

**SUBJECT: INTERNAL AUDIT SECTION
Update on Special Investigations**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 26th May 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider an Update on Special Investigations

2. RECOMMENDATION(S)

That the Audit Committee note the involvement of the Internal Audit Team and updates provided on the Special Investigations.

3. KEY ISSUES

- 3.1. From time to time the Internal Audit team get involved with Special Investigations as a result of allegations of financial irregularities or non-compliance with Council policy. During 2015/16 the Team were involved with 10 Special Investigations. 99 days were spent dealing with this type of audit work during 2015/16; 120 days were allocated to Special Investigations in the 2015/16 Internal Audit Plan.
- 3.2. As part of a routine primary school audit, it became evident that there were minimal records available to support the transactions of the school fund and that this particular school arranged with two other neighbouring primary schools to certify their annual school fund statements blind, i.e. they were pre-signed before the transactions for the year were included on the statement.
- 3.3. The School Administrator went off sick and was non co-operative. She resigned from her position before a formal investigation in line with the Council's disciplinary code could be instigated. The Audit Team eventually managed to obtain a sample of cashed cheques from the fund's bank account which, on the face of it, showed there were no issues with the cheque payments from that account.
- 3.4. Concerns were raised around the financial situation of a primary school including the excess level of school dinner money debt. The Local Authority suspended the Governing Body's right to a delegated budget and financial control was taken over by the Local Authority. Alongside this process the Local Authority and local Diocese also appointed additional governors to the Governing Body to help with oversight and governance moving forward. The previous Headteacher left the

Authority and an Acting Headteacher joined the School. An Executive Head within Monmouthshire was working closely with the Acting Headteacher to improve systems and to provide support to the School.

- 3.5. Senior Management within Education and a Cabinet Member instigated an investigation concerning the financial transactions of a Headteacher of a school following a suspension and the engagement of a consultant at that school. Issues were identified and reported back to Senior Management to ensure appropriate controls were put in place moving forward in order for a more robust financial environment to be maintained.
- 3.6. Within Social Care and Health (Children's Services) an issue was raised concerning the payment of staff wages through the imprest cash account, i.e. cash payments were made direct to the employee rather than through the normal payroll process. The payments being made to the employee could potentially lead to mistreatment of tax, national insurance contribution and pension liabilities. Issues were identified with the process and the matter was reported to Senior Management within the service area who were responsible for implementing adequate controls to prevent this happening in the future and to ensure proper use of the imprest account.
- 3.7. Following a prolonged review of the financial transactions of Social Care and Health establishment the Chief Internal Auditor was involved as a witness in a Care Council for Wales hearing against a former manager of the Council. The manager no longer works for the Council and as a social worker had a removal order imposed on him.
- 3.8. Following a POVA panel concerns were raised around the potential of missing monies from clients within the Council's care. The care was provided by an independent care organisation. Although there was a significant reduction in the client's funds theft could not be proved. Recommendations were made to management to tighten the controls around handling clients' monies to protect the client and the carer.
- 3.9. A concern was raised by Schools' Finance about a primary school running a separate governors fund in addition to the normal school fund. A sample of transactions was tested and found to be appropriate spend in line with normal school activities. This fund was closed down and the money transferred to the school account.
- 3.10. A former employee alleged that financial fraud was ongoing within a particular department within the Council from which existing employees were benefiting financially. The Audit team undertook a thorough investigation and managed to obtain a report from the specific system which wasn't being used by management to reconcile back to the income collected and output produced. This proved that there was no substance to the allegation.
- 3.11. One investigation linked to the primary school fund issue mentioned previously. Three primary school administrators got together and arranged to sign off each other's annual school fund statements prior to any transactions being recorded. As mentioned earlier, one school

administrator resigned from her position prior to a formal investigation. The Headteachers and Governing Bodies of the other two school administrators appointed an independent investigator to pursue the concerns. Both still work for at the respective schools.

- 3.12. A complaint was received from a user of a service around the poor billing and invoicing process of a service offered by the Council. A review of the invoicing and payment controls in place of the service was undertaken. We identified that the concern raised was an exception rather than the norm, which is likely to have occurred through the Authority holding multiple contact details for the individual; although cover arrangements for a planned vacancy in the service area appear to have been inadequate. Recommendations were made to the service management to improve the financial control environment.
- 3.13. Although the time allocated to special investigations is usually a pressure point the 2016/17 allocation of days has been reduced to ensure appropriate coverage is given across service areas. The Internal Audit Team will continue to investigate allegations to ensure the proper use of public funds and to minimise the potential for fraud, theft or corruption within Monmouthshire.

4. REASONS

- 4.1 Further information requested by the Audit Committee regarding the involvement of Internal Audit with previously reported Special Investigations.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

IA Operational Plans

8. AUTHOR AND CONTACT DETAILS

Andrew Wathan, Chief Internal Auditor
Telephone: x.4243
Email: andrewwathan@monmouthshire.gov.uk