Guidance on LSC Audit Arrangements for EMA in LSC-funded Entry to Employment (E2E) and Programme Led Pathways (PLP)

This document is of interest to post-16 learning providers, local LSCs and other institutions involved in LSC-funded E2E and Programme led Pathways (PLP).

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Background

1. This paper updates providers on proposals for LSC audit arrangements of Education Maintenance Allowance (EMA) paid to learners enrolled on LSC funded Entry to Employment (E2E) and Programme Led Pathways (PLP) learning provision.

Methodology

2. In recognition of the need to minimise the administrative burden on providers, it is proposed generally to carry out LSC audit of EMA for E2E/PLP as an integral part of the existing Work-Based Learning (WBL) audit approach.

3. Most providers will be familiar with the current WBL audit approach which enables LSC auditors to gain assurance that the Requirements for Funding Work-based Learning for Young People 2006/07 are being met and informs audit opinions on providers’ internal controls and use of LSC funds.

4. The WBL audit approach is risk based and includes gathering information from providers to assist the planning and conduct of the audit, by use of the Business Environment Questionnaire (BEQ) and Provider Control Risk Assessment (PCRA) process.

5. The evidence gathered informs a risk assessment which then drives audit visit frequency and substantive testing sample size.

6. In practice what this will mean is that whilst carrying out WBL audit work, LSC auditors will extend information gathering and testing to include EMA for E2E/PLP, within the existing WBL forms suite. The overall impact on provider administration should therefore be kept to a minimum.

7. The EMA Unit has issued guidance to providers on the administration of EMA for E2E/PLP. The work that LSC auditors will carry out on this provision has been built around that guidance, as described below.

Business Environment Questionnaire

8. The BEQ gathers background and largely generic information. In its current WBL form it should be adequate for EMA in E2E/PLP purposes without any modification and therefore no additional completion by providers.

Provider Controls Risk Assessment (PCRA)
9. LSC auditors identify and evaluate controls over the management and administration of LSC contracts by using the Provider Controls Risk Assessment (PCRA) process. This involves the auditor establishing what controls should be in place and how effectively they are working. With EMA for E2E/PLP, the PCRA will be extended to cover the following key areas:

- General management and administration arrangements for EMA in E2E/PLP, including details of any sub-contracting.
- Ensuring that only eligible learners are recruited to E2E/PLP. (2006/07 EMA Guidance for Providers of LSC-funded E2E and PLP, Section 4)
- Agreement and completion of EMA document Contract Part 1. (2006/07 EMA Guidance for Providers of LSC-funded E2E and PLP, Sections 4 and 5)
- Recording and reporting of attendance data, including authorised and unauthorised absence, notification of payment/non-payment decisions. (EMA Guidance for Providers of LSC-funded E2E and PLP, Section 5)
- Authorisation of EMA bonus payments to qualifying learners. (EMA Guidance for Providers of LSC-funded E2E and PLP, Section 5)
- Advising and reporting to the Assessment and Payment Body (APB) of any factors that may influence EMA payments or corrective actions. (EMA Guidance for Providers of LSC-funded E2E and PLP)
- Recording, input, storage and security of data relating to EMA payments, including the EMASYS system. (EMA Guidance for Providers of LSC-funded E2E and PLP)

**Substantive Testing of Transactions**

10. A sample of payment transactions extracted from EMASYS will be tested for validity to evidence held by the provider. These tests will cover the same generic areas as the controls work detailed above, that is:

- General management controls and sub-contracting
- Eligibility
- Contract part 1
- Attendance recording
- Bonus payments
- Adjustments/recoveries
- Accuracy and reliability of data
Hardship Fund

11. This is intended to replicate the Learner Support Fund available to FE learners. Guidance for providers on the administration of hardship payments is currently under consideration. It is envisaged that LSC audit work in this area will cover the common E2E/PLP aspects outlined above as well as:

- Evidence of need and rationale for a hardship grant or loan
- Evidence of Local LSC contract management authority in cases referred for Local LSC decision
- Evidence that the learner actually received the grant or loan
- Evidence of repayment of loans.

Feedback and Reporting

12. LSC auditors aim to discuss audit findings with the provider as the work progresses and usually hold a formal meeting at the end of the fieldwork. As well as detailing any findings, auditors will endeavour to support providers by giving recommendations for improvement to processes and controls, if necessary.

13. Part of the rationale for the controls work referred to in paragraph 9 above, is to enable auditors to gain an understanding of how providers control the administration of their LSC contracts. Where errors are found, auditors will try and identify where controls have broken down or failed to operate as intended, so that meaningful and value added recommendations can be made.

14. A formal audit report will be issued that covers the WBL audit work, including EMA for E2E/PLP.

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