



# BLACKBURN COLLEGE

Annual internal audit report and Opinion – Year ended 31 July 2020

Draft

Presented at audit committee meeting of: 22 September 2020

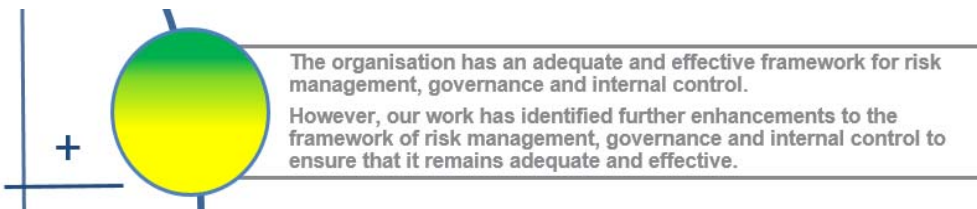
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# THE ANNUAL INTERNAL AUDIT OPINION

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 2020, the head of internal audit opinion for Blackburn College is as follows:



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

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*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.*

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## Scope and limitations of our work

The formation of our draft 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 Corporation 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

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- Our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. We do, however, recognise that there has been a significant impact on both the operations of the organisation and its risk profile.

# FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

## Overview

Our Governance opinion has been informed specifically through our work in relation to the Office for Students (OfS) Improvement Plan assignment, which considered the College's governance arrangements in relation to its OfS Improvement Plan.

Our Risk Management opinion has been informed by our risk-based approach to individual assignments, as well as attendance at the Audit Committee.

We have issued seven reports, of which four reports concluded that 'substantial' assurance could be taken; two reports concluded that 'reasonable' assurance could be taken; and one follow up report resulted in good progress being noted.

For the two reports where we concluded that 'reasonable' assurance could be taken, these related to the following areas:

### Progress Observations Framework

We confirmed that an established framework was in place for the planning and completion of Progress Observations. However, we noted some process related risks that management needed to address following the implementation of the new Learning Walkthrough procedure.

As such, four management actions (three medium priority and one low priority) had been included within the assignment report, which were designed to support management in addressing these risks.

### Sickness Management Framework

We confirmed that an established framework was in place for sickness management. The operational processes were operating effectively. However, our testing identified gaps in compliance with the College's Managing Attendance Policy and Procedure.

As such, eight management actions (four medium priority and four low priority) had been included within the assignment report.

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 2019/20 Statement.

# 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

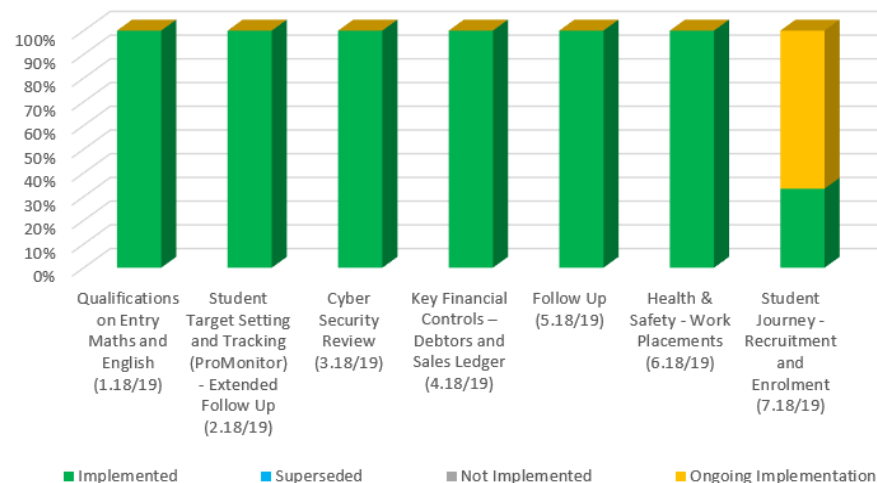
Management have agreed actions to address all of the findings reported by the internal audit service during 2019/20.

## 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 has 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.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the College had made good progress in implementing the agreed actions.

Of the 19 actions followed up, 17 actions had been implemented and / or superseded. For the remaining two management actions, progress had been made to implement the actions. However, the evidence to support the completion of these actions was hardcopy only and retained on site at the College. Given the current Covid-19 pandemic, we agreed with the College that these actions would be reviewed in 2020/21.



## 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, articles and reports	<p>We have issued a number of sector briefings during the year providing information on key developments, publications and guidance including, for example, our Education News Briefings, Employment Legislative Update, and Off-payroll working / IR35 rules in the public sector. In addition, we have provided links to the RSM Employment Matters newsletters within our progress reports to the Audit Committee.</p> <p>Within our progress reports we alerted the College to the fact there has been targeted effort by fraudsters regarding self-service functionality for employees and provided guidance to proactively monitor this.</p> <p>We produced a thought leadership document with regards to <a href="#">Trust in the Boardroom</a> which we shared with the College. We also issued our annual <a href="#">Further Education Risk Register analysis</a>, as well as commentary on the education sector on our website.</p> <p>This allowed Committee Members to form challenge in areas of significance that may not already have been addressed by management. It also updates and informs the 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 assignments.</p>
Further Education - benchmarking of internal audit findings 2018/19 paper	<p>Our national benchmarking report to collate the outcomes from internal audit assignments undertaken during 2018/19 across all of our further education clients was issued to the College during 2019/20. This information helps audit committees answer a common question: "how are we doing compared to other further education institutions".</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, HE Roundtable events, Fraud and Bribery Act briefings and workshops, VAT, Employment Tax, and an IFRS16 seminar.</p>
Coronavirus briefings and webinars	<p>RSM has delivered several webinars and client briefings in relation to Coronavirus ranging from fraud, HR and Legal Support, return to work, and workforce planning etc.</p> <p>Management has been invited to a number of webinars, including, 'Government financial support for employers', 'Understanding your funding and restructuring options during Coronavirus', 'Claims and calculations – job retention scheme', 'Planning workforce options following the Coronavirus Job Retention Scheme' and 'Coronavirus - Outsourcing and financial reporting'.</p> <p>Client briefings and further insight in relation to Coronavirus are accessible from the <a href="#">RSM Coronavirus Hub</a>.</p>

'Catch 22: Digital transformation and its impact on cybersecurity'	RSM's 'Catch 22: Digital transformation and its impact on cybersecurity' report comprises responses to a range of questions posed to 597 companies in 33 European countries, spanning multiple industries and sizes. RSM provided a number of insights and a range of 'Cyber Security Top Tips'.
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 2019/20 we have ensured that our 'subject matter experts (SMEs)' have been involved in the planning and / or delivery, for example, our SMEs were involved in the review and delivery of the Apprenticeship Funding Assurance Review assignment.

## Conflicts of interest

RSM has not undertaken any work or activity during 2019/20 that would lead us to declare any conflict of interests.

## Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) as published by the Global Institute of Internal Auditors (IIA).

Under the standards, 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 2016 to provide assurance whether our approach meets the requirements of the IPPF.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

## Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) 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.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

## Performance indicators

### Delivery

### Quality

	Target	Actual		Target	Actual
Audits commenced in line with original timescales*	Yes	Yes	Conformance with IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	10 days	8.0 days	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes <sup>1</sup>
Management responses received within 10 days of draft report	10 days	15.3 days <sup>3</sup>	Response time for all general enquiries for assistance	2 working days	100%
Final report issued within 3 days of management response	5 days	1 day	Response for emergencies and potential fraud	1 working day	N/A <sup>2</sup>

#### Notes:

1) At the time of writing, External Audit had not concluded the 2019/20 audit.

2) At the time of writing, no emergencies or notifications of potential fraud had been identified in the 2019/20 academic year.

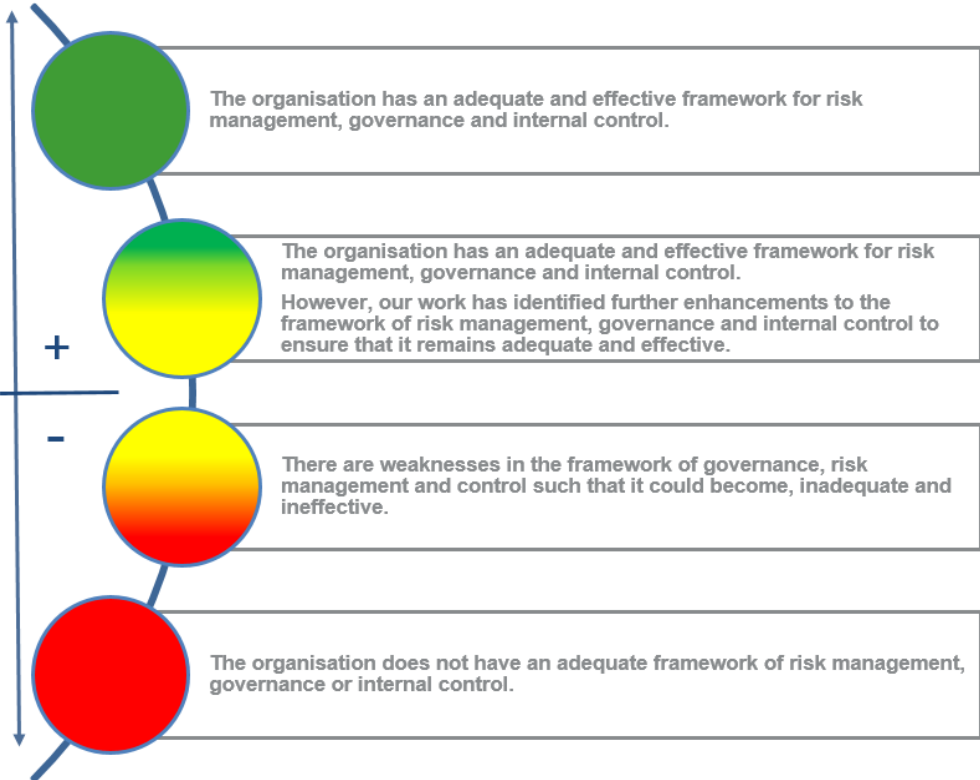
3) One report (Progress Observations Framework (2.19/20)) was delayed due to the Christmas and New Year break and a further two reports (Compliance with Study Programmes – Work Experience (4.19/20) and Budgetary Control – Financial Plan Framework and Process (5.19/20)) were delayed due to Covid-19 from March 2020.

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



# 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"> <li>• inherent risk in the area being audited;</li> <li>• limitations in the individual audit assignments;</li> <li>• the adequacy and effectiveness of the risk management and / or governance control framework;</li> <li>• the impact of weakness identified;</li> <li>• the level of risk exposure; and</li> <li>• the response to management actions raised and timeliness of actions taken.</li> </ul>

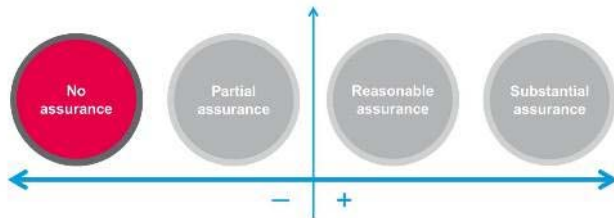
## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/20

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	Executive lead	Assurance level	Actions agreed		
			L	M	H
Governance - Office for Students (OfS) Improvement Plan (1.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Substantial Assurance [●]	2	0	0
Progress Observations Framework (2.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Reasonable Assurance [●]	1	3	0
Sickness Management Framework (3.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Reasonable Assurance [●]	4	4	0
Compliance with Study Programmes – Work Experience (4.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Substantial Assurance [●]	5	0	0
Budgetary Control – Financial Plan Framework and Process (5.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Substantial Assurance [●]	1	0	0
Sub-Contracting Framework (6.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Substantial Assurance [●]	1	0	0
Follow Up (7.19/20)	Jennifer Eastham, Vice Principal – Finance and Corporate Services	Good Progress [●]	2	0	0

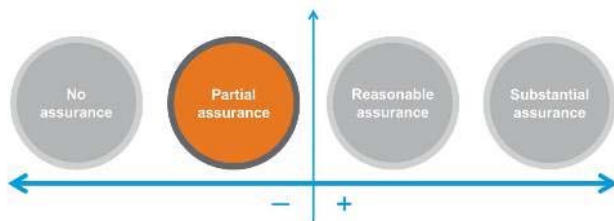
# APPENDIX C: OPINION CLASSIFICATION

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



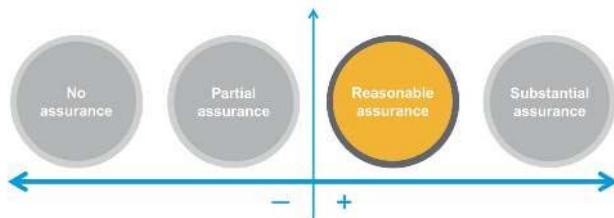
Taking account of the issues identified, the Corporation Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



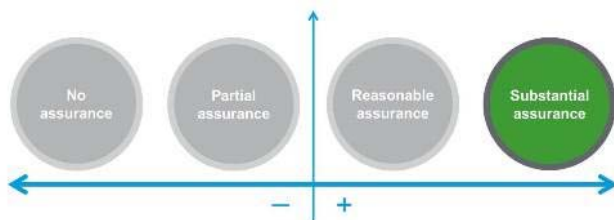
Taking account of the issues identified, the Corporation Board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

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 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 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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