



|                                       |  |             |
|---------------------------------------|--|-------------|
| <b>Audit and Governance Committee</b> |  | Agenda Item |
| <b>08 March 2024</b>                  |  | <b>9</b>    |
|                                       |  |             |
| Title:                                | Adult Education - Audit and Assurance Update |             |
| Report of:                            | Janet Warren, Commissioner - Adult Education |             |
| Lead Member:                          |  |             |
| Public Report:                        | Exempt annex                                 |             |
| Key Decision:                         | No   |             |
| Voting Arrangements:                  | No vote required                             |             |

#### Recommendations:

|   |                                     |
|---|-------------------------------------|
| A | Note the Audit results for 2022/23  |
| B | Note the Audit approach for 2023/24 |

#### Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

|   |   |
|---|---|
| ✓ | Achieving ambitious skills and employment opportunities |
| ✓ | Achieving good growth                                   |

#### 1. Purpose

|     |   |
|-----|---|
| 1.1 | The purpose of this report is to: <ul style="list-style-type: none"><li>• Update the Committee about the Funding Assurance Audits for 22/23 and any key issues</li><li>• Outline improvements identified as a result of audit</li></ul> |
|-----|---|

#### 2. Background

|     |  |
|-----|--|
| 2.1 | The Combined Authority seeks its own assurance as to the effectiveness of providers' eligible spend on Adult Education and Free Courses for Jobs funding which it receives from the Department of Education. The funding assurance work is carried out by independent Audit firms.   |
| 2.2 | Under the CPCA's devolution agreement of 2018, certain Adult Education functions were transferred from the Secretary of State for Education to the Combined Authority, including a recurrent annual budget of c£12m for Adult Education (AEB). The purpose of this money is to fund courses that enable residents to improve their employment prospects, improve in-work progression and improve health and wellbeing. |

|     |  |
|-----|--|
| 2.3 | Additionally, from 2022, the Combined Authority receives £800k from the National Skills Fund to support Level 3 skills provision (equivalent to A Level standard). This provision is called Free Courses for Jobs (FCFJs).   |
| 2.4 | Devolved Authorities are responsible for commissioning and contracting adult education provision in their areas. They commission two types of Learning Organisations: grant funded and independent training providers (ITP). Grant funded organisations are public institutions, such as Local Authorities and Further Education colleges. ITPs are private organisations. |
| 2.5 | The Combined Authority is required by the Department for Education (DfE) to provide assurances over the use of AEB and FCFJ funding through its commissioned provider base, including submitting assurance letters on an annual basis with details of the assurance work undertaken.   |

### 3. Process and Criteria for Audit

|     |  |
|-----|--|
| 3.1 | For the 2022/23 academic year, the CPCA requested testing of five of its twenty-four providers. The sample size included: <ul style="list-style-type: none"> <li>• 1 Local Authority</li> <li>• 1 Further Education College</li> <li>• 3 Independent Training Providers</li> </ul>   |
| 3.2 | Providers are selected for audit on a risk basis which considers a number of factors, including the results of their last audit, the date of their last audit, Ofsted grade, and any intelligence or issues which may have been highlighted through performance management controls.   |
| 3.3 | The audit process was based on a standardised funding assurance approach which included sample sizes and funding streams, for both the Adult Education Budget and Free Courses for Jobs. All activity was conducted in accordance with the Education & Skills Funding Agency's (ESFA) funding assurance methodology, designed to enable Auditors to check final funding claims (based on Individual Learner Records) against the relevant funding rules. The audits obtained all relevant information and sufficient evidence to enable CPCA to express an opinion on the use of claimed funds over the academic year. |
| 3.4 | In response to providers delivering learning aims at a significantly reduced amount of Guided Learning Hours (GLH) <sup>1</sup> , in 22/23 the CPCA introduced a policy to sample check learning aims to ensure delivery is within 75% of the Ofqual recommended minimum GLH where the provider is continuing to claim 100% of the funding. This approach is deployed by other Mayoral Combined Authorities and will be reviewed annually to ensure delivery quality and best value for money.   |
| 3.5 | NB: A separate provider review was carried out to re-test learning support claims during 21/22 and 22/23   |

### 4. Summary of 2022/23 Audit Results

|     |  |
|-----|--|
| 4.1 | Of this year's audit sample, four out of five providers were within the 5% tolerance level, showing a conclusion of satisfactory use of funds, with all our ITP's having an error rate of less than 0.2%.  |
| 4.2 | The conclusion over use of funds is based on the sample error rate. Audit requirements allow providers a tolerance of 5%, as defined by the Education and Skills Funding Agency, anything over this results in a conclusion of unsatisfactory.   |
| 4.3 | Within satisfactory conclusion results, instances have been identified where a provider's arrangements for delivery do not fully comply with the CPCA funding rules, for example with subcontracting controls. Providers are responsible for implementing adequate and effective controls to ensure compliance with the funding rules, and these instances will be followed up by CPCA officers. |
| 4.4 | Typically, these errors are due to incomplete, or inaccurate reporting on the Individual Learning Record, or insufficient evidence of learning being held to support the level of funding being claimed.   |

<sup>1</sup> The number of hours that an average learner is expected to need in order to complete a qualification or course

|     |   |
|-----|---|
|     | Providers have the opportunity to correct errors, or to provide additional evidence to reduce the potential of clawback.  |
| 4.5 | For audits completed for 2022/23 where funding errors have been identified, and final ILRs have not been corrected, the Combined Authority is in the process of recovering funding via invoicing. |

## 5. 2022/23 Funding Year – Funding Assurance Review in Detail

|     |   |   |
|-----|---|---|
| 5.1 | Provider 1  | <p>Audit firm: Mazars<br/> Results: Funding errors identified<br/> FCFJs error rate: 21.92%<br/> AEB error rate: 12.03%<br/> Total error rate: <b>14.62%</b></p> <p>Conclusion: <b>Unsatisfactory use of funds</b><br/> Funds to be recovered if not corrected in final ILR: £9,764</p>         |
|     | Provider 2  | <p>Audit firm: Mazars<br/> Results: Funding errors identified<br/> FCFJs error rate: 3.7%<br/> AEB error rate: 0%<br/> Total error rate: <b>1.39%</b></p> <p>Conclusion: <b>Satisfactory use of funds</b><br/> Funds to be recovered if not corrected in final ILR: £987</p>                    |
|     | Provider 3  | <p>Audit firm: RSM<br/> Results: Funding errors identified<br/> FCFJs error rate: 0%<br/> AEB error rate: 0%<br/> Total error rate: <b>0%</b></p> <p>Conclusion: <b>Satisfactory use of funds</b><br/> Funds to be recovered if not corrected in final ILR: £0</p>                              |
|     | Provider 4  | <p>Audit firm: Mazars<br/> Status: Completed<br/> Results: No funding errors identified<br/> FCFJs error rate: NA<br/> AEB error rate: 0%<br/> Total error rate: <b>0%</b></p> <p>Conclusion: <b>Satisfactory use of funds</b><br/> Funds to be recovered if not corrected in final ILR: £0</p> |
|     | Provider 5  | <p>Audit firm: Mazars<br/> Results: Funding errors identified<br/> FCFJs error rate: NA<br/> AEB error rate: 0.02%<br/> Total error rate: <b>0.02%</b></p> <p>Conclusion: <b>Satisfactory use of funds</b><br/> Funds to be recovered if not corrected in final ILR: £23</p>                    |
|     | A separate review was carried out to re-test learning support claims during 21/22 and 22/23 |   |
|     | Provider 6  | <p>Audit firm: RSM<br/> Results: Funding errors identified<br/> Total error rate:<br/> - <b>26.9%</b> 21/22<br/> - 0% 22/23</p> <p>Conclusion: <b>Unsatisfactory use of funds (21/22)</b><br/> Funds to be recovered if not corrected in final ILR: <b>£99,294</b></p>                          |

## 6. Improvements Identified for 23/24

|     |  |
|-----|--|
| 6.1 | The audit findings form part of our internal continuous improvement cycle and actions and controls are |
|-----|--|

|  |  |
|--|--|
|  | <p>being implemented to improve compliance and strengthen practice going forwards. This includes:</p> <ul style="list-style-type: none"> <li>• Allocating dedicated staffing capacity for Audit, Assurance, and Compliance functions within the Skills team</li> <li>• Implementing a new framework for Audit, Assurance and Compliance that complies with the Combined Authority's Single Assurance Framework to ensure appropriate measures are in place for devolved skills funding</li> <li>• Improved monitoring of monthly data returns to identify anomalies in the submission so that these may be investigated and rectified in a timely manner</li> <li>• Strengthening the AEB Funding Rules and publishing further guidance as necessary</li> <li>• Chairing and hosting the ESFA, DfE and Mayoral Combined Authority working group on Audit, Fraud, and Investigation (AAFI Network) to share intelligence and best practice within the sector</li> </ul> |
|--|--|

## 7. Next Steps

|     |   |
|-----|---|
| 7.1 | The Combined Authority will start the next programme of funding audits by July 2024, with final reports due by December 2024.   |
| 7.2 | To allow for full compliance testing against CPCA funding and performance management rules, the Combined Authority is developing audit guidance, which will be based on the ESFA's national approach, and reflecting the Combined Authority's own funding guidance. |
| 7.3 | To select the audit sample for 2023/24, a risk-based approach will be adopted to identify AEB/FCFJs providers. All providers will be given a four week notice of the Audit in order to prepare.   |
| 7.4 | The audits will be concluded within the current academic year, allowing for any identified funding errors can be corrected in-year via the Individualised Learner Record (ILR), allowing providers to have far greater control of their Management Information.     |

## 8. Appendices

|     |   |
|-----|---|
| 8.1 | Exempt appendices to cover detail related to the proposal |
|-----|---|

## 9. Implications

### Financial Implications

|     |  |
|-----|--|
| 9.1 | Audit costs are budgeted from the AEB top slice that is used to facilitate the administration costs of the programme. The Combined Authority will recover funds from those providers who are deemed to have unsatisfactory use of funds. |
|-----|--|

### Legal Implications

|     |   |
|-----|---|
| 9.2 | <p>Section 3 of the Local Government Act 1999 requires that a best value authority, which includes the CPCA, must plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.</p> <p>Schedule 12 A allows for items to be exempted from publication if the Information relates to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.</p> |
|-----|---|

### Public Health Implications

|     |     |
|-----|-----|
| 9.3 | N/A |
|-----|-----|

### Environmental & Climate Change Implications

|     |     |
|-----|-----|
| 9.4 | N/A |
|-----|-----|

### Other Significant Implications

|     |     |
|-----|-----|
| 9.5 | N/A |
|-----|-----|

|                   |     |
|-------------------|-----|
| Background Papers |     |
| 9.6               | N/A |