

Fraud and Corruption Case Studies sent in by Councils

1) Mandate Fraud

Attempted mandate fraud from a fraudster pretending to be a local care home. This was prevented as a result of the procedures in place at the Council to carry out an independent verification of the request to change bank account details.

2) Collusion with supplier

What happened?

Email records suggested an officer was involved in colluding with a contractor to bid and win council contracts, the officer denied any financial gain.

How was this discovered?

Allegations were made that a Manager had incorrectly claimed expenses and was frequently absent at external meetings, which prompted a review of emails as part of the investigation.

Details

The emails uncovered:

- a) completion of preliminary costing of works for the contractor to win work with several organisations unrelated to the Council but not declared by the Officer as part of their undeclared private work;
- b) assistance provided to the contractors in submitting a quote for a Council tender by forwarding a competitor's completed tender submission document and advising the Contractor to submit a slightly lower quote in order win the work; the officer due to his position had access to the other bids received, (in light of this investigation the tender valued at £15k was withdrawn).
- c) discussions regarding payment for work carried out by the Officer on behalf of the Contractor.
- d) advising on bids and assisting and contracts and then involved in the tender appraisal and awarding process and not declaring this.

Conclusion

It was concluded that the Officer had engaged in inappropriate business relationships which not only resulted in a Contractor/Supplier gaining an unfair advantage during the bidding process, an impression was created that a Council Officer could be improperly influenced, the matter was referred to the Police.

3) Collusion with suppliers

What happened?

A senior officer within the Education Department was responsible for developing a tender document for school improvement services. The partners of both the senior officer and her direct line manager were established providers of school improvement services. A conflict of interest was not declared by either employee, nor avoided/appropriately managed, therefore giving them the opportunity to write the tender to favour certain providers (or indeed preclude others).

How did this come to light?

The issue came to light when incoming tenders were scrutinised by commissioning support officers – ironically the conflicts of interest had been declared by the individuals bidding for the work which led to alarm bells given that the ‘connected’ employees had significant influence over the tender process and, ultimately, the award of the work.

Conclusions

The whole tender was pulled due to the risk of legal challenge from other providers of these types of services who may have felt precluded at initial tendering stage if tender specification had been unfairly written.

4) Payment card abuse facilitated by lack of management oversight

What happened?

A trusted and long serving member of staff within a very busy department had been issued with a payment card to assist in their duties. They had held an organisational credit card for several years and were highly trusted by management.

The job was pressurised and in part ensured that emergency accommodation was supplied to those in need, involving some of the most vulnerable in our society.

The managers of this individual did not properly check payments as they felt that they did not have enough time, the process for the managers involved checking an e-mail containing all transactions from members of staff with a card and going into the system and ensuring that the correct paperwork had been supplied in connection with the spend.

As a result of these perceived pressures and the fact that staff were ‘trusted’ the managers were skim reading the e-mail, and as long as it looked “OK”, they would authorise all payments.

How was this discovered?

Following a recent change in manager, anomalous transactions were picked up that in the words of the new manager “didn’t look right”, the matter was only then referred to the Counter Fraud Services Team.

Conclusions

Following an investigation, it was established that there were well over 100 personal transactions found over a two-year period which included multiple holidays for the individual and family, as well as garage payments for their car being repaired and serviced.

The value of the illegal transactions uncovered was around £8,500.

The managers were not following the council's process on corporate credit card usage, had they been following the correct process, the misuse would have been detected earlier, or it would have made it too hard a crime to commit in the first place.

The officer concerned has been dismissed through the disciplinary process and based upon current evidence a prosecution will follow shortly for over 100 Section 4 Fraud Act 2006 offences, at least 10 Section 2 offences under the same Act and 5 offences contrary to Section 1 of the Forgery and Counterfeiting Act 1981.

5) Collusion with supplier

What happened?

In the Council's road resurfacing programme, the contractor's Contract Manager and the council's Principal Engineer (responsible for the resurfacing programme) colluded over a two-and-a-half-year period to defraud the council. Approximately 110 resurfacing jobs were vastly overcharged, with surface areas being overstated by anything up to 40% with the appropriate overcharging for materials; the number of days the jobs took was overstated; overstating of the amount of lineage (for parking bays etc) that had to be painted back on to the new surface – an example of this is a road that is not much more than 100 metres long where they claimed to have put down 3 kilometres of lineage. One of the bigger areas of overcharging was claims for disposal of old surfaces that they claimed contained tar contaminates (this type of material has to be chemically treated and hence costs a lot more to dispose of than uncontaminated material) when checks showed that the material was not contaminated.

This overcharging amounted to £1.9 million.

How was this discovered?

The contractor received a whistleblowing complaint about the activities of their Contract Manager and employed an external firm of investigators to undertake a full review. This highlighted the work done on the Principal Engineer's house (£40,000 incorporated into road resurfacing jobs) and a boat club (where the Principal Engineer subsequently got married). The contractor contacted the council about their findings and then the council undertook a full review of all road resurfacing jobs undertaken over the last few years, this highlighted the full extent of the fraud.

Conclusions

The majority of the money was taken from the system either by the contractor's Contract Manager creating "ghost" sub-contractors who supposedly worked on the jobs, or genuine sub-contractors claiming for work not undertaken (in collusion with the Contract Manager). The money then appears to have been cashed and distributed to the relevant parties.

6) Training Provider - Lack of effective due diligence

What happened?

As part of an employment scheme the Council wanted to send 10 residents on an Asbestos Course to enable their employment with a local company requiring qualified personnel. The employment team arranged a course for the residents through a provider. It later transpired that the Consultant engaged to provide the training from the provider was not appropriately qualified and was also the partner of the person at the Council arranging the training. Furthermore, the consultant was listed as a 'Disqualified Director' on Companies' House. The Company proposed a second Consultant, who

also proved to be unqualified for the training he was required to deliver. The Company itself was also not registered to provide the Asbestos training as required by UK Law and had used another similar provider's details together with their VAT Registration Number when they were set up on the finance system as a new supplier.

How was this discovered?

Audit and Assurance services decided to check the company that was being used to provide the training and passed the Consultant's details to the Council's in-house asbestos manager for verification. Further investigation carried out by the Audit and Assurance team brought to light the additional facts referred to above.

Conclusions

Lessons learnt:

Additional information and checks for new businesses should include checking the VAT Registration Number where applicable.

Service areas were advised to revise their procedures to carry out a 'Credit Check' on new business providers to ensure they are fit for purpose to carry out any future required training.

If this company had carried out the training, then the Council would be severely at fault for the following reasons:

- Using a company that was not registered in the UK to carry out the asbestos training.
- The training would have been delivered by an unqualified person.
- The certificate issued at the end of the training would not be fit-for-purpose.
- If any of the ten local residents who had completed the training then went on site, and had an accident, then the Council would be held partly responsible, which may result in an insurance claim against the Council either by the person doing the asbestos work or the person(s) who the work was being carried out for.

7) Case study – abuse of position

What happened?

An Interim Manager in the Council's Transport and Vehicle's department, hired vehicles for personal use (or use by his girlfriend) covering at least nine different vehicles, totalling over £18,000. In each instance the individual's name was used as the purchase order reference, rather than the Council's name, outside usual procedure. The individual was able to secure approval and payment for these through the Council's system, by persuading other managers and staff members to approve and process invoices.

The individual hired numerous pieces of machinery on separate occasions, totalling over £4,000 from one company. One of these items was reported stolen from a Council site where it should not have been located. The Interim Manager failed to inform the Council's insurance team of the theft, which meant the Council paid over £6,500 to cover the stolen machinery.

Further equipment was hired from a second hire company, totalling £1,400 and the Interim Manager provided a fake order number to the company. This second hire company was never an authorised supplier for the Council.

The Interim Manager arranged for invoices to be paid to a Gardening Company with the same address as their residential address and using a bank account that was the same as the account for their salary. The first payment was for over £7,400. The interim manager then chased a different team within the Council, for a further payment of over £11,300 on behalf of the Gardening company. The Council paid over £20,700 to the Interim Manger's account. The work was actually carried out by another company at the request of the Interim Manager.

The Interim Manager asked their manager to process a payment using their corporate credit card, as the supplier was allegedly chasing payment of nearly £1,000 and no one was available to process the purchase order. These goods were ordered by the Interim Manager and were never located.

The Interim Manager managed to negotiate compensation from a supplier who had delayed in providing equipment. This sum of £4,000 was paid directly to the Interim Manager's bank account.

In total the Interim Manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the Council from seven suppliers, including the false invoices purporting to be from the Gardening Company.

Thirty-one fraudulent invoices were introduced by the Interim Manager totalling over £48,000 and were processed, authorised and paid using the Council's systems. At no time did the officers authorising the transactions have sight of the invoices. A further eight invoices totalling more than £7,000 were subsequently authorised by the Interim Manager's Line Manager due to liabilities incurred by the Interim Manager. Employee purchase cards were used to pay for goods worth over £1,270 and the Interim Manager personally benefitted by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the Gardening company.

How was it discovered?

Following a whistleblowing referral to Audit services relating to another matter, enquiries were made which identified concerns regarding the actions of an Interim Manager in the Transport and Vehicles department.

Conclusions

As an interim employee, the Interim Manager did not have budgetary responsibility or authority and instead used his influence to request that other managers and staff raised and approved invoices on his behalf. At the end of the month these were transferred over to the maintenance cost centre. The other staff members were acting outside of the policies and procedures in place and appropriate disciplinary action has been taken.

The Interim Manager secured the role with fraudulent references and a fraudulent qualification document. A thorough reference check would have revealed the individual was a serial fraudster and was not appropriately qualified. This led to the Council operating in breach of their Goods Vehicle Operator's Licence. The reference checks were outsourced to the recruitment company that found the Interim Manager.

The Council's investigation found that the maintenance company with the same bank account as the Interim Manager's company did not exist and was set up on the Councils system using another supplier's VAT number.

An investigation was led by the Council's Audit Services department, who jointly worked with the police to take the matter to Birmingham Crown Court where the Interim Manager pleaded guilty to Fraud Act Offences on 29/4/19. He received a three-year custodial sentence 17 July 2019.

8) Supplier submitted fraudulent reports

What happened?

A commissioned provider of public health stop smoking services to a Council was amending data to maximise payments due to it under a payments-by-results contract. In short, the provider was paid an amount for every individual that progressed along a stop smoking journey. Data relating to people dropping out was amended to falsely represent that they had successfully completed the stop smoking programme and therefore attracted a payment for completion of the programme.

Overpayments totalled £140k. The Company refunded the overpayment in full, blaming a rogue senior employee who was subsequently dismissed and reported to the Police. The motive for the fraud is unclear, the Police feeling it was simply to enhance their reputation as a well-respected academic lead in this field.

How was this discovered?

The fraud came to light when the Council took a business decision to bring the service back 'in house'. A number of staff were subject to TUPE transfer from the provider to the Council and these staff then shared concerns with Council management at the point of transfer.

Conclusions

The control environment failed in a number of areas, including:

- Ineffective contract monitoring, with provider data being taken at face value with no dip sampling at service user level to validate the accuracy of the data submitted
- Contract overperformance, i.e. as a result of data manipulation, being seen by the Council as a good thing, leading to relaxed contract monitoring, rather than raising any alarm bells
- Poor controls at provider level enabling provider senior staff to retrospectively amend service user level data

9) School Payment Fraud

What happened?

A School Finance Officer was amending supplier bank account details to divert genuine payments into their own account. Immediately after the processing of the BACS run the details were corrected again. The total estimated fraud loss was £80,000.

How was this discovered?

The issue was identified when genuine suppliers began to chase payment of outstanding invoices.

Conclusions

The control environment failed in the following areas:

- An officer involved in the payment process had the system access to be able to amend supplier bank account details (i.e. limited segregation of duties)
- There was no independent review of system audit trails. These were available and would have shown clearly a number of transactions amending (and changing back again) supplier bank details.

To note, if the individual had also fabricated false invoices as opposed to diverting payment of *genuine* invoices, this could have gone undetected.

10) Collusion between staff and supplier - Overcharging for high volume, low value items

What happened?

A company was set up by a businessman in his wife's name and used to overcharge the Council's highways department for a large number of low value items, such as cutting blades, black sacks and tool containers. A stores controller in the council's highways depot, deliberately placed orders with the company. The store controller's wife was named as a Director of the Company. The businessman was jailed for two years and the stores controller for three years, for defrauding the Council out of £100,000. The two women received suspended sentences.

How was this discovered?

This was discovered when a new commercial and logistics manager started and found orders they had not signed off.

Conclusions:

This situation displays many of the elements to enable the fraud to occur:

- Husband and wife employed at same location leading to fraud opportunity through collusion
- Conflicts of interest – employees becoming directors of a supplier
- Poor internal controls, e.g. authorisation of orders, validation of prices
- Poor value-for-money
- Poor budget monitoring
- Over-specification
- Overpricing

11) Bus operator inflating claims for concessionary passes

What happened?

One bus operator (Operator A) was inflating claims for concessionary passes, which were reimbursed to the operator at a fixed amount. The operator had no smart card readers on the buses so was relying on manual recording by bus drivers. Reports submitted were then inflated, so rose

exponentially over time. This was 'hidden' as the reports were provided in aggregate with other providers in the area. An estimate of the amount overcharged was £1.5 million over three years.

How was this discovered?

One of the other operators raised a query with the administering authority in relation to the proportion of the total concessionary fare reimbursement that they were receiving. This led the administering authority to identify the amounts reimbursed to Operator A had increased exponentially over the previous two years and were out of all proportion to the level of claims that would be expected for the two routes that the operator ran.

Conclusions

The administering authority was supposed to have an audit / checking regime in place to ensure that operators only claimed for valid, qualifying journeys. This should have included spot checks on a sample of journeys, plus analytical review of trends in claims.

This case highlights the risk of not enforcing all terms of a contract (in this case, the other authorities had not picked up that the administering authority had stopped doing spot checks, because of funding cuts). In addition, the fact that Operator A was being overpaid was masked because the administering authority issued a consolidated invoice quarterly to cover its reimbursement of all operators.

12) Fraud by abuse of position – hidden fees (this is historic 2009-2010¹)

What happened?

A procurement manager responsible for buying energy in bulk for more than 120 public sector bodies, secretly negotiated extra fees with a supplier and had these paid over to an account he owned. The supplier believed these fees were going to the Council. A total of £2,173,246 was paid into the fraudulent account between 2009 and 2010 using false invoices.

Conclusions

The procurement manager was found guilty of fraud by abuse of position and was jailed for seven years. The necessary assurances were not in place to appropriately manage the risks.

13) Catering Equipment – paid for but not supplied

What happened?

An investigation was undertaken into procurement irregularities following a routine audit, which indicated that catering equipment had been paid for but not supplied to schools on whose behalf it had supposedly been ordered. The investigation found that an employee had raised a number of purchase orders and made payments totalling in excess of £50,000 for catering equipment with a supplier, yet there was no evidence that the goods had been supplied.

Enquiries found that many of the items were not required and had never been requested by the schools on whose behalf the orders had been placed. The supplier appeared to have colluded with

¹ <https://www.bbc.co.uk/news/uk-england-kent-17937293>

this activity as there was no other plausible explanation for them to submit invoices and accept payment for goods they had not supplied.

How was it discovered?

The investigation started as a result of a routine audit, which indicated that catering equipment had been paid for but not supplied.

Conclusions

The lack of division of duties which allowed an employee to place orders and approve invoices for payment was a key factor in the commission of the fraud, the full extent of which could not be established due to the absence of supporting documentation. The absence of a corporate contract for the supply of this type of equipment was another factor. The employee resigned at the outset of the investigation and the supplier agreed to refund the payments which they had received.

The council ceased all involvement with the supplier.

14) Unnecessary work and overcharging

What happened?

An investigation was undertaken in a school concerning the cost of orders placed by the Schools Business Manager. Nearly £350,000 of orders had been made over a two-year period to two suppliers for property maintenance work and IT equipment. This work was awarded in breach of financial procedures by failing to obtain quotes and/or by deliberate order splitting. These suppliers were subsequently found to be unsuitable for much of the work undertaken, which by and large was deemed to be unnecessary and the cost excessive. It was strongly suspected the owners of both firms were known to the School Business Manager in a personal capacity, and in all probability were awarded unnecessary and/or overpriced work for personal gain.

How was it discovered?

An investigation was undertaken at a school after concerns were raised about the cost of orders being placed by the School Business Manager.

Conclusions

The School Business manager, who subsequently resigned, was responsible for all aspects of procurement within the school and had placed orders without any consultation with the heads of departments on whose behalf he was procuring goods and services.

15) Contract to rebuild adventure playground following fire damage

What happened?

The officer tasked with the rebuild project of an adventure playground following fire damage used the fact that it was an 'insurance job' to not follow proper procurement process and did not go out to tender as was required for the value of work involved. The work was given to a friend who was just starting out a business. The officer was also helping the friend with aspects of the new business. The value of the rebuild contract was £66,000.

Conclusions

Officer was dismissed following a disciplinary process. Appealed but failed to attend the hearing. The decision was upheld.

16) Misuse of Fuel Card

What happened?

Employee retained a fuel card from a temporary replacement vehicle and then made fuel purchases for his own vehicle and of others to the sum of around £4,000. Monitoring of the use of cards was not being carried out at the time.

How was this discovered?

The monitoring of use of fuel cards was resting with individual budget managers, a decision had been taken to centralise the monitoring as there was a concern it was not being monitored. It was the centralisation of the monitoring that flagged up some purchases that were for unleaded petrol but were registered to a diesel vehicle, or purchases were registered to fleet vehicles not in use on the day of purchase, or not part of the fleet.

Conclusions

Employee was dismissed following a disciplinary process and was invoiced for the cost of the fuel he had purchased with the card.

17) Contractor favoured in exchange for bribes

What happened?

Electrical engineer was favouring an electrical contractor in exchange for bribes. The Engineer fixed tenders by tailoring specifications to ensure the contractor won some school rewiring jobs. This was carried out by including specific requirements for the use of the alarm installation contractor which were then not imposed on the favoured contractor, allowing them to under-cut the competitor bids by £14,000 and thereby secure the work.

How was this discovered?

This came from a tip off from the individual who had set up the electrical company in question, but was unhappy with some of the underhand dealings going on. The individual gave up his shareholding in the company and came to the council with the allegations.

Conclusions

This case was not reported to the police but the electrical engineer was dismissed following a disciplinary process for:

- Attendance at hospitality events with the contractor.
- Close friendship with contractor and evidence of socialising with them.
- Having private work carried out and paid for by the contractor.

18) Inflated prices and bribes to Council surveyor

What happened?

The costs of fencing jobs were inflated and a council landscape surveyor was taking a cut on the profit of each job. The individual jobs were between £1,500 and £10,000 in value. Both the contractor involved and the surveyor were prosecuted and given eight month prison sentences and the Council was awarded £16,766 from each of them under the Proceeds of Crime Act.

How was this discovered?

This came from an anonymous whistle-blower who provided documentation showing the council jobs and the agreed percentage split with the Council surveyor.

Conclusions

The Council involved the police at an early stage and they raided the contractor's premises seizing documents, computers and other material. Following prosecution the individual ceased being a director of the company, but the company continued to trade under the other director.

There was no formal contract in place between the contractor and the Council, in contravention of the council procedures. Following the investigation, the work was retendered following the correct process.

19) Goods ordered for personal use and resale

What happened?

A member of staff in the Independent Living Service within the Council purchased £117,060.32 of items which would not be required by the service/client between 1st April 2005 and 5th March 2012. Orders for these goods were placed by a Team Leader and concerns were raised by a manager following a budget review. The fraud took advantage of a £300 threshold where orders do not require authorisation and a particular arrangement with a retailer involving a trade card where no order went to the supplier.

How was this discovered?

This came to light as the Manager spotted that the expenditure was not aligning to the budget. She called in Internal Audit who looked at the purchases and found items being purchased that were not consistent with the service. The purchases were being resold on Ebay.

Conclusions

The member of staff received a 20-month jail sentence and confiscation order.

20) Referral to the Competition and Markets Authority

What happened?

Similarities in two bids as part of a procurement exercise were identified by members of the council's procurement team. This was referred to the corporate Investigations Team who were able to confirm that the bids looked similar and a referral was made to the Competition and Markets Authority in relation to the suspected cartel activity. After carefully reviewed the bids they decided to issue formal warnings to the two companies involved.

21) Fraud by Abuse of Position – works procurement

What happened?

The Council Housing Manager created fictitious suppliers in order to pay third parties money that they were not entitled to. He also created false documentation supporting the payments including fake letter heads, fake email accounts and forged letters of application for grant funding. In some cases false company identifies were created with genuine bank details.

The Housing Manager requested payment to the fictitious suppliers for work that was not carried out. In some cases addresses given for the location of work did not exist. Payment requests were supported by false invoices and quotes and forged letters of application. All payments were sent to the individual's manager who failed to check the authenticity of the documentation or the need for the requested work.

The Housing Manager was a well-liked and trusted individual who relied on this trust to get his payments authorised, as although the paperwork was poorly forged it was not subject to scrutiny. He also relied on the fact his Manager was negligent in the exercise of his responsibilities, approving these requests without question or scrutiny.

How was this discovered?

The fraud was identified through a new Accounts Payable Department check which revealed that a supplier had the same bank details as two other suppliers registered on the system. The Housing Manager approached another member of staff in an attempt to have evidence deleted.

Investigative steps

Examination of the individual's council laptop and records provided evidence of further frauds. All the properties concerned (where they existed) were visited and the occupants provided witness statements. All the companies whose documentation had been forged were visited and statements taken.

Search warrants were executed on two addresses and three individuals were arrested and interviewed under caution. The recipients of the funds were also interviewed under caution.

Conclusions

The individual was charged with three counts of fraud by abuse of position contrary to sections 1 and 4 of the Fraud Act 2006 and one count of attempted fraud by abuse of position contrary to section 1 of the Criminal Attempts Act 1981 amounting to £307,401. He was sentenced to 18 months' immediate imprisonment.

22) Fraud by abuse of position – Social Care Procurement

What happened?

A finance officer manipulated the council's finance system for social care direct payments. The payments of monies to adults was processed through an intermediary charity who held the money on behalf of the adult. An adult would then commission their own carer who would be paid by the intermediary on the production of invoices. In some cases adults would accrue credit balances with the intermediary where they had not used the full amount of the direct payment monies awarded to them.

The finance officer sought recovery of these credit balances from the intermediary back to the council to use for another adult, fabricating a story for the intermediary to explain that the money should instead be paid to another adult rather than the council directly. The account details provided were the Finance Officer's own private bank account details.

How was this discovered?

The fraud was identified after a member of staff noticed that the account details being given for different 'adults' were the same as a previous request. This highlighted previous emails and the fraud was uncovered.

Conclusions

The Finance Officer made a full admission of the fraud in the interview under caution, when challenged with the transactions. Bank statements gained through production orders were utilised to identify in excess of £45,000 of illicit payments to the Finance Officer's own bank accounts.

The Finance Officer was sentenced to 20 months immediate imprisonment and through the Proceeds of Crime Act all monies were then recovered, as well as the investigation costs, totalling £45,987.23.

The 'refund' process in these circumstances never had any escalation sign-off, nor any independent auditing of the transactions carried out over the course of the payments from the council. The Finance Officer took advantage of that control weakness. Since the issue was identified, additional layers of authority in both the intermediary and the council were introduced.

23) Employee Corruption

What happened?

A member of the housing department colluded with her husband, a supplier of cleaning services, to inflate costs charged to the council and to provide work to her husband's business. The supplier had initially been set up to carry out a one-off cleaning job in the sum of £900, but had been paid £126,000 over the year. The member of the housing department did not disclose this conflict of interest. After 6 months the cleaning company changed its bank account details from a business bank account number to a personal bank account number. The company had been struck-off by companies' house after the six-month period for failing to file records.

An inspection of the work conducted by the supplier identified sub-standard work, including missing 'white goods' purchased for properties by the council, which were purchased between 6-12 months of going missing.

How was this discovered?

A proactive fraud drive looked across all council spend in one year against the contracts register to ensure compliance with the procurement rules – i.e. contracts over £10,000 having a contract. One particular supplier was found where £126,000 had been spent over the year on 'cleaning services' but no contract was in place.

Conclusions

Analysis of the officer's email account identified communication with her husband about charging rates and increasing charging as the council 'will pay more from the budget.'

The officer was interviewed under caution and made a full admission and was suspended from the council pending a disciplinary hearing. The officer resigned the following day and left the council before the disciplinary hearing was held.

A search warrant was executed at the supplier's trading address to identify missing white goods and records for the work completed but no white goods were found.

The supplier was also interviewed under caution who gave no comment. The council ceased using the supplier and removed them from the contracts list. A full file was shared with HMRC on the trading activity for the company director.

Value: £36,168.86

24) Potential collusion amongst bidders

What happened?

Picked up a suspicion of collusion in the responses of two bidders.

How was it discovered?

An individual picked this up whilst evaluating respective bids and investigating through companies' house.

Conclusions

Demonstrates team working between procurement and internal audit to investigate irregularities.

25) Kickbacks in exchange for contracts

What happened?

A housing project manager took bribes from suppliers in relation to contracts they were awarded by the Council. He was given £125,000 by a contractor that was awarded a £2 million contract for works on council-owned properties. The estimated total lost to the council was £720,000, and the project manager is estimated to have personally gained £400,000. The project manager was also bribed with tickets to premier ship football matches, meals and golf trips.

In addition to accepting bribes, the housing project manager also paid firms for inspection work which was either never completed or unnecessary.

How was this discovered?

The project manager's misconduct was eventually uncovered by a colleague, who reported him to the council's internal audit department.

Conclusions

The council officer was jailed for three and a half years after he admitted five counts of conspiracy to commit misconduct in public office, one count of committing misconduct in public office and one charge of fraud by abuse of position. Three other defendants were given a range of suspended jail terms for their involvement.

26) Documentation falsified to cover up personal spending on credit card

What happened?

The officer responsible for processing purchases on behalf of care leavers - for items such as clothing, electrical goods, travel tickets – stole £2,559.59 for personal purchases.

The officer used pdf editing software to amend genuine authorised purchase requisitions from the social care system to create falsified documentation to cover up personal expenditure using a corporate credit card, petty cash and the corporate travel booking system.

How was this discovered?

The fraud came to light when a manager identified anomalies in relation to paperwork supporting transactions and called in Internal Audit to undertake an investigation.

Conclusions

It was found that the service had introduced an additional manual check of transactions into the authorisation process and that this had been exploited with the falsified documentation. The electronic authorisations were based upon the manual checks and as a result failed to identify the wrongdoing.

The fraud was found to total £2,559.59 broken down as follows; corporate credit card £1,460.09, travel booking system £746.15 and petty cash £353.35.

The officer was dismissed for gross misconduct and a referral made to the police. In addition, control weaknesses that had enabled the fraud to take place were addressed.

The key lesson to be learned is that the introduction of an additional manual process inadvertently weakened the overall control environment and undermined the automated approval process.

27) School credit card used for personal purchases

What happened?

A school finance officer used the school credit card to purchase personal items. This was possible due to a breakdown in controls such as separation of duties and management checks by the headteacher.

How was this discovered?

The fraud was discovered when a new headteacher took up post and was concerned over the level of expenditure and lack of supporting documentation. Internal Audit was called in and undertook a thorough investigation to determine the extent of the fraud although the officer had been allowed to resign prior to this.

Conclusions

The investigation identified inappropriate expenditure on the school credit card totalling £3,567.58 as well as misappropriated income and the matter was referred to the police for further investigation.

The former finance officer subsequently pleaded guilty to fraud by abuse of position as well as theft from an employer and was sentenced to 12 months imprisonment (suspended for 2 years), 200 hours unpaid work and a 3-month curfew order. In a subsequent hearing the former finance officer was ordered to repay the Council a total of £8,601.22.