



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**JAMES PALMER**  
CAMBRIDGESHIRE &  
PETERBOROUGH MAYOR

Agenda Item No: 8

## Adult Education Budget Audit and Assurance Programme

To: Audit and Governance Committee

Meeting Date: 06 April 2021

Public report: Public Report

From: Janet Warren  
Lead Commissioner – Adult Education

Recommendations: The Combined Authority Board is recommended to:

a) note the update to the arrangements for the provision of Audit and Assurance in respect of the delivery of the devolved Adult Education Budget in Cambridgeshire and Peterborough.

Voting arrangements: N/A

## 1. Purpose

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

## 2. Background

Following the devolution of the Adult Education Budget (AEB) to the Mayoral Combined Authorities (MCAs) and the Greater London Authority (GLA) in August 2019, an agreement was made that the Education and Skills Funding Agency (ESFA) will undertake a funding assurance review on a sample of providers in receipt of AEB devolved funds for the funding year 2019 to 2020 (2019/20). This has become known as the Year One offer.

- 2.2 As part of the Year One offer, the ESFA had appointed their audit firms to undertake funding assurance reviews for the MCAs and GLA as part of the sample described above. The Cambridgeshire and Peterborough Combined Authority (the CA) had been requested to identify three out of the seventeen AEB providers in the 2019/20 academic year for audit selection, who were identified within the ESFA random sample. The chosen providers as previously reported were:

1. Cambridgeshire County Council
2. West Suffolk College
3. TCHC Group

### 2019/20 Audit Results

1. West Suffolk College	Audit firm: Price Waterhouse Coopers Status: Completed 01 February 2021 Results: £0 funding errors identified, and satisfactory conclusion on the use of funds  No further action
2. Cambridgeshire County Council	Audit firm: Mazars Status: Incomplete due to provider delays Results: £3,898 overclaim in relation to nine learners  Awaiting final report
3. TCHC Group	Audit firm: Mazars Status: Incomplete due to provider delays Results: £6,949 overclaim in relation to eleven learners  Awaiting final report

- 2.3 The total amount of funding that has been identified as incorrectly claimed as set out in the table above, noted as a provider overclaim, stands at £10,847 and shall be recovered back to the CA in due course.
- 2.4 TCHC are no longer contracted with the CA, however Cambridgeshire County Council are grant funded and therefore it will be easier to return the funding to us. The completed reports were expected in January 2021, however the audit firm reported major delays in the response time from both providers as the main contributing factor.

## **2020/21 Audit Approach**

- 2.5 The core AEB allocation for our region was £11,968,970 in academic year 2020/21 with additional funding received in-year. This included £466,297 allocated for the COVID-19 Skills Recovery Package and £212,308 for the Lifetime Skills Guarantee. This allocation increases to £12,793,417m in 2021/22.
- 2.6 The AEB is delivered by ten grant funded providers comprised of two local authorities and eight local further education colleges and four independent training providers.
- 2.7 The ESFA and the MCAs fund adult skills in England and both organisations have a duty to demonstrate public money is spent in accordance with HM Treasury's guidelines.
- 2.8 Using a risk-based approach we have identified four providers for planned funding audits the current 2021/22 academic year. They will be notified in due course.
- 2.9 Independent Training Providers are usually audited between April and October and grant funded Colleges and Local Authorities between September and October. Due to the impacts of COVID-19, firms are still not undertaking audits as normal, however with the lifting of lockdown restrictions it is hoped timings shall be less affected this year.
- 2.10 The CA intends to start the 2020/21 funding audits week commencing 24 May 2021, we are required to notify the providers no less than four weeks prior, with a view to receiving the outcome reports in June 2021. We shall create our own audit working papers updated with our own funding guidance, to allow for full compliance testing against our funding and performance management rules.

## **MAIN ISSUES**

- 2.11 Since AEB was devolved in 2019 to MCAs, the ESFA and the devolved authorities continue to cooperate in respect of their audit and assurance arrangements. Regular meetings have been taking place with the relevant lead officers from each organisation. At each meeting topics include:
- Updates on Fraud and Investigations
  - Updates on Audit and Assurance
  - Collective group discussions

The next meeting is due to take place in April.

## **Assurance**

2.12 MCAs are responsible for their own assurance processes, for 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
  - Information sharing with other MCAs and ESFA

## **Funding Validation**

2.13 AEB 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.

2.14 The CA conducts a programme of funding validation, which involves explaining to providers how to rectify 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**

2.15 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.

2.16 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**

2.17 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.

## **Risk and Implication**

2.18 There is a risk that funding claimed and/or data held in the ILR is not supported by appropriate documentation or provision is not being funded in accordance with the funding rules. The Risk Register for the AEB programme records and monitors individual provider risks, with external audit being a key mitigation.

## **Financial Health**

- 2.19 The ESFA will continue to share financial health grades and key financial indicators with the CA.
- 2.20 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.

## **3. Financial Implications**

- 3.1 In this academic year it has been necessary for the CA to seek its own assurance as to the effectiveness of providers spend on Adult Education. To fund its own audits of up to four providers the likely cost would be £30,000 based upon applying similar resources for each audit as the ESFA regime.
- 3.2 The costs of audit 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 CA budget.

## **4. Legal Implications**

- 4.1 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.