



BLACKBURN COLLEGE

Annual internal audit report 2022/23

14 November 2023

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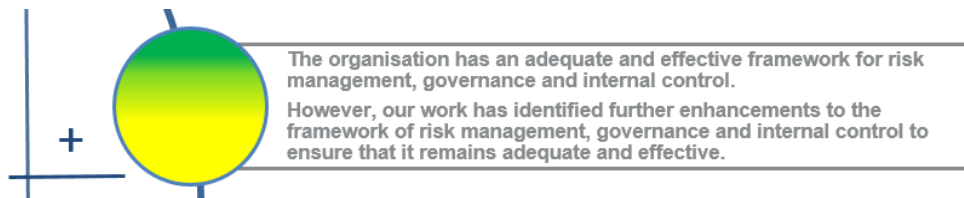


THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 July 2023 the head of internal audit opinion for Blackburn College (the College) is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, our opinion is subject to inherent limitations, as detailed below:

- Internal audit has not reviewed all risks and assurances relating to the organisation;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and
- Our planned internal audit work for 2022/23 has been subject to some delay. The Staff Mental Health Framework review (which replaced the Higher Education – Office for Students (OfS) review) has been delayed and will be undertaken in November 2023. The outcome of the assignment will be included in our 2023/24 Annual Report. We are however of the view that sufficient internal audit coverage has been performed to allow the provision of the annual Head of Internal Audit Opinion for 2022/23.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Governance

To inform our governance opinion for 2022/23 we have taken into consideration the Governance and Risk Management (2.22/23) review, as well as the governance related elements of each of the assignment reviews undertaken as part of the 2022/23 internal audit plan, such as the Safeguarding and Prevent (1.22/23) review.

In addition, our governance opinion is informed by our attendance at meetings of the Audit Committee throughout the year. This builds upon our cumulative knowledge of the College's established governance processes through coverage in previous years.

Risk Management

Our risk management opinion for 2022/23 is informed by our assessment of the risk mitigation procedures undertaken in the areas covered by the risk-based reviews completed as part of the 2022/23 internal audit plan, such as the Governance and Risk Management (2.22/23), Key Financial Controls: Income, Cash, Bank and Manual Journals (3.22/23) and Cyber Security Key Controls (4.22/23) reviews.

Furthermore, our risk management opinion is also informed by our attendance at meetings of the Audit Committee. We note that risk management is a priority area for the College and the risk management process is subject to routine governor and senior management oversight and review.

Internal Control

The results of the internal audit assignment reviews have been taken into consideration in determining our internal control opinion for 2022/23. Of the four assurance assignments completed, we concluded that the Corporation Board could take substantial assurance in three cases and reasonable assurance in one case (Cyber Security Key Controls (4.22/23)). A total of four 'low' priority actions, three 'medium' and one 'high' priority action have been raised through the four assurance reviews undertaken.

The 'high' priority management action raised as part of our Cyber Security Key Controls (4.22/23) review related to the provision of training and was revised to a 'medium' during our Follow Up (6.22/23) review.

One advisory review, Data Protection Governance Framework (5.22/23), was also undertaken during 2022/23 for which five advisory actions were agreed.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Topics judged relevant for consideration as part of the annual governance statement

Colleges are required to include a Statement of Corporate Governance and Internal Control within their financial statements. As your internal audit provider, the assignment opinions and advisory reviews that we undertake and report on during the year are part of the framework of assurances that assist the Corporation Board (through the Audit Committee) to prepare an informed statement and provide the opinions required.

Our overall opinion may be used by the Corporation Board in the preparation of the 2022/23 Statement.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report is prepared solely for the use of the Corporation Board and Senior Management of Blackburn College.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2022/23.

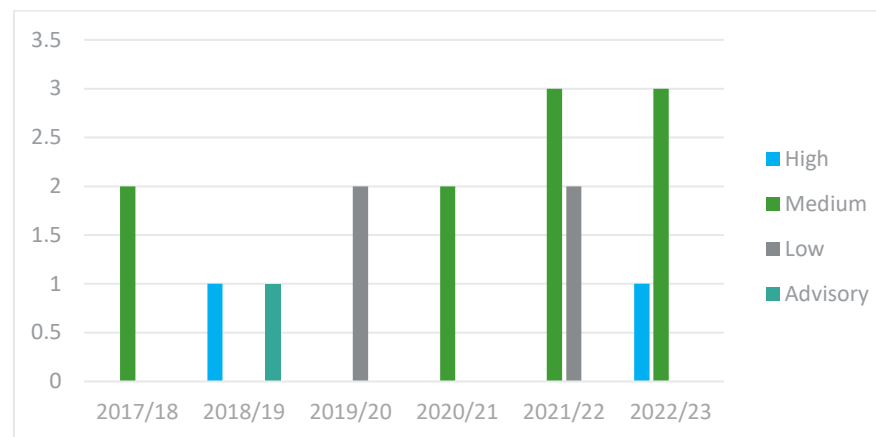
Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress had been reported to the Audit Committee, with the validation of the action status confirmed by internal audit as a part of our specific follow up audit.

During May 2023, we completed a follow up audit to review the level of progress made by management in implementing previous internal audit actions. Through our work we confirmed that management had demonstrated 'reasonable' progress in implementing agreed management actions. We confirmed that in total, 15 of the 19 management actions we followed up had been fully implemented / superseded. In the remaining four cases (one 'high' and three 'medium' priority actions), three actions were ongoing at the time of our review (one 'high' and two 'medium' priority actions) and one had not been implemented (one 'medium' priority action).

Where actions were not fully implemented, these have been restated or updated with revised management actions, which will be reviewed again as part of future follow up work.

The outcomes of our follow up work are reflected in the graph below showing the number and categorisation of outstanding actions agreed with management as part of the follow up assignment each year:



It should be noted that the outstanding 'high' priority action was reduced to 'medium' priority as part of our follow up report, due to the work conducted by management since the original review.

Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Sector briefings and articles	<p>We have issued a number of sector briefings during the year providing information on key developments, publications and guidance including our Further Education (FE) Emerging Issues briefings.</p> <p>In addition, we have provided links to the RSM Employment Matters newsletters within our progress reports to the Audit Committee. We also published commentary on the education sector on our website and have been a contributor to FE News articles.</p>
Thought leadership reports and papers	<p>We have shared with the College briefings summarising the findings from our funding assurance reviews and on the impact of the Office for National Statistics (ONS) reclassification of colleges.</p> <p>We have published fraud awareness papers on mandate fraud, secondary employment or 'dual working' fraud, Being Scam Savvy in the Cyber World, and Managing the increasing cyber-crime threat through summer.</p> <p>We have also published our Emerging risk radar and a guide to Using your strategic risk appetite.</p> <p>In The Real Economy series we have published insight reports on People Perspectives – redefining the workforce, The UK's Middle Market Business Index, Business resilience, Digital transformation and Global supply chains. This allowed Audit Committee members to form challenge in areas of significance that may not already have been addressed by management. It also updates and informs the Audit Committee of what is going on elsewhere in the sector and wider public sector.</p>
Benchmarking and good practice comparisons in audit reports	<p>Where available, we have included comparative data to benchmark the assurance opinion and the number of management actions agreed within individual assignment reports (during 2022/23 specifically the Safeguarding and Prevent Framework (1.22/23), Governance and Risk Management Framework (2.22/23) and Key Financial Controls: Income, Cash, Bank and Manual Journals (3.22/23) audits).</p> <p>Within our reports we have also shared good practice. For example, in the Safeguarding and Prevent Framework (1.22/23) we included good practice relating to training. This allows senior management and the Audit Committee to compare current practices against those good practices seen elsewhere and establish whether enhancements and efficiencies can be rolled out across the organisation's control framework.</p>
Further Education - benchmarking of internal audit findings 2021/22 paper	<p>Our national high-level benchmarking report to collate the outcomes from internal audit assignments undertaken during 2021/22 across all of our further education clients was issued to the College. This information helps the Audit Committee answer a common question: 'how are we doing compared to other colleges.'</p>
Webinar and event invitations	<p>Representatives of the College have been invited to attend various RSM events and webinars during the year. For example, our further education ONS reclassification webinar and our Public Procurement webinar series.</p>

Area of work	How has this added value?
Flexible annual planning approach	We have remained flexible with our annual planning approach. This enables us to react to changes in priority and risk, to ensure internal audit is focused in the right areas at the right time, to be the best source of assurance where needed in specific areas of risk or control.
1:1 meetings / discussions	Throughout the year we have continued to liaise with management and held operational meetings to obtain an update on College developments.
RSM subject matter experts	As part of our audit work during 2022/23 we have ensured that our 'subject matter experts' have been involved in the planning and delivery. For example, our Cyber Security Key Controls (4.22/23) review was planned and delivered by our cyber subject matter experts in our Technology Risk Assurance (TRA) team.

Conflicts of interest

RSM has not undertaken any work or activity during 2022/23 that would lead us to declare any conflict of interest.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

Resulting from the programme in 2022/23, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Performance indicators

Delivery

Quality

	Target	Actual		Target	Actual
Audits commenced in line with original timescales*	Yes	Yes ¹	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	10 days	9 days	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	N/A ²
Management responses received within 10 days of draft report	10 days	12 days ³	Response time for all general enquiries for assistance	2 working days	Yes ⁴
Final report issued within 3 days of management response	3 days	1 day	Response for emergencies and potential fraud	1 working day	N/A

Notes

* This takes into account changes agreed by management and the Audit Committee during the year; reflecting our 'agile' / 'flexible' approach to our service delivery.

1) Following a discussion at the September 2023 Audit Committee, the Staff Mental Health Framework audit has been deferred to 2023/24;

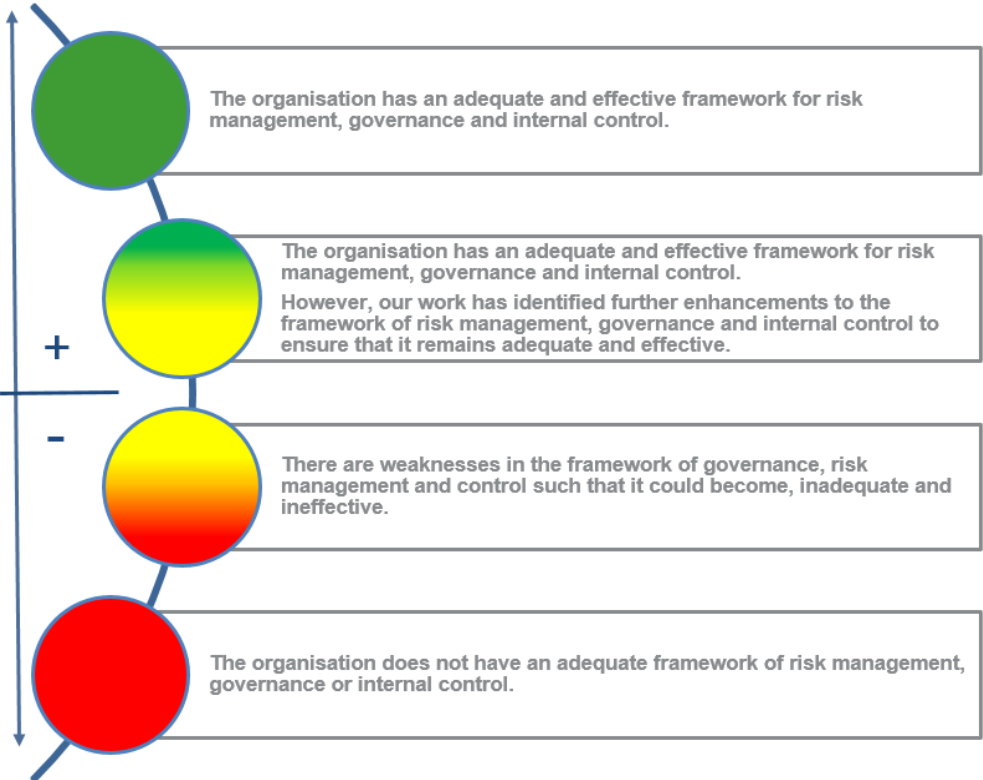
2) At the time of writing, External Audit had not concluded the 2022/23 audit;

3) This relates to the Data Protection Governance Framework (5.22/23) and Follow Up (6.22/23) reports, which were impacted by annual leave during the Easter period; and

4) At the time of writing, no emergencies or notifications of potential fraud had been identified in the 2022/23 academic year.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • Inherent risk in the area being audited; • Limitations in the individual audit assignments; • The adequacy and effectiveness of the risk management and / or governance control framework; • The impact of weakness identified; • The level of risk exposure; and • The response to management actions raised and timeliness of actions taken.

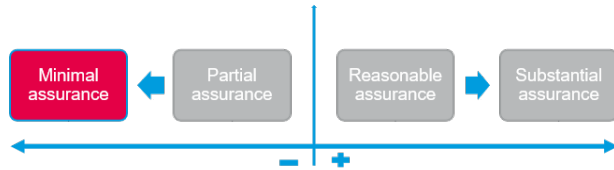
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2022/23

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

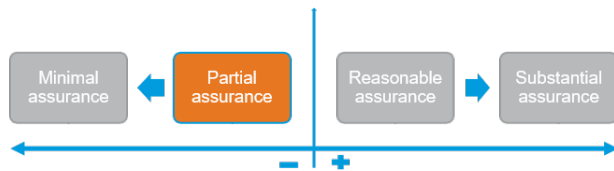
Assignment	Assurance level	Actions agreed		
		L	M	H
Safeguarding and Prevent (1.22/23)	Substantial Assurance [●]	0	0	0
Governance and Risk Management (2.22/23)	Substantial Assurance [●]	0	0	0
Key Financial Controls: Income, Cash, Bank and Manual Journals (3.22/23)	Substantial Assurance [●]	4	0	0
Cyber Security Key Controls (4.22/23)	Reasonable Assurance [●]	0	3	1
Data Protection Governance Framework (5.22/23)	Advisory [●]	5 advisory management actions raised		
Follow Up (6.22/23)	Reasonable progress [●]	15 / 19 management actions fully implemented / superseded.		

APPENDIX C: OPINION CLASSIFICATION

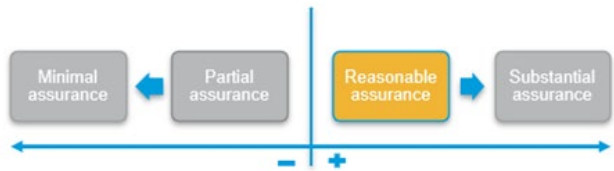
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Corporation Board can take:



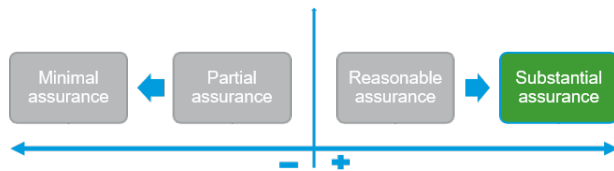
Taking account of the issues identified, the Corporation Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Corporation Board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Corporation Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the Corporation Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Blackburn College, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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