

## **AUDIT COMMITTEE**

**11 JULY 2013**

### **INVESTIGATIONS RELATING TO INTERNAL FINANCIAL IRREGULARITIES**

Report from: Internal Audit

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#### **Summary**

This report is to inform Members of the outcome of a recent internal investigation relating to financial irregularities and provides further information to Members on the investigation reported at the last meeting of the Committee.

#### **1. Budget and Policy Framework**

1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

#### **2. Background**

2.1 Part of a sound internal control framework requires an organisation to devote resources to investigating suspected irregularities.

2.2 The Exempt Annex A provides details of one concluded irregularity investigation, and details where control issues were identified.

2.3 On 9 May 2013 the Audit Committee considered the outcome of an investigation. Following initial introductions, Members discussed the outcomes in detail and reflected on the information provided and the recommendations to strengthen control arrangements. Officers responded to Members' questions explaining council policies and procedures and how they were applied in this instance. It was also noted that a follow-up audit would be undertaken later in the year. The Committee agreed that the Chief Executive take forward actions identified to strengthen control arrangements. A record of this discussion is set out at the Exempt Annex B.

2.4 A joint working protocol between Audit Services and HR has been developed regarding the investigations of suspected fraud by Medway employees.

2.5 In the current financial year there have been eleven preliminary investigations initiated by Audit Services relating to internal financial irregularities. The level

involvement of Audit Services in the investigation process is determined based on a number of factors including the complexity of the case, whether a criminal investigation needs to be undertaken, and how the concern came to light. Where audit services undertake an investigation the outcome will be reported to Audit Committee once the case has concluded. The conclusion may be through the disciplinary process, criminal proceedings, or may result in no further action required. Control weaknesses identified through the investigation process will be reported to management and a summary provided to Audit Committee.

### **3. Risk Management, Financial and legal implications**

3.1 There are no risk management, financial and legal implications arising from this report.

### **4. Recommendations**

4.1 Members to note the outcome of the irregularity investigations and the actions taken.

4.2 Members note the record of the discussion as set out at Annex B.

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#### **Background papers**

None.