

Staffordshire Commissioner Fire and Rescue Authority

Ethics, Transparency and Audit Panel (ETAP)

23rd October 2019

Cabinet Office - National Fraud Initiative 2018

Report of Internal Audit

Purpose of Report

This report briefs ETAP on the progress made against matches identified as part of the National Fraud Initiative (NFI) data matching exercise 2018.

Background

The NFI is a data matching exercise, designed to help participating bodies to detect and deter fraudulent and erroneous payments. It began in 1996 and is run every two years. It compares information held by and between approximately 1,200 organisations including Councils, Police Forces, Fire & Rescue Services, NHS establishments and private companies. The core of the NFI is the matching of data to help reduce levels of housing benefit fraud, occupational pension fraud and tenancy fraud. The most recently completed exercise (2016/17) resulted in the detection (nationally) of £301.2 million of fraud and error across the UK bringing a total to date over two decades of £1.69 billion.

As in previous years, the NFI 2018 exercise has involved the County Council submitting payroll (and pension payroll) and creditor data to the Cabinet Office on behalf of the Authority. Potential matches are then referred back to authorities for investigation.

Data Submission

The following data sets were extracted and uploaded to the Cabinet Office's secure website during October 2018, on behalf of the Fire Authority:

- Payroll (which includes members' allowances and expenses);
- Pension payroll and deferred pensioners;
- Trade creditor's payment history and standing data for the period September 2017 (when the Integra was introduced as the payments system) to October 2018.

Both the payroll and pension data were collected for the period April to September 2018.

It should be noted that individuals whose data was to be included in the exercise were notified prior to the commencement of the 2018 exercise. This was in line with NFI guidance to ensure compliance with the Data Protection Act (2018) incorporating the General Data Protection Regulation (EU) 2016/679.

Details on how individuals were notified were reported to ETAP in October 2018.

Further details of the types of data matches carried out as part of the NFI and the number of potential data matches returned, together with the progress made to date in investigating these are included at Appendix 1.

The final results of the NFI must be sent to the Cabinet Office by 31st March 2020 and will be reported to a future meeting of the ETAP.

Recommendation

That ETAP note the report.

Financial Implications

The Cabinet Office fee for participating in the exercise is £1,000, excluding VAT. Internal Audit has allocated 2 days within the 2019/20 Audit Plan to deal with the returned data matches and their subsequent investigation.

Legal Implications

Participation in the 2018 data matching exercise is mandatory and is currently regulated by the powers in Part 6 of the Local Audit and Accountability Act 2014.

Equality and Diversity

There are no direct implications arising from this report.

Risk Implications

This work supports the risks identified in the Authority's Strategic Risk Register.

Consultation and Engagement Undertaken

Not Applicable.

Other Implications

None.

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Appendix 1 NATIONAL FRAUD INITIATIVE 2018 - SUMMARY OF MATCHES BY GROUP TYPE

Further detailed information relating to the types of data matches along with progress to date on investigating potential matches arising from the 2018 NFI exercise is given below:

Report Name (NFI report reference)	Total Matches	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Payroll to Payroll (66)	46	-	-	46	-	-	<p>To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.</p> <p>The criteria for a match are a person having one full-time post plus at least one other post elsewhere.</p> <p>Matches are still being progressed.</p>
Payroll to Creditors (80)	1	1	-	-	-	-	<p>The match identifies instances where an employee and creditor are linked by the same bank account (report 80) or the same address (report 81) to identify employees with interests in companies with which your organisation is trading.</p> <p>This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.</p> <p>The one match has been investigated with no adverse findings identified.</p>
Duplicate Creditors by Creditor Name (701)	3	3	-	-	-	-	<p>To identify instances where the same supplier has been set up with more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity.</p> <p>All matches have been investigated with no adverse findings identified. All companies were found to be valid.</p>
Duplicate Creditors by Address Detail (702)	6	6	-	-	-	-	<p>To identify multiple creditors operating at the same address. These may represent simple errors, where the same creditor may have been set up twice using a slightly different spelling, for example LIMITED and LTD, or an attempt to obscure fraudulent activity.</p> <p>All matches have been investigated with no adverse findings identified.</p>
Duplicate records by reference, amount and creditor reference (707)	37	37	-	-	-	-	<p>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.</p> <p>All matches have been investigated with no adverse findings identified.</p>
Duplicate records by amount and creditor reference (708)	45	45	-	-	-	-	<p>This match highlights possible duplicate payments in excess of £1,000 that may have arisen</p>

Report Name (NFI report reference)	Total Matches	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
							as a result of poor controls or fraudulent activity by suppliers and/or staff. All matches have been investigated with no adverse findings identified.
Duplicate records by invoice number and amount but different creditor reference and name (711)	2	2	-	-	-	-	This match highlights 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. The two matches have been investigated with no adverse findings identified.
Totals	140	94	-	46	-	-	