



AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 10
27 NOVEMBER 2020	PUBLIC REPORT

ADULT EDUCATION BUDGET AUDIT AND ASSURANCE PROGRAMME

1.0 PURPOSE

- 1.1 To present an update for the Committee on the Adult Education Budget arrangements for Audit and Assurance.

DECISION REQUIRED

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RECOMMENDATIONS:

1. To note the update to the arrangements previously provided by the Department for Education and the Education and Skills Funding Agency for provision of Audit and Assurance in the delivery of Adult Education in Cambridgeshire and Peterborough.

2.0 BACKGROUND

- 2.1 The Education and Skills Funding Agency (ESFA) and the Mayoral Combined Authorities (MCAs) fund adult skills in England and both organisations have a duty to demonstrate that they spend public money in accordance with HM Treasury's guidelines.

- 2.2 Since Adult Education Budgets were devolved in 2019 to the MCAs, the Education and Skills Funding Agency and the devolved authorities have continued to cooperate in respect of their audit and assurance arrangements. Regular meetings have been taking place with the relevant lead officers from each organisation, and the ESFA as the lead in Year 1. At each meeting topics include:

- Updates on Fraud and Investigations
- Updates on Audit and Assurance
- Collective Discussions

The next meeting is due to take place on 25th November, in addition to the above, officers and the ESFA will discuss and agree arrangements going forwards for the Year 2 Audits.

- 2.3 The MCAs are responsible for their own assurance processes, for the Cambridgeshire and Peterborough Combined Authority (the CA) this includes:
- Audit of annual accounts
 - Funding data returns by the provider to CA
 - Financial health assessments
 - Regular and robust contract management
 - Targeted work on any identified concerns
 - Information sharing with Ofsted
- 2.4 The CA has been responsible for the delivery of Adult Education since 1st August 2019. In preparation for this, the CA carried out both a grant award process to fund Further Education colleges and Local Authorities within the CA area, as well as procuring a number of Independent Training Providers based on the priorities outlined within the Local Industrial Strategy and the Skills Strategy. The procurement process included the initial first year contract and an option to extend for a further two years along with the option to adjust the learning outcomes to reflect any changes required by the above strategies. In Spring 2020, the CA awarded its second-year contracts to 11 Grant funded providers and 4 procured independent training providers to the value of £10,459,644.

3.0 MAIN ISSUES

- 3.1 The ESFA proposed support for Audit, Assurance and Fraud Investigations for the provision of Adult Education in academic year 2019/20 for the audit year April 2020 to March 2021, known as Year 1.
- 3.2 Within the Year 1 ESFA offer, the CA had been requested to identify 3 out of the 17 providers in the 2019/20 academic year for audit selection, who were identified within the ESFA random sample. The chosen providers were:
- Cambridgeshire County Council
 - West Suffolk College
 - TCHC Group
- 3.3 Due to the COVID-19 pandemic and subsequent first national lockdown earlier in 2020, external audit firms were prevented from carrying out their usual audit functions unless in case of an emergency investigation. These firms are now returning to duties and have adopted a remote practice and file sharing approach; however, this means that the audits are taking place later than planned and are taking longer to complete. Officers at the CA have been in contact with the two audit firms carrying out our assurance, and the results of our Year 1 audits are expected in early January.
- 3.4 The MCAs shall take responsibility for providing their own audit functions from April 2021, known as Year 2. For the CA this means we need to procure audit firms with the relevant experience of the ESFA assurance approach. A procurement exercise has been initiated with the in-house procurement team,

with the intention being to bring the appointed education auditor online from 1st April 2021.

- 3.5 Independent Training Providers are usually audited between April and October, and Colleges between September and October. This is on a lagged basis i.e. for the 2019/20 funding year auditors would start in April 2020 if this was a normal year. This year has been impacted by COVID-19 and firms are not undertaking audits to normal timings, and ESFA expect a similar situation for next year.

Funding Validation

- 3.6 Adult Education Providers receive funding under grant funding agreements and contracts for services with the CA. These agreements and contracts require providers to comply with the CA's funding and performance rules, maintain individualised learner records (ILRs) and submit monthly ILR data returns to the CA in support of their funding claims.
- 3.7 The CA conducts a programme of funding validation, which involves explaining to providers how to correct any incorrect data and pointing out that submitting inaccurate data is a breach of contract. The CA conducts data validation to ensure that funding has been legitimately earned and therefore paid to each provider.

Audits

- 3.8 The ESFA conducts a programme of direct audits based on both random and risk-based sampling of providers which provides sector-wide assurance over funding claimed.
- 3.9 As described in Year 1 audits, the CA has held planning meetings with the appointed external audit firms to discuss details of local flexibilities, and they will be using 2019/20 funding for the audits.
- 3.10 External auditors are then responsible for identifying any errors in a sample and asking the provider to carry out a 100% check where these errors appear to be systematic. This will enable them to arrive at an overall error rate and identify actual funds at risk. At this point, it will be the CA's responsibility to take action concerning recovery of funds, and we would in the first instance consult our Legal team.

Fraud and Investigations

- 3.11 If either the ESFA or CA suspect fraud or receive information and/or allegations in relation to a provider, including a subcontractor which is funded by both ESFA and the CA an action plan has been set out by the ESFA which is discussed and reviewed on a quarterly basis.

Financial Health

- 3.11 The ESFA will continue to share financial health grades and key financial indicators with the CA.
- 3.12 The information will be shared under a Data Sharing Agreement (DSA) on an agreed timetable utilising current arrangements about sharing financial dashboards with Colleges and financial health details with ITPs.

4.0 FINANCIAL IMPLICATIONS

- 4.1 In 2021 it will be necessary for the CA to seek its own assurance as to the effectiveness of its spend on Adult Education. To fund its own audits of three providers the likely cost would be £30,000 based upon applying similar resources for each audit as the ESFA regime.
- 4.2 This funding will be sourced from the AEB top slice figure that is used to facilitate the running of the programme and will therefore have no effect on the wider CA budget.

5.0 LEGAL IMPLICATION

- 5.1 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.

6.0 EQUALITIES IMPLICATION

- 6.1 There are no equalities implication on the process for the Combined Authority to gain audit and assurance on the provision of Adult Education.

7.0 APPENDICES

N/A

<u>Source Documents</u>	<u>Location</u>
None	