

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2840

### Title: Adult Education Budget Procured Audits and Compliance Checks

#### Executive summary:

The Adult Education Budget (AEB) Procured programme provides match-funding for the Mayor's European Social Fund (ESF) 2019-23 programme, and is required to comply with the ESF eligibility requirements. Compliance checks are carried out by AEB Procured Provider Managers based on an approach that aligns with that of ESF auditors, and the Education and Skills Funding Agency. This Mayoral Decision (MD) form seeks approval for some AEB Procured compliance checks to be outsourced to audit firms currently contracted to deliver AEB audits, and for AEB Procured audits – which have been now been expanded to include the full suite of ESF compliance checks – to be counted towards the number of checks required in the respective academic year.

A similar approach is also proposed for compliance checks required for the Mayor's ESF 2019-23 programme in line with audit firm capacity.

The decisions set out in this form were endorsed by the AEB Mayoral Board on 8 July 2021.

#### Decision:

That the Mayor approves:

1. expenditure of up to £302,500 from the AEB Management and Administration Budget on AEB Procured compliance check audit services
2. the proposed approach to outsource some compliance checks for the Mayor's ESF 2019-23 programme
3. the proposal for AEB Procured audits to contribute to the programme's compliance checks completed in each academic year.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

22/7/21

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The Mayor previously approved an audit approach (under cover of MD2499 & MD2544) that requires all AEB Grant-funded provision (other than local authority provision) to be audited as part of a five-year plan, and for AEB Procured provision to be audited over the programme's four-year term.
- 1.2 The AEB Procured programme provides match-funding for the Mayor's ESF 2019-23 programme, and both programmes are required to comply with ESF eligibility requirements.
- 1.3 An approach to GLA provider manager compliance checks for AEB Procured contracts has been approved by the Mayor (under cover of MD2371 and MD2544) which includes a minimum 10 per cent sample of outputs and outcomes limited by a cap of 15 learner/participant files per quarter (60 per year).
- 1.4 In the 2019-20 academic year, the Skills and Employment Unit completed compliance checks for 1,091 AEB Procured learner files, with each check taking an hour on average to complete. The number of learner files checked may be expanded if errors are identified that suggest there may be systematic issues. Additional checks are also required to confirm that errors found in the initial checks have been corrected.
- 1.5 Given that the programme was in its first year of delivery, and performance was severely impacted by the Covid-19 pandemic, it is expected that the number of compliance checks required in the remaining years of the contracts will increase. The maximum number of compliance checks to be completed in an academic year based on the cap is 1,740. Additionally, 2019-20 compliance checks for the Mayor's ESF 2019-23 programme are due to be completed in the current calendar year.
- 1.6 Considering the continued increase in compliance checks and available contract management resources, this MD seeks approval to outsource AEB Procured compliance checks to firms the GLA has contracted to deliver AEB audit services, under the Crown Commercial Framework; and for the budget to cover the associated expenditure. A similar approach is proposed for compliance checks required for the Mayor's ESF 2019-23 programme.
- 1.7 This decision also seeks approval for AEB Procured audits, which have been expanded to include the full suite of ESF compliance checks carried out by provider managers, to be to be recognised as part of the compliance checks completed in the respective academic year.

#### **2. Objectives and expected outcomes**

##### Outsourcing compliance checks

- 2.1 On the GLA's ESF programmes, evidence of outputs and outcomes is checked for ESF eligibility and compliance to mitigate the risk of clawback if errors are identified by the Government Internal Audit Agency (which provides the audit function of the national ESF Audit Authority). This also applies to the AEB Procured programme, which is used as match-funding for the Mayor's ESF 2019-23 programme.
- 2.2 Current contracts with audit firms procured via the Crown Commercial Framework allows for additional ESF and targeted assurance reviews to be commissioned as and when required. It is therefore proposed that the AEB Procured compliance checks are outsourced to the firms via this provision in line with confirmed capacity, as set out in table 1 below.

**Table 1: Number of AEB Procured compliance checks to be completed by audit firms for each Academic Year (AY)**

	2020-21 AY	2021-22 AY	2022-23 AY
<b>Number of compliance checks outsourced</b>	450 compliance checks	1,080 compliance checks	1,080 compliance checks
<b>Cost</b>	£52,500	£125,000	£125,000

- 2.3 The estimated cost of this proposal is £302,500 over the remainder of the current four-year contract term, with £52,500 relating to the current academic year. It is proposed that these checks are funded from within the AEB Management and Administration Budget.
- 2.4 Provider managers would retain responsibility for: following up on the errors identified by the audit firms with providers; rechecking a sample of files to confirm that errors identified by the audit firms have been corrected; and implementing performance-management measures where providers have been identified as high risk due to the nature and/or number of errors found.
- 2.5 It is proposed that ESF compliance checks for the Mayor's ESF 2019-23 programme be outsourced to audit firms under existing contracts in line with their additional capacity.
- 2.6 The cost of these checks would be covered by the ESF Management and Administration Budget; officers will seek agreement from the officer-led Skills for Londoners Programmes Board on the number of checks, timing of completion and associated costs before implementing the approach.

#### AEB Procured audits

- 2.7 Around 60 per cent of the compliance checks that provider managers are required to complete are already included in a standard audit. As such, officers have expanded the checks contained within an audit to include the remaining ESF compliance checks.
- 2.8 Under the approach set out in this form, where an AEB Procured project has been selected for audit by the GLA, and the full suite of compliance checks are completed, these checks will contribute towards the total number of checks completed in that academic year. This approach will ensure a more efficient and streamlined use of existing resources.
- 2.9 The cost of these additional checks can be contained within the current budget for AEB audits approved by the Mayor under cover of MD2544, due to savings that have been made in the contracting process.
- 2.10 The table below shows the number of compliance checks that would be outsourced based on the approach set out above.

**Table 2: Number of AEB Procured compliance checks completed on learner files**

	AEB Procured audits	Audit firm compliance checks	Total	Remainder to be completed by provider managers
<b>2020-21</b>	400	450	850	890
<b>2021-22</b>	350	1,080	1,430	310
<b>2022-23</b>	350	1,080	1,430	310

2.11 The expected outcome of the expenditure is to increase capacity for AEB Procured and ESF Provider Managers to carry out other strategic and performance management activities, while maintaining a high level of assurance on the programme.

### **3. Equality comments**

3.1 In carrying out any functions in respect of the AEB, the Mayor will comply with the public sector equality duty under section 149 of the Equality Act 2010.

3.2 Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities – of whom the Mayor is one – must have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

3.3 Relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The Mayor is required to comply with the duty to have due regard detailed above in making any decisions relating to the AEB Procured programme.

3.4 The aim of the AEB and ESF is to improve opportunities for people who are disadvantaged in the labour market. The AEB Procured and ESF programmes have specific targets to support groups with protected characteristics including female learners; learners from Black, Asian and ethnic minority communities; and disabled learners. The approach set out in this Mayoral Decision will ensure that the GLA has sufficient capacity to ensure that evidence exists to support claims made against these targets.

### **4. Other considerations**

4.1 There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

#### Links to Mayoral strategies and priorities

4.2 The proposals set out in this MD will help to ensure that the funding that is available to the Mayor for employment and skills provision through the AEB Procured and ESF programmes is being spent effectively to support Londoners in line with the Mayor's priorities as set out in the Skills for Londoners Strategy.

#### Risks arising/mitigation

4.3 There is a risk that external auditors are not effective at identifying ESF compliance errors which could lead to financial penalties for the GLA and AEB Procured providers. GLA officers will be carrying out ESF compliance training sessions for the audit teams allocated to GLA contracts to ensure they have the same level of understanding around ESF requirements as GLA Provider Managers. In addition, the rechecking of files by Provider Managers (following corrections by providers), will also provide an opportunity for the quality of the work done by the audit firms to be checked.

## 5 Financial comments

- 5.1 This MD is seeking approval from the Mayor for the proposed expenditure of up to £302,500 on audit services required to outsource AEB Procured compliance checks.
- 5.2 It is proposed that the funding will be contained within the AEB Management and Administration Budget.
- 5.3 There is a risk that the external auditors may not be effective in identifying ESF compliance errors which could lead to financial penalties for the GLA and AEB procured providers. The GLA will be carrying out compliance training sessions to the audit teams to mitigate this risk as stated in section 4.3.

## 6 Legal comments

- 6.1 Section 39A of the Greater London Authority Act 1999 permits the delegation of ministerial functions to the Mayor, subject to certain limitations and conditions. This forms the basis of the delegation to the Mayor of AEB functions from the Secretary of State for Education. A particular limitation of the delegation is that the usual power of delegation by the Mayor is not available in respect of s39A delegated functions.
- 6.2 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty – namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3 Should the Mayor be minded to make the decisions sought officers must ensure that the additional services required are commissioned and documented in accordance with the terms of the current contracts proposed for use in advance of the commencement of such services.

## 7 Planned delivery approach and next steps

- 7.1 The next steps are summarised below:

Activity	Timeline
2020-21 AEB Procured compliance checks completed by audit firms	July - September 2021

### Appendices and supporting papers:

None.



**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

**Part 1 – Deferral**

**Is the publication of Part 1 of this approval to be deferred? NO**

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Ann-Marie Soyinka has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Sarah Mulley has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

✓

**Mayoral Adviser:**

Jules Pipe has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on the 12 July 2021.

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**

*D. Gove*

14 July 2021

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**

*D. Bellamy*

14 July 2021