

## Report of the Treasurer

### 9. National Fraud Initiative 2014/15

#### Purpose of report

1. 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:*

- i) Members note the action taken to date by the Authority in response to the National Fraud Initiative and that no fraud has been detected.*

#### Introduction and Background

2. The NFI is a biennial exercise carried out since 2008/09 for local government and other public bodies by the Audit Commission and forms part of the statutory audit in accordance with the Audit Commission Act 1998.
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 Audit Commission. 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 slight reduction (10%) in matches since 2012/13. The main

reason for this decrease is the reduction in reported matches relating to Duplicate Payments by amount (Report 708).

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 contain 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 54 Pensions Payroll to Payroll within bodies**

12. The purpose of this report is to identify if anyone in the payroll is also in receipt of a public sector pension. This is primarily because most public sector pension schemes, including the Local Government Pension scheme, are abated.
13. The Firefighters scheme in its present form is now abated, but this was not previously the case and is unusual in that it is payable after 30 years' service. This results in matches that are not actually errors, as people have been re-employed.
14. The 1 match related to an ex-firefighter now legitimately re-employed as a member of support staff.

### **Report 55 – Pensions Payroll to Payroll between bodies**

15. One match was found under this heading where a retired Hereford and Worcester wholetime firefighter is employed by another Fire Service.

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

16. 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.
17. Seven matches were identified; these were notified to the Pension Section at Worcestershire County Council, who subsequently confirmed that six of these cases were not in receipt of an enhanced injury pension. This additional payment had been made only in one case, and the County Council confirmed that they were aware of this. However, responsibility for notifying DWP about the receipt of this enhanced pension rests with the individual.

## **Report 65 – Payroll to Payroll within Bodies**

18. The purpose of this report is to identify staff with more than one job, who may be committing fraud by failing to work their contracted hours because they are employed elsewhere or on long term sickness from one job.
19. This has identified a large number of matches, due to the fact that contractually day crew staff have the two elements of their pay, paid on different payrolls with different pay numbers.
20. In addition there are significant numbers of wholetime firefighters (and a few support staff) who are also employed as RDS firefighters, again with different pay numbers.
21. Review of the 119 matches has identified the following reasons for the member of staff having two contracts with the Authority

Staff who are also Retained Firefighters	63
Day Crew and USAR Staff etc. - two contracts	56
Total	119

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

22. 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.
23. The report produced 30 matches, the reasons for these were validated and are detailed below:
  - 9 are FRA Members
  - 16 are RDS personnel with legitimate second jobs
  - 5 are firefighters who are retained in other services

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

24. This report identifies staff who are on the Authority's payroll and are in receipt of a pension from another body.
25. 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)**

26. This report identifies staff who are on the Authority's payroll and have also been paid through the creditor system.
27. One case was identified which related to the purchase of goods 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.

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

28. The purpose of this match is to identify employees who have an interest in suppliers with whom the Authority trades.
29. There are 3 matches, 2 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 goods made from a company belonging to a retained fire fighter. This company has rarely been used by the Authority, the last occurrence being in 2012/13.

### **Creditor Matches – General**

30. 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.
31. Where relevant, and for simplicity a tabular approach has been adopted to provide information on Creditor matches.

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

Different Bank Accounts	9
Identified Duplicates – now inactive	2
Total	11

32. The process has identified matches that have been correctly set up on the system. They relate to 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.

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

33. The purpose of this report is to identify multiple creditors operating at the same address.
34. Review of the report identified 8 matches the reasons for these are as follows:

Subsidiary Companies	3
Duplicate entry on system	1
Shared Service Provider (Gov't)	2
Takeovers	2
Total	8

In one case the creditor had inadvertently been set up on the system twice, once using its full name and once using the abbreviated version, but this had already been identified and made inactive.

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

35. One match was identified relating to different divisions of the same company and was found to be an inactive duplicate. (see also Report 701 above).

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

36. This analysis is not yet completed. There were 135 matches relating to 270 individual invoices. In previous years the matches (99% in 2012/13) were annual monthly payments to the same supplier, or the same type of goods/services at different periods, or multiple purchased separately, e.g. software licenses. Indications are that this is again the case.

#### **Report 709 – VAT Overpaid**

37. This report simply highlights where VAT on an invoice does not equal the prevailing standard rate. There were 7 matches found, of which 1 was a payment for a supply of goods with a mixed VAT rate on it. The other 6 had been dealt with correctly, but a technical problem had 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**

38. Two matches were found, where orders had been raised on the wrong account for the supplier, in both cases more than one supplier is set up on the system because payment is required to be sent to different areas of the organisation. Both cases had previously been identified and corrected.

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

39. 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**

40. Two matches were found, in one case the company has been correctly set up with two separate creditor numbers, because they trade under two different names. In the second case the company had been taken over by another. In both cases 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 – 2014/15 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

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