



West Midlands Combined Authority

Independent Training Providers

Final Internal Audit Report

2024/25

Report Status	
Draft Report Issued	21 November 2024
Final Draft Report Issued	8 January 2025
Final Report Issued	10 January 2025

Audit Team	
Matthew Dean	Head of Internal Audit & Information Governance
Karen Smith	Senior Internal Audit Officer
Susan Watts	Internal Audit Officer

Report Distribution	
Helene Dearn	Director of Employment Skills Health and Communities
John Hall	Interim Head of Service, Careers & Employment Support
Kate Taylor	Head of Financial Business Partnering and Strategic Planning

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

Brad Benson	Head of Procurement
Kieran Stockley	Head of Legal Services
Miguel Silva	Senior Delivery Manager, Skills Delivery
Jo Galvin (Report Owner)	Delivery Manager, Quality and Standards
Angela Baskerville	Delivery Manager, Skills Operations
Lucy Bolton	Delivery Manager, Skills Outcomes
Ross Cadman	Delivery Manager, Funding Allocations
Phil Cole	Finance Business Partner - Employment Skills Health and Communities
Will Pemberton	Procurement Lead Officer
Bal Chahal	Principal Solicitor / Business Partner (Commercial/ESHC)

1. EXECUTIVE SUMMARY

INTRODUCTION

From 1st August 2019, the West Midlands Combined Authority became responsible for certain adult education functions of the Secretary of State under the Apprenticeships, Skills, Children and Learning Act 2009. The transfer of Adult Education Budget functions was achieved by way of orders made under the Local Democracy, Economic Development and Construction Act 2009 and the West Midlands Combined Authority (Adult Education Functions) Order 2018 (SI 2018/1144). (Although, Free Courses for Jobs and Skills Bootcamp are Ring-Fenced, which WMCA has less control over)

WMCA funded provision, aims to engage adults, and provide the skills and learning they need to progress into, or within, work; or equip them for an apprenticeship or other learning through various streams - Adult Education Budget, the Free Courses for Jobs, Multiply, and the National Skills Fund Technical Bootcamps. It enables more flexible tailored programmes of learning to be made available, which may or may not require a qualification, to help eligible learners engage in learning, build confidence, and/or enhance their well-being.

An audit of the WMCA's Skills Programme Fund – Independent Training Providers has been conducted as part of the approved internal audit plan for 2024-2025.

Independent training providers are key and valued partners of the Department for Education and Education and Skills Funding Agency delivering vital education and skills training through public funding. Effective governance, operational and financial management is essential for Independent Training Providers to deliver training, enable them to manage their finances, report accurately and transparently to customers and funders, and to make informed business decisions for their future. Such arrangements protect delivery for learners and, therefore, help achieve the best outcomes.

The sector is diverse, ranging from private companies to public limited companies to charities to community groups to sole traders to employer providers and more. Independent Training Providers receive funding under contracts for services. These require providers to comply with funding rules, maintain individualised learner records and submit data and other returns to Department for Education and Education and Skills Funding Agency to support their funding claims.

AUDIT OBJECTIVE AND SCOPE

The objective of this audit was to provide assurance over the management and performance of Independent Training Providers.

The scope of this review has covered the skills programme for the funding year 1 August 2023- 31 July 2024. The key aspects reviewed have included:

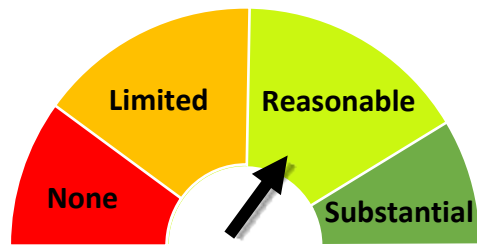
- Allocation of skills programme funding.
- Policies, operational procedures, and published guidance.
- Selection criteria for procuring Independent Training Providers and their contract agreements.
- Arrangements for monitoring Independent Training Providers and evidence of delivery.
- Arrangements for financial due diligence and financial health monitoring of Independent Training Providers.
- Payment arrangements for Independent Training Providers.
- Skills programme delivery outcomes.

The review has not examined the programmes delivered by grant awarded providers (Local Authorities and Further Education colleges).

ASSURANCE OPINION

Reasonable Assurance

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.



BASIS OF AUDIT OPINION

This is based on the scoring mechanism outlined in **Section 2** of this report.

AUDIT RECOMMENDATIONS

High	Medium	Low	Advisory	Total
1	1	2	1	5

SUMMARY CONCLUSION

Overall, we found that there are effective systems and controls in place for the management of Independent Training Providers. However, Internal Audit have identified some areas of non-compliance and areas for development relating to the Dynamic Purchasing System and the financial due diligence & financial health monitoring processes.

The main areas of weakness related to the following:

- Supporting documents retained to demonstrate compliance with joining the Dynamic Purchasing System or commissioning Independent Training Providers had failed to transfer over to the Procurements teams new SharePoint site on 5 occasions (2 occasions were copies of the providers accounts, and the other 3 related to the completed evaluation documents).
- The financial due diligence and financial health monitoring reviews of the management accounts for the Independent Training Providers are not being completed in accordance with WMCA's internal process and the expected frequency, based on their financial RAG rating.

We have provided several recommendations to support the directorate in managing risks as it continues to embed their new Quality and Standards Framework and supporting operational procedures.

We would like to highlight that we found good practice in many areas, and these have been driven by both the Employment Skills Health and Communities directorate, and the supporting enabling services. Areas of good practice have been provided in the section below.

AREAS OF GOOD PRACTICE

The following areas of good practice were identified:

- The different funding streams are received in accordance with the grant determination letters. Funds are allocated accordingly via the cost centres and project codes within the Business World system.
- The reporting requirements for each funding stream are met and supporting documentation is retained by the relevant officers.
- West Midlands Combined Authority reviews the Skills Programme funding rules annually, and they are published on its website, to ensure they are accessible for all Independent Training Providers.

- Detailed operational documents have been produced which outline the roles of the Skills Delivery, Monitoring & Evaluation and Quality & Standards teams, and the reviews they undertake on the Independent Training Providers.
- Copies of the contracts, extensions and deed of variations where applicable, were retained by; Finance, Employment Skills Health and Communities directorate and Legal for the ten Independent Training Providers sampled from the published 2023/24 Skill Programme allocation list as part of the audit. A review of the legal documents confirmed the Terms and Conditions the Independent Training Providers are expected to adhere to, are clearly outlined.
- The ten Independent Training Providers sampled, have been evaluated and monitored with appropriate action taken where necessary.
- The payments made during November 2023 in relation to the ten Independent Training Providers sampled as part of the audit, confirmed that all the internal data checks were undertaken in accordance with the payment process and the correct authorisation was sought by officers prior to making the payments.
- Annual Assurance Statements in relation to the 2023-24 financial year have been submitted and accepted by the Department for Education in accordance with the funding Requirements.
- The published Payment & Performance Management Framework provides Independent Training Providers with clear guidance on how WMCA will manage contract performance and compliance.

2. ASSURANCE OPINION CLASSIFICATION & DEFINITIONS

Assurance Rating	Classification Terminology	Definition
No Assurance	<ul style="list-style-type: none"> • > 5 High risk recommendations; and/or • Repeated breach of laws/regulations • Significant risk to the achievement of organisational objectives/ outcomes • Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented. 	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited Assurance	<ul style="list-style-type: none"> • ≥ 2 High risk recommendations; or • > 6 Medium risk recommendations • 10+ Low risk recommendations 	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	<ul style="list-style-type: none"> • ≤ 1 High risk recommendations; or • ≤ 6 Medium risk recommendations • ≤ 8 Low risk recommendations 	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial Assurance	<ul style="list-style-type: none"> • No High risk recommendations; and • ≤ 2 Medium risk recommendations • ≤ 6 Low risk recommendations 	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Note: Professional judgement can override the provisional opinion rating that is arrived at using the scoring guidance above. This judgement must be based on evidence obtained during the audit and be sufficient for the Head of Internal Audit and Information Governance to determine that the provisional rating is not an accurate reflection of the controls and arrangements that are present. Where professional judgement is applied, the rationale for deviation from the guidance must be provided.

Disclaimer

The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a complete statement of all the weaknesses that exist or all the improvements that might be made. This report (including any enclosures and attachments) has been prepared for the exclusive use for the addressee(s) and solely for the purpose for which it is provided. This report should not be reproduced, distributed or communicated to any third party in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. WMCA neither owes nor accepts any liability if this report is used for an alternative purpose from which it is intended, nor to any third party in respect of this report.

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