

Report of the Treasurer

National Fraud Initiative 2022/23

Purpose of report

1. To update Members on the National Fraud Initiative (NFI).
-

Recommendation

The Treasurer recommends that the Committee notes that:

- i) the process of examining all National Fraud Initiative matches is underway and that no fraud has been detected; and***
- ii) a further update relating to the completion of the Report 708 matches will be brought to a future meeting.***

Introduction and Background

2. The NFI is a biennial exercise carried out since 2006/07 for local government and other public bodies currently undertaken by the Cabinet Office.
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. 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.
5. The initial NFI reports were received in early March 2023 and, as usual, the very low overall number of matches (a 29% reduction on 2021/22 and 52% reduction on 2019/20) means that everyone can be examined in detail, and this process is now underway. A summary list of matches is shown at Appendix 1.

Analysis of Reports

6. 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.

Report 66 – Payroll to Payroll – Between Bodies

7. The purpose of this report is to identify if there are any inappropriate dual employments, e.g.: risking safety by long working hours or claiming sick pay from one job whilst working on another elsewhere.
8. The criteria for the match are a person having one full time post plus at least one other post elsewhere.
9. The report produced 26 matches. The reasons for these were validated and are detailed below:
 - a. 16 are On-Call personnel with legitimate second jobs.
 - b. 4 are WT staff with On-call roles for a different fire authority.
 - c. 1 is a part-time member of Support staff with another part-time role with another employer.
 - d. 1 is a new joiner with a legitimate overlap of payment with the previous employer.
 - e. 1 is a new joiner where the previous employer has used a default date for the last payment which is actually 6 months after that individual has left. There is no overlap and this should not be a match.
 - f. 3 are Fire Authority Members who have allowances paid by District or Herefordshire Councils.
10. In accordance with the relevant Service Policy Instruction (SPI) staff under paragraph (b) above are required to provide an annual return, in relation to their secondary employment. At the point of checking only two of these were current. One individual has subsequently moved to another employer in their primary role, and the HR department have been tasked to ensure these are provided where they are missing.

Creditor Matches – General

11. 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.
12. In each case an explanation of the Fire Authority matches will be given to demonstrate why there is no fraud.

Report 701 – Duplicate Creditors by Creditor Name

13. Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once.
14. The Report produced only 2 matches:
 - a. 1 match relates to Malvern DC where different to supplier references are required for different contractual relationships.
 - b. 1 match relates to two companies with very similar names in different parts of the country but part of the same group.

Report 702 – Duplicate Creditors by Address Detail

15. 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.
16. The process has identified 6 matches:
 - a. 3 relate to different companies with the same registered address.
 - b. 1 relates South Worcestershire Revenues & Benefits Shared Service which collects Business Rates separately for the three District councils, but at the same address.
 - c. 1 relates to two entirely separate companies that give their addresses as “company name”, Victoria Road.
 - d. 1 relates to a single company that changed its trading name. One of the references has been made inactive.

Report 707 – Duplicate Records by Reference, Amount and Creditor Reference

17. This match highlights the 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. There are 6 matches:
 - a. 3 relate to monthly business rate instalments.
 - b. 2 relate to limitations of the data matching software where very long invoice numbers have been truncated before matching. All transactions to these 2 suppliers have been checked and are sums for different monthly or annual payments and have different invoice numbers.
 - c. 1 relates to a mis-keying of an invoice number for an annual subscription for a different year.

Report 708 – Duplicate Records by Invoice Amount and Creditor Reference

19. There were 117 matches which are currently being reviewed. 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 709 – VAT Overpaid

20. The report identifies where VAT may have been overpaid, by comparing the actual VAT to the 20% rate. The one match reported relates to an invoice where VAT on a deposit is being offset. The correct overall VAT has been paid and claimed back from HMRC.

Procurement Matches

Report 750 – Payroll to Companies House (Director)

21. The purpose of this report is to identify undeclared interests that may have given a pecuniary advantage. This matches payroll data to Companies House information and then to creditor data.
22. The report produced only 1 match which relates to the 1 invoice where the Prevention Team used a company where one of the directors is an On-Call member of staff, which is known, monitored, of low value and the employee is not involved in the procurement.

Report 81 – Payroll to Creditors

23. This match identifies instances where an employee and creditor are linked by the same address and identifies employees with interests in companies the Fire Authority is trading with. It may indicate potential undeclared interests or possible procurement corruption.
24. The report produced 1 match, which relates to a local grounds maintenance contractor who is also On-Call. As this function is managed for the Authority by the PCC property team there is no Fire employee involvement in the procurement decision.

Conclusion

25. Whilst the majority of matches are still to be approved, it is highly likely that these will mirror previous experiences and that no fraud will be detected.
26. A final report will be brought to the next Audit and Standards Committee to provide final details in relation to any outstanding matches.

Corporate Considerations

<p>Resource Implications (identify any financial, legal, property or human resources issues)</p>	<p>No direct implications</p>
<p>Strategic Policy Links & Core Code of Ethics (Identify how proposals link with current priorities & policy framework and align to the Core Code of Ethics)</p>	<p>Helping to demonstrate Integrity in our actions</p>
<p>Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).</p>	<p>N/A</p>
<p>Consultation (identify any public or other consultation that has been carried out on this matter)</p>	<p>N/A relevant Privacy Notices issued</p>
<p>Equalities (has an Equalities Impact Assessment been completed? If not, why not?)</p>	<p>N/A</p>
<p>Data Protection Impact Assessment (where personal data is processed a DPIA must be completed to ensure compliant handling)</p>	<p>Data is processed in accordance with the Code of Data Matching Practice 2018, produced by the Cabinet Office under paragraph 7, Schedule 9 of the Local Audit & Accountability Act 2014. The Act provides the statutory basis for the whole exercise.</p>

Supporting Information

Appendix 1 – National Fraud Initiative – 2022/23 Raw Data Match

**Hereford & Worcester Fire Authority
National Fraud Initiative: 2022/23 Raw Match Data**

	2020/21 Raw Matches	2022/23 Raw Matches
<u>Employee Related</u>		
65 Payroll to Payroll (<i>within bodies</i>)		
66 Payroll to Payroll (<i>between bodies</i>)	15	26
Total Raw Matches - Payroll	15	26
<u>Creditor Related</u>		
700 Duplicate creditors by creditor reference		
701 Duplicate creditors by creditor name	6	2
702 Duplicate creditors by address detail	4	6
703 Duplicate creditors by bank account number	2	
707 Duplicate records by reference, amount and creditor reference	44	6
708 Duplicate records by amount and creditor reference	146	117
709 VAT over Paid	1	1
711 Duplicate records by invoice number and amount but different creditor reference and name	1	
713 Duplicate records by postcode, invoice amount but with different creditor reference and invoice reference and date	1	
Total Raw Matches - Creditors	205	132
<u>Procurement Related</u>		
81 Payroll to Creditors	1	1
750 Procurement - Payroll to Companies House (Director)	4	1
Total Raw Matches - Procurement	5	2
 Total Raw Matches	 225	 160