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**From:** Anne-Marie Harrop, Assistant Director  
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**Date:** January 2020

**Re:** National Fraud Initiative (NFI) Final Update - Release of Matches 2019/20 – Cheshire Fire and Rescue Service

## 1. Introduction and Background

The Cabinet Office co-ordinates the National Fraud Initiative (NFI) through powers under Part 6 of the Local Audit and Accountability Act 2014 to conduct data matching exercises to assist in the prevention and detection of fraud and error. This programme has been in existence now for over 20 years and has successfully identified over £1.69bn of fraud and error within the Public Sector.

The NFI continues to play an important role in protecting the public purse against fraud and is as important as ever with the true cost of fraud, estimated between £20billion and £40billion a year. The task of identifying fraud and error is continuous, to ensure funds and resources are allocated to the many honest deserving families in need.

The details of the data matches for Cheshire Fire and Rescue Service (CFRS) have been received from the Cabinet Office and at the request of the Fire Authority, MIAA have undertaken a review of the matches to identify any potential discrepancies.

## 2. Objective and Scope

The main objective was to review the data reports provided by the Cabinet Office and to investigate any identified discrepancies by providing a reason for the match and, where required, make the appropriate changes.

Our review focussed on assessment and review of each match report for the following areas:

- Pensions/Pension Gratuity to DWP Deceased;
- Payroll to payroll within CFRS and with other bodies;
- Pensions to payroll within CFRS and with other bodies;
- Pensions to injury benefits;
- Payroll to bank accounts/addresses;
- Creditor payments;
- Creditor matches by name and postcode;
- Creditors duplicate payments;
- Creditors duplicate bank accounts;
- Creditors duplicate invoice reference, amount and reference;
- VAT overpaid;
- Procurement - Payroll to Companies House (Director);
- There were no matches identified in relation to UK Visa matches.

MIAA liaised with CFRS's Payroll/HR department to confirm the information highlighted within the payroll matches; including verifying the employment status of an individual's secondary employment and/or sickness records.

MIAA also liaised with the Finance Department in order to obtain access to CFRS's Finance systems in order to review Creditor payments.

### 3. Management Summary

Work has been undertaken to clear a number of the Pension and Payroll related matches. One Pension related match was identified as an overpayment (approx. £120), with an internal decision to be made on any action to be taken i.e. write off / recover.

Investigation work with regard to the 'Payroll to Payroll' report has identified one working whilst off sick match, which is subject to ongoing internal investigation to establish if a fraud has occurred. All other payroll related matches have been cleared with no issues identified.

All creditor related matches have been subject to investigation with no errors or duplicate payments identified.

Work undertaken on the procurement to company house matches identified one individual where an updated declaration has been requested. Investigation work completed found no conflict to have arisen through the non-declaration of the interest. The other matches identified were related to individuals holding interests in a subsidiary company of the Cheshire and Fire Rescue Service.

## 4. Summary Of Matches

The following provides an outline explanation of each report received, the number of matches reviewed and any outcomes identified following completion.

 Certain reports have a flag (gold key) to note which reports the NFI team considers a priority.

Report Name / Explanation	Priority Status*	Number of Matches received	Number of Matches completed	Outcomes
<b>Pensions/Pension Gratuity to DWP Deceased</b> To identify instances where an  occupational pensioner has died but the pension is still being paid.	High	5	5	<b>One match found to have been in receipt of payment following their death. Overpayment of approximately £120. Internal review to establish if the payment is to be recovered / written off.</b>
<b>Pension to Payroll (within CFRS)</b>	High	22	22	<b>No issues identified with re-employment following receipt of pension, to conflict with pension rules.</b>
<b>Pension to Payroll (with matching authorities)</b>  To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement.		2	2	<b>No issues identified with re-employment following receipt of pension, to conflict with pension rules.</b>
<b>Pension to Injury Benefits</b>  To identify individuals in receipt of an enhanced injury pension who have failed to declare relevant state benefits (industrial injuries disablement benefit, incapacity benefit, employment and support allowance) that may remove or reduce entitlement to the enhanced pension.	High	15	15	<b>Confirmed overpayments no had been made.</b>

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<b>Payroll to Payroll</b>  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.	High	59	58	Fifty eight matches have been completed with no issues identified. One match is being subject to internal investigation to establish if a fraud has occurred. This match will remain open pending the investigation outcome, which will be required to be reported through the NFI system.
<b>Payroll to Payroll (Phone Number)</b>		4	4	Agreement with Cabinet Office that match information not deemed relevant for investigation by the authority.
<b>Payroll to Creditors (same Bank account)</b>  <b>Payroll to Creditors (same address)</b> The match identifies instances where an employee and creditor are linked by the same bank account or the same address to identify employees with interests in companies with which your organisation is trading. This may indicate potential undeclared interests or abuse of the finance system.	High High	7 3	7 3	No issues identified
<b>Duplicate creditors by creditors name / reference</b> 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.	High	11	11	No errors or duplications found

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<p><b>Duplicate creditors by address details</b></p> <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>	High	4	4	No errors or duplications found.
<p><b>Duplicate creditors by bank account</b></p> <p>To identify multiple creditors set up with the same bank account number.</p>	High	1	1	No errors or duplications found.
<p><b>Duplicate records by invoice number, invoice amount and creditor reference</b> </p> <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>	High	11	11	No errors or duplications found.
<p><b>Duplicate records by invoice amount and creditor reference</b> </p> <p>This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff. There are likely to be more matches than in report 707 as this report does not require the invoice reference field to match.</p>	High	241	241	No errors or duplications found.
<p><b>VAT overpaid</b></p> <p>This report identifies instances where VAT may have been overpaid. This is based on the information provided within the NFI invoice history data</p>	High	23	23	No errors identified.

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submission and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by the NFI exercise.				
<p><b>Duplicate records by invoice number and amount but different creditor reference and name</b></p> <p>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.</p>	High	7	7	<b>No errors or duplications found.</b>
<p><b>Procurement - Payroll to Companies House (Director)</b></p> <p>To identify potential undeclared interests that have given a pecuniary advantage. To do this we have matched your payroll data to companies house information and then to your creditors data.</p> <p>The reports are split between those highlighting employees who appear to be registered directors of companies that the employing body has traded with (<b>Report 750</b>).</p>	High	3	3	<b>One individual where an updated declaration has been requested, with no conflicts identified through non-declaration. Two other matches found no issues with interests held.</b>

## 5. Timetable

Match information is required to be investigated and completed usually within one year of the information becoming available. The key date which is used by the Cabinet Office for reporting purposes is the 31<sup>st</sup> of March the following year after the matches have been released. For this exercise that will be the 31/3/20. MIAA, with the help of Cheshire Fire and Rescue Service staff have met this deadline, with the residual match being subject to ongoing investigation governed by internal deadlines. The NFI system will remain accessible until the 31/12/20 for the outcome to be reported.

The Cabinet Office will begin work on planning for the next exercise, to link in with the upload of Data in October / November 2020 (timetables have not yet been released), and subsequent release of data in January 2021. The Cheshire Fire and Rescue Service will be required to confirm key contacts with the Cabinet Office as part of a housekeeping email issued on the 7/1/20, and ensure it completes key tasks set within the timetable (pending issue by the Cabinet Office).

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