

Report of the Treasurer

National Fraud Initiative 2018/19

Purpose of report

1. To provide assurance to Members that the Authority's approach to the National Fraud Initiative (NFI) 2018-19 has been thorough and that no fraud has been detected.

Recommendation

The Treasurer recommends that the Committee note that all NFI matches have been reviewed and that no fraud has been detected.

Introduction and Background

2. 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.
3. 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.
4. The Authority has a sufficiently small number of matches for them all to be individually reviewed, but the later receipt of the NFI reports this year meant that the process was not completed by the time of the last Audit and Standards Committee.
5. This Report provides an update on those matches not previously reported upon. The complete list of matches is shown at Appendix 1 and Members are reminded that the Employee and Procurement related matches were covered in the previous report.
6. No new reports have been issued since the Committee last met.

Analysis of Creditor Matches

7. 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.

8. 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.
9. In each case an explanation of the Fire Authority matches will be given to demonstrate why there is no fraud.

Report 700 – Duplicate Creditors by Creditor Reference

10. Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once.
11. There appears to be a flaw in the preparation of this Report as it has treated multiple addresses held for a supplier (i.e. where HQ, Purchase Ordering and Remittance addresses are different) as if they were separate creditors. There are no instances of Creditor references actually being duplicated.

Report 701 – Duplicate Creditors by Creditor Name

12. 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.
13. The process has identified 7 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, e.g. Worcestershire County Council, who received Pension payments to a different account than the general payments, or payments where invoices have been sold by creditors to a factoring company.

Report 703 – Duplicate Creditors by Bank Account Number

14. This report shows where the same bank account details appear on more than one record. Of particular interest is where the same bank details are shown against suppliers with different names. These may indicate where a supplier has changed trading name but the standing data has not been updated to reflect this or there are links between companies with different trading names.
15. This report appears to have the same flaws as Report 700 above where all except one match met the same criteria of multiple addresses.
16. The single actual match identified relates to a Welsh company where the supplier had been set up in both English and Welsh as different suppliers. These will now be merged.

Report 707 – Duplicate Records by reference, amount and creditor reference

17. This match highlights possible duplicate payments in excess of £500 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.

18. The 97 matches relate to stage payments e.g. NDR payments or individual invoices for multiple supplies e.g. purchase of more than one vehicle at a time

Report 708 – Duplicate records by invoice amount and creditor reference

19. There were 121 matches relating to 242 individual invoices. As in previous years the matches 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.

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

20. 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.
21. Two matches were found involving 4 invoices. In each case they had already been identified and corrected, and payment was only made to the correct supplier. These related to payments where either the originating order or the payment had initially been entered against the wrong supplier.

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

22. 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.
23. The one match relates to two separate businesses located at the same address. One company supplied scrap cars for training purposes and the other is a branch of a national truck part supplier. Coincidentally, both submitted an invoice of the same value for totally different supplies, matched by relevant different approved Purchase Orders.

Conclusion

24. The NFI outputs have now been fully and comprehensively examined and no fraud has been identified.

Corporate Considerations

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

Supporting Information

Appendix 1 – National Fraud Initiative – 2018/19 Raw Data Match

Background papers

FRA Audit & Standards Committee – 24 April 2019 National Fraud Initiative 2018/19

Contact Officer

Martin Reohorn, Treasurer

Tel: 01905 368205 Email: mreohorn@hwfire.org.uk