

## South East Provider Financial Assurance (PFA) Team

James Fichet  
Tim Henshaw  
Lisa Loan

Principal Auditor  
Auditor  
Senior Auditor

# Objectives

1. To communicate the audit issues arising from ESF audits over the previous 3 years
2. To explain the audit process

# Main Audit Issues



1. Provider staff not aware of the contents of the contract
2. Lack of audit trail to support CMR returns
3. Inadequate checks in place to ensure that evidence is held prior to the input of actual delivery figures onto the CMR returns
4. Subcontractors not providing accurate information or retaining evidence to support outputs, outcomes and milestones

# Main Audit Issues (contd)



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5. Eligibility criteria not checked for all beneficiaries prior to commencing the programme
6. Inadequate retention policy for ESF documents
7. Heavy reliance on one staff member with no documented procedures

# Audit trail to support claims (example)



Learner Name / Activity	OP1	OP2	OP3	MS1	
Bloggs, Joe	Jan-08		Mar-08		
Smith, John	Jan-08	Mar-08	Apr-08		
Steering Group 28 Apr 08				May-08	
<b><u>Claim Summary</u></b>					
	Jan-08	2	0	0	0
	Feb-08	0	0	0	0
	Mar-08	0	1	1	0
	Apr-08	0	0	1	0
	May-08	0	0	0	1
	Jun-08	0	0	0	0
	Jul-08	0	0	0	0
	<b>Total:</b>	2	1	2	1



# Initial Monitoring and Support Visits

- These are one day PFA visits to providers at the start of the contract
- The visit is not an audit and is designed to provide support to providers in order to prevent future audit problems
- The provider is requested to complete a Provider Control Risk Assessment (PCRA) document in advance of the visit (See pack for copy)

# Provider Audit Visit



## PFA Assurance Objectives:

- Give opinion on Internal Control  
Are sound systems of internal control in place?
- Give opinion on Use of Funds  
Has the money been used in a way that is materially consistent with the objectives of the contract?



# Provider Audit Visit (contd)

## Internal Control Opinion

- Provider Control Risk Assessment (PCRA) sent out to Provider two weeks prior to audit visit
- Auditor judgement based on the work undertaken on the PCRA and the results of the substantive audit testing
- Expectation of control relative to size and type of organisation

# Provider Audit Visit (contd)



## Use of Funds Opinion

- Based on the PFA review of audit testing of evidence held by the provider to support the delivery of outputs, outcomes and milestones with a monetary value (substantive audit testing)
- PFA check to ensure that the evidence is available per the contract to support the delivery claimed, and eligibility and EU publicity requirements are met
- Error rates of 5% or more will result in a qualified opinion on use of funds

# Provider Audit Visit (contd)

## Reporting Process

- At the end of the substantive testing visit, feedback will be provided detailing funding errors and control weaknesses
- Providers expected to provide further evidence to clear funding errors identified and to provide a management response to the control weaknesses within 5 working days of the feedback date
- Report is finalised 10 days after receipt of providers responses

# Provider Audit Visit (contd)



- Copy of audit report forwarded to Partnership Manager
- The opinions on internal control and use of funds will be either unqualified (satisfactory) or qualified (unsatisfactory)
- Funding errors lead to a recovery of funds paid to the provider

# Provider Audit Visit (contd)



There are two types of funding error:

- Actual errors –always recovered
- Estimated errors - where our error rate is above 5%, errors will be extrapolated to give an estimated error
- For estimated errors, providers will be requested to undertake a 100% check and confirm the actual errors to the PFA team

# Provider Audit Visit (contd)

Example of extrapolation:

<b>Value of population (a)</b>	<b>£100,000</b>
<b>Value of Sample (b)</b>	<b>£10,000</b>
<b>Errors within sample (c)</b>	<b>£1,000</b>
<b>Funding Error Rate (d)</b> (calculated by $c/b$ )	<b>10%</b>
<b>Estimated Errors (e)</b> (calculated by $d \times a$ )	<b>£10,000</b>