

GLOBAL INTERNAL AUDIT SERVICES

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Audit Title: Suspected Fraud Incident Purchasing

Audit No.: 24/2007

MEMORANDUM

Creation Date: 07/08/2007

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Summary

On July 12th, 2007, the Board of Directors received an anonymous e-mail. In this e-mail, the purchasing manager of subsidiary XY was accused of having accepted money and various services for his personal profit in connection with his purchasing activities for the "Flower" project.

The anonymous e-mail was forwarded to Global Internal Audit Services on July 16th, 2007. At the same time, GIAS was requested to immediately conduct an ad-hoc audit to investigate the situation (audit request 17/2007).

Audit Execution

The audit was conducted from July 18th to July 27th, 2007 and included the following fieldwork activities:

- Examination of contract (date, signatures, rights and duties)
- Examination of competitive bidding documents (as available)
- Comparison of bid invitation with purchasing guidelines
- Documentation of purchasing and vendor selection process based on interviews with purchasing employees
- Comparison of signatures with signature matrix
- Analysis of expense accounts for "Flower" project
- Analysis of purchase order requisitions and purchase orders for "Flower" project
- Interviews with human resources staff and the purchasing manager's superior
- Interview with purchasing manager

Result

The purchasing manager was questioned by GIAS in the presence of the human resources manager. The purchasing manager stated that he received 14 cash payments of € 1,800 each (total amount: € 25,200) from supplier XY Ltd. In addition, supplier XY Ltd. also funded a family trip to Thailand. According to the purchasing manager, XY Ltd. gave him to understand that further payments and services would be forthcoming.

The purchasing manager also stated that the manager of the IT department has also received "money amounting to a five-digit sum".

Recommendation

- The legal department is to notify the police (in process).
- Expansion of fieldwork activities: Examination of all of the manager's purchasing activities, starting from his entry in July 2002, including the relevant accounts payable processes.
- Interview with the manager of the IT department.
- Expansion of fieldwork activities to include the IT department.