

Report of the Treasurer

National Fraud Initiative 2020/21

Purpose of report

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

Recommendation

The Treasurer recommends that the Committee notes:

- i) that the process of examining all National Fraud Initiative matches is almost complete and no fraud has been detected so far; and*
- ii) that two matches are still under review and outcomes will be reported back to the next meeting of this Committee.*

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 on 29 January 2021 and, as usual, the very low overall number of matches means that everyone can be examined in detail, and this is largely complete. 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 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 15 matches, the reasons for these were validated and are detailed below:
 - 14 are RDS personnel with legitimate second jobs
 - 1 is a WT firefighter who provides RDS cover in another service

Creditor Matches – General

10. 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.
11. 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

12. Duplicates identified in this match suggest poor creditor management as the system has permitted a creditor reference to be used more than once.
13. The Report produced 6 matches:
 - a. 4 relate to suppliers that require different references for different contractual relationships. E.g. Worcestershire County Council as the County and as the Pension Fund.
 - b. 2 – are genuine duplicates; in one case as Limited/Ltd and in the other where the format of the address is slightly different. In each case payments to both are legitimate, but these duplicates will be removed.

Report 702 – Duplicate Creditors by Address Detail

14. 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

15. The process has identified 4 matches that have been correctly set up on the system. They relate either to different companies with the same registered address (3) or the South Worcestershire Revenues & Benefits Shared Service which collects Business Rates separately for the three District councils, but at the same address.

Report 703 – Duplicate Creditors by Bank Account Number

16. 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.
17. The two matches are duplicate supplier records, with slight variation in format of name or address. In each case payments to both are legitimate, but these duplicates will be removed.

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

18. 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.
19. The 44 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

20. There were 146 matches relating to 292 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 709 – VAT Overpaid

21. The report identifies where VAT may have been overpaid, by comparing the actual VAT to the 20% rate. The one match reported relates to a VAT only invoice in respect of an insurance excess and is legitimate and correct.

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

22. 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.
23. One match was found involving 2 invoices, one being entered as a temporary creditor. The duplication had been identified and one invoice was matched against a supplier Credit Note. Only one invoice was actually paid.

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

24. 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.
25. The one match relates to two separate entities located at the adjacent addresses. One supplier being the Chief Fire Officers Association (CFOA) and the other being CFOA Service Ltd. Coincidentally, both submitted an invoice of the same value for totally different supplies, matched by relevant different approved Purchase Orders.

Procurement Matches

Report 750 – Payroll to Companies House (Director)

26. 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.
27. The report produces 4 matches:
 - a. One relates to the directorship of Place Partnership Ltd (PPL) held by the Chief Fire Officer on behalf of the Authority – where there is no pecuniary interest.
 - b. The second relates to a disclosed directorship of “Lawyers for Local Government” – where again there is no pecuniary interest.
 - c. The third relates to the one invoice where the Community Safety department used a company where one of the directors is an RDS member of staff – it is known, monitored and low value and the employee is not involved in the procurement.
 - d. The final match is still under review but is anticipated that it will be similar to c) above.

Report 81 – Payroll to Creditors

28. 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.
29. The report produced 1 match, which is currently being reviewed. Where such matches have occasionally occurred in the past, the employee has had no involvement in the procurement decisions,

Conclusion

30. The majority (99%) of matches have been reviewed and no fraud has been detected, however there are two matches currently still under review.

31. Four duplicate supplier records (Reports 701 and 703) will be de-activated.
32. A final report will be brought to the next Audit and Standards Committee to provide final details in relation to:
- Report 81: 1 outstanding match
 - Report 750: 1 outstanding match
 - Any new reports published in the interim.

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 – 2020/21 Raw Data Match