



**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	13 August 2024
TEITL YR ADRODDIAD: TITLE OF REPORT:	Counter Fraud Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Ben Rees, Head of Counter Fraud

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Gwybodaeth/For Information

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

This report provides to the Audit and Risk Assurance Committee an update on the Counter Fraud work completed within Hywel Dda University Health Board (HDdUHB). This ensures compliance with the Welsh Government Directives for Countering Fraud in the NHS and the NHS Counter Fraud Authority Requirements of the Government Functional Standard GovS 013: Counter Fraud.

The report will present a breakdown as to how resource has been used within Counter Fraud, alongside an overview of key work areas completed against the 4 NHS Counter Fraud Authority standard areas.

Cefndir / Background

Main Report:

To evidence the provision of services within a sound governance framework.

Asesiad / Assessment

Main Report:

The Health Board is compliant with the Welsh Government Directives.

Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is invited to receive for information the Counter Fraud Update Report and appended items.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference:

Cyfeirnod Cylch Gorchwyl y Pwyllgor:

3.2 In particular, the Committee will review the adequacy of:

	3.2.4 the policies and procedures for all work related to fraud and corruption as set out in National Assembly for Wales Directions and as required by the Counter Fraud and Security Management Service.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable.
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	3. Effective 4. Efficient
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	4. Learning, improvement and research
Amcanion Strategol y BIP: UHB Strategic Objectives:	3. Striving to deliver and develop excellent services 6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:

Ar sail tystiolaeth: Evidence Base:	Counter Fraud Workplan 2023/24
Rhestr Termiau: Glossary of Terms:	LCFS – Local Counter Fraud Specialist/s CF – Counter Fraud CFS Wales – Counter Fraud Services Wales NHS CFA – NHS Counter Fraud Authority NWSSP – NHS Wales Shared Services Partnership LPE – Local Proactive Exercise FRA – Fraud Risk Assessment
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Not applicable.

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Not applicable.
Ansawdd / Gofal Claf: Quality / Patient Care:	Not applicable.
Gweithlu: Workforce:	Not applicable.
Risg: Risk:	Not applicable.
Cyfreithiol: Legal:	Not applicable.
Enw Da: Reputational:	Not applicable.
Gyfrinachedd: Privacy:	Not applicable.
Cydraddoldeb: Equality:	Not applicable.



HYWEL DDA UNIVERSITY HEALTH BOARD

COUNTER FRAUD UPDATE

For Presentation 13 August 2024

The NHS Protect Standards are set in four generic areas:

- Strategic Governance
- Inform and Involve
- Prevent and Deter
- Hold to Account

AREA OF ACTIVITY	Resource Allocated (days) 2023/24	Resource Used (days) as at 31/07/2024	Resource Used (Percentage as at 31/07/2024)
STRATEGIC GOVERNANCE	40	13	33%
INFORM AND INVOLVE	85	27	32%
PREVENT AND DETER	120	39	33%
HOLD TO ACCOUNT	175	58	33%
TOTAL	420	137	33%

Work Area	<i>Summary of work areas completed</i>
Inform and involve	<ul style="list-style-type: none"> • All new inductees have completed the Health Board’s induction programme and the Counter Fraud mandatory training programme. A new, All Wales Counter Fraud E-learning package has been created and is in operation. • Counter Fraud content on the Health Board’s Medicines Safety learning days has again been delivered to Nurses by way of three presentations, presenting to over one hundred participants. • In addition to the above, Counter Fraud Presentations have been delivered to both Overseas Doctors and Nurses. • A news bulletin has been released in connection with a recent Cwm Taf UHB case involving a registered Nurse who obtained employment by deception. This case has attracted significant media attention, as such an awareness document has been prepared and shared with staff via our global messaging system. A link to the document is as follows: https://sway.cloud.microsoft/UFnDVa85qNKYJCPG?ref=Link (a separate link will be shared during the ARAC session). • Several alerts associated with emerging risks have been communicated to key stakeholders, these include alerts associated with lost or stolen prescriptions from neighbouring health board areas, cyber enabled fraud associated with compromised IT accounts of known contractors and risks associated with mandate fraud.
Prevent and deter	<ul style="list-style-type: none"> • In response to identified risks, the Local Counter Fraud Department have undertaken an exercise linked to Salary Deduction Lease Vehicles provided by Knowles Fleet Solutions. The purpose of the exercise was to identify whether the amount of business mileage quoted by the employee at the application stage was reasonable and whether there were any controls in place to monitor usage over the course of the lease agreement. A copy of the final report is appended to this paper, appendix 1 refers.

	<p>A Risk assessment has been completed by Counter Fraud, this will now be shared with both Finance and the Transport Unit for further evaluation of controls and identification of mitigating actions. A further evaluation of the effectiveness of these controls by way of a Local Proactive Exercise may be required in Q4.</p> <ul style="list-style-type: none"> As a result of recently concluded Counter Fraud investigations, a risk assessment looking at the effectiveness of existing controls around managing secondary employment whilst on sick leave has been completed and actions identified in the form of a review of current guidance in partnership with Workforce and OD, whereby Counter Fraud will look to introduce better guidance around conflicts of interest, good governance and how relevant topics are discussed and recorded. It is hoped that this work will allow staff members to be better informed when it comes to secondary employment, allowing people to make informed decisions at the right time. A completed Risk Assessment will be shared with the committee at in October 2024.
<p>Hold to Account</p>	<ul style="list-style-type: none"> Several new referrals have been received into the department over the last two months, with significant work being undertaken around these. These are noted within a separate report, for discussion during the closed In-Committee session.
<p>Strategic Governance</p>	<ul style="list-style-type: none"> Quarterly statistics have been submitted to Counter Fraud Service (CFS) Wales and in compliance with WG directions. CFS Wales are yet to release their Q1 report. The LCFS attended a quarterly PPV meeting, during which issues relating to current error trends were raised and discussed, with a view to identifying potential risk areas. These meetings will continue throughout the year.

Report Provided by:
Ben Rees - Lead Local Counter Fraud Specialist
For presentation; 13 August 2024

Report agreed by:
Huw Thomas
Director of Finance



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

COUNTER FRAUD, BRIBERY & CORRUPTION

**Fraud Detection Exercise –
Lease Car Invoicing**

August 2024

Executive Summary

In response to identified risks, the Local Counter Fraud Department have undertaken an exercise linked to Salary Deduction Lease Vehicles provided by Knowles Fleet Solutions.

The purpose of the exercise is to identify whether the amount of business mileage quoted by Hywel Dda University Health Board (HDdUHB) employees at the application stage are reasonable and whether the controls in place to monitor usage over the course of the lease agreement allow for end of lease reconciliation between what mileage has been accrued personally and what has been accrued in connection with their employment.

The purpose of monitoring usage is to identify any under or over usage of business miles, which may impact on whether the employee or in some cases, the Health Board is either owed or owes money linked to the original agreement.

The exercise identified that eighty-one HDdUHB employees had in place an existing Salary Deduction Lease Vehicle. All leases were provided via Knowles Fleet.

At the time of reporting, the oldest lease commenced on 30 May 2019 and the newest on the 11 of March 2024 and between these dates HDdUHB has been invoiced a total of £665,412 (gross) for the lease of these vehicles.

When a Salary Deduction lease agreement is commenced, an employee is entitled to claim travelling expenses, however, at a lower rate than the standard. The difference between the two rates is the value available to the Health Board to offset against the overall cost paid by the Health Board for any one vehicle.

A review was therefore undertaken to identify how many miles had been claimed by each of the eighty-one employees since the commencement of their lease agreement, before matching that with what they estimated in their initial application as being undertaken by them in a twelve-month period.

The data showed of the eighty-one employees, twenty-eight had not claimed any mileage expenses, fifty-two had, but well below what they estimated in their initial application to Knowles Fleet and only one person's claims matched their estimate.

Introduction and Background

The Counter Fraud Department have identified a risk associated with Salary Deduction Lease Vehicles whereby Health Board employees were overestimating the amount of business miles

undertaken in connection with their employment with the intent on reducing the monthly cost of the lease vehicle.

The matter was identified as a result of an application review by a line manager, whereby an employee had overestimated their mileage, when challenged, the employee admitted to overestimating the amount with the intent on reducing her monthly costs.

The employee was of the belief that at the end of the three-year lease agreement, the Health Board would identify that she had not undertaken the amount of business miles quoted and bill her accordingly.

The application was subsequently rejected by the Line Manager and the matter dealt with internally.

Relevant concerns were highlighted to the Counter Fraud Team, who set about identifying what the process of applying for a Salary Deduction entails, how savings are applied, what controls are in place to monitor mileage usage and invoice reconciliation.

A review of the process identified that Knowles Fleet operate a Salary Sacrifice and Salary Deduction lease car schemes on behalf of HDdUHB. Details of vehicles and price plans can be found on their website, <https://www.knowlesfleet.com/> which states the following in connection with the two schemes:

‘Salary sacrifice is when you swap part of your monthly salary before tax in return for a car of your choice and Salary Deduction is when each month, car payments are taken from your net pay, so after tax.’

The website goes on to say:

‘If you travel on official business, you will receive a mileage reimbursement allowance. Under salary deduction, part of the allowance may be deducted from the cost of the car during the quote, reducing the amount you pay for private use. The other part of the allowance is for fuel and will be taxed if the allowance exceeds the HMRC advisory fuel rate.’

Having identified that they wish to join a scheme, an employee of HDdUHB can create an account and logon to the website where they can choose a vehicle. If opting for the Salary Deduction scheme, the employee must submit an application documenting the amount of business and personal miles they are likely to travel in a twelve-month period.

Following submission, Knowles Fleet will make the relevant calculation, taking into consideration the type of vehicle, car benefit tax, vat and the amount of business and personal miles entered by the employee. A total cost for leasing the vehicle concerned is then generated and the financial value of the business mileage quoted is used to reduce the monthly contribution the employee has to make.

If agreeable, the employee must accept the offer, before updating the application with details of their line manager and cost code associated with their role.

Knowles Fleet will then save the quote and progress to the next step, which will involve emailing the employees line manager, seeking confirmation that the amount of business miles quoted is proportionate, details of the cost of the lease agreement and confirmation of the annual amount that will be invoiced to HDdUHB in connection with the lease.

A yearly invoice is then generated and submitted to HDdUHB at the commencement of the lease, then again in years two and three.

The invoice is for the total cost of the vehicle and takes into account both business and personal mileage figures quoted. HDdUHB will pay the invoice in full, recovering the agreed monthly amount from the employee from their pay.

Scope and Method

The exercise set out to review how many Salary Deduction Lease Agreements were in operation, associated invoices submitted to HDdUHB in connection with each lease agreement and the combined value.

Once identified, there was a need to review e-expenses data associated with Mileage Claims submitted by each applicant to assess whether the mileage undertaken in connection with their employment matched that quoted in their Salary Deduction lease application.

Finally, the Local Counter Fraud Specialist (LCFS) looked to confirm whether each invoice was reconciled with a payment and whether any reconciliation was being undertaken during the lease agreement as to the monthly cost paid by the employee.

The Exercise involved liaising with the Transport Unity, Finance and the scheme provider, Knowles Fleet.

Data was obtained from key sources, which identified:

- Current Salary Deduction agreements currently in operation.
- Details of each agreement, including commencement date, contract length, vehicle details, both business and personal mileage estimates, monthly costs and line manager sign off details.
- Invoice details associated with each agreement.
- Details of mileage expenses linked to each vehicle / employee.

Findings

The exercise identified that a total of eighty-one employees had in place a Salary Deduction lease vehicle contract.

A review was undertaken to identify how many miles had been claimed by each of the eighty-one employees since the commencement of their lease plan before matching that with what they estimated in their initial application as being undertaken by them in a twelve-month period.

The data showed of the eighty-one employees, twenty-eight had not claimed any mileage expenses, fifty-two had, but below what they estimated in their initial application to Knowles Fleet and only one person's claims matched their estimate.

Knowles Fleet were approached and asked how they make retrospective adjustments to individual plans and what controls are in place to distinguish how many miles are undertaken privately and how many are undertaken in connection with the employee's work.

Knowles Fleet confirmed that they unless the employee disclosed this information, they were unable to make this distinction, therefore would require data from the Health Board to make relevant adjustments. These adjustments would then result in either the employee benefiting through reduced costs or the health board benefiting as a result of the employee having to pay more.

As indicated, not all employees accurately record all journey undertaken in connection with their work on the e-expenses system, as the amount claimable may only be up to fourteen pence per mile.

In view of the above, the LCFS identified that unless all employees submit claims associated with their journeys, there will be no way of accurately report on mass business miles activity undertaken by each employee. Options to identify journeys undertaken may exist dependant on the role of the employee concerned, however, for the majority this may not be the case. During the course of this enquiry one potential criminal concern has been identified, as such the LCFS is unable to publish their findings in full, however, a further report will be submitted detailing further findings in June 2024.

Conclusion

There is a mechanism in place that allows line managers to review, consider and where applicable approve each employee salary deduction lease application. This process clearly outlines the financial impact on both the employee and organisation.

However, upon review, it appears that to date, there has been no exchange of data between Hywel Dda University Health Board and Knowles Fleet that allows for the accurate reporting of business miles undertaken by Health Board employees in connection with their employment.

As such, there is no evidence of any financial adjustments associated with the actual business miles undertaken by an employee linked to their lease agreement.

Mechanisms to facilitate the collation and transfer of such data exists in the form of E-expenses and Electronic Staff Record Reports, however, for this to be effective, each employee must document every journey undertaken.

Following a previous report on this matter, Finance have undertaken a piece of work looking at the exercise and the value it provides to the organisation.

A Fraud Risk Assessment has been drafted with a view that it is reviewed by the Transport Unit in partnership with others, including Finance and Workforce and OD.

The Finance Department have already commenced the process of capturing data associated with Salary Deduction lease holders; however, this data is yet to be exchanged with the lease car provider.

Recommendations

In order for the scheme provider to accurately calculate adjustments associated with business mileage undertaken by users linked to the Salary Deduction Scheme, then relevant data must first be recorded by users then shared with the scheme provider. As such, the following recommendations have been made:

1. The service lead is asked to review the risk assessment undertaken by Counter Fraud and as the risk owners, assess and comment on both existing controls and future actions required.
2. It is recommended that the Health Board formalise a process whereby staff are fully appraised of their obligations linked the scheme, including the requirement to record all business miles undertaken in connection with their employment on the Expenses system. Furthermore, employees must be reminded that this data will be used to corroborate the estimate they entered at the commencement of their lease agreement and any adjustments to monthly payments will be actioned accordingly.
3. This data must then be shared with the scheme provider so that relevant adjustments can be made. If an adjustment is required, then there will need to be an appropriate mechanism in place to update the Health Board so that any relevant adjustments can be made to an employees pay.

Report Completed by:

Benjamin Rees

Head of Counter Fraud

Hywel Dda University Health Board.