

Direct Debit Incident 23 July 2021 – oneSource Sarah Bryant & Patrick Montgomery

Background

On the 23rd July 2021, a collection of 533 Direct Debits (DD) for London Borough of Havering Music School, Shop Rents, Market Traders Licences and Trade Waste customers was processed missing the decimal point with result of the amount taken increasing by 100. This changed the actual total figure of £53,174.45 to £5,317,445.00 which were then subsequently debited from customer accounts.

The cause of the missing decimal point was a bug in the recently upgraded Bacway software on the specific Accounts Receivable (AR) direct debit file type. The missing decimal point was subsequently not spotted in two control stages of manual payment file verification process first by IT and then by Accounts Received (AR) teams.

Chronology

- 2nd July 2021, the Bacway software was upgraded to keep it in line with security standards.
 - 12th July 2021, a file was generated from the Account Receivables (AR) module of FUSION (FUSION is the financial system used across all services within Havering Council) for the collection of 533 Direct Debit payments totalling £53,174.45. The DDs were for Music School, Shop Rents, Market Traders Licences and Trade Waste.
 - 23rd July 2021, the AR direct debit file was processed and the incorrect totals were debited from customer accounts
 - 23rd July 2021, a customer alerted the council to the error, this was investigated and all other payment files stopped until they were tested. Work began at Havering Council to confirm what customers could do to either stop the direct debit, or to ensure funds were credited back.
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Further Detail

Current Process

The current process for these files is for the AR team to log the request with IT to process. The IT Service Desk team was allocated the IT service request for processing the Direct Debit file and as part of work on that request checked the integrity of the file, however, did not spot that the decimal point was missing that had been added on the Bacs submission. When reading the number in the service request the main part of the numbers were exactly the same as on the submission and it appeared that the file had not been altered. The file was then passed onto the AR team for final verification and agreement for processing.

The AR team was required, as part of their verifications, to confirm accuracy on number of transactions and value. This included checking on the BACS file:

- Item numbers
- Value of direct debits
- Processing date

Although the member of staff undertaking this verification had been trained, this was the first time that the member of staff had run the DD process.

In addition, further IT checks should have been completed. The IT operator and supervisor should have also picked up the incorrect value and this should have been reconciled against the totals in the file submitted. However these colleagues also failed to identify that the decimal point was missing.

The AR member of staff checked the BACS file and as the value showed as "531745500" it was assumed this was correct as the member of staff was unaware that the value was incorrect compared to others.

Instead of following the documented process the AR team member emailed the member of IT who processed the file the following morning asking if they had to do anything further with the report. The member of IT advised the AR team member that they didn't need to do anything with the report, assuming that it had already been checked the day before. The BACSTEL report should have been checked to the number of items, value, processing date and sun number which had not been done.

BACS Upgrade:

The BACS software used required an upgrade in order to keep it secure and to allow for the continued processing of BACS payments. This was completed on the 2nd July 2021. This was seen as a fairly straightforward upgrade by IT and Finance, and specific upgrade documentation was not provided by the supplier Bottomline. The services were not involved in the upgrade as this was seen as a technical upgrade only. As part of the upgrade different payment profiles, including the problem direct debit profile, were upgraded and a check with the bank was done to confirm the

revised files were active with no errors. Testing however was not sufficiently extensive to detect & resolve the error in the direct debit payment profile. Subsequently the first direct debit payment file run on the 23rd of July encountered this problem, and once the error was detected on the 23rd all other payment profiles was reviewed with no other errors found.

Training

IT: All IT staff members involved in the processing of payments had been trained with process documentation provided and the member of staff involved in this error had processed previous files without issues.

AR: The AR Team Lead trained the Senior AR team member remotely by sharing screens to run the AR direct debits.

Lessons learnt

1. A review on the process was undertaken as part of an incident management workshop.
2. The process has been changed and agreed with all relevant parties. Process documentation has been update made the process flow clearer, updated to reflect the additional checks can be done virtually (was on paper before) and added standard wording to be included in the email requesting confirmation back from the person who raised the request that the file is either OK or not.
3. More extensive testing and documentation of upgrades of key IT systems like BACS payment is required and is being led by appropriate IT management.
4. Additional checks to be carried out by more than one member of staff in the AR team.
5. Meetings have been held within both IT and AR teams to emphasize roles and responsibilities, checks and controls to ensure they are fully aware of the failures in this incident and the accountability of their role in approving a BACs file. An updated check list has been produced to be completed when running the direct debits, and staff have also been informed they need to use the check list, which has added in extra controls. This has also been followed up with all staff to ensure they all process work correctly and to check their work for accuracy.
6. Extra checks are also now in place with the AR Team, to ensure the staff follow the details in the check list and before the BACS report is sent from IT operators it is checked by an IT supervisor and when received by AR it is checked by the Senior who has run the direct debits in the AR system, to confirm Item numbers, value, processing date and sum number is correct, then it is emailed to Sharron Harris to verify the figures and items submitted and then returned to the IT operators confirming the information on the BACS files is correct.
7. All team members who are responsible for control checks have been identified, and made aware their responsibilities to ensure that the Council does not suffer further financial and reputational damage.

8. Incident highlight the need to accelerate plans to move validation & processing of financial files from IT Service Desk to Finance CBST team. This will allow for greater oversight and understanding of these files and what the correct data should be.

Staff Action

All staff involved are fully aware of the impact this has had to residents and businesses. All staff have shown remorse in this and have assisted fully with investigations and helping to resolve the problem.

Two colleagues within the IT Service Desk team were involved, the member of staff who processed the BACS file and another involved in the Bacway upgrade.

Two colleagues within the AR team were involved, the Team Lead and a Senior AR Officer. It is the senior duty to check the total on the BACS file. However, as it was Senior AR officer's first time and training was completed remotely a further check and control should have been included by the trainer (the team lead). This would have minimised the risk of failure or error.

Meetings have taken place with HR to explore and identify relevant management action in full consideration of the facts and events leading up to the incident, including the IT upgrade to BACS error, failure of multiple process check points across both teams, along with the active participation of resolving and rectifying the issues.

The following actions have been completed:-

- Conduct and standards setting letter to all members of staff involved outlining individual errors, impact, responsibility, management responsibility (where appropriate) and revised process.
- An agreed action plan with completion dates

All letters included a paragraph that if these standards are not met it will result in more formal action in line with the HR Disciplinary policy.