

## **Report of the Treasurer**

### **National Fraud Initiative 2016/17**

#### **Purpose of report**

To inform Members of the results of the National Fraud Initiative (NFI), the actions taken by Officers and subsequent outcomes.

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#### **Recommendations**

***The Treasurer recommends that action taken to date by the Authority in response to the National Fraud Initiative and that no fraud has been detected be noted.***

#### **Introduction and Background**

1. The NFI is a biennial exercise carried out since 2006/07 for local government and other public bodies originally by the Audit Commission as part of the statutory audit in accordance with the Audit Commission Act 1998, since the cessation of the Audit Commission this function has been undertaken by the Cabinet Office.
2. When the exercise was originally undertaken in 2006/07 1,278 matches were identified this has reduced over the period to the 187 matches in the present exercise.
3. Authorities are required to provide certain mandatory datasets; for the Fire Authority, the mandatory datasets comprise of creditors, payroll and pensions payroll. Payroll and pensions payroll data is subject to a series of data matches against data provided by other public bodies including payroll, pensions, Housing Benefit, Home Office (removed and failed asylum seekers), UK Visas and Department for Work and Pensions deceased persons. Creditor payments are matched only within Authorities.
4. The data provided is processed by a specialist contractor on behalf of the Cabinet Office. Data matches are notified to Authorities for examination to eliminate the possibility of fraud and/or error.
5. The existence of a match in an NFI report does not mean that there is a fraud; only that there is a need to investigate further to eliminate the possibility of fraud or error.
6. The initial NFI reports were received in late January, with no additional reports issued to date.

7. A complete list of matches is shown at Appendix 1 and Members will note that there has been a reduction (44%) in matches since 2014/15. The main reason for this decrease is the reduction in reported matches relating to Payroll to Payroll matches within body (Report 65). No matches have been identified on this report in the current NFI period, this has been checked and confirmed as correct with the report provider.
8. At the time of writing this report the process of checking all matches was not complete, but as significant progress has been made an interim report has been deemed appropriate.
9. As this report is in the public arena, full details of the matches are not disclosed as they contains details of employees and no suggestion of fraud has been identified.

### **Analysis of Reports**

10. Each NFI report is produced with a particular purpose which will be stated and comprises of a number of matches and a number of items. There will be more items than matches and each match may have more than two items.
11. In each case an explanation of the Fire Authority matches will be given to demonstrate why there is no fraud.

### **Report 52 Pensions and Pension Gratuity to Benefits Agency Deceased Persons within bodies**

12. The purpose of this report is to identify instances where an occupational pensioner has died but the pension continues to be paid.
13. Two matches were identified on this report, the Authority were already aware of both of these cases, as the relatives had notified the pensions section that the individual was deceased.
14. Pension payments to one match were stopped before an overpayment had occurred, and the other payment was converted to a Widow's Pension and the overpayment recovered from on-going pension payments.

### **Report 58 – Pensions to Injury Benefits within bodies**

15. The purpose of this report is to identify individuals in receipt of an enhanced injury pension who have failed to declare relevant state benefits that may remove or reduce entitlement to the enhanced pension.
16. One match was identified this has since been notified to the Pension Admin Provider and the Authority's Human Resource Section. At the time of leaving the employee was not made aware of the need to declare receipt of this enhanced pension rate by the Human Resource Section, they have been requested to ensure the individual is contacted. However, responsibility for notifying DWP about the receipt of this enhanced pension rests with the individual.

### **Report 66 – Payroll to Payroll – between bodies**

17. The purpose of this report is to identify if there are inappropriate dual employments – e.g. risking safety by long working hours or claiming sick pay from one job whilst working on another.
18. The report produced 33 matches, the reasons for these were validated and are detailed below:
  - 5 are FRA Members
  - 25 are RDS personnel with legitimate second jobs
  - 2 are firefighters who are RDS in other services
  - 1 is a firefighter providing cover to the ambulance service
19. The three whole time fire fighters identified as having second jobs, had not obtained permission from the service to undertake these additional roles, Human Resources have been requested to remind them of the need for this authorisation to be obtained.

### **Report 78 – Payroll to Pensioners between bodies**

20. This report identifies staff who are on the Authority's payroll and are in receipt of a pension from another body.
21. One case was identified which related to a member of staff who is in receipt of a pension from another Fire Authority and is now employed by this Authority as a member of support staff.

### **Report 80 – Payroll to Creditors with same bank account within body**

22. This report identifies staff who are on the Authority's payroll and have also been paid through the creditor system.
23. One case was identified which related to the purchase of services from a member of staff, this is also detailed within Report 81. Review has been carried out to ensure that the goods have been purchased in accordance with Financial Regulations and use of this Creditor is monitored on an on-going basis, creditor payments to this individual are low during the two year period identified in this report, payments amount to only £735. The creditor was being used as a service provider before becoming an RDS Firefighter.

### **Report 81 – Payroll to Creditors with same address within body**

24. The purpose of this match is to identify employees who have an interest in suppliers with whom the Authority trades.
25. There are 2 matches, 1 of these matches relate to the same creditor and is an employee who has supplied goods to the Authority. Review has identified that the goods were purchased in accordance with Financial Regulations and no other suppliers could be found in the vicinity. This supply is monitored on an on-going basis. The remaining match related to a supply of services made from a

company belonging to a retained fire fighter. This match is the one detailed in the above report – Report 80.

### **Creditor Matches – General**

26. The main purpose of these data matches which are based solely within bodies is to identify potential duplications and errors which could result from or lead to fraud.
27. Where relevant, and for simplicity a tabular approach has been adopted to provide information on Creditor matches.

### **Report 701 – Duplicate Creditors by Creditor Name**

28. The purpose of this report is to identify instances where the same supplier has been set up with more than one reference number on the finance system thus increasing the potential for creditors to obscure fraudulent activity

Different Bank Accounts	9
Invoice Finance Company	2
Total	11

29. The process has identified matches that have been correctly set up on the system. They relate to either payments to suppliers who require billing to different parts of the organisation, such as Worcestershire County Council who receive Pension payments to a different account than the general payments, or payments where invoices have been sold by creditors to a factoring company.

### **Report 702 – Duplicate Creditors by Address Details**

30. The purpose of this report is to identify multiple creditors operating at the same address.
31. Review of the report identified 5 matches the reasons for these are as follows:

Subsidiary Companies	4
Shared Service Provider (Gov't)	1
Total	5

In all cases the duplicate creditor had been set up correctly as there was either more than one company functioning at the address or it related to a local authority shared service.

### **Report 703 – Duplicate Creditors by Bank Account Number**

32. One match was identified relating to different divisions of the same company, but are based at different locations (see also Report 701 above).

### **Report 708 – Duplicate records by invoice amount and creditor reference**

33. This analysis is not yet completed. There were 119 matches relating to 238 individual invoices. In previous years the matches (99% in 2014/15) were annual monthly payments to the same supplier, or the same type of goods/services at different periods, or multiple purchases made separately, e.g. software licenses. Indications are that this is again the case.

### **Report 709 – VAT Overpaid**

34. This report simply highlights where VAT on an invoice does not equal the prevailing standard rate. There were 2 matches found, of which 1 was a payment for a supply of services where the VAT had been calculated incorrectly by the Supplier, this was identified and the Supplier contacted to request that a correction was made. The other match was due to a technical problem that occurred when the report was run this has since been discussed and corrected by the Software Supplier.

### **Report 710 – Duplicate Records by Name, Invoice Number and Amount – with different creditor reference**

35. The purpose of this report is to highlight possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
36. One match was found, where the invoice had been entered onto the wrong account, but this was identified as part of the payment checking process and corrected before payment was made.

### **Report 711 – Duplicate Payments by Invoice Number and Amount – with different creditor name and reference**

37. This report highlights possible duplicate payments for the same good/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
38. Six matches were found, but all of these had been previously identified and corrected. These related to payments where either the originating order or the payment had been entered against the wrong supplier. In all of these cases the payment was corrected before being made.

### **Report 713 – Duplicate Postcode and amount but with different creditor reference, invoice reference and amount**

39. The purpose of this report is to highlight the possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity.
40. One match was found, the company has been correctly set up with two separate creditor numbers, because they trade under two different names, although the

amounts were the same they related to different orders raised within different financial years.

## Conclusion and Further Work

41. The NFI outputs have been examined promptly and comprehensively and no fraud has been identified.
42. A final report will be brought to the next Audit and Standards Committee to provide final details in relation to:
  - Report 708 – Duplicate records by invoice amount and creditor reference
  - Any new reports published in the interim

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	None
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	None

## **Supporting Information**

Appendix 1 – National Fraud Initiative – 2016/17 Raw Data Match

Background papers

FRA Audit Committee – 9 October 2009 : Report on National Fraud Initiative 2008/09

FRA Audit Committee – 21 April 2011 : Report on National Fraud Initiative 2010/11

FRA Audit Committee – 17 April 2013 Report on National Fraud Initiative 2012/13

FRA Audit & Standards Committee – 15 April 2015 Report on National Fraud Initiative 2014/15

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