

## AUDIT AND RISK COMMITTEE

6 September 2014

### FRAUD INCIDENT

Report of the Director of Resources

STRATEGIC AIM	All
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#### 1. PURPOSE OF THE REPORT

- 1.1 To brief the Committee on a recent payments fraud which has resulted in a potential loss of £15,000 to the Council.

#### 2. RECOMMENDATIONS

- 2.1 That the Committee notes the circumstances of the fraud and the action taken in response.

#### 3. BACKGROUND

- 3.1 The Council has been the victim of a payments fraud. The Council received a fraudulent letter asking for a genuine suppliers bank details to be updated. The letter was not deemed to be suspicious and was processed. This resulted in a number of payments being made to a false account. More information is included in the exempt Appendix.
- 3.2 The Council is aware that this is a common fraud area and one where fraud is on the increase aided to some extent by the substantial amount of information that the Council publishes about its financial transactions.
- 3.3 The Council has received both 'false' invoices and 'request to change bank details' in the past and has prevented a number of potential frauds. Common issues include:
- i. The registered office on the letter did not match the records held on the system;
  - ii. The website address was not correct;
  - iii. The company logo was of poor quality;
  - iv. Letter head did not match previous correspondence.

3.4 A revised process has been put in place to address the causes of the fraud.

3.5 The matter has been reported to the National Fraud Intelligence Bureau which is investigating matters.

4. **REASONS WHY THE APPENDICES ARE MARKED “NOT FOR PUBLICATION”**

4.1 Appendices 1 is marked “Not for Publication” because it contains exempt information as defined in Paragraph 7 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime) of Schedule 12A to the Local Government Act 1972.

5. **RISK MANAGEMENT**

<b>RISK</b>	<b>IMPACT</b>	<b>COMMENTS</b>
<b>Time</b>	<b>Low</b>	Action has been taken immediately to reinforce procedures.
<b>Viability</b>	<b>Medium</b>	The Council already can implement the revised procedure.
<b>Finance</b>	<b>Low</b>	There is a potential loss of £15k for the Council.
<b>Profile</b>	<b>Medium</b>	The profile of fraud issues can be high.
<b>Equality and Diversity</b>	<b>Low</b>	EIA screening produced a low result; therefore a full EIA was not required.

Background Papers

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.