

## **GMCA Audit Committee**

Date: 15 March 2023

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, Deputy Director Audit and Assurance, GMCA

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### **PURPOSE OF REPORT**

The purpose of this report is to inform Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for Q4 2022/23. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan.

### **RECOMMENDATIONS:**

Audit Committee is requested to:

- Consider and comment on the progress report
- Approve the changes to the Audit Plan (Section 3)

### **CONTACT OFFICERS:**

Sarah Horseman, Deputy Director of Audit and Assurance - GMCA

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**Equalities Impact, Carbon and Sustainability Assessment:**

N/A

**Risk Management**

N/A

**Legal Considerations**

N/A

**Financial Consequences - Capital**

N/A

**Financial Consequences - Revenue**

N/A

Number of attachments included in the report:

**BACKGROUND PAPERS:** N/A

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

## **1 Introduction**

- 1.1 The Internal Audit strategic three-year plan for GMCA was presented to the Audit Committee in April 2022 and this set out the planned assurance activity to be conducted during 2022/23 based on our understanding of the organisation's strategic and operational risks.
- 1.2 The GMCA Internal Audit Plan comprises a range of audits agreed by the Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and agreed actions for implementation. Each action has a named responsible officer and a target implementation date.
- 1.3 Separate plans are approved by Transport for Greater Manchester (TfGM) and Greater Manchester Police (GMP) / Police and Crime Functions with reporting to their respective Audit, Risk and Assurance Committee (ARAC) and Joint Audit Panel.
- 1.4 The purpose of this progress report is to provide Members with an update against the GMCA audit plan for 2022/23.

## **2 Progress against the 2022/23 Internal Audit Plan**

### **Internal Audit work completed since the last meeting of the Audit Committee**

- 2.1 Since we last reported to Audit Committee on 17 January 2023, we have issued one audit report and certified three grants. The Executive Summary from the published audit is appended to this report.
- 2.2 There are several pieces of work at the fieldwork stage and these will extend into quarter 1 and we aim to conclude and report on these at the next Audit Committee meeting.

2.3 **Adult Education Budget – Provider Contract Monitoring:** This report provided a **reasonable assurance opinion** over the key controls for contract compliance and performance monitoring in ensuring there is effective use of funding and delivery of learning provision by providers. Standard performance management practices were paused during 2021/22 academic year due to pandemic restrictions and an interim process utilised, with the reinstatement of formal performance monitoring from 2022/23. The report provides two minor recommendations.

2.4 **Grant Certifications –** Three grants were certified during the period

- **NO2 Plan Implementation Fund 2019 Support for a Charging Clean Air Zone 31/3799 of £36m.** A written certification was issued in February 2023 to certify expenditure incurred of £21.1m with £9.8m of repurposed funding.
- **NO2 Plan Clean Air Fund Grant 2021 31/5480 £83.6m.** A written certification was issued in February 2023 to certify expenditure incurred of £1.7m.
- **NO2 Plan Clean Air Fund Grant 2021 31/5762 £3.2m.** A written certification was issued in February 2023 to certify expenditure incurred of £1.2m

### 3 Internal Audit work in progress 2022/23

3.1 A summary on the status of ongoing audit work is as follows:

<b>Planning Stage</b>	
External Loans	Planning discussions are underway for this audit.

<b>Fieldwork Stage</b>	
Brownfield Housing Fund Grant	Initial discussions and assessment have taken place to facilitate the certification of this grant in May 2023
CCTV Policy and Practice	Agreed terms of reference have been issued for this audit and fieldwork has commenced.

<b>Fieldwork Stage</b>	
Safeguarding and DBS Checks	Agreed terms of reference have been issued for this audit and fieldwork has commenced.
Supporting Families Framework	Agreed terms of reference have been issued for this audit and fieldwork has commenced.
Non-AR Income	Agreed terms of reference have been issued for this audit and fieldwork has commenced.
GM Road Safety Partnership Effectiveness	Agreed terms of reference have been issued for this audit and fieldwork has commenced.
Use of Contractors and Temporary Staff	Agreed terms of reference have been issued for this audit and fieldwork has commenced.
GM One Network Project	Agreed terms of reference have been issued for this audit and fieldwork has commenced.

<b>Reporting Stage</b>	
Waste Estates – Asset Compliance	A draft report has been issued and we are awaiting a management response prior to finalisation.

Details of our progress in respect of the 2022/23 Audit Plan is shown in **Appendix B**.

## **4 Changes to the Internal Audit Plan**

- 4.1 The internal audit plan is regularly reviewed and can be amended to reflect changing risks and/or objectives. In line with the Internal Audit Charter, any significant changes to the plan must be approved by the Audit Committee.
- 4.2 We are proposing the deferral of several planned audits and these are shown at **Appendix C** to this report.

## **5 Other Activities**

- 5.1 Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities.
- 5.2 **Whistleblowing and Counter Fraud Activities** – There was one new whistleblowing report received by Internal Audit during the period and we are progressing this with the service.
- 5.3 **Anti-Fraud Training** – We are seeking an e-learning provider to purchase a suite of online training tools which can be rolled out to staff.
- 5.4 The revised GMCA Whistleblowing Policy was approved at GMCA Standards Committee in February 2023. There have been no significant changes to the Policy.
- 5.5 **National Fraud Initiative (NFI) 2022/23** – Data matches for Payroll, Pensions and Trade Creditors were received in January 2023. We are working with colleagues in the Payroll and Pensions team to complete the necessary checks.
- 5.6 We continue to hold ongoing quarterly engagement discussions with Service Directors to understand emerging risks/issues and help inform audit planning for 2023/24.

## **6 Internal Audit Performance and Development**

### **Internal Audit Improvement Plan**

- 6.1 As the internal audit function within GMCA matures, areas for future development are identified through our internal and external quality assessments, the work we undertake and feedback from audit sponsors and the Committee. Areas for future development are included in the Internal Audit Improvement Plan.

The current status of the Plan is noted in **Appendix D**

**Appendix A - Summary of Internal Audit Reports issued 2022/23**

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2022/23.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Mandatory Firefighter Training and CPD (b/f)	Reasonable	-	-	3	-	-	-	✓	-
Grant Funding Management and Reporting	Reasonable	We made no recommendations in this audit.					✓	✓	✓
Public Sector Decarbonisation (Phase 1) Summary Report (Grant)	Positive	-	-	-	-	1	✓	✓	-
Budgetary Control	Reasonable	-	-	3	1	-	✓	✓	-



Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Treasury Management	Reasonable	-	-	3	2	-	✓	-	-
GMFRS Maintenance and Testing of Operational Equipment	Limited	-	4	-	-	-	-	✓	-
GMCA Performance Management and Reporting – Follow Up	Reasonable	-	-	4	-	-	✓	-	✓
Adult Education Budget – Provider Contract Management	Reasonable	-	-	1	1	-	✓	-	-

Grant Certifications				
BEIS Growth Hub Funding 2021/22	Positive	✓		
Peer Networks March 2022 Claim	Positive	✓		
Peer Networks Grant – Annual Sign Off 2021/22 £607k	Positive	✓		

Public Sector Decarbonisation Scheme – Phase1 (Section 31) 31/3535	Positive	✓	✓	
Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2021/22) (Section 31) 31/5506	Positive	✓		
Brownfield Housing Fund Grant 2021/22 (Section 31) £ 31/6020 & 31/5706 £49.2m	Positive	✓		
LOCAL TRANSPORT CAPITAL BLOCK FUNDING (CITY DEALS FUND) £22.3m 31/5675.	Positive	✓		
Green Homes Grant Phase 1b 31/5336	Positive	✓		
Green Homes Grant Phase 2 20/21 31/5337	Positive	✓		
NO2 Plan Implementation Fund 2019 Support for a Charging Clean Air Zone 31/3799	Positive	✓		
NO2 Plan Clean Air Fund Grant 2021 31/5480	Positive	✓		
NO2 Plan Clean Air Fund Grant 2021 31/5762	Positive	✓		

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions.

**Assurance levels**

	<b>DESCRIPTION</b>	<b>SCORING RANGE</b>	<b>DESCRIPTION</b>
	<b>SUBSTANTIAL ASSURANCE</b>	1-6	A sound system of internal control was found to be in place. Controls are designed effectively, and our testing found that they operate consistently. A small number of minor audit findings were noted where opportunities for improvement exist. There was no evidence of systemic control failures and no high or critical risk findings noted.
	<b>REASONABLE ASSURANCE</b>	7-19	A small number of medium or low risk findings were identified. This indicates that generally controls are in place and are operating but there are areas for improvement in terms of design and/or consistent execution of controls.
	<b>LIMITED ASSURANCE</b>	20-39	Significant improvements are required in the control environment. A number of medium and/or high-risk exceptions were noted during the audit that need to be addressed. There is a direct risk that organisational objectives will not be achieved.
	<b>NO ASSURANCE</b>	40+	The system of internal control is ineffective or is absent. This is as a result of poor design, absence of controls or systemic circumvention of controls. The criticality of individual findings or the cumulative impact of a number of findings noted during the audit indicate an immediate risk that organisational objectives will not be met and/or an immediate risk to the organisation's ability to adhere to relevant laws and regulations.

## Audit Finding Classification

Risk Rating	Description/characteristics	Score
<b>Critical</b>	<ul style="list-style-type: none"> <li>• Repeated breach of laws or regulations</li> <li>• Significant risk to the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for catastrophic impact on the organisation either financially, reputationally or operationally</li> <li>• Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented</li> <li>• Critical gaps in/disregard to governance arrangements over activities</li> </ul>	<b>40</b>
<b>High</b>	<ul style="list-style-type: none"> <li>• One or more breaches of laws or regulation</li> <li>• The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents</li> <li>• Potential for significant impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are not designed effectively, or testing indicates a systemic issue in application across the organisation</li> <li>• Governance arrangements are ineffective or are not adhered to.</li> <li>• Policies and procedures are not in place</li> </ul>	<b>10</b>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches</li> <li>• Indirect impact on the achievement of organisational objectives / outcomes for GM residents</li> </ul>	<b>5</b>

	<ul style="list-style-type: none"> <li>• Potential for minor impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation</li> <li>• Policies and procedures are outdated and are not regularly reviewed</li> </ul>	
<b>Low</b>	<ul style="list-style-type: none"> <li>• Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation)</li> <li>• Little or no impact on the achievement of strategic objectives / outcomes for GM residents</li> <li>• Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation)</li> </ul>	<b>1</b>
<b>Advisory</b>	Finding does not impact the organisation's ability to achieve its objective but represent areas for improvements in process or efficiency.	<b>0</b>

## Appendix B – Progress against the Internal Audit Plan 2022/23

The table below shows progress made in delivery of the 2022/23 Internal Audit Plan.

Key: ○ Not Yet started    ⊙ Scheduled    ● In progress    ● Complete

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Grants	Mandatory Grant Certifications	Q1-Q4	67	●	●	●	●		Ongoing
Corporate Services	Grants	BEIS Growth Hub Funding 2021/22	Q1	-	●	●	●	●	July 2022	Completed
Corporate Services	Grants	Peer Networks March claim	Q1	-	●	●	●	●	July 2022	Completed
Corporate Services	Finance	Grant Funding Management and Reporting	Q1	10	●	●	●	●	July 2022	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Grants	Public Sector Decarbonisation	Q1	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Peer Networks Grant – Annual Sign Off	Q2	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Brownfield Housing Fund Grant 31/6020 & 31/5706	Q1	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Local Transport Capital Block Funding (Pothole Fund) 31/5506	Q2	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Local Transport Capital Block Funding (Pothole	Q3	-	●	●	●	●	Jan 2023	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
		Fund) (City Deals Fund) 31/5675.								
Corporate Services	Grants	Green Homes Grant Phase 1b 31/5336	Q3	-	●	●	●	●	Jan 2023	Completed
Corporate Services	Grants	Green Homes Grant Phase 2 20/21 31/5337	Q3	-	●	●	●	●	Jan 2023	Completed
Corporate Services	Grants	Brownfield Housing Fund Grant	Q1 23/24	-	●					Preliminary work undertaken
Corporate Services	Grants	NO2 Plan Implementation Fund 2019 Support for a Charging	Q4	-	●	●	●	●	March 2023	Completed



Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
		Clean Air Zone 31/3799								
Corporate Services	Grants	NO2 Plan Clean Air Fund Grant 2021 31/5480	Q4	-	●	●	●	●	March 2023	Completed
Corporate Services	Grants	NO2 Plan Clean Air Fund Grant 2021 31/5762	Q4	-	●	●	●	●	March 2023	Completed
ICT	Governance	ICT Audit Needs Assessment (External)	Q1	2	○	○	○	○		Defer to 2023/24
Corporate Services	Finance	Budgetary Control	Q2	30	●	●	●	●	Jan 2023	Completed
Corporate Services	Finance	Treasury Management	Q2	20	●	●	●	●	Jan 2023	Completed
GMFRS	Front Line Services	Maintenance and Testing of	Q2	20	●	●	●	●	Jan 2023	

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
		Operational Equipment								Completed
Waste	Assets	Waste Estates Management	Q2	15	●	●	●	○		Draft Report
Environment	TBC	Capital Programme 'Deep Dive'	Q2	25	○	○	○	○		To merge with GM One Network Project
Corporate Services	Governance	Performance Management (Follow Up)	Q2	15	●	●	●	●	Jan 2023	Completed
Education, Work and Skills	Contracts	AEB	Q2	20	●	●	●	●	March 2023	Completed
Corporate Services	Finance	BWO Access Rights	Q3	20	○	○	○	○		Defer to 2023/24

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
ICT	Application management	User Acceptance Testing (External)	Q3	2	○	○	○	○		Defer to 2023/24
Corporate Services	Procurement and Contracting	Commercial	Q3	20	○	○	○	○		Cancel
ICT	Information Systems	GM One Network Project	Q3	20	●	●	○	○		Fieldwork
People Services	Compliance	Investigation Processes	Q3	25	○	○	○	○		Cancel
ICT	Assets	IT Asset Management (External)	Q3	2	○	○	○	○		Defer to 2023/24
Corporate Services	Finance	Non-AR Income	Q3	20	●	●	○	○		Fieldwork
GMFRS	Front Line Services	Safeguarding and DBS	Q3	20	●	●	○	○		Fieldwork

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
GMFRS	Front Line Services	Station Standards Framework	Q3	20	○	○	○	○		Defer to 2023/24
Public Sector Reform	Compliance	Supporting Families Programme	Q3	10	●	●	○	○		Fieldwork
Governance and Scrutiny	Information Governance	CCTV	Q4	20	●	●	○	○		Fieldwork
Core Investment Team	Loans and Investments	External Loans	Q4	20	●	○	○	○		Scoping
GMFRS	Prevention and Protection	Road Safety Partnership	Q4	20	●	●	○	○		Fieldwork
People Services	Workforce	Use of Consultants	Q4	25	●	●	○	○		Fieldwork
Total Plan Days				468						

<b>Other Audit Activity</b>		<b>Quarter</b>
Information Governance	Head of IA is a member of the IG Board, ongoing advice, and oversight of IG risks through this forum.	All
Audit action tracking	Internal audit will monitor and report on a quarterly basis the implementation of agreed audit actions	All
Whistleblowing investigations	Receipt and investigation of whistleblowing reports	As needed
Ad-hoc advice and support	Advice and reviews requested in-year in response to new or changing risks and activities.	As needed

## Appendix C - Changes to the Internal Audit Plan

The internal audit plan is designed to be flexible and can be amended to address changes in the risks, resources and/or strategic objectives. Similarly, management and the board may request additional audit work be performed to address particular issues. In line with Public Sector Internal Audit Standards (PSIAS) the Audit Committee should approve any significant changes to the plan.

This Section records any changes to the current internal audit plan since it was originally approved in April 2022.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
ICT	ICT Audit Needs Assessment (External)	Q1	2	Defer to 2023/24	An ICT audit provider was appointed in December 2022. Introductory discussions have taken place and proposals for risk-based ICT / Digital audit delivery plan will be agreed covering the next 12 months.	
ICT	User Acceptance Testing (External)	Q3	2	Defer to 2023/24		
ICT	IT Asset Management (External)	Q3	2	Defer to 2023/24		

<b>Audit Area</b>	<b>Audit</b>	<b>Timing</b>	<b>Days</b>	<b>Change requested</b>	<b>Rationale</b>	<b>Approved by Audit Committee</b>
GMFRS	Station Standards Framework	Q3	20	Defer to 2023/24	Timing of the review isn't right due to a move to Sharepoint online by April 2023. Audit deferred to Q2 2023/24.	
Corporate Services	Procurement and Contracting - Commercial	Q3	20	Cancel	To cancel this proposed audit to allow for the new Commercial and Contract Manager to review and develop the new GMCA Contract Management framework and standards.	
People Services	Investigations Processes	Q3	25	Cancel	To cancel this work and to include as part of the development of a fraud response plan in 2023/24.	
Corporate Services	BWO Access Rights	Q3	20	Defer to 2023/24	To defer whilst GMCA recruit to the vacant Systems Manager post.	

**Appendix D - Internal Audit Improvement Plan**

PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
1130	EQA1	In future, assurance arrangements over which the Head of Audit and Assurance also has operational responsibility should be overseen by somebody outside of the internal audit activity. This could be done via a peer review arrangement (NWCAE group members have undertaken these in the past) or external provider.	Head of Audit and Assurance	Assurance over risk management arrangements will be overseen by a party outside of the internal audit function. Consideration will be given to establishing arrangements for peer review from another local or combined authority. No assurance work over risk management is in the scope of the Audit Plan for 2021/22 so these arrangements will be sought to be effective for 2022/23 and beyond.	30/04/2022	Noted for future action when appropriate



PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
2010	EQA7	A formal assurance framework should be developed in consultation with relevant stakeholders.	Head of Audit and Assurance	Develop and document Assurance framework for GMCA, in line with the “three lines” model	31/12/2021	On hold – capacity of the team
2050	EQA8	An assurance mapping exercise should be undertaken to identify and determine the extent to which the Head of Audit and Assurance can place reliance on other sources of assurance.	Internal Audit Manager	After the development of the Assurance Framework (7) an assurance mapping exercise will be undertaken. This can be used to inform HoIA opinion for 21/22 as well as the planning process for 22/23.	31/03/2022	On hold – capacity of the team
2050	AC1	When developing the assurance framework, consider the use of controls self-assessments for areas of GMCA that are not subject to Internal Audit.	Head of Audit and Assurance	Consider introducing controls self-assessments as a line 2 assurance mechanism across GMCA. Will	1/4/23	On hold – capacity of the team

PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
				require some education and awareness activity to roll out.		
1210	EQA18	The use of data analytical tools should be explored and introduced, with relevant training provided.	Head of Audit and Assurance	In line with the action from Recommendation 2 above. Data analytics skills will also be considered for development within the team and budget requested as necessary.	30/04/2022	c/f to 2022/23 development plan.  For consideration in future budget setting exercises.

## Appendix E – Executive Summaries

### Adult Education Budget – Provider Contract Management



## Internal Audit Report

### Adult Education Budget – Provider Contract Management

**FINAL**

**Issue Date 7 March 2023**

Audit Team	
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	Audit Manager
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
Lisa Quigley	Principal Performance Contract Monitoring Manager
Wendy Wood	Performance and Contracts Manager
Sharon Kelly	Senior Principal Skills Manager
For Information	
Audit Committee - <b>Executive Summary Only</b>	
Eamonn Boylan	Chief Executive
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Monitoring Officer
Andrew Lightfoot	Deputy Chief Executive
Gemma Marsh	Director, Education Work and Skills
Mazars	External Auditor

1. EXECUTIVE SUMMARY							
<b>AUDIT OBJECTIVE</b>		<b>ASSURANCE LEVEL</b>					
The objective of this audit was to provide assurance over Adult Education Budget (AEB) provider contract compliance and performance monitoring ensuring there is effective use of funding and delivery of learning provision by providers.		REASONABLE ASSURANCE					
<b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b>			<b>AUDIT FINDINGS</b>				
<ul style="list-style-type: none"> <li>• <b>DIR-FIN-03</b> – Contract management practices across the organisation fails to optimise commercial performance, guarantee compliance with legal regulations, support delivery of programme/project outcomes or provide foresight into potential supplier collapse.</li> <li>• <b>DIR-EWS-01</b>- Continued impact of Covid 19 on the delivery of EWS' Externally Funded Programmes supporting GM Residents.</li> </ul>		<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>	<b>Total</b>
		-	-	1	1	-	2
		<b>BASIS OF AUDIT OPINION</b>					
		This is based on the scoring mechanism outlined in Section 5 & 6 of this report.					
<b>AUDIT OPINION AND SUMMARY CONCLUSION</b>							
<p>We provide a <b>Reasonable Assurance opinion</b> over controls for contract compliance and performance monitoring in ensuring there is effective use of funding and delivery of learning provision by providers. Our review of the design of the performance control framework has identified that key controls are in place to manage provider contract compliance and to ensure performance is monitored. During the 2021/22 academic year and in response to the Covid-19 pandemic, formal performance management measures were suspended, and an interim process utilised to ensure provision whilst adhering to various restrictions in place. Our audit reviewed activity during this period and as such our assurance is restricted to the activities carried out in this period rather than standard activity. However, our findings have taken into consideration the design of the standard monitoring framework to ensure that they are relevant to this process which has now been reinstated.</p> <p>Our report identified a small number of findings (medium and low level) to improve the design of controls and to inform best practice around recording of information and consistency in approach.</p>							

#### AREAS OF GOOD PRACTICE

- There is a dedicated contract team and all four Performance and Contract Officers interviewed had strong knowledge of performance, compliance and monitoring procedures and a clear understanding and focus on value for money in delivering the learning provision.
- Our sample testing of ten provider contracts (five grant and five procured) for 2022/23 showed that:
  - Signed contracts existed for each provider for the 2022/23 academic year.
  - Compliance reviews had been performed in 2021/22, with sample testing performed for all providers selected. Compliance reviews were generally consistent between providers, however two were completed by email rather than the use of the standard template.
- Performance Rules for 2022/23 were designed effectively. There were quarterly monitoring points in place as part of the annual process and a clearly defined four-level performance management process in place, with the level of performance management required linked to the result of RAG rating following compliance visits. The compliance process considers relevant factors around the delivery of education/training, data quality, outcomes and ESFA requirements.
- We confirmed that payments for 2021/22 were based on performance (delivery against profile) per the contract performance monitoring spreadsheet and that no payments are made prior to receipt of a signed contract from the provider.
- We confirmed that the AEB team track and monitor the status of contracts to ensure these are signed and in place for the academic year and this is regularly reviewed and followed up on when this does not occur.
- There is an appropriate range of performance monitoring and reporting to both internal and external stakeholders.

#### AREAS FOR IMPROVEMENT AND LIMITATIONS OF SCOPE

##### **The reinstatement of formal performance management for the 2022/23 academic year.**

In the 2021/22 academic year, provider payments were made based on achievement against profiled targets. We have confirmed this was in place through reference to spreadsheets. As a result of these changes, only one compliance visit per provider was undertaken in 2021/22 to assign RAG ratings, despite the Performance and Funding Rules stating that the number compliance visits should be based on each providers RAG rating.

As such, it has not been possible to test the effectiveness of controls in place around standard performance management practices and our assessment has been limited to a review of compliance visits undertaken in 2021/22 and the design of controls for the 2022/23 financial year.

Identified areas for improvement related to the following:

- Whilst the performance management/compliance process is clearly defined and generally well designed, there is not guidance around sampling of learner data or a scoring mechanism that determines RAG rating (e.g. points based).

- There has not been a 'standard' year of performance management since devolved AEB in 2019/20. In 2019/20 and 2020/21, providers were paid per profile to ensure financial sustainability of providers in the sector. In 2021/22 there was an element of financial performance management in terms of delivery, but not the full formal process as outlined in the Funding Rules for 2021/22 and 2022/23. Therefore, it is not possible to offer an opinion on the effectiveness of full performance management procedures, as this has not been performed.
- The AEB Contract Officers have introduced monthly meetings with providers, however these are not currently formally recorded. In addition, we noted that for two of the sample of 10 compliance visits, these were communicated via email rather than on the standard template, though the content communicated was appropriate.
- For compliance visits, only one visit was performed per provider for 2021/22 due to Covid restrictions, whereas the funding and performance management rules would have required further visits for non-green RAG ratings.

**2. EXECUTIVE SUMMARY**

Finding	Risk Rating	Action	Target Date
1 Compliance Visits	MEDIUM	<ul style="list-style-type: none"> <li>• Introduce a scoring mechanism to determine sample size for testing on compliance visits.</li> <li>• Develop a scoring mechanism for RAG ratings as part of compliance visits.</li> <li>• Ensure that in the 2022/23 academic year, compliance reviews are completed in line with the schedule of visits outlined in the Funding and Performance Management rules.</li> <li>• Ensure that all compliance reviews are recorded using the standard template.</li> </ul>	31 May 2023
2 Performance Monitoring	LOW	<ul style="list-style-type: none"> <li>• Ensure that Performance Management rules are followed in 2022/23</li> <li>• Ensure that summary notes from monthly meetings between Contract Officers and providers are recorded.</li> </ul>	31 March 2023

**AUDIT SPONSOR COMMENTS**

The areas highlighted for improvement are all relevant, and certainly the team have identified some if not all in some way, as areas to improve. Some of the actions outlined have already been implemented and if not, relevant reviews of how some areas are carried out, will be undertaken and this will mean appropriate changes undertaken within funding and performance management rules for 2023/2024 onwards.

**This audit has been undertaken in accordance with Public Sector Internal Audit Standards**