Ref: F1

Skills Funding Agency

Provider Financial Management & Assurance

Assurance Reviews for the 2015 to 2016 Funding Year

Adult Skills Budget Funding Model (FM35)

16 to 19 EFA Funding Model (FM25)

Trailblazer Apprenticeships

Advanced Learner Loans

Assurance Overview & Planning Guidance

Provider Financial Management & Assurance
Assurance Reviews for 2015/16
Assurance Overview and Planning Guidance

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Document history

Version 1 published December 2015

Version 2 published January 2016: correction highlighted in blue

1 Assurance overview

1.1 Introduction

This document draws together an overview of the Skills Funding Agency's (SFA) Provider Financial Management & Assurance (PFMA) approach, sample selection and error treatment for funding assurance reviews for the funding year 2015 to 2016, referred to in this document as 2015/16. The approach applies to both colleges/providers paid on profile (ASCs) and training organisations/providers paid on actuals (ASTOs). It relates to provision delivered using Adult Skills Budget (ASB) funding methodology (ILR funding model FM35) and, where applicable, 16 to 19 Education Funding Agency (EFA) funding methodology (ILR funding model FM25).

The document is primarily for PFMA and other auditors undertaking assurance reviews of SFA and/or EFA funding. It may also be of interest to providers and others that wish to understand the assurance process.

There are various labels used for different elements of SFA and EFA funding, shown below.

<table>
<tr><th>Funding body</th><th>Funding model</th><th>Learning type</th><th colspan="2">Funding line</th><th>Payment method</th></tr>
<tr><td rowspan="8">SFA</td><td rowspan="5">ILR funding model FM35</td><td rowspan="4">Workplace learning</td><td colspan="2">16 to 18 apprenticeships</td><td>Paid on actual earnings</td></tr>
<tr><td rowspan="4">*Adult Skills Budget</td><td>19 to 23 apprenticeships</td><td rowspan="7">ASCs: Paid on profile, reported in SFA funding claim
ASTOs: Paid on actual earnings</td></tr>
<tr><td>24+ apprenticeships</td></tr>
<tr><td>Other workplace learning</td></tr>
<tr><td></td><td>Classroom learning (adults)</td></tr>
<tr><td rowspan="3">ILR funding</td><td>Classroom learning</td><td>** EFA → SFA funded</td></tr>
<tr><td></td><td colspan="2">*** 16 to 18 traineeships for providers without an EFA contract</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td>EFA</td><td>model FM25</td><td>Classroom learning</td><td colspan="2">16 to 19 EFA provision</td><td>Paid on profile, reported in EFA funding claim</td></tr>
</table>

* Note that ASB also includes Trailblazer apprenticeships, recorded in ILR funding model 81.

** Learners (excluding apprentices) that were EFA funded when they started but are 19+ at the start of the current teaching year (or 25+ if they have an LDA/EHC Plan) become SFA funded if they continue with their study programme. However, they continue to be recorded in FM25.

*** 16 to 18 traineeships delivered by providers without an EFA contract are funded by the SFA but are recorded in FM25.

16 to 18 apprenticeships are paid on actual earnings on a monthly basis and are not reported in the *Adult Skills Budget Funding Claim 2015/16*. However, they are within the scope of the ASB assurance approach within the apprenticeship element and we reference them separately only where necessary.

Traineeships are included in the ASB assurance approach within Classroom Learning funding. The approach also includes learning support funding for all ASB & 16 to 18 apprenticeships provision and learners funded by Advanced Learner Loans and Loans Bursary funding.

Trailblazer apprenticeships are included in the approach as a single separate entity, although they form part of the ASB (19 to 23 and 24+) funding claim and actual earnings for 16 to 18 provision.

1.2 Assurance approach

The core emphasis of the assurance approach will be coverage of learners returned on providers' ILRs funded under recurrent funding grants and contracts allocated by the SFA and the EFA.

The approach differs depending on the type of provider. We review ASTOs during the funding year and the review seeks to provide reasonable assurance that there is no misstatement in the provider's earnings to date. We review ASCs after the end of the funding year and the review seeks to provide reasonable assurance that there is no misstatement in the final SFA and EFA funding claims or in the earnings for 16 to 18 provision. We achieve this in both cases by testing to ensure that the provider holds the required evidence to support its funding claims and earnings. Throughout this document, any further reference to 16 to 18 provision is specific and reference to funding claims specifically excludes 16 to 18 provision.

The approach requires selection of up to four separate main substantive samples as applicable; one to include both SFA funded ASB learners and 16 to 18 (apprenticeship and traineeship) learners, one to include Trailblazer apprenticeships, one to include EFA funded 16 to 19 learners and one to include learners funded by loans ("loans learners"). The SFA funded sample can consist of learners in each of the following six sub-populations:

- 16 to 18 apprenticeships
- Adult apprenticeships (19 to 23 & 24+);
- Other workplace learning;
- Classroom learning (adults);
- Traineeships (FM35)[1];
- Traineeships (FM25)[2].

We select the main samples of learners from the ILR returns made by providers. See Section 2.2.1 below for sample sizes for SFA and EFA funded provision. See Section 2.2.2 below for sample sizes for loans learners.

In addition to testing the learners in the main substantive samples, the approach includes:

[1] Traineeships are a form of classroom learning as they do not meet the definition of workplace learners. However, we consider traineeships separately to classroom learning for sampling purposes to ensure that they form part of the sample, where applicable.
[2] We test SFA funded traineeships within FM25 against the EFA funding regulations using the D2 EFA working paper. As a result, we sample them separately from traineeships within FM35.

- review of reports produced from the Provider Data Self-Assessment Toolkit (PDSAT). This review identifies potential data anomalies in the ILR and may lead to issues/errors within the funding claim or earnings. This review will involve undertaking some testing of the data back to source documentation;
- testing of the provider's subcontracting arrangements;
- testing the provider's compliance with ESF match funding requirements, including learners' eligibility to be used as match;
- review of EFA funded 16 to 19 Bursary Fund and Free Meals in FE funding;
- testing other funding sources to gain assurance that funding is not being duplicated from other sources;
- completeness testing to gain assurance that all enrolled learners are included in the ILR, fully and accurately;
- follow-up of previous recommendations where applicable.

We share outcomes from the assurance review with the provider, the EFA and colleagues within the SFA. The results of an assurance review may require providers to adjust data in support of the funding claim to both the SFA and the EFA and may inform negotiations between a provider and the EFA regarding future funding profiles in respect of EFA funded 16 to 19 provision. In exceptional cases, we may refer results for further investigation.

1.3 Timetable and days required to complete the assurance review

The number of days required to complete the assurance review depends on the size and complexity of the provider.

ASTOs:

A small provider with the smallest sample of 30 learners for SFA funding and 30 loans learners may require 10 days, whereas a large provider with largest sample of 80 learners for SFA funding and 30 loans learners may require up to 20 days.

We do not routinely test EFA funded 16 to 19 provision in ASTOs. However, if the EFA requires us to undertake any testing on its behalf, the number of days required to complete the review will increase.

For 2015/16 funding, the assurance reviews take place between January 2016 and August 2016. We notify providers of the date on which the most recent ILR dataset available on the Data Returns tab in the Hub will be downloaded and used for PDSAT report analysis and sampling. Providers must correct funding errors identified that require data adjustment as soon as possible after they are identified. This will be by the next monthly return date in most cases. The deadline for the final R14 ILR return is 20 October 2016.

ASCs:

A small provider with the smallest sample of 30 learners for SFA funding, 30 learners for EFA funding and 30 loans learners may require 15 days, whereas a large provider with largest sample of 80 learners for SFA funding, 80 learners for EFA funding and 30 loans learners may require up to 25 days.

The deadline for the final R14 ILR return is 20 October 2016 and all funding claims and supporting documentation are required by 24 October 2016. For reviews of 2015/16 funding, auditors should aim to commence fieldwork in early September or earlier if possible. Work can begin on the most complete ILR dataset that the provider is able to provide to enable the process to start.

2 The assurance review

2.1 Process outline

For ASCs, the SFA will have already sent a letter to the provider informing it of its selection for an assurance review of its 2015/16 funding claims and 16 to 18 apprenticeships provision.

	Action	ASTO	ASC
1	**Determine what is to be tested**	Determine what is to be reviewed (ASB & 16 to 18 provision, Trailblazer apprenticeships, EFA funded 16 to 19, subcontracting, ESF match, 16 to 19 Bursary and Free Meals in FE fund, other funding streams, completeness testing & Advanced Learner Loans and Loans Bursary). Note that the Earnings Adjustment Statement (EAS) is not in scope for review.	Determine what is to be reviewed (ASB & 16 to 18 provision, Trailblazer apprenticeships, EFA funded 16 to 19, subcontracting, ESF match, 16 to 19 Bursary and Free Meals in FE fund, other funding streams, completeness testing & Advanced Learner Loans and Loans Bursary). Note that the Earnings Adjustment Statement (EAS) is not in scope for review.
2	**Assurance review file**	Set up the assurance review visit file using the standard documentation issued by the SFA, available using the following links: Internal PFMA Team Site: Assurance Approach > FAA-RAA > 2015_16 External Website: https://www.gov.uk/government/publications/sfa-financial-assurance-funding-assurance-review-programmes	Set up the assurance review visit file using the standard documentation issued by the SFA, available using the following links: Internal PFMA Team Site: Assurance Approach > FAA-RAA > 2015_16 External Website: https://www.gov.uk/government/publications/sfa-financial-assurance-funding-assurance-review-programmes
3	**Contact provider**	Contact the provider to explain the scope and structure of the review and make the visit arrangements. Alternatively, you could arrange to meet the provider to discuss these details.	Contact the provider to arrange a convenient date and time for a planning meeting.

	Action	ASTO	ASC
4	**Planning discussion/meeting with provider**	During the telephone conversation, agree dates for the visit to take place, the scope of the assurance review, the date and time of day that we will take the most recently uploaded ILR from the Hub and, if appropriate at this stage, arrangements for feeding back during the visit. Explain that we will produce the PDSAT reports and samples from this ILR. If applicable, ask for a list of learners receiving 16 to 19 Bursary Fund and Free Meals in FE funding payments. Agree with the provider a password for all parties to use when sending encrypted files. This will aid compliance with the SFA's data encryption process, which requires the use of different media for sharing data and passwords.	Attend planning meeting (using Planning Meeting Aide-Memoire (**E6**)) and agree dates for the visit to take place, the scope of the assurance review, the date (and time of day if provided via the Hub) that the provider will supply the ILR for the review and, if appropriate at this stage, arrangements for feeding back during the visit. Explain that we will produce the PDSAT reports and samples from this ILR. Ensure that the provider is aware that it must maintain a full record of changes that it makes to its data between the date that it supplies the ILR for review and the start of the assurance visit that will affect the value of its funding. In addition, ensure that the provider is aware that it must continue to maintain this record during the visit in order that we can complete a reconciliation of ILR movements at the end of the visit. If applicable, ask for a list of learners receiving 16 to 19 Bursary Fund and Free Meals in FE funding payments. When agreeing dates, work backwards from the final R14 ILR return deadline of 20 October 2016. This will ensure that we can complete the assurance review within given timescales, we can give appropriate notice of samples and that it allows for any follow up work. Agree with the provider a password for all parties to use when sending encrypted files. This will aid compliance with the SFA's data encryption process, which requires the use of different media for sharing data and passwords.

	Action	ASTO	ASC
5	**Issue confirmation letter and confirm dates to relevant parties**	Send the provider a letter (using Confirmation Letter and Provider Questionnaire (**E1**)) confirming details of the assurance review and the date that most recently uploaded ILR will be taken from the Hub, from which main substantive samples will be selected and PDSAT reports will be run, analysed and additional samples selected as appropriate.	Send the provider a letter (using Confirmation Letter and Provider Questionnaire (**E1**)) confirming details of the assurance review and the date that the provider should supply the ILR from which we will select the main substantive samples and PDSAT reports will be run, analysed and additional samples selected as appropriate.
6	**Process ILR using FIS**	On the agreed date, obtain the most recently uploaded ILR and the business reports zip file relevant to this ILR file from the Hub. Note that PFMA will provide these to audit firms where applicable. Process the ILR through the Funding Information System (FIS). See Section 2.3.2 for instructions on how to do this. Ensure that you create a FIS Export database as this is required for creating PDSAT reports and samples.	If the provider has agreed to upload the ILR to the Hub, on the agreed date, obtain the ILR and the business reports zip file relevant to this ILR file from the Hub. Note that PFMA will provide these to audit firms if necessary. If the provider sends the ILR directly, on receipt of the ILR from the provider, process it through the Funding Information System (FIS). See Section 2.3.2 for instructions on how to do this. Ensure that you create a FIS Export database as this is required for creating PDSAT reports and samples. Run and keep the following FIS funding reports on file as these will form the starting point for the assurance review and any reconciliation: • SFA Funding Claim Report • Main Occupancy Report • Funding Summary Report. • EFA Funding Claim Report
7	**Run PDSAT reports**	Produce PDSAT reports using the FIS Export database created from the ILR. See Section 2.3.3 for instructions on how to do this.	Produce PDSAT reports using the FIS Export database created from the ILR. See Section 2.3.3 for instructions on how to do this.

	Action	ASTO	ASC
8	**Review PDSAT report output**	Review PDSAT report output to identify any issues that you need to follow up with the provider. Use working paper **C1** (PDSAT Review) to record the findings from the PDSAT report analysis. Select any samples of learners that you need to test back to source documentation and send details with the main substantive samples (as per stage 9 below).	Review PDSAT report output to identify any issues that you need to follow up with the provider. Use working paper **C1** (PDSAT Review) to record the findings from the PDSAT report analysis. Select any samples of learners that you need to test back to source documentation and send details with the main substantive samples (as per stage 9 below).
9	**Main substantive sample selection**	Use the PDSAT Sampling module to select the main substantive samples. See Section 2.3.4 for instructions on how to do this. The Sampling module automatically determines the sample sizes based on the information in Section 2.2.1.	Use the PDSAT Sampling module to select the main substantive samples. See Section 2.3.4 for instructions on how to do this. The Sampling module automatically determines the sample sizes based on the information in Section 2.2.1.
10	**Send the samples with the "Prepared by Provider" document**	Send the following samples to the provider with sufficient time to enable it to prepare records for review (for example, no less than 5 working days in advance of the testing commencing): • main substantive samples • any additional samples selected following the PDSAT report analysis (stage 8 above) • 16 to 19 Bursary Fund and/or Free Meals in FE sample. Send the Prepared by Provider Document (see **E3**) with the sample as this provides details of the documentation and evidence that we require in undertaking our testing. **Ensure that you zip and encrypt samples, using the agreed password.**	Send the following samples to the provider with sufficient time to enable it to prepare records for review (for example, no less than 5 working days in advance of the testing commencing): • main substantive samples • any additional samples selected following the PDSAT report analysis (stage 8 above) • 16 to 19 Bursary Fund and/or Free Meals in FE sample. Send the Prepared by Provider Document (see **E3**) with the sample as this provides details of the documentation and evidence that we require in undertaking our testing. **Ensure that you zip and encrypt samples, using the agreed password.**

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	Action	ASTO	ASC
11	**Commence fieldwork**	Visit the provider's premises to undertake substantive testing. Use working papers in sections **C** (PDSAT) and **D** (Substantive Testing Working Papers) of the assurance programme to record your findings. The number of days spent on site will depend on the sample size and the level of additional testing that is required. We expect the assurance review team to remain on site for sufficient time to ensure that it undertakes all testing and provides the provider with the opportunity to clear any queries as they arise. Undertake follow up of recommendations from 2014/15 assurance reviews where applicable. Agree arrangements for feeding back during the visit (if not already done at stage 4 above).	Visit the provider's premises to undertake substantive testing. Use working papers in sections **C** (PDSAT) and **D** (Substantive Testing Working Papers) of the assurance programme to record your findings. The number of days spent on site will depend on the sample size and the level of additional testing that is required. We expect the assurance review team to remain on site for sufficient time to ensure that it undertakes all testing and provides the provider with the opportunity to clear any queries as they arise. Undertake follow up of recommendations from 2014/15 assurance reviews where applicable. Agree arrangements for feeding back during the visit (if not already done at stage 4 above).

	Action	ASTO	ASC
12	**Treatment of errors**	Assess any errors identified in the main sample to determine whether they can be ring-fenced. To do this, consider whether there are other learners in the population that may share the same error characteristics and identify this (sub-) population. Where an error can be ring-fenced, ask the provider to undertake a 100% audit of the (sub-) population to determine the full extent of the error. Where you cannot ring-fence an error, categorise the error as random. Note that a 100% audit of the entire population is required where the total value of random errors in the sample is at least 5% of the sample value. Complete the relevant columns of the **B3** (Excel) feedback form to record the justification for the categorisation of an error as either random or ring-fenced, as well as recording the value of the sample error. See Section 3.2 and the flowchart in the Annex for more information on categorising errors.	Assess any errors identified in the main sample to determine whether they can be ring-fenced. To do this, consider whether there are other learners in the population that may share the same error characteristics and identify this (sub-) population. Where an error can be ring-fenced, ask the provider to undertake a 100% audit of the (sub-) population to determine the full extent of the error. Where you cannot ring-fence an error, categorise the error as random. Note that a 100% audit of the entire population is required where the total value of random errors in the sample is at least 5% of the sample value. Complete the relevant columns of the **B3** (Excel) feedback form to record the justification for the categorisation of an error as either random or ring-fenced, as well as recording the value of the sample error. See Section 3.2 and the flowchart in the Annex for more information on categorising errors.
13	**Ongoing feedback**	Provide frequent updates to the provider, including details of any queries. Aim to clear any issues as soon as possible including, where applicable, the locating of alternative or missing evidence. Wherever practicable, ensure that a review of findings takes place prior to the feedback meeting at the end of the initial fieldwork visit. Leaving feedback to the end of the fieldwork creates delays in finalising the review.	Provide frequent updates to the provider, including details of any queries. Aim to clear any issues as soon as possible including, where applicable, the locating of alternative or missing evidence. Wherever practicable, ensure that a review of findings takes place prior to the feedback meeting at the end of the initial fieldwork visit. Leaving feedback to the end of the fieldwork creates delays in finalising the review.

	Action	ASTO	ASC
14	**Formal interim feedback**	You must provide written feedback using the Provider Feedback Form (see working paper **B3**). Hold a formal interim feedback meeting at the end of the initial fieldwork visit, ideally once you have resolved all queries. It may be that, at this stage, there may be some queries that remain unresolved and you will need to update the feedback once this has happened. Include in the feedback details of: • any queries that remain outstanding; • actual and potential corrections that need to be made to the ILR; • proposed actions for the provider. Agree a timetable for: • any further information or explanations that you require; • provider self-audit work; • potential visits required for retesting. Allow time for: • receipt of the provider's self-audit workings and calculation of error; • selecting samples for further testing; • giving the provider time to collate the documents for further testing; • further testing to be undertaken on site. Retain evidence to confirm that this has taken place. Note that where no issues remain outstanding at this point, this will be the Formal Closure Meeting (proceed to stage 20).	You must provide written feedback using the Provider Feedback Form (see working paper **B3**). Hold a formal interim feedback meeting at the end of the initial fieldwork visit, ideally once you have resolved all queries. It may be that, at this stage, there may be some queries that remain unresolved and you will need to update the feedback once this has happened. Include in the feedback details of: • any queries that remain outstanding; • actual and potential corrections that need to be made to the ILR; • proposed actions for the provider. Agree a timetable for: • any further information or explanations that you require; • provider self-audit work; • potential visits required for retesting. Allow time for: • a new ILR to be provided; • selecting samples for further testing; • giving the provider time to collate the documents for further testing; • further testing to be undertaken on site. Retain evidence to confirm that this has taken place. Note that where no issues remain outstanding at this point, this will be the Formal Closure Meeting (proceed to stage 20).

	Action	ASTO	ASC
15	**Further testing (if applicable)**	Undertake further testing to gain assurance over funding identified by the provider as earned in its self-audit workings. Further testing can be restricted to testing the error characteristic identified in stage 12 above. Accept any funding errors that the provider declares and instruct the provider to correct its ILR data accordingly. In addition to the original sample error, record the value of funding errors identified outside the sample in the **B3**. Ensure that errors are correctly categorised in line with Section 3.2.	Undertake further testing to gain assurance over funding identified by the provider as earned in its self-audit workings. Further testing can be restricted to testing the error characteristic identified in stage 12 above. Accept any funding errors that the provider declares and instruct the provider to correct its ILR data accordingly. In addition to the original sample error, record the value of funding errors identified outside the sample in the **B3**. Ensure that errors are correctly categorised in line with Section 3.2.
16	**Review of additional evidence**	If the provider presents additional evidence (that may not have been presented during the first visit), allow time to review this.	If the provider presents additional evidence (that may not have been presented during the first visit), allow time to review this.
17	**Changes made to the ILR**		Some providers will continue to make changes to the ILR whilst the assurance review is in progress. You will have asked the provider to note all changes that it makes to the ILR after it has provided an ILR for the assurance review (see stage 4). In addition to these routine changes, ensure that you track corrections to the ILR following the initial testing. This facilitates your reconciliation from the ILR provided for the assurance review to the final ILR R14 return forming the basis of the final funding claim as per Section 3.4 below and working paper **B1**. The provider must correct all data errors identified during the review.

	Action	ASTO	ASC
18	**Reconciliation**		Reconcile all movements resulting from data amendments between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims. This includes: • adjustments made as a result of data errors identified by the auditor; • adjustments made in the course of routine data cleansing by the provider. Movements must be in line with your expectations. Ensure it is clear which issues you have grouped together under a single heading on the **B1**. See Section 3.4 below for further details.
19	**Extrapolation**	Use extrapolation only in the most exceptional circumstances.	If the provider is unable to make all of the corrections to the ILR due to timing issues, look to identify the sample population and value of the error and perform an extrapolation (see Section 3.3). Do not routinely use extrapolation.

	Action	ASTO	ASC
20	**Closure meeting**	On completion of all testing, including review of any additional evidence and further testing of any provider self-audit work, you must hold a closure meeting and give final written feedback to the provider. You must retain evidence that this has taken place. This will include the results of additional testing, the agreed value of any funding errors, the opinion on the use of funds and the action plan. The opinion on the use of funds is dependent upon the error rate in our main sample (i.e. monetary value of funding errors in the main substantive sample as a percentage of the monetary value of the main substantive sample). An error rate less than 5% will result in an opinion of 'satisfactory' on the use of funds. An error rate at or above 5% will result in an opinion of 'unsatisfactory' on the use of funds.	On completion of all testing, including review of any additional evidence and further testing of any provider self-audit work, you must hold a closure meeting and give final written feedback to the provider. You must retain evidence that this has taken place. This will include the results of additional testing, the reconciliation process (including the agreed value of any funding errors) and the action plan. The deadline for SFA receipt of the final funding claim and reconciliation is **24 October 2016.**
21	**Data amendments**	The provider must correct all errors through ILR data (or other relevant data return) amendment as soon as possible and by the deadline date for the next monthly return. Where the provider does not correct its data within the required timescale, escalate the issue within the SFA and issue a draft report informing the provider of this (see working paper **A1/B4**).	By this time, the provider must have corrected all errors through ILR data (or other relevant data return) amendment, otherwise it risks a qualification to its funding claim.
22	**Reporting**	Issue a final report only when the provider has made all data amendments unless there are exceptional circumstances as described in the report template. All sections of the report are mandatory (see working paper **A1**).	Issue an opinion (see working paper **A2**) and a management report highlighting the key issues identified during the assurance review (see working paper **A1**).

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	Action	ASTO	ASC
23	**Reporting deadlines**	Based on the data amendment timescale described in stage 21, complete the final report (and forward to the SFA for external audit firms) immediately after data amendments are made. In any event, complete all final reports (and forward to the SFA for external audit firms) by **20 October 2016**.	Complete all opinions and draft management reports (and forward to the SFA for external audit firms) by **24 October 2016**. Complete all final management reports (and forward to the SFA for external audit firms) by no later than the end of November 2016.

2.2 Sample selection and sizes

2.2.1 *Main substantive sample selection*

Up to four separate main substantive random samples will need to be selected, two of which are:

- SFA funded learners (ASB learners, 16 to 18 apprentices and 16 to 18 traineeships)
- EFA funded 16 to 19 learners.

We will select samples of learners from a provider's ILR data, using the following sample sizes for the statistical based sampling selected using PDSAT.

Learner Numbers		Sample Size
>1,300		80
601 to	1,300	75
451 to	600	70
326 to	450	65
251 to	325	60
226 to	250	55
176 to	225	50
151 to	175	45
141 to	150	40
125 to	140	35
30 to	124	30
<30		Population

As an example, if a provider has 350 learners attracting SFA funding and 260 learners attracting EFA funding, using the table above the sample sizes selected will be as follows:

- 65 learners for SFA testing; and
- 60 learners for EFA testing.

PDSAT apportions the SFA sample across the six sub-categories based on the respective values of funding in each of these sub-categories, subject to a minimum of 5 per FM35 sub-category and a maximum of 5 traineeships (FM25).

2.2.2 *Loans learners sample selection*

Where applicable, we will select the third main substantive sample, loans learners, from a provider's ILR data using PDSAT.

The sample size will be ⅓ of the total number of learners, subject to a minimum of 5 and a maximum of 30 (unless there are fewer than 5 records in the population in which case all are tested).

For example, a population of 30 learners will result in a sample size of 10 (⅓ of 30). A population of 100 learners will result in a sample size of 30 (⅓ of 100, subject to maximum).

2.2.3 *Trailblazer apprenticeships sample selection*

Where applicable, we will also select the final main substantive sample, Trailblazer apprenticeship learners, from a provider's ILR data. We will use the sampling facility in the **D13** work programme file to select the sample.

The sample size will be ⅓ of the total number of learners, subject to a minimum of 5 and a maximum of 30 (unless there are fewer than 5 records in the population in which case all are tested).

For example, a population of 30 learners will result in a sample size of 10 (⅓ of 30). A population of 100 learners will result in a sample size of 30 (⅓ of 100, subject to maximum).

2.3 Sample production guide

2.3.1 *Software requirements*

You will require the following software in order to select samples and run PDSAT reports for assurance reviews:

- FIS
- PDSAT version 16_xx

FIS automatically uses the latest available Learning Aim Reference Service (LARS) data.

You can find the software and related guidance documentation by using the links below.

FIS: https://www.gov.uk/government/publications/individualised-learner-record-ilr-check-that-data-is-accurate

PDSAT: https://www.gov.uk/government/publications/ilr-data-check-that-it-meets-standards-and-quality-requirements

We also make available the same PDSAT software to PFMA on the PFMA Team Site using the link below:

Provider Financial Management & Assurance > DSAT > PDSATs

2.3.2 *Processing the ILR in FIS*

The FIS user guide explains how to process the ILR and produce reports. This is a summary of the key steps.

No	Steps required
1	Obtain the ILR XML file. If it is zipped, extract it.
2	Open the FIS program.

Provider Financial Management & Assurance
Assurance Reviews for 2015/16
Assurance Overview and Planning Guidance

No	Steps required
3	When you start FIS, it automatically checks for updates. However, you can manually check for updates if you wish. To do this, click **Tools** and **Check for Updates**. When you need to update any Component Sets, they appear in the *Update Component Sets* dialogue box. Click **Update Selected** (or **Skip** if there are no required updates). When you need to update any Data Sets, they should appear in the *Update Data Sets* dialogue box. Click **Update Selected** (or **Skip** if there are no required updates). Click **Close**.
4	Ensure that the Data Provider shown is SKILLS FUNDING AGENCY.
5	If the values shown for *Collection Name*, *Component Set Version* or *Data Sets* are not appropriate for the ILR that you are processing, you will need to change them. To do this, click **Tools** and **DataSet and Reference** and change the dataset and reference details in the *DataSet and Reference Options* dialogue box. Click **Save**. In particular, ensure that the *Collection Name* is ***1516_ILR_FIS Configuration***.
6	Ensure that you have set the folder in which you would like to save the FIS export database. To do this, click **Tools** and **Preferences**. In the *User Workspace* section, if the path displayed in the *Default Workspace Location* is not correct, click **Select…** and navigate to the required file location. Click **Save**.
7	In the *Procedure(s) to Execute* section, select: **Import and validate an ILR submission** **Perform Funding calculations** **Export ILR data to an Access database**.
8	If you have obtained the ILR from the Hub, you may have already downloaded the business reports zip file relevant to this ILR file from the Hub. Otherwise, in the *Procedure(s) to Execute* section, select: **Funding Summary Report as an Excel file** **Main Occupancy Report as CSV** **SFA Funding Claim Report as an Excel file** If you are undertaking testing of EFA funded 16-19 provision, also select: **EFA Maths and English Report as CSV** **EFA Funding Claim Report as PDF** Click **Execute**.
9	In the *Import File* window, click **Add**. In the Open dialogue box, navigate to the location of the ILR file and click **Open**. Once you have selected an ILR file, click **Import**.

No	Steps required
10	As the FIS processes the ILR and prepares the FIS Export file and reports, progress will be shown in the *Executing…* dialogue box.
11	Assuming that the process encounters no problems, it will run to completion, including the output of the reports. The message **Done** will appear in the *Progress* bar and the **Close** button will be enabled. Click **Close**.
12	In the file location selected, the file ***FIS yyyymmdd-hhmmss.mdb*** is the resulting FIS Export database. You may wish to change the filename so that it contains a provider identifier, such as the UKPRN.

2.3.3 *Using PDSAT*

The SFA provides PDSAT software for the production of exception and listing reports for data review and cleansing and for generating samples and working papers for substantive testing.

The User Guide that accompanies the PDSAT software gives clear and comprehensive instructions on how to produce PDSAT reports and generate samples. Consequently, this document will not seek to replicate the advice contained in the Guide.

You can access the PDSAT v16 User Guide using this link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/471747/DSAT_v16_UserGuide_Final_20151027.pdf

2.4 Testing

2.4.1 *ILR and funding documentation*

Refer to the following documents in undertaking assurance reviews of SFA funding and EFA funding.

ILR:

- Specification of the Individualised Learner Record for 2015 to 2016
- Provider Support Manual for 2015 to 2016
- Guidance for recording Trailblazer apprenticeships in the ILR for 2015 to 2016

SFA funding documents:

- Funding Rules 2015 to 2016 (“the funding rules”)
- Funding Claims 2015 to 2016

EFA funding documents:

- Funding guidance for young people 2015 to 2016

2.4.2 *D1: SFA (ASB & 16 to 18 apprenticeships)*

We use the D1 working paper for testing samples within ILR funding model 35 (FM35). The SFA funds all FM35 learners.

We undertake substantive testing of funding within FM35 at a learner level and the transaction value is the total year-to-date funding value for the learner's entire programme of learning. Consequently, you must consider each of the learner's funded learning aims as listed in the sample when undertaking testing. The D1 to D5 & D10 working paper file in the assurance programme contains a worksheet called SFA References. This worksheet contains all the critical factors that you must consider in undertaking each test.

The tests are:

1. Does evidence exist to confirm that the learner is eligible for SFA funding?
2. Is the learner eligible for the programme(s) and has/have the programme(s) been correctly identified and coded?
3. Is the programme as designed eligible for funding and is the correct funding being claimed?
4. Does learner documentation meet the minimum requirements outlined in the funding rules and agree to underlying data?
5. Is the learner eligible for learning support funding and is there evidence of delivery of learning support?
6. Is the learner's programme and the learner's attendance as recorded in the ILR consistent with the underlying records?
7. Where the learner has not achieved, does the learning actual end date recorded on the ILR agree with underlying records?
8. Does evidence exist to confirm that the learner has achieved/completed the learning aim/framework?
9. Is there evidence that the learner is eligible for, and has evidence to support, the claim for a job outcome payment?
10. Is the learner eligible to be used in the SFA's ESF match funding claim?

2.4.3 ***D2: EFA (16 to 19)***

Although the D2 working paper refers to EFA, we use it for testing samples within ILR funding model 25 (FM25), 16 to 19 EFA funding methodology. The EFA funds most FM25 learners but the SFA funds certain categories of learners, such as 16 to 18 traineeships for providers without an EFA contract.

We undertake substantive testing of funding within FM25 at a learner[3] level and the transaction value is the total annualised funding value for the learner's planned study programme, except for 16 to 18 traineeships for ASTOs without an EFA contract where the transaction value is the total year-to-date funding. You must consider the learner's entire study programme as listed in the sample when undertaking testing. The D1 to D5 & D10 working paper file in the assurance programme contains a worksheet called EFA Guidance. This worksheet contains all the additional guidance notes that appear as comments in the D2 EFA working paper that you must consider in undertaking each test.

The EFA Guidance worksheet also contains information on the action that you must take in the event of any adverse responses to any tests. You must ensure that you do not raise funding errors where the provider has made a data error that affects the EFA's lagged

[3] Note that the EFA refers to "students" rather than "learners". We will generally use "learners" in this document for consistency, except when quoting from specific EFA guidance or documentation.

funding formula but does not affect the in-year funding claim.

The tests are:

1. Has the Institution[4] correctly assessed that the student is eligible for EFA funding?
2. Does the learning agreement/enrolment form/timetable agree to the ILR in terms of data, *including eligibility for free meals in FE*?
3. Has the learning agreement/enrolment form been signed by both the student & Institution?
4. Is there evidence that the student has been provided with IAG, an Initial assessment, a Learning Plan and other base documentation (including timetable if applicable)?
5. Condition of Funding (CoF) 2015/16 – requirement/exemption from requirement to study English.
6. Condition of Funding (CoF) 2015/16 – requirement/exemption from requirement to study maths.
7. Has the correct learning aim been recorded as the core learning aim?
8. Are the activities included in the study programme eligible activities (relevant, planned and take place during institution's normal working hours)?
9. Has the number of planned hours for the academic year been correctly recorded in the ILR?
10. Attendance: Does the start date recorded on the ILR reconcile to registers held?
    Note: In the absence of registers alternative evidence to support attendance can be accepted.
11. Is the student undertaking English in order to meet the CoF (this test only applies where no evidence of the individual student exemption from CoF - see test 5)?
12. Is the student undertaking maths in order to meet the CoF (this test only applies where no evidence of the individual student exemption from CoF - see test 6)?
13. If the student is undertaking work experience as part of their programme, have the placement details been fully documented and have arrangements for the recording of attendance been made?
14. Qualifying period: If the student has withdrawn from the programme, does the period of attendance qualify for funding?
    For the purpose of calculating the planned length of programme, take the earliest start date of all the learning aims and the latest planned end date of all the learning aims.
15. Are you satisfied that the students who have withdrawn from qualifications have been correctly recorded in the ILR?
16. If any of the learning aims are recorded as achieved, is there evidence to support this?
17. Does the range of documents reviewed provide reasonable evidence of student existence, and do the student's signatures appear consistent?
18. High Needs Student Support:
    For 16 to 18 high needs students where Learner support payment is £6,000 or above, as flagged in the ILR, is there evidence of the home Local Authority agreement to fund the student's higher cost needs?

[4] Note that the EFA refers to “institutions” rather than “providers”. We will generally use “providers” in this document for consistency, except when quoting from specific EFA guidance or documentation.

For 19-24 EFA funded students is there evidence of a Learning Difficulty Assessment and/or an Education, Health and Care Plan as flagged in the ILR?

19. Sub-contracting - Is the sub-contracted provision eligible for funding? Can the institution management demonstrate the required levels of controls and compliance in their procurement and contractual procedures?

2.4.4 *D3: Subcontracting testing*

Where the provider has informed the SFA that it is using subcontractors to deliver all or part of its SFA funded provision, you must carry out a high-level review of each subcontract. You will need the details of the provider's subcontractors from the *Subcontractor Declaration* ("the Declaration"). Note that PFMA will supply external audit firms with this information.

To ensure completeness, where you identify the use of a subcontractor that the provider has not recorded on the Declaration (for example, using PDSAT Report 16S-490, during substantive testing or through conversation with the provider), add the subcontractor to the **D3** working paper and test accordingly.

The tests are:

1. Does the UKPRN on the Declaration agree with the UKPRN on the PDSAT Report 16S-490?
2. Does the name of the subcontractor on the Declaration agree with the name on the UK Register of Learning Providers website (www.ukrlp.co.uk)?
3. Is there a legally binding contract in place with the subcontractor?
4. Have all of the terms for inclusion in the lead provider's subcontract been included within the contract in line with paragraphs 35 to 45 of the Funding Rules 2015 to 2016?
5. Does the provider have procedures in place for monitoring its subcontractors?
6. If there is second level subcontracting, does the provider have in-year written approval from the SFA and have the details been recorded on the Declaration?

2.4.5 *D4: Earnings Adjustment Statement (EAS)*

The EAS is not within the scope of the review for 2015/16.

2.4.6 *D5: ESF match funding testing*

Paragraph 106 of the funding rules explains that the SFA will use all adult skills contracted providers' 2015/16 provision in its match pool for the ESF programme for 2014 to 2020. This means that as part of their contract, providers must comply with additional requirements relating to ESF policies, data, learner notification, the use of logos and document retention. This is required in order that the SFA can fully support its ESF match funding claims.

You must use the **D5** working paper to record the outcome of tests undertaken to confirm whether the provider is complying with these requirements.

The tests are:

1. Have the provider and its subcontractors displayed an ESF plaque prominently in their premises?
2. Have the provider and its subcontractors displayed the current ESF logo on their websites?
3. Have the provider and its subcontractors displayed the current ESF logo on their

learner enrolment documentation and training materials?

4. Do the provider and its subcontractors inform learners that they are on an Agency-funded programme which could be used as ESF match?
5. Do the provider and its subcontractors have a document retention policy that ensures that all documents necessary to verify ESF Co-financed provision are retained in line with contractual requirements (currently until 31 December 2022)?
6. Do the provider and its subcontractors have in place an equal opportunities policy and action plan, a policy for sustainable development (including an environmental implementation plan) and, for health projects in the London region, policies/plans to cover health related issues in the project activities
7. Has the review of the provider's ILR data confirmed that ESF related data fields have been completed?

Note that for test 7, PDSAT report 16S-390 provides a listing of ILR records where providers have not used relevant ILR field values in a way that renders such records useful for ESF match funding purposes. The listing contains the following ILR records:

- Learners with *Ethnicity = 99* (Not provided)
- Learners with *LLDD and health problem = 9* (No information provided by the learner)
- Learners who, on their programme or learning aim start date, have *Employment status = 98* (Not known/not provided) as their most up-to-date employment status record.
- Learners with Learning Delivery FAM Type *Household situation = 98* (Learner has withheld this information)
- Learners with Learner Destination and Progression *Outcome type = OTH* and *Outcome code in {3, 4}* (Unable to contact learner OR Not known).

Paragraph 107 of the funding rules specifically states that providers must record the learner's employment status at the start of their programme or learning aim since, without it, the SFA is unlikely to be able to use the learner's funding as match. It is in providers' interests to collect positive values for all of these ILR fields so that the SFA can maximise the amount of funding available for ESF projects. Use this report to encourage the provider to update its ESF match funding related ILR fields where possible, in line with the requirements laid down in the contract.

2.4.7 ***D6: Additional testing schedules***

You must use **D6** working papers to record details of any additional testing required as a result of findings during substantive testing.

A specific element to these additional tests relates to English and maths learning aims. The additional tests are to ensure that providers assess learners for English and maths and enrol them on the appropriate level of qualification in accordance with the funding rules. This includes instances where apprentices that already hold level 2 in English and/or maths when they start their apprenticeship framework require further learning to meet the level of skills needed to achieve their framework if they are assessed at below level 2.

You must undertake this additional English and maths testing in the following circumstances:

- Where you have identified any errors in the main substantive sample testing relating to inconsistencies between the outcome of the assessment of learners and the level of qualification that they subsequently undertake;
- Where the main substantive sample includes neither English nor maths learning aims to

test.

Other additional testing may arise in the following instances:

- Where you categorise an error in the main sample as ring-fenced and you test all the learners that share the same error characteristics to determine the full extent of the funding error;
- Where you categorise an error as ring-fenced and you sample test a provider's 100% self-audit of learners that share the same error characteristics as an error in the main sample to gain assurance over the provider's workings;
- 100% testing of a population or sub-population.

This is not an exhaustive list of uses for the additional test schedules and they can be used for any situation where a separate review of a specific population, sub-population or issue is required (except for testing related to PDSAT review findings for which **C2** working papers must be used and referenced to the **C1** working paper).

2.4.8 *D7: 16 to 19 Bursary Fund*

The EFA has produced the programme and working papers for testing EFA 16 to 19 Bursary Fund. You can find them in section **D7** of the work programme.

The work programme contains guidance for auditors, references to relevant funding guidance and EFA contacts for raising queries or sending results.

2.4.9 *D8: Other funding*

In addition to the sampling above, you will need to select judgmental samples to ensure that the provider is not double claiming funding for learners. For example:

- ESF funding and workplace learning funding;
- ESF funding and classroom learning funding;
- HEFCE funding and classroom learning funding.

For a full list of tests, refer to D8 of the assurance programme. Note that the programme may not capture all the funding available to providers but it highlights the most common sources. As part of the planning process, determine whether a provider is in receipt of any other sources of funding not referred to in the programme and test them accordingly.

2.4.10 *D9: Completeness testing*

You must use **D9** working papers to record the outcome of completeness testing. Ask the provider for access to its source attendance records and learner files as described below and check the details back to the ILR. You must check to confirm that the provider has recorded each enrolled learner and details of the corresponding learning aim(s) fully and accurately in the ILR.

Do not use the ILR to select learners for completeness testing as this renders such testing futile.

Undertake completeness testing across the provider's provision as follows:

- For apprentices and other workplace learners, select 10 learner files, ensuring that they include learners that have withdrawn, and check that all enrolled learning aims for each learner are recorded in the ILR;

- For other learners (e.g. classroom learners, EFA funded 16 to 19 year olds, OLASS), select 10 registers or other similar records, ensuring that they include learners that have withdrawn.

You must cover both EFA funded and SFA funded provision if EFA funded provision is within the scope of the assurance review.

2.4.11 *D10: Advanced Learner Loans & Loans Bursary*

We undertake substantive testing of loans learners at a learner level. The sample of loans learners will include a proportion of learners receiving Loans Bursary where applicable. The transaction value is the total year-to-date Loans Bursary funding value for the learner's entire programme of learning. For each loans learner, you must consider each of their learning aims as listed in the sample when undertaking testing as the provider will need to correct any errors identified, both in the ILR and in the loans portal. The D1 to D5 & D10 working paper file in the assurance programme contains a worksheet called Loans References. This worksheet contains all the critical factors that you must consider in undertaking each test.

1. Do learner and programme details as recorded in the learning and funding information letter, the loans portal, the Learning Agreement and the ILR agree?
2. Is the learner's programme and the learner's attendance as recorded in the ILR and on the loans portal consistent with the underlying records?
3. ASTOs only: Where the learner has received Advanced Learner Loans Bursary Fund support, is the learner eligible for the funding as coded in the ILR?

2.4.12 *D11: Free Meals in FE*

The EFA has produced the programme and working papers for testing Free Meals in FE funding. You can find them in section **D11** of the work programme.

The work programme contains guidance for auditors, references to relevant funding guidance and EFA contacts for raising queries or sending results.

2.4.13 *D12: EFA Subcontracting*

The EFA has produced a subcontracting working paper for use with its own assurance approach. The worksheet contains guidance on how to complete the work programme.

This working paper does not form part of the SFA's assurance approach and you must not use it for assurance reviews of providers for which the SFA is the lead for assurance purposes.

2.4.14 *D13: Trailblazer apprenticeships*

We use the D13 working paper for testing Trailblazer apprenticeship samples within ILR funding model 81 (FM81). The SFA funds all FM81 learners.

We undertake substantive testing of funding within FM81 at a learner level and the transaction value is the total year-to-date funding value for the learner's entire programme of learning. Consequently, you must consider each of the learner's funded learning aims as listed in the sample when undertaking testing. The D13 working paper file in the assurance programme contains a worksheet called SFA References. This worksheet contains all the critical factors that you must consider in undertaking each test.

The tests are:

1. Does evidence exist to confirm that the learner is eligible for SFA funding?
2. Are the learner and employer eligible and has the programme been correctly identified and coded?
3. Is the programme as designed eligible for funding and is the correct funding being claimed?
4. Does learner documentation meet the minimum requirements outlined in the funding rules and agree to underlying data?
5. Is the learner eligible for learning support funding and is there evidence of delivery of learning support?
6. Is the learner's programme and the learner's participation as recorded on the ILR consistent with the underlying records?
7. Where the learner completes or leaves the programme, does the learning actual end date recorded on the ILR agree with underlying records?
8. Does evidence exist to confirm eligibility for incentive payments to be made to the provider (where applicable)?

2.5 PDSAT reports

We released PDSAT v16 software in August 2015 so that users could run reports using an ILR XML file. We followed this in October 2015 with a full release, enabling users to run reports using a FIS export file, allowing the reports to contain funding values. We published a further update in December 2015 to add reports that address the Skills Funding Agency's financial assurance monitoring plan. We will continue to release monthly updates to ensure that LARS data is up-to-date.

You must run the PDSAT reports and select the main assurance review sample at the same time, and you must review the reports as soon as possible. This will enable you to send the provider the main assurance review sample together with the results of your review and any additional PDSAT samples and queries. Use working paper **C1** for recording details of your review of the provider's PDSAT reports.

Review of PDSAT reports that are included in the **C1** working paper is mandatory. However, you should run all PDSAT reports as those not featuring on the **C1** are useful listing reports that provide information that you may find helpful, particularly when seeking to ring-fence errors. Use working paper **C2** to record the results of your additional PDSAT sample testing.

For ASCs, you will need to review PDSAT reports prior to the final R14 ILR data return to ensure that the provider has made all data amendments that are required and that no new issues or errors have arisen.

Also included in the assurance programme is guidance document **F2** explaining how PFMA will review PDSAT reports.

3 Treatment of errors

3.1 Error collation and evaluation

Following the completion of the assurance review work above, you must collate and evaluate all identified errors using the Provider Feedback Form (see working paper **B3**) detailing the nature of the errors arising during the course of the testing. Use this document to record both funding errors and observations relating to other data issues.

Within this document, you should provide clear feedback to the provider notifying it of the errors identified and suggested ways to resolve the issues on a macro level to enable you to gain sufficient assurance for the funding claim and opinion.

When assessing funding errors identified, you will need to consider appropriate processes to identify the affected populations and methods to retest.

3.2 Error categorisation

You must allocate each funding error that you identify to one of the following categories:

- Random
- Ring-fenced
- PDSAT/other

The categorisation depends on how you deal with the funding error once identified. The Excel version of the **B3** contains columns with headings, the responses to which will automatically categorise funding errors accordingly, detailed in the table below.

Column K	Column M	Column O
Has a (sub-) population of learners with the same error characteristics as the error in the main sample been identified?	Has (sub-) population been 100% tested and assurance gained?	Error categorisation
Yes	Yes	*Ring-fenced
Yes	No	*Random
Yes	N/A	*Random
No		*Random
Not found in main sample		*PDSAT/Other
N/A		N/A

* Where only under-claims are recorded, error categorisation changes to “Under-claim”.

Refer to the table in the Annex for a summary of the error categorisation process (does not apply to under-claims).

3.2.1 *Funding errors identified in the main substantive sample*

For each funding error, you must assess whether the error is such that other learners may share the same error characteristic(s). It is unlikely that you will be able to determine this without discussing the nature of the error with the provider to establish why the error occurred. Where there is an indication that this is the case, identify all other such learners. You may be able to do this with a PDSAT listing report if it covers the specific error characteristic(s). You could filter PDSAT report 16S-450 (All learners and learning aims) which lists all learners and their learning aims if there is no specific listing report. Otherwise, you will need to use other means.

Having identified all learners sharing the same error characteristic(s), you can categorise as ***Ring-fenced*** any resulting funding errors (including the error in the main substantive sample) only if one of the following circumstances holds true:

- You test all of these learners to determine the full extent of the funding error;
- You instruct the provider to carry out a self-audit on all of these learners to determine the full extent of the error and you sample check and find no inaccuracies in the provider's work.

Should any other circumstances arise, categorise the funding error in the main substantive sample as ***Random*** and the funding errors outside the main substantive sample for the learners identified as ***PDSAT/other***. Such circumstances could include a situation where you sample check the provider's work and find inaccuracies but carry out no further work, or where a 100% check is not undertaken at all.

If there are no indications that other learners share the same error characteristic(s), or if you do not identify other such learners, categorise the funding error in the sample as ***Random***. There will be no additional error outside the sample.

If the value of errors in the main substantive sample that you categorise as ***Random*** and take no further action is at least 5% of the total value of the main substantive sample, this will require a 100% review of the entire population.

3.2.2 *Funding errors identified in PDSAT samples*

For each funding error, check whether the respective PDSAT report identifies all learners with an error characteristic that you also identified in the main substantive sample. If this is the case, you can categorise as ***Ring-fenced*** any funding errors in the main substantive sample and all of the funding errors in the PDSAT report only if one of the following circumstances holds true:

- You test all of these learners on the PDSAT report to determine the full extent of the error;
- You instruct the provider to carry out a self-audit on all of these learners to determine the full extent of the error and you sample check and find no inaccuracies in the provider's work.

Should any other circumstances arise, categorise all of the funding errors in the PDSAT report for the learners identified, other than the learner in the main substantive sample, as ***PDSAT/other***. Such circumstances could include a situation where you sample check the provider's work and find inaccuracies but carry out no further work, or where a 100% check of the learners in the PDSAT report is not undertaken at all.

3.3 Error terminology

The **B3** provides the facility for recording whether errors are cleared or corrected. Please note the difference between these terms.

An error is cleared if the provider subsequently supplies satisfactory evidence that supports the funding claimed. This requires no data amendment to adjust the funding. You can record in the **B3** that you have accepted the provider's response to an error even if the outcome is that the error is not cleared.

An error is corrected if an over-claim of funding has occurred and the provider has made the necessary data amendments to adjust the funding.

3.4 Correction of errors

3.4.1 *ASTOs*

The provider must make the necessary data adjustments to the ILR to correct any errors identified during the course of this assurance review promptly and in time for the following scheduled monthly data return. The exception to this is where we identify errors and inform the provider after the R12 return date (4 August 2016). This is because there are no more scheduled return dates before the R14 return date on 20 October 2016. Consequently, the provider must make the data amendments within two weeks of being informed of the errors or by the R14 return date, whichever is sooner.

3.4.2 *ASCs*

The provider must make the necessary data adjustments to the ILR for any errors identified during the course of this assurance review prior to the final ILR R14 return. Note that although the final ILR is due by 20 October 2016, the funding claims, audit opinion and related reports are required by 24 October 2016. The provider will need to ensure that it returns its ILR in sufficient time to allow for the finalisation of these documents and receipt by the SFA by the deadline.

You will need to identify the funding lines affected by the errors (e.g. EFA funded 16 to 19 provision, 19 to 23 Apprenticeships). This is because we report the findings relating to the two funding bodies separately within the management report, although we arrive at a single opinion on the funding claims.

In the first instance, you should determine the population that contains the errors. Discuss this with the provider and agree with the provider a timetable for it to correct the ILR. You may need to select an additional sample of learners from the updated ILR to ensure that the provider has corrected all of the errors. You must complete this work in time for a final ILR R14 return prior to the 20 October 2016.

We require the provider to correct all errors by data amendment. As a last resort, if the provider is unable to make all of the corrections to the ILR due to timing issues, you should look to identify the sample population and the value of the error and perform an extrapolation (see the example in Section 3.4 below).

Always seek to ring-fence a specific sub-population for a particular type of error (for example, errors relating to withdrawn learning aims or financial contributions/fee remission) where it reduces the value of the extrapolated error.

3.5 Reconciliation

The reconciliation from the reviewed ILR to the final R14 ILR return takes place for ASCs only.

Use the Funding Summary Report to derive the values for total earned cash

You must reconcile all movements resulting from data amendments between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims.

You may need to complete additional sample testing where appropriate. For example, if the provider has added a significant number of additional learners to the ILR, you may need to test a sample of the learners added due to the original sample being selected from an incomplete data set.

Where you have identified funding errors during the course of the testing, you will need to review the associated data to ensure that the provider has made the necessary data adjustments.

You must record the reconciliation on the Reconciliation Statement (working paper **B1**), deriving the values from the findings from the assurance review (recorded on the Provider Feedback Form (**B3**)) and the additional data adjustments made by the provider in finalising its ILR.

The deadline for SFA receipt of the final claim along with the opinion is **24 October 2016.**

4 Reporting

4.1 Returns to the SFA

4.1.1 *ASTOs*

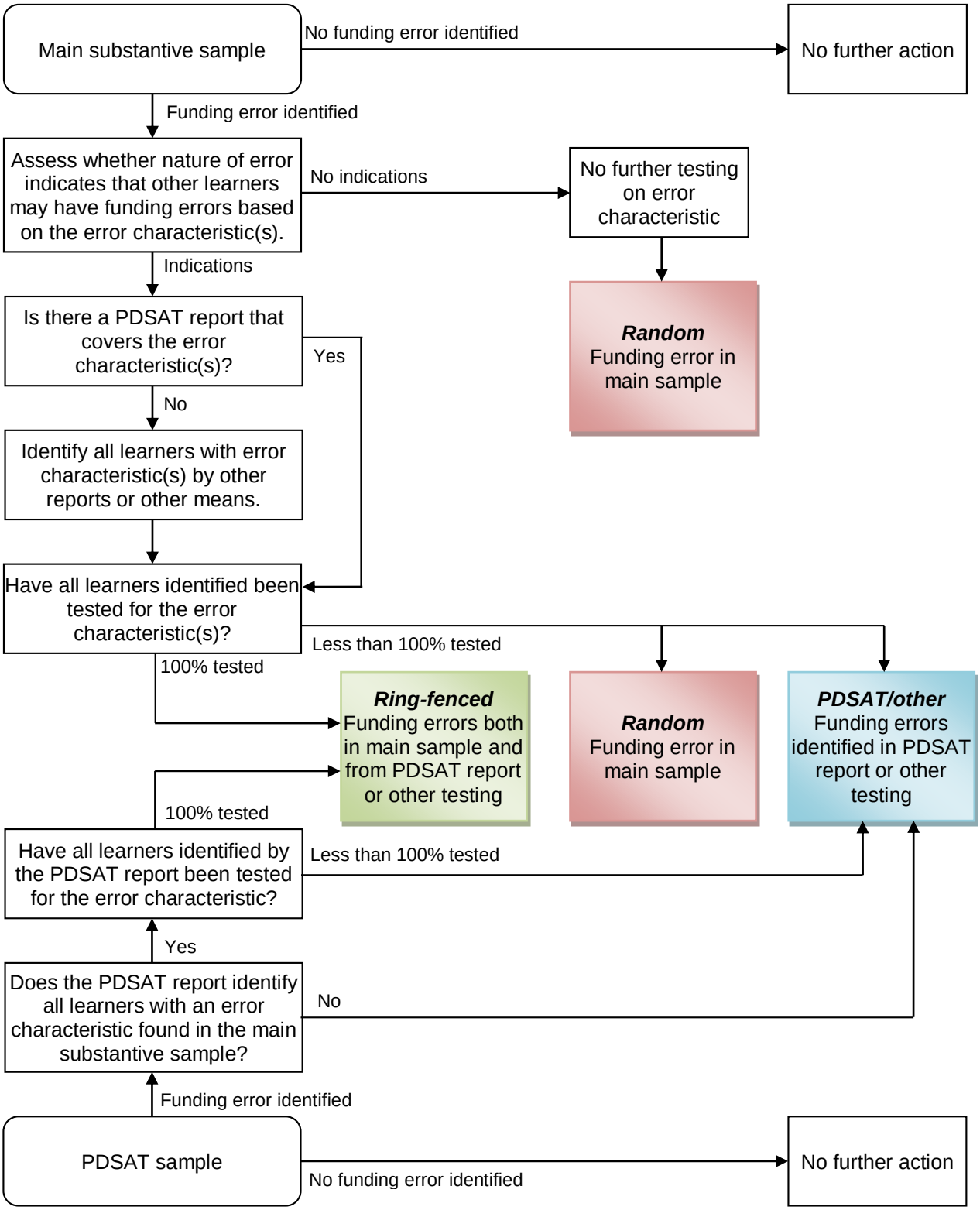
The main outcome of the assurance review is the management report that we issue to the provider and SFA colleagues, as well as to EFA colleagues if we have reviewed EFA funding. Where an external audit firm undertakes the assurance review, the return to the SFA's PFMA Team must consist of:

- A management report
- Management Information:
    - A summary of funding errors by funding stream and critical factor/issue, fully categorised as random, ring-fenced and PDSAT/other. We would prefer firms to use the **B3** to provide this but firms can use an alternative method if it captures the same information.
    - A list of transaction values in the main sample and any respective funding errors categorised as random or ring-fenced.

4.1.2 *ASCs*

The main outcomes of the assurance review are the opinion and the management report that we issue to the provider and SFA colleagues, as well as to EFA colleagues if we have reviewed EFA funding. Where an external audit firm undertakes the assurance review, we also require the firm to return the following documentation to the SFA:

- Audit opinion (working paper **A2**), accompanied by:
    - Adult Skills Budget funding claim (SFA)
    - SFA Funding Claim Report derived from final R14 ILR return (note that the values on these reports must match the funding claim values)
    - Funding Summary Report (derived from final R14 ILR return)
    - Reconciliation Statement (movements between the ILR used for the assurance review and the final R14 ILR return that forms the basis of the final funding claims)
    - ILR Funding Claim 2015/16 (EFA)
        - Part 1 Claim Form (EFA Funding Claim Report from FIS)
        - Part 2 Funding Diff Form (in exceptional circumstances)
- A management report.
- Management Information:
    - A summary of funding errors by funding stream and critical factor/issue, fully categorised as random, ring-fenced and PDSAT/other. We would prefer firms to use the **B3** to provide this but firms can use an alternative method if it captures the same information.
    - A full list of transaction values for each learner selected in the main sample and any respective funding errors, categorised as random or ring-fenced.

Annex

Error Categorisation Process