



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 11</b>
<b>16 DECEMBER 2019</b>	<b>PUBLIC REPORT</b>

## **ADULT EDUCATION BUDGET AUDIT AND ASSURANCE PROGRAMME**

### **1.0 PURPOSE**

- 1.1 The report outlines the offer from the Education & Skills Funding Agency and Department for Education for the purposes of providing audit and assurance for the delivery of Adult Education.
- 1.2 The terms of reference of the Committee include reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the Combined Authority's functions. This report provides an example of one of the audit and assurance regimes which is proposed for funding given to the Combined Authority for the delivery of specific objectives.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	John T Hill, Director of Business & Skills
<b>Author:</b>	Neil Cuttell, Programme Manager (Skills)
<b>RECOMMENDATIONS</b>  1. To note the arrangements proposed by the Department for Education and the Education & Skills Funding Agency for provision of Audit and Assurance in the delivery of Adult Education in Cambridgeshire and Peterborough.	

### **2.0 BACKGROUND**

- 2.1 In Spring 2019, the Education Skills Funding Agency wrote to the Combined Authority to outline a proposal to support the devolution of the Adult Education Budget in 2019/20 with Audit and Assurance, Fraud and Investigations and Financial Health.
- 2.2 The Combined Authority undertook to award a grant to the indigenous and contiguous grant providers within the Cambridgeshire and Peterborough area, as well as to procure some provision based on the priorities outlined within the Local Industrial Strategy and the Skills Strategy. In Spring 2019, the Combined Authority awarded 12 Grant Contracts and 5 Procured Contracts to

the value of £10.9m. The Combined Authority has been responsible for the delivery of Adult Education since 1<sup>st</sup> August 2019.

- 2.3 This report outlines the key principles offered by the Education & Skills Funding Agency (ESFA) and considers what further assurance, audit, fraud and financial health information should be required to ensure that the best services will be provided to the learners within Cambridgeshire and Peterborough.

### **3.0 MAIN ISSUES**

- 3.1 The Education & Skills Funding Agency (ESFA) proposal of support for Audit, Assurance, Fraud Investigations and Financial provides a level of support for the provision of Adult Education in academic year 2019/20 for the audit year April 2020 to March 2021.
- 3.2 The proposal offers a high level of collaboration between the ESFA and the Combined Authority to ensure that providers of Adult Education will be robustly assessed and assurance is provided for the level of investment made. The Combined Authority needs to have sufficient assurance that Adult Education funding is used by the 17 providers in accordance with the funding rules and that the ESFA auditing process is sufficient to meet that assurance.

#### **Audit and Assurance**

- 3.3 The offer and proposal from DfE and ESFA can be summarised as follows:
- Annual assurance statements will be shared between the ESFA and the Combined Authority on an April to March financial year basis. The organisation producing each statement will set out the assurances it has over the providers detailed within the statement.
  - It is the responsibility of the CPCA to determine the level of reliance placed on the statement of assurance.
  - The annual assurance statement will be supported by a code of practice detailing the approach taken by the organisation to obtain assurance over the provision the organisation funds.
  - In respect of the 19/20 AEB academic year funding, where the ESFA undertakes assurance activity, the CPCA will be able to request their learners are tested in a maximum of three providers.
  - Testing of the CPCA learners will be based on the sample sizes operated by the ESFA at the time of audit and the ESFA audit approach.
  - Results of audit activity and financial health assessments will be shared with the CPCA via the data sharing agreement.
- 3.4 ESFA has committed to exploring how it can facilitate discussions between the Combined Authority and the Office of Students (OfS) in respect of assurance arrangements for AEB funding at Higher Education Institutes (HEIs). The ESFA will continue to take assurance from the OfS in respect of AEB funding at HEIs. At present the no HEIs are receiving Adult Education Funding from the Combined Authority.

- 3.5 To complement its existing audit and assurance activity the ESFA is currently undertaking a procurement exercise to secure audit firms to undertake audit/assurance activity on behalf of the ESFA. As part of this process, the ESFA will seek to ensure that the Combined Authority may wish to pursue the opportunity to procure audit activity from the organisations that are successful in the ESFA procurement.
- 3.6 The ESFA will share access to Provider Data Self-Assessment Toolkit (PDSAT) reports and consider Combined Authority requirements as part of the 2019/20 funding specification.
- 3.7 The ESFA will share its audit approach, programmes and template working papers when these are confirmed in respect of 2019/20 AEB funding

### **Fraud and Investigations**

- 3.8 If the ESFA or CPCA suspect fraud or financial irregularity or receive information and/or allegations in relation to a provider, including a subcontractor (which is funded by both ESFA and the Combined Authority the following approach will be adopted by both organisations:
- Where allegations/information are specifically about AEB funding, they must be shared with the relevant team of the other organisation within 5 working days of receiving.
  - In instances where allegations/information is received but it is unclear which funding stream the allegation/information relates to, the details of the allegation/information will be shared if it becomes apparent that AEB funding is affected/involved.
  - If AEB funds are the subject of allegations/information, consideration will be given to one organisation taking the lead by investigating their own funds. The decision on organisation lead will depend on the nature of the allegations and the funding amounts of each organisation involved.
  - In some circumstances, allegations/information may relate to financial management and/or governance of the provider concerned. In these circumstances, the organisation with the most funds at risk will take the investigation lead.
  - Where one organisation takes the lead in an investigation, they must keep the other organisation informed of any developments that could have an impact on the other organisation's funding.
  - In exceptional circumstances, contemporaneous investigations will be conducted depending on the nature of the allegations and the funding amounts of each organisation involved.
- 3.9 If organisations are unable to establish which funds are affected each organisation will follow their own established investigation process.
- 3.10 Where either the ESFA, and CPCA are the sole funders information will not be routinely shared between parties but will be considered on a case by case basis.

### **Financial Health**

- 3.11 The ESFA will share the financial health grade and key financial indicators with the Combined Authority.
- 3.12 The ESFA will use existing arrangements with the financial dashboards to share the information with Combined Authority and to supplement this with sharing of inadequate assessments at the point of assessment.
- 3.13 The information will be shared under a revised Data Sharing Agreement (DSA) on an agreed timetable utilising current arrangements about sharing financial dashboards with Colleges and financial health details with ITPs.
- 3.14 The financial information will only be shared once it has been shared with the organisation to which the assessment relates.

**Next Steps for the Combined Authority based on the ESFA Offer:**

- 3.15 The Appendix to this report provides a flowchart of how the Combined Authority and ESFA can collaborate on audit and assurance activity in 2019/20. Within the ESFA offer the Combined Authority has been requested to identify 3 of the 17 providers operating with the area for audit. This is based on the random sample undertaken by the ESFA of approximately 120 national providers from a pool of over 3,000. There is a likelihood that none of the 17 providers operating in the Cambridgeshire and Peterborough area are selected within the 120 selected from the national pool.
- 3.16 If no providers are selected from the ESFA pool the Combined Authority will need to consider what level of audit and assurance it requires from the 17 providers.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 If none of the Combined Authority's providers are selected for audit by the ESFA it would still be necessary for the Combined Authority to seek its own assurance as to the effectiveness of its spend on Adult Education. If the Combined Authority were to fund its own audits of two providers the likely cost would be £20,000 based upon applying similar resources for each audit as the ESFA regime.

#### **5.0 LEGAL IMPLICATIONS**

- 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.

#### **7.0 APPENDICES**

## 7.1 Appendix: Audit and Assurance Flow Chart

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
Audit & Governance Committee Report on Adult Education Budget Devolution Programme, November 2018	The document can be found here: <a href="#">Audit Committee September 2018</a>

### Appendix 1: Audit & Assurance Flowchart:

**Flowchart for jointly funded providers who are delivering AEB funding during 2019/20. To note excludes EAS claims and ESF funding.**

