

The Report of the Comptroller and Auditor General to the House of Commons

1. The National College for Teaching and Leadership (NCTL) provides £318m in grants, mainly for training new teachers. The NCTL is an executive agency of the Department for Education (the Department). The NCTL is responsible for recruiting and developing the school workforce, and to help schools to help each other improve. It achieves this principally through the provision of grant funding to teacher training providers and schools.

2. As the independent external auditor I am required to give an opinion on regularity. When considering my regularity opinion, I consider whether, in all material respects, the income and expenditure recorded in the NCTL's financial statements for 2016-17 have been applied for the purposes intended by Parliament, and that the transactions recorded in the financial statements conform with the authorities that govern them.

3. I have qualified my opinion on the financial statements due to a limitation in the scope of my audit of the regularity of the NCTL's grant expenditure. As a grant giving agency, the NCTL is responsible for gaining sufficient assurance that grants are being used for the purposes intended. The NCTL has not provided me with sufficient evidence that grants paid to training providers and schools were used for the purposes intended, and conformed with the legislation relevant to grant streams, including the *Education (Teacher Training Bursaries) (England) Regulations 2001* and *Education Act 2002*.

4. The design of the NCTL assurance framework does not sufficiently address the risks of irregular grant expenditure. The NCTL provides me with evidence over the regularity of grant expenditure through grant returns that training providers must prepare and have certified by independent reporting accountants. However, the NCTL has not issued clear instructions defining the procedures it expects to support the certification of grant returns. As a consequence the nature, scope and amount of work undertaken by reporting accountants is likely to be inconsistent. In previous years, the NCTL has however carried out sufficient review and challenge of grant returns to demonstrate the regularity of grant expenditure as a result of the weakness in the design of the assurance framework.

5. The effectiveness of the NCTL's assurance framework deteriorated in 2016-17 and did not provide me with the expected level of assurance over the regularity of grant expenditure. The review and challenge of grant returns undertaken by NCTL grant managers did not identify a number of significant inconsistencies within grant returns. The NCTL's Early Years grants management team considered their own trainee number records more reliable than the numbers disclosed in independently certified grant returns, which they considered to be erroneous.

6. Reporting accountants raised concerns that the certification work that the NCTL asked them to carry out was not compliant with relevant professional standards. Some reporting accountants did not consider that the work they were undertaking was sufficient to provide the form of assurance that NCTL requested. In response to this, some reporting accountants (2016-17: 35%) did not sign the NCTL template assurance certificate.

7. The NCTL tested student records directly but the results did not provide reasonable assurance that the value of any irregular payments would be immaterial. 40% of the training providers tested held inaccurate data at trainee level pertaining to student qualification details or candidate withdrawal dates, which can affect the amount of grant funding due. Of the training

providers asked to support their grant claims by providing schedules of student details, 25% had variances exceeding £1,000 demonstrating that they couldn't fully substantiate their claims. The volume of testing conducted was not sufficient to confirm whether these weaknesses resulted in a material level of irregular payments, but indicated the potential for material irregularity remaining undetected by the NCTL. The NCTL are not undertaking further testing to determine whether the level of irregular payments would be material as it would require significant additional resources, and wish to focus its efforts on strengthening the control environment for future years.

8. The NCTL did not require grant recipients to maintain records that show students are eligible for the bursaries paid. I estimate 23% of providers have not retained full primary records and in these cases it is not possible for the NCTL to establish whether degree details were correctly recorded by the training provider, and consequently whether the trainee teacher and training provider were paid the right amount.

9. The NCTL are taking action to address the weaknesses in its control environment but its ability to improve controls for the 2017-18 financial year are limited. The NCTL has worked with the Institute of Chartered Accountants in England and Wales (ICAEW) to improve the assurance instructions for 2017-18 and will be issuing instructions that are in line with the understood requirements of a limited assurance engagement. A grants assurance working group is being established in the Department, chaired by the Department's Operational Finance Director and the NCTL Accounting Officer. This is looking to draw on best practice from other assurance teams and streamline approaches across the Departmental group.

Recommendations

I have identified significant weaknesses in the assurance mechanisms employed by the NCTL in 2016-17 to provide assurance over the regularity of grant expenditure. To improve processes in future years:

- a. The NCTL is taking forward my recommendations to strengthen the existing control arrangements for 2017-18, including to:
 - a. Provide clear instructions for reporting accountants to ensure that they provide the assurance required by the NCTL.
 - b. Work with professional bodies to ensure that the requested form of assurance complies with relevant professional standards.
 - c. Ensure that the assurance team has adequate capacity and capability to assist grant managers to fully review and challenge grant returns.
- b. For future years the NCTL should review the design of the control framework to ensure that they:
 - a. understand the inherent risk of irregularity
 - b. review whether the controls in place are sufficient and efficient to mitigate the identified risks;
 - c. Provide clear guidance to training providers on the records that they are required to retain.
- c. The Department should ensure that it establishes processes to identify and promulgate best practice in managing grants across the Departmental Group.

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