

## News release

Embargoed until 00:01 hours, Thursday 22 March 2018

### Councils need to learn from £1 million fraud at Dundee City Council

**A £1 million fraud perpetrated at Dundee City Council from 2009-2016 was the result of failures in fundamental controls within the council's financial systems, the Accounts Commission reports.**

Considering a report on this significant fraud perpetrated by a Dundee City Council employee, the Commission notes that the extent of the fraud could have been limited if the council had addressed significant weaknesses in its invoicing systems.

On investigation, the employee who perpetrated the fraud had unrestricted access to several systems which allowed him to insert fake invoices into the system and alter the bank payment details of suppliers without detection.

The report found that the council acted quickly in response to the discovery of the fraud, and has since addressed the issues that led to the fraud and brought in more robust management of their financial systems. Since 2016 it has taken significant steps to improve its resilience to prevent future fraud and corruption.

Graham Sharp, Chair, Accounts Commission said: "Lessons must be learnt from this serious and prolonged act of fraud. Our role is to provide the assurance people expect that all councils have in place robust checks to ensure public money is properly spent and accounted for. This case provides clear lessons for every council in Scotland.

Councils must have fundamental internal controls in place to ensure secure IT systems, and those responsible for using them, must be managed appropriately. Managers in all Scottish councils are responsible for ensuring these arrangements are in place."

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#### Notes to editors

1. A statutory report is the means by which the Controller of Audit highlights audit issues to the Accounts Commission.
2. The Accounts Commission considered this report by the Controller of Audit on 8 March 2018 and agreed to reach findings which are published with the report.
3. The fraud totalled £1,065,085 during the period from August 2009 to May 2016.
4. A Police Scotland investigation resulted in the ex-employee pleading guilty on 2 August 2017 to the charge of embezzling £1,065,085 from the council and on 24 August 2017 at the High Court in Glasgow was sentenced to 5 years 4 months imprisonment.

5. Full recovery of the loss, excluding the policy excess of £10,000 and fees of £8,663, has been achieved by the Council.
6. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
  - The Accounts Commission is the public spending watchdog for local government. It holds councils and various joint boards and committees in Scotland to account and help them improve. It operates impartially and independently of councils and of the Scottish Government, and meets and reports in public
  - Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.