

# **POLICY FINANCE AND ADMINISTRATION COMMITTEE**

**7<sup>TH</sup> OCTOBER 2013**

## **REPORT OF HEAD OF CENTRAL SERVICES**

### **PAYMENT FRAUD**

#### **1.0 PURPOSE OF REPORT**

1.1 To update members on the recent payment that was made into a fraudulent bank account.

#### **2.0 RECOMMENDATIONS**

2.1 That the Committee note the current position and the steps that have been taken to recover the funds and investigate the matters relating to how the event occurred.

2.2 That members note the availability of a Crime Policy for which a price is awaited from the insurers.

#### **3.0 KEY ISSUES**

3.1 On 4<sup>th</sup> September 2013 finance officers became aware that a payment due to one of its suppliers had not reached that suppliers bank account, and instead had been transferred to a fraudulent account. Steps were immediately taken to try and recover the monies in liaison with both the Council's bankers and the police.

3.2 Police investigations have initially centred on the recovery of the payment although work has now started on the investigation itself. Council staff have been interviewed and information has and continues to be supplied to the Police on a range of issues as requested.

3.3 Following notification to the external auditors a discussion was held with PWC's fraud expert who stated that the Council's procedures for making amendments to standing data including bank account details were good but enhancements were suggested and these are to be implemented.

3.4 The Leader has requested that when further details are known from the investigation both internal and external, that a review be undertaken of the creditors function by the external auditors. Members of the Governance Committee at their meeting on 24<sup>th</sup> September 2014 considered how they wished to feed into the scoping of such a review. It was approved that should there be a need to approve the scope outside of a regular meeting then delegated authority be given to the Chair and Vice Chair to approve.

3.5 This appears to have been a well planned fraud. The Council needs to be mindful of not prejudicing the ongoing police investigation into this matter or indeed the internal investigation that has commenced. The position is constantly changing and members will be kept informed of developments subject to this not prejudicing the ongoing investigations.

#### **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 The main corporate implications relate to the impact on the Council's finances if the payment is not recovered in full.

#### **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 At the present time the Council has not had to recognise or has incurred a loss as the payment has only been made once. It is at the point where a payment is required to be made to the genuine supplier that this issue will arise. Contact has been made by the supplier and a high level meeting with senior representatives from both organisations has been held to discuss the way forward. The supplier was understanding of the Council's position and whilst it reserved its position agreed a mutually acceptable way forward with the Council.
- 5.2 The insurance position is still being clarified although it is unlikely the council are covered based on what is known to date. The Governance Committee requested that additional cover be explored which had already been instigated by officers and at the present time the insurers have offered up a crime policy that is a recent policy of which we have not previously been made aware. A price has been requested and this is awaited. The Council had previously requested the insurers undertake a policy review some time ago to identify any new or existing policies that the Council did not currently hold that we may wish to consider and this is still outstanding. The insurers have been asked to raise the priority of this work.
- 5.3 The cost of internal investigations to date have been kept within existing resources. The cost effectiveness of any proposed actions emerging through the legal route will be assessed prior to moving forward.
- 5.4 Any final loss will need to be met from the Council's resources and options are available to members to meet this from the working balance or from reserves.

#### **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 Legal staff have been involved at all stages and have liaised with the Police as appropriate. A range of potential outcomes from the investigation have been supplied to legal for their opinion on the various options that would be available to the Council should they arise.

#### **7.0 COMMUNITY SAFETY**

- 7.1 There are no specific community safety issues as a result of this report.

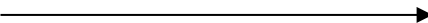
#### **8.0 EQUALITIES**

- 8.1 There are no direct links to equalities as a result of this report.

9.0 **RISKS**

9.1 **Probability**



Very High A				
High B		2		
Significant C				
Low D		1		
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic
				
	<b>Impact</b>			

Risk No.	Description
1	Fraud or corruption occurs
2	A significant portion of the payment is not recovered

9.2 Risk number 1 above is the risk assessment of fraud or corruption occurring within the council and the impact of such an event as contained within the Central Services Service Plan. The current incidence is the largest fraud that can be recalled within the council and is the first for many years outside of benefit fraud. It is not considered that this recent event changes that assessment although members views are welcome. It is difficult to assess the likelihood of recoveries of the funds due to the confidentiality surrounding the Police investigation. Also discussions with the supplier have yet to be held.

10.0 **CLIMATE CHANGE**

10.1 There are no direct links to climate change.

11.0 **CONSULTATION**

11.1 The Leader was informed of the situation on the evening of 4<sup>th</sup> September 2013. Following an agreement with the Police a statement was issued to the press and all members on 5<sup>th</sup> September 2013. A subsequent briefing was issued to all members on 13<sup>th</sup> September 2013. Group meetings have also been offered and held where requested to update members on the current situation. Finance and legal officers remain in contact with the Police to be kept abreast of the investigations as much as the investigation allows.

- 11.2 As set out above. Contact has been made by the supplier and a high level meeting with senior representatives from both organisations has been held to discuss the way forward. Monthly updates will be made to the supplier to keep them informed of progress.
- 11.3 The Council's internal and external auditors have been informed and kept updated as far as the Police investigation can allow.
- 11.4 A report was considered by the Governance Committee at it's meeting held on 24<sup>th</sup> September 2014.

## 12.0 **WARDS AFFECTED**

- 12.1 All wards are affected

Contact Officer: Dawn Garton

Date: 7<sup>th</sup> October 2014

Appendices: None

Background Papers: Confidential papers surrounding the investigation.

Reference: X: C'tees, Council & Sub-C'tees/PFA/2013-14/07-10-13/Paymentfraud