

Final Internal Audit Report

Bensham Manor

December 2022

Distribution: Head Teacher
Chair of Governors
School Office Manager
Corporate Director, Children, Families and Education Interim
(Final only)
Director of Education
Finance Manager
Corporate Director Resources and S151 Officer

Assurance Level	Recommendations Made	
Substantial	Priority 1	0
	Priority 2	2
	Priority 3	1

[Confidentiality and Disclosure Clause](#)

This report ("Report") was prepared by Mazars LLP at the request of the London Borough of Croydon, and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Bensham Manor School (the ‘School’) is a special school which works with students aged 11-19. At the time of this audit, it had 235 students. The approved expenditure budget for 2021/22 was £5,007,448.
- 1.2 The fieldwork for this audit was completed remotely. While our audit and testing were performed remotely, we have been able to obtain all relevant documents required to complete it.
- 1.3 This audit is being undertaken as part of the Internal Audit Plan for 2022/23, as agreed by Croydon Council’s (Council) Audit Committee. The objectives, approach and scope are contained in the Audit Terms of Reference in Appendix 1.

2. Key Issues

Priority 2 Recommendations

Examination of the documentation relating to 15 purchases made by the School during the period 14 April to 2 August 2022 found that in 9 instances a purchase order was not raised prior to funds being committed. We noted that a non-order form was generated after the transaction had taken place. **(Issue1)**

The School procurement card holders did not have a Procurement Card agreement outlining the responsibilities and expectations of the card’s use. **(Issue 2)**

The Priority 3 recommendation is included under item 4 below.

Acknowledgement

We would like to thank the following members of staff for their time and contribution to this audit:

- Head Teacher;
- Head Teachers Assistant;
- IT Manager;
- School Office Manager, and
- Finance Manager.

3. Actions and Key Findings/Rationale

Detailed Report

Priority	Recommendation 1	Detailed Finding/Rationale		
2	<p>The School should ensure that the financial policies and procedures are shared with all staff, and emphasis is placed on the need for a purchase order to be raised in advance of the commitment.</p> <p>The School should ensure that purchase orders are appropriately authorised in line with the financial policies and procedures prior to orders being placed, and that a signed copy is retained on file.</p> <p>Where the costs of transactions could not be determined, an authorised purchase requisition is required before committing into a transaction.</p>	<p>Expected Control</p> <p>The School's Financial Policies and Procedures Manual, dated March 2022, under the heading 'D8 Use of written pre-numbered order forms' states that, '<i>Official, pre-numbered orders from the FMS6 system must be used for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, these must be confirmed by a written order.</i>' In addition, heading D10 'All orders signed by authorised signatory' states that, '<i>All orders must be signed by the Headteacher and approved by the Governing Body if they exceed £20,000.</i>'</p> <p>Finding</p> <p>Examination of the documentation relating to 15 purchases made by the School during the period 14 April to 2 August 2022 found that in 9 instances a purchase order was not raised prior to funds being committed. We noted that a non-order form was generated after the transaction had taken place.</p> <p>The School Office Manager (SOM) explained that purchases made by the School are completed by staff members, who later inform the SOM. A non-order form is then generated and issued to the HT for approval.</p> <p>Risk</p> <p>Where purchase orders are not raised through the School's accounting system prior to being committed, there is a risk that inappropriate expenditure and expenses may be incurred by the School. This in turn could result in financial mismanagement and reputational damage.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
We have spoken to the Internal Auditor in-depth on 2 occasions and agreed going forward we will pre-authorise transactions.		Agree	SBM	Immediately

Audit Area: Procurement

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The School should formulate a Procurement Card Agreement that outlines the roles and responsibilities of the use of these cards. This should include items such as qualifying uses of the card and/or restrictions of its use.</p> <p>The School should ensure all procurement card holders then sign the agreement, acknowledging that they agree and understand their responsibilities and expectations.</p> <p>The agreements should be approved by the Headteacher.</p>	<p>Expected Control</p> <p>Staff members authorised to use the School’s Procurement Card should be required to complete and sign a ‘Procurement Card agreement’ that outlines the responsibilities and expectations of its use.</p> <p>Finding</p> <p>Review of the approval process for procurement card holders at the School found that, whilst the procurement card holders had signed bank applications, a Procurement Card agreement outlining the responsibilities and expectations of the card’s use was not in place and the card holders had not been approved by the Headteacher.</p> <p>Risk</p> <p>Where a Procurement Card agreement is not in place for each card holder, there is a risk that the user may incur inappropriate expenditure on behalf of the School. This could result in potential financial mismanagement of School funds.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
This is now in place and the governors are aware to sign these agreements at the next governors.		Agree	SBM	Next Full Governing Body meeting

4. Priority 3 Issue

Recommendation	Detailed Finding/Rationale
<p>1) Information Governance</p> <p>The School should ensure the disciplinary consequences of a data breach are clear and explicitly stated in the School’s Data Breach Policy.</p> <p><u>School’s response</u></p> <p>We use an external company to outlines breaches staff are trained and informed regularly of breaches we have logs as well. We have processes in place with our external company. As a school we do not breach we have processes in place and use Egress and other secure platforms.</p> <p><u>Audit comment:</u></p> <p>Data breaches are a serious matter and may result in the School being fined. Unless the School’s Data Breach Policy outlines the disciplinary consequences of a breach there will be an increased risk of staff not fully realising the consequences of a data protection breach.</p>	<p>Expected Control</p> <p>In order to comply with the Data Protection Act 2018 and the UK General Data Protection Regulations, and help ensure the protection of personal data, the School should ensure staff are aware of the importance of data protection and the consequences of not maintaining data breaches.</p> <p>Finding</p> <p>Internal Audit reviewed the School’s Data Breach Policy, dated October 2021. While the policy document outlined how to report a data breach and what constitutes a breach, the policy did not include the disciplinary consequences of a breach.</p> <p>Risk</p> <p>Where the School’s Data Breach Policy does not outline the disciplinary consequences of a breach, there is a risk of staff members If staff are being unaware of the importance and consequences of a data protection breach. Therefore, policies may be disregarded and result in financial and reputational damage for the School were a breach to take place.</p>

AUDIT TERMS OF REFERENCE

Bensham Manor 2022/23

1. INTRODUCTION & BACKGROUND

- 1.1 This audit was undertaken as part of the Internal Audit Plan for 2022/23, as agreed by the Council's Audit Committee.
- 1.2 With Covid-19 and the consequent restrictions in place, we are adopting a hybrid approach with this audit initially being conducted remotely.

2. AUDIT OBJECTIVES AND METHODOLOGY

- 2.1 To provide an independent and objective opinion on the degree to which the Council's internal control environment supports and promotes the achievement of the Council's objectives. The internal control environment comprises the policies, procedures and operations in place to:
- establish, and monitor the achievement of the service's objectives;
 - identify, assess and manage the risks to achieving the services objectives;
 - facilitate policy and decision making;
 - ensure the economical, effective and efficient use of resources;
 - ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
 - safeguard the service's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
 - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 2.2 To confirm that management have controls in place to detect and vigorously, pursue, fraud, corruption, other irregularities, errors and poor value for money.
- 2.3 To confirm that appropriate management action has been taken to implement recommendations for change leading to improvement in performance and/ or control

3. SCOPE





3.1 The audit included the following areas (and number of recommendations made):

Audit Area	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance and Leadership	0	0	0
Budget Planning, Monitoring & Reporting	0	0	0
Payroll	0	0	0
Procurement	0	2	0
Banking	0	0	0
Information Governance	0	0	1
Income	0	0	0
Health and Safety	0	0	0
School Fund Accounting	0	0	0
Totals	0	2	1

Definitions for Audit Opinions and Recommendations

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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