

INTERNAL FRAUD AND IRREGULARITY INVESTIGATIONS

Audit Services are responsible for undertaking investigations into possible fraudulent activity by members of council staff and contractors. Referrals requiring investigation by Audit Services are received from managers across the council or through the whistleblowing arrangements. In addition some investigations arise as a direct result of internal audit work.

Audit Services conduct an initial assessment of the case in order to determine whether an investigation is required. In some instances the referral will require nothing more than the provision of advice to management, who may be required to investigate the matter further, in compliance with the council's disciplinary policy. In some cases Audit Services undertake a full investigation, which may result in disciplinary and/or criminal proceedings.

There is an investigation protocol between Audit Services and HR which sets out how the respective roles of the two teams when undertaking investigations into suspected employee fraud. The protocol was agreed in 2013 and has resulted in an increased number of referrals to Audit Services.

The table below sets out the completed internal fraud and irregularity investigations undertaken, and advice provided, since the last report presented to Audit Committee (excluding those cases which have to be reported as a restricted item, in line with Data Protection Act requirements). The table includes a summary of control weaknesses identified and management actions agreed.

Referral	Audit Services Involvement	Finding	Control Improvements
<p><u>Attempted cheque fraud</u> A bank informed a Medway School that their running security screening identified an altered cheque. The supplier's name and the amount had been altered. The</p>	<p>Review of the control arrangements</p>	<p>The cheque was intercepted by the bank and cancelled before any funds were transferred. The case was reviewed by the bank's fraud investigation unit.</p> <p>The school informed the supplier of the cheque interception and a new cheque was issued.</p> <p>Our review of cheque payments at the school showed these were reasonable and that it was</p>	<p>None.</p>

Referral	Audit Services Involvement	Finding	Control Improvements
<p>bank informed the Business Manager that they had intercepted a second cheque (from another school) that had been altered to favour the same payee as the Medway school's cheque.</p>		<p>very unlikely that the cheque had been intercepted at the school.</p>	
<p><u>Attempted standing order fraud</u> A bank informed a Medway school that someone had attempted to use the school's bank details to set up a standing order unrelated to the school.</p>	<p>Review of the control arrangements</p>	<p>The bank queried the standing order with the school who confirmed that this had not originated at the school. No funds were transferred. The case was reviewed by the bank's fraud investigation unit.</p> <p>There were no control issues identified at the school.</p>	<p>None.</p>