

SCOTTISH POLICE
AUTHORITY

Meeting	Scottish Police Authority Audit Committee
Date	18 April 2018
Location	Scottish Police Authority Headquarters, Pacific Quay, Glasgow
Title of Paper	NFI Lessons Learned
Item Number	6
Presented By	James Gray
Recommendation to Members	For Consultation
Appendix Attached	Yes

PURPOSE

The purpose of this report is to update the Audit Committee on the current status of the 2018 National Fraud Initiative (NFI).

1. BACKGROUND

1.1 Every two years, the Cabinet Office initiates an NFI, collating electronic data across the public sector in order to identify possible fraudulent transactions (items are identified by the system as possible frauds, and termed as a 'match').

<https://www.gov.uk/guidance/taking-part-in-national-fraud-initiative>

1.2 The Scottish Police Authority is required to submit data relating to both creditors and payroll.

1.3 During the audit of the 2016 exercise, Scott-Moncrieff highlighted some areas for improvement:

- Resources were not fully captured at the outset of the NFI exercise;
- There was no regular interaction between team members to discuss approach;
- The approach to sampling was inconsistent and not risk-based;
- The investigation methodology was not risk-based.

1.4 Police Scotland took forward Scott-Moncrieff audit recommendations to provide a 'Lessons Learned' review in advance of the next exercise, and a use a Project approach in the future to aid the completion of the assignment.

2. FURTHER DETAIL ON THE REPORT TOPIC

2.1 The Senior Responsible Officer and Key Contacts for Creditors and Payroll for the 2018 exercise will need to be identified, and team details submitted to the Cabinet Office by July 2018. The initial submission of payroll and creditor data is likely to have a deadline of October 2018. Due to the finance team currently being restructured, roles and responsibilities will be allocated once the new finance senior management team and additional staff members are in place.

2.2 The team responsible for the 2016 NFI Exercise conducted in 2017 was as follows:

- Senior Responsible Officer - Sarah Jane Hannah* (Dalmarnock)

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- Key Contact (purchases) - Helen Coleman* (Fettes)
- Key Contact (payroll) - Susan Gillespie (Glenrothes)
- Purchases analyst - John Finn* (Fettes)

(* denotes those staff members who will not be available for the 2018 NFI Exercise)

- 2.3 A Project Initiation Document, resource details and timetable will be presented in July 2018 in order to ensure the assignment is fully planned and resourced.
- 2.4 A 'Lessons Learned' consultation was initiated with key members of Finance and Payroll staff who were involved in the exercise in January.
- 2.5 Results of the 'Lessons Learned' consultation are included in Appendix 1 to this report.
- 2.6 All recommended actions due to date have been completed. Bank Reconciliations will be subject to further review during the year-end process. The remainder of the actions will be reflected in the Project Plan due by the end of July 2018.

3. FINANCIAL IMPLICATIONS

- 3.1 There are financial implications in this report.
- 3.2 Possible cases of fraud will be identified and will be investigated.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are no further legal implications in this paper to those listed above.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are reputational implications associated with this paper.

6.2 Failure to manage fraud timeously could cause reputational damage; however, now that the 2016 investigation has concluded, there have been no incidents of fraud identified.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are requested to note the information contained within this report.

Lessons Learnt Log for NFI 2016 Exercise

Appendix 1

ID	Function	Problem/ Issue Description	Description	Action	Action Due	Status
1	Creditors & Payroll	The NFI is biennial. Dedicated resources over and above business as usual are required in order to extract the required data, fully investigate matches and to record the outcome of the investigation both on internal working papers and on the NFI web application.	Staff Resources	Staff resources to be identified upon completion of Senior Finance team restructure.	To be reflected in Project Plan 31-Jul-18	Not yet due
2	Creditors	The NFI showed many possible duplicate payments due to there being nine sub-purchase ledgers in operation where the risk of fraud and error was high.	Purchase Ledger Improvement	There is now one national purchase ledger in place to decrease the risk of fraud and error.	01-Apr-16	Complete
3	Creditors	There is a lack of independent checking of purchase invoice batches before posting – this lead to an overpayment to suppliers totalling £20k.	Accounts Payable Procedures Improvement	Pending a new P2P policy being put into place, a temporary improvement has been put in place – invoice batches have a printed report attached with an assistant manager signing off a check of supplier details and values against physical invoices.	31-Mar-18	Complete

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4	Creditors	Bank transaction not posted to GL in a timely manner- Refund of £5,424 received in the bank in 8th July 2016 was not posted to the GL until 13th September 2017.	Cash and Banking Procedures	All Bank Reconciliations to be reviewed by Financial Accounting Team and any unposted items escalated to Financial Transactions Lead if not cleared within two months.	Feb Recs 31-Mar-18 March Recs 30-Apr-18	Complete Not yet due
5	Creditors	Consideration should be given to the accounting entries of refunds of duplicate payments within the suppliers accounts on the AP ledger.	Accounts Payable and Cash and Banking Procedures	Procedures have now been reviewed. Previous practice of not updating purchase ledger has now been implemented. BACS Recall accounts are now actioned timeously.	31-Mar-18	Complete
6	Creditors	Purchase ledger power pad function should be promoted for use within the team to aid enquiries.	Accounts Payable Procedure	Staff have now all been trained in the use of power pad.	30-Nov-17	Complete
7	Creditors	No clear prioritisation of investigation for purchase ledger and payroll 'matches'.	NFI Procedure	Sampling methodology for investigation of non-recommended matches need to be established and shared with the NFI team to ensure resources adequately assigned.	To be reflected in Project Plan 31-Jul-18	Not yet due

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8	Payroll	Data extracted from multiple payroll systems. For 2014 exercise, numerous files were uploaded by key contacts from each payroll office. For the 2016 exercise, data was consolidated in excel and uploaded to the NFI website as one file.	NFI Procedure	No consolidated payroll system will be available for the 2018 data extraction. Similar approach to be taken for 2018 NFI.	To be reflected in Project Plan 31-Jul-18	Not yet due
9	Payroll	Payroll matches were investigated by Key Contact and not distributed to various payroll offices within Police Scotland.	NFI Procedure	Investigation by the Key Contact led to quicker resolution of queries and easier identification of matches patterns.	To be reflected in Project Plan 31-Jul-18	Not yet due
10	Creditors & Payroll	Late identification of responsible officer to investigate payroll to creditor matches.	Staff Resources	Identify nominated staff for investigation of payroll to creditors matches when matches are available.	To be reflected in Project Plan 31-Jul-18	Not yet due
11	Creditors & Payroll	NFI Workshop provided by the Scottish Government set out the expectation and limits which were acceptable as part of the NFI exercise, and provided beneficial training on the use of the NFI Web application.	Staff Resources	Fraud presentation to be made to all staff on Finance Training Day 21-Mar-18. Additional Scottish Government training will be attended by all relevant staff when made available.	21-Mar-18	Complete