

## **South Eastern Health Board**

### **Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas**

*This report has been prepared pursuant to Section 6(4) of the Comptroller and Auditor General (Amendment) Act, 1993*

#### **Financial Irregularities at a Health Board Institution**

In October 2004 a staff member in an institution administered by the South Eastern Health Board noted a number of discrepancies in the hospital's Patients Private Property Account that could not be satisfactorily explained by the responsible member of staff. In mid November 2004 the Board's Internal Audit Unit was requested to investigate the matter.

The internal audit investigation examined records relating to the Health Board's Revenue Maintenance Account and Patients Private Property Account for the period January 2002 to October 2004 and interviewed key staff. The main findings of the internal audit report, issued in June 2005, were that financial irregularities totalling at least €245,286 had occurred over this period. This amount includes €11,700 of cheque payments that were regarded as highly suspect.

In the case of the SEHB Revenue Account the financial irregularities involved

- Under lodging of cash
- Altered receipts of maintenance payments
- Late receipt and non-receipt of pension money orders
- Overwriting of receipts.

In the case of the Patients Private Property Account the financial irregularities involved

- Unauthorised cheque payments
- Non-allocation of Christmas Pension Money Order Bonus.
- Substitution of funds raised voluntarily.

The report highlighted significant failures and weaknesses and recommended that management urgently adopt a more robust role in the implementation of controls and procedures. Notwithstanding the fact that management had eventually discovered the irregularities, the report found that the failure of internal checks by local management/supervisory staff was fundamental in enabling the financial irregularities to continue over an extended period.

The report noted that the irregularities had occurred in the aftermath of earlier irregularities in 2001 involving sterling pensions in the hospital's Patients Private Property Account. Following an internal audit visit in 2002 management had agreed to implement audit recommendations regarding the identification of balancing receipts to bank lodgements and that no cheques would be cashed in the SEHB Revenue Account other than small amounts of less than €100. These recommendations, while initially implemented, quickly reverted back to the questionable practices found at the 2002 internal audit.

The investigation in 2004/05 revealed areas where what was apparently taken as sloppy work masked the irregularities e.g. overwrites of receipts in the Revenue Account and a large number of correction transaction entries in the Patients Private Property Account. The internal audit report recommended that the internal checking process should be aware of and take cognisance of staff in sensitive posts not taking continuous periods of annual leave, of continually staying back late and resisting work rotation, all of which emerged during the investigation.

I asked the Chief Executive Officer

- how the systems designed to prevent and detect fraudulent conduct were ineffective over a considerable period, particularly in the light of the discovery of the irregularities in 2001 and the recommendations made in the subsequent internal audit report
- how adherence to the changes in the systems of control, which have been put in place since the discovery of the irregularities, is assured
- to provide an estimate of the total loss of public funds and whether any amounts are expected to be recovered
- if and when the matter was referred to the Garda Síochána
- whether similar systems and procedures in other hospitals have been reviewed and whether changes have been implemented, as required.

### **Chief Executive Officer's Response**

In response to my enquiries the Chief Executive Officer (CEO) informed me that, while the systems of internal control and procedures were in place and did eventually detect the irregularities, the internal check elements were lax and not sufficiently robust to detect them in a timely manner.

He stated that local management have accepted the audit recommendations and have a programme in place to implement and monitor their application. The auditors of the Patient Private Property Accounts will carry out a greater level of testing during their audit. Internal Audit has also looked at the current procedures and it is planned to re-visit this location before the year-end following the re-introduction of long stay charges.

The CEO informed me that the estimated loss to the revenue account was €173,804. The loss to the Patients Private Property Account was €71,482. This loss has been reimbursed to the Account by the Health Service Executive (HSE) and no patient is at a loss. The total estimated loss, therefore, was €245,286. A claim has been lodged with the HSE's insurers for the amount misappropriated and the CEO is not yet in a position to know the outcome of the claim. Should there be a successful prosecution, the Courts may award restitution for the loss. The HSE would be optimistic that the loss can be recovered either from the insurers or by way of restitution.

The CEO stated that the Gardaí were notified, in early November 2004, as soon as the irregularities were confirmed, and in accordance with the relevant Department of Health and Children Circular Letter. The internal audit report has also been given to the Gardaí.

The CEO also informed me that the experience gained from this investigation has been circulated to all hospital and general managers. The Director of Finance for the South East Area also wrote to all hospital and general managers asking them to review the internal check process in their areas. Internal audits have been carried out in relation to cash in other institutions. There is a proposal for discussion with the new HSE Head of Audit to assign a person mainly to this area of audit.



**John Purcell**

**Comptroller and Auditor General**

**28 October 2005**