



Auditor certification of 2016/17 education maintenance allowance grant claims

Technical guidance note TGN/EMA/17

 **AUDIT SCOTLAND**

Prepared by the Technical Services Unit
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Foreword

Technical guidance notes are prepared by Audit Scotland's Audit Strategy business group to provide external auditors appointed by the Accounts Commission and Auditor General for Scotland with guidance on particular subjects or themes relevant to their audit appointment. They cover auditors' responsibilities to audit the financial statements, and review returns for whole of government accounts and local authority grant claims.

Technical guidance notes are available to external auditors from Audit Scotland's *Technical reference library*, and are also published on the Audit Scotland website so that audited bodies and other stakeholders can access them.

This particular type of technical guidance note is published under authority delegated by the Assistant Auditor General to provide guidance on the review of approved grant claims and other financial returns that require to be certified as part of a local authority audit appointment.

While auditors act independently, and are responsible for their own conclusions and opinions, Audit Strategy has a role in ensuring that those conclusions and opinions are reached on the basis of informed judgement. Consistency in similar circumstances is important and **the Code of audit practice therefore requires grant claims to be certified in accordance with technical guidance notes provided by Audit Strategy**. Auditors should advise Audit Strategy promptly if they intend not to follow any guidance provided in this technical guidance note

Audit Scotland makes no representation as to the completeness or accuracy of the contents of technical guidance notes or that legal or technical guidance is correct. Points of law, in particular, can ultimately be decided only by the Courts. Audit Scotland accepts no responsibility for any loss or damage caused as a result of any person relying upon anything contained in this note.

Overview

Key points on this claim		
Description of programme		
A means tested weekly allowance payable to young people from low income families to encourage them to remain in education beyond the compulsory school leaving age.		
Claim reference	Deadline to auditors	Auditor submission deadline
EMA 16/17	30 April 2017	31 July 2017
Risk areas		
1	The year end statement does not agree to the total of monthly claims.	
2	Young people have not met the eligibility criteria in respect of age, income, and residency.	
3	Courses/activities are not valid or learning/activity agreements are not in place.	
4	Young people have not met the attendance criteria.	
5	Back-payments have been made when not permitted.	
6	Administration costs have been claimed incorrectly.	
Address for certified claim		
Scott Gray, Fair Work Directorate, Scottish Government, 5 Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU		
Technical guidance note publication date and relevant year	Audit Strategy contact point	
14 April 2017 for 2016/17 claims	Tim Bridle Tel 0131 625 1793 E-mail: tbridle@audit-scotland.gov.uk	

1 Introduction

Auditor certification requirement

1. External auditors are required by the [Code of audit practice](#) to review approved grant claims and other financial returns submitted to grant-paying bodies by local authorities to conclude whether they are fairly stated and in accordance with specified term and conditions.
2. Auditors are required to express their conclusion in a certificate attached to each claim. The review and reporting process performed by auditors is therefore described as certification of each claim.
3. One of the approved claims that auditors are required to certify is in respect of the *Education maintenance allowance* (EMA) programme.

Purpose of technical guidance note

4. This technical guidance note has been prepared by Audit Strategy to provide guidance on auditor certification of the 2016/17 EMA claims. The approach set out in this technical guidance note has been agreed with the Scottish Government.
5. Procedures that auditors should carry out in respect of certifying 2016/17 EMA claims are set out at section 2 (preliminary procedures), 3 (testing procedures) and 4 (completion procedures) of this technical guidance note and summarised in Appendix 1. Although this note provides a concise summary of the EMA programme, it may still be necessary for auditors to refer to the source material on which this note is based for points of detail (see Appendix 2).
6. Auditors should also refer to the general guidance on the certification of claims provided by [technical guidance note TGN/GEN/17](#).

Changes from 2015/16

7. There are no significant changes in this technical guidance note compared with 2015/16.

Nature of programme

8. The EMA programme offers means-tested financial support of up to £1,560 each year to encourage eligible young people from low income households to remain in post-compulsory education. The education may be provided in schools, at home, or in the community. This includes young people with an activity agreement who agree to take part in a programme of learning and activity which helps them to become ready for formal learning or employment.
9. Eligibility for EMA payments depends on the young person's age, parental/guardian's income, residency and the validity of the course.

10. Local authorities manage the delivery of the EMA programme in respect of schools, home education, and all other learning other than college provision. In addition, Orkney Islands Council and Shetland Islands Council also manage the delivery of the EMA programme for non-advanced college provision.

Funding arrangements

11. EMA payments comprise a weekly allowance of £30 and are made by local authorities to eligible young people.
12. The Scottish Government reimburses the costs incurred by authorities through monthly payments of grant.
13. An allowance for the costs of administering the programme is also paid by the Scottish Government.

Submission of claim to auditor

14. The year end statement should be signed by the director of finance and be accompanied by evidence of spot checks carried out by the authority throughout the year.
15. Authorities are required to submit the completed year end statement to external audit and the Scottish Government by 30 April 2017.

Contact point

16. The contact point in Audit Strategy for this technical guidance note is Tim Bridle, Manager - Local Government (Technical) - tbridle@audit-scotland.gov.uk or 0131 625 1793.

2 Preliminary procedures

Purpose of section

17. This section sets out the preliminary procedure that auditors should carry out when they receive the year end statement.

Preliminary procedure 1 - Completion of statement

Auditors should check that

- the authority's arrangements for the completion of the year end statement appear adequate
- all relevant parts of the year end statement have been completed, including certification by the director of finance
- all arithmetic on the year end statement is correct
- the entries on the year end statement agree with the authority's financial ledger or other underlying records.

18. Auditors should direct their attention towards the paper version of the year end statement. There is no auditor involvement in the electronic version of the statement, the accompanying management information, or the authority's evidence of spot checks.
19. The year end statement should show the amount of EMA payments made to young people during 2016/17 at line 1. EMA payments require to be in accordance with the EMA Scottish guidance and processes document, and should only be made to eligible young people for full attendance at valid courses.
20. Allowances for administration costs should be reported at lines 2 and 3.
21. A year end statement is included at schedule 6 of the grant offer letter sent to authorities on 31 March 2016.

3 Testing procedures

Purpose of section

22. This section sets out the testing procedures that auditors should carry out on the year end statement.

Test 1 - Monthly claims

Auditors should confirm that the entries on the year end statement agree to the total of monthly claims.

23. On a monthly basis, authorities email a claim to the Scottish Government on a standard form. The entries on the year end statement should agree to the total of these monthly claims.

Test 2 - Eligibility of young people

Auditors should obtain evidence that the young people have met the eligibility criteria in respect of

- age
- income, and
- residency.

Age eligibility

24. A young person is normally entitled to EMA for a maximum period of three years up to their 20th birthday. Young people identified as vulnerable which may include those on activity agreements, are entitled to four years EMA support up to their 20th birthday. EMA is not available to young people still in compulsory education, i.e. under 16.
25. The period of eligibility for EMA commences on
- the first day of the academic year for the autumn intake (i.e. for those who become 16 before 30 September)
 - the first day of the term following the winter leaving date for students who become 16 between 1 October and the last day in February.

Income eligibility

26. Gross taxable income of the young person's parent/guardian governs the eligibility for an award of EMA. Eligibility is restricted to those from households of incomes up to £24,421 or, where there is more than one child in full-time education, up to £26,884.

27. The income assessment is normally based on *Tax credit award notices* (TCAN) supplied by Her Majesty's Revenue and Customs. Applicants who cannot provide a TCAN are required to provide alternative income evidence, e.g. P60 or self-assessment tax calculation form.
28. Where income falls, an in-year re-assessment may take place. However, there is no re-assessment if income rises during the year.

Residency eligibility

29. In order to be eligible for an EMA, a young person must meet the residency criteria set out in *The Education Maintenance Allowances (Scotland) Regulations 2007*. Young people who are UK citizens are required to be settled in the UK (within the meaning of the *Immigration Act 1971*), and ordinarily resident on a qualifying date and the three years immediately prior. There are however exceptions to the residency criteria as noted in the regulations. The qualifying date depends on when the application for EMA is made
- For the autumn intake, the qualifying date is the first day of the first term of the academic year.
 - For the winter intake, the qualifying date is the first day of the first term in the new calendar year.

Notice of entitlement

30. The application and assessment process by authorities results in either rejection or a *Notice of entitlement* (award letter) which tells the applicant they are eligible for EMA as long as they take a valid course or form of learning at an appropriate learning centre.

Test 3 - Validity of courses / activity

Auditors should obtain evidence that

- **course/activities were confirmed as valid**
- **a learning or activity agreement has been received.**

31. Further validation of an individual's right to receive EMA will take place when they start a course or other recognised form of learning or activity. The school or other learning centre is required to confirm that the young person is on a valid full time course. Full time is defined as at least 21 hours guided learning hours each week. Some part time college courses are also eligible.
32. The school or other learning centre is required to agree a learning agreement with the student. The learning agreement has two components
- Part 1 should include conditions on attendance linking to receipt of the weekly payment. This should be signed by the student and the school or learning centre. It should be completed as soon as the student enrolls on the course and notification should be sent to the local authority. This is the trigger for the payment process, as weekly payments cannot begin until part 1 is processed, completed and signed.

- Part 2 is an agreement which is tailored to the individual student for agreed learning goals and should be signed by the student, their parent/guardian, and the school or learning centre. It requires to be completed by 30 November for the August intake, and 31 March for the January intake.
33. Where an activity agreement exists, this will identify the relevant programme of learning/activity; this does not require to be 21 hours a week.
34. Local authorities should not initiate payments until a signed part 1 learning agreement (or activity agreement) is received. While learning agreements should be sent from the schools or other learning centres, activity agreements may come from other sources, usually the trusted professional involved in setting up the agreement.

Test 4 - Attendance eligibility

Auditors should obtain evidence that attendance criteria were met.

35. For those young people in mainstream education or learning, EMA can only be paid for each full week's attendance within term time, up to a maximum of 42 weeks in any one academic year. Where relevant learning or activity is in a non-formal community or third sector setting payments may be made for up to 52 weeks and the local authority is responsible for ensuring that there are appropriate controls in place over attendance.
36. EMA requires full attendance at all timetabled sessions; part payments for part attendance are not made. Exceptions are made for vulnerable students such as young careers where 100% of agreed attendance must be met. Absence authorised by the school or other learning centre where there is good cause is treated as a day of attendance for EMA purposes (e.g. ill-health). Pupils continue to receive EMA while on work experience placements (provided they do not receive remuneration) during term time and while revising for exams.

Test 5 - Back-payments

Auditors should obtain evidence that back-payments of EMA were made only where permitted.

37. Applications received after the start of a course may be eligible for a back-payment. For the autumn intake, applications received by 30 September are eligible for back-payment to the start of the term. Applications from 1 October are eligible for back-payment from the Monday of the week in which the application was received. For the winter intake, applications received by the last day in February may be eligible for back payment to the start of term.
38. For applicants on activity agreements, backdating may be to the start of their engagement in the relevant activity within the current financial year.

Test 6 - Administration costs

Auditors should obtain evidence that the amount of additional administration costs in line 2 is equal to £15 for each accepted pupil who has received a payment.

39. A top-up allowance for administration costs is available for 2016/17. It equates to £15 for each pupil accepted for the programme who has received at least one EMA payment. These are claimed and reimbursed as part of the monthly claim process. Top-up administrative allowances should be included in the year end statement (at line 2).
40. An allowance of £25,000 was paid to each authority in May 2016 to defray costs incurred in administering the programme. Although they are included on the return (at line 3), there is no external audit involvement in these payments.

4 Completion procedures

Purpose of section

41. This section sets out the completion procedures that auditors should carry out after they have conducted testing of the year end statement.

Completion procedure 1 - Conclusion on statement

Auditors should conclude whether the year-end statement is

- **fairly stated**
- **in accordance with the EMA guidance.**

42. Auditors should
- evaluate the results of their testing procedures set out in section 3
 - undertake additional procedures where they judge that to be necessary
 - agree with the local authority any amendments necessary to correct errors found in the year end statement. This is appropriate where auditors conclude the errors are isolated or have extrapolated findings and are satisfied that after amendment the claim or return is fairly stated and in accordance with the business model. A qualification to the auditor's conclusion in a covering letter is not required though auditors should draw attention to the amendment.

Completion procedure 2 - Auditor's certificate and covering letter

Auditors should complete the auditor's certificate and include any qualifications to their conclusion in a covering letter.

43. The year end statement contains an auditor's certificate; however, this should not be used. Auditors should instead use the format and wording shown at Appendix 3 to this technical guidance note.
44. The auditor's certificate states that auditors have examined the entries in the year end statement and accounts and records of the authority, and have obtained such evidence and explanations, and carried out such tests, as they considered necessary.
45. Auditors should complete the auditor's certificate and any covering letter in accordance with section 5 of TGN/GEN/17. Where, in the auditor's professional judgement, the claim or return is fairly stated and in accordance with the business model, auditors should
- delete the words 'Except for the qualification in the attached covering letter dated';
 - sign and date the certificate.

46. Where auditor testing has been completed and, in the auditor's professional judgment, the claim is not fairly stated and in accordance with the business model, auditors should
- prepare a covering letter explaining the qualification
 - enter the date of the covering letter to the certificate
 - sign and date the certificate.

Completion procedure 3 - Submission of certified claim

Auditors should submit the year end statement, completed auditor's certificate, and any covering letter, by 31 July 2017 to the Scottish Government.

47. Auditors should submit the year end statement, completed auditor's certificate, and any covering letter, by 31 July 2017 to

Scott Gray

Fair Work Directorate

Scottish Government

5 Atlantic Quay

150 Broomielaw

Glasgow

G2 8LU

Appendix 1

Auditor action checklist

Preliminary procedures		Yes/No/N/A	Initials/date	W/P ref
1	<p>Have you checked that</p> <ul style="list-style-type: none"> the authority's arrangements for the completion of the year end statement appear adequate? all relevant parts of the year end statement have been completed, including certification by the director of finance? all arithmetic on the year-end statement is correct? the entries on the year end statement agree with the authority's financial ledger or other underlying records? 			

Testing procedures		Yes/No/N/A	Initials/date	W/P ref
1	Have you confirmed that the entries on the year end statement agree to the total of monthly claims?			
2	<p>Have you obtained evidence that the young people have met the eligibility criteria in respect of</p> <ul style="list-style-type: none"> age income and residency? 			
3	<p>Have you obtained evidence that</p> <ul style="list-style-type: none"> course/activities were confirmed as valid a learning or activity agreement has been received? 			

Testing procedures		Yes/No/N/A	Initials/date	W/P ref
4	Have you obtained evidence that the attendance criteria were met?			
5	Have you obtained evidence that back payments of EMA were made only where permitted?			
6	Have you obtained evidence that the amount of additional administration costs in line 2 equal to £15 for each accepted pupil who has received a payment?			

Completion procedures		Yes/No/N/A	Initials/date	W/P ref
1	Have you concluded whether the year-end statement is <ul style="list-style-type: none"> • fairly stated • in accordance with the EMA guidance? 			
2	Have you completed the auditor's certificate and included any qualifications to your conclusion in a covering letter?			
3	Have you submitted the year end statement, completed auditor's certificate, and any covering letter, by 31 July 2017 to the Scottish Government?			

Appendix 2

Rules for completing claim

The following represent key sources of guidance in respect of the year end statement and can be accessed by following the hyperlinks or downloaded from Audit Scotland's *Technical reference library*.

- 2016/17 grant offer letter issued 31 March 2016 and schedules, which set out the grant claim requirements.
- Scottish EMA guidance and processes which sets out the eligibility criteria for making payments of EMA.
- [The Education Maintenance Allowances \(Scotland\) Regulations 2007](#) which prescribe certain residency criteria for EMA recipients.
- [The Education Maintenance Allowances \(Scotland\) Amendment Regulations 2011](#) which removed restrictions on courses having to be in Scotland and changed certain residence requirements and the qualifying date for age purposes.

Appendix 3

External auditor's certificate

I/we have examined the entries in this education maintenance allowances year end statement for 2016/17 and the related accounts and records of [insert name of council] in accordance with *Technical guidance note TGN/GEN/17* and *Technical guidance note TGN/EMA/17*, and have obtained such evidence and explanations, and carried out such tests, as I/we have considered necessary.

[Except for the qualification(s) set out in my/our letter dated.....,]I have concluded that the claim/return is

- fairly stated
- in accordance with the *EMA guidance and processes* issued by the Scottish Government.

Signed..... (Appointed external auditor)

Date.....