

Adult Skills Fund  
Audit Plan  
2025 - 2026

DRAFT

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## Purpose of the document

1. This document sets out the York and North Yorkshire Combined Authority (the Combined Authority) Adult Skills Fund (ASF) audit approach. The approach applies to all Providers that have an ASF Grant Agreement and/or Contract for Services with the Combined Authority. The Combined Authority reserves the right to make changes to the Audit Plan during the funding year.
2. This document applies to all providers who receive ASF from the Secretary of State for Education acting through York and North Yorkshire Combined Authority for the 2025 to 2026 funding year (1 August 2025 to 31 July 2026).

## Understanding our terminology

3. The term 'we', 'us' or 'the Combined Authority' refers to the York and North Yorkshire Combined Authority.
4. When we refer to 'you' or 'providers', this includes both Grant Providers and Contract for Services Providers, including colleges, Higher Education Institutions, training organisations, local authorities and employers that receive funding from us to deliver education and training.
5. When we refer to 'Grant Providers' this means the organisation that is responsible for ASF delivery as detailed in a Grant Agreement.
6. When we refer to 'Contract for Services Providers' this means the organisation that is responsible for ASF delivery as detailed in a Contract for Services.
7. For further information about our terminology please refer to your Grant Agreement and/or Contract for Services.

## Contacting Us

8. If you have any questions after reading this document, or if there's anything else you need help with, you can contact [adultskillsfund@yorknorthyorks-ca.gov.uk](mailto:adultskillsfund@yorknorthyorks-ca.gov.uk)

## Supporting Documents

9. This Audit Plan is designed to be read in conjunction with the following Combined Authority documents and forms part of the Provider's Terms and Conditions:
  - The Grant Agreement and/or Contract for Services.
  - The Funding and Performance Management Rules
  - Funding Rates and Formula
  - The Performance Management Framework

Providers should also read the Department for Education's (DfE) Individualised Learner Record (ILR) Specification in conjunction with this document.

10. The supporting documents will be reviewed and updated as required to ensure that they reflect the strategic direction of the Combined Authority. Providers are advised to check the supporting documents published on the Combined Authority's website to ensure that they are using the most up to date version of the documents.

#### Audit Plan background

11. The Combined Authority must submit an annual statement to the DfE, detailing various assurances regarding the Providers that we commission. This is in addition to existing statutory and other legal and public sector assurance requirements and enables us to demonstrate that public funds are being spent appropriately.
12. The Combined Authority uses learner data, collected by Providers, and subsequently shared with the DfE and the Combined Authority to complete audits and compliance checks.
13. You give us information about learners and their learning using the [Individualised Learner Record](#) (ILR) and the [Earnings Adjustment Statement](#) (EAS). Our funding system uses this information to work out the funding you have earned for delivering this learning and is used in analysis of the quality of the data and for contract performance analysis.
14. As part of our approach to monitoring provider performance we will undertake audit and assurance activities to ensure that the ASF is distributed appropriately and in accordance with the Combined Authority's Performance Management Framework and the Funding and Performance Management Rules.
15. Our internal audit activities are designed to help provide assurance that Providers:
  - have robust systems, processes and internal controls in place
  - submit timely and robust ILR data to the DfE and the Combined Authority in accordance with statutory and contractual requirements
  - keep and maintain accurate records and evidence to support the funding claims
  - ensure corrective or preventative action is being taken where appropriate to rectify any issues identified during the audit activity

#### Audit Plan approach

16. All Providers will be subject to an annual audit by the Combined Authority and regular desktop reviews of the submitted ILR Data.
17. The audit seeks to ensure that there is no known misstatement in Providers' final Funding Summary Report, which contains details of their total earnings for the funding year and their final funding claims. The Combined Authority will achieve this by data validation and/or system testing to ensure that the Provider has the evidence required to support its funding claims and earnings.
18. The Combined Authority reserves the right to increase the frequency of the audit as outlined above, or to request an additional Performance Management Meeting if there are concerns about the ILR data.

19. In addition to the audit as described above, the Combined Authority's Performance Management Framework will detail additional compliance and performance related measures.

#### Scope of audit

20. Audits will include, but will not be limited to, a review of:

- Detailed checks of Learner files, Learner records and/or evidence packs
- The Provider's relevant systems and processes

21. The elements of funding that are in scope for audit are:

- Adult Skills Core - We will perform substantive testing of funding within FM38 at learner level, (the funding transaction value is the total year-to-date funding value for the learner's entire programme of learning). Consequently, we will consider each of the learner's funded learning aims as listed in the sample when testing.
- Tailored Learning - We will perform substantive testing of funding within FM11 at Learner level. Consequently, we will consider each of the Learner's funded learning aims as listed in the sample when testing.
- Free Courses for Jobs - We will perform substantive testing of funding within FM38 at Learner level, (the funding transaction value is the total year-to-date funding value for the Learner's entire programme of learning). Consequently, we will consider each of the Learner's funded learning aims as listed in the sample when testing.
- Innovative Provision - We will perform testing of any applicable Innovative Provision evidence.
- EAS submissions - We will perform testing of EAS funding at Learner level.

This will include all funding streams included in the Combined Authority funding claims generated for the funding year up to and including 1st August 2025 to 31st July 2026.

22. We will perform the audit by following the instructions in the DfE substantive testing working paper file, creating and updating the feedback worksheet on an ongoing basis. See Appendix 1.

23. In addition to testing the learners in the main substantive samples, the scope of audit includes:

- Reviewing and validating the DfE ILR data. This review identifies potential data anomalies in the ILR that may lead to issues and errors within the funding claim or earnings. This review may involve performing some cross-referencing exercises directly with the Provider.
- A review of the Provider's control arrangements over elements of the Combined Authority funded provision.
- Analysing and Testing the Provider's subcontracting arrangements.
- Follow up of any previous Provider Audit Reports

## Audit procedures

### Notification of audit

24. A notification will be sent to the Provider confirming details of the proposed audit date. The Combined Authority and the Provider will agree the date(s) for the audit to take place, the scope of the audit and, if appropriate at this stage, arrangements for feeding back during the visit. The Combined Authority will either visit the Provider's premises to perform substantive testing or will perform the audit remotely.
25. The Combined Authority may send a copy of the notification to relevant DfE colleagues, such as the case manager on the Provider Facing Team, in order to notify them of the visit details.
26. The Combined Authority will obtain the name and job title of the most appropriate member of staff to ensure that the visit notification is addressed to the correct person.

### Sample selection

27. The Combined Authority processes the ILR data and generates the Provider Funding Report and Occupancy Report which will be used to select the main samples of learners from the most recent ILR return made by Providers.

Population Size (Learners)	Sample Size
100 or more	50
Less than 100	Population or Max 30

28. The audit sample will be selected from the total learners in the following funding populations:
  - Adult Skills Core
  - Tailored Learning
  - Free Courses for Jobs (FCFJ)
  - Earnings Adjustment Statement (EAS)
29. We will ask for learner level costings that make up the EAS and Final Claim.
30. We will ask to see evidence of Learner records for each of the samples that have been selected for audit.
31. When sharing the audit samples this will be carried out via a secured process that the Combined Authority will communicate with the Provider.
32. Normally the Combined Authority will give 10 working days' notice of the audit sample selection (giving allowance where the Provider has multiple locations or subcontracting).

## Commencement of audit

33. The number of days spent on the audit will depend on the sample size and the level of additional testing that is required. We expect the auditor(s) to remain on site (or work remotely) for sufficient time to ensure that they perform all testing. This includes ensuring that the Provider has a platform to clear any queries that arise and ask any questions.
34. We will seek to understand what documentation the Provider holds as evidence to support the ILR funding data, and the resulting funding claim, as well as a small number of additional documents to support the learner funding claim and learning activities.
35. We will agree with the Provider the specific documents that will be required.
36. In exceptional circumstances where the audit is carried out remotely, we will rely on the Provider to send a large quantity of evidence to us. Consequently, we will ensure that any request is only for the evidence that is necessary to perform the initial substantive testing.
37. We will also follow up any recommendations from the previous year's audit (where applicable).

## Audit feedback

38. We will hold a feedback meeting with the Provider, either in person or using video conferencing, to discuss the findings of the audit, ideally after all queries have been resolved. The Combined Authority will retain evidence to confirm that this has taken place.
39. The Combined Authority will include in the feedback all details of:
  - any queries that remain outstanding
  - corrections that need to be made to the ILR
  - proposed actions for the Provider
40. If required, we will then agree a timetable for:
  - any further information or explanations that will be required from the Provider
  - results of any Provider self-audit work
  - potential visits required for retesting
  - a new ILR data submission to be provided (where corrections are required)
  - 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
  - undertaking further testing

## Provider Audit Report

41. Following the audit, a Provider Audit Report will be generated and will include an opinion of funding assurance in line with the Combined Authority's requirements. Providers will be graded as below:

Grade	Description
Good	There is a good framework of controls in place, and all controls are being consistently applied to ensure risks are managed effectively.
Satisfactory	There is an adequate framework of controls in place, and the majority of controls are being consistently applied to ensure the risks are managed effectively.
Not Satisfactory	There is a weak framework of control in place, and/or the controls are not being consistently applied to ensure the risks are managed effectively.

42. The Provider Audit Report will contain a list of recommendations (if required). During Performance Management Meetings any recommendations outlined in the Provider Audit Report will be discussed to ensure progress has been made.
43. Where non-compliance has been identified following an audit, the Provider Audit Report will contain an Action Plan and the Provider is responsible for completing the actions recommended in accordance with agreed timescales. Additional desktop audits may also be carried out to ensure that data has been rectified and that outstanding issues have been resolved.
44. Where a Provider has been categorised as “Not Satisfactory” the Combined Authority will follow the process outlined in the Combined Authority’s Performance Management Framework.
45. The Combined Authority reserve the right to audit Providers at any point during the term of their Grant Agreement and/or Contract for Services.

### Closure meeting

46. Whilst the Combined Authority may send the Final Audit Report by email, we will always hold a closure meeting with the Provider, either in person or using video conferencing, to discuss the findings. This will include the results of additional testing, the agreed value of any funding errors (including the value of funding errors relating to prior funding years), conclusions on the use of funds, conclusions on compliance with the funding rules and an Action Plan (if required). Where an Action Plan is required, the Combined Authority will include any areas for improvement and subsequent recommendations to be followed up.
47. The results of an audit may require Providers to adjust their ILR data in support of their funding claim to the Combined Authority and may inform negotiations between a Provider and the Combined Authority regarding future Delivery Plans and /or allocation. In exceptional cases, the Combined Authority may refer results to the DfE for further investigation.



- 48. Each conclusion is dependent upon error rates. The sample error rate is the value of any funding error in the sample as a percentage of the full value of the sample. The overall error rate is the value of funding error in the population as a percentage of the value of the population.
- 49. A sample error rate of no errors will result in an Audit conclusion of Good.
- 50. A sample error rate lower than 25% together with an overall error rate lower than 25% results in an Audit conclusion of Satisfactory.
- 51. A sample error rate of equal to or more than 25% or an overall error rate of equal to or more than 25% results in an Audit conclusion of Not Satisfactory.

#### Desktop reviews

- 52. In order to gain assurance on Provider compliance the Combined Authority will also undertake regular desktop review of all Providers.
- 53. We will select a sample of learner files to check using a method chosen by us. The frequency, periodicity and size of the samples may change throughout the Grant Agreement and/or Contract for Services period.
- 54. As part of our compliance monitoring, we will continue to monitor compliance with the funding rules. We will contact you where we identify you have submitted data that does not meet our funding rules and ILR requirements. We will require you to correct inaccurate ILR and EAS data or to adjust your final funding claim.

#### Controls testing

- 55. We will undertake controls testing in order to record and assess the controls that a Provider operates to manage risks relating to specific areas of the Combined Authority funded provision. From the review of the evidence of controls, it will be recorded whether the controls exist, whether they are effective in achieving their objective and whether they are operating effectively.
- 56. The controls in place should ensure that the funded learner details and all learning activities are recorded accurately and timely. See Appendix 2 for Evidence Pack and Appendix 3 for ILR data requirements.
- 57. Where we identify issues or weaknesses, the Combined Authority ASF Team will raise any recommendations, in consultation with senior management as required.
- 58. We will carry out a review of the Provider's controls over its administration of all the Combined Authority funded provision. If we have not performed a controls visit within the previous 12 months, we will send the Provider the respective controls questionnaire for completion.

## Treatment of errors

59. We will assess any errors identified in the substantive samples to determine whether they can be ringfenced. To do this, we will consider whether there are other Learners in the Provider population that may share the same error characteristics and identify the size of this (sub) population.
60. Where an error can be ringfenced, we will notify the Provider and ask them to perform a 100% self-audit of the (sub) population to determine the full extent of the error.

## Prior year errors

61. For each error identified, we will assess whether it impacts on funding claimed by the Provider in the prior funding year(s). Where this is the case, in addition to calculating the in-year funding error, we will separately calculate the value of the funding error relating to the prior year(s).
62. Where the prior funding year was funded by a DfE contract we will notify DfE of the findings.
63. Where a Provider is undertaking any 100% self-audits, where an error affects the Combined Authority funding claimed in any year prior, we will recover the prior year funding. As such, when the Provider reports back its 100% self-audit findings, the Provider will need to breakdown any funding errors to show the in-year value and any prior year value. Should the Provider be unable to calculate the prior year error values, the Combined Authority will need to perform this task.

## Further testing (if applicable)

64. We may perform further testing to gain assurance over funding identified by the Provider as earned in its self-audit workings.
65. We will accept any funding errors that the Provider declares, and we will instruct the Provider to correct its ILR data accordingly.
66. If the Provider presents additional evidence (that may not have been presented during the first visit), the Combined Authority will review it.
67. The Combined Authority will track any corrections to the ILR data following the initial testing. This facilitates the reconciliation from the ILR data provided for the audit to the next ILR data return or to the final R14 ILR data return.
68. We will complete a reconciliation of all funding movements resulting from data amendments between the ILR data used for the audit and the final R14 ILR data return that forms the basis of the final funding claims. This includes:
  - adjustments made as a result of data errors identified by the Combined Authority auditor
  - adjustments made in the course of routine data cleansing by the Provider

69. We will check that any data movements are in line with our expectations.

### ILR data amendments

70. The Provider must correct all errors through ILR data amendments as soon as possible and by the DfE deadline date for the next monthly ILR return.

71. Where the Provider does not correct their data within the agreed timescale, this will be discussed at subsequent Performance Management Meetings.

### Recovery of funding errors

72. Under the following circumstances, we will seek to recover funding errors through either an offset to one or more subsequent Provider payments or by raising an invoice:

- Where the Provider does not or cannot correct the data through the ILR before the R14 hard close
- Where there are funding errors relating to prior funding years

### Extrapolation

73. We will extrapolate errors, using error rates, only in the most exceptional circumstances.

74. Where the Provider performs a 100% self-audit and the Combined Authority cannot place reliance on the Provider's work, we may need to revert to reporting an extrapolated error based on the original sample error rate.

### Provider Data Self-Assessment Toolkit

75. The DfE provides a Provider Data Self-Assessment Toolkit (PDSAT) for the production of exception and listing reports for data review and cleansing and for generating samples and working papers for substantive testing. Whilst the Combined Authority cannot directly use the PDSAT our system reports will follow the same principles.

76. Providers are advised it would be best practice to regularly run their ILR data through the PDSAT software to identify any data anomalies and enable correction before ILR submission.

77. The user guide that accompanies the PDSAT gives clear and comprehensive instructions on how to produce PDSAT reports. Consequently, this document will not seek to replicate the advice contained in the guide.

78. Providers can access the PDSAT user guide in the Documents section of the Useful Info tab within PDSAT. The guide and software can be accessed at: [ILR data: provider data self-assessment toolkit](#).

79. Providers can also access the DfE working papers for the main funding stream through the PDSAT and use this to carry out their own audits.

## Appendix 1 – Substantive Audit Tests

The Substantive Audit Tests include, but are not limited to:

- Does evidence exist to confirm that the learner is eligible for funding?
- Is the learner eligible for the aim(s) and has it been correctly identified and coded?
- Is the aim eligible for funding and is the correct funding being claimed?
- If the learner is eligible for learning support funding, is there evidence of delivery of learning support?
- Is the learner's aim and the learner's attendance as recorded in the ILR consistent with the underlying records/enrolment documentation?
- Has the Provider correctly assessed that the student is eligible for ASF funding?
- Does the range of documents reviewed provide reasonable evidence of student existence and do the student's signatures appear consistent?
- Has the learning agreement, enrolment form and/or timetable been signed by both the student and the Provider?
- Is there evidence that the student has been provided with Careers and Education Information, Advice & Guidance, an initial assessment, learning plan and timetable of learning?
- If aim is for English, Maths or Digital, is there assessment evidence to support the aim level?
- Has the number of planned hours been correctly recorded for each aim in the ILR?
- Does the start date recorded reconcile to learning registers, or is alternative evidence of attendance held?
- Where the student has withdrawn from any qualifications, have the withdrawal details been correctly recorded in the ILR?
- If the student has withdrawn from the programme, does the period of attendance on the programme qualify for funding, what evidence is kept?
- Where the learner has not achieved, does the learning actual end date recorded in the ILR agree with underlying records?
- Does evidence exist to confirm that the learner has achieved and completed the learning aim?
- Does the ILR field subcontracted or partnership UKPRN indicate that subcontracted provision exists?
- For learners flagged for high needs in the ILR, is there evidence of the home local authority agreement to fund the learners higher support cost needs?
- For breaks in learning is evidence in place that the learner agrees to return and continue with the same learning aim?
- If the learner if returning from a break in learning has there been a reassessment of their plan and has the remaining delivery been extend if required?

## Appendix 2 – Evidence Pack

The evidence pack must include the following, but not limited to:

- Evidence to assure us that the learner exists
- Learner confirmation that the information that they provide is correct at the time it is collected
- The information reported to us in the ILR, and EAS funding claims if applicable, and all supporting evidence to substantiate the data that is reported
- Verified evidence of eligibility for funding and a counter signed record of the evidence the learner has provided to support their eligibility for funding
- Copies of all assessments and diagnostics undertaken to determine a learner's requirements
- Evidence and information on prior learning that affects the learning or the funding of any of the learning aims or programme
- For 'personalised learning programmes', for example, non-regulated learning aims, full details of all the aspects of the learning to be carried out, including supporting evidence of the number of planned hours reported in the ILR
- Details of how you will deliver the training and skills and how the learner will achieve
- Details of any support needs identified, including how you will meet these needs
- Supporting evidence about why you have claimed funding and the level of funding for a learner
- Details and evidence of any learner or employer contribution
- Evidence that learning is taking or has taken place, such as attendance sheets or online activity records
- A learner's self-declaration as to what state benefits they are claiming
- A learner's self-declaration on their status relating to gaining a job
- Evidence of the Privacy Notice being shared with the learner
- Evidence of the learners contact preference being recorded
- All records and evidence of achievement of prior qualifications. This must be available within 3 months of you reporting it in the ILR
- Evidence of eligibility for funding
- Prior learning that affects the learning or the funding of any of the learning aims or programme
- Evidence of achievement, and certification where appropriate
- Details regarding the level of funding
- Evidence of EAS claimed, where appropriate
- Evidence to support any Innovative Provision funding claimed, where appropriate
- Evidence of any ILR deletions or changes to learner records
- Evidence of the relevance of the learning to progression outcomes
- For any breaks in learning, evidence that an agreement is in place – ILR completion code 6 & outcome code 3, and the new planned end date agreed
- Evidence of learner transfers, if appropriate – into Provider/out to another Provider/transfer to a new aim

## Appendix 3 – ILR Data Requirements

### Provider evidence of learner and learning

- Providers must retain an evidence pack for the learner and learning to support the funding claimed
- Evidence in the evidence pack must assure us that the learner exists
- Evidence of learning activity must be retained
- Where you hold information centrally, you only need to refer to the source

### Signatures

- The learner must confirm the information is correct at the time it is collected
- Electronic evidence is acceptable, including electronic or digital signatures. Where evidence is electronic, you must have robust systems and processes in place to provide assurance that the learners exist and are eligible for ASF funding

### Starting, participating and achieving

- You can only claim ASF when directly related to learning activity starts. This would not include enrolment, induction, prior assessment, diagnostic testing, or similar activities
- For your direct delivery, and any subcontracted delivery, you and where relevant, your subcontractor(s) must have centre approval and where appropriate, qualification approval from the respective awarding organisation for the regulated qualifications you are offering
- Delivery of the qualification (including learner registration with the awarding organisation) for direct delivery and any subcontracted delivery must be in line with the qualification specification and guidance set out by the relevant awarding organisation
- You must have evidence that the learning activities took place, and that the learner was not certificated for prior knowledge
- Where the learning is certificated, you must follow the relevant awarding organisation's procedure for claiming the relevant certificate(s) and ensure the learner receives them. You must evidence this has happened in the evidence pack

### ILR timeliness requirements

- New starts must be reported within 2 reporting months of their start date
- Completions and achievements must be reported within 3 reporting months of the point of achievement

### Leaving learning

- You must report the learning actual end date in the ILR for a learner who leaves learning as the last day that you can evidence that learning activity took place
- 20% of funding will be held back and only earned on achievement of the learning aim for Providers with a Contract for Services, and will be earned on completion of the aim for Grant Funded Providers

### Data management requirements ILR completion

- The ILR data must accurately describe the provision delivered to each learner
- The ILR data must accurately reflect what is recorded in the learning agreement, learner file and evidence pack
- The Provider must submit the ILR data return monthly in accordance with each DfE period submission dates

- Learner data and their learning recorded in the ILR data must remain constant except where it can be shown the information has been entered in error.

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