Item 15

For Noting

GLASGOW KELVIN COLLEGE

BOARD OF MANAGEMENT OF 14 MARCH 2022

NATIONAL FRAUD INITIATIVE

REPORT BY VICE PRINCIPAL OPERATIONS AND FINANCE & STUDENT FUNDING MANAGER

1. Introduction

The purpose of this report is to provide members of the Board of Management with an update in respect of College participation in the National Fraud Initiative (NFI). In Scotland, Audit Scotland lead on the NFI which is overseen by the Cabinet Office for the UK as a whole.

The NFI is a counter-fraud exercise which uses ICT systems to compare and match data setsprovided by public bodies to seek to identify instances of fraud or error. Any such instances are then reported back to participants to investigate and action as appropriate.

Glasgow Kelvin College has participated in the NFI since Academic Year 2015/16.

The last update was provided to the Audit and Risk Committee in June 2018. It was missed in 2020 due to all the staffing changed during that period. Failure to share with Management and the Board could result in a Red score, but Azets acknowledged why this omission occurred and the overall score has been rated Amber, rather than Red, as whilst they believe it is a priority they understand that everyone involved in the process and the senior management are committed to the exercise and carry out their duties to a high standard. Additionally, Azets have noted that going forward, this will be presented to the Audit and Risk Committee. However, given the Audit and Risk Committee meeting has just passed it was agreed with the Chair that the Checklist would come to this Board Meeting.

The completed Checklist is attached at **Appendix 1**.

2. National Fraud Initiative

The College participates in the NFI by uploading data from its Finance and Payroll systems onto the national database. All participants in the scheme have been reassured in respect of the security aspects of this data sharing and the implications for GDPR legislation.

The Finance & Student Funding Manager has overall responsibility for reviewing the reports generated by the NFI system and undertakes this task routinely. The data shared includes mainly payments made to creditors and suppliers and members of staff. The data sets include personal information including bank accounts details.

The database system then provides reports back to the College which highlight potential issues for further investigation. As at October 2020 157 (172 in March 2018) transactions had been highlighted as requiring further investigation. These were mainly

highlighting what may have appeared to beduplicate payments to creditors. Additionally, some queries in respect of payments to membersof staff have been made which mainly relate to individuals who had been paid by another public body or were included on Companies House databases as being directors of companies.

Of the 4,500 invoice transactions uploaded to the database, 145 transactions were queried, 144 have been investigated and are now all closed. These include both legitimate transactions and transactions where the College had already received credit notes and dealt with the issue appropriately. Whilst there have been no frauds identified by the NFI in the year, there have been errors which have amounted to £16,425.72. These relates to five duplicate records by supplier invoice and amount, but different creditor reference and name, resulting in potential payments to the incorrect supplier. One was an upload error and four duplicate payments were made. Where there was a duplicate payment either a credit note has been received or the payment has been returned.

Only 12 queries related to Payroll and all of these have been resolved.

Participation has provided further reassurance that College systems are operating effectively as almost all transactions highlighted have been found to be legitimate and properly authorised.

3. Resource Implications

There are some additional resource implications in respect of staff time in uploading data in both the Finance and Payroll teams. To date this additional work has generated a small value of returned payments.

4. Risk and Assurance

Participation in the NFI contributes to the overall system of controls and checking conducted in respect of Finance and Payroll Systems reducing the risk of fraud and error. It does however create a small additional risk in respect of data security as personal data collected by the College is being shared with a third party.

5. Equality

There are no adverse impacts on individuals with protected characteristics arising from the contents of this report.

6. Data Protection

There are no direct data protection implications arising directly from this report. Participation in the NFI (since Academic Year 2015/16) demonstrates the Colleges commitment to stringent data checks and provides additional assurances to the Board of Management.

7. Recommendations

Members of the Board of Management are recommended to note the contents of this report and the College participation in the National Fraud Initiative.

8. Further Information

Members can obtain further information on the contents of this report from Jeanette Evans, Vice Principal Operations jevans@glasgowkelvin.ac.uk or Andrea Daly, Finance & Student Funding Manager adaly@glasgowkelvin.ac.uk.

JE/AD
March 2022

Appendix 1

NFI Questionnaire

Audited body: Kelvin College

Auditor who completed the questionnaire: Sam Johnston (Azets)

Audit Manager who reviewed this questionnaire: Adrian Kolodziej

Officer in NFI participating body who agreed the responses in this questionnaire: Andrea Daly

Date completed: 14 February 2022

Governance arrangements

Questions	Yes/no /partly	Comments	Conclusion (green/amber/ red)
1. Is the body committed to NFI? For example, has the council/board, audit committee and senior management expressed support for the exercise and is the NFI an integral part of the body's counter-fraud arrangements?	Yes	Included within their Privacy Notices and their GDPR policies as payroll information is used. Kelvin College's Anti-Fraud and Anti-Corruption Policy is due for renewal in December 2022 and the Key NFI contact noted that they will recommend that NFI arrangements are added into the Policy. The body are committed to NFI, with the staff taking the appropriate time and efforts to carry out the exercise. The key contact communicates the progress to the VP. Additionally, they have acknowledged various comments we have picked up such as communicating to the Audit Committee and including NFI within their Anti-Fraud and Anti-Corruption	**GREEN**

		Policy. Therefore, this highlights there effort to improve their efforts towards the exercise.	
2. Did the body's audit committee (or equivalent) and the key contact review the self-appraisal checklist referred to in the 2018/19 NFI Report as a means of monitoring the body's planning and progress with the 2020/21 NFI exercise?	No	From discussion with the client, the Self-Appraisal Checklist has been completed. However, this was not presented to the Audit Committee. Additionally, there is no documentation of the Self-Appraisal Checklist being carried out.	**AMBER**
3. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	No	The NFI Exercise has not been reported to the Audit Committee. Per discussion with the client, going forward the outcome of the NFI exercise will be reported to the Audit Committee after the matching exercise has taken place.	**AMBER**
4. Is the NFI Key Contact the appropriate officer for that role and does he/she: •oversee the exercise properly? •have the time to devote to the exercise? •have sufficient authority to seek action across the organisation?	Yes	Finance Manager is the NFI Key Contact. Satisfied the individual has the relevant experience.	**GREEN**
5. Does the body review identified frauds and errors and use this information to improve internal controls?	Yes	The client has not found any frauds through NFI investigations and apart from some minor streamlining of their files, they have not found any significant errors.	**GREEN**
6. Has the body considered using the NFI Flexible Matching Service facility and/or	Yes	The client has considered this. However, they do not deem this to be suitable for their organisation.	**GREEN**

the point of application data-matching service (AppCheck)?			
7. Did the body use the bank account verification and active company check product when awarding Covid-19 funding? If so, what were the outcomes? If the body did not use this service, please provide the reasons why this was the case. Refer https://www.experian.co.uk/blogs/latest-thinking/fraud-prevention/working-with-the-government-counter-fraud-function-to-support-local-authorities/?utm_medium=internalRef&utm_source=Consumer%20Services	N/A	The client only provided funding to students during this period. This was done through their usual secure checks, where checks are also carried out by the bank.	N/A
8. Did the body introduce additional counter-fraud measures in respect of Covid-19 grant funding it was responsible for administering? If so, please provide details.	N/A		N/A

NFI data submission and match investigations

Questions	Yes/no /partly	Comments	Conclusion (green/amber/ red)
9. Did the body submit the required data on time?	Yes	Per review on the NFI database, we are satisfied that the data	**GREEN**

If not, please provide reasons why this was the case.		was submitted on the 13/10/2020.	
10. Where the body has not submitted data or used the matches returned to it, e.g. council tax single person discounts, are alternative fraud detection arrangements in place?	N/A	We examined the NFI data on the website and are satisfied that the data has been submitted.	N/A
11. Did the body deploy appropriate resources on the NFI exercise including sufficient capability and capacity to investigate fraud?	Yes	Payroll Individuals deal with Payroll enquiries Finance Manager deals with Trade Creditor Matches	**GREEN**
12. Did the body give priority to following up high risk matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes	The client dealt with the NFI investigation promptly. Through review of the NFI website we are satisfied that Kelvin dealt with the matches accordingly.	**GREEN**
13. Has the body completed its review of the 2020/21 matches and were matches adequately investigated? If not, please provide the reasons why this is the case.		Per review of the NFI database, all matches have been investigated. There was one match which is still classified as investigated. However, per discussion with the client this is not an issue and they just could not close off the issue yet as it related to another body. This has since been ticked off as complete.	**GREEN**
14. What number and percentage of matches have been actioned? Please provide comments where there has been a lack of progress or engagement.		Total matches received: 156 number actioned= 156 percentage actioned= 100%	**GREEN**

15. Has the body recorded the results of its investigations and closed off the NFI reports appropriately on the NFI system? (For local authorities this also includes ReCheck for council tax matches.) If not, please provide the reasons why this is the case.	Yes	Kelvin College has recorded the results of their investigation appropriately.	**GREEN**
16. Has the body taken appropriate action in cases where fraud is alleged (eg disciplinary action, penalties or reporting to the Procurator Fiscal)? Are funds being appropriately recovered where frauds or errors have been identified? If a body is not recovering recoverable overpayments please provide their reasons.	Yes	Whilst there have been no frauds identified in the year, there have been errors which have amounted to £16,425.72. These relates to duplicate payments and the incorrect supplier being paid. Any payments which have been made, either a credit note has been received or the payment has been returned. Consequently, the body has been recovering all of the overpayments.	**GREEN**
17. How many cases have been taken to court and /or reported to Police Scotland or the Procurator Fiscal as a result of the NFI in the last 2 years? What were the outcomes and were these published?	None	No. of cases reported to Police Scotland or the Procurator Fiscal - 0 No. of cases taken to court - 0 Outcomes - 0 No. of prosecutions published - 0 No. of ongoing investigations - 0 Other comments….	N/A

18. Were there any cases with significant outcomes not taken forward for prosecution and reported to Police Scotland or Procurator Fiscal? If so, why were they not taken forward?	No	Satisfied there were no significant cases to note	N/A
19. Please provide reasons for any change in the levels of outcomes recorded within the specific match types between this exercise and the previous 2018/19 NFI exercise eg. Where there has been a large increase/decrease of outcomes on certain report types such as pensions or creditors. Access the outcomes for individual bodies from the 2018/19 Exercise here: - NHS territorial boards - Councils - Others		Per review, the matches were 172 in 2018/19. Therefore, there was only 16 less this exercise. Thus, no significant changes in the levels of outcome	**GREEN**
20. Has the body identified any interesting or significant cases from the NFI matches it received? If so, are these recorded on the appropriate section of the NFI system?	No	None to Note	N/A
21. Please provide any examples of good practice or improvements to internal controls that the body has made as a result this NFI exercise.	No	Client acknowledged that the positive effects were more prevalent in the previous NFI exercise as there were minor areas where they were able to tighten up their documentation.	N/A
22. What did it cost the body to administer the 2020/21 NFI exercise?		Per discussion with the client, they noted it was difficult to provide	**GREEN**

Please provide details if available.		a figure as they used their own staff and this was built into Business as Usual. However, there was a small number of individuals who worked on this for a period on and off.	
Local authorities only 23. In the 2020/21 exercise, did the local authority include any payroll or creditor data for their: ALEOs? joint boards? other bodies? If not, does the council plan to include such data for the 2022/23 exercise?	N/A	Not a Local Authority	N/A
Local authorities only 23 a) The Public Audit Committee is interested in Audit Scotland potentially including some more ALEOs in future NFI exercises. Please list the names of all ALEOs used by the council to deliver services.	N/A	Not a Local Authority	N/A
24. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, and response to outcomes)? Note 1 *Note that the auditor's view on this should be reflected in the annual audit report. NFI participation is part of an organisation's overall strategy for protecting against fraud and error. It is not, however, a*		Through discussion with the Key NFI Contact and review of the exercise, we are satisfied that the body takes the appropriate action towards completing the exercise and the Key Contact carried out their role effectively. However, currently there is a lack of communication to the audit committee. The failure to notify was an oversight due to a change of personnel.	**AMBER**

substitute for these wider arrangements.		Therefore, as per above, the entity has noted that going forward the outcome will be reported to the Audit Committee after the matching exercise takes place.	
26. Please provide any other comments that you consider would be helpful in assessing the body's NFI arrangements. e.g. other data-matching exercises outwith the NFI.		No further audit comments	

Note

As a general guide it may be considered that two or more "amber" assessments would suggest an "amber" overall conclusion with two or more "reds" suggesting an overall "red" conclusion. However, local circumstances should be considered in all cases.

NFI Questionnaire

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:
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