

Sheffield City Region Mayoral Combined Authority

Internal Audit 2020/21
Adult Education Budget - Readiness Review
July 2021

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It is the responsibility solely of the Authority's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

Executive Summary

Background

Devolution is about securing money and powers from central Government, so that more decisions are made locally. Certain functions of the Secretary of State which relate to adult education under the Apprenticeships, Skills, Children and Learning Act 2009 ('ASCAL 2009'), and the associated adult education budget ('AEB') have been transferred to specified Combined Authorities (CA) by way of Orders made under the Local Democracy, Economic Development and Construction Act 2009. Each relevant Order transfers to the specified CA adult education functions under section 86 to 88 of ASCAL 2009. Each relevant order requires the CA to have regard to the statutory guidance issued by the Secretary of State when exercising the specified functions. This guidance provides support to the CAs and should be considered alongside the Memorandum of Understanding (MOU) that will be agreed between each CA and the Department for Education (DfE) and the Education Skills Funding Agency (ESFA). The MOU sets out the detail of the operational relationship that will underpin the successful devolution of the adult education functions, alongside the functions and conditions under each section that are exercisable by the CA instead of by the Secretary of State.

As part of Sheffield City Region Mayoral Combined Authority (MCA) Devolution Deal, the authority will take responsibility for c£39m of devolved Adult Education Budget (AEB) from 1 August 2021 and is commissioning adult skills provision for the residents of Barnsley, Doncaster, Rotherham and Sheffield. The MCA has also been allocated an additional £2.7m for Level 3 provision.

AEB supports adults aged 19+ in undertaking the learning they need to prepare them for work, an apprenticeship, or further training. The budget covers elements of adult education in colleges, councils, private training providers and community groups. It does not cover apprenticeships and traineeship funding.

Commissioning of the adult education budget will include a mix of both grant funding agreements and procured activity.

Allocations will be made to grant funded local authorities and further education colleges based in South Yorkshire. A procurement exercise has now closed; it was open to any organisation who would like to deliver devolved AEB funded provision to South Yorkshire residents.

Objectives

Our review focused on the following potential risk areas to the MCA:

- Governance arrangements are not robust. Roles and responsibilities, management oversight, decision making processes and monitoring and reporting arrangements are not in place or clearly understood. Inadequate ownership or accountability arrangements may lead to ineffective planning and delivery.
- The MCA does not demonstrate how it will meet the requirements of the DfE statutory guidance and MOU.
- A lack of clarity or robustness in the Authority's commissioning or performance management processes means that delivery of AEB funded provision fails to support the MCA's priorities for inclusive growth as set out in the SEP and the RAP.
- Ineffective project planning or lack of a documented project plan may lead to the MCA not achieving its requirements for readiness.

Limitation of scope

Our findings and conclusions were limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with the management of the AEB.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Executive Summary

Conclusion

Significant assurance with some improvement required

We have reviewed the readiness arrangements in place for taking responsibility of the AEB. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **Significant assurance with some improvement required** to the Committee.

We have provided this opinion based on the Authority's current readiness position, while recognising there is still further work in progress to support delivery by the deadline of 1 August 2021. The Authority has invested significant time and resource into ensuring there are appropriate arrangements in place to support the devolution of the AEB, from readiness through to commissioning and ultimately delivery.

It is clear to see the journey that is being undertaken following the initial readiness self-assessment undertaken and this is now moving at pace. We recognise that work will continue to develop over the coming months but it is evident that the Authority are identifying any gaps in its arrangements and are addressing risks which could prevent objectives and targets being achieved.

Examples of where recommended practices are being applied

- There are robust governance arrangements in place at a strategic level, and more recently operational governance has been strengthened by introducing a formal oversight group, chaired by the Director for Skills and Business Growth, as well as fortnightly operational meetings.
- The MCA has committed to adhering to the two core principles embedded in the devolution deal and has aligned delivering the statutory requirements with its local vision and priorities of its SEP and RAP.
- Delivery of requirements will be agreed through its framework and funding agreements with providers and monitored in accordance with the Authority's Assurance Framework and Funding and Performance Management Rules.

Areas requiring improvement

- Lack of internal specialist skills and capacity has been identified by the Authority as an ongoing issue. As the AEB moves from commissioning to delivery we have recommended carrying out a resource and skills gap analysis to ensure it can deliver in the longer term against its statutory and legal responsibilities.
- While we acknowledge there is a Programme Plan in place, there is opportunity to enhance and develop this to ensure the Authority receives assurance that all tasks have been appropriately allocated, expected progress is being made and issues are being escalated where appropriate.

Looking forward

- There is still more to do to ensure keys tasks remain on track and are closely monitored and we note that work is continuing to progress in these areas including:
 - Ensuring the Memorandum of Understanding (MOU) between the MCA and the ESFA is agreed and approved.
 - The IT project to develop the inhouse solution remains on target for completion.
 - The ILR trial is successful.
 - The Assurance framework appropriately reflects the requirements of AEB delivery.
 - Robust performance management arrangements are developed and agreed.
 - Data sharing agreements are in place.

Recommendations

Based on our findings, we have raised 3 recommendations. The grading of these recommendations is shown below:

	High	Medium	Low	Improvement
Detailed findings	-	1	1	1

Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Action Plan

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	
<p>Governance arrangements are not robust. Roles and responsibilities, management oversight, decision making processes and monitoring and reporting arrangements are not in place or clearly understood. Inadequate ownership or accountability arrangements may lead to ineffective planning and delivery.</p>	<p>The MCA governance structure consists of the MCA Board and the Local Enterprise Partnership (LEP) Board, supported by four Thematic Boards. The Skills and Employment Thematic Board was replaced in September 2020 by the Education, Skills and Employability Board (ESE) and acts as the Programme Board for Adult Education Budget delivery. We confirmed the ESE Terms of Reference documented in the Authority's Constitution.</p> <p>The ESE is supported by the Skills Advisory Network (SAN) and oversight provided by the statutory Overview and Scrutiny Committee. Meetings are held on an eight-week cycle with AEB being a standard agenda item. A review of meeting minutes between January 2020 and March 2021 confirmed that regular updates have been provided, with upward reporting to MCA board, particularly in the latter months.</p> <p>From our testing, we have confirmed there are robust strategic governance arrangements in place, however at the time of our initial review, operational level arrangements needed to be strengthened. Responsibilities and oversight did not appear to have been assigned to a sub-committee or work group that brings together operational stakeholders, allows decisions to be proposed, reviews progress and provides operational challenge and oversight. There was a risk that key decisions were not made on a timely basis and / or implementation and readiness arrangements were not monitored leading to the Authority not being able to fulfil its statutory requirements.</p> <p>We noted that the ESE is permitted to form Task and Finish groups of key stakeholders and advisors to assist in the management and monitoring of individual programmes or projects. However, any such groups are purely advisory and must submit reports to the ESE.</p> <p>Following our initial review, we note that weekly informal meetings are now being held between the Commissioning and Finance Teams to discuss the financial element of the AEB, any issues and current work being undertaken etc.</p> <p>More recently, this is supported by fortnightly progress updates and formal monthly meetings of the wider stakeholder group, chaired by the Director for Skills and Business Growth with upwards reporting to the ESE Board.</p> <p>Our review of meeting notes and actions arising confirmed that these have taken place from the end of April 2021.</p>	

Action Plan

Risk	Findings and Recommendation	Action Plan
<p>The MCA does not demonstrate how it will meet the requirements of the DfE statutory guidance and MOU.</p>	<p>Initially, the Authority procured a consultant to provide specialist advice and guidance to support AEB readiness. More recently the Authority has recruited a Business and Skills Director and Assistant Director of Education, Skills & Employability leading on AEB.</p> <p>We were initially advised that existing officers within the team have taken on additional duties in relation to AEB and perform ad-hoc duties in the implementation of the AEB, however their roles and responsibilities have not been being clearly defined in this area.</p> <p>We note from our review of Board paper minutes that specific risks around capacity within the MCA had been identified and reported in September 2020 and October 2020, specifically in respect of technical capability for specialist services including procurement, data and IT Systems.</p> <p>At the time of our review the MCA did not have specialist resource in place to undertake the tender evaluation process of the bids received from Independent Training Providers which led to initial delays in the award of contracts, however this has now been resolved in the procurement of a specialist advisory consultant.</p> <p>The Authority may wish to consider whether the team is sufficiently resourced and appropriately skilled to meet its statutory requirements particularly as it moves from its commissioning to delivery stage.</p> <p>Issues identified: There is a lack of specialist resource and capacity within the team. Roles and responsibilities have not been clearly defined for existing officers who may be performing additional duties.</p> <p>Risk: The Authority may not be sufficiently resourced or skilled to deliver its statutory requirements.</p> <p>Recommendation: The Authority to carry out a resource and skills gap analysis to ensure it can deliver against its statutory and legal responsibilities, particularly as it moves from commissioning to delivery.</p>	<p>Actions:</p> <p>Accept this recommendation. The Authority has allocated additional resource to the Skills Team and to the Programme and Performance Management Unit to allow us to recruit additional staff to support 'business as usual' running of AEB activity and meeting the requirement of the MOU. Job descriptions are being developed and staff will be recruited. The Authority will need to review staffing in the event of any further procurement activity.</p> <p>Responsible Officer:</p> <p>Helen George, Assistant Director Education, Skills and Employability</p> <p>Executive Lead:</p> <p>Helen Kemp, Director of Business and Skills</p> <p>Due date:</p> <p>1st August 2021 to agree job descriptions for additional staff on the Skills Team.</p> <p>PPU recruitment is underway.</p>

Action Plan

Risk	Findings and Recommendation	
<p>The MCA does not demonstrate how it will meet the requirements of the DfE statutory guidance and MOU.</p>	<p>The MCA was committed to adhering to two core principles embedded in the devolution deal;</p> <ul style="list-style-type: none"> • To support a set of legal entitlements. • To ensure that the commissioning approach did not destabilise the South Yorkshire based Further Education colleges. <p>The AEB supports a wide range of training and education provision. These include statutory entitlements to full funding for certain adult learners:</p> <ul style="list-style-type: none"> • English and maths, up to and including level 2, for individuals aged 19 and over, who have not previously attained a GCSE grade A* to C or grade 4, or higher, and/or • First full qualification at level 2 for individuals aged 19 to 23, and/or • First full qualification at level 3 for individuals aged 19 to 23. <p>The Authority proposition is to fully fund additional activity in the following areas:</p> <ul style="list-style-type: none"> • Fully fund residents aged 19+ to gain up to a Level 2 qualification in maths or English, if they do not already have one. • Fully fund 19+ unemployed learners and those earning less than the national living wage to access English for Speakers of Other Languages (ESOL) learning aims and co-fund the employed. • Fully fund the new digital entitlement. • Fully fund Full Level 2 and Level 3 qualifications. <p>There are currently 2 routes for providing against the proposition:</p> <p><u>Route 1</u></p> <p>The MCA will continue to provide grant funding to Local Authorities and Colleges based in South Yorkshire. There are 9 established providers who were previously administered by the ESFA. As such they will not be subject to a procurement process but are required to submit a 3-year plan to the MCA in line with statutory guidelines.</p> <p>We reviewed 1 Local Authority and 1 College plan to confirm the link to statutory requirements. We noted that revised plans were submitted where plans did not fully meet these requirements. We noted that funding proposals have now been made and agreements are in the process of being finalised.</p> <p>We also note that all Level 3 provision where a learner is undertaking a qualification on the National Skills Offer List or on the list eligible for support under the legal entitlement for young people aged 19-23 will be met from the FE Colleges core AEB funding. Providers have therefore also been required to provide delivery proposals as part of their Delivery Plans.</p>	

Action Plan

Risk	Findings and Recommendation	
<p>The MCA does not demonstrate how it will meet the requirements of the DfE statutory guidance and MOU.</p>	<p><u>Route 2</u></p> <p>The MCA will procure Independent Learning Providers through a full tender process.</p> <p>We reviewed the tender specification documents and noted that the Statement of Requirements clearly sets out the principles for meeting the statutory requirements of the DfE.</p> <p>The tender exercise was undertaken in accordance with the Authority's Contract Procedure Rules, through the YORtender system with clear instructions for tendering published on the public facing website.</p> <p>There were 190 bids received from 120 providers. The tender submission window closed in February 2021 in accordance with the agreed timetable, however at the time of our audit in April 2021, the evaluation process had not commenced due to the lack of in house expertise. However, this is now complete and contracts have been awarded. Onboarding has now commenced with delivery in place from 1 August 2021.</p>	

Action Plan

Risk	Findings and Recommendation	
<p>A lack of clarity or robustness in the Authority's commissioning or performance management processes means that delivery of AEB funded provision fails to support the MCA's priorities for inclusive growth as set out in the SEP and the RAP.</p>	<p>The Authority's SEP sets out the plan to grow the economy over the next 20 years. This is supported by a Renewal Action Plan (RAP) which sets out the road map to help South Yorkshire recover from the Covid-19 pandemic.</p> <p>Our review of the tender specification documentation for independent providers confirmed that delivering AEB has been aligned to the vision and priorities set out in the SEP and RAP. Delivery has been categorised into 4 lots, with the opportunity for providers to bid for any amount of these:</p> <ul style="list-style-type: none"> • Lot 1 - Supporting residents into employment • Lot 2 - Provision for adults in employment, self-employed or at risk of redundancy • Lot 3 – No young person left behind • Lot 4 – Test and Learn Adult Key Worker Model <p>As part of their 3 year business plans, grant funded providers are also required to comment upon how they intend to meet the vision and priorities as set out within the Authority's SEP.</p> <p>Our review also identified that the MCA has in place an overall Assurance framework and comprehensive contract framework agreement, supported by a number of policy requirements to support the delivery of the AEB. However we recognise that the Assurance Framework may not fully reflect the complexity of the AEB delivery model in respect of how it receives assurance in respect of provider delivery. We note that this was identified and discussed within the stakeholder meeting in April with a potential solution of adding an annex to the framework that describes the additional work.</p> <p>We also noted that at the time of the framework agreement being produced, a number of the supporting policies were in draft and may require review and refreshing to ensure they meet requirements and enable the Authority to receive assurance from providers and undertake effective challenge and contract monitoring:</p> <ul style="list-style-type: none"> • Sheffield City Region Assurance Framework 2021 • Framework Agreement, supplemented by: <ul style="list-style-type: none"> – Funding and Performance Management Rules – Quality Assurance and Raising Standards – Minimum quality standards the Authority will accept – Audit Requirements – Ofsted Inspection Requirements – Change of Name or Control – Data Protection 	

Action Plan

Risk	Findings and Recommendation	Action Plan
<p>A lack of clarity or robustness in the Authority's commissioning or performance management processes means that delivery of AEB funded provision fails to support the MCA's priorities for inclusive growth as set out in the SEP and the RAP.</p>	<p>Issues identified: At the time of producing the framework agreement, a number of key supporting documents were in a draft format, in particular the Funding and Performance Management Rules.</p> <p>Risk: The Authority may not receive assurance that requirements and delivery goals are being adequately met.</p> <p>Recommendation: As the AEB approaches its delivery stage, the Authority to ensure that key supporting frameworks and policies adequately reflect the processes and procedures require to ensure delivery meets with statutory and local priorities and that the MCA have robust performance monitoring in place.</p>	<p>Actions:</p> <p>Finalise drafting of key documents including the Funding and Performance Management Rules, the Funding Rates document and Provider Guide. Provider On-boarding session to point to key documents.</p> <p>Responsible Officer:</p> <p>Helen George, Assistant Director Education, Skills and Employability</p> <p>Sue Sykes, Assistant Director Programme and Performance Management Unit</p> <p>Executive Lead:</p> <p>Helen Kemp, Director of Business and Skills</p> <p>Gareth Sutton, Group Finance Director</p> <p>Due date:</p> <p>Management Board to approve Funding and Performance Management Rules 13th July 2021</p> <p>Provider On-boarding event 13th July 2021</p>

Action Plan

Risk	Findings and Recommendation	Action Plan
<p>Ineffective project planning or lack of a documented project plan may lead to the MCA not achieving its requirements for readiness.</p>	<p>There is a documented AEB Programme Plan in place indicating tasks by 11 stakeholder areas, showing the activity lead, target start and finish dates and current RAG rated status. Oversight and progress with the Plan is now reported and discussed at each of the fortnightly and monthly stakeholder meetings. Any gaps, issues or slippage is identified and action agreed or escalated.</p> <p>From our review of the plan we noted that;</p> <ul style="list-style-type: none"> • In most cases the activity area had a lead recorded but individual tasks often did not, however the activity lead was sometimes indicated as a group or team. It-is therefore not always clear who the actual task owner is or where accountability lies. • Tasks are RAG rated but sometimes ratings did not match where dates for action had passed. It was therefore not always clear if appropriate progress was being made or where issues or slippage had occurred and the reasons for these. However, we did acknowledge that our review of the stakeholder meeting minutes did align to the plan and discussions were evident in respect of those areas where slippage is evident in the plan. • We tested progress as stated within the plan for a sample of stakeholder areas and confirmed this was consistent with the discussions at stakeholder engagement meetings; where issues or slippage were noted in the plan, these has been identified and discussed in the meetings. <p>We note that as the MCA move forward to the implementation and go-live stage of the AEB project, both informal and formal monitoring is taking place on a regular basis between specific stakeholder groups. We reviewed the arrangements for two activity areas; finance and data. Through discussions with key officers, the Assistant Finance Manager and the Head of Information Technology, together with review of documentation, we noted that;</p> <ul style="list-style-type: none"> • A finance actions update schedule is maintained and used to monitor progress at the wider stakeholder meetings and the Assistant Finance Manager meets with the Commissioning team weekly. • IT project milestones are embedded in the IT Business Plan, a process flow working document has been developed and there are regular progress meetings between the Head of Information Technology and the AEB Project Manager. 	<p>Substantial updating of the programme plan has taken place since April with the new Wider Team meetings that are now in place chaired by Helen Kemp. This includes identification of a critical path and more detailed consideration of the steps to notifying providers about the outcomes of the procurement exercise.</p>
	<p>Improvement Point:</p> <p>Enhance and develop the programme plan to ensure that it clearly records that all tasks have been appropriately allocated, expected progress is being made and issues are being escalated where appropriate.</p>	

Appendices

Appendix 1 – Staff involved and documents reviewed

Staff involved

- Helen George, Assistant Director of Education, Skills & Employability
- Rob Harvey, Senior Programme Manager
- Katie Jackson, Assistant Finance Manager
- Andy Dickinson, Head of IT

Documents reviewed

- AEB devolution readiness: self-assessment evidence checklist
- DfE Implementation Funding – Business Case
- Implementation grant funding award
- 2021-22 (April 2021-July 2021) Supporting assumptions and calculations - AEB Devolution Implementation
- Group and Board meeting minutes
- Assurance Framework
- Delivery Plan Templates for Route 1 Providers
- Route 2 tender Specification Documentation
- Framework Agreement and supporting policies
- SEP
- RAP
- AEB Programme Plan
- IT Business Plan

Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Key activity or control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures / standards • Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Important activity or control not designed or operating effectively • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> • Minor control design or operational weakness • Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> • Information for management • Control operating but not necessarily in accordance with best practice



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