

GOVERNANCE COMMITTEE

24 SEPTEMBER 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 and enable the committee to determine the role it wishes to have in subsequent internal investigations.

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 the Committee determine the role it wishes to have in any further investigations into the matter in relation to para 3.4.

3.0 KEY ISSUES

- 3.1 On 4th 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 on 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 this committee may want to discuss how they feed into the scoping of such a review.
- 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 arranged to discuss the way forward
- 5.2 The insurance position is still being clarified although it is unlikely the council are covered based on what is known to date.
- 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

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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

→
Impact

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 4th September 2013. Following an agreement with the Police a statement was issued to the press and all members on 5th September 2013. A subsequent briefing was issued to all members on 13th September 2013. Group meetings have also been arranged 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 will be held to discuss the way forward.

11.3 The Council's internal and external auditors have been informed and kept updated as far as the Police investigation can allow.

12.0 **WARDS AFFECTED**

12.1 All wards are affected

Contact Officer: Dawn Garton

Date: 24 September 2013

Appendices: None

Background Papers: Confidential papers surrounding the investigation.

Reference: X: C'tees, Council & Sub-C'tees/Governance/2013-14/24-09-13/Paymentfraud