

Technical Guidance Note

TGN/EMA/20

Auditor Certification of 2019/20 Education
Maintenance Allowance Claims



 AUDIT SCOTLAND

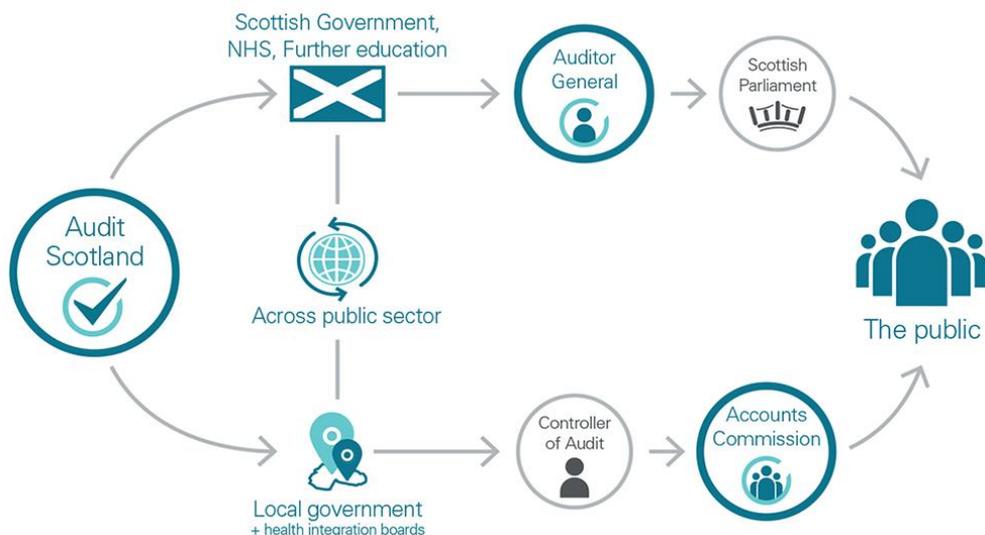
Prepared for appointed auditors in the local government sector

22 April 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Claim overview

Description of programme

A means tested weekly allowance payable to young people from low income families to encourage them to remain in non-advanced education beyond the compulsory school leaving age.

Claim reference	Deadline to auditors	Auditor submission deadline
EMA 19/20	30 April 2020	31 July 2020

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 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.
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Address for certified claim

Fraser Young, Policy Executive, Directorate for Fair Work, Employability and Skills, Employability Division, Scottish Government, 6th Floor, 5 Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU

Technical Guidance Note publication date and relevant year	Professional Support contact point and email address
22 April 2020 for 2019/20 claims	Anne Cairns TechnicalQueries@audit-scotland.gov.uk

Introduction

Purpose

1. The purpose of this Technical Guidance Note from Audit Scotland's Professional Support is to provide external auditors appointed by the Accounts Commission with guidance on the certification of 2019/20 Education Maintenance Allowance (EMA) claims. The approach set out in this Technical Guidance Note has been agreed with the Scottish Government.
2. Appointed auditors are required by the [Code of Audit Practice](#) to examine, as part of their audit appointment, approved grant claims and other financial returns submitted to grant-paying bodies by local government bodies and provide reasonable assurance as to whether they are fairly stated and in accordance with specified terms and conditions. One of the approved claims that auditors are required to certify is in respect of the EMA.
3. This Technical Guidance Note:
 - provides guidance for auditors on the examination of the EMA claim, including highlighting the main risk areas
 - sets out and explains the preliminary procedures (at section 1), testing procedures (at section 2), and completion procedures (at section 3) that auditors should carry out (all summarised in the checklist at Appendix 1)
 - provides an external auditor's certificate at Appendix 3
 - clarifies for the Scottish Government the nature of work undertaken by appointed auditors before giving their certificate.
4. Auditors are required to express their conclusion in a certificate attached to each claim. The assurance process performed by auditors is therefore described in the [Code of Audit Practice](#) as the certification of each claim.
5. Although this note provides a concise summary of the scheme, it may still be necessary for auditors to refer to the source material listed at Appendix 2 on which this note is based.
6. Auditors should also refer to the general guidance on the certification of claims provided by [Technical Guidance Note TGN/GEN/20](#).

This Technical Guidance Note provides guidance on auditor certification of EMA claims

Auditors should also refer to TGN/GEN/20

Changes in 2019/20

7. From 2019/20, activity agreements have been renamed learning agreements.

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 non-advanced post-compulsory education. The education may be provided in schools, at home, or in the community. It therefore includes young people not enrolled at school who agree to take part in a programme which helps them to become ready for formal learning or employment.
9. Eligibility for EMA payments depends on the young person's age, household income, and residency, as well as the validity of the course
10. Councils 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.

The programme gives financial support to encourage young people to stay in education

Funding arrangements

11. EMA payments comprise a weekly allowance of £30 and are made by councils to eligible young people.
12. The Scottish Government reimburses the costs incurred by councils through monthly payments of grant. There is also a statement of the total monthly amounts submitted after the end of the year.
13. An allowance for the costs of administering the programme is also paid by the Scottish Government.

Submission of claim to auditor

14. Councils are required to submit the completed year end statement to external auditors and the Scottish Government by 30 April 2020.
15. In previous years, the year end statement submitted to auditors required to be in a paper format. Due to the impact of the Covid-19 crisis, auditors may initially receive an electronic version for 2019/20 with the paper version to follow. The Scottish Government have indicated that they recognise the difficulties in meeting the April deadline.
16. Auditors should therefore discuss with each council:
 - the expected date of receipt of the year end statement
 - whether the statement submitted to auditors will be in the required paper format or initially in an electronic format with the paper version to follow.

Contact point

17. The contact point in Professional Support for this Technical Guidance Note is Anne Cairns, Manager (Professional Support). Enquiries should be sent to TechnicalQueries@audit-scotland.gov.uk.

Section 1

Preliminary procedures

Purpose of section

- 18.** 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 evaluate whether:

- the council's arrangements for the completion of the year end statement appear adequate
 - all relevant parts of the statement have been completed, including certification of the paper version of the statement (once available) by the section 95 proper officer
 - all arithmetic on the statement is correct
 - the entries on the statement agree with the councils' financial ledger or other underlying records.
-
- 19.** Auditors should carry out test procedures on the electronic version of the year end statement until the paper copy becomes available. The electronic version is accompanied by management information and the council's evidence of spot checks. There is no auditor involvement in this accompanying information.
- 20.** A paper version of the year end statement is included at schedule 6 of the grant offer letter sent to councils in March 2019. The paper copy should be signed by the section 95 proper officer.
- 21.** The year-end statement should show the amount of EMA payments made to young people during 2019/20 at line 1. EMA payments must 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.
- 22.** Allowances for administration costs should be reported at lines 2 and 3.

Auditors may have to initially use the electronic version of the statement

Section 2

Testing procedures

Purpose of section

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

Test 1 – Monthly claims

Auditors should evaluate whether the entries on the year end statement agree to the total of monthly claims.

24. On a monthly basis, councils 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
- residency.

Age eligibility

25. EMA is not available to young people still in compulsory education, and recipients will normally be between 16 and 19 years. Age eligibility is summarised in the following table:

Eligibility	Comments
Age at which eligibility starts	Normally the minimum age is 16, but school intake dates may mean that in rare cases some young people start receiving EMA at the age of 15.
Commencement of period of eligibility	The normal period of eligibility for EMA commences on: <ul style="list-style-type: none"> • 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.
Length of period of entitlement	Entitlement is usually for a maximum period of three years. However, young people identified as vulnerable, which may include those who are not enrolled in school or college and have learning agreements, are entitled to four years.
Cessation of period of eligibility	Eligibility ends on the recipients 20th birthday.

Income eligibility

26. Gross taxable household income governs the eligibility for an award of EMA. Eligibility is restricted to those from households of incomes up to the amounts (depending on the number of children in fulltime education) set out in the following table:

Maximum household gross income	Number of children in full time education
£24,421	One
£26,884	More than one

- 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](#) (2007 Regulations). 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 2007 regulations.
- 30.** The 2007 Regulations were amended by [The Education \(Fees and Student Support\) \(Miscellaneous Amendments\) \(Scotland\) Regulations 2017](#) which made changes to ordinary residence criteria for non-UK and non-EU nationals who have lived in the UK for a significant time but do not have unrestricted right to remain in the UK under immigration law to qualify for student support. These people are eligible to receive EMA providing:
- they are under the age of 18 and have lived in the UK throughout the 7 year period preceding the qualifying date; or
 - they are aged 18 years and above and proceeding the qualifying date, have lived in the UK throughout either half their life or for a period of 20 years.
- 31.** The qualifying date depends on when the application for EMA is made as set out in the following table:

Intake	Qualifying date
Autumn	First day of the first term of the academic year
Winter	First day of the first term in the new calendar year

Notice of entitlement

- 32.** The application and assessment process results in either a rejection or a Notice of Entitlement (award letter) from the council. An award letter 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

Auditors should obtain evidence that:

- **courses were confirmed as valid**
- **a learning agreement has been received.**

- 33.** Further validation of an individual's right to receive EMA will take place when they start a course or other recognised form of learning. 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.
- 34.** The school or other learning centre is required to agree a learning agreement with the student. The learning agreement has two components as summarised in the following table:

The person is required to be on a valid course

Part	Content	Signed by	Completion timescales
1	Conditions on attendance linking to receipt of the weekly payment.	The student and the school or learning centre.	As soon as the student enrolls on the course. Notification should be sent to the council.
2	An agreement which is tailored to the individual student for agreed learning goals	The student, their parent/guardian, and the school or learning centre	30 November for the August intake. 31 March for the January intake.

35. Where a learning agreement exists for those not enrolled at school, this will identify the relevant programme of learning; this does not require to be 21 hours a week.

36. Councils should not initiate payments until a signed part 1 learning agreement is received.

Test 4 - Attendance eligibility

Auditors should obtain evidence that attendance criteria were met.

37. 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 the maximum number of 42 weeks in any one academic year summarised in the following table:

Maximum number of weeks a year	Applicability
42	Normally the case.
52	Where relevant learning does not follow the academic year. The council is responsible for ensuring that there are appropriate controls in place over attendance.

38. 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 carers 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.

Full attendance at all sessions is required (with some exceptions)

Test 5 - Back-payments

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

39. Applications received after the start of a course may be eligible for a back-payment. This is summarised in the following table:

Date by which application received	Payment backdated from
30 September	Start of autumn term

Date by which application received	Payment backdated from
From 1 October to end of autumn term	The Monday of the week in which the application was received
End of February	Start of winter term

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.

- 40.** A top-up allowance for administration costs is available for 2019/20. 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). An allowance of £25,000 was paid to each council in May 2018 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.

Section 3

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 claim

Auditors should conclude whether the claim form is:

- fairly stated
- in accordance with the terms and conditions in the EMA Scotland Guidance and Processes

42. Auditors should:

- evaluate the results of their testing procedures set out in section 2
- undertake additional procedures where they judge that to be necessary
- agree with the council any amendments necessary to correct errors found in the claim. This is appropriate where auditors conclude the errors are isolated or have extrapolated findings and are satisfied that after amendment the claim is fairly stated and in accordance with the terms and conditions. A qualified 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

The appointment lead should complete the auditor's certificate and include any qualified conclusions in a covering letter.

43. Auditors should use the certificate provided at Appendix 3 to this Technical Guidance Note. The auditor's certificate states that auditors have examined the entries in the year end statement and accounts and records of the council, and have obtained such evidence and explanations, and carried out such tests, as they considered necessary.
44. Where testing has been carried out on the electronic version of the claim, auditors should evaluate whether it is consistent with paper version when it is received. Auditors should establish the reasons for any differences and consider whether additional testing is required.
45. The appointment lead (or delegated manager) should complete the auditor's certificate and any covering letter in accordance with the guidance provided in TGN/GEN/20. Where, in the appointment lead's professional judgment, the claim is fairly stated and in accordance with the EMA guidance and processes, the appointment lead 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 appointment lead's professional judgment, the year end statement is not fairly stated and in accordance with the EMA guidance and processes, the appointment lead should:
- prepare a covering letter explaining the qualified conclusion
 - enter the date of the covering letter to the certificate
 - sign and date the certificate.

Auditor's certificate
provided at
Appendix 3

Completion procedure 3 - Submission of certified claim

Auditors should submit the year end statement, completed auditor's certificate, and any covering letter to the Scottish Government by 31 July 2020.

- 47.** The appointment lead should submit the paper version of year end statement claim, completed auditor's certificate, and any covering letter, to:

Fraser Young
Policy Executive
Directorate for Fair Work, Employability and Skills
Employability Division
Scottish Government
6th Floor
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

- 48.** The deadline for the auditor's submission is 31 July 2020. Due to the Covid-19 crisis, the Scottish Government have indicated that they recognise the difficulties in meeting this deadline for 2019/20. Where submission is not possible by that date, auditors should aim to do so as soon as practicable.

Appendix 1

Auditor action checklist

Preliminary procedures	Yes/No/N/A	Initials/date	W/P ref
<p>1 Have you evaluated whether</p> <ul style="list-style-type: none"> • the council's arrangements for the completion of the year end statement appear adequate? <hr/> <ul style="list-style-type: none"> • all relevant parts of the paper version of the year end statement have been completed, including certification by the section 95 proper officer? <hr/> <ul style="list-style-type: none"> • all arithmetic on the statement is correct? <hr/> <ul style="list-style-type: none"> • the entries on the statement agree with the council's financial ledger or other underlying records? <hr/>			
Testing procedures	Yes/No/N/A	Initials/date	W/P ref
<p>1 Have you evaluated whether the entries on the year end statement agree to the total of monthly claims?</p> <hr/>			
<p>2 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? <hr/>			
<p>3 Have you obtained evidence that:</p> <ul style="list-style-type: none"> • courses were confirmed as valid • a learning agreement has been received? <hr/>			
<p>4 Have you obtained evidence that the attendance criteria were met?</p> <hr/>			
<p>5 Have you obtained evidence that back payments of EMA were made only where permitted?</p> <hr/>			
<p>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?</p> <hr/>			

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 terms and conditions in the EMA Scotland Guidance and Processes?			
2 Have you completed the auditor's certificate and included any qualified conclusion in a covering letter?			
3 Have you submitted the year end statement, completed auditor's certificate, and any covering letter, by 31 July 2020 (or as soon as practicable thereafter) to the Scottish Government?			

Appendix 2

Rules for completing year end statement

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](#).

- 2019/20 grant offer letter issued in March 2019 and schedules, which set out the 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.
- [The Education \(Fees and Student Support\) \(Miscellaneous Amendments\) \(Scotland\) Regulations 2017](#) which made changes to ordinary residence criteria for non-UK and non-EU nationals who have lived in the UK for a significant part of their life.

Appendix 3

Auditor's certificate

I/we have examined the entries in this Education Maintenance Allowances year end statement for 2019/20 and the related accounts and records of the council in accordance with Technical Guidance Note TGN/GEN/20 and Technical Guidance Note TGN/EMA/20, 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 is:

- fairly stated
- in accordance with terms and conditions set out in the EMA Guidance and Processes issued by the Scottish Government for 2019/20.

Signed..... (Audit Appointment Lead)

Date.....

Technical Guidance Note TGN/EMA/20

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