



West Midlands Combined Authority:

Audit and Compliance Scope

This document sets out the approach to audit and compliance for employment and skills-funded programmes.

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Purpose

The purpose of audit and compliance is to minimise financial risks across skills programmes and projects within the Economy, Skills, and Communities directorate and to prevent reputational damage.

The approach serves these key functions:

- Monitoring delivery of programmes/projects to ensure they achieve value for money and agreed outcomes/outputs
- Evaluate audit and compliance with funding and contractual requirements.
- Hold providers to account to ensure their delivery uses public funds effectively
- Highlight provider and programme/project risk through audit and compliance activity.

Audit and Compliance Monitoring

To ensure that systems and processes are in place to assure the West Midlands Combined Authority (WMCA) that funding is being used appropriately, we will undertake a tiered approach to Audit and Compliance activity for all providers receiving funding via Employment and Skills activity, including subcontracted provision.

Typically, reviews will be conducted against the available contract year data. However, if concerns are raised, WMCA reserves the right to conduct reviews for previous contract years.

Audit and Compliance Reviews.

WMCA will undertake a range of activities to identify and minimise risk, falling into the following areas:

- Tier 1 – Onboarding and Supportive reviews
- Tier 2 - In-depth compliance and qualitative reviews
- Tier 3 external audits

The number of audit and compliance reviews will vary depending on the programme/project; however, all new providers and contracts will be subject to a tier 1 review within 3 months of contract start date/contract delivery.

Compliance and audit reviews may be undertaken online or on-site, at the provider premises.

The audit and compliance process will be overseen by an internal Quality and Standards Panel, which will ensure the intent of the audit and compliance scope is met.

The outcomes of audit/compliance reviews will be reported to the Quality & Standards Panel for consideration of actions where applicable. Providers graded as red or amber or have been flagged on the risk register may be subject to additional reviews.

Tier 1 – Onboarding and supportive review

Tier 1 reviews will be conducted by delivery teams according to project/programme requirements; however, this is likely to be within the first 3 months of delivery. The reviews aim to be a light-touch approach and provide initial support for new projects/programmes, with the intent to identify and address potential risk areas.

Reviews may include but are not limited to.

- Onboarding
 - to support assurance that the project/programme is in line with contractual requirements.
- Payments and Funding
 - to support the volume and value of funding and expenditure claims
- System and process
 - to ensure that the provider has effective systems and processes in place to support a quality and compliant provision.
 - To ensure branding and publicity are in line with the contractual rules and specifications.
- Data quality

While no formal reports will be issued for tier 1 reviews, feedback may be captured to support ongoing actions and assurance. Risks identified during these reviews will be raised with the Quality and Standards team and discussed at the Quality and Standards Panel to determine the next steps. This could include but is not limited to:

- A provider improvement plan
- Selection for a tier 2 compliance review
- Selection for a tier 3 external audit

Where high-risk factors emerge, WMCA reserves the right to pause all or part of the delivery. The exact timeframe will be dependent on the extent of the areas for improvement.

Tier 2 Compliance Review

Tier 2 compliance reviews will be conducted by the Quality and Standards team and follow a schedule as selected by the Quality and Standards Panel.

Additional reviews outside of the agreed schedule will be selected on a case-by-case basis by the Quality and Standards Panel and will be linked to high-risk emerging factors. This includes but is not limited to:

- Quality of data
- Risk raised from tier 1 reviews
- Whistleblowing

Tier 2 compliance reviews will identify and address compliance and quality issues, tested against the underlying data and evidence to support the funding claimed from WMCA.

This includes but is not limited to:

- Evidence exists:
 - to support resident eligibility in line with the funding rules/programme guidance documents
 - to ensure the delivery is part of the agreed delivery plan and contract specification.
 - to support learning and/or learner-support claims (where applicable)
 - to support achievement claims (where applicable)
 - to support claimed outcomes (where applicable)
- Payments and Funding
 - to support the volume and value of funding and expenditure claims
- System and process

- to ensure that the provider has effective systems and processes in place to support a quality and compliant provision.
- to ensure branding and publicity are in line with the contractual rules and specifications.

Where compliance reviews are graded as amber or red and/or funding risk is deemed unsatisfactory, the Quality and Standards Panel will review the feedback report and determine the next steps. This could include but is not limited to:

- A formal provider improvement plan
- Selection for a tier 3 external audit
- Suspension/termination of contract

Where high-risk factors emerge, WMCA reserves the right to pause all or part of the delivery. The exact timeframe will be dependent on the extent of the areas for improvement.

Tier 3 external audit

Tier 3 audits will be conducted by an externally appointed audit firm and follow an audit schedule as selected by the Quality and Standards Panel.

Additional reviews outside of the agreed schedule will be selected on a case-by-case basis by the Quality and Standards Panel and will be linked to high-risk emerging factors. This includes but is not limited to:

- Quality of data
- Grading on tier 2 reviews
- Whistleblowing/complaints

The purpose of tier 3 audits is to provide WMCA with external assurance that funding disbursed to providers is being used appropriately and that providers have met contractual requirements attached to the underlying data, supporting the funding claimed from the WMCA.

WMCA reserve the right to conduct a sample of providers under a tier 3 external audit at any time during the contract period.

Where audit reviews are graded as amber or red and/or funding risk is deemed unsatisfactory, the Quality & Standards Panel will review the feedback report and determine the next steps; this could include but is not limited to:

- A formal provider improvement plan
- Suspension/termination of contract

The Audit & Compliance Process

An overview of the audit and compliance process is included below. For more in-depth processes and documentation, please refer to individual programme/project guidance.

Notification

Depending on the project/programme and tier type; providers will be given a minimum of 5 working days' notice. There may be instances when the notice period may be shorter, but we will try to keep these to a minimum.

Through communication, providers will be informed of:

- Expected tier type.
- Contact details of the auditor/compliance personnel
- Number of days on-site (if applicable)
- Sample size
- Required documentation.
- Process for upload (if applicable)

Providers will be expected to:

- Acknowledge receipt of the review
- Send any requested data in the time provided.
- Ensure all selected documentation is available and ready to view on the first morning of the review.
- Provide the name of the key contact.

Throughout the visit, additional evidence may be requested to support funding assurance.

Draft Report

Upon finalisation of tier 2 and 3 reviews, a draft report will be sent to providers, giving feedback on:

- Grading in line with the Grading Matrix for the associated programme/project.
- Funding error rate value and percentage.
- The outcome of the use of funds.
- Value of funding reconciliation (if applicable).
- Identification of possible missed or overclaimed submissions.
- Quality concerns
- Identification of areas for development and sharing of best practices.

On receipt of the draft report, providers will be expected to:

- acknowledge receipt of the review
- address any non-compliance areas raised.
- send any requested data/evidence, within 10 working days.
- Update/remove data errors and associated funding (if applicable).
- respond to our recommendations by outlining the specific actions to be taken, assigning responsibility to the relevant individual, and providing a proposed implementation date.

Where providers do not submit evidence in a timely manner, WMCA reserves the right to extrapolate a funding error value based on available evidence, which will be recovered by invoice or offset.

Final Report

Feedback and additional evidence will be reviewed before issuing the final report, this will normally take place within 14 working days. No opportunity will be given after the final report has been issued to submit additional evidence.

Where reviews are graded as amber or red and/or funding risk is deemed unsatisfactory, the WMCA will review the final feedback report and determine the next steps; this could include but is not limited to:

- A formal provider improvement plan.

- A provider-led 100% audit
- Increase review schedule.
- Issue a suspension or contract termination.

Where high-risk factors emerge, WMCA reserves the right to pause all or part of the delivery while an external auditor/s is appointed. The exact time frame is dependent on the extent of the areas for improvement.

Where an error/s has been identified and can be ring-fenced, providers may be required to undertake a 100% compliance review of the (sub-) population to determine the full extent of the errors. WMCA reserves the right to ask the provider to conduct a 100% compliance review of all or part of its services.

Where the review identifies funding errors, providers will be required to agree on the funding value associated. Any errors, both in relation to the current funding year or prior years, not repaid by data correction will be recovered by invoice or offset against future payments.

Quality and Standards Assurance

Quality & Standards Panel

Quality and standards are an integral part of the allocation of employment and skills funding and intertwine with both delivery and compliance.

The purpose and introduction of a Quality and Standards Panel, which forms part of the overall [Quality and Standards framework](#), ensures there is an objective overview of quality assurance that is informed by the monitoring and evaluation of delivery and compliance activity. A key focus for the panel will be to monitor, review and evaluate reports to minimise financial risks, within the Economy, Skills, and Communities directorate, preventing reputational damage.

The Quality and Standards Panel will review all emerging areas of concern that arise from audit and compliance reviews and make recommendations as required.

Good Practice Standards

To support providers in self-assessment of delivery, WMCA will issue providers a Grading Matrix and toolkit.

The Grading Matrix will support providers in understanding the parameters they are being measured against.

Audit and Compliance Appeals Procedure

WMCA recognises the importance of establishing a mechanism by which individual providers can raise an appeal and disputes can be resolved at the earliest possible opportunity.

If a provider feels that they have been treated unfairly during the Quality and Standards process, or that the written feedback and final grade/funding value do not reflect the true quality and compliance, then they have the right to appeal.

Purpose:

The West Midlands Combined Authority (WMCA) aims to ensure all audit and compliance activity is fair, consistent, and based on valid judgments. This document explains the process that providers need to go through should they wish to appeal a decision made about compliance or audits undertaken via the WMCA's [Quality and Standards Framework](#).

Appeals Process:

Providers should, where possible, resolve any actions arising from audit and compliance activity within 10 days of receipt of the draft report being issued by the WMCA. However, if an agreement cannot be reached the provider can appeal against audit and compliance activity decisions within 20 working days of receiving the final report by emailing the [Quality and Standards email address](#). The appeal is usually a desk-based process and is completed by WMCA staff who were not involved in the original decision.

The appeal must include the reasons for the appeal and details of specific instances where the provider believes that WMCA did not follow the correct procedures in reaching the original decision. Additional supporting documents can be included with the appeal and must be clearly referenced. If the appeal does not include the required information, it will be returned to the provider, with details of what information is missing. A deadline will be given for this information to be included. The provider must respond fully within this deadline, or the appeal will not be heard.

Timeline:

Draft report	WMCA will issue a draft report to the provider with the audit findings within 10 working days. Providers will have the opportunity to supply additional evidence and feedback.
Final Report	WMCA will issue a final report to the provider with the final audit grading within 14 working days of feedback being provided.
Appeals of audit report	The provider will need to submit an appeal within 20 working days of the date of the final report issued.
Acknowledgement	2 working days after receipt of the provider appeal.
Appeal consideration	WMCA appeal reviewers will decide whether the case should be rejected or referred for consideration to the Quality and Standards Panel within 7 days of submission.
Appeal review	The Quality and Standards Panel will consider all evidence, and reach a collective decision within 20 days of the appeal.
Written outcome	25 working days from the date of the acknowledgement.

Quality and Standards Panel:

The Quality and Standards Panel will, where applicable, review appeals from audit and compliance activity, including supporting documents, and any records relating to the original decision made by WMCA. All the information (including that provided by the provider and records kept by WMCA) will be reviewed against the relevant procedures and policy documents to confirm the correct procedures have been followed.

Outcome:

After a review of the appeal, there are two possible outcomes:

- The appeal is upheld because any one of the correct processes, procedures, or policy documents was not followed. WMCA will send a letter of notification to the provider which will include proposed remedial action (such as possible clarification of WMCA's procedures) and a new grade where applicable.
- The appeal is rejected because all the correct processes, procedures, and policy documents were followed.