



Audit & Governance Committee

07 July 2023

Agenda Item

14

Title: Adult Education Budget Audit and Assurance Update

Report of: Janet Warren, Commissioner – Adult Education

Lead Member:

Public Report: Yes

Key Decision: No

Voting Arrangements: Majority of members present

Recommendations:

A Note and provide comment on the update on Audit results for 2021/22

B Note and provide comment on the update on the Audit approach for 2022/23

Strategic Objective(s):

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

✓ Achieving ambitious skills and employment opportunities

✓ Achieving Best Value and High Performance

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. It does so by placing reliance on funding assurance work, carried out by independent Audit firms.

1. Purpose

1.1 The purpose of this report is to:

- update the Audit & Governance Committee of the results of Funding Assurance Audits which have taken place in relation to funding received in the 2021/22 academic year
- note and provide comment on the update

1.2 The Combined Authority has responsibility for commissioning a range of learning organisations including colleges, local authorities, and training providers to meet skills needs in the sub-region. Audit sampling using the services of external audit firms is utilised to provide assurance over use of these funds. As more funding is devolved and delegated from central government, the Combined Authority will be required to expand this assurance work.

2. Proposal

2.1	The proposal is to advise the A&G Committee of the results of the completed Funding Assurance Audits and request comments to be fed back to officers.
2.2	The report will provide an opportunity for the Committee to review the audits undertaken and assure itself that the AEB is monitoring the effectiveness of providers to ensure they align with the strategic objectives of achieving ambitious skills and employment opportunities and best value and high performance.

3. Background

3.1	<p>Under the 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.</p> <p>The purpose of the devolved Adult Education Budget (AEB) is to fund courses that enable residents in Cambridgeshire and Peterborough to improve their employment prospects, improve in-work progression and subsequently improve health and wellbeing. Following full devolution of the budget to the Combined Authority in August 2019, priorities are now determined locally for spending the recurrent £12m annual budget in line with the Combined Authority's Employment and Skills Strategy (2022).</p> <p>Additionally from 2022, the Combined Authority has received by delegation the National Skills Fund, otherwise referred to as Free Courses for Jobs (FCFJs) funding, with a financial year budget of c£600k. This is a ringfenced grant to be spent on specific Level 3 learning aims.</p> <p>The Combined Authority works with two types of 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 or charitable organisations that offer training on behalf of the Authority.</p> <p>The Combined Authority is required by the Department for Education to provide assurances over the use of AEB and Free Courses for Jobs (FCFJs) funding through it's provider base.</p>
3.2	<p>In respect of the 2021/22 academic year, the Combined Authority requested testing of four of its twenty-five providers, this included two FE Colleges and two Independent Training Providers. Testing was based on a standardised funding assurance approach, including sample sizes and funding streams, which included a sample for the delegated Free Courses for Jobs (FCFJs) funding. Audits were conducted in accordance with the ESFA's funding assurance methodology, designed to enable Auditors to check final funding claims (R14 ILR) against the relevant funding rules.</p> <p>The audits were planned and performed to obtain all relevant information and sufficient evidence to express an opinion over use of funds, which the provider had claimed and received from CPCA over the course of that academic year.</p> <p>As part of testing this year, the Combined Authority decided to sample check to see if learning aims are being delivered against the Ofqual recommended minimum guided learning hours (GLH). This was in response to sector intelligence, whereby concerns were raised that some providers are delivering learning aims with significantly lower guided learning hours than recommended yet are claiming the full amount of associated funding. The Combined Authority has responded to this intelligence and used the sample testing to inform a new policy approach for 2022/23, whereby providers will be expected to deliver a minimum of 70% GLH to access the full amount of funding. This rate is in line with other Mayoral Combined Authorities and will be reviewed during the coming year to ensure the Combined Authority achieves best value for money.</p>

	The ESFA continue to share financial health assessments with the CPCA in relation to any shared providers, via the data sharing agreement (DSA). However, it is worth nothing that this is only in relation to providers where they have an allocation of £100,000 or more.	
3.3	2021/22 Funding Year – Funding Assurance Review Results	
	1. Back 2 Work Complete Training	<p>Audit firm: Mazars Status: Completed Results: £1,457.00 funding errors identified Error rate: 0.85% Conclusion: Satisfactory use of funds</p> <p>Funding errors to be recovered via invoice</p>
	2. Cambridge Regional College	<p>Audit firm: RSM Status: Completed Results: £104,076 funding errors identified Error rate: 2.52% Conclusion: Satisfactory use of funds</p> <p>The total funding error was £104,076 and included an extrapolated error value. £29,894 was corrected before the R14 return with the remaining balance of £74,182 to be recovered via invoice. Further testing to be discussed to gain full assurance.</p>
	3. GNR Training	<p>Audit firm: Mazars Status: Completed Results: £xx funding errors identified Error rate: xx Conclusion: xx</p> <p>Results exempt under Schedule 12 A which 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> <p>Results have been provided separately to members via exempt report.</p>
	4. Inspire Education Group	<p>Audit firm: Mazars Status: Completed Results: £10,881 funding errors identified Error rate: 2.91% Conclusion: Satisfactory use of funds</p> <p>Funding errors to be recovered via invoice.</p>

Please note: the conclusion over use of funds is based on the sample error rate; 5% or above results in a conclusion of unsatisfactory, otherwise the result is considered satisfactory.

GLH Testing Results

Across all testing we found that across both AEB and FCFJs funding streams, learners records of attendance indicated that the commissioned learning aims were being delivered in less than 70% of the Ofqual recommended minimum. In one instance, the evidence for one learner indicated this was as low as 19%. For some learners, their records of attendance did not contain sufficient evidence to determine any actual hours of delivery. These results did not impact on funding this year as it was not a contractual requirement for the funding year, however due to the concerns and on reviewing the results, we have implemented new guidance around this which will potentially impact on funding in the next academic year unless the minimum requirements are delivered accordingly.

2022 to 2023 Funding Year – Funding Assurance Approach

The Combined Authority intends to start the 2022/23 funding audits in July 2023, and we expect to receive the final reports in November 2023. We shall create our own audit working papers by using ESFA's as a basis and updated with our own funding guidance, to allow for full compliance testing against our funding and performance management rules.

Using a risk-based approach, we will identify AEB/FCFJs providers for planned funding audits. We are required to give four weeks' notice of the audit to the providers.

The audits shall be concluded within the current academic year, so that any funding errors can be corrected in-year via the Individualised Learner Record (ILR), which is the data record for adult education and main mechanism by which funding is claimed. Clawback of funding, arising from errors identified at audit will be recovered by 'offsetting' against future payments to providers.

Next Steps

For all Audits completed for 2021/22 where funding errors have been identified, the Combined Authority is in the process of recovering funding via invoicing. One of the four Audit reports has triggered a need for further testing due to the extrapolated nature of the results, despite a satisfactory use of funds conclusion.

Taking the lessons learnt from audit findings, the following actions and controls are being implemented to improve compliance and strengthen practice going forwards, including:

- Allocating additional staffing capacity for Audit, Assurance, and Compliance functions within the Skills Department
- Strengthening and reviewing the Combined Authority's Single Assurance Framework to ensure appropriate measures are in place for devolved skills funding
- Recruitment of two additional staff for provider relationship management
- Improved monitoring of monthly data returns to identify anomalies in the submission so that these may be investigated and rectified
- Reviewing and improving Due Diligence processes for future commissioning
- Strengthening the AEB Funding Rules and publishing further guidance
- Chairing and hosting the ESFA, DfE and M10 working group on Audit, Fraud, and Investigation (AAFI Network) to share intelligence and best practice within the sector

4. Appendices

4.1 None

5. Implications

Financial Implications

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| 5.1 | <p>During this academic year the Combined Authority has continued to seek its own assurance as to the effectiveness of providers' eligible spend on Adult Education, with the addition of spend on Free Courses for Jobs. It does so by placing reliance of funding assurance work, carried out by independent Audit firms. The costs of the auditing four providers was £40,000, this includes the costs of producing our own working papers and assurance approach.</p> <p>The audit costs have been budgeted from the AEB top slice that is used to facilitate the administration costs of the programme and will therefore have no effect on the wider Combined Authority budget.</p> |
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Legal Implications

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| 6.1 | <p>The Cambridgeshire and Peterborough Combined Authority (Adult Education Functions) Order 2018 conferred specified adult education functions of the Secretary of State onto the Combined Authority.</p> <p>Section 3 of the Local Government Act 1999 requires that a best value authority, which includes the CPCA, must make arrangements 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> |
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Public Health Implications

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| 7.1 | N/A |
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Environmental & Climate Change Implications

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| 8.1 | N/A |
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Other Significant Implications

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| 9.1 | <p>Due to the specific nature of the funding, only a small number of audit firms are technically able to conduct the required funding assurance reviews, for ESFA and all MCAs/GLA. The Combined Authority must ensure coverage with at least two of these firms, to avoid conflict of interests where the external auditor is also appointed as the providers internal auditor.</p> |
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Background Papers

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| 10.1 | N/A |
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