



INTERNAL MEMORANDUM

To: Adrian Williams – Assistant Director, Planning Commissioning and Performance
Gail Tolley, Director of Children’s and Young People’s Services

CYPS Directorate Management team:

Penney Richardson – Assistant Targeted Services
Alastair Gibbons – Assistant Director Specialist Services
Sarah Conway – Assistant Director Change Management

cc: Helen Rowlay, Capital Development Manager, CYPS
David Symonds, Divisional Accountant - Schools & Capital
Esther Doyle, Senior Accountant (Systems & Monitoring)
Tim Hannam, Corporate Director, Finance and Risk Management
Roger Sanders, VAT Manager

Ref: E006/10/01

From: Lynda Baker, Audit Services Manager

Date: 10 August 2009

SIR FRANK MARKHAM COMMUNITY SCHOOL CLOSURE FINAL YEAR EXPENDITURE

Further to the audit report issued on 30th July, Internal Audit has undertaken a review of Sir Frank Markham Community School (SFM) purchases during the past year, to address specific questions, as listed below, with a view to recovering costs from new owners and to inform MKC for management of future school transfers and closures. Internal Audit was required to report to the Children’s and Young People’s Services (CYPS) Directorate Management Team (DMT) and notes that it may also be asked by DMT to report to the “School Forum”.

The School’s finance system was downloaded on 7th July 2009; transactions input to the system after that date have not been reviewed. The audit review was in the form of a brief overview of types of purchases made and suppliers used. The finance system does not record all information, i.e. it is only possible to enter brief descriptions. Therefore the audit findings only indicate items that might be of interest for further investigation. Some additional information on the items listed below is available from Internal Audit, however, it should be noted that for complete information on any purchases it would be necessary to retrieve the prime documentation (orders, invoices etc).

There does not appear to have been systematic abuse of the SFM budget, or collection of assets. The information below is provided to CYPS DMT for their consideration and for the CYPS Directorate to take action as DMT deems appropriate.

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“Has it been appropriate to school business?”

The vast majority of purchases are as expected for normal school business, however, these are examples from the SFM final year of some items that would routinely be investigated during an internal audit of a continuing school, as shown below:

Date	Cost	Items purchased/Supplier
12/01/09	£20,871	Woughton Centre Management fee Sept07-Mar08 casual lettings
28/01/09	£20,870	To contribute to running costs July 07-Sept07
12/01/09	£20,912	Management fee Apr07-Sept08 casual lettings
Financial year 2009	£17,845	Counselling sessions
Financial year 2009	£2,850	Takeaways/pizza delivery/wine – mostly recorded as being for extra classes, also end of term celebrations N.B additional £1434 in 2008, £66 in 2007 and £180 in 2006 financial years
F/yr 2009	£1,741	Arsenal Football Club
01/06/09	£307	Accommodation/mileage – training course in Glastonbury
08/01/09	£160	Belair coffee service – refreshments
15/10/08	£96	Belair coffee service - refreshments
17/03/09	£91	Train fare to London for training course for Academy
31/03/09	£86	Travel to Nottingham – re-invoice Academy
09/10/08	£37	Train fare to Academy launch event Hammersmith
11/05/09	£144	Snowboard lessons
30/04/09	£123	Adidas Jackets/polo/suits
07/05/09	£50	Cineworld tickets x 5
28/02/09	£50	Cineworld vouchers
20/07/09	£50	Debenhams vouchers
20/03/09	£10	JD Sports voucher

Internal Audit recommends that the CYPS DMT considers whether there is any reason for further investigation for any of the items listed above and take action if appropriate and instructs the Senior Accountant (Systems & Monitoring) to ensure that income has been received for the items noted for re-charge to the Academy.

“Have assets been purchased with the intention of passing them to the Academy at no cost, or to other organisations/individuals at low/no cost?”

Given that the school was closing at the end of the year, Internal Audit has noted that the following items may be considered to be extraordinary purchases:

Date	Cost	Items purchased/Supplier
16/01/09	£33,810	RM Education PLC
16/01/09	£11,500	Dell MK Academy Latitude E5500 Notebus 16+/MS office pro plus & licence
2009	£4,554	Coney Computing Ltd
14/05/09	£2,700	CD Recorder x 10
13/02/09	£1,305	Laserjet Print - Humanities
23/10/08	£1046	Dell Computer Corporation Ltd Laptops
02/03/09	£671	Dell Computer Corporation Ltd Dell E5500 Laptop
19/03/09	£562	HP Laptop and case from Inclusion
19/03/09	£609	Cartridges and toners
2009	£558	Eclipse Computer Supplies Ltd
07/10/08	£378	Furniture mirror for 6 th form common room
27/02/09	£344	Hitachi Projector/lamp
17/03/09	£140	Western Digital HD Caviar 80GB – new 6 th form
19/03/09	£81	GLS Dudley – CD Player - Drama

Internal Audit recommends that the CYPS DMT considers whether any of the items listed above require further investigation and instructs the Capital Development Manager, CYPS to check the items listed against the lists of disposed assets to ascertain where they have been disposed and the payment received, if any.

Also that CYPS DMT considers whether any of the following items, sold by SFM to third parties, requires further investigation to ascertain the purchase dates and costs and values at disposal.

Assets sold	Recipients
<ul style="list-style-type: none"> • 50 Promethean whiteboards @ £400 each. = £20,000 (including pens, speakers, leads, connectors etc., removed from walls and stored, packed for transit) • 30 Sanyo projectors @ £50 each = £1500 (including remote controls, leads and connectors, removed from ceiling, packed for transit) • 5 projector ceiling mounting kits @ £50 = £250 (removed from ceiling, packed for transit, including keys, locks etc.) • Up to 10 networked printers @£100 = £1000 (including leads and connectors, moved to central area) <p>Total offered to SFM: £22,750</p>	The George Eliot School, Raveloe Drive, Nuneaton, Warwickshire CV11 4QP
Laptops – number sold and income received unknown	SFM staff

If assets have been passed to the Academy at no cost then DMT should consider whether they might have been purchased with that intention and should further consider the appropriateness of recovering costs from the Academy. Consideration should also be given to VAT issues – see below.

Where assets have been passed to members of staff, other MKC schools and services, other organisations external to MKC then DMT should consider whether they might have been purchased with that intention and should further consider the appropriateness of attempting to recover costs.

“Are there any VAT or other legal issues?”

Provided that the Academy is legitimate to operate under the Schools Standards & Framework Act then its right to VAT recovery when spending the school's delegated budget is valid. But if the Academy has no validity to act as an agent under the Act then any transactions between the school and the Academy would be subject to normal VAT rules, i.e. on all transactions the school would have to levy VAT where applicable for the items purchased.

If SFM/MKC has illicitly recovered any VAT via the school then that VAT could be repaid to HMRC via a Voluntary Disclosure, this formal notification of a VAT error would attract Default Interest and there may be penalties, but only for errors made since 01/04/09. SFM/MKC would need to recoup the lost VAT (and penalty payment?) from the Academy.

Internal Audit recommends that the Director of CYPS should consider whether any items listed above would fall into this category and if that is the case then the Divisional Accountant - Schools & Capital should be tasked with checking whether VAT has been charged to the academy and working with the VAT Manager in taking appropriate steps to ensure MKC legal requirements are fulfilled.

If you have any queries with the audit or this memo, please do not hesitate to contact Jackie Clarke.



Lynda Baker