

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD3165

### Title: Skills Audit Approach

#### Executive summary:

This Mayoral Decision (MD) form seeks approval to end the 2019-2024 audit approach one year early, so it can be replaced, over time, with a single approach to audit and conducting compliance checks on all GLA-funded adult skills provision from April 2023 to December 2028. The estimated expenditure for the Adult Education Budget (AEB) and Free Courses for Jobs (FCfJ) portion of this approach over five years is estimated to be up to £821,700 (of which 17 per cent will be funded by FCfJ). Further approvals will be sought to agree expenditure from other skills programmes covered under this single approach to audit and compliance checks.

#### Decision:

That the Mayor:

1. approves a new adult skills audit approach that will allow the commissioning of external auditors to audit and conduct compliance checks (as applicable) for non-Adult Education Budget (AEB) GLA-funded adult skills projects, programmes and contracts under a single contract
2. approves expenditure of £821,700 over five years (2024-25 to 2028-29 financial years) on services required to deliver audits of all AEB and Free Courses for Jobs (FCfJ) funded provision, and re-audits of providers that receive an unsatisfactory opinion or require a second audit due to high-risk factors
3. delegates authority to the Assistant Director – Skills & Employment (Policy) to approve the expenditure and other programme level decisions required to audit and conduct compliance checks (as applicable) for all non-AEB GLA-funded adult skills projects, programmes and contracts under the same contract.

#### 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:

3/10/23

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

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

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

- 1.1 Under [Mayoral Decision \(MD\)2544](#), the Mayor approved an audit approach that required all Adult Education Budget (AEB) funded provision, (other than local authority provision), to be audited as part of a five-year plan. The five-year period runs from September 2019 to December 2024, with audits generally being delivered from April to December in each calendar year.
- 1.2 Services were procured (under a Crown Commercial Services framework) in 2019 to enable delivery of:
  - audits for all AEB funded programmes
  - additional risk-based audits, to address high risk factors or as part of an investigation into fraud or financial irregularity suspicions or allegations
  - compliance checks on European Social Fund (ESF) programmes (over four years).
- 1.3 A total budget of £990,500 was allocated by the Mayor to delivering these services for AEB and ESF match-funded AEB programmes under [\(MD2544](#) and [MD2840\)](#).
- 1.4 Since the audit approach was approved in 2019, the GLA has received additional non-AEB adult skills funding<sup>1</sup> from central government, through grant awards or delegated funds. By accepting these additional funds, the GLA has accepted responsibility for providing assurance that those funds are spent in accordance with the relevant funding conditions.
- 1.5 However, at present the approved audit approach and the contracts issued to external auditors are restricted to AEB and ESF provision.
- 1.6 It is therefore necessary to put in place audit and compliance arrangements that cater for the wider adult skills programmes.

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

##### One audit approach for all Skills and Employment programmes

- 2.1 Although the 2019-2024 audit approach enabled the GLA to meet the assurance conditions of its AEB and ESF programmes, the limitations in the scope of its contract prevented the GLA from using its external auditors to meet the assurance conditions of new non-AEB funding streams, including Skills Bootcamps and Multiply funding.
- 2.2 To address this issue, this MD seeks approval to end the currently approved 2019-2024 audit approach one year early<sup>2</sup>. This will involve activity ending in approximately January 2024, rather than December 2024. This action will enable the GLA to address current limitations of its existing approach, by adopting a broad and more flexible approach, that will allow audit firms to carry out audit and compliance services for all current and future adult skills programmes. The new approach will be subject to the successful re-procurement of audit and compliance services. The new approach will require auditors to continue to deliver the three elements outlined in the original approach (paragraph 1.2). However, the scope will be broadened to all adult skills programmes, based on individual programme requirements, as below:

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<sup>1</sup> Free Courses for Jobs, Skills Bootcamps, Multiply, UK Shared Prosperity Fund and Traineeships.

<sup>2</sup> As per clause 42.7 of the Crown Commercial Service Call Off Contract

- audits for all adult skills programmes
- additional risk-based audits, to address high risk factors (e.g., reaudit of providers which receive an unsatisfactory audit opinion) or as part of an investigation into fraud or financial irregularity suspicions or allegations
- compliance checks, where required.

- 2.3 The new five-year audit approach will run from approximately April 2024 to December 2028, with a programme of training and onboarding of new audit firms taking place in the months prior.
- 2.4 The expected outcome of the new approach is for the GLA to appropriately assure its adult skills programmes based on individual programme requirements. This will provide a high level of assurance on all programmes. The new approach is also expected to prevent delays in the assurance of new skills programmes, reduce the administrative burden for adult education service providers, and maximise consistency and transparency.

### **Budget**

- 2.5 The Skills & Employment unit will use funds from the management and administration (M&A) budget of each individual programme to fund the services required. This will mean auditors will be paid proportionately from budgets across all skills programmes. This approach will be adopted for any additional adult skills funds that the GLA may receive from September 2023 to December 2028.
- 2.6 It is not currently possible to state in this decision the total budget required to conduct audits and compliance checks for programmes other than the AEB and Free Courses for Jobs (FCfJ) programmes. As such, the Mayor is asked to delegate authority to the Assistant Director – Skills & Employment (Policy) to approve further expenditure required to audit and conduct compliance checks (as applicable) for all non-AEB GLA-funded adult skills projects, programmes and contracts under the same contract. This delegation will support the efficient delivery of audit services in line with the new approach if approved by the Mayor. Officers will ensure that the services required are procured in liaison with TfL Procurement in accordance with the GLA Contracts and Funding Code.
- 2.7 To deliver audits for AEB and FCfJ funded provision (other than local authority provision) under the new 2023-2028 audit approach, this paper requests approval for a combined expenditure of £821,700 from AEB and FCfJ M&A budgets.
- 2.8 The overall budget has decreased due to the conclusion of the AEB Procured and AEB Good Work for All programmes, which has resulted in a reduction in the number of providers that the GLA commissions. Furthermore, the AEB Procured programme was match funded by the European Social Fund (ESF), which required additional assurance activities (undertaken by audit firms) to ensure provider compliance with ESF guidance. This was as an additional cost to the GLA for audit services.
- 2.9 The requested budget includes a contingency to account for potential inflation to market rates over the five year period. Any underspend against this budget will be used to increase the amount of funding available for direct AEB and FCfJ provision.
- 2.10 The AEB and FCfJ budget for each financial year will be presented to the Mayor through the usual AEB Financial Management reports and decisions.
- 2.11 The estimated total number of AEB and FCfJ audits that will need to take place over the next five years, based on the above approach, is set out in the table below:

Financial year	2023-24	2024-25	2025-26	2026-27	2027-28
<b>AEB Grant</b>	4	4	9	8	8
<b>AEB Jobs and Skills for Londoners</b>	21	22	0	0	0
<b>Risk-based audits</b>	4	4	2	2	2
<b>Total (90 audits)</b>	29	30	11	10	10

- 2.12 The frequency of audits remains unchanged, with AEB grant-funded providers subject to audit once every five years, and AEB grant-funded providers who are paid based on actual delivery (e.g. AEB Jobs and Skills for London), audited once during their grant delivery period.
- 2.13 Audits of AEB Jobs and Skills for Londoners providers is expected to take place within the first two years of delivery to ensure the GLA has a mechanism for identifying any issues with new providers early in their contracts. As per paragraph 2.2, providers who receive an unsatisfactory audit opinion will be subject to reaudit the following year; with additional mitigative action taking place, based on the level of risk to public funds identified.

### **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 all adult skills programmes.
- 3.4 The aim of the AEB and other skills funds is to improve opportunities for people who are disadvantaged in the labour market. The AEB and other skills funds are frequently monitored to ensure that funds are supporting groups with protected characteristics including female learners; learners from Black, Asian and ethnic minority communities; and disabled learners. Furthermore, all new adult skills programmes funded by the Mayor are subject to an Equality Impact Assessment to ensure that programme activity does not negatively impact those with protected characteristics. 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 programme monitoring and Equality Impact Assessments.

### **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 all skills programmes is being spent effectively to support Londoners in line with the Mayor's priorities as set out in the Skills for Londoners Strategy and the Skills Roadmap for London.

### Risks arising/mitigation

- 4.3 There is a risk that the expansion of the Audit and Assurance approach from AEB and ESF programmes to all adult skills programmes will be undeliverable due to limited GLA staff being available to support this new approach. To address this risk, following consultation the Skills and Employment Unit gained approval from the Chief Officer to create additional posts to deliver the new Skills Audit approach.

## **5. Financial comments**

- 5.1 This MD is seeking approval from the Mayor for the expenditure of £821,700 over five years (2024-25 to 2028-29 financial years) to deliver audits of all AEB and Free Courses for Jobs (FCfJ) funded provision, and re-audits of providers that receive an unsatisfactory opinion or require a second audit due to high-risk factors.
- 5.2 Since the Mayor approved the GLA's 2019-2024 audit approach for the AEB programme under MD2544, the GLA has received additional funds from central government, through grant award or delegated funding for non-AEB skills programmes. As the 2019-2024 audit approach is limited to audits of AEB and European Social Fund (ESF) provision, the GLA is unable to audit the additional funds under this approach.
- 5.3 Therefore, this decision form requests approval to end the 2019-2024 audit approach one year early, so that it can be replaced with a single approach to audit and conduct compliance checks of all GLA-funded adult skills provision from April 2023 to December 2028. The estimated expenditure for the AEB and FCfJ portion of this approach will be up to £821,700 (of which 17 per cent will be Free Courses for Jobs).
- 5.4 This expenditure of £821,700 will be funded from the Adult Education Programme budget.
- 5.5 Funding for future financial years is subject to the annual budget setting process and is subject to change. The expenditure of £821,700 in the Adult Education programme budget in the financial years 2024-25 to 2028-29 are assumed to be affordable and can only be confirmed when the budget allocation is formally approved as part of the annual budget setting and approval process.
- 5.6 Any contracts that commit the GLA in future years will be subject to appropriate break clauses.

## **6. Legal comments**

- 6.1 The foregoing sections of this report indicate that the decisions it is proposed be requested of the Mayor concern the exercise of:
- 6.1.1 the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development, or the promotion of the improvement of the environment in Greater London and in formulating the proposals in respect of which a decision is sought, officers have complied with the GLA's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom
- (c) consult with appropriate bodies

6.1.2 ministerial functions delegated, by the Secretary of State for Education, to the Mayor pursuant to section 39A of the Greater London Authority Act 1999.

6.2 The Mayor must, in making those decisions, 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, sex, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). Particular attention should be paid therefore to section three of this MD.

6.3 If the Mayor makes the decisions sought officers must ensure:

6.3.1 they follow all procedures for and serve notice required for the early termination of the current audit and compliance arrangements fully in accordance with the applicable contract(s)

6.3.2 all procurement activity to secure the services required is conducted in liaison with TfL Procurement and in accordance with the GLA's Contracts, and Funding Code and contracts are put in place between and executed by the GLA and contractors before commencement of such services

6.3.3 no reliance is placed upon or contracts awarded which rely upon budgets which have not been approved definitively (NB: further Mayoral approval will be required for any further funding required for AEB & FCfJ audit and compliance services over the proposed five-year term).

6.4 The Mayor may make the requested delegation (which is confined to decisions concerning audit and conduct compliance checks for non-AEB GLA-funded matters) to the Assistant Director – Skills & Employment (Policy) pursuant to section 38 of the Greater London Authority Act 1999.

## 7. Planned delivery approach and next steps

7.1 The next steps are summarised below:

Activity	Timeline
Procurement of additional audit firm for 2023-24 audit cycle	September 2023
Procurement of new audit firms for new Skills Audit approach	December 2023
Announcement of successful audit firms	February 2024
Delivery start date	February/March 2024
Delivery end date	December 2028

## 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:**

Ododo Ediabonya has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Tunde Olayinka 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 2 October 2023.

✓

**INTERIM CHIEF FINANCE OFFICER:**

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

**Signature:**



**Date:**

02/10/2023

**CHIEF OF STAFF:**

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

**Signature:**



**Date:**

02/10/2023

