage uplift

27 Providers and ILR auditors are advised to note the guidance issued in June 2003, which clarified when learners following basic skills learning aims become eligible for the disadvantage uplift. This guidance can also be found in the *Addendum to the Funding Guidance for Further Education in 2003/04* and is reproduced below.

28 For 2002/03 and 2003/04, a learner will be deemed to be a basic skills learner, and therefore entitled to the disadvantage uplift allocated to such learners, if their learning programme meets at least one of the following criteria:

- a) Consists of a single learning aim which is an approved basic skills qualification, or is based on (referenced to) the national standards, i.e. a learning aim which attracts the programme weighting of 1.4. Providers delivering GCSE qualifications in Maths or English (for all learners) and key skills qualifications in communication and application of number up to and including Level 2 (for full time 16-18 year old learners) do not attract the 1.4 programme weighting and therefore do not count towards entitlement to the disadvantage uplift.
- b) Consists of 2 or more learning aims, all of which are basic skills learning aims attracting the 1.4 programme weight (in this case 100% of the learning programme is focussed on basic skills).
- c) Comprises more than one learning aim and where at least one is a basic skills learning aim attracting the 1.4 programme weight. If 50% or more of the guided learning hours delivered in any academic year are connected to basic skills learning aims, the learner can be counted as a basic skills learner.
- d) Comprises more than one learning aim and where at least one is a basic skills learning aim attracting the 1.4

programme weight. If the basic skills learning aim(s) involve at least 80 guided learning hours in any academic year, the learner can be counted as a basic skills learner. This will apply no matter how many guided learning hours are delivered on the remaining (i.e. the non-basic skills) learning aims that comprise the learning programme. Providers should note that the 80 guided learning hour figure has been calculated from a statistical analysis of the number of glh per learner on basic skills learning aims attracting the 1.4 programme weighting.

- e) In exceptional cases, if the learning programme does not meet the numerical thresholds described in criteria (c) and (d) above, the local LSC and the college can agree jointly that in their judgement the student's programme of study is primarily focussed on basic skills. It is expected that in these cases, the number of guided learning hours connected to the basic skills learning aims would still approach the figures in (c) and (d) above. Local LSCs would need to confirm their agreement in writing to the college.

University for industry (Ufi) (brand name: learndirect)

Transitional arrangements

29 A variety of problems have arisen in the audit of the 2001/02 ILR for Ufi hubs in evidencing their funding claims. The LSC has responded to these on a flexible basis and produced further guidance during 2002/03 to enable resolution of 2001/02 funding claims. To assist in achieving consistency, this annex confirms the additional guidance that is now available for 2002/03.

30 During 2002/03, the LSC and Ufi have jointly run a variety of training events for hubs and learning centers to improve their understanding of FE funding and audit rules. These recognised that both Ufi and its provision are relatively new to FE and transitional help was needed to comply with the full guidance. These transitional

arrangements ceased on 31 July 2003 and all Ufi provision being delivered after 1 August 2003 is expected to fully comply with the ILR funding and audit rules.

31 Ufi has recently published on its web-site *An introduction to the evidence requirements for **learndirect** provision* that explains the LSC funding and audit requirements. All hubs and learning centres are expected to fully comply with funding and audit guidance in 2003/04 and this document separates out the core LSC guidance for all **learndirect** provision, and is available at: <http://www.learndirect-partners.co.uk/qualityandinspection/auditsupport/supporddocs/evidenceintro.doc>

32 The main transitional arrangements for 2002/03 only are described as follows:

- application of national ILR audit solution; and
- management of cross year learners.

33 Guidance on the application of the national solution can be obtained from local LSCs. This solution allows providers to claim funding on the basis of purchased Ufi learning materials where ILR auditors are having difficulties in seeing full evidence of learner participation. This approach has been agreed to ensure that learning centres that have incurred costs in delivering provision are not severely penalised provided real evidence of the learner exists. This approach will only be agreed where ILR auditors are satisfied that this poses no risk to the LSC accountability for public funds.

34 Ufi has provided a guidance note on the management of cross year learners and providers are expected to comply with this guidance. For those hubs that claimed funding in 2001/02 for cross year learners in the summer 2002, they must reduce their 2002/03 funding claim by the agreed adjustment to their 2001/02 funding.

Permanent arrangements (apply to 2002/03 and 2003/04)

35 The LSC agreed during 2002/03 that it was possible for Ufi learners to complete their

learning aims without necessarily attending the whole of their course of study. This concession was introduced to recognise that in many traditional FE courses learners do not necessarily attend all classes, but those that achieve their learning outcomes are generally fully funded. The LSC expects all learners for whom achievement funding is being claimed to have completed at least 70% of their learning programme material.

36 Table 1 below sets out the agreed LSC and Ufi guidance on completion by learners of both their programme and learning aims. Completion means that the learner has finished the course and has worked through each module as necessary to complete the programme of learning. The references in the table to learning goals agreed in advance as a proportion of whole **learndirect** course refer to the proportion of the course material that is necessary to achieve the learner’s whole learning goal. It does not refer to learners only achieving a proportion of their learning goal. See paragraph 31 above for reference to full document.

Table 1 Guidance on completion in a learndirect context.

Learning Goals agreed in advance as a proportion of whole learndirect course	Proportion of goals completed	Funding
100%	100%	100% of national rate for the learndirect course
100%	Less than 100%	Subject to normal guidance on funding withdrawals
70% - 99%	Learner completes agreed learning goal	100% of national rate for the learndirect course
70% - 99%	Learner completes only part of the agreed learning goal	Subject to normal guidance on funding withdrawals
Less than 70%	Learner completes the agreed learning goal	No funding
Less than 70%	Learner completes only part of the agreed learning goal	No funding
<i>The funding claimed is subject to the normal guidance on fee remission, achievement, disadvantage, area costs etc.</i>		

37 The LSC has agreed with Ufi some working examples of learners who complete their learning goals despite not completing their learning program and these are available on the Ufi website at www.learndirect.co.uk

38 To take account of the new funding reconciliation arrangements in Circular 03/11, recipient college hubs are advised that Ufi

activity will be treated as earmarked funding for the purposes of 2002/03 funding reconciliation, unlike the three previous years. The 97% delivery limit to escape clawback will be separately applied to Ufi activity, as will the application of any responsive growth payments. Any recipient college whose own performance is opposite to its hubs performance will no longer be able to simply

offset the funding variances between the college and the hub.

Delivery postcode on ILR

39 The LSC has noticed the growth in partnership/franchise provision in a small number of colleges and the difficulties this has caused in evidencing control of their partnership provision. The LSC see the new delivery postcode as a key field on the ILR that will identify to ILR auditors the higher risk elements of a college's provision. A new CAAT is being developed to identify provision by post code delivery and ILR auditors are expected to cross reference this field to college's declarations of partnership/franchise arrangements.

Armed forces, and in particular the conflict in the Gulf and the fire service dispute

40 The LSC is providing separate guidance to the armed forces Ufi hubs on the effects the recent Gulf conflict had on some elements of their provision. Any other provider with significant numbers of learners lost through the need to join the British forces and their support staff in the Gulf should approach its local LSC for assistance in determining whether any extra support can be claimed for the loss of learners in the short term. If any approach their local LSC then they will be expected to seek additional guidance along the lines of last year's foot and mouth guidance from the national LSC.

Notes

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