



SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

Adult Education Budget (AEB) Framework

Internal audit report 8.23/24

FINAL

21 February 2024

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1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope.

Why we completed this audit

SYMCA is one of the nine Mayoral Combined Authorities (MCAs) the Department for Education (DfE) has devolved the Adult Education Budget to. The DfE publishes grant letters setting out the details of the payments made to the MCAs annually by non-ring-fenced transfer under section 31 of the Local Government Act 2003.

Devolved authorities are responsible for commissioning and contracting adult education provision in their area.

The principal purpose of the AEB is to engage adults and provide them with individually tailored programmes to support entry to and progression in work, an apprenticeship, or other further learning. In South Yorkshire the MCA is focused on securing positive outcomes for residents and as such it places significant importance on the quality of the initial assessment, prior attainment, and tailored learning plans looking forward up to three years; enabling residents to meet their current and future goals.

For the 2023/24 academic year SYMCA funds individuals who are South Yorkshire residents, who on the first day of learning within the 2023/2024 Funding Year are aged 19 or older on the 31st August 2023 and have adopted the ESFA's national funding rates for all AEB legal entitlements and core skills, community learning and learning and learner support.

Devolved AEB is delivered in two ways either through grant funding that is agreed at the start of the year or to ITPs through a framework contract in place. SYMCA currently works with 22 providers, 11 of which are grant providers and the remaining 11 are independent training providers. AEB is now in its third year of delivery at SYMCA. For the 2022/23 academic year the MCA received £40.10m AEB funding, allocated as follows:

AEB type	Value
Grant Allocations	£31.25m
Procured Provision	£7.5m
Audit and Administration	£1.36m
Total	£40.10m

Our audit was based on sample testing 10 providers, five of whom are grant funded and five through procured provision.

Conclusion

Overall we have found that the MCA has processes and procedures in place in relation to their devolved AEB funding and the changes made since the previous audit have strengthened the performance monitoring arrangements in place.

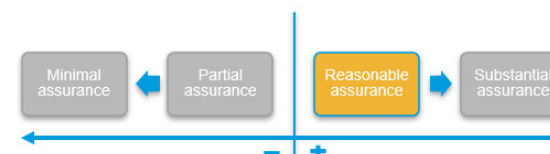
However we have identified a small number of incidences of non compliance with the procedures in place and have agreed two medium and one low priority management action.

The two medium priority actions were in relation to agreements and contracts not been signed in a timely manner prior to the commencement of delivery and there was one provider who was delivering learning but the due diligence checks have not been fully complete.

Internal audit opinion:

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.



Key findings

Our audit review also identified that the following controls are suitably designed, consistently applied, and are operating effectively:



The MCA has drafted a Skills Strategy that is due to be approved by the March 2024 MCA Board. The Strategy alongside the new procurement approach outline the updated objectives for how the AEB funding will be commissioned and used.



Through review of the terms and conditions attached to the contracts and agreements and the MCA's Funding and Performance Management Rules it was evident that roles and responsibilities are clearly defined and documented.



The MCA has introduced provider briefings which give the providers the opportunity to speak to each other and share good practice as well as obtaining updates from the MCA. There have been three briefings since they were introduced in April 2023 and all providers in our sample had attended at least one.



A new Provider Payment & Performance Management Framework has been introduced for 2023/24. This includes a Performance Management approach whereby regular review points are used to review performance in line with tolerances. This is used to inform decisions to reduce contract / grant allocations for underperformance, and to inform decisions around provider requests for growth.



Risk is covered in a number of ways for the devolved AEB funding. It is reviewed with the individual providers at their performance reviews but is also looked at by the MCA as a whole. We were able to see that risk had been covered in both team and directorate level meetings and was included on the risk register where necessary.



Reconciliations are undertaken between the occupancy reports received from the DfE and the agreed funding in the delivery plans at the end of the year. The variances from the reconciliations are reviewed and then used as a base to identify any potential clawback or over delivery. A report detailing this has been produced for the 2022/23 academic year and is in due to be presented at the February 2024 MCA Board meeting for approval.



The Data and Intelligence Team undertake data validation exercises on a monthly basis using the reports received from the DfE. Once the data has been validated this is used to produce the payment information for the procured providers. The team have also developed a Power BI report which contains the full details from information provided by the ESFA with errors removed but can be manipulated and filtered to show exactly what the end user requires.



Through review of 10 providers, five grant funded and five procured we found that all had been paid in line with the agreed delivery plans. On all occasions there was evidence that the payments had been approved.



Through review of minutes and reports we established that AEB is reported and reviewed at both the Education, Skills and Employability Board and the MCA Board.

We also established through discussion that there is a change to the governance structure and a cabinet style framework has been introduced so careful consideration needs to be given on the reporting required as this is implemented. It may be worth consulting with the Board and Portfolio Lead (Cabinet) to determine what information they require in regards to AEB in addition to budget approvals or for the new structure to review the reports they receive for the first 12 months and then decide whether they are in line with requirements.

We identified the following weaknesses resulting in two medium priority management actions being agreed:



It was not clear from the due diligence tracker what documents had been received and reviewed and what was specifically outstanding. There was also one grant provider for whom the due diligence had not yet been completed but was delivering learning. There was evidence that this provider had been chased for the information. **(Medium)**



Through review of a sample of 10 providers, five grant funded and five procured we found that for four out of the five grant funded providers there was a signed agreement in place however one provider had not signed the contract, despite evidence of chasing by the MCA. All five ITPs had signed contracts in place, however we noted that on two occasions there was a delay in the signature by the MCA. **(Medium)**

For details of the low priority management action, please see section two of this report.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Risk: Due Diligence Checks	
Control	<p>The Quality and Compliance team undertake due diligence on all providers. There is a list of required documentation that each providers is required to submit. Due diligence checks are then undertaken on a annual basis.</p>
	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>The MCA has recently created a Quality and Compliance Team who are responsible for undertaking due diligence checks on all providers. Although the checks undertaken cover both grant funded providers and procured providers the process for each differs slightly as the grant funded providers complete a due diligence checklist and declaration to confirm they have the required documentation in place. This documentation is also obtained and reviewed by the MCA.</p> <p>Documentation for the procured providers is also obtained and reviewed by the MCA and the status of the checks is recorded on a due diligence tracker. On review of this tracker we established that it is not clear what the ITPs have provided and what is still outstanding as there is no list included within this. Although the Quality and Compliance team are aware of the documentation that has been received it is not clear to any other relevant parties involved in the devolved AEB funding process as to what evidence has been received and reviewed when looking at the tracker. Without evidence in place for all providers to show what has and has not been received and reviewed there is a risk that not all required evidence for due diligence checks has been provided. There is also a lack of oversight for all areas involved in the devolved AEB funding of the due diligence checks that have been undertaken.</p> <p>We reviewed a sample of 10 providers, five grant funded and five ITPs to ensure due diligence had been undertaken. For the grant funded providers we found that four of the five providers had completed the due diligence checklist and signed it within the past year. The remaining provider had been sent the checklist to complete but had not returned this to the MCA and there is evidence outstanding. The provider had been chased on three occasions but this had still not been provided. The Quality and Compliance Manager has confirmed that this has now been escalated to the Contract Manager for the provider however the provider is delivering learning for the MCA. If due diligence is not complete the MCA does not have assurance that the provider has all the appropriate systems, policies and procedures required to support the successful delivery of AEB provision. Furthermore, there is an increased risk that without due diligence in place the MCA does not have assurance that the provider is financial sustainable and able to support the AEB learners.</p> <p>We established through discussion with the Quality and Compliance Manager and Assistant Director of Funding, Monitoring and Reporting that the MCA had already identified that going forward due diligence checks will be undertaken as part of the invitation to tender process so will be complete before any contracts are entered into and learning delivered. The team are in the process of developing and implementing procedures as a full cycle of checks has not yet been undertaken since the inception of the team in November 2023.</p>

Risk: Due Diligence Checks

Management Action 1	The MCA will review the tracker in place and update to include reference to the evidence that has been received and is outstanding. Where relevant this will be available to members of staff involved within the devolved AEB funding process. The MCA will ensure due diligence checks have been undertaken for all providers delivering learning prior to the commencement of delivery.	Responsible Owner: Assistant Director, Funding Monitoring and Reporting	Date: 31 December 2024	Priority: Medium
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Risk: Delivery Partner Agreements

Control	The MCA has grant agreements in place with grant funded providers and contracts with the remaining providers, all signed by both parties.	Assessment:
		Design ✓
		Compliance ×

Findings / Implications The MCA funds their providers either through grant funds or through a framework contract. Where they are grant funded there are grant agreements in place signed by both parties and for Independent Training providers there are contracts in place signed by both parties.

As part of our testing we reviewed a sample of 10 providers funded by the MCA, ensuring that they have retained all grant agreements and contracts for these providers. Of the 10 providers sampled five were grant funded and five were ITPs. For four of the five grant funded providers there was a signed agreement in place however for the remaining provider the provider had not signed the contract despite evidence of chasing by the MCA. This provider is delivering learning in the current year however there was a signed agreement in place for 22/23. For the five ITPs there were signed contracts in place for all however on two occasions there was a delay in the signature by the MCA, in one case the provider had signed the agreement in August of 2023 and the MCA had signed it December 2023, and in the other case the provider had signed the contract February 2023, and the MCA had not signed the agreement until January 2024.

Without contracts in place that have been signed in a timely manner there is no evidence that providers have agreed to the terms and conditions and their roles and responsibilities and there is a risk that providers may not perform to the required standard and the MCA may not be able to take action if this occurs.

Management Action 2	The Authority will ensure that all agreements and contracts are signed by both parties and in a timely manner.	Responsible Owner: Head of Contracts of Performance	Date: 31 December 2024	Priority: Medium
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Risk: MCA Delivery Partners Monitoring

Control	Performance meetings are held on a monthly basis to monitor the performance against contract and agreements. These are undertaken by the Contract team but on a quarterly basis joint meetings are held where academic staff are also involved to enable the review of the quality of education being delivered in line with agreements.	Assessment:		
		Design	✓	
		Compliance	x	
Findings / Implications	<p>We reviewed a sample of five grant funded providers and five contracted providers used by the Authority, we reviewed meeting agendas and minutes from the quarterly and monthly meetings held between providers and the Authority, ensuring that during these meetings the providers performance is measured and reviewed during these meetings.</p> <p>For the five contracted providers we found that all five had performed a monthly contract meeting for the last three months and we confirmed that in all instances we looked at that the Authority has reviewed the providers performance as part of a standing item on the meetings agenda. There has also been a development meeting per provider within the first quarter where the performance has been reviewed in line with the MCA priorities.</p> <p>For the five grant funded providers the Authority have only been able to provide evidence of quarterly AEB meetings for four of the five providers, for all of the sets of meeting minutes we reviewed we confirmed that performance had been reviewed. For the remaining provider there was evidence that a development meeting had been undertaken and was documented but there was no evidence that the quarterly meeting had taken place. Through discussion with the Head of Contracts of Performance we establish that going forward Grant providers are also going to have monthly review meetings but this has not yet been implemented.</p> <p>Without evidence that performance has been fully reviewed in line with the procedures in place there is the risk that any underperformance may not be identified in a timely manner and action undertaken to rectify this.</p>			
Management Action 3	The Authority will ensure quarterly performance meetings are undertaken and minutes retained to ensure that performance and risk have been addressed. Monthly reviews for the grant providers will also be introduced.	Responsible Owner: Head of Contracts of Performance	Date: 31 December 2024	Priority: Low

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Adult Education Budget Performance	0 (13)	3 (13)	1	2	0
Total			1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risk,

Objective of the risk under review	Risks/ objective relevant to the scope of the review	Risk source
This review will assess the controls in place for managing the AEB budget and the monitoring controls in place for managing underperformance and under delivery.	Adult Education Budget Performance	Corporate risk register

When planning the audit, the following areas for consideration and limitations were agreed:

The audit will consider the following;

- The MCA have developed an Adult Education Budget Strategy or Methodology which outlines the key priorities for the devolved Adult Education Budget to ensure it supports the MCA's Strategic Vision.
- Whether the completion and authorisation of due diligence on MCA delivery partners has been conducted in line with policies and procedures.
- There are agreements in place with MCA delivery partners.
- The clarity of roles and responsibilities with respect to the requirements of the MCA and the delivery partners, including subcontracting.
- The controls in place to review and manage performance of the delivery partners against the agreements. This includes the framework in place within the MCA to assess the quality of the education being delivered by its delivery partners.
- Whether regular meetings are undertaken with Principals and key stakeholders to assess performance and seek continuous improvement of provision.
- The recording and monitoring of key risks of AEB delivery and how these are updated throughout the year.
- The undertaking of reconciliations on occupancy. This includes the preparation and review of the reconciliation documents.
- The data validation exercises undertaken by the MCA to ensure the accuracy of the data being supplied by the delivery partners.
- Payments are made in line with the agreements with delivery partners.
- The applications of clawbacks on adult education funds where reconciliation targets are missed.
- How AEB performance is reported and challenged through the governance structure at the MCA.

- How the MCA manage areas of under performance and the escalation measures in place to help improve these areas of weakness.

Limitations to the scope of the audit assignment:

- The scope of the work was limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out in for this review.
- The audit will not comment on the appropriateness of strategies, policies or procedures.
- The audit will not confirm the appropriateness of rules associated with AEB funding.
- We will not comment on the adequacy of the due diligence undertaken by the MCA.
- We will not comment on the quality or performance of any of the delivery providers.
- We will not seek to confirm whether the providers will achieve their Adult Education Budget targets.
- We will not comment on the existence, eligibility, attendance, withdrawal or achievement of learners.
- We will not comment on the accuracy of the data being reported.
- We will not comment on the appropriateness of the payments made.
- Any testing undertaken during the review was performed on a sample basis only
- Our work does not provide assurance that material error, loss or fraud do not exist.

Debrief held 30 January 2024
Draft report issued 8 February 2024
Responses received 21 February 2024

Final report issued 21 February 2024

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