

## Provider Market Oversight (PMO) Framework: Audit and Assurance

### Engagement Letter (Lot 3)

#### Post 16 Funding audit/assurance reviews

|   |                       |
|---|-----------------------|
| <b>Engagement Number</b> (to be quoted on all correspondence) | PMO/L3/01 (Con_14660) |
|---|-----------------------|

|                                       | From   | To   |
|---------------------------------------|--|--|
| <b>Name</b>                           | DfE:<br><br>The Secretary of State for Education   | Contract:<br><br>Wylie & Bisset  |
| <b>Address</b>                        | Department for Education<br>Sanctuary Buildings<br>Great Smith Street<br>London<br>SW1P 3BT. | Registered in England and Wales under number SO3011911 whose registered office is 168 Bath Street, Glasgow, G2 4TP |
| <b>Invoice Address (If different)</b> | Invoices are to be sent to the contract manager  |  |
| <b>Representative Details</b>         | DfE Representative   | Contractor's Representative  |
| <b>Name</b>                           | <Redacted under S40 of the FOIA>   | <Redacted under S40 of the FOIA>   |
| <b>Email</b>                          | <Redacted under S40 of the FOIA>   | <Redacted under S40 of the FOIA>   |
| <b>Telephone number</b>               | <Redacted under S40 of the FOIA>   | <Redacted under S40 of the FOIA>   |

|  |   |
|--|---|
| <b>The Effective Date</b>                          | 1 <sup>st</sup> July 2022   |
| <b>The services are expected to be complete by</b> | Expiry of Initial Period 30 <sup>th</sup> June 2025<br><br>Options to extend for 1 year to 30 <sup>th</sup> June 2026 |

## SERVICES

### 1. Scope of the Appointment

DfE will tick the relevant box(es) below to indicate the Services covered by the Engagement and will include additional detail in Annex A. DfE will specify in Annex A which Services are required from the Effective Date of the Call-Off Contract and which Services may be requested by DfE during the term of the Call-Off Contract.

#### A. General Audit and Assurance services

| Service Name   | Required (Y/N)                      | Service Name | Required (Y/N) |
|----------------|-------------------------------------|--------------|----------------|
| Funding audits | <input checked="" type="checkbox"/> |              |                |

#### B. Specialist Services (On request from DfE)

| Service Name                                       | Required (Y/N)                      | Service Name                    | Required (Y/N)                      |
|--|-------------------------------------|---------------------------------|-------------------------------------|
| Post 16 funding assurance Reviews (Funding Audits) | <input checked="" type="checkbox"/> | Other Supplementary Activity    | <input checked="" type="checkbox"/> |
|  |                                     | Other Details: (Please specify) |                                     |

### 2. Rate Card

**Please insert Contractor rate card (which shall not exceed the rates as set out in the Framework Agreement)**

- As per Pricing Schedule set out in Annex C

### 3. Costs (to be completed by Contractor)

Please provide a breakdown of Contractor resource, time, cost, and total cost and including any discounts applied.

Costs are firm for the scope of the Framework Agreement. Any payment outside of this agreement must be agreed in writing with DfE before the Effective Date and will be in exceptional circumstances only.

- As per Pricing Schedule set out in Annex C

#### 4. Charges

Clause 14.1 of the Framework Agreement (Charges for Services) determines that Charges for any Services under a Call-Off Contract should be set out in the Engagement Letter and shall be based on the prices set out in schedule 4 of the Framework Agreement (Charging Matrix). The Charges associated with this Engagement shall be as follows:

- Initial Term estimated contract value: £762,500
- Extension period estimated contract value: £237,500
- Total estimated Contract Value (Including extension):  
£1,000,000

#### 5. Payment Period (if different from the Call-Off Contract Terms)

As per contract term

#### 6. Performance

| Service name  | Details   |
|---|---|
| Key Personnel of the Contractor to be involved in the Services (and deliverables) | <Redacted under S40 of the FOIA>  |
| Key-Sub-Contractor  | Not applicable  |
| Service period  | 1 <sup>st</sup> July 2022<br><br>Initial term expiry – 30 <sup>th</sup> June 2025<br><br>Extension period expiry – 30 <sup>th</sup> June 2026 |
| Premises at which the Services are to be provided                                 | Dependent upon each individual engagement   |

## Performance Measures:

### 6A. Key Performance Indicators Specific to Call-Off Contract

| KPI Reference | Service Area         | KPI Description   | Target |
|---------------|----------------------|---|--------|
| KPI 1         | Service Delivery     | <p>To adhere to the following service delivery timescales, within the overall deadline of 31st January for work started before the closure of the Individualised Learner Record (ILR), and by 31st March for audits starting post the ILR closure date, unless agreed by exception with the ESFA:</p> <ul style="list-style-type: none"> <li>• Provide an indicative timetable of audits within three weeks of allocations.</li> <li>• Delivery of the B3 Error Schedule, in the template provided, within two weeks of completion of fieldwork</li> <li>• Delivery of both the final management letter and signed final Funding Claim Assurance Report to the ESFA based upon assurance review findings, in the templates provided, along with the final working papers, documentation and error schedules, within one month of the completion of field work.</li> </ul> | 100%   |
| KPI 2         | Reporting            | Provide status updates to ensure all allocated audits are on track by providing a RAG rated progress report against each audit allocated, within 7 working days from month end, using the ' <i>Firm's progress monitoring report</i> ' template.  | 100%   |
| KPI 4         | Conflict of interest | <p>Ensuring all conflict-of-interest information is up to date and the ESFA notified of any changes within 72 hours.</p> <p>Respond to conflict-of-interest check requests within one week.</p>   | 100%   |
| KPI 5         | Cost                 | The Successful Bidders / Contractors must deliver each funding audit / assurance review within the fee included in their relevant tender rate card and submit invoices in a timely manner.  | 100%   |
| KPI 6         | Quality              | Participate in the ESFA's annual quality assurance review within agreed timescales, and act upon agreed outputs where quality and performance can be improved.  | 100%   |

## Quality Standards:

### 6B. Service Level Agreement (SLA) Specific to Call-Off Contract

| SLA Reference | Service Area      | SLA Description  | Target                |
|---------------|-------------------|--|-----------------------|
| SLA 1         | Meetings          | Attend Funding Audit Contractors' Forum meetings   | 100% - DfE Monitoring |
| SLA 2         | Contract meetings | To meet with ESFA Contract Manager within 2 weeks of contract award, and monthly thereafter, unless monthly progress reporting identifies concerns, to plan the delivery of the assurance reviews, including agreeing arrangements for monitoring the delivery of the work | 100% -DfE             |

## Management Information (MI) and meetings

### 6C. Meetings and MI specific to Call-Off Contract

|                                 |   |
|---------------------------------|---|
| Meetings required               | As set out in the Statement of requirements |
| Timing of meetings              | As set out in the Statement of requirements |
| Management Information required | As set out in the Statement of requirements |
| Management Information deadline | As set out in the Statement of requirements |

## 7. Reliance Parties

In accordance with clause 9.1 of the Framework Agreement (Reliance and Disclosure), DfE may request in an Engagement Letter for additional persons to be added as Reliance Parties. For the purpose of this Engagement, the Parties agree that the following should be included as Reliance Parties:

- Not Applicable

## 8. Data Protection

Clause 19.1 of the Framework Agreement (Data Protection) determines that the factual activity carried out by each Party in respect of their data protection obligations under the Framework Agreement shall be set out in the Engagement Letter. For the purpose of this Engagement, DfE shall act as Independent Controller and the Contractor shall act as independent Controller.

Paragraph 4.3 of Schedule 11 of the Framework Agreement (Processing, Personal Data and Data Subjects) determines that, where Personal Data processing differs from the instructions given in the table within Schedule 11, DfE may include such specific instructions in the Engagement Letter and such instructions will apply in respect of that Call-Off Contract. For the purpose of this Engagement, the following instructions (if populated) shall apply the Call-Off Contract:

| <b>Data Processing descriptor</b>        | <b>Narrative</b>  |
|--|---|
| Identity of the Controller and Processor | <p>The Parties acknowledge that for the purposes of the Data Protection Legislation</p> <p>The Parties are Independent Controllers of Personal Data</p> <p>The Parties acknowledge that they are Independent Controllers for the purposes of the Data Protection Legislation in respect of:</p> <ul style="list-style-type: none"><li>• Business contact details of Personnel,</li><li>• Business contact details of any directors, officers, employees, agents, consultants and contractors of DfE (excluding the Contractor Personnel) engaged in the performance of DfE's duties under this Framework Agreement).</li></ul> <p>Data collected from the ILR and personal information on learners and learner records used to complete audits.</p> |
| Subject matter of the processing         | <p>To enable the effective provision of the following services:</p> <p>Data collected from the ILR and Personal information on learners and learner records used</p>  |

| <b>Data Processing descriptor</b>     | <b>Narrative</b>  |
|---------------------------------------|---|
|                                       | to complete audits.   |
| Duration of the processing            | The call off Contract Period and thereafter, including the period until all transactions relating to Call-Off Contracts have permanently ceased.  |
| Nature and purposes of the processing | <p>The reason for sharing externally is for audit purposes: Data collected from the ILR is used to produce audit working papers and exception reports (through the Provider Data Self Assessment Tool – PDSAT) to enable the auditors (internally and externally at the contracted audit firms) to undertake the audits. The exchange of data therefore can happen to and from the ESFA to the contracted audit firms. Data will also be exchanged between the auditors/audit firms and the provider. Following the extraction of data from the ILR and the production of the working papers, the provider will be sent sample listings of learners and PDSAT report listing (with learner details).</p> <p>Personal information on learners and learner records will also be exchanged, where required, through secure sharing platforms/methods.</p> <p>This will be required in order for the auditor to review evidence to ensure that the ILR is accurate and hence public funds have been spent in line with the funding rules. The provider will send to the auditor and the auditor will store this securely until the audit is complete.</p> |
| Type of Personal Data                 | <ul style="list-style-type: none"> <li>• Learner personal details and information in respect their learning – Identifiable personal data</li> <li>• Individual learner data</li> </ul>  |

| <b>Data Processing descriptor</b>   | <b>Narrative</b>  |
|---|---|
| Categories of Data<br>Subject   | Identifiable personal data, Instant identifiers (e.g., full names, date of birth<br><br>Meaningful identifiers (e.g., unique pupil number, unique learner number, national candidate number)  |
| Plan for return and destruction of the data once the processing is complete<br>UNLESS requirement under union or member state law to preserve that type of data | Data will be retained for Six (6) years after the duration of the processing outlined above and in accordance with the HMG Policy.<br><br>In accordance with the Core Terms, all DfE data and any copies held by the Supplier must be securely erased once the Processing is complete, unless the Supplier is required by law to retain it. |

## **9. Contractor's Proposal**

The Contractor shall detail in Annex B how it proposes to perform the Services, as per schedule 4 of the Call-Off Contract (The Contractor's Proposals).

## **10. Confidential Information**

In addition to the information stated in Schedule 13 of the Framework Agreement, the following information shall be deemed to be Commercially Sensitive Information (Schedule 3 of the Call-Off Contract):

- N/A

Duration that the information shall be deemed Commercially Sensitive Information: 6 years



## Approval and Authority to Proceed

**BY SIGNING AND RETURNING THIS ENGAGEMENT LETTER THE PARTIES AGREE** to enter a legally binding contract with the Contractor to provide to DfE the Services specified in this Engagement Letter incorporating the rights and obligations in the Call-Off Contract set out in the Framework Agreement entered into by the DfE and the Contractor on 16<sup>th</sup> April 2021.

| Name   | Title                            | Signature                        | Date            |
|--|----------------------------------|----------------------------------|-----------------|
| <b>DfE:</b><br><Redacted under S40 of the FOIA>        | <Redacted under S40 of the FOIA> | <Redacted under S40 of the FOIA> | <b>27/06/22</b> |
| <b>Contractor:</b><br><Redacted under S40 of the FOIA> | <Redacted under S40 of the FOIA> | <Redacted under S40 of the FOIA> | <b>27/06/22</b> |

## **Annex A**

### **Contract Specification**

| Education Provider                                     |  |
|--|--|
| Name   | To be advised for each individual engagement throughout the term of the contract |
| Address  |  |
| Site Contact Details                                   |  |
| Additional Information                                 |  |
| Scope of Appointment                                   |  |
| Funding audits   | As set out in the Statement of Requirements in Annex A                           |
| Other Supplementary Activity                           | As set out in the Statement of Requirements in Annex A                           |
| Post 16 funding assurance Reviews (Funding Audits)     | As set out in the Statement of Requirements in Annex A                           |
| Additional Notes                                       | All requirements as set out in the Statement of Requirements in Annex A          |
| Outputs and Deliverables                               |  |
| As set out in the Statement of Requirements in Annex A |  |

## **Statement of Requirements**

### **Finance & Provider Market Oversight (FPMO)**

#### **Post-16 Funding audit / assurance reviews**

##### **- Further Competition**

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## 1. Introduction

The purpose of this document is to define the requirements for the provision of services for Post-16 Funding Audits / Assurance Reviews.

## 2. Definitions

Table of Definitions used within the **Specification**

| Word or phrase         | Meaning   |
|------------------------|---|
| DfE                    | Department for Education  |
| ESFA                   | Education and Skills Funding Agency   |
| FPMO                   | Finance & Provider Market Oversight (previously Provider Market Oversight (PMO))  |
| FPMOA                  | Finance & Provider Market Oversight Assurance Team (previously PMOA)  |
| FEC                    | Further Education College, including Sixth Form colleges  |
| ITP                    | Independent Training Providers  |
| MCA                    | Mayoral Combined Authority  |
| GLA                    | Greater London Authority  |
| Education providers    | Further Education Colleges, Sixth Form Colleges, Higher Education Institutions, Sixth Form schools, Academy Trusts, others organisations or institutions delivering post 16 Education or training.  |
| Professional standards | In the conduct of the assignments, the Bidders are expected to comply with their Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, International Standard on Quality Control (UK) 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i> , ICAEW Special Report, <i>Audit v Other Forms of Assurance</i> , ISAE 3000 (Revised), <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> and ICAEW Technical Release AAF 01/10, <i>Framework Document for Accountants Reports on Grant Claims</i> . |

|  |  |
|--|--|
| <p>Independent limited assurance engagement on the final ILR and funding claim</p> | <p>The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations, in order to provide the Bidder / Contractor with sufficient appropriate evidence to express a negative conclusion on the Funding Claim as defined in the ESFA's template report. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable the successful Bidder / Contractor to obtain assurance that it would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, in a limited assurance conclusion, Bidders do not express a positive opinion.</p> <p>Having regard to the ICAEW Technical Release AAF 01/10, <i>Framework Document for Accountants Reports on Grant Claims</i>, Bidders will provide ESFA their limited assurance conclusion in accordance with the Funding Claim Assurance Report template/s specified and in accordance with the procedures set out in the ESFA document <i>Provider Market Oversight Assurance: Assurance reviews (Adult skills funding model, Apprenticeship standards, Apprenticeships (from 1 May 2017), 16 to 19 (excl. apprenticeships) funding model, Advanced learner loans and loans bursary): Assurance overview and planning guidance</i> (the "ESFA Funding Assurance Framework") at <b>Appendix E</b> as part of the Statement of Requirements.</p> |
|--|--|

### 3. Further competition under Lot 3 audit and assurance

#### 3.1 Lot 3 audit and assurance

The post-16 funding audit / assurance services required are being procured under a further competition using Lot 3 suppliers as summarised in this section.

Lot 3 contents were for a broad range of audit and assurance services. The services required under this further competition relate to funding audits / assurance reviews of post-16 funding paid to providers for the delivery of a range of post-16 training or study programmes and are contained in **Section 8** of this **Specification**, which will be detailed in the Engagement Letter.

### **3.2 Further competition for post-16 funding audits / assurance reviews**

Each year the ESFA's Finance & Provider Market Oversight Assurance Team (FPMOA) has a programme of post-16 funding audits / reviews, a proportion of which (approximately 50 on average recently) may be outsourced. We are seeking to appoint up to a maximum of 5 Bidders to provide funding assurance capacity to deliver, subject to budgets, approximately 50 funding audits / assurance reviews split between the successful Bidders each assurance year.

For each funding audit / assurance review we require objective examination of evidence to confirm compliance with funding rules and / or relevant frameworks in line with departmental and professional standards, evaluation and quantification of funding errors (overclaims) and preparation of a report detailing findings, areas for improvement and a conclusion. We require Bidders to deliver standard funding audits / assurance reviews and other ad hoc funding assurance reviews at providers in receipt of further education funding (including apprenticeship training, 16-19 study programmes including T levels and Adult Education funded education or skills training, as well as Covid-19 and education recovery grants). Adult Education Budget funding rules are currently under review and the testing programme may change in future years as a result of changes to the rules. Funding audits are performed in accordance with the approved ESFA methodology for sampling, testing and reporting as set out in the ESFA document *Provider Market Oversight Assurance: Assurance reviews (Adult skills funding model, Apprenticeship standards, Apprenticeships (from 1 May 2017), 16 to 19 (excl. apprenticeships) funding model, Advanced learner loans and loans bursary): Assurance overview and planning guidance* (the "ESFA Funding Assurance Framework") The current ESFA Funding Assurance Framework is attached at **Appendix E** as part of the **Specification**.

#### 4. Contract period

The current funding audit / assurance review contracts are due to expire on 31 July 2022.

The estimated date for the call-off contract to commence is 1 July 2022 for an initial 3-year period to 30 June 2025 with one option to extend for a further 12-month period.

#### 5. Call-off contract SLA and KPI reporting

This section sets out the call-off contract key performance indicators (“KPIs”) and service level agreement requirements (“SLAs”), which will form part of the engagement agreement.

#### Funding audit / assurance reviews

| KPI Reference | Service Area         | KPI Description   | Target |
|---------------|----------------------|---|--------|
| KPI 1         | Service Delivery     | <p>To adhere to the following service delivery timescales, within the overall deadline of 31st January for work started before the closure of the Individualised Learner Record (ILR), and by 31st March for audits starting post the ILR closure date, unless agreed by exception with the ESFA:</p> <ul style="list-style-type: none"><li>• Provide an indicative timetable of audits within three weeks of allocations.</li><li>• Delivery of the B3 Error Schedule, in the template provided, within two weeks of completion of fieldwork</li><li>• Delivery of both the final management letter and signed final Funding Claim Assurance Report to the ESFA based upon assurance review findings, in the templates provided, along with the final working papers, documentation and error schedules, within one month of the completion of field work.</li></ul> | 100%   |
| KPI 2         | Reporting            | <p>Provide status updates to ensure all allocated audits are on track by providing a RAG rated progress report against each audit allocated, within 7 working days from month end, using the ‘<i>Firm’s progress monitoring report</i>’ template.</p>   | 100%   |
| KPI 4         | Conflict of interest | <p>Ensuring all conflict-of-interest information is up to date and the ESFA notified of any</p>   | 100%   |

|       |         |  |      |
|-------|---------|--|------|
|       |         | changes within 72 hours.<br>Respond to conflict-of-interest check requests within one week.  |      |
| KPI 5 | Cost    | The Successful Bidders / Contractors must deliver each funding audit / assurance review within the fee included in their relevant tender rate card and submit invoices in a timely manner. | 100% |
| KPI 6 | Quality | Participate in the ESFA's annual quality assurance review within agreed timescales, and act upon agreed outputs where quality and performance can be improved.                             | 100% |

| SLA Reference | Service Area      | SLA Description  | Target                |
|---------------|-------------------|--|-----------------------|
| SLA 1         | Meetings          | Attend Funding Audit Contractors' Forum meetings   | 100% - DfE Monitoring |
| SLA 2         | Contract meetings | To meet with ESFA Contract Manager within 2 weeks of contract award, and monthly thereafter, unless monthly progress reporting identifies concerns, to plan the delivery of the assurance reviews, including agreeing arrangements for monitoring the delivery of the work | 100% -DfE             |

## 6. Contract management

The responsibility for engaging successful Bidders sits with the ESFA's Finance & Provider Market Oversight Assurance Team which requires the work and will work with the successful Bidders to agree each programme of work and timescales under the engagement.

The performance of Bidders awarded contracts will be regularly measured using the call-off specific KPIs and SLAs, and framework specific SLAs and reviewed upon expiry of the agreement.

Subject to budget and approval of the programme of assurance work, each year the ESFA will allocate to successful Bidders their allocation of funding assurance reviews which takes account of actual or perceived conflicts of interest, value for money and also, after year one, performance against KPIs and SLAs. Providers will manage multiple and concurrent audits and ensure all are completed by the deadlines.

As part of contract management, we will hold regular meetings, at least monthly, with each Contractor and seek written and verbal progress updates. We will also hold Funding Audit Contractors' Forum meetings as set out in **Section 8.2.9**.



Bidders are expected to complete their allocations and raise invoices in accordance with the fee arrangements as set out in the Engagement Letter and in line with agreed timescales. Payments are planned to be made in two parts one at the end of field work stage upon receipt of interim error schedules and final payment when the final Management Letter, Funding Claim Assurance Report, accompanying error schedules and documentation (as set out in **Section 8.2.13**) are received.

## **7. Appointment at short notice**

The ESFA requires the ability to appoint firms to provide services at short notice.

Where necessary urgent assignments under this further competition may be required and these will be dealt with on a case-by-case basis.

## **8. Specification for post-16 – audit and assurance – further competition**

### **8.1. Scope**

The ESFA requires all aspects of funding audits and assurance reviews, including objective examination of evidence for assessment to confirm compliance with funding rules and / or relevant frameworks for the purpose of obtaining assurance that post-16 funds paid to providers are claimed and used for the purposes intended in accordance with the relevant funding rules and / or terms and conditions of funding.

This specification forms the basis for further competition from Bidders from Lot 3 to deliver post-16 funding audits / assurance reviews, other targeted funding assurance reviews of providers in receipt of further education funding (including Apprenticeship training, 16-19 study programmes, including T levels and Adult Education funded education or skills training, advanced learner loans as well as Covid-19 and education recovery grants).

Collectively, we require reviews on a national basis. Bidders without national coverage can define their areas of coverage in their response to this specification. Reviews can be undertaken through a combination of remote and on-site visits in consultation with the provider and in line with the Bidder's and the provider's risk assessment processes.

The ESFA is responsible for assurance over post-16 funding, including Adult Education Budget, including Traineeships, other workplace learning and classroom learning, Apprenticeships (pre and post May 2017), 16 to 19 including Technical Levels (T levels) and Advanced Learner Loans (ALL).

Under this further competition, the ESFA requires the services of external suppliers to provide additional capacity for the completion of the ESFA's annual planned sample of post-16 funding audit / assurance reviews. There are circa 2,000 providers within scope of ESFA assurance submitting ILR data including colleges, independent training providers, employer providers, higher education institutions (HEIs) and other providers such as sixth form academy convertors, and additionally their sub-contractors.

In the future, the provider types may also include any other organisation

receiving post-16 funding, submitting ILR or submitting census data returns such as local authorities, local authority schools and academy trusts, whose funding the ESFA is responsible for assuring.

The scope of funding audits in future could also include funding assurance reviews for new apprenticeship provision for those providers that are new to delivery and control assurance visits to such new apprenticeship providers.

## **Provider funding audit / assurance review allocations**

Historically the ESFA has outsourced, subject to budget, around 50 'standard' funding audits / assurance reviews each funding year. It is anticipated that the ESFA will continue to require this capacity from successful Bidders. The remainder will be carried out by the ESFA's in-house assurance team, FPMOA. Whilst we do not guarantee volumes of funding audits / assurance reviews which we may allocate, we do require firms to demonstrate they have the capacity and expertise to deliver multiple funding audits / assurance reviews concurrently, to our specification and deadlines. This work is required on a national basis to specific deadlines and requires a degree of resource flexibility from Bidders.

The ESFA will allocate reviews across successful Bidders subject to consideration of actual or perceived conflicts of interest. Allocations will be based on value for money and after year one and annually thereafter, performance against KPIs and SLAs, taking into account Bidders indicated capacity and geographical coverage.

## **Funding audits / assurance reviews**

The purpose of a 'standard' funding audit / assurance review is to assess compliance with the ESFA's funding rules and identify any areas of non-compliance and overclaims of funding. Funding audits / assurance reviews assess whether funding claims submitted by providers are properly prepared in accordance with DfE / ESFA allocations, policy, funding rules and assurance requirements / guidance and do not contain any material errors.

The provision of a contract with successful Bidders allows the ESFA to utilise, as and when required, the experience of external audit firms with

knowledge and understanding of the sector and the ESFA's funding rules. This allows delivery of funding audits / assurance reviews in a timely manner, where in-house resources are insufficient to meet both the increasing demands for future assurance work across all provider types and parliamentary reporting timetables. The ESFA will confirm the number of standard funding audits / assurance reviews on an annual basis.

Currently, funding audits / assurance reviews relating to the academic funding year (August – July) are carried out between April (in-year) and March (after the deadline for the closure of the Individualised Learner Record, which closes normally in the 3<sup>rd</sup> week in October for each funding year), with a higher volume of delivery between September and January. In the first year of this contract, the work will commence as soon as possible after the commencement of the contract, with an expectation that the majority of work will be completed by the end of January 2023 and all work completed by the end of March 2023, unless agreed by exception. Deadlines for the delivery of batches of funding audits / assurance reviews will be agreed with Bidders, when allocated.

Currently funding audits / assurance reviews can encompass up to four of the following funding streams:

- Adult Education Budget including Traineeships, other workplace learning and classroom learning
- Apprenticeships (pre and post May 2017)
- 16 to 19 including T levels
- Advanced Learner Loans (ALL).

All of the above, with the exception of ALL, may include sub-contractor testing as required.

Each year FPMOA must collate all results from funding audits / assurance reviews before it can report on its assurance programme to the ESFA's audit and risk committee and the ESFA can finalise its own accounts. Therefore, it is critical that successful Bidders finalise funding audits / assurance reviews and submit error schedules, final reports and management letters by the agreed deadlines (performance against KPIs will be taken into consideration in the allocation of subsequent years' work).

**Mayoral Combined Authorities (MCA's) / Greater London Authority (GLA)**

From 1 August 2019 a proportion of Adult Education Budgets was devolved to MCAs and GLA. Although each funding authority is directly responsible for providing appropriate assurance to its accounting officer in relation to its funding, a joint approach is aimed at common providers funded by both the ESFA and MCAs and GLA, for minimising the administrative burden to providers particularly in their first year after devolution. The scope of the funding audits / assurance reviews may include funds paid by MCAs and GLA and some limited testing of MCA / GLA funded learners.

### Assurance framework

Funding audits / assurance reviews are performed in accordance with the Funding Assurance Framework for sampling, testing, and reporting. The current Funding Assurance Framework is attached as part of the **Statement of Requirements at Appendix E**. This assurance and sampling framework is updated each year and designed to identify and address potential errors and non-compliance with ESFA funding rules and / or terms and conditions. The framework is designed to provide assurance over funds claimed and the use of funds, checking of evidence including learner existence and eligibility for the programme; learning activity and or withdrawal; completion and achievement where relevant; and ensuring data recorded on the ILR is accurate and supported by appropriate evidence required by the funding rules.

The ESFA will supply the substantive working papers templates as well as the Provider Self-Assessment Tool (PDSAT) reporting tool and guidance. The PDSAT produces a series of reports to test the integrity of Individualised Learner Record (ILR) data. It enables users to identify potential issues with the data recorded in ILR data returns. PDSAT provides indicative reports, based on areas of concern and risks requiring careful review as part of the current assurance framework. The PDSAT sampler module produces the learner level samples, on the relevant substantive working paper templates, for testing. PDSATs are published and can be downloaded from Gov.uk at: [ILR data: provider data self-assessment toolkit \(PDSAT\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/individualised-learner-record-data-self-assessment-toolkit).

Currently the standard sample size for each ESFA funding stream, and MCA funding where appropriate, is set at 30 learners for each funding stream at each provider (or 100% if the population is less than 30). Providers are notified of the funding audit / assurance review up to 4 weeks prior to the audit / review.

The reporting requirements for all types of providers is aligned and is

based on prescribed templates. The ESFA requires a management letter, which will also be provided to the organisation, and a Funding Claim Assurance Report, including a limited assurance conclusion which will be provided to the ESFA.

Bidders are expected to perform a limited assurance engagement and provide their limited assurance conclusion in the Funding Claim Assurance Report template, in accordance with:

- the templates specified and the procedures set out in the ESFA document *Provider Market Oversight Assurance: Assurance reviews (Adult skills funding model, Apprenticeship standards, Apprenticeships (from 1 May 2017), 16 to 19 (excl. apprenticeships) funding model, Advanced learner loans and loans bursary): Assurance overview and planning guidance* (the “ESFA Funding Assurance Framework”), and
- the ICAEW Technical Release AAF 01/10, *Framework Document for Accountants Reports on Grant Claims*.

Bidders are expected to comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and apply International Standard on Quality Control (UK), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*; ICAEW Special Report, *Audit v Other Forms of Assurance*; and ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* in the conduct of the engagement. These reviews include the consideration of the provider’s self-assessment in respect of the provider’s control environment and documenting this as part of the funding audit / assurance review (the current template is included in **Appendix E**).

The scope of funding audits / assurance reviews and the requirements of the funding assurance framework (such as the level of learner sampling) may be amended from time to time to take account of changes in funding rules or other requirements of the ESFA.

### **Additional (ad-hoc) funding assurance reviews**

As well as the standard funding audits / assurance reviews described above we may require additional ad hoc assurance reviews covering, for example, Community Learning, Learner and Learning Support claimed

through the Earning Adjustment Statement or Final Funding Claims, 16-19 Bursary & Free Meals, Covid-19 and education recovery grants. Reviews may be extended to cover local authorities, maintained schools and academies in receipt of post-16 funding.

The scope of and approach to these additional (ad hoc) reviews will be based on the general funding assurance review methodology, but specified separately and, where appropriate, determined in consultation with Bidders. Bidders will be invited to quote for these reviews, should they be required, based on the individual specifications, using contracted ad hoc day rates.

These reviews will be commissioned, where additional budgets are available, and confirmed on an ad hoc basis across the year for any ESFA funded providers.

## **8.2 Detailed requirements including outputs and deliverables (Services)**

Bidders are required to have a good working knowledge, understanding and experience of the post-16 education sector in a similar capacity to that stated within these requirements, and required to undertake audit and assurance work, as detailed below.

### **8.2.1 Skills and understanding**

Bidders must have appropriate assurance experience within the post-16 education sector delivery and training in a similar capacity to that stated within these requirements.

They must demonstrate:

- a high level of skills and practical experience relevant to the delivery of post-16 funding audit / assurance reviews to the standards required by the ESFA
- a good working knowledge and understanding of the funding rules, ILR data, funding data collection methodologies, funding monitoring, analysing data and learner sampling tools, such as Provider Data Self-Assessment Tool (PDSAT) for all post-16 funding streams
- a good understanding of the post-16 education sector and the different types of post-16 providers

- an understanding of the Funding Assurance Framework and processes for all funding streams in scope for assurance reviews
- Bidders must work in a professional and ethical manner and understanding that they are acting on behalf of the ESFA. Appropriate levels of personnel with relevant experience must be allocated to deliver the work.

### 8.2.2 Capacity

Bidders must have the capacity to deliver the reviews uninterrupted. They must demonstrate the experience of the whole team, showing strength in depth, including the relevant expertise and experience of team members across grades. Bidders will have reflected this within their proposed pricing. They must demonstrate value for money as represented by the price quoted, and their commitment to efficiencies and continuous improvements as represented by value added proposals.

Bidders must demonstrate:

- their capacity to deliver assurance reviews on behalf of the ESFA and to complete the reviews within agreed timescales
- their ability to minimise disruption to the provider
- their ability to manage and complete multiple audits concurrently and to the same tight deadline.

### 8.2.3 Range of services and outputs

We set out below the range of services and outputs that may be required.

#### 8.2.3.1 Summary of Funding audits / assurance reviews

Currently, funding audits cover DfE / ESFA funding to post-16 education providers (e.g. colleges, independent training providers (ITP's) and apprenticeships' training and employer providers, higher education institutions (HEIs)) to ensure that claims for funding comply with published funding rules for education or terms and conditions of funding and framework for Adult Education, Apprenticeships, 16-19 study programmes and advanced learner loans. Standard funding audits / assurance reviews may comprise sample testing of between one and four funding streams at any given provider. Such work focusses on learner existence and eligibility for ESFA funding, learning activity and / or achievement and accuracy of the ILR data. These funding audits /



assurance reviews take an average of **26** working days for reviews of 4 funding streams, including consideration of the *Provider Internal Controls Questionnaire* (the provider's self-assessment of internal controls over ILR data and funding claims). Reviews must be conducted using the ESFA's Funding Assurance Framework, unless otherwise specified in writing.

The completion of funding audits / assurance reviews must meet the deadline of 31st January for work started before the closure of the Individualised Learner Record (ILR), and by 31st March for audits starting post the ILR closure date, unless agreed by exception with the ESFA. The ESFA must collate all results from funding audits / assurance reviews before, it can report to the ESFA's audit and risk committee and the ESFA can finalise its own accounts. All successful Bidders must finalise audits and submit error schedules, final reports, including audit / assurance conclusions and management letters by the agreed deadlines.

Bidders shall work in accordance with the approved ESFA assurance methodology as set out in the Funding Assurance Framework and must set out in their tender response how they will achieve this. **Appendix E** is attached to this further competition as a zip file. It contains the ESFA's Funding Assurance Framework, which is updated annually for developments or funding rule changes. This file includes the following guidance and templates:

- ESFA document FPMOA *Assurance overview and planning guidance* (the "ESFA Funding Assurance Framework") (G1)
- Provider Data Self-Assessment Tool (PDSAT) – review notes (G2)
- Final ILR and Funding Claim Assurance Report template: limited assurance conclusion
- Management letter template
- Templates for testing working papers, and error computations / schedules

Funding audits include the consideration of the provider's self-assessment in respect of the provider's control environment and documenting this as part of the funding assurance review, using the template provided. A copy of the current template (*Provider Internal Controls Questionnaire*) is included in **Appendix E**.

### 8.2.3.2 Mayoral Combined Authorities (MCA) audits as part of ad-hoc work

Where both the ESFA and MCA fund providers for AEB, the ESFA may require testing of MCA funded provision either as part of a full assurance review or a standalone audit. Testing will cover both MCA funded learners and ESFA AEB funded learners. Should MCA work be required it will consist of the following components:

- Planning
- Separate PDSAT reviews
- Fieldwork (maximum sample of 30, or population size, whichever is higher)
- Follow up of 100% checks and further testing
- Reporting

Samples may be required across single or multiple MCAs, using the current assurance framework. Normally work for one funding stream would be expected to take 5 days. Where separate MCA samples and reports are required, the full requirements will be agreed before the work commences.

### 8.2.3.3 Funding audits / assurance reviews

Bidders must ensure that the completion of all work is in accordance with the ESFA requirements, using agreed working papers or testing schedules and outcomes reported, using agreed templates and to agreed deadlines as set out in the Engagement Letter and on allocation of batches of audits. The final report may be referred to in subsequent legal proceedings. The ESFA may also be required to share the final report with other government departments, agencies, or its own Auditors, the National Audit Office (NAO) or Government Internal Audit Agency (GIAA).

DFE / ESFA publishes policies or frameworks documents, funding rules, individual learner specification, guidance and assurance programme details (the documents). At call-off, Bidders must be able to demonstrate knowledge and understanding of utilising and working with and within the parameters set out in the documents, where applicable.

Dependent on the matter or entity subject to assurance work, Bidders will be expected to work within the wider regulatory frameworks which the ESFA operates in. This includes, but is not limited to, Charity

Commission guidance, Companies Act, Managing Public Money, Education Act. At call-off, Bidders should be able to demonstrate a good understanding of these environments.

Bidders must address how they propose to follow the assurance methodology including the completion of all standard working papers as laid down within the funding assurance framework in a timely manner. In particular, their responses should cover the following aspects:

- Arranging and confirming the review with the provider and avoidance of disruption to the provider
- Planning a discussion meeting with the provider to determine documentary evidence required for the review
- Obtaining and considering the provider's self-assessment *Provider Internal Control Questionnaire* in respect of their control environment and documenting this as part of the funding assurance review
- Obtaining the latest ILR, producing the sample selection and sample working papers using the ILR
- Completing the learner level substantive testing, documenting errors identified, and completing additional testing where required for the ring fencing of errors as specified in the Funding Assurance Framework and using standard working papers
- Producing the Provider Data Self-Assessment Tool reports (PDSATs), reviewing PDSAT reports and undertaking additional sample testing
- Correct categorisation of errors and treatment of errors (determination of whether random or ring-fenced and initiation of provider self-review) and inform FPMOA instances where the error cannot be ring-fenced
- Checking the provider's self-review of ring-fenced populations
- Accurately calculating and reporting the value of errors on the *B3 Error Schedule* and *Annex A* (Funding Errors Summary – See FPMOA D1 to D6 Substantive testing working papers Appendix E) (summary of funding errors)
- Undertaking other provider level testing e.g. sub-contractors, where required

- Confirming the accuracy of the funding claims, in accordance with ESFA allocations, policy and assurance requirements / guidance
- Preparing and feeding back their findings to the relevant members of staff throughout the audit and issuing the relevant *B3 Error Schedule* and feedback documentation to the provider
- Preparing reconciliation statements for reviews commencing pre ILR closure, where required, in line with agreed timescales to confirm the accuracy of the final funding claims
- Obtaining and reviewing shadow ILRs from the provider, where relevant, in accordance with assurance requirements / guidance
- Issuing final management letters and the final Funding Claim Assurance Report, including conclusion in accordance with the Funding Assurance Framework.

## 8.2.4 Service outputs

### Timing

Successful Bidders will be expected to produce timely management letters and final Funding Claim Assurance Reports, as specified within the Funding Assurance Framework, for each funding audit / assurance review, which takes an average of 26 days for 4 funding streams including consideration of provider internal controls questionnaire, in line with the deadlines set (normally within 8-12 weeks of starting the audit) of 31st January for work commencing before the closure of the Individualised Learner Record (ILR) and by 31st March for audits starting post the ILR closure date, unless agreed by exception with the ESFA. The management letter and final Funding Claim Assurance Report should be submitted no later than one month of the completion of fieldwork.

### Interim stage documentation

Bidders are required to issue timely feedback to appropriate personnel or management within the provider using the template specified. At the end of fieldwork, ESFA Contract Manager will require interim *B3 Error Schedules*, in the prescribed working papers format, for internal monitoring and evaluation purposes. Bidders may be required to provide an initial update and / or report to present their findings of any initial testing. This is to allow the ESFA to form a view on next steps. Next steps may include further testing or changes in scope. Interim payment will be paid on receipt of interim *B3 Error Schedules*.

### **Monthly reporting**

Bidders will be expected to provide a timetable of audits within three weeks of allocations, and monthly RAG rated progress reporting, within 7 working days from month-end, on '*Firms Progress Monitoring*' template.

### **Final reports and documentation**

Bidders will complete the review in accordance with the approved ESFA methodology. Bidders are expected to produce the management letter in accordance with the templates specified. Bidders will be expected to ensure the final management letter outlines the issues arising from the assurance review including where the organisation has breached the relevant rules and requirements, set out their recommendations including internal controls as appropriate, as well as agreed actions by the provider to address the weaknesses identified.

Where errors or irregularities have been identified, the final report should set out the value and relevant evidence to support the conclusions reached in line with the methodology set out in the ESFA Funding Assurance Framework. In all cases we will require the error schedules in the prescribed format for the current and prior years, where relevant, in accordance with Funding Assurance Framework requirements.

Bidders are expected to perform a limited assurance engagement and provide their limited assurance conclusion in the final Funding Claim Assurance Report, using the templates specified and in accordance with the funding assurance framework.

### **Meetings / interviews with relevant provider staff**

Where required, Bidders will carry out interviews with providers' staff members and feedback their findings to the relevant provider staff and management keeping records of meetings and interviews.

### **Documentation review**

The scope of the assignment includes reviewing evidence and the record of provider self-assessment of their internal controls, Bidders will be expected to identify and collect and review documentation, which may be in electronic format as appropriate.

### **Further testing or changes in scope**

The scope for the work will be set out in the Engagement Letter. As part of next steps during the assignment, Bidders may be required to carry out further testing or amend the scope of the work. This would only

be done with prior agreement with the ESFA Contract Manager. Any queries in relation to the scope should be raised with the ESFA Contract Manager early, in order to ensure the work is completed as expected. For the avoidance of doubt ring-fenced testing or 100% testing is part of the standard funding audit / assurance approach and not a change in scope, or further testing in this regard.

### **Professional standards**

All assignment work must be completed with due regard to professional standards (as defined above) and take into account the ESFA's relevant funding audit / assurance review requirements.

## 8.2.5 Methodology (services)

Upon call-off commencement, Bidders shall confirm and agree the planned work schedule with the ESFA Contract Manager or FPMOA representative appointed to manage the call-off. This must include, as a minimum, planning meeting arrangements, members of the dedicated teams and confirmed visits, follow-up and closure meeting dates to ensure that all stages of the call-off are completed within the prescribed deadlines.

Give priority to the completion of funding audits / assurance reviews and ensure that the completion of all assurance work is in accordance with the ESFA's timescales and quality. Provide working papers, and details of learners tested and related findings and results at learner level, to the ESFA Contract Manager in accordance with agreed timelines.

Attend regular contract review meetings with the ESFA Contract Manager, and quarterly Funding Audit Contractors' Forum meetings arranged by the ESFA, participate in exploratory discussions regarding continuous improvement and be prepared to act upon agreed outputs where performance can be improved upon

Provide the ESFA Contract Manager with regular monthly updates, or as and when required, on progress of audit work and billing schedule, an overall summary report for each funding year on the common issues and findings across all providers reviewed.

Bidders must be registered with recognised professional accounting or audit bodies.

As part of the assignments, Bidders may be expected to attend site visits at the education providers' premises in order to obtain or review information and hold face to face discussions with key personnel and others. Bidders should refer to any DfE or wider Government guidance on site visits to ensure they comply with Covid-19 (or any other) access requirements and best practices applicable at the time.

Individual pieces of work to support assignments may focus on specific areas of assurance over funds claimed and the use of funds, checking evidence to ensure the data recorded on the ILR is accurate, including:

- learner existence and eligibility for the programme
- learning activity and or withdrawal
- completion and achievement where relevant

- ensuring ILR data recorded is supported by appropriate evidence in accordance with the relevant funding rules.

Ensure that where evidence is available but does not stand up to scrutiny, adequate notes are recorded against each learner line giving details of why the evidence falls short and / or what evidence is missing.

Bidders are required to notify the ESFA immediately of significant concerns relating to funding issues, including any lack of cooperation from the provider.

Bidders are required to ensure the ESFA Contract Manager is notified immediately of any significant issues, concerns arising from their work or delays in progressing the audits.

Bidders are required to have an internal quality assurance process that ensures all work undertaken by the auditors is of a high standard, the ESFA approach is followed, and all funding errors have been identified and reported on accurately.

The ESFA will own all aspects of the assurance methodology used by Bidders, including specifications of the Provider Data Self-Assessment Toolkit (PDSAT) and the software developed to apply these techniques to the Individualised Learner Record (ILR) data held within providers' management information systems and returned to the ESFA, as set out in Clause 22.1.1 of the Framework Agreement.

Bidders will retain ownership of all assurance files (manual and electronic) and the ESFA, GIIA and NAO will have unlimited access to these assurance files.

Bidders must retain files and records for a period of six years from the end of the funding year to which the files and records relate. Should the ESFA determine that any change is required to this retention period, it will notify organisations accordingly. Bidders must adhere to any such change in the retention period from the date of notification and ensure compliance with relevant GDPR as set out in the Framework Agreement Schedule 11, *Processing personal data* and Clause 23, *Record keeping and audit*.

## 8.2.6 Delivery timetable for the service



**Upon contract commencement and the allocation of funding audits / assurance reviews, as determined by the ESFA, Bidders shall confirm and agree the planned assurance work schedule with the ESFA Contract Manager or FPMOA representative assigned to the call-off. This must include, as a minimum, planning meeting arrangements, members of the dedicated assurance teams and confirmed visits, follow-up and closure meeting dates to ensure that all stages of the assurance reviews are completed within the prescribed deadlines.**

**Additionally, once allocated, Bidders must agree timetables with the individual providers scheduled for a funding audit / assurance review to ensure that key personnel are available, bearing in mind that the reviews may be undertaken during some providers' busiest enrolment periods. Where the Bidder is experiencing problems progressing the audits due to circumstances beyond their control, they must inform the ESFA immediately to minimise further delays. Where assignments have not progressed as expected, the ESFA will seek an explanation and assurance that the completion of the allocated assignments will be a priority.**

### **8.2.7 Conflicts of interest**

Bidders must inform the ESFA of any actual or potential conflicts of interest. These will be considered prior to allocation of audits. Bidders must regularly manage their real or perceived conflicts of interest in relation to any award made to them in respect of any contract for these services. They must inform the ESFA of any new occurrences and be prepared to mitigate or remedy them.

For the avoidance of doubt, the ESFA deems the following situations as being conflicts or potential conflicts within the last three years:

- Bidder / Contractor is the external auditor to the provider
- Bidder / Contractor delivers internal audit / review services to the provider
- Bidder / Contractor delivers substantial consultancy services to the provider
- The Bidder / Contractor has substantive interests or relationships with providers, past or present that would cause conflict and impact their ability to deliver services.

### **8.2.8 Quality control**

Additionally, Bidders shall confirm and agree necessary quality assurance arrangements, including the arrangements for NAO checks, in accordance with the ESFA's requirements and timelines.

Bidders must have robust internal quality control arrangements to ensure that the service they provide in relation to each funding audit / assurance review complies with the ESFA's requirements and guidance, as well as professional and ethical standards, where appropriate. The ESFA will monitor the quality of work completed by the successful Bidders. In particular, Bidders should have appropriate procedures for handling complaints.

All assurance work must be completed with due regard to auditing standards and in adherence to the ESFA's assurance methodology, where applicable.

Additionally, Bidders will undertake necessary quality assurance reviews in accordance with the ESFA's prescribed requirements and timelines, and action recommendations for improvement in a timely manner. The current quality assurance template is included in **Appendix E** attached to this document.

The ESFA will monitor the quality of assurance work completed by the Bidder approximately four months following finalisation of the assurance work. It will also seek feedback from the audited provider following the completion of an audit. This is to assist us with continuous improvement.

### 8.2.9 Funding Audit Contractors' Forum Meeting

The ESFA through FPMOA will facilitate a Funding Audit Contractors' Forum meeting, at least quarterly, to:

- oversee and review the operation of funding assurance activity
- provide guidance to the auditors on further developments
- seek views on continuous improvement opportunities in regard to the assurance framework and approach.

Attendees at Funding Audit Contractors' Forum meetings are likely to include:

- Chair: Head of Post-16 assurance (or nominated representative)
- FPMO Deputy Director (Assurance)

- ESFA Contract Manager
- Other Representatives of FPMOA
- Representatives of FPMO - Investigations or Framework teams
- Representatives of other ESFA directorates
- Senior Managers from the Bidders (and at least from time to time partners / directors, responsible for the contracted work).

Bidders are not required to regularly attend DfE sites (apart from contract reviews / meetings etc.) unless specifically invited to do so.

### 8.2.10 National Audit Office (NAO)

The NAO is the ESFA's external auditor. The NAO will need to take a view on the quality of all assurance work undertaken by DfE / ESFA, including outsourced assurance work. The NAO's access rights will extend to the work of Bidders.

In agreement with respective Bidders, the ESFA Contract Manager will make the arrangements for the NAO's access to the Contractor's work.

Bidders shall be required to cooperate fully in any review that the NAO undertakes, including providing responses to queries and providing copies of their assurance documentation and working papers if requested, in accordance with agreed timescales.

The NAO's access rights will extend to the work of Bidders.

### 8.2.11 Continuous improvement

The Bidders are expected to continually improve the way in which the required Services are to be delivered throughout the contract duration.

They should present new and more efficient ways of working to the ESFA during periodic contract review meetings and Funding Audit Contractors' Forum meetings.

Changes to the way in which Bidders' Services are to be delivered must be brought to the ESFA's attention and agreed prior to any changes being implemented.

### 8.2.12 Data protection and data sharing

Bidders will be expected to share data between themselves and providers and the ESFA and receive data from both sources which will include personal information about data subjects. The Bidders will need to ensure that they can comply with the Framework Agreement (please see Clause 19.1 and Paragraph 4.3 of Schedule 11) in respect of data protection.

### 8.2.13 Pricing proposals

Bidders must provide a price for carrying out the funding audit / assurance reviews and daily rates by staff grade for ad hoc funding assurance reviews.

Bidders must be able to demonstrate value for money as represented by the price quoted, together with other value-added proposals.

A template for Bidders to submit their pricing proposals is provided in **Appendix D – Pricing Schedule**. This template must be used (without variation) by all Bidders.

Daily rates must cover:

- any incidental costs including, but not limited to, travel and accommodation attendance at Audit Committees and an ESFA quality assurance review.
- time spent by organisations on the management and quality control of the delivery of assurance reviews and any start-up costs.

We will agree the total fees prior to each engagement. A purchase order will be issued for the agreed fee. Additional fees or “overruns” will only be considered in exceptional circumstances and only where such fees are agreed in writing in advance with the ESFA.

#### **Funding assurance audits / assurance reviews**

Bidders are requested to offer pricing in consideration of the core components of a ‘standard’ funding audit / assurance review, including PDSAT exception reports and consideration of the *Provider Internal Controls Questionnaire* (the provider’s funding controls self-assessment) and the following assumptions:

Learner sample sizes for substantive testing:

- 30 AEB & Carry-In-Apprenticeships learners
- 30 New Apprenticeships learners

- 30 16-19 funded learners
- 30 Loans learners

Follow-up testing to confirm the provider's self-checks are accurate. For the avoidance of doubt ring fenced testing or 100% testing is part of the standard funding audit / assurance review approach.

The price for each funding audit / assurance review will be as per the completed **Appendix D – Pricing Schedule**, for the following scenarios (the rate for each grade must not exceed the daily rates as per your framework tender):

- A funding assurance review with any one funding stream
- A funding assurance review with any two funding streams
- A funding assurance review with any three funding streams
- A funding assurance review with four funding streams.

The two payment milestones will be:

- 60% on the completion of fieldwork (based on receipt of a copy of the interim funding error schedule (*B3 Error Schedule* – See FPMOA D1 to D6 Substantive testing working papers **Appendix E**), outlining all issues, completed and issued to the provider / college at the end of fieldwork), and
- the balance 40% on receipt of the limited assurance report on the funding claim, together with the final management letter, the final funding error schedule (*B3 Error Schedule*) and final funding reconciliation statement (where applicable).

### **Ad hoc funding assurance reviews**

For ad hoc funding assurance reviews, we require a daily rate for each grade, which must not exceed the daily rate as per your framework tender. (The scope of and approach to each (or group of) ad hoc funding assurance reviews will determine the number of days required for the reviews, which will be agreed with Bidders for each assignment.)

The daily rate card for ad hoc funding assurance reviews must be returned in **Appendix D -Pricing Schedule**.

The two payment milestones will be:

- 60% on the completion of fieldwork, based on receipt of a copy of an interim funding error schedule, outlining all issues (where applicable), and

- the balance 40% on receipt of the final assurance report, together with the final funding error schedule, where applicable.

## **Annex B**

### **Contractor Proposal**

<Redacted under S43 of the FOIA>

**ANNEX C**  
**PRICING SCHEDULE**

<Redacted under S43 of the FOIA>