



Report to the Audit Committee

BLACKBURN COLLEGE

Audit Completion: year ended 31 July 2021

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CONTENTS

1	Introduction	3	Adjusted audit differences: Summary	21
	Welcome	3	Adjusted disclosure omissions and improvements	22
2	Executive summary	4	8 Control environment	23
	Overview	4	Control environment: Significant deficiencies	23
	The numbers	5	9 Audit Report	24
	Other matters	6	Audit report overview	24
3	Audit risks	7	10 Independence	25
	Overview	7	Independence	25
	Management override of controls	8	Fees	26
	Going concern	9	11 Appendices contents	27
	Revenue recognition	10		
	Pension liabilities - LGPS and enhanced pensions	11		
	Pension liabilities - LGPS and enhanced pensions	12		
4	Significant matters	13		
	Significant matters	13		
5	Significant matters	14		
	Regularity	14		
	Key judgements and estimates	15		
	Key judgements and estimates	16		
	Financial statement disclosures	17		
6	Additional considerations	18		
	Matters requiring additional consideration	18		
7	Audit differences	19		
	Unadjusted audit differences: Summary	19		
	Unadjusted disclosure omissions and improvements	20		

WELCOME

- Contents
- Introduction
- Welcome
- Executive summary
- Audit risks
- Significant matters
- Significant matters
- Additional considerations
- Audit differences
- Control environment
- Audit Report
- Independence
- Appendices contents

We have pleasure in presenting our Audit Completion Report to the Board. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 July 2021, specific audit findings and areas requiring further discussion and/or the attention of the Board. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Board meeting on 15 December 2021, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the Management and staff of the College for the co-operation and assistance provided during the audit.

Helen Knowles

[date]



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

Overview

Our audit work is now complete and we will be issuing an unmodified audit opinion on the College’s financial statements for the year ended 31 July 2021 in line with the agreed timetable.

Outstanding matters are listed on page 34.

There have been changes made to the planned audit approach. One risk have been updated since issuing the planning report, this has been outlined in page 7. This surrounds going concern and the reduction from a significant risk to a normal risk.

No restrictions were placed on our work.



This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements for the College for the year ended 31 July 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Audit report

We will issue an unmodified audit opinion on the individual financial statements of the College as set out on page 24.

THE NUMBERS

Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Audit risks
- Significant matters
- Significant matters
- Additional considerations
- Audit differences
- Control environment
- Audit Report
- Independence
- Appendices contents

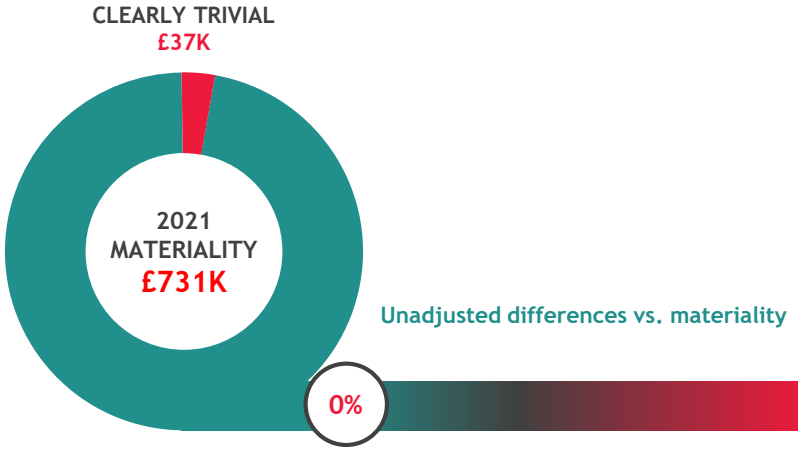
Final Materiality

Materiality was determined based on Revenue.

Changes were made to planning materiality of £637k as a result of an increase in income from the forecasted outturn position at the planning stage of the audit and an amendment to our calculation.

Unadjusted audit differences

We have not identified any unadjusted audit differences.



Audit scope

Our approach was designed to ensure we obtained the required level of assurance. This objective has been achieved.

OTHER MATTERS

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

Financial reporting

- We have not identified any non-compliance with the College's accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.



Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events - now confirmed 15/12/21.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the College in accordance with the FRC's Ethical Standard.

OVERVIEW

- Contents
- Introduction
- Executive summary
- Audit risks**
- Overview
- Management override of controls
- Going concern
- Revenue recognition
- Pension liabilities - LGPS and enhanced pensions
- Pension liabilities - LGPS and enhanced pensions
- Significant matters
- Significant matters
- Additional considerations
- Audit differences
- Control environment
- Audit Report
- Independence
- Appendices contents

As identified in our audit planning report dated 21 May 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Audit Risk	Significant or Normal?	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point	Amendments to planning report
Going Concern	Normal	Yes	No	No	No	Yes	Reduced from significant - see page 9
Revenue recognition	Significant	No	No	No	No	No	N/A
Management override of controls	Significant	Yes	No	No	No	No	N/A
DB pension scheme liability	Normal	No	Yes	No	No	Yes	N/A

 Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Going concern
Revenue recognition
Pension liabilities - LGPS and enhanced pensions
Pension liabilities - LGPS and enhanced pensions
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

Details

Our understanding is that the most likely areas where management override could take place are the posting of journals and in the judgements involved in accounting estimates within the financial statements.

In assessing the risk and designing our response we assessed where the risk of fraud is greatest and targeted our work on those journals.

Testing

We obtained a complete list of journals and, using information gathered during the audit and our understanding of the entity we target tested those journals and adjustments that we considered may be inappropriate or unusual. We did this using our data analytics tool, Advantage.

We also reviewed material journals and transactions outside of what is considered the normal course of business.

We reviewed significant accounting estimates and judgements to ensure they were appropriate.

Results and conclusion

Journals

Our audit testing on journals was completed satisfactorily. No issues arose from our work around journals which we wish to bring to your attention.

Accounting estimates

Our review of accounting estimates showed management's estimates to be a reasonable basis on which to calculate elements of the financial statements. The review can be found on pages 15-16. We did not identify any matters that indicate management bias in this area.

GOING CONCERN

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Risk description

This is an uncertain environment: forecasting student numbers is challenging and forecasting future cash flows with any degree of certainty is also challenging.

Management must assess whether they are satisfied that the College will remain a going concern for a period of at least 12 months from the date of signing of the annual financial statements.

The global outbreak of COVID-19 in early 2020 has placed financial and operational pressures on the College's financial resources. This includes:

- funding body grants and tuition fee income (reliant on student recruitment numbers)
- defaults on student debts

Following our detailed planning work, we have reduced the risk around going concern from significant (as reported in our planning report) to normal.

Accordingly, we consider going concern to be a normal level risk for the College.

Details

We have reviewed:

- ▶ Management's forward budgets for FY22 and indicative forecast for FY23 - we have challenged the underlying assumptions and agreed forecasts where relevant to supporting documentation, such as the 2021/22 ESFA 16-19 funding allocation statement

- ▶ Cash flow forecast through to July 2023 - this shows the College will remain strongly cash-positive throughout this period, with a projected cash low point of £12.97m in July 2022
- ▶ Current loan facilities and forward loan covenant calculations - we have challenged the forecasting methodology and performed a sense check on results

Commentary

The College had cash of £13.3m and loans of £11.6m as at 31 July 2021. Whilst the loans are fully drawn, the College has an unused revolving credit facility of £6m and an unused overdraft facility of £4m, providing ample funding headroom if required.

We note that all loan covenants are forecasted to be comfortably met for both FY22 and FY23.

We have also reviewed the disclosures made about going concern in the narrative reports section of the financial statements, including the impact of COVID-19, and are content that the disclosure is sufficiently robust.

Discussion and conclusion

Following our testing performed, we concur with management's assessment that the College is a going concern. We will continue to assess the going concern position up to the point of signing.

REVENUE RECOGNITION

Under International Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” there is an assumption that revenue recognition is a fraud risk.

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

Risk description

The two main income streams for the College are funding body grants (primarily from the ESFA) and tuition fee income. There is also a material amount of other income received.

Funding Body Grants

Within Blackburn College there is a significant amount of income from recurrent funding body grants. The risk related to this income stream is that of overstatement due to inappropriate recognition of clawback.

Work undertaken:

- We have reconciled the ESFA income to the funding allocation letters and agreed income through to bank receipts;
- We have tested the eligibility of a sample of students for funding received;
- We have agreed the release of deferred government capital grants and ensured that these are being released in line with the depreciation on the assets to which they relate.

Tuition fee income

The processing of student tuition fees is automated and fees are restricted to pre-approved rates.

With courses spanning the financial period end, the risk related to this income stream is that of inappropriate cut off.

Work undertaken:

- We set an expectation of tuition fee income based on the tuition fees charged during the year, and the number of students. This was compared with the income recognised in the year;

- We have tested a sample of students withdrawn in the year to confirm appropriate revenue recognition;
- We tested a sample of students agreeing back to supporting registration documentation and the course fees charged; and
- Cut off testing has been performed to ensure income has been recognised within the correct period.

Other grants and income

Other material income streams include other grants, catering, support and admin services and miscellaneous income. There is a risk that the income is not recognised in the period in which the activities to which it relates were performed.

Work undertaken:

- We agreed a sample of other income transactions to supporting documentation and recalculated deferred income balances (where relevant) to ensure income has been recognised in the correct period.
- Cut off testing has been performed to ensure income has been recognised within the correct period.

Conclusion

Based on our review of revenue within the financial statements, we are comfortable that the figures are not materially misstated. There were small errors found with testing in regards to withdrawals of students in regards to tuition fee income and the marking of virtual registers in regards to funding body grants, however we agree that the college had already rectified these errors and therefore there was no direct impact on funding levels. We would advise the college to ensure regular checks are performed between register and ILR file to ensure dates are consistent.

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Going concern
Revenue recognition
Pension liabilities - LGPS and enhanced pensions
Pension liabilities - LGPS and enhanced pensions
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

PENSION LIABILITIES - LGPS AND ENHANCED PENSIONS

The value of the liability can fluctuate significantly dependent on the assumptions and movements in the market. Pension valuations will be affected by the impact of COVID-19 events on the stock market, other asset valuations and changes to discount rates.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Risk description

The College balance sheet at 31 July 2020 had substantial liabilities regarding the following pension schemes:

- LGPS pension (LCPF) - £29.1m
- Enhanced pensions (EPP) - £1.5m

The movement on the value of the provisions at 31 July 2021 is dependent on the assumptions applied. The value of the liability can fluctuate significantly dependent on the assumptions set by the scheme actuaries and movements in the market. Pension valuations will be affected by the impact of COVID-19 events on the stock market, other asset valuations and changes to discount rates.

Testing

LCPF

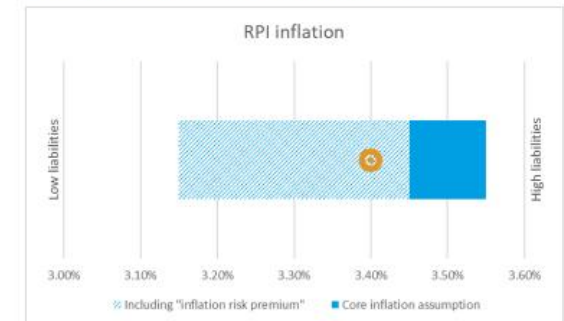
We obtained the actuarial report for LCPF pension provision, as prepared by the College's actuaries, and used our actuarial team to review the assumptions for 2021 therein to determine whether we considered the year end liability to be materially correct.

To test the fund asset balance we have confirmed the balance as at the year end date with the pension fund directly and obtained control reports for the fund custodian Northern Trust.

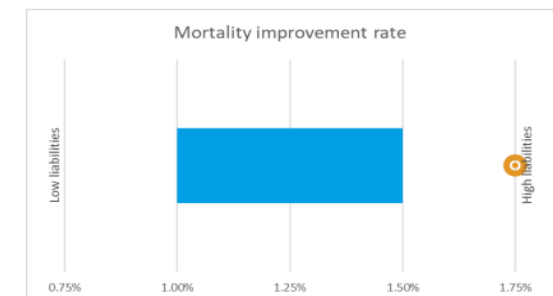
The proposed assumption is within the range which we would consider reasonable for a scheme with a duration of 19 years.



The proposed assumption is within the range which we would expect for a scheme with a duration of 19 years.



Although the long-term rate of mortality improvements is higher than we would typically expect, we are comfortable with the proposed mortality assumptions.



PENSION LIABILITIES - LGPS AND ENHANCED PENSIONS

Contents
Introduction
Executive summary
Audit risks
Overview
Management override of controls
Going concern
Revenue recognition
Pension liabilities - LGPS and enhanced pensions
Pension liabilities - LGPS and enhanced pensions
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

The value of the liability can fluctuate significantly dependent on the assumptions and movements in the market. Pension valuations will be affected by the impact of COVID-19 events on the stock market, other asset valuations and changes to discount rates.

- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings to be reported in Mgmt letter
- Letter of Representation point

Testing (continued)

EPP

We obtained a copy of the Enhanced Pension Provision calculation prepared by Broadstone. We reviewed the assumptions in the calculation, ensuring that they are in line with sector wide practices for this pension scheme and also that growth assumptions were in line with the College’s budget for future periods to determine whether we consider the year end liability to be materially correct.

Results and conclusions

LCPF

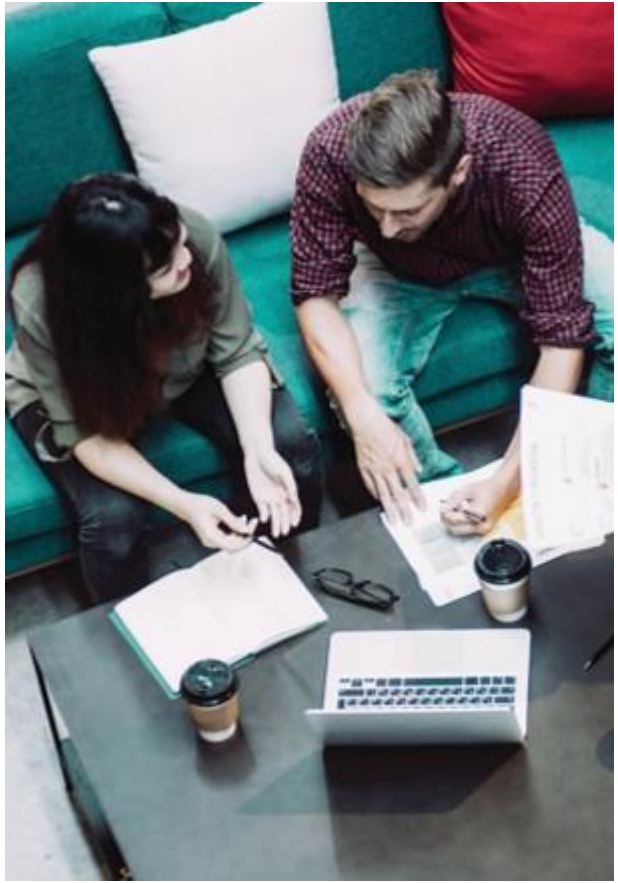
The net defined benefit scheme liability has reduced from £29.1m to £27.6m at 31 July 2021.

Our actuarial team have reviewed the assumptions and advise that they provide a reasonable basis for the liability calculation. Further information on the assumptions applied is detailed on page 16 of this report. We are comfortable that these are not materially misstated.

EPP

The Enhanced Pension Provision has remained near identical to prior year, at £1.5m.

Testing has been completed satisfactorily. We have reviewed the accounting and disclosure for both schemes and are content these are fairly presented in the financial statements.



SIGNIFICANT MATTERS

The following are additional significant matters arising during the audit which we want to bring to your attention.

Issue	Comment
Blakey Moor / impairment	<p>We note that the College’s unused Blakey Moor property remains unsold, but note that a buyer has been found and solicitors from both parties are agreeing contracts.</p> <p>We have reviewed the carrying value of the property to assess whether there is any impairment to the value, given its current mothballed status. We note the carrying value of the property in the College books is £0.1m, and that the projected sale value would be in the region of £0.5m. As such, we are content that there is no impairment of the carrying value.</p> <p>Land and buildings remains the largest item on the College balance sheet, at cost of £77m and net book value of £45m. Management have conducted an assessment of the requirement for an impairment review, as required under section 27 of FRS 102, and prepared a formal impairment review paper. We have reviewed the paper prepared and have no significant issues to note.</p>



- Contents
- Introduction
- Executive summary
- Audit risks
- Significant matters**
- Significant matters
- Significant matters
- Additional considerations
- Audit differences
- Control environment
- Audit Report
- Independence
- Appendices contents

REGULARITY

- Contents
- Introduction
- Executive summary
- Audit risks
- Significant matters
- Significant matters**
- Regularity
- Key judgements and estimates
- Key judgements and estimates
- Financial statement disclosures
- Additional considerations
- Audit differences
- Control environment
- Audit Report
- Independence
- Appendices contents

Issue	Comment
Our Opinion on Regularity	We are required to express a separate explicit opinion on regularity. We have therefore performed testing on redundancy and expense claim costs in the financial year. Our regularity audit testing did not suggest any inappropriate application of income or expenditure in the year.



KEY JUDGEMENTS AND ESTIMATES

Judgements: Impairment of tangible fixed assets

Overview

Management has performed a review of indicators of impairment which includes, amongst others, the following areas:

- Significant changes that have occurred, or are planned imminently, to the way the asset is used, for example the governing body may require a restructure or business plans lead to courses being withdrawn and assets becoming idle; and
- Evidence indicating that the economic performance of an asset is significantly worse than expected.

Discussion

We have reviewed management's assessment in respect of the indicators of impairment and we have inspected the corroborative evidence to support the assertions made in concluding whether any indicators of impairment exist. We concur with management's assessment that there are no indicators of impairment in respect of tangible fixed assets.

Estimates: Useful economic lives of tangible and intangible fixed assets

Overview

The useful economic lives chosen by the College will impact the depreciation charges for the year and hence the result for the year.

The depreciation expenses are typically excluded from loan covenant calculations, so do not impact compliance with interest cover covenants.

Discussion

The UELs used by the College are consistent with others in the sector. The treatment is consistent with that applied in the previous financial year.

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Regularity
Key judgements and estimates
Key judgements and estimates
Financial statement disclosures
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

KEY JUDGEMENTS AND ESTIMATES

Estimate: Defined Benefit Pension Scheme Assumptions

Overview

The movement on the value of the provisions at 31 July 2021 is dependent on the assumptions applied. The value of the liability can fluctuate significantly dependent on the assumptions set by the scheme actuaries and movements in the market. See discussion on P11.

These assumptions are ultimately the responsibility of the Board but should be set based upon advice given by an actuary.

Discussion

- Our actuarial team have reviewed the assumptions and advise that they provide a reasonable basis for the liability calculation.
- Further discussion is included on P11.

Estimate: Provision For Bad Debt

Overview

Management estimate a provision for bad or doubtful debts recognised as current assets at 31 July 2021.

Discussion

- Our testing of the provision included within the financial statements found the estimate made by management to be reasonable.

Contents

Introduction

Executive summary

Audit risks

Significant matters

Significant matters

Regularity

Key judgements and estimates

Key judgements and estimates

Financial statement disclosures

Additional considerations

Audit differences

Control environment

Audit Report

Independence

Appendices contents

FINANCIAL STATEMENT DISCLOSURES

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Regularity
Key judgements and estimates
Key judgements and estimates
Financial statement disclosures
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Appendices contents

Financial statement disclosures: Accounting policies

Overview

Financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice: accounting for further and higher education (FEHE SORP 2019) and the ESFA College Accounts Direction 2020-21.

Discussion

- We have not identified any non-compliance with accounting policies or applicable accounting framework.

Financial statement disclosures: APP expenditure

Overview

Where a provider has an access and participation plan that has been approved by the OfS' Director of Fair Access and Participation the provider must include a note in its audited financial statements that sets out its expenditure on a number of defined headings.

Discussion

- No matters to note.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Matters requiring additional consideration
Audit differences
Control environment
Audit Report
Independence
Appendices contents

Fraud

Whilst the governors have ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan on 21 May 2021.

Laws and regulations

The most significant consideration(s) for your College are HERA 2017, Employment Taxes, Health and Safety and the Bribery Act 2010 and VAT legislation. We made enquiries of management and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We have no issues to report to you from our audit of related party transactions or the related party transactions note in the financial statements.

Regularity

We are also required under the ESFA 'Post-16 Audit Code of Practice 2020 to 2021' to report in our capacity as Reporting Accountants on the College's Statement on Regularity, Propriety and Compliance and whether it is fairly stated. The objective of the regularity audit is to perform such procedures as to obtain information and explanations in order to provide us with sufficient evidence to express a negative conclusion on regularity.

Our testing in this area reviews substantive items of expenditure to assess whether in all material respects funds were used for the purposes given (including donations and all sources of grant funding).

Our testing in this area is complete; there are no issues which we wish to bring to your attention.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Unadjusted audit differences: Summary
Unadjusted disclosure omissions and improvements
Adjusted audit differences: Summary
Adjusted disclosure omissions and improvements
Control environment
Audit Report
Independence
Appendices contents



We are required to bring to your attention unadjusted differences and we request that you correct them.

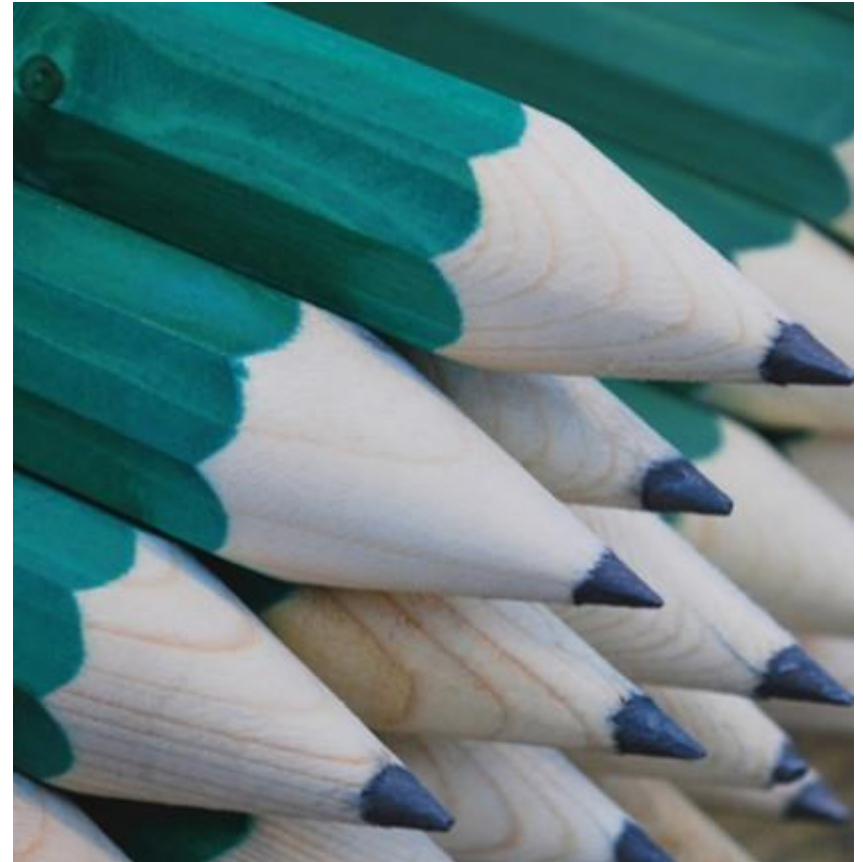
We have not identified any unadjusted audit differences during our audit work.

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Board is required to consider.

There are no unadjusted disclosure matters to note.



Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Unadjusted audit differences: Summary
Unadjusted disclosure omissions and improvements
Adjusted audit differences: Summary
Adjusted disclosure omissions and improvements
Control environment
Audit Report
Independence
Appendices contents

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Unadjusted audit differences: Summary
Unadjusted disclosure omissions and improvements
Adjusted audit differences: Summary
Adjusted disclosure omissions and improvements
Control environment
Audit Report
Independence
Appendices contents



There were no audit differences identified by our audit work that were adjusted by Management.

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit Committee is required to consider.

We reviewed your draft statutory financial statements for the year ended 31 July 2021, including the disclosures in the 'Other information' (the Strategic Report and Statement of Corporate Governance and Internal Control), and reported our comments back to management.

Our comments have been processed by management appropriately and we have no further comments to bring to your attention.



Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Unadjusted audit differences: Summary
Unadjusted disclosure omissions and improvements
Adjusted audit differences: Summary
Adjusted disclosure omissions and improvements
Control environment
Audit Report
Independence
Appendices contents

CONTROL ENVIRONMENT: SIGNIFICANT DEFICIENCIES

- Contents
- Introduction
- Executive summary
- Audit risks
- Significant matters
- Significant matters
- Additional considerations
- Audit differences
- Control environment**
- Control environment: Significant deficiencies
- Audit Report
- Independence
- Appendices contents

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

As the purpose of the audit is for us to express an opinion on the College’s financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Area	Observation & implication	Recommendation	Management response
Approval of manual journals	<p>As part of the audit work performed on the control environment, we have found that, although a monthly review of the management accounts is completed to check for anomalies, there is no approval of manual journals posted.</p> <p>This could result in unauthorised or fraudulent transactions being posted to the ledger.</p>	We recommend that a formal approval process is implemented for the approval of manual journals.	Given the detailed reporting levels at College there are a high number of journals and it be would be both impractical and of minimal impact to approve all journals. The risks to the College are through payments to suppliers, claiming of expenses and the use of College credit cards. Each of these processes are subject to multiple checks to mitigate and minimise risks of fraudulent transactions. The non-approval of journals is in line with the College approved procedures.

AUDIT REPORT OVERVIEW

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Audit report overview
Independence
Appendices contents

Opinion on financial statements

We will be issuing an unmodified opinion on the financial statements.

There are no matters disclosed in the financial statements that we wish to draw attention to by way of ‘emphasis of matter’.

Opinion on other matters required by the ESFA and OfS

We will be issuing an unmodified opinion on the matters required by the ESFA and OfS.

Going concern

Our report will:

- state our conclusion that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Irregularities, including fraud

Our report will explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

Comments on the strategic report and the directors ‘report

We have identified no material misstatements in the statutory other information accompanying the financial statements.

Other information

We have reviewed the other information accompanying the financial statements in the annual report. We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 July 2021.

Details of services, other than audit, provided by us to the College during the period and up to the date of this report are set out in the appendices, and were provided in our planning report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the College’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the College.

We also confirm that we have obtained confirmation of independence from external audit experts involved in the audit, complying with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the College.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fees summary for year ended 31 July 2021

	£'000	£'000
Audit fee for period ending 31 July 2021		
• College financial statements	27,400	
Total audit fees		27,400
Total non-audit services (Appendix)		800
Total fees		28,200



Contents
Introduction
Executive summary
Audit risks
Significant matters
Significant matters
Additional considerations
Audit differences
Control environment
Audit Report
Independence
Independence
Fees
Appendices contents

APPENDICES CONTENTS

Contents
<u>Appendices contents</u>
Ethical standard
Independence
BDO advantage
Our responsibilities
Communication with you
Outstanding matters
Audit quality
Letter of representation

A	Ethical standard	28
	FRC Ethical Standard	28
B	Independence	29
	Independence threats and safeguards	29
C	BDO advantage	30
	BDO advantage	30
D	Our responsibilities	31
	Our responsibilities	31
	Additional matters we are required to report	32
E	Communication with you	33
	Communication with you	33
F	Outstanding matters	34

	Outstanding matters	34
G	Audit quality	35
	Audit quality	35
H	Letter of representation	36
	Representative letter	36
	Representative letter 2	37
	Representative letter 2	38

FRC ETHICAL STANDARD

Issued in December 2019

- Contents
- Appendices contents
- Ethical standard
- Independence
- BDO advantage
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit quality
- Letter of representation

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest ('OEPI')	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: <ul style="list-style-type: none"> - Have more than 2000 employees; and / or - Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

INDEPENDENCE THREATS AND SAFEGUARDS

We have provided services other than audit to the College as set out below. There are no other threats to independence to note.

	Fees 2021	Fees 2020	Threats	Safeguards
Non-audit services				
Teachers Pension	£800	£780	No threats identified from this engagement	Work completed by a separate engagement team

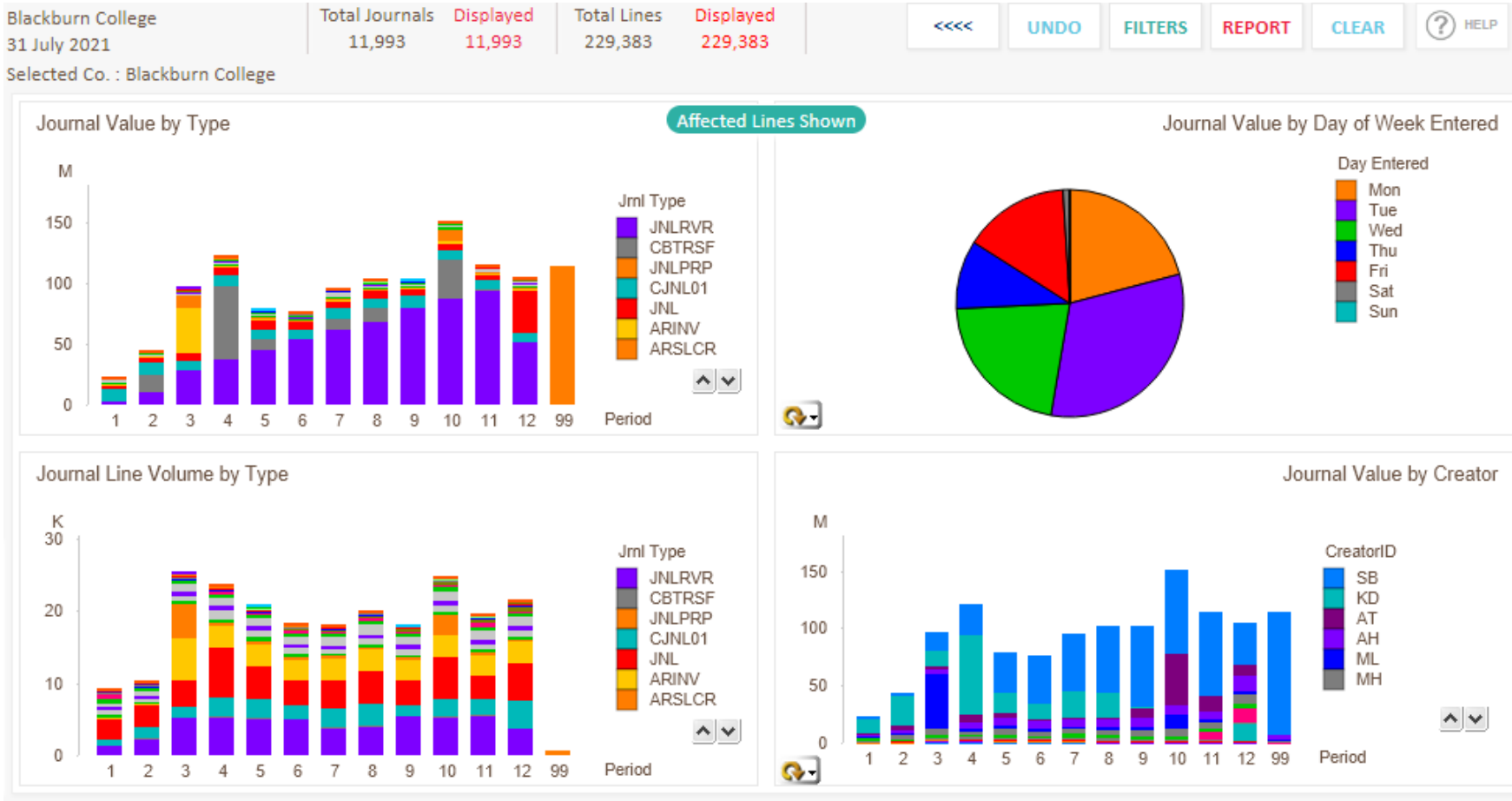
- Contents
- Appendices contents
- Ethical standard
- Independence
- BDO advantage
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit quality
- Letter of representation

BDO ADVANTAGE

Data analytics

We have made use of the data analytics tool ‘BDO Advantage Financial Analyser’ to enhance our analysis of manual journals posted in the financial year. The below graphs demonstrate an overview of all journals posted in the period, showing journal by type, day of the week, user and volume, allowing for us to target our testing to those manual journals outside of our expectations.

- Contents
- Appendices contents
- Ethical standard
- Independence
- BDO advantage
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit quality
- Letter of representation



OUR RESPONSIBILITIES

Responsibilities and reporting

Contents
Appendices contents
Ethical standard
Independence
BDO advantage
Our responsibilities
Communication with you
Outstanding matters
Audit quality
Letter of representation

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

For statutory other information such as the strategic report and the Governors’ report, we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that management’s use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Contents
Appendices contents
Ethical standard
Independence
BDO advantage
Our responsibilities
Additional matters we are required to report
Communication with you
Outstanding matters
Audit quality
Letter of representation

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note
2	Written representations which we seek.	We enclose a copy of our final representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION WITH YOU

- Contents
- Appendices contents
- Ethical standard
- Independence
- BDO advantage
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit quality
- Letter of representation

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Members of the Corporation as a whole.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication required	Date (to be) communicated	To whom	Communication method
Audit planning report	21 May 2021	Audit Committee	Circulated by email, presented via teams
Audit completion report	12 November 2021	Audit Committee	Circulated by email, presented via teams
Audit Completion Report & Financial Statements	15 December 2021	Full Board	Circulated by email, presented via teams

OUTSTANDING MATTERS

- Contents
- Appendices contents
- Ethical standard
- Independence
- BDO advantage
- Our responsibilities
- Communication with you
- Outstanding matters
- Audit quality
- Letter of representation

We have now completed our audit work in respect of the financial statements for the year ended 31 July 2021.

There are no outstanding matters in regards to the 2021 year end audit.



AUDIT QUALITY

Contents
<u>Appendices contents</u>
Ethical standard
Independence
BDO advantage
Our responsibilities
Communication with you
Outstanding matters
<u>Audit quality</u>
Letter of representation



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public College Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Contents
Appendices contents
Ethical standard
Independence
BDO advantage
Our responsibilities
Communication with you
Outstanding matters
Audit quality
Letter of representation

Dear Sirs/Madams

Financial Statements of Blackburn College for the year ended 31 July 2021

We confirm that the following representations given to you in connection with your audit of Blackburn College’s financial statements for the year ended 31 July 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other governors and officers of the college.

We have fulfilled our responsibilities as governors for the preparation and presentation of the financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the college as at 31 July 2021 and of the results of the college’s operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the college have been made available to you for the purpose of your audit and all the transactions undertaken by the college have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all meetings have been made available to you.

Going concern

We have made an assessment of the college’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the college is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the college’s ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Contents

Appendices contents

Ethical standard

Independence

BDO advantage

Our responsibilities

Communication with you

Outstanding matters

Audit quality

Letter of representation

Representative letter 2

Representative letter 2

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the annual report.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

Other than as disclosed in note 24 to the financial statements, there were no loans, transactions or arrangements between the college and the college's governors or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

We confirm that the valuation of the pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 July 2021.

We confirm that income has been applied in accordance with the Financial Memorandum with the Education and Skills Funding Agency. We also confirm that income from the Education and Skills Funding Agency and grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received. We confirm that the College has complied with the Education and Skills Funding Agency's annual College Accounts Direction.

We have reviewed the Statement on Regularity, Propriety and Compliance and are satisfied that it has properly discharged our responsibilities to Parliament for the resources under our control during the financial year ended 31 July 2021.

Contents

Appendices contents

Ethical standard

Independence

BDO advantage

Our responsibilities

Communication with you

Outstanding matters

Audit quality

Letter of representation

Representative letter 2

Representative letter 2

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each governor has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

(Signed on behalf of the board of governors)

Date:



FOR MORE INFORMATION:

Helen Knowles

t: 07581463074

m: 07581463074

e: helen.knowles@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the College and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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