

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

25 NOVEMBER 2013

<b>SUBJECT:</b>	<b>CHANGE IN PAYMENT DESTINATION FRAUD</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION:</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 The Authority was recently the subject of a Bank Mandate Fraud which resulted in payments of £45,683.86 and £95.60 that were due for a Care Home being diverted to an alternative account. Following an initial assessment and establishing that a fraud had occurred, a replacement payment was issued to the supplier.

1.2 Mandate fraud is a very common fraud targeting Local Authorities, Hospitals, Universities, Supermarkets and other major organisations. In the first half of 2012 over £150 million was lost to this type of fraud within the UK alone.

Neighbouring authorities within the North-West such as Salford (£125k), Wigan, Rochdale, Bolton (£500k, £600k attempt) and Warrington have fallen victim to these frauds in recent years.

1.3 Following the fraud being reported to Internal Audit an investigation was undertaken to establish how it had been allowed to occur despite the clear and robust procedures that are in place to prevent incidents like this occurring.

#### 2.0 BACKGROUND

2.1 A telephone call was received by DASS on 23<sup>rd</sup> August 2013 from the General Manager of a local Care Home querying why they had not received a payment of £45,683.86 that had been due the previous week, despite having received a remittance for said payment.

2.2 DASS were able to confirm that a payment had been issued by BACS on 13<sup>th</sup> August 2013 but also noted that a request to change the bank details of the payee had also been received some weeks earlier.

2.3 The General Manager confirmed that no request had been made by the Home for changes in their account details; it was at this point that DASS contacted Internal Audit to report the suspected fraud.

2.4 Contact was immediately made by Internal Audit with the destination bank who confirmed that the funds had left the account as soon as the payment had cleared on 16<sup>th</sup> August 2013.

2.5 Provision was made between DASS and Accounts Payable for a replacement payment to be made as it had been established that payment had been made to an alternative account and not that of the Home.

### **3.0 INTERNAL AUDIT INVESTIGATION**

- 3.1 It was found that a request to change the payee details of this account was received, via email, in July 2013. The email was received on the CPT email address that Accounts Payable advocate suppliers use for their correspondence.
- 3.2 The email address from which the request was sent was checked, by the officer, against the Oracle system, that Accounts Payable use for the Authority's creditors. It was found that the email address on the request matched that which we held on the Bank Mandate form that had been completed some two years ago.
- 3.3 The email that was received requesting the change also contained details of the previous month's remittance.
- 3.4 The instructions that have been issued to staff to process these change requests state that in all instances they must phone the supplier to confirm that the request is genuine. Once contact has been made with the supplier further security questions are required, but it is essential that contact is made for these procedures to be effective.
- 3.5 In this instance procedures were not followed as having checked the email address and the fact that the previous months remittance was on the requesting email it was assumed by the member of staff that the request was genuine.
- 3.6 The change was checked by a supervising officer and the changes were subsequently made to the Oracle system.
- 3.7 The loss was immediately reported to the Local Police on the 23<sup>rd</sup> August 2013 and subsequently following advice from them to the National Fraud Reporting Hotline at Action Fraud. Crime numbers were provided by each of these organisations.
- 3.8 Internal Audits' investigations have been able to identify the name, account holder and address for the destination account into which the monies were transferred and also the accounts to which these monies were further moved.
- 3.9 Internal Audit continued to trace the money trail and share their information with the Police as Internal Audit we had had no confirmation at this time that the Police had accepted this case for investigation.
- 3.10 All additional information obtained has been passed to Action Fraud for their consideration and have also been passed to the Economic Crime Unit of Merseyside Police.

Internal Audit were advised on 11<sup>th</sup> November 2013 by Action Fraud that the information has now been passed to the Metropolitan Police for consideration. Internal Audit had earlier, however, been contacted by the Metropolitan Police on 5<sup>th</sup> November 2013 to advise us that they are now actively pursuing this. Internal Audit has provided a statement detailing the events and their investigation by way of a formal complaint.

- 3.11 A report has been prepared for senior management identifying ten recommendations which stress the importance of following documented procedures in respect of changes to any account details.

These recommendations have been identified in the Monthly IA Activity Summary Report for ARMC dated September 2013.

#### **4.0 RELEVANT RISKS**

It is important for the Council to have adequate policies and procedures in place, to protect itself against the significant threat, posed by this and other types of fraud. However failure to follow such procedures will inevitably result in the Council becoming the victim of such fraud.

#### **5.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

5.1 There are none arising from this report.

#### **6.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

6.1 There are none arising from this report.

#### **7.0 LEGAL IMPLICATIONS**

7.1 There are none arising from this report.

#### **8.0 EQUALITIES IMPLICATIONS**

8.1 Has the potential impact of your proposal(s) been reviewed with regard to equality? No because there is no relevance to equality.

#### **9.0 CARBON REDUCTION IMPLICATIONS**

9.1 There are none arising from this report.

#### **10.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

10.1 There are none arising from this report.

#### **11.0 RECOMMENDATIONS**

11.1 That the report and actions currently being taken by officers be noted.

#### **12.0 REASON FOR RECOMMENDATION**

12.1 To ensure that procedures for Changes in Account payee requests are up to date and officers comply with these procedures.

12.2 That compliance with the recommendations will prevent a recurrence of this incident.

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#### **APPENDICES**

None

#### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
N/A	