



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

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	21 February 2023
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Counter Fraud Update
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Ben Rees, Head of Counter Fraud

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Er Sicrwydd/For Assurance

### ADRODDIAD SCAA

#### SBAR REPORT

##### Sefyllfa / Situation

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

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

The report also references the findings of two Thematic Assessments undertaken by the NHS Counter Fraud Authority, which have both been appended to the report as Appendices 2 and 3.

##### Cefndir / Background

**Main Report:**

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

**Thematic Assessments:**

##### **Purchase Order vs Non-Purchase Order Report of Findings for Hywel Dda UHB**

##### **(Appendix 2)**

In May 2019, NHSCFA launched a three-part National Proactive Exercise (NPE) directed at building a more accurate understanding of procurement fraud financial vulnerability exposure (FVE) and tackling fraud risk vulnerabilities within NHS procurement systems, informed by an earlier sample pilot exercise.

Phase 1 and 2 of the NPE were successfully completed, and baseline figures for the three areas of fraud risk vulnerabilities were obtained. Due to the advent of COVID-19 and the impact to the NHS, phase 3 was delayed from 2020 and resumed in 2021. The findings of phases 1 and 2 were reported in 'Preventing procurement fraud in the NHS' and issued to the sector in 2021 (previously reported).

Phase 3 obtained comparable information solely focused on purchase order (PO) spend activity. The completed exercise facilitated in providing an examination into the fraud risk vulnerability within NHS PO spend and identified savings for NHS provider organisations.

### **COVID-19 Post Event Assurance Report of findings for Hywel Dda UHB (Appendix 3)**

Since it began in 2020, the COVID-19 pandemic has placed the NHS under extreme operational and financial pressures. To ensure the NHS's pandemic response met the health needs of all those affected by the Coronavirus, WG provided the financial support for the provision of the necessary medical equipment, medicines and resources.

As public sector organisations resumed normal activity, post event assurance (PEA) activity was undertaken across WG on centralised spending for the pandemic response. Likewise in 2021, the NHSCFA led a COVID-19 PEA exercise that focused on NHS healthcare spend during the pandemic.

### **Asesiad / Assessment**

Main Report:  
HDdUHB is compliant with the WG Directives.

Thematic Assessments:

### **Purchase Order vs Non-Purchase Order Report of Findings for Hywel Dda UHB (Appendix 2)**

The assessment provides assurance to HDdUHB that existing controls are robust, identifying that the Health Board has a zero percent Fraud Vulnerability Exposure.

The following recommendations seem to have been made to the NHS as a whole and suggest that each Health Board has a role to play in reducing the risk.

Recommendations	Owner as per assessment	Management response
NHSCFA to review and update its existing procurement fraud prevention guidance, taking into consideration the outcomes from this exercise.	NHS Counter Fraud Authority / Counter Fraud Services Wales.	HDdUHB Counter Fraud – The department are notified of all new and emerging areas of work, sharing guidance where applicable and undertaking relevant local proactive exercises and Fraud Risk Assessments.  It is noted within the body of the thematic assessment that the NHSCFA has re-launched a range of guidance that will reduce the NHS's vulnerability to procurement fraud by helping organisations to embed control measures and implement preventative action.
Health Sector Counter Fraud Board (CFB) to advocate for Financial Vulnerability Exposure (FVE) reduction measurement to be included	NHSCFA / Counter Fraud Services Wales.	Hywel Dda UHB Counter Fraud – This is an ongoing piece of work by NHSCFA and a response to the outcome has been requested.

in the Cabinet Office Consolidated Data Return to incentivise fraud prevention work / local proactive exercises across health sector.		
NHS organisations to reinforce existing Standard Operating Procedure / financial processes / organisational policy over the processing of payments through the Purchase to Pay system and hold staff to account when the prescribed procedures are not followed.	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – The Health Board has a policy procedure review process, which, when undertaken, results in a review of existing processes and their effectiveness. Upon completion, staff are notified by way of a global message. Financial control policies and procedures are reviewed by the Counter Fraud Department and are assessed against known risks. Compliance data associated with procurement processes are maintained and reported to the Audit and Risk Assurance Committee, by way of financial assurance reporting, this includes compliance against the No Purchase Order, No Pay Policy. Local pro-active Investigations have been undertaken throughout the period in which this exercise was undertaken, providing assurance against both fraud and policy compliance. similar exercises will continue in line with emerging risks. This is a continuous and evolving piece of work, which is part of the annual work plan.
NHS organisations to continue to promote the procurement fraud prevention campaign amongst staff and continue to reinforce mitigating controls.	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – The local counter fraud specialist has a system in place to review and share details of emerging fraud risks, in the form of Fraud Prevention Notices, actioning relevant guidance, ensuring information is shared effectively to key stakeholders. This form of inform and involve work will be a key part of future work plans.
NHS organisations to review and update policies and procedures in accordance with	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – The local counter fraud specialist has a system in place to review and share details of emerging

NHSCFA procurement fraud prevention guidance.		<p>fraud risks, in the form of Fraud Prevention Notices, actioning relevant guidance, ensuring information, including the assessment of the risk against local controls.</p> <p>In addition, to ensure a consistent approach across NHS Wales is achieved, the HDdUHB LCFS has setup an all-Wales Fraud Risk Working Group, which will include a representative from each Health Board, in addition to NWSSP and Counter Fraud Services Wales. The aim of the group is to share details of existing and emerging risks, ensuring that our controls are robust and means of mitigating are shared, particularly to those risks that apply to shared service functions.</p> <p>Hywel Dda UHB Counter Fraud will be arranging that the first meeting take place in March 2023, with a view of meeting every quarter.</p>
NHS organisations to undertake regular audits to ensure procedures are being followed.	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – The LCFS has bimonthly meetings with the Internal Audit team, ensuing information is shared to mitigate any risk to the Health Board. During these meetings, the LCFS can advise on potential review topics arising from known risks or live investigations. These will then be raised with the Fraud Champion / Governance team for potential inclusion in the annual plan.

### **COVID-19 Post Event Assurance Report of findings for Hywel Dda UHB (Appendix 3)**

The assessment provides assurance to HDdUHB that existing controls are robust, highlighting where contracts were awarded, relevant checks were undertaken.

Again, the following recommendations have been made to the NHS as a whole and suggest that each Health Board has a role to play in reducing the risk, and as such need to review existing processes.

Recommendations	Owner as per assessment	Management response
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Health Sector Counter Fraud Board (CFB) to review the effectiveness of centralised support / coordination for NHS organisations in sourcing and procuring essential equipment during the onset of COVID-19. An enhanced understanding of overseas markets and use of intermediaries should form the core support mechanisms provided in future emergency management scenarios.	Health Sector / NHS Shared services Partnership (NWSSP) Procurement	Hywel Dda UHB Counter Fraud – This recommendation was made by the Counter Fraud Authority, who have been asked to comment how this will be actioned across Wales. Their response was received, stating that discussions will be taking place with the Head of CFS Wales to review existing controls.  A further update will be requested regarding any developments.
NHSCFA to review and update its existing Procurement Fraud Prevention Guidance, taking into consideration the outcomes from this exercise.	NHS Counter Fraud Authority / Counter Fraud Services Wales.	Hywel Dda UHB Counter Fraud – The department are notified of all new and emerging areas of work, sharing guidance where applicable and undertaking relevant local proactive exercises and fraud risk assessments.  NHSCFA - The NHSCFA has re-launched a range of guidance that will reduce the NHS's vulnerability to procurement fraud by helping organisations to embed control measures and implement preventative action.
NHS England (NHSE) and individual NHS organisations to drive improvements in due diligence capability.	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – The department are notified of all new and emerging areas of work, sharing guidance where applicable and undertaking relevant local proactive exercises and fraud risk assessments to ensure that appropriate due diligence is being undertaken. An example of this can be evidence by way of local proactive exercises undertaken linked to procurement over the last two years. Again, this is an ongoing piece of work that is embedded into future work plans.
NHS organisations to continue to implement and review the appropriateness of their fraud risk management regime under both business-as-usual and emergency management scenario circumstances.	NHS Organisations / Director of Finance / Local Counter Fraud	Hywel Dda UHB Counter Fraud – All risk assessments are undertaken in line with Health Board policy and any changes to processes are implemented. During the pandemic, COVID-19 related risks were reviewed, and counter fraud advice was provided to key stakeholders when required, this included the

		<p>recruitment team, which resulted in an assurance exercise being undertaken.</p> <p>Further discussions are required to establish how to effectively incorporate fraud risk considerations into future emergency planning events.</p>
<p>NHS organisations to ensure there are adequate requirements for staff to record: decisions, actions taken, and risk assessments on procurement activity (by way of organisational policy). Suitable mechanisms for maintaining such records should also be put in place; this is likely to derive from contract management software platform.</p>	<p>NHS Organisations / Director of Finance / Local Counter Fraud</p>	<p>Hywel Dda UHB Counter Fraud – Existing frameworks, policies and procedures are in place to capture such information, these include Standing Financial Instructions, Purchase to Pay procedures and the No Purchase Order, No Pay Policy, which set out how data should be managed and retained for auditing purposes. The management of this information is facilitated by way of procurement systems, including Oracle and Multiquote, which allow for the upload and storage of key documents.</p> <p>Reporting of adverse incidents or risks is managed by way of the Datix systems, with risks being reviewed at a local and management level. The local counter fraud specialist provides specialist training to key departments, including estates, finance and procurement, ensuring that they are aware of key procurement related policies, expectations to disclose any conflicts of interest and most importantly, ensuring that they know how to report any concerns of fraud bribery and corruption.</p>

#### Argymhelliad / Recommendation

The Committee is asked to take an assurance from the Counter Fraud Update Report and appended NHS Counter Fraud Authority Reports.

#### **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:
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	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.
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
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: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019</a>	10. Not Applicable

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Counter Fraud Workplan 2022/23
Rhestr Termiau: Glossary of Terms:	LCFS – Local Counter Fraud Specialist/s CFS Wales – Counter Fraud Services Wales NHS CFA – NHS Counter Fraud Authority
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	Not applicable.

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Not applicable.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Not applicable.
<b>Gweithlu: Workforce:</b>	Not applicable.
<b>Risg: Risk:</b>	Not applicable.

<b>Cyfreithiol: Legal:</b>	Not applicable.
<b>Enw Da: Reputational:</b>	Not applicable.
<b>Gyfrinachedd: Privacy:</b>	Not applicable.
<b>Cydraddoldeb: Equality:</b>	Not applicable.





## **HYWEL DDA UNIVERSITY HEALTH BOARD**

### **COUNTER FRAUD UPDATE**

**for**

**Presentation 21<sup>st</sup> February 2023**

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) 2022/23	Resource Used (days) as at 31/01/2023	Resource Used (Percentage as at 31/01/2023)
STRATEGIC GOVERNANCE	40	38	95%
INFORM AND INVOLVE	85	83	97%
PREVENT AND DETER	120	110	92%
HOLD TO ACCOUNT	175	148	85%
TOTAL	420	379	90% with 2 months remaining.

Work Area	Summary of work areas completed
<b>Inform and Involve</b>	<ul style="list-style-type: none"> <li>• All new inductees have completed the Health Board's induction programme and the Counter Fraud mandatory training programme.</li> <li>• Counter Fraud content on the Health Board's Medicines Safety learning days has again been delivered to nurses by way of virtual sessions.</li> <li>• Counter Fraud presentations continue to be delivered to the overseas nurses cohort, raising awareness of fraud, bribery and corruption, in addition to raising awareness of recent scams involving immigration and rental properties.</li> <li>• A fraud awareness session was delivered to the finance team, highlighting fraud risks associated with insider fraud, false reporting, and Cyber-enabled Mandate Fraud.</li> </ul>
<b>Prevent and Deter</b>	<ul style="list-style-type: none"> <li>• Current pro-active work continues. An exercise into requisitions made via purchase cards has been completed and appended to this report as Appendix 1. No concerns of fraud have been raised.</li> <li>• A further piece of work linked to deceased patients is at the planning stage, which will involve cross partnership working between the Counter Fraud department and the Post Payment Verification (PPV) team.</li> <li>• The Counter Fraud team continues to engage with Internal Audit, with future meetings planned throughout the year.</li> <li>• The Counter Fraud Authority have released two thematic assessments as detailed below:</li> </ul> <p><b><u>Purchase Order vs non-Purchase Order Report of findings for Hywel Dda University Health Board (UHB)</u></b></p> <p>In May 2019, NHSCFA launched a three-part National Proactive Exercise (NPE) directed at building a more accurate understanding of procurement fraud financial vulnerability exposure (FVE) and tackling fraud risk vulnerabilities within NHS procurement systems, informed by an earlier sample pilot exercise.</p> <p>Phase 1 and 2 of the NPE were successfully completed, and baseline figures for the three areas of fraud risk vulnerabilities were obtained. Due to the advent of COVID-19 and the impact to the NHS, phase 3 was delayed from 2020 and resumed in 2021. The findings of phases 1 and 2 were reported in 'Preventing Procurement Fraud in the NHS' and issued to the sector in 2021 (previously reported).</p> <p>Phase 3 obtained comparable information solely focused on Purchase Order (PO) spend activity. The completed exercise facilitated in providing an examination into the fraud risk vulnerability within NHS PO spend and identified savings for NHS provider organisations.</p>

	<p>The recommendations will be recorded, although all can be shown to have been actioned. A copy of this report has been appended to this report at Appendix 2.</p> <p><b><u>COVID-19 Post Event Assurance Report of findings for Hywel Dda UHB</u></b></p> <p>Since it began in 2020, the COVID-19 pandemic has placed the NHS under extreme operational and financial pressures. To ensure the NHS's pandemic response met the health needs of all those affected by the Coronavirus, the Welsh Government (WG) provided the financial support for the provision of the necessary medical equipment, medicines and resources.</p> <p>As public sector organisations resumed normal activity, post event assurance (PEA) activity was undertaken across Government on centralised spending for the pandemic response. Likewise in 2021, the NHS Counter Fraud Authority (NHSCFA) led a COVID-19 PEA exercise that focused on NHS healthcare spend during the pandemic. The recommendations will be recorded and actioned in line with good practice. A copy of this this report has been appended to this report at Appendix 3.</p>
<b>Hold to Account</b>	<ul style="list-style-type: none"> <li>• A number of 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.</li> </ul>
<b>Strategic Governance</b>	<ul style="list-style-type: none"> <li>• Quarterly statistics have been submitted to Counter Fraud Service (CFS) Wales and in compliance with WG directions, CFS Wales have released their Quarter 3 report, which is appended to the In-Committee paper.</li> <li>• The Lead Local Counter Fraud Specialist (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.</li> <li>• The Lead LCFS and Fraud Champion continue to meet on a bi-monthly basis, offering both parties the opportunity to raise and discuss areas of concern.</li> </ul>

**Report Provided by:**  
**Ben Rees - Lead Local Counter Fraud Specialist**  
For presentation; 21<sup>st</sup> February 2023

**Report agreed by:**  
**Huw Thomas**  
**Director of Finance**



# LOCAL COUNTER FRAUD SPECIALIST REPORT

## Purchase Card Review

PRODUCED BY: Ben Rees

Lead Local Counter Fraud Specialist

Hywel Dda University Health Board (UHB)

### Introduction

This exercise will look at transactions made via purchase cards, with a view to establishing the existence of any fraudulent purchase and whether all goods and services purchased for the Health Board are ordered appropriately and are supported by the relevant documentation; and payment is made in line with UHB Standing Financial Instructions / Purchase Card User Guide.

It is noted that purchasing cards should only be used in exceptional circumstances or when there are no other options to procure the goods or services by other means. The issuing of a purchase card requires the approval of both the Purchase Card Administrator NHS Wales Shared Services Partnership (NWSSP) Procurement and the Director of Finance.

### **Background information**

The issuing of purchase cards is tightly controlled, and it is intended that very few will be in use within the Health Board.

As well as various UHB Standing Financial Instructions and other related Procurement of Goods or Services Policies and Procedures, the use of purchase cards are governed by the Health Board's Purchase to Pay Procedure and should be used in accordance with the Purchase Card User Guide.

It is said that the successful adoption of these processes will lead to the following benefits:

- Better control environment – the right people authorising, in advance of expenditure being incurred.
- Catalogue compliance will be improved leading to less off catalogue purchasing and lead to revenue savings.
- More comprehensive procurement intelligence is captured through the system about what and where goods and services are purchased, allowing for better sourcing decisions.
- Costs are more accurately accrued by the system reducing management accounting and the Accounts Payable (AP) team workload.
- Public Sector Payment Policy compliance will improve because process times reduce.
- Early payment discounts can be maximised.
- Overall processing costs in NWSSP P2P will reduce releasing resources for NHS Wales.

It is evident that the guidance states that purchases made via purchase cards are immediately necessary, or there are no other means procuring the goods via normal channels.

The UHB's guidance on this issue is clearly outlined in the Purchase Card User Guide, which clearly outlines the roles and responsibilities of the Purchase Card Service Administrator, NWSSP Procurement, Finance, card holder, and their supervisor.

The user guide states that a proposed purchase card holder shall be responsible for:

- Completing a Barclaycard Cardholder Application

- Attending Cardholder Training, provided by NWSSP Procurement.
- Signing the 'Employee Agreement – Cardholder' prior to receipt of the purchasing card.
- Ensuring compliance with Card Terms of Use as laid out in the 'Employee Agreement'
- Nominating their Representatives to deal with local suppliers on the Cardholder's behalf. Actual arrangements will be made with the Supplier by the Purchasing Card Administrator.
- Ensuring that nominated representatives sign the 'Nominated Representative Agreement' and comply with the Card Terms of Use.
- Ensuring safekeeping of the Card.
- Ensuring the total price of the purchase is within their financial limits. This price will include VAT and delivery charges.
- Placing face-to-face orders or nominating representatives to place face-to-face orders with local suppliers who have had the purchasing card details pre-lodged with them.
- Completing the transaction log.

A pre-numbered transaction log must be completed for every itemised purchasing card transaction, detailing:

- The pre-printed Customer ID Number
- Initials of purchaser and date of order
- Project or Location of Goods/Services
- Supplier name
- Description of Goods/Services
- Financial Code
- Goods/Service Received Date
- Any Other Information
- Authorisation by Manager

The transaction log must be completed and approved by the authorising manager on the last working day of every month. For those transactions exceeding £500, the transaction log must be completed and approved by the authorising manager prior to obtaining goods exceeding this value.

The transaction log must be kept for a minimum of two years for audit purposes or six years for VAT purposes.

Each purchase card user will have access to the online banking portal linked to their purchase card and on at least a weekly basis, the cardholder shall review their online statement. This will entail:

- Reconciling the transactions to the log
- Entering correct financial codes to each transaction.
- Investigating and resolving simple problems associated with the order.
- Referring problems which cannot be resolved promptly to the administrator, using the Purchasing Card – Dispute Form.
- When checks are satisfied, ticking the Cardholder Review box.

- Notifying the line manager that the transaction is ready for their authorisation via e-mail.

Once actioned, suppliers are paid by Barclaycard within four working days of the business transaction. The total monthly spend for each card account is debited from the Board's bank account, seven working days after the end of the Barclaycard accounting period.

On the first working day of each month, the Finance Department will run a report of all transactions in the accounting period and will transfer this expenditure to the General Ledger in accordance with the monthly closedown timetable.

Timely reconciliation of transactions is important to enable spend to be correctly recorded in Board financial reports.

### **Objectives**

In order to facilitate this review, the following objectives were set:

- Review existing procedures and user guides.
- Review one month's transactions, selecting a 25% random sample for further analysis against the Purchase to Pay procedure and Purchase Card User Guide.
- Review card users' compliance against the Purchase Card User Guide.

### **Summary of Evidence**

A review of the Health Boards Policies and Procedures page clearly displays both the Purchase to Pay Procedure and Purchase Card User Guide.

The user guide clearly outlines the roles and responsibilities of those of those involved in the procedure, providing clear guidance to users. Further to this, the Purchase Card Administrators and NWSSP Procurement, confirmed that upon setup of a new user, the applicant is provided with a copy of said user guide, in addition to further user guides associated with the online banking portal and card security.

As stated, purchase cards should only be used when the goods or services required cannot be obtained via any other means, including NHS Wales Oracle Ordering System (Oracle), the catalogue ordering system or Multi Quote.

A review of one month's transactions was undertaken and the following identified:

- Data obtained from the Finance Department revealed that for the month concerned, 343 transactions were completed by 18 employees, spending a total of £107,700.

25% of these were randomly selected for further review. The transactions were made by 13 purchase card holders, each of whom were asked to comment on the transactions made and their compliance against the user guide.

In summary:

- All transactions were deemed as urgent by the user, and none were deemed to be fraudulent.



- All users were aware of the need to review each transaction via the online portal and all were doing so within the timelines required, however it was noted that six could not recall having received the user guide (copy now supplied).
- Only two users were using the transaction log template supplied by NWSSP Procurement, although all were maintaining a version, whether that be electronic records of transactions made, including email etc, or excel versions, retaining electronic receipts etc.
- A large proportion of the high value purchases reviewed were linked to employee Home Office Visas and sponsorship payments. Although not urgent or emergency purchases, there are no other means of payment for these services other than the government portal, which only accepts card payments. Each of these transactions are pre-approved by senior managers within recruitment.
- All transactions were accounted for and all had been verified via the online portal.
- It was noted that not all supervisors were reviewing the logs that were maintained, however, in those instances, supervisor approval had been made by other means, such as email.

**Conclusion:**

The information recorded and maintained was consistent and allowed for an appropriate review.

No instances of fraud were identified; however, it was apparent that six of those sampled could not recall receiving the user guide. In view of this, it would be beneficial to the organisation and all purchase card users that a copy of the Purchase to Pay procedure and Purchase Card User Guide is provided to all users.

In order to effectively capture reviews undertaken by supervisors, it is recommended that a new Microsoft Excel transaction log be created, with a view of each purchase card user sharing the document with their supervisor via OneDrive, allowing a digital log of all entries to be recorded on a live basis. This document could then be used to embed any invoices / receipts / delivery notes for future audits.

Since the completion of this exercise, the Finance Department have advised that further options are being considered aimed at reducing the need / demand for purchase cards. The new system will be similar to purchase cards, however, there is no physical card, and all purchases are pre-approved by a supervisor, who will justify why the purchase is immediate and necessary.

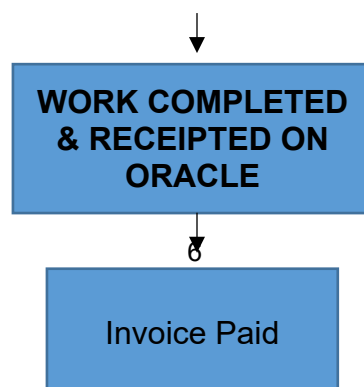
**Recommendations:**

1. Re-issue a copy of the existing Purchase to Pay Procedure and Purchase card user guide to all users.
2. Develop a Microsoft Excel transaction log, which can be used by users to share information with managers via OneDrive.

**Report completed by:**

Ben Rees

Lead LCFS  
Hywel Dda University Health Board.



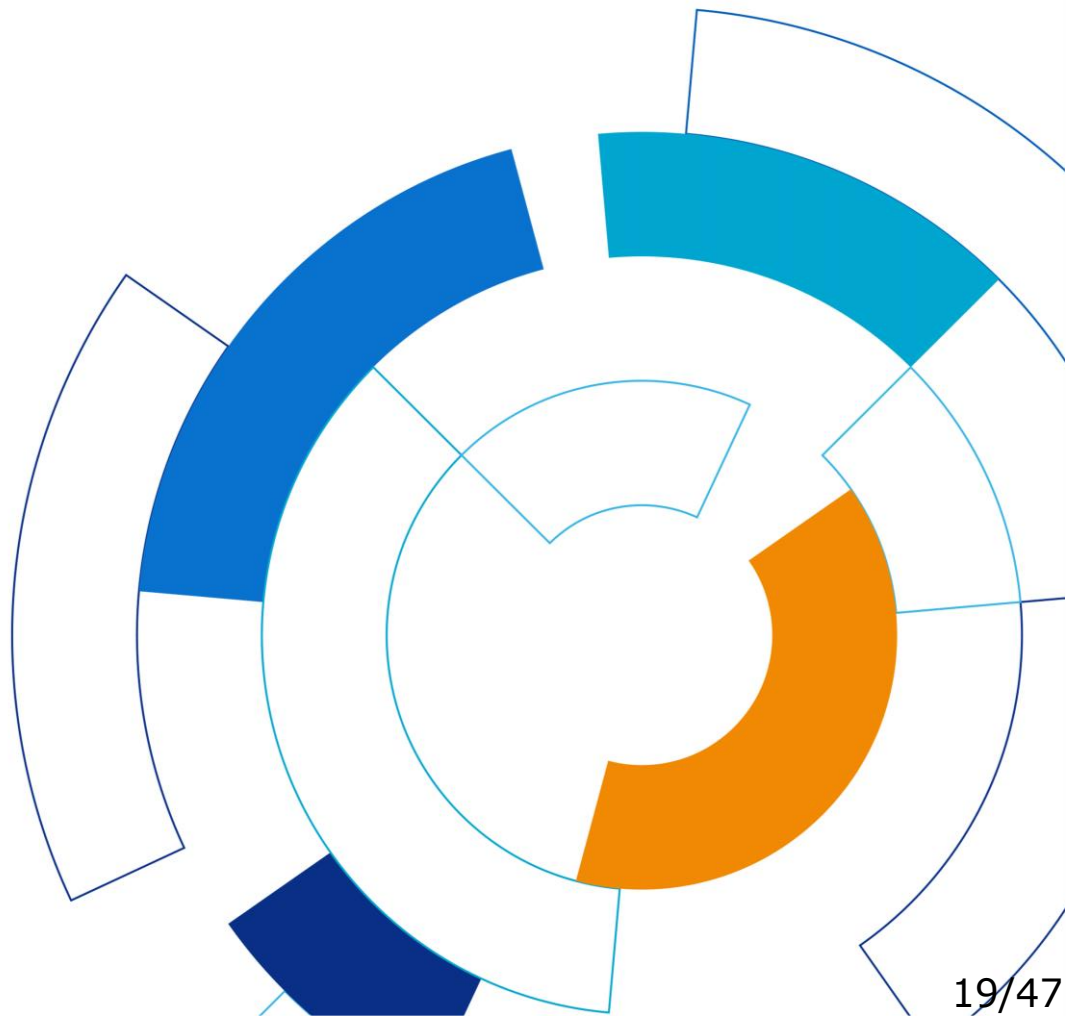
# PO vs non-PO report of findings for HYWEL DDA UNIVERSITY LHB

Preventing procurement fraud  
Organisation-specific feedback

September 2022

Version 1.0

NHS fraud.  
Spot it. Report it.  
Together we stop it.



# Version control

Version	Name	Date	Comment
1.0	Fraud Prevention Team	14/09/2022	

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## Introduction

1. NHS Counter Fraud Authority (NHSCFA) has previously reported in *Preventing procurement fraud in the NHS: Findings from a national proactive exercise*<sup>1</sup> that procurement fraud has been and remains an issue of concern across the whole of the NHS. Despite it being a huge area of spend and activity and crossing all sectors of the NHS, there is still a low level of fraud reporting. This has been the driver for NHSCFA making procurement fraud prevention a priority. NHSCFA estimated the financial loss to fraud, wastage and error from procurement and commissioning budgets to be approximately £300.4 million for the 2019/20 financial year.
2. In May 2019, NHSCFA launched a three-part National Proactive Exercise (NPE) directed at building a more accurate understanding of procurement fraud financial vulnerability exposure (FVE) and tackling fraud risk vulnerabilities within NHS procurement systems, informed by an earlier sample pilot exercise. By asking NHS organisations to undertake local proactive activity we sought to improve NHSCFA's understanding of procurement fraud risk vulnerabilities. The NPE measured three procurement fraud risk areas (disaggregate spend, contract management, and purchase order (PO) vs non-PO spend) and identified approximately £6.06 billion of potentially vulnerable spend.
3. Phase 1 and 2 of the NPE were successfully completed, and baseline figures for the three areas of fraud risk vulnerabilities were obtained. Due to the advent of Covid-19 and the impact to the NHS, phase 3 was delayed from 2020 and resumed in 2021. The findings of phases 1 and 2 were reported in 'Preventing procurement fraud in the NHS' and issued to the sector in 2021.
4. Phase 3 obtained comparable information solely focused on PO spend activity. The other two areas of disaggregate spend and contract management areas were excluded due to the unforeseen impact of Covid-19 on NHS procurement activities. The completed exercise facilitated in providing an examination into the fraud risk vulnerability within NHS PO spend and identified savings for NHS provider organisations.
5. NHSCFA issued its comparative findings to the sector on the outcome of the PO vs non-PO in August 2022 to be followed up with dynamic organisation-specific reports to each NHS organisation that participated in the exercise. NHSCFA is pleased to share feedback with **HYWEL DDA UNIVERSITY LHB** on its performance in the PO vs non-PO spend exercise.
6. This report details **HYWEL DDA UNIVERSITY LHB's** performance and where possible, how it relates to other organisations of a similar type. This organisation-specific report should be read in conjunction with the main sector-wide report mentioned above.

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<sup>1</sup> NHS Counter Fraud Authority (2021) Preventing procurement fraud in the NHS: Findings from a national proactive exercise.

## How to use this report

7. Information within this feedback report must be read in conjunction with the *'Preventing procurement fraud in the NHS: Comparative findings (July 2022)'* report (referred to hereafter as the '**main report**').
8. This is a dynamic report that details organisation-specific performance based on the data that was provided to NHSCFA in 2021. The information in this report (referred to hereafter as the '**feedback report**') relates specifically to **HYWEL DDA UNIVERSITY LHB**.
9. Each area within this **feedback report** will correspond to specific sections within the **main report** and will be signposted in **blue**.
10. Where this feedback report provides information using data specifically relating to **HYWEL DDA UNIVERSITY LHB**, the text will be in green and/or highlighted within a green square surrounding the paragraph or table.
11. It is recommended NHS organisations review the findings within both the **feedback report** and **main report** and hold discussions with key stakeholders within their organisation. These discussions should focus on the organisation's findings and include an assessment of its fraud risk vulnerability within procurement. Appropriate fraud prevention initiatives should be designed as an outcome of those discussions. Where applicable, discussions should take place on how these risks score on organisational risk registers in line with NHS requirement 3<sup>2</sup> of the Government Functional Standard 013: Counter Fraud.
12. To assist NHS organisations, several recommendations have been identified within the main report, in addition to the published procurement fraud prevention guidance available on the NHSCFA website.

<sup>2</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Overall PO vs non-PO spend

13. The Following feedback relates to and should be read in conjunction with '[Appendix 2: Methodology](#)' (paragraphs 51 – 65) of the **main report**.
14. NHSCFA's assessment of the impact of our fraud prevention campaign on FVE is drawn from 79 organisations that took part in both data collection exercises (baseline: 2018 – 2019 and comparable: 2019 – 2020). To provide holistic feedback to all 211 participating organisations, we assessed the overarching total spend vs non-PO spend figures for the 2019 – 2020 financial year to showcase each organisation's performance in relation to the complete dataset. This overarching data can be used as a benchmark by which all participating organisations can see how they have performed in relation to the overall average.
15. The below table shows total spend, non-PO spend and non-PO average for your organisation across all 23 spend categories in all four quarters of 2019 - 2020. It also shows the average values for Welsh Local Health Board organisations, and the total sample.

Organisational breakdown	Total spend	Total Non-PO spend	Non-PO spend %
HYWEL DDA UNIVERSITY LHB	£307,912,304.08	£111,572,876.12	36.2%
Welsh Local Health Board (Average)	£285,196,960.95	£156,341,615.59	48.4%
210 organisations (Average)	£49.7 million	£15.1 million	30.3%

**Table 1: Monetary breakdown of non-PO spend as a proportion of total spend.**

16. In assessing organisational performance, we ranked organisations 1 – 210 on non-PO spend as a percentage of total spend. Rank 1 being the lowest percentage and 210 being the highest percentage. **HYWEL DDA UNIVERSITY LHB** ranked **81 of 210** for non-PO spend percentage of total spend.
17. Your organisation was 1 of 147 to have a non-PO percentage that was over the average of 30.30%. Having a high percentage of non-PO spend can demonstrate a greater tendency for spend within your organisation to take place outside the organisation's pre-established procurement protocols and policies. Where non-PO spend occurs, an organisation is exposed to a far greater risk of fraud in the procurement process.



## Financial Vulnerability Exposure

18. The following feedback relates to and should be read in conjunction with section 2: '[Financial vulnerability exposure \(paragraphs 25 – 41\)](#) of the **main report**.
19. FVE is designed to give an indication of the exposure of the NHS to potential fraud. It should not be used as a financial instrument or to categorically define losses to fraud. FVE has been introduced to NHSCFA's Strategic Intelligence Assessments and more accurately reflects the nature of intelligence and the confidence the NHSCFA can attribute. For example, we may not be able to say that something is exposed to fraud exclusively, but we can have more confidence in stating that something is exposed to fraud or wastage or error. This provides stakeholders with more clarity and context around fraud risks.
20. To assess whether fraud prevention activity influenced a reduction in FVE, NHSCFA could only achieve this by looking at those organisations that participated in both data collection exercises. This is discussed in more detail within the **main report**. Whilst the sample sizes are larger, the FVE was assessed across 79 organisations.
21. In our analysis of FVE, we considered instances of non-PO spend of 90% or above and in categories of 30% or above and attributed monetary value. This helped to identify the most pertinent categories of non-PO spend. FVE instances are therefore counted each time an organisation's non-PO spend exceeds 90% of total spend (in a given spend category) in a particular quarter. The FVE value is the associated values of those instances. This is discussed in more detail within the appendix section: '[Appendix 2: Methodology \(paragraphs 51 – 65\)](#) of the **main report**.
22. Your organisation was 1 of 131 who provided 2019 – 2020 financial data for this exercise, however, did not participate in the previous data collection exercise covering 2018 – 2019 financial data. Without data relating to the 2018-19 financial year, we are not able to provide feedback in this section.

## Spend Category

23. The following feedback relates to and should be read in conjunction with the section on [‘Analysis’ \(paragraphs 28 – 41\)](#) of the **main report**.
24. The data was collected, in order to analyse the level of non-PO spend present in each NHS organisation. We requested data to be broken down by the NHS-eClass system so that comparison could be drawn between different spend types.
25. In our analysis we considered instances of non-PO spend of 90% or above and in categories of 30% or above and attributed monetary value. This helped to identify the most pertinent categories of non-PO spend. This is discussed in more detail within the appendix section: [‘Appendix 2: Methodology \(paragraphs 51 – 65\)’](#) of the **main report**. This methodology identified five main vulnerable (eClass) categories of spend across the two data collections:
  - D: Pharmaceuticals Blood Products & Medical Gases
  - M: Hotel Services Equipment Materials & Services
  - P: Building & Engineering Products & Services
  - X: Transportation
  - Z: Staff & Patient Consulting Services & Expenses.
26. This section demonstrates how [HYWEL DDA UNIVERSITY LHB](#) performed, in each of the five categories of spend listed above. For each of the five spend categories, the below tables will show [HYWEL DDA UNIVERSITY LHB’s](#) total spend and non-PO spend in that given category, the value, and number of instances of FVE spend. It shows these values for your organisation, the average for Welsh Local Health Board organisations, and the average of the total sample (210 organisations).
27. We assessed each organisation’s performance (in relation to other organisations) in the number of FVE instances and FVE spend (value) as a proportion of total spend within each category. Showing a higher-than-average number of FVE instances and proportion of FVE spend (value) could suggest your organisation is exposed to a risk of procurement fraud. Showing a lower-than-average number of FVE instances and proportion of FVE spend (value) could suggest your organisation is taking steps to mitigate the risk of fraud in the procurement process.

**Category D: Pharmaceuticals Blood Products & Medical Gases**

Organisational breakdown	Total spend in Cat. D	Total non-PO spend in Cat. D (percentage of total spend)	Total FVE Instances in Cat. D	FVE Cat. D value (percentage of total spend)
HYWEL DDA UNIVERSITY LHB	£2,254,328.48	£104,487.55 (4.6%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£5,407,299.87	£776,916.04 (14.4%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£6.6 million	£1.6 million (23.6%)	0.6	£0.4 million (6.0%)

**Table 2: Breakdown of FVE instances and associated monetary value for Category D: Pharmaceuticals Blood Products & Medical Gases in 2019-20 FY.**

**M: Hotel Services Equipment Materials & Services**

Organisational breakdown	Total spend in Cat. M	Total non-PO spend in Cat. M (percentage of total spend)	Total FVE Instances in Cat. M	FVE Cat. M value (percentage of total spend)
HYWEL DDA UNIVERSITY LHB	£4,317,906.77	£25,732.57 (0.6%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£4,267,936.83	£440,639.95 (10.3%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£4.7 million	£1.2 million (26.3%)	0.3	£0.4 million (8.6%)

**Table 3: Breakdown of FVE instances and associated monetary value for Category M: Hotel Services Equipment Materials & Services in 2019-20 FY.**

**P: Building & Engineering Products & Services**

Organisational breakdown	Total spend in Cat. P	Total non-PO spend in Cat. P (percentage of total spend)	Total FVE Instances in Cat. P	FVE Cat. P value (percentage of total spend)
HYWEL DDA UNIVERSITY LHB	£26,127,352.78	£2,488,992.07 (9.5%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£9,893,103.34	£2,516,422.35 (25.4%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£30.1 million	£7.8 million (25.9%)	0.5	£3.2 million (10.6%)

**Table 4: Breakdown of FVE instances and associated monetary value for Category P: Building & Engineering Products & Services in 2019-20 FY.**

**X: Transportation**

Organisational breakdown	Total spend in Cat. X	Total non-PO spend in Cat. X (percentage of total spend)	Total FVE Instances in Cat. X	FVE Cat. X value (percentage of total spend)
HYWEL DDA UNIVERSITY LHB	£806,078.55	£492,818.89 (61.1%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£1,896,608.98	£291,398.67 (15.4%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£6.5 million	£2.0 million (40.0%)	1.6	£0.7 million (19.0%)

**Table 5: Breakdown of FVE instances and associated monetary value for Category X: Transportation in 2019-20 FY.**

**Z: Staff & Patient Consulting Services & Expenses**

Organisational breakdown	Total spend in Cat. Z	Total non-PO spend in Cat. Z (percentage of total spend)	Total FVE Instances in Cat. Z	FVE Cat. Z value (percentage of total spend)
HYWEL DDA UNIVERSITY LHB	£17,979,488.34	£9,971,468.90 (55.5%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£91,050,479.26	£72,099,733.82 (79.2%)	0.9	£54,694,106.28 (60.1%)
210 organisations  (Average)	£136.5 million	£24.4 million (17.9%)	1.0	£12.6 million (9.2%)

**Table 6: Breakdown of FVE instances and associated monetary value for Category Z: Staff & Patient Consulting Services & Expenses in 2019-20 FY.**

## Conclusion

28. This exercise has identified vulnerabilities that can lead to widespread fraud losses across the NHS. This **feedback report** and **main report** sets out recommendations to be taken at a local level, it is imperative that policy and action continues to be driven by senior leaders in each NHS organisation.
29. It is recommended HYWEL DDA UNIVERSITY LHB review the findings contained within this **feedback report** in tandem with **main report**. English NHS organisations that took part in the same PO vs non-PO exercise over the 2018-2019 financial year will still have access to feedback via the NHSCFA's Procurement NPE Feedback Portal (<https://portal.cfa.nhs.uk>). Access to the NPE feedback will only be available via this link until 30 November 2022. Welsh NHS organisations would have received feedback on the 2018-2019 exercise in the form of a PDF report. This information should help shape risk-based proactive fraud prevention initiatives and/or Local Proactive Exercises in the future.
30. NHS organisations should use this information in discussions with key stakeholders within their organisation to discuss, assess, or review fraud risk vulnerability within the procurement process. Where applicable, fraud risk assessments should be conducted on your organisation's procurement processes, discussions should take place on how these risks are recorded, mitigated, scored, and monitored on organisational risk registers' in line with NHS requirement 3<sup>3</sup> of the Government Functional Standard 013: Counter Fraud. Appropriate fraud prevention initiatives and/or Local Proactive Exercises could be designed as an outcome of those discussions.
31. NHSCFA provide support on undertaking fraud risk assessments via the [Fraud Risk Knowledge Hub page on Ngage](#) (NHSCFA extranet).
32. NHSCFA have identified several recommendations in the form of an action plan below, in addition to the published procurement fraud prevention guidance on the NHSCFA website.

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<sup>3</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Recommendations and Action Plan

Recommendation(s)	High/Medium/Low	Owner
1. Health Sector CFB to advocate for FVE reduction measurement to be included in the Cabinet Office Consolidated Data Return to incentivise fraud prevention work / local proactive exercises across health sector.	Medium	Health Sector CFB
2. NHS organisations to reinforce existing Standard Operating Procedure / financial processes / organisational policy over the processing of payments through the P2P system and hold staff to account when the prescribed procedures are not followed.	High	NHS organisations / Director of Finance / LCFS
3. NHS organisations to continue to promote the procurement fraud prevention campaign amongst staff and continue to reinforce mitigating controls.	Medium	NHS organisations / Director of Finance / LCFS
4. NHS organisations to review and update policies and procedures in accordance with NHSCFA procurement fraud prevention guidance.	Medium	NHS organisations / Director of Finance / LCFS
5. NHS organisations to undertake regular audits to ensure procedures are being followed.	Medium	NHS organisations / Director of Finance / LCFS
6. NHSCFA to review and update its existing procurement fraud prevention guidance (available on the NHSCFA website), taking into consideration the outcomes from this exercise.	Medium	NHSCFA

Priority level		Definition
<b>High</b>		These recommendations involve matters of significance which may have adverse impact on an organisation's ability to meet its strategic aims and objectives and which require immediate consideration and action.
<b>Medium</b>		These recommendations involve matters of significance which whilst not posing an immediate threat to the organisations ability to meet its strategic aim and objectives may have the potential to do so in future, and / or concerns a matter of significant importance which requires consideration and action on the stand-alone basis.
<b>Low</b>		These recommendations involve matters of less significance but which if addressed may lead to service improvements.



## Resources

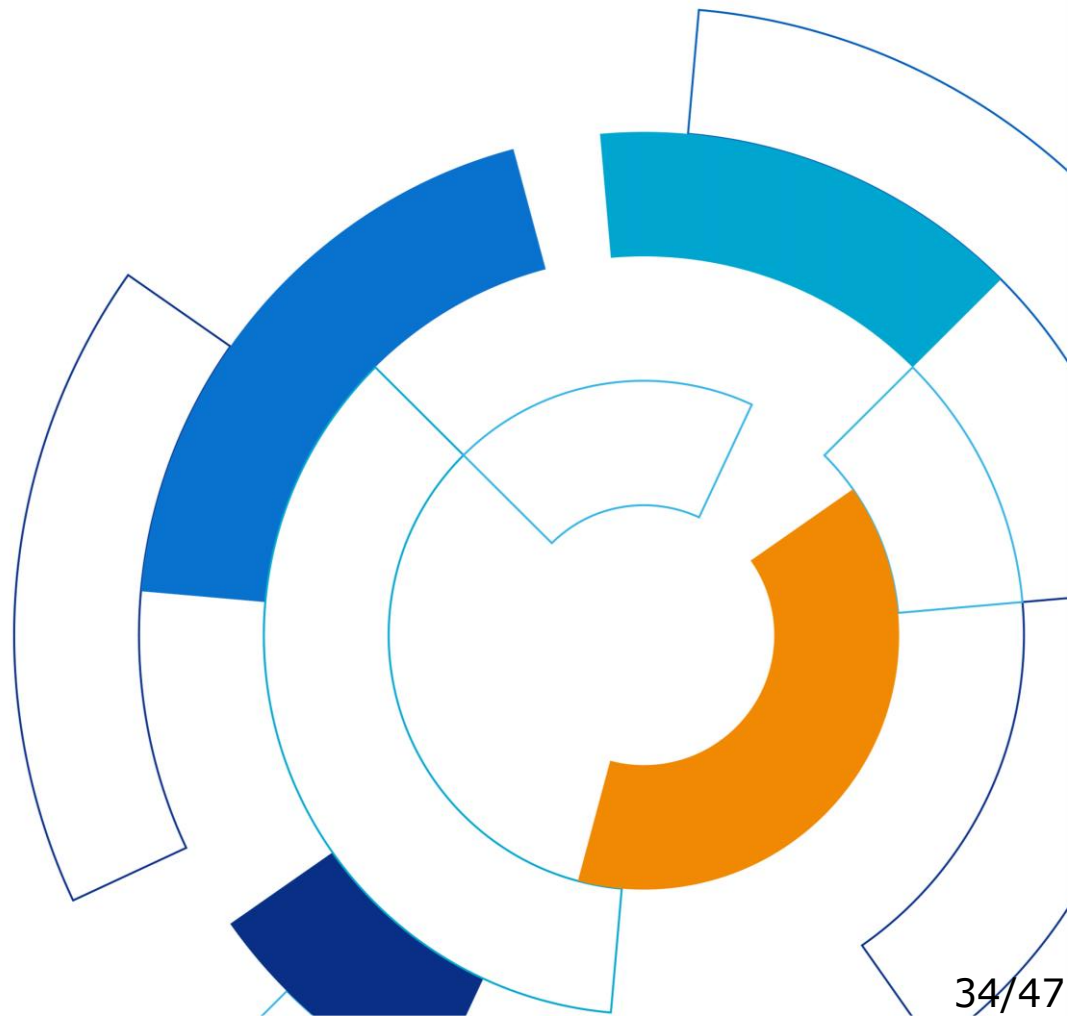
33. The NHSCFA has re-launched a range of guidance that will reduce the NHS's vulnerability to procurement fraud by helping organisations to embed control measures and implement preventative action.
- Procurement fraud quick guides:
    - Contract splitting (disaggregate spend)
    - Contract reviews
    - Buying goods and services
    - Due diligence
    - Suppliers' code of practice: preventing fraud, bribery and corruption
    - Mandate fraud
    - Petty cash
    - Credit card
  - Invoice and mandate fraud: guidance for prevention and detection
  - Pre-contract procurement fraud and corruption: Guidance for prevention and detection
34. NHSCFA fraud prevention guidance is available to download from the NHSCFA website, under the Fraud Prevention, Guidance section: [www.cfa.nhs.uk/fraud-prevention/fraud-guidance](http://www.cfa.nhs.uk/fraud-prevention/fraud-guidance).
35. NHSCFA welcome the chance to address any queries or concerns you may have via our dedicated email address at [procurement@nhscfa.gov.uk](mailto:procurement@nhscfa.gov.uk).

# Covid-19 Post Event Assurance Report of findings for HYWEL DDA UNIVERSITY LHB

Organisation-specific feedback

September 2022

Version 1.0



NHS fraud.  
Spot it. Report it.  
Together we stop it.

# Version control

Version	Name	Date	Comment
1.0	Fraud Prevention Team	29/09/2022	

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## Introduction

1. Since it began in 2020, the Covid-19 pandemic has placed the NHS under extreme operational and financial pressures. To ensure the NHS's pandemic response met the health needs of all those affected by the Coronavirus, the Government provided the financial support for the provision of the necessary medical equipment, medicines and resources.
2. As public sector organisations resumed normal activity, post event assurance (PEA) activity was undertaken across Government on centralised spending for the pandemic response. Likewise in 2021, the NHS Counter Fraud Authority (NHSCFA) led a Covid-19 PEA exercise that focused on NHS healthcare spend during the pandemic.
3. NHSCFA issued a report to the sector of the outcome of the NHS Covid-19 PEA in August 2022, to be followed up with dynamic reports to each NHS organisation that participated in the exercise. NHSCFA is pleased to share with **HYWEL DDA UNIVERSITY LHB** on its performance in the NHS Covid-19 PEA.
4. This report details **HYWEL DDA UNIVERSITY LHB's** performance and where possible, how this relates to other organisations of a similar type. This organisation-specific report should be read in conjunction with the main report.

## How to use this report

5. Information within this feedback report must be read in conjunction with the '[An evaluation of NHS procurement spending during the COVID-19 pandemic: a report on post event assurance activity \(April 2022\)](#)' report (referred to hereafter as the '**main report**').

This is a dynamic report that details organisation-specific performance based on the data that was provided to NHSCFA in 2021. The information in this report (referred to hereafter as the '**feedback report**') relates specifically **HYWEL DDA UNIVERSITY LHB**.

6. Each area within this **feedback report** will correspond to specific sections within the **main report** and will be signposted in **blue**.

7. Where this feedback report provides information using data specifically relating to **HYWEL DDA UNIVERSITY LHB**, this text will be in green and/or highlighted within a green square surrounding the paragraph or table.

8. It is recommended NHS organisations review the findings within both the **feedback report** and **main report** and hold discussions with key stakeholders within their organisation. These discussions should focus on the organisation's findings and include an assessment of its fraud risk vulnerability, governance and assurance arrangements within procurement. Appropriate fraud prevention initiatives should be designed as an outcome of those discussions. Where applicable, discussions should take place on how these risks score on organisational risk registers in line with NHS requirement 3<sup>1</sup> of the Government Functional Standard 013: Counter Fraud.
9. To assist NHS organisations, several recommendations have been identified within the **main report**, in addition to the published procurement fraud prevention guidance available on the NHSCFA website.

<sup>1</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Contract risk management

10. The following feedback relates to, and should be read in conjunction with, section 1: [‘Contract risk management’ \(paragraphs 15 – 21\)](#) of the **main report**.
11. NHSCFA understands there are many instances where action taken by NHS organisations has led to the cancellation of a contractual arrangement with a supplier to avoid identified risks.
12. NHSCFA asked questions around new suppliers that were in the process of being onboarded, but had contracts cancelled and/or payments clawed back due to identified risk (following information relating to suspicious financial transactions and/or concerns around company liquidity and activities).
13. The impact of local activity was evaluated where supplier contracts (either in the process of being onboarded, or under active consideration) were cancelled and/or payments clawed back due to identified risk, following information received, or due diligence undertaken, relating to suspicious financial transactions and concerns around company liquidity and/or activities. In this respect, NHSCFA identified £10m (£10,055,391.89) savings.
14. This positive outcome was presented to the Cabinet Office via the Consolidated Data Return<sup>2</sup>.
15. Your organisation was 1 of 195 organisations that did not identify any savings in this area, we therefore do not have feedback to provide in this section. For more information on the methodology and criteria adopted, please refer to the main report.

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<sup>2</sup> In 2013 the Cabinet Office worked with departments to agree fraud and error definitions and fraud typologies. In 2014/15 when the Consolidated Data Return (CDR) was introduced, departments were required to give more detail, in line with the agreed definitions. This included splitting fraud into defined categories and collecting data on recoveries, detected fraud, detected error, total detected fraud and error, and prevented fraud.

## Direct award of contracts

16. The following feedback relates to, and should be read in conjunction with, section 2: [‘Direct award of contract’ \(paragraphs 23 – 45\)](#) of the **main report**.
17. PPN 01/20 sets out information and guidance that in exceptional circumstances, contracting authorities may procure goods, services and works with extreme urgency such as the Covid-19 pandemic under current regulations (32(2)(c) of Public Contract Regulation 2015) (PCR 2015); hereinafter referred to as, ‘extreme urgency (ExU) contracts’. To understand the level of which fraud risk was managed, NHSCFA asked NHS organisations for details of such contracts.
18. Your organisation was 1 of 112 (out of 210) organisations that directly awarded contracts with extreme urgency under regulation 32(2)(c) during the reporting period. Further feedback is provided below.
19. The table below details **HYWEL DDA UNIVERSITY LHB**’s total number and value of ExU contracts (due to extreme urgency: Covid-19 related) under regulation 32(2)(c) along with the number and value of ExU contracts to new suppliers. It also demonstrates how your organisation compares against other organisations of the same time and the entire sample.

Organisational breakdown	Total No. of ExU contracts	Total value of ExU contracts	Total No. of new supplier ExU contracts	Total value of new supplier ExU contracts
<b>HYWEL DDA UNIVERSITY LHB</b>	5	£6,881,958.64	1	£5,593,078.00
Welsh Local Health Board average	8.4	£8,378,823.47	1.1	£756,759.79
210 organisations sample average	7	£3.4 million	3	£1.5 million

**Table 1: Total number and value of ExU contracts and breakdown for new suppliers.**

20. In the main report it is highlighted that despite the mounting operational pressures during the early period of the pandemic, the vast majority of NHS organisations maintained good levels of financial governance, assurance, transparency, and fraud risk management for the periods examined as part of the Covid-19 PEA. This opinion was based on a number of factors listed below. This section provides feedback on these factors relating to your organisation.
- **Record keeping:** had records maintained on decisions and actions taken as stipulated in Procurement Policy Note (PPN 01/20) and PCR 2015.
  - **Tests met:** were the tests stipulated in PPN 01/20 met.
  - **Due diligence:** were new suppliers subject to adequate due diligence checks.



## Record keeping

21. The following feedback relates to, and should be read in conjunction with, section 2: [‘Direct award of contracts’ \(paragraph 27\)](#) of the **main report**.
22. PPN 01/20 and PCR 2015 require contracting authorities to maintain records of decisions and actions taken on direct award contracts. Record keeping acts as a significant component of transparency and good governance. Where organisations fail to meet this requirement, it can demonstrate a lack of governance over this process.
23. Of the 5 directly awarded contract(s) issued by **HYWEL DDA UNIVERSITY LHB**, 5 contract(s) had records on decisions and actions maintained. This represents 100% of your total directly awarded contract(s).

24. Your organisation was identified as 1 of 109 organisations who issued extreme urgency contracts and maintained adequate records of decisions and actions taken as required by PPN01/20. This result demonstrates a significant focus on financial governance was maintained in your organisation during a challenging period for the sector.

## Tests met

25. This feedback relates to, and should be read in conjunction with, section 12: [‘Direct award of contracts’ \(paragraph 28\)](#) of the **main report**.
26. PPN 01/20 stipulated that, contracting authorities should keep records that demonstrate whether the tests set out in PPN 01/20 were met.
27. Of the 5 directly awarded contract(s) issued by **HYWEL DDA UNIVERSITY LHB**, 5 contract(s) had records that demonstrated the tests stipulated in PPN 01/20 were met. This represents 100% of your total directly awarded contract(s).

28. Your organisation’s contracts fell within the majority directly awarded extreme urgency contracts that demonstrated adequate records of tests being met (on all contracts awarded) as required by PPN01/20. This result demonstrates a significant focus on financial governance was maintained, even during a challenging period for the sector.

## Due diligence

29. This feedback relates to, and should be read in conjunction with, section 12: '[Direct award of contracts](#)' (paragraph 37) of the **main report**.
30. Due diligence is an essential tool in a risk management framework, and it helps identify and manage fraud risks that may arise in transacting or dealing with a third party or supply chain. NHSCFA undertook an assessment on due diligence activity on contracts awarded to new suppliers. The below table represents the level of due diligence activity on contracts awarded to new suppliers for **HYWEL DDA UNIVERSITY LHB**.
31. Each source of due diligence refers to (but is not limited to) the following: use of Cabinet Office's Spotlight due diligence tool, Companies House / VAT registration checks, financial stability, capability to undertake agreed course of works or supply of goods, governance and internal controls framework, legitimacy and financial status of subcontractors, own organisation's conflict of interest register, reputation/public perception of supplier, anti-money laundering checks.

<b>HYWEL DDA UNIVERSITY LHB due diligence activity</b>		
<b>Organisational breakdown</b>	<b>Number of contracts</b>	<b>Value of contracts</b>
Total contracts awarded to <u>new</u> suppliers	1	£5,593,078.00
Contracts With 3 sources of due diligence	1	£5,593,078.00
Contracts with 2 sources of due diligence	0	£0.00
Contracts with 1 sources of due diligence	0	£0.00
Contracts with 0 sources of due diligence	0	£0.00

**Table 2: Number of due diligence sources on new contracts.**

32. Information in the above table gives your organisation an idea of the level of due diligence applied to new suppliers. If your organisation conducted due diligence checks on all contracts awarded to new suppliers, this demonstrates a positive approach to managing fraud risk. If your organisation conducted limited due diligence, a higher level of risk is accepted by entering the unknown. It is important every NHS organisation develops a capacity of commercial due diligence.

## Supplier relief payments

33. The following feedback relates to, and should be read in conjunction with, section 3: 'Supplier relief payments' (paragraphs 45 – 58) of the **main report**.
34. PPN 02/20 and PPN 04/20 set out information and guidance on supplier relief payment (SRPs) to suppliers to ensure service continuity during and after the Covid-19 pandemic. Our assessment shows good levels of transparency, financial governance, and fraud risk management by NHS organisations in the application of SRPs. This opinion was based on a number of factors, some of which are listed below. This section provides feedback on these factors relating to your organisation.
- **Record keeping:** had records maintained on decisions and actions taken as stipulated in Procurement Policy Note (PPN 02/20).
  - **Risk assessments:** risks associated with advance or pre-payments were carefully considered and documented.
  - **Open book basis:** were subject of adequate due diligence.
35. Your organisation did not make any SRPs, we therefore do not have feedback to provide in this section. For more information on the methodology and criteria adopted, please refer to the main report.

## Conclusion

36. This exercise has identified vulnerabilities that can lead to widespread fraud losses across the NHS. This **feedback report** and **main report** sets out recommendations to be taken at a local level, it is imperative that policy and action continues to be driven by senior leaders in each NHS organisation.
37. It is recommended HYWEL DDA UNIVERSITY LHB review the findings contained within this **feedback report** in tandem with **main report**. This information should help shape risk-based proactive fraud prevention initiatives and/or Local Proactive Exercises in the future.
38. NHS organisations should use this information in discussions with key stakeholders within their organisation to discuss, assess, or review fraud risk vulnerability within the procurement process. Where applicable, fraud risk assessments should be conducted on your organisation's procurement processes, discussions should take place on how these risks are recorded, mitigated, scored, and monitored on organisational risk registers in line with NHS requirement 3<sup>3</sup> of the Government Functional Standard 013: Counter Fraud. Appropriate fraud prevention initiatives and/or Local Proactive Exercises could be designed as an outcome of those discussions.
39. NHSCFA provide support on undertaking fraud risk assessments via the [Fraud Risk Knowledge Hub page on Ngage](#) (NHSCFA extranet).

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<sup>3</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Counter Fraud Recommendations Action Plan

<i>Recommendation(s)</i>	<i>Action(s)</i>	<i>Priority</i>	<i>Owner</i>
1.	Health Sector CFB to review the effectiveness of centralised support / coordination for NHS organisations in sourcing and procuring essential equipment during the onset of Covid-19. An enhanced understanding of overseas markets and use of intermediaries should form the core support mechanisms provided in future emergency management scenarios.	HIGH	Health Sector CFB, DHSC, NHSE&I
2.	NHSE&I and individual NHS organisations to drive improvements in due diligence capability.	HIGH	NHSE&I, NHS organisation, Director of Finance, LCFS
3.	NHS organisations to continue to implement and review the appropriateness of their fraud risk management regime under both: business-as-usual and emergency management scenario circumstances.	MEDIUM	NHS organisation, Director of Finance, LCFS
4.	NHS organisations to ensure there are adequate requirements for staff to record: decisions, actions taken, and risk assessments on procurement activity (by way of organisational policy). Suitable mechanisms for maintaining such records should also be put in place; this is likely to derive from contract management software platform.	MEDIUM	NHS organisation, Director of Finance, LCFS
5.	NHSCFA to review and update its existing procurement fraud prevention guidance (available on the NHSCFA website), taking into consideration the outcomes from this exercise.	MEDIUM	NHSCFA

## Recommendations

Priority	Definition	Action required
<b>High</b>	Significant weaknesses, risk management and control that if unresolved exposes an unacceptable level of residual fraud risk.	Remedial action must be taken urgently and within an agreed timescale.
<b>Medium</b>	Weaknesses, risk management and control that if unresolved exposes a high level of fraud risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
<b>Low</b>	Scope for improvement in fraud risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Resources

40. NHSCFA have identified several recommendations in the form of an action plan below, in addition to the published procurement fraud prevention guidance on the NHSCFA website. The NHSCFA has re-launched a range of guidance that will reduce the NHS's vulnerability to procurement fraud by helping organisations to embed control measures and implement preventative action.
- Procurement fraud quick guides:
    - Contract splitting (disaggregate spend)
    - Contract reviews
    - Buying goods and services
    - Due diligence
    - Suppliers' code of practice: preventing fraud, bribery and corruption
    - Mandate fraud
    - Petty cash
    - Credit card
  - Invoice and mandate fraud: guidance for prevention and detection
  - Pre-contract procurement fraud and corruption: Guidance for prevention and detection
41. NHSCFA fraud prevention guidance is available to download from the NHSCFA website, under the Fraud Prevention, Guidance section: [www.cfa.nhs.uk/fraud-prevention/fraud-guidance](http://www.cfa.nhs.uk/fraud-prevention/fraud-guidance).
42. NHSCFA welcome the chance to address any queries or concerns you may have via our dedicated email address at [procurement@nhscfa.gov.uk](mailto:procurement@nhscfa.gov.uk).