



Report to: Audit & Risk Assurance Committee
Agenda item: 8
Date: 8 June 2016
Subject: Anti-fraud Programme update
Author: Interim Head of Finance and Procurement, BTP
Sponsor: Finance Director, BTP
For: For information

1. PUPOSE OF THIS REPORT

- 1.1. The purpose of this report is to highlight to the Audit and Risk Assurance Committee progress with the anti-fraud work undertaken to date and a timetable for the completion of the remainder of the programme of work.
- 1.2. There are two strands to the anti-fraud investigation being undertaken by the BTP. The first is the use of AP Forensics software and the other is participation in the National Fraud Initiative.

2. BACKGROUND

- 2.1 BTP is improving fraud detection controls in place over payments made to both suppliers and employees via the transactions centre. Various options were considered about how best this could be achieved. BTP decided that it would participate in the National Fraud Initiative (NFI) on a voluntary basis. However the NFI process is undertaken at set times. Therefore BTP decided to use Accounts Payable forensics software in addition to the NFI exercise to enable anti-fraud work to be completed within an accelerated timeframe.
- 2.2 The AP Forensics software was used to conduct forensic analysis across the Purchase-to-Pay cycle, which comprised:
 - Duplicate suppliers
 - Duplicate payments
 - Payroll supplier matches



- 2.3 The software uses modules whose search algorithms and complex pattern-matching techniques are used to analyse invoices, payments and supplier accounts, thus detecting and preventing fraud, minimising errors and improving processes. The Accounts Payable (AP) transactions module can identify potential exception payments, supplier fraud, invoicing errors and other issues with invoices or payments.
- 2.4 Risk analysis reports are produced to outline any exceptions detected on the datasheet. These can be grouped into priority order.

3. FINDINGS FROM AP FORENSICS TESTING

3.1 The software highlighted a number of matches in each category. These included:

- 47 potential duplicate payments;
- 173 duplicate suppliers; and
- 2,899 payroll supplier matches.

3.2 A risk based methodology was applied to the sample for further investigation. The detailed findings of our testing are set out in table 1 below.

Table 1: Summary of findings

Data	Number	Number Reviewed	% Reviewed	Findings
Duplicate Payments	47	47	100%	No duplicate payments identified
Duplicate Suppliers	173	173	100%	After review and investigation, 35 suppliers were found to have duplicate entries on the system. All duplicate entries are being deleted.
Payroll Supplier Matches	2,899	20 high priority	100% high priority matches	3/20 not supported by evidence on eFins
		14 'care of' payments	100% of c/off payments	All payments were valid and legitimate
		144 low priority	5% of total	All matches in the sample were valid and legitimate



3.3 Three out of 20 high priority payroll supplier matches failed at the initial review stage (10%). Of these, 2 were found to have no supporting evidence in the form of a scanned invoice (on eFins) that had been authorised and countersigned. The transaction history on the system to the individual was investigated and these date back to payments made in 2013. Further investigation was undertaken into locating the original batched payments, but subsequently no supporting information could be found. As this could indicate potential fraudulent payments or payments made in error, we sought to investigate further but it proved impossible to identify any further information relating to the specific priority payroll matches which had raised the query. There had been a number of payroll-related payments made though eFins in 2013, due to operational problems with the payroll-processing software and, in the absence of any evidence trail for these transactions and the significant time which had elapsed (with no repetition of the matching problem found by the software in subsequent years) it was reluctantly felt that there was nothing further that could be done to resolve the issue.

3.4 The remaining item that failed at the initial review was a payment made to the wrong employee for expenses. There is subsequent recovery action on the overpayment to the incorrect employee and the correct employee has been paid. The value of the payment was £28.40.

3.5 The remaining 158 items were found to be valid and payment of legitimate expenses, therefore no further investigation is required.

4. NATIONAL FRAUD INITIATIVE

4.1 The National Fraud Initiative (NFI) – this exercise will match the following data:

- Creditor payment screening has a range of tests to identify duplicate payments. Aside from the financial benefits, data matches help to improve the efficiency of organisations' creditor payment systems. This will assist in identifying duplicate payments and incorrect VAT payments that can be recovered, caused by incorrect supplier invoices, input errors and VAT miscalculations. The initiative can also help you strengthen your internal control arrangements, by highlighting system weaknesses or common errors within your creditor data. For example, we identify



multiple occurrences of the same creditor but with different reference numbers or differently spelt organisation titles

- Payroll screening – this work will assist in identifying the risk of employing someone with no entitlement to work in the UK.

4.2 Once the results are available resources will be deployed to investigate the matches. We intend to report progress in investigating matches from the NFI exercise to the Audit and Risk Assurance Committee on a quarterly basis.

5. RECOMMENDATIONS

5.1 The Audit and Risk Committee are asked to note the contents of this report.

APPENDIX 1: METHODOLOGY FOR AP FORENSICS

1. Duplicate Suppliers and Duplicate Payments

i) All duplicate payments on the dataset were reviewed, starting with the higher risk items, in order to identify any potential fraudulent activity or errors to supporting evidence to assess whether any duplicate payments had been made.

ii) All duplicate suppliers on the dataset were reviewed to identify any potential duplicate suppliers contained in the supplier master data. Review was carried out on the master data to establish the reason for the match e.g. similarities in post code, street address number.

2. Payroll Supplier Matches

i) Initially, the results were assessed and the highest risk matches were prioritised for further investigation. 20 high priority matches were identified. The highest priority matches, of which there were 20, were reviewed first by using eFinancials to locate the transactions and confirm whether there was supporting information for each. Valid supporting information is in the form of a scanned image of the invoice, showing that the payment has been authorised and countersigned, and is for the correct amount.

ii) A number of matches were identified where the payment had been made c/off a BTP employee. All matches in this category were investigated further, using the same method of locating the transaction on eFinancials and confirming its validity in the form of authorised and countersigned supporting information.

iii) Of the remaining data, random sampling was undertaken and the sample was reviewed and evaluated to establish whether there was potential fraud or error in the matches. The sample was subsequently categorised according to the type of match identified. Categories were then quantified to show the frequency of matches occurring in each category.

APPENDIX 2: NFI EXERCISE TIMETABLE

Action	Status	Timescale
NFI Exercise		
Planning		
Privacy impact assessment undertaken	Complete	December 2015
Privacy impact assessment report and consultation with stakeholders	Complete	January 2016
Memorandum of understanding developed and agreed between BTP and Cabinet Office	Complete	February 2016
Wording agreed with information governance team and HR for fair processing notifications for: <ul style="list-style-type: none"> • Pensioners – comms by letter • Staff – comms via intranet, newsletter and notification on payslips 	Complete	February 2016
Fair processing notifications to be issued as follows: <ul style="list-style-type: none"> • Pensioners – comms by letter (following consent of pension scheme trustees) • Staff – comms via intranet, newsletter and notification on payslips 	Complete	March 2016
Data submission		
Data sets prepared for submission	Complete	
Data sets submitted to Cabinet Office	Complete	To submit following notification issue of notifications.
Data matched returned by the Cabinet Office	Outstanding	Results were expected May 2016
Investigation of matches		
Initial assessment of results and prioritisation	Outstanding	June 2015
Investigation of high risk matches*	Outstanding	June/ July 2016
Investigation of medium risk matches*	Outstanding	August- October
Investigation of low risk matches*	Outstanding	October to December

**Investigation timetable dependent on the number of matches received*