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**Report to:** Governance and Audit Committee

**Date:** 12 May 2020

**Subject:** **Devolved Adult Education Budget (AEB) Assurance**

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## **1. Purpose of this report**

- 1.1. To inform the Committee of the proposed plans for the Combined Authority to receive devolved powers and manage the devolved Adult Education Budget (AEB) from 2021 on which additional assurances will need to be given.
- 1.2. To ask members to note the contents of the report and raise any queries they may have about the implications of the changes.

## **2. Background information**

- 2.1 The Department for Education (DfE) funds AEB and it is currently administered by the Education and Skills Funding Agency (ESFA) in non-devolved areas. In the Budget delivered on 11 March, the Chancellor confirmed devolution of Adult Education powers and the AEB to allow West Yorkshire to shape local skills provision to respond to local needs. The principle purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship, or other further learning. This will enable the Combined Authority to be able to procure based against its own assessment of strategic needs and directly influence provision through its performance management structures.
- 2.2 Taking on these devolved powers is clearly a significant opportunity for the region. It is however a new function for the Combined Authority which has previously had no formal influence over AEB planning or delivery. Work is therefore underway to ensure that the required infrastructure is in place to properly administer the significant amounts of new funding and powers. These powers and functions will incorporate responsibility for commissioning, administering and assuring the fund.
- 2.3 The ESFA estimates that circa £63 million of AEB funding is spent in West Yorkshire which will be devolved to the Combined Authority from August 2021. Approximately 72% of the AEB budget is utilised by colleges and local authorities through grant funding, with the remaining 28% contracted to independent training providers.

- 2.4 A Project Board has been convened in order to prepare for the devolution of the Adult Education Budget (AEB) from Government to the Combined Authority as part of the West Yorkshire devolution deal, and manage the steps necessary to secure this funding effectively.
- 2.5 Internal Audit are represented on the AEB project board and have a role in both the future operations but also more immediately in the implementation phase of the project, developing the assurance processes over expenditure of the devolved funding.

### **Implications for Internal Audit and the Governance and Audit Committee**

- 2.6 A funding bid and business case has been made to the DfE for implementation costs in order to secure match funding for this project. In addition to this, DfE require that various Readiness Conditions relating to corporate control measures need to be met. The Conditions must be submitted alongside a letter from the Managing Director stating the organisation's readiness, and how it expects to improve the exercise of statutory functions in the area. A copy of these requirements, and example evidence regarding how they might be met as set out by Government are appended as Appendix 1, with those specifically being discussed in this report highlighted.
- 2.7 As part of the evidence these readiness conditions have been met confirmation of compliance with the Local Audit and Accountability Act 2014<sup>1</sup> must be provided, along with assurance that the Internal Audit team is aware of their responsibilities towards this funding stream to verify processes and controls. The required external audit requirements are in place.
- 2.8 Also required is Audit Committee awareness of the AEB devolution project and confirmation the project is on the Corporate risk register, whether it has been audited (or is due to be), and a report made, and when remedial action would be completed to address any recommendations made in such a report. At this stage no such audits have been undertaken.
- 2.9 The Combined Authority will undertake regular compliance and quality audits of contract evidence. Audits may also include checks on relevant policies and insurances. The assurance process will be documented and published, with sufficient notice given prior to formal audit.
- 2.10 The Education and Skills Funding Agency and an envisaged Internal Audit/ Compliance team will conduct these audits on behalf of the Combined Authority on learning providers/ colleges, in line with funding contracts and rules.
- 2.11 The Committee is asked to consider the readiness conditions and confirm the compliance at this stage with those outlined in paragraphs 2.7 and 2.8 above,

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<sup>1</sup> This Act requires you to have in place an external audit arrangement to annually report on whether your accounts and statements present fairly the financial position and whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources to secure value for money.

noting that further detail will be developed between now and August 2021. Further papers will be provided to this Committee to demonstrate how the necessary range of assurance processes and procedures have been established ahead of the transfer of the functions, powers and funding in 2021.

### **3. Financial implications**

- 3.1 Additional funding of £63 million is to be provided to the Combined Authority. The Internal Audit team have been allocated resources for a part time Principal Auditor to support preparation work for the introduction of AEB. Further resource requirements are to be identified once the funding rules and assurance framework to be applied have been determined.

### **4. Legal implications**

- 4.1 None.

### **5 Staffing implications**

- 5.1 As identified in section 3 above, part time resource has been provided for the duration of the implementation project and further resource needed to support the assurance processes to be introduced is to be identified during the implementation project.

### **6. External Consultees**

- 6.1 No external consultations have been undertaken yet but detailed consultation is to be carried out on the proposed funding structure with various stakeholders, including learners and potential training providers.

### **7. Recommendations**

- 7.1 That the Committee notes the report, and the assurances provided that Internal Audit are involved in the development of appropriate controls and processes regarding this new major area of responsibility for the Combined Authority that has emerged as part of the devolution deal.

### **8. Background Documents**

None.

### **9 Appendices**

Appendix 1 – Readiness conditions