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Counter Fraud Update

Presenter: Matthew Evans

Counter Fraud Review Update June 2019

Appendix 1 - NHS Counter Fraud Authority: The 2019 Strategic Intelligence Assessment

Appendix 2 - NHS Counter Fraud Authority: Wales Annual Performance Report

Appendix 3 - AGW Report: Counter Fraud Arrangements in the Welsh Public Sector



HYWEL DDA UNIVERSITY HEALTH BOARD

COUNTER FRAUD UPDATE 2019/20

For Presentation 25 June 2019

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) 2019/20	Resource Used (as at 31/05/2019) (days) 2019/20
STRATEGIC GOVERNANCE	50	6
INFORM AND INVOLVE	90	16
PREVENT AND DETER	90	14
HOLD TO ACCOUNT	190	28
TOTAL	420	63

Work Area	<i>Summary of work areas completed</i>
Inform and Involve	<ul style="list-style-type: none"> • Face to face fraud awareness training has been delivered to the Finance Department. The training was bespoke to cover specific NHS finance and local risks. • The Counter Fraud content on the Health Board's Medicines Safety learning days has been reviewed and revised in liaison with the Senior Nurse – Medicines Management. • The Counter Fraud Team continues to deliver a session on the Health Board's Managers Passport Plus course. Good feedback continues to be received from attendees with value recognised by Managers. • A new video has been produced by the Counter Fraud Team for inclusion on the Health Board's Corporate Induction days. The video presents Health Board information and local guidance whilst also making use of NHS Counter Fraud Authority materials around common NHS fraud risks. • Following discussions with the NHS Wales Counter Fraud Steering Group the Counter Fraud Team will now capture attendance figures for Corporate Induction for counter fraud training figures reporting to CFS Wales and Welsh Government. The figures are presented so as to allow separation between these induction sessions and face to face learning delivered by the Local Counter Fraud Specialists (LCFS). • A counter fraud awareness article has been produced for inclusion in the Health Board's Medical Director's Newsletter. • 3 Global awareness messages surrounding the following topics – <ul style="list-style-type: none"> - Courier Fraud, Bogus Police and Bank Officials Alert - Instagram and Snapchat Security Alert - Online Marketplace Fraud
Prevent and Deter	<ul style="list-style-type: none"> • The Health Board's Counter Fraud, Bribery and Corruption Policy has been approved by the Business Planning and Performance Assurance Committee and is now the active policy for the Health Board. The next review date for the Policy is April 2022. • 3 NHS Alerts have been disseminated to relevant stakeholders within the Health Board and Departments.

	<ul style="list-style-type: none"> • Work on the National Fraud Initiative (NFI) 2018/19 matched datasets continues. NHS Wales Shared Services Partnership (NWSSP) have agreed to action a large section of matches on a National basis. Access to systems and training with the Finance Dept to allow more checks to be conducted by Counter Fraud Team has been completed. <p>The NFI matches also present an opportunity to utilise data to undertake a measurement exercise relating to compliance with the Standards of Behaviour Policy requirements around declaration of interests. There are datasets available to identify dual working and Directorships with private companies (both companies that do business with the Health Board and those which do not) which can be matched with the current returns held on the Health Board's Declaration of Interests Register. The LCFS has discussed the exercise with the Head of Corporate & Partnership Governance and an outcome report will be issued upon completion.</p> <ul style="list-style-type: none"> • The Health Board are to participate in a NHS Counter Fraud Authority led national procurement fraud detection exercise. The LCFS has met with the Head of Procurement to discuss data submission requirements for the exercise. NWSSP are to supply requested data on a national basis to local procurement teams for action. The LCFS will review an assortment of differing contracts before reporting back to NHS Counter Fraud Authority as part of the first stage of the exercise. • Work has commenced to review and refresh the Health Board's Patient Property and Money Procedures. The revised Procedure has been issued to key stakeholders for widespread consultation including Senior Nurse Management Team, Finance Department, Mental Health and Learning Disability colleagues.
Hold to Account	<ul style="list-style-type: none"> • A separate report has been completed for Hold to Account case updates for discussion during the closed In-Committee session.
Strategic Governance	<ul style="list-style-type: none"> • The NHS Counter Fraud Authority have updated Local Counter Fraud Specialists nationally that a renewed focus of the Authority's Quality and Compliance Assessment programme will be on the management of fraud risks within NHS Organisations. Specifically the Authority will seek to establish whether the Counter Fraud Team approach to risk assessment is in line with that of the organisation as a whole. A number of risks have been assessed by the LCFS and forwarded to local managers for agreement and entry onto local risk registers. This work will continue throughout the year.

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| | <ul style="list-style-type: none">• A Memorandum of Understanding (MoU) has been agreed between Dyfed Powys Police and the Health Board to support the work that the LCFS undertake around investigations. This will give greater support to the LCFS when seeking to utilise Police facilities for investigation work and utilisation of Police crime disposals such as cautions. The MoU has been agreed at a senior level on behalf of Dyfed Powys Police, by their Head of Criminal Justice Unit, and by the Chief Executive and Director of Finance on behalf of the Health Board. |
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Report Provided by:

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Hywel Dda University Health Board

For presentation; 25th June 2019

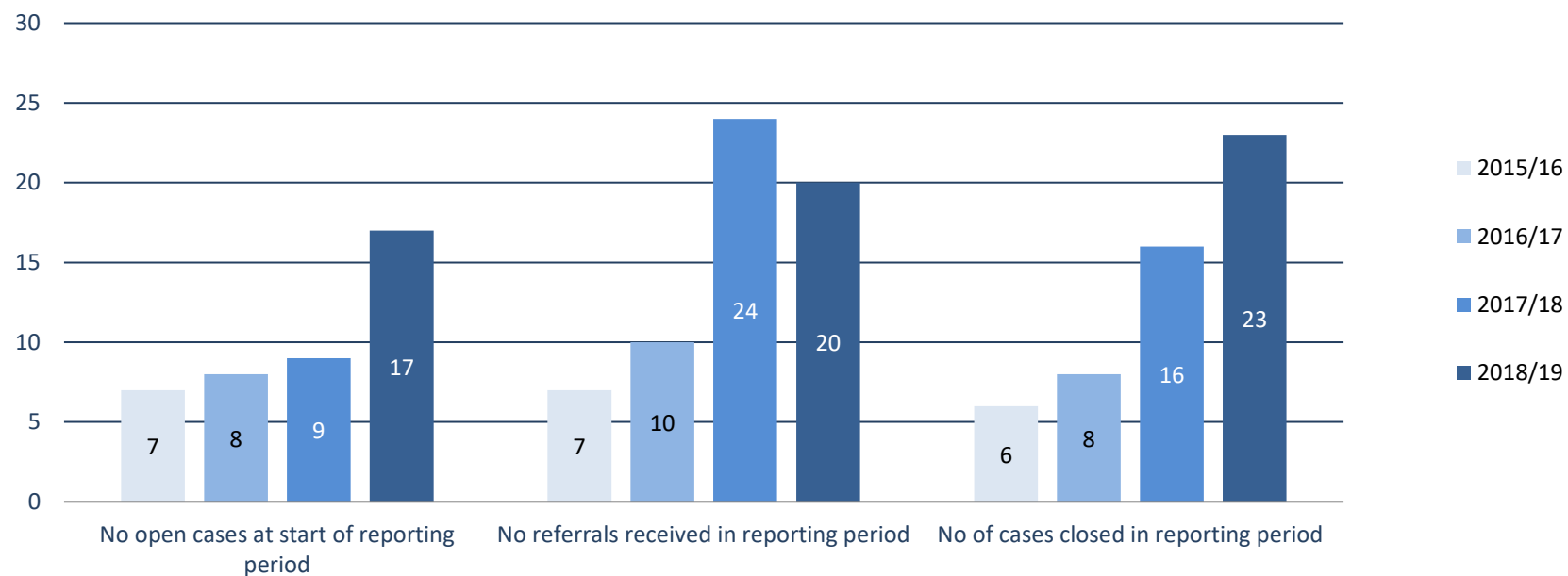
Report agreed by:

Huw Thomas, Director of Finance

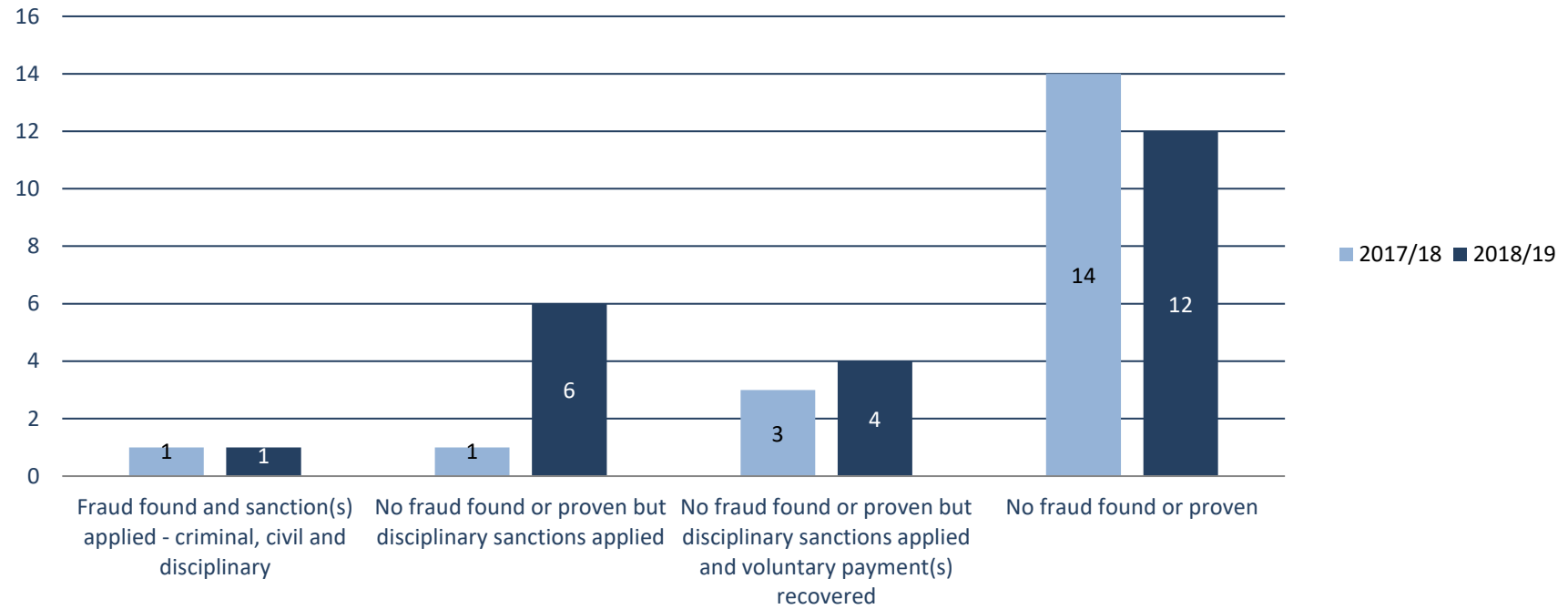
Appendix

Hywel Dda University Health Board Counter Fraud Performance Analysis – 2018/19

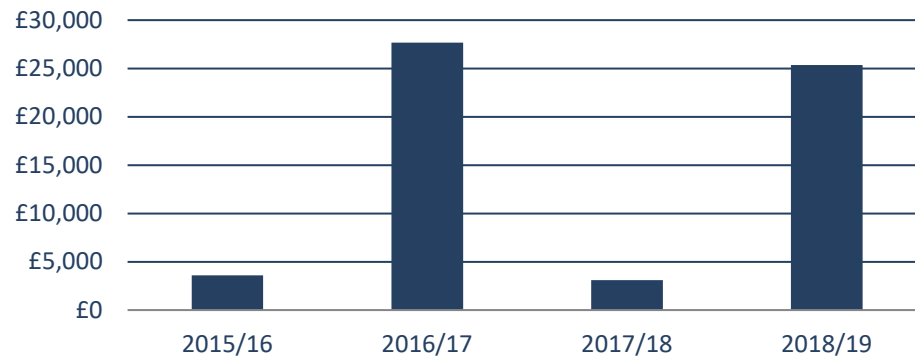
Case Flow



Case Outcomes



LCFS Recoveries



LCFS Recoveries			
2015/16	2016/17	2017/18	2018/19
£3,591	£27,664	£3,106	£25,370

Organisation	LCFS Resource (WTE)	Total LCFS Resource (£)	Recoveries	Recoveries/LCFS Cost (%)
Abertawe Bro Morgannwg ULHB	3.4	£114,106	£39,205	34%
Aneurin Bevan ULHB	2.6	£126,514	£45,972	36%
Betsi Cadwaladr ULHB	3	£156,822	£0	0%
Cardiff & Vale ULHB	1.8	£83,512	£9,349	11%
Cwm Taf ULHB	1	£65,500	£615	1%
Hywel Dda ULHB	2	£74,585	£25,370	34%
Powys LHB	1.2	£27,899	£0	0%
Public Health Wales NHST	0.5	£25,000	£0	0%
Velindre NHST (inc NWSSP & HEIW)	0.7	£47,600	£20,262	43%
Welsh Ambulance NHST	2	£77,364	£1,881	2%
TOTALS	18.2	£798,902.00	£142,654.00	18%

Organisation	LCFS Resource (WTE)	LCFS Resource (£)	Total Resource (Days)	Total Hold to Account Resource (Days)	LCFS Investigation Costs From Days Used in Hold to Account	Recoveries	Recoveries/LCFS Investigations Cost (%)
Hywel Dda ULHB	2	£74,585	420	193	£34,274	£25,370	74%

NHS organisation	No of open cases at start of reporting period	No of referrals received in reporting period	No of cases closed in reporting period	No of open cases at end of reporting period	Recoveries (£)	Sanctions from closed cases			
						Criminal		Disciplinary	Civil
						Court case	Police caution		
Abertawe Bro Morgannwg ULHB	43	12	12	43	£39,205	1	2	3	5
Aneurin Bevan ULHB	17	19	10	26	£45,972	5	0	7	6
Betsi Cadwaladr ULHB	22	20	15	27	£0	0	0	2	0
Cardiff & Vale ULHB	37	18	41	14	£9,349	3	0	10	2
Cwm Taf ULHB	14	7	10	11	£615	0	0	2	1
Hywel Dda ULHB	17	14	19	12	£25,370	0	0	3	4
Powys LHB	3	9	3	9	£0	0	0	1	0
Public Health Wales NHST	0	0	0	0	£0	0	0	0	0
Velindre NHST (inc NWSSP & HEIW)	6	5	7	4	£20,262	1	0	0	2
Welsh Ambulance NHST	17	25	14	28	£1,881	0	0	2	7
TOTAL	176	129	131	174	£142,364	10	2	30	27

The 2019 Strategic Intelligence Assessment

Reporting period: 2017-2018

Version 1.0

May 2019

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



Version control

Version	Title	Date	Comment
1.0	The 2019 Strategic Intelligence Assessment	May 2019	Final version for publication.

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Foreword by the Interim CEO Sue Frith



Our mission is to lead the fight against fraud, bribery and corruption affecting the NHS in England and wider health service and to protect vital resources intended for patient care from the corrosive nature of fraud.

This is the first full year the NHS Counter Fraud Authority has been operational. Through collaboration and partnership working with local and national stakeholders, we have made great strides this reporting period in understanding the risks posed by fraud across the majority of the areas.

This year's 2019 Strategic Intelligence Assessment, covering 2017-18 activity, estimates that the loss to the NHS in England through fraud, bribery and corruption is £1.27 billion.

The estimated loss is a reduction of £20 million from 2018, a real achievement in the fight against fraud from all organisations involved. However more needs to be done, particularly around sharing the necessary data to help improve the accuracy of losses

and identify further risks. Fraud affects us all and we should all help to break down pre-existing barriers and truly embrace a collaborative approach.

The complexity and diversity of the systems within the NHS offer significant challenges to the fight against fraud in the NHS. By building on the successes of this year, applying lessons learnt and continuing the sustained synergetic approach, we can and will turn the tide against fraudsters exploiting the NHS.

Finally, I would like to personally thank all our staff and stakeholders for supporting the critical work of the NHSCFA in our first year. The successes achieved here are the successes of every single person involved. I look forward to continuing the fight against fraud, bribery and corruption within the NHS into 2020.

A handwritten signature in black ink, appearing to read 'Sue Frith', with a stylized flourish at the end.

1. Executive summary

- 1.1 The NHSCFA assesses that fraud, bribery and corruption against the NHS costs the public purse over **£1.27 billion**. The NHSCFA has higher confidence in £337.04 million this reporting period, with a further £935.3 million estimated losses with low confidence. The breakdown of estimated loss is presented within each thematic area.
- 1.2 The estimated fraud loss is a reduction of approximately £20 million from 2016-17. Whilst some thematic areas have seen a decrease, others have seen an increase. These assessed increases/decreases may not be indicative of fraudulent activity but more attributed to increases in the accuracy of assessments in the applicable thematic areas. That said a targeted and sustained approach from both the NHSCFA and stakeholders in help with health care costs has seen a measured reduction of £90 million this reporting period.
- 1.5 As the NHSCFA is able to measure fraud losses in more thematic areas, the estimated levels of fraud will fluctuate over time. Therefore it is important when reviewing the estimated fraud loss that the confidence level assigned to the loss figure is also considered. The confidence levels do not reflect the NHSCFA's knowledge and understanding of the fraud risks and threats but rather the confidence in the accuracy of the assessed financial loss.
- 1.7 Fraud is assessed to be significantly underreported in all areas. This reporting period the NHSCFA received 4799 information reports, an increase of 4.3% from last year. However, The National Crime Agency in 2018 reported that less than 1 in 5 detected fraud incidents are reported to the police. If this finding is applied to the NHSCFA reporting levels, it shows that there could be in excess of 24,000 separate incidents of fraud, with only 4,799 reported.
- 1.8 The NHSCFA Quality and Compliance team have observed through local assessments that reviewed organisations are not consistently conducting detailed local fraud risk assessments in sufficient detail nor have they considered risk in organisational policies. This means that fraud risks, where identified, are not consistently being placed on the appropriate risks registers and managed appropriately. However it also leaves many fraud risks left unidentified and allows fraud to continue unimpeded. In light of this the NHSCFA Quality and Compliance will be compiling a thorough assessment of the problem to inform future exercises.

Rubric

Unless stated, this report draws on intelligence held within the NHSCFA databases dated from 1 September 2017 onwards, open source reporting and assessments from other government and law enforcement agencies. Unless stated otherwise, the intelligence used is assessed to be reliable. The intelligence presented within this assessment is only applicable to NHS in England. The cut-off date for intelligence used in this report is 30 September 2018.

2. Introduction

- 2.1 In September 2017 the Cabinet Office produced the *Cross Government Fraud Landscape Annual Report*. The report draws on many sources, one being the National Audit Office's Fraud Landscape Review (2016) which concluded that;
- 1) the exact scale of fraud within government is unknown
 - 2) there is a large disparity between the level of fraud and error that is reported and the level that other available estimates suggest might be occurring, which needs explaining; and
 - 3) government should publish an annual report on fraud and error data to increase transparency.
- 2.2 The NHSCFA strategic intelligence assessment mirrors the findings of the Fraud Landscape Review (2016) and has taken steps to provide a clearer picture of the scale of fraud, whilst assessing the possible reasons behind the disparity of estimated losses and the levels of reporting.
- 2.3 This strategic intelligence assessment is not to be used as a risk assessment of all the fraud risks the NHS is exposed to, nor does it serve as an accounting tool. It is an intelligence assessment examining the threats and estimated losses to fraud across 13 different spend areas (referred to as thematic areas).
- 2.4 Intelligence is not fact but based on an assessment of available data or information. Without oversight of the data or information it is problematic to assign a confidence level of the assessment of loss. Access to data has hindered the NHSCFA attempts to identify the prevalence of fraud across several thematic areas. Although work is being conducted by all parties to increase access, without the data the NHSCFA's ability to develop a comprehensive understanding of scale of fraud is limited.
- 2.5 This Strategic Intelligence Assessment covers 13 thematic areas:
1. Community pharmaceutical contractor fraud.
 2. Help with health costs. (patient fraud)
 3. Procurement and commissioning fraud.
 4. NHS staff fraud.
 5. National tariff and performance data manipulation.
 6. General practice fraud.
 7. European Health Insurance Card (EHIC) fraud.
 8. Optical contractor fraud.
 9. Dental contract fraud.
 10. Fraudulent access to NHS care.
 11. NHS pension fraud.
 12. Fraud against NHS Resolution.
 13. NHS student bursary fraud.
- 2.6 One of the primary aims of this the NHSCFA Strategic Intelligence Assessment is to provide an overview of the current and emerging economic crime risks and issues impacting upon the NHS's ability to provide for the nation's health. The assessment seeks to highlight the nature and extent of the identified crime problems and those business

areas where the picture is less clear and in need of enhancement. For the purposes of this report the term 'fraud' is used to cover fraud, bribery, corruption and other unlawful activity.

- 2.7 Furthermore this assessment is published to inform:
- strategic prioritisation and decision-making
 - strategic business planning and the allocation of resources
 - the development of a long term strategy
 - the development of an intelligence requirement, i.e. the additional information required to make an informed decision.
- 2.8 Within the NHSCFA this assessment is used to inform the control strategy, which outlines long-term priorities and resource allocation. The decision on allocation of resources is therefore made on the best available intelligence picture, with justifiable rationale for recording the decision making process.
- 2.9 This assessment does include the proactive work and interventions that are being conducted by the Department of Health and Social Care, NHS England and various arm's-length bodies relevant to these thematic areas and shared with the NHSCFA. The intelligence cut off for this assessment was 30 September 2018; therefore anything implemented since or within a timeframe that does not allow a thorough assessment of impact has not been discussed within this document.
- 2.10 The assessment is divided into four further sections:
- Section 3:** A summary of the **method** used to produce this assessment.
- Section 4:** Our estimate of the **economic cost of fraud against the NHS** across a range of thematic areas.
- Section 5:** A look at fraud in the **context** of the NHS
- Section 6:** A narrative for each of thematic areas featured in this report.

3. Method

- 3.1 This Strategic Intelligence Assessment reflects what NHSCFA think is likely to be happening.
- 3.2 The method of analysis used during this reporting period is consistent with the analysis method utilised by NHS Protect previously.
- 3.3 Intelligence is not fact; it is based upon the processing of information and the inferences drawn from that. The intelligence reflected in this assessment is based on the collection, collation, analysis and evaluation of data from both primary and secondary sources. This includes information collected from those working locally in the NHS to tackle fraud and those outside the health service who also deal with crime.
- 3.4 While every effort is made to ensure the accuracy of the information contained in this report, the intelligence assessment is limited by the availability and quality of the information accessible by NHSCFA.
- 3.5 In order to reflect and describe the accuracy of any assessment, NHSCFA have adopted four levels of confidences;
- Almost Certain: >90%
 - Highly likely: 75-85%
 - Probable: 50-75%
 - Low probability: 25-50%
- 3.6 In using these confidence levels NHSCFA has taken into account, the source, the age and reliability of the material used and any extenuating factors when forming the assessment. The use of confidence levels is to provide a consistent approach when assessing information whilst trying to avoid any misinterpretation or misrepresentation of the intelligence.

4. The economic cost of fraud

- 4.1 NHSCFA estimates that the direct cost of fraud to the public purse was **£1.27 billion** for 2017 - 2018.
- 4.2 NHSCFA's knowledge and understanding of crime risks is not uniform. While we may have intelligence that crime is occurring in a particular area, the weight of information to support this view may be insufficient to establish this with high confidence. This variance in our understanding is expressed through levels of confidence in each estimate provided.
- 4.3 Table 1 highlights the associated estimated fraud losses and assessed levels of confidence for each thematic area.

Thematic area	Estimated loss to fraud (£ millions)					
	Confidence level	Almost certain	Highly likely	Probable	Low probability	Total
Pharmaceutical contractor fraud					108	108
Help with health costs (patient fraud)		162.6		89.1		251.7
Procurement and commissioning fraud					351	351
NHS staff frauds					94.6	94.6
National tariff and performance data manipulation					114	114
GP contractor fraud					88	88
European Health Insurance Card				0.64	21.1	21.7
Optical contractor fraud				82.4		82.4
Dental contractor fraud					93.5	93.5
Fraudulent access to NHS care					35	35
NHS pension fraud				2.3		2.3
Fraud against NHS Resolution					18	18
NHS student bursary fraud					12.1	12.1
Total		162.6	-	174.44	935.3	1.27bn

Table 1. Estimated fraud losses by thematic area and associated confidence levels for 2017 – 2018. Discrepancies in the total figure may occur due to rounding to one decimal point.

5. Context within the NHS

- 5.1 Fraud is estimated to cost the UK government £29 - £40 billion each year. This estimate includes both detected fraud and a much larger amount of fraud that goes either undetected or unmeasured. For the public sector to deliver true value for money, it is imperative to shine a light on fraud affecting it, thereby increasing our capability to prevent, detect and combat fraud.
- 5.2 Expenditure on health makes up approximately 7%-8% of the UK GDP. The NHS in England, which receives much of this amount, is large and diverse. The NHS in England employs around 1.2 million people and is one of the world's largest workforces. Its budget for the delivery of healthcare in 2017 - 2018 stood at £123.7 billion. The sheer size of the NHS alone presents considerable opportunity for fraud.
- 5.3 Intelligence gathering within the context of the NHS faces three major challenges:
- Fraud is a hidden crime.
 - Collaboration, data sharing and proactive fraud detection.
 - Fraud is underreported.
- 5.4 During 2016 - 2017, NHSCFA received 4,799 fraud information reports. The NHS spends billions of pounds, employs large numbers of staff and commissions patient services widely. It also provides a high number of patient interactions and has numerous high and low value contractual relationships with a wide range of suppliers.

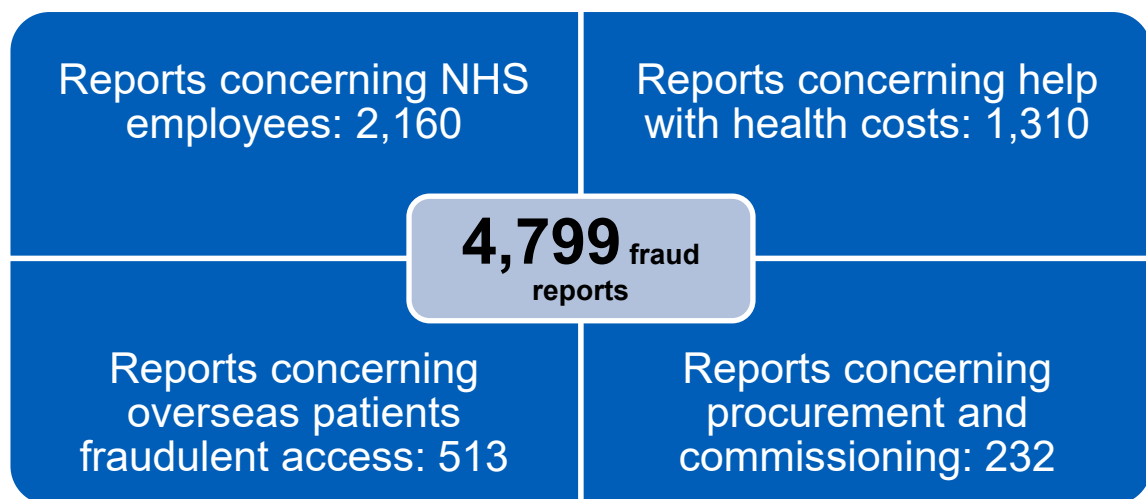


Figure 2. Total number of allegations received, and the top 4 highest reported areas.

- 5.5 The National Crime Agency's National Strategic Assessment of Serious and Organised Crime 2018 presented the findings of The Crime Survey in England and Wales 2017, which estimates that fewer than 20% or 1 in 5 of detected fraud incidents are reported to the police. Applying the findings to reports received by the NHSCFA there could be in excess 24,000 separate incidents of fraud per year impacting on the NHS in England. However, as many frauds are high volume low value, the expected reporting levels are assessed to be higher than 24,000.

6. Thematic fraud narratives

6.1 Community pharmaceutical contractor fraud

Estimated Loss: £108 million

Confidence: Low probability, 25 - 50%

- 6.1.1 Community pharmaceutical contractor fraud describes inappropriate claims relating dispensing and enhanced services offered at the premises. Inflation of fees, allowances and reimbursements claimed under the drug tariff and activities that contravene the terms of the contractual agreement.
- 6.1.2 NHSCFA assesses the loss from fraud to the NHS from pharmaceutical contractor is £108 million.
- 6.1.3 As per last year's assessment, an estimate of 1% is used, based on historical primary care contractor fraud rates in England of 1%-3.5%. The stated estimate should therefore be treated with low confidence
- 6.1.4 Pharmaceutical contractors receive approximately £10.8 billion a year from the NHS, £8 billion from payments for drugs¹ and a further £2.8 billion from the annual funding settlement².
- 6.1.5 In October 2017 the NHSBSA initiated a post payment verification programme regarding Advanced services such as Medicine Use Reviews (MUR). The Provider Assurance team has reviewed 476,252 MURs and New Medicines Service claims to September 2018. Initial analysis, carried out on the first cohort of contractors for the quarter following selection for review, suggests that contractors have reduced their volume of claims. It could be suggested that the reduction in claims is either indicative of a reduction in the requirement to perform an MUR or that historically there was a surplus of MURs being conducted that did not necessarily need to be performed. NHSBSA are planning to conduct further analysis incorporating a larger group of contractors and for a longer period, the findings of which will be included in the next SIA.
- 6.1.6 Pharmaceutical Specialists have also seen a reduction in both spending and prescribing from December 2015 to December 2017. However, despite the reduction in prescribing unlicensed specials, the cost per item has increased. This infers that manufacturers have increased prices likely to safeguard profit margins. No regulation on the price for unlicensed specials allows a manufacturer to charge any amount, inevitable creating potential for market abuse.

¹ <https://apps.nhsbsa.nhs.uk/infosystems/report/viewredefaultreport.do?reportId=72> (10/10/2018)

² <https://psnc.org.uk/funding-and-statistics/historical-funding-arrangements/201516-funding-settlement/> (10/10/2018)

6.2 Help with health costs (patient fraud)

Estimated Loss: £251.7 million

Confidence: £162.6 million (almost certain: >90%)
£89.1 million (probable, 50% - 75%)

- 6.2.1 Help with health costs relate to an individual who is not entitled to free NHS treatment, services or medication but is purporting to be exempt from paying for NHS services.
- 6.2.2 The NHS is exposed to patient fraud in three key areas:
- prescription charge evasion £162.6 million
 - estimated NHS spend of £8 billion
 - dental charge evasion £49.8 million
 - estimated NHS spend of £786 million
 - optical voucher abuse £39.3 million
 - estimated NHS spend of £510.5 million
- 6.2.3 The NHS has recovery mechanisms in place to recoup losses to prescription and dental charge evasion and influence patient behaviour. NHSBSA have delivered PECS and DECS since September 2014 and June 2016 respectively. In 2016-2017, NHSBSA carried out more than double the number of eligibility checks compared with the previous year.
- 6.2.4 Penalty charge notices (PCNs) combine the original prescription or dental charge plus an additional penalty charge of five times the original amount owed, up to a maximum of £100. No payment made within 28 days results in a Surcharge Notice (SCNs) of £50 added to the fine. NHSBSA increased the number of PCNs issued by PECS in 2017 to 1,052,430. The number of SCNs also increased to 561,335.
- 6.2.5 The PECS and DECS initiative has also identified significant numbers of repeat offenders accumulating five or more PCNs since PECS began in September 2014. Since inception, 77,842 patients fit these criteria with 558,165 linked PCNs. At the top end, 17 patients received 40 or more PCNs. Over the last 12 months (24/09/2017 – 23/09/2018) there were 25,167 patients to have received five or more PCNs equating to a total of 160,626 linked PCNs. Furthermore, 1,794 patients received ten or more PCNs.

6.3 Procurement and commissioning fraud

Estimated loss: £351 million

Confidence: Low probability, 25%-50%

- 6.3.1 Procurement and commissioning fraud relates to allegations of collusion, corruption and bribery within the pre-tender stages of the procurement and commissioning process. False, intentionally inflated or duplicate invoices within the post-tender stages of the procurement and commissioning stages
- 6.3.2 The total approximate spend in this thematic area is £30.4 billion.
- 6.3.3 The NHSCFA assesses that there is a low probability that the loss to fraud in the procurement and commissioning process to be approximately £351 million. This is broken down into two main categories:
- Non pay expenditure (£270 million);
 - Estimated spend of £27 billion
 - Agency workers (£81 million)
 - Estimated spend of £3.4 billion
- 6.3.4 It has not been possible to closely evaluate the likely scale of fraud in the £27 billion of non-pay expenditure due to the complexity and variance in local procurement processes. Both the NFA and the Ministry of Defence Police have previously highlighted that procurement fraud in general represents approximately 1% of spend. By applying a 1% fraud rate, it can be estimated that excluding employment agencies, procurement fraud represents a loss of £270 million to the NHS.
- 6.3.5 The NHSCFA has previously identified that the likely rate of overcharging associated with employment agency staff invoicing is 4.7%. By applying this rate to the £3.4 billion expenditure on agency and temporary workers, it can be estimated that £162 million is overpaid for agency staff against national framework agreements. There is a low probability that fraud represents half of this total, £81 million.
- 6.3.6 Mandate fraud is a type of post-tender invoice fraud, where an organisation is duped into changing a direct debit, standing order or bank transfer mandate by someone purporting to be from a supplier they make regular payments to in order to benefit from unauthorised payments.

6.4 **NHS staff frauds**

Estimated Loss: £94.6 million

Confidence: Low probability, 25-50%

- 6.4.1 NHS staff fraud relates to member of staff who fraudulent inflates or falsifies their income, expenses or working hours for financial gain. Not the person they presented themselves to be.
- 6.4.2 The NHS employs approximately 1.2 million staff with an approximate net staffing cost for 2017 – 2018 of £47.3 billion.
- 6.4.3 With little known on the scale or extent of fraud within payroll and identity fraud the NHSCFA have used the National Fraud Authority's 2013 estimate of 0.2% of total payroll spend. Therefore there is a low probability that the estimated of loss to fraud is £94.6 million
- 6.4.5 This is a slight increase of £400,000 from 2016 – 2017 which is attributed to the increase in net payroll spend only.
- 6.4.6 Payroll fraud remains the most prevalent type of non-patient fraud reported to the NHSCFA in 2017 - 18.
- 6.4.7 Payroll fraud often occurs due to the lack of payment verification and inadequate managerial supervision. The intelligence suggests that from information reports and an engagement exercise with Local Counter Fraud Specialists in England that Band 2 and Band 3 members of staff are authorising timesheets.
- 6.4.8 The NHSCFA receive a high number of information reports relating to payroll fraud, however, very few are resolved with civil or criminal sanctions due to evidential challenges, low monetary value of the fraud, and a reluctance of the health body to pursue. It is considered likely that a large number of payroll frauds are resolved locally without being reported to the NHSCFA.

Identity fraud

- 6.4.9 The NHSCFA assesses that identifying and quantifying the financial threat of those working in the NHS who do not have the right to work in the UK is challenging. The vast majority of identity and right to work reports relate to provider environments such as NHS trusts, Hospital and Care trusts and Mental Health trusts.
- 6.4.10 It is considered highly likely that the majority of identity and right to work issues are currently not being reported to the NHSCFA as they are identified during pre-employment checks

6.5 National Tariff and performance data manipulation

Estimated Loss: £114 million

Confidence: Realistic Probability (25-50%)

- 6.5.1 Nation tariff and performance data manipulation describes the falsification of data and the payment by result (PbR) system to intentionally obtain financial gain.
- 6.5.2 The PbR reimbursement mechanism is used to fund acute, mental health and community services care. It is estimated that £38 billion of secondary care funding is paid in the manner of PbR. Based upon historic data it is estimated that 0.3% of PbR claims made to them are fraudulent.
- 6.5.3 If this percentage is applied to PbR data in the NHS it can be estimated that £114 million may be lost to fraud per annum. This is a slight increase of £6 million compared to last year's assessment, which is attributed to an increase in funding rather than an increase in fraudulent activity.
- 6.5.4 The current system is set up in such a way that commissioners are dependent on data received from providers in order to monitor provision, quality of services and, ultimately, to derive payment.
- 6.5.5 The NHSCFA assesses that this opens up a real potential for data manipulation for providers to make a financial gain.
- 6.5.6 The NHSCFA assesses that although performance data is cross referenced with Hospital Episode Statistics (HES) data by NHS Improvement, this is sample based and unusual data is primarily only referred to NHS Improvement due to issues with governance, rather than identified fraudulent submissions.

6.6 General Practice fraud

Estimated Loss: £88 million

Confidence: Realistic Probability (25-50%)

- 6.6.1 General practice fraud describes the manipulation of income streams or activities that violate contractual terms perpetrated by either practitioners or staff members.
- 6.6.2 Approximately £8.8 billion was paid towards the different GP contract type for 2017 – 2018 and it is estimated that a 1% loss to the NHS through general practice fraud is approximately £88 million.
- 6.6.3 The NHSCFA has not measured general practice fraud this reporting period and therefore relies on comparative primary care measurements from Dental and Optical services to provide an indication of the level of fraud. Historic loss analysis exercises for Dental and Optical have identified fraud rates between 1% to 3.5%. As a matter of caution the NHSCFA has applied the 1% estimation.
- 6.6.3 Contractual agreement funding made available to all practices in England during 2017–2018 is listed as follows;
- £5.95 billion to 5,301 providers with a General Medical Services contract.
 - £2.65 billion to 2,127 providers with a Personal Medical Services contract.
 - £269 million to 279 providers with an Alternative Provider Medical Services contract.
 - £17.3 million to 56 providers with an unknown contract type.
- 6.6.4 The National Duplicate Registration Initiative (NDRI) undertaken by the National Fraud Initiative in 2009 -2010 matched GP patient list data in England and Wales. It identified 95,000 patients that needed removing from GP lists, of these patients 34% were deceased and a further 31% had duplicate GP registration, these errors would have saved £6.1 million per annum in unnecessary funding³. Without undertaking this matching exercise, the loss to the NHS caused via funding of ghost patients would have totalled a £56 million, over the last 9 years.
- 6.6.5 Data from NHS Digital shows that 59.2 million people are registered with a GP in England, however the office for National Statistics puts the current population at 55.6 million, leaving a gap of 3.6 million between the amount registered with GP practices and population of England.

³ <http://webarchive.nationalarchives.gov.uk/20150423183332/http://archive.audit-commission.gov.uk/auditcommission/subwebs/publications/studies/studyPDF/3701.pdf>

6.7 European Healthcare Insurance Card (EHIC)

Estimated Loss: £21.7 million

Confidence: £640,000 (highly likely, 75 – 85%)

£21.1 million (low probability, 25 – 50%)

- 6.7.1 European Healthcare Insurance Card relates to someone who is not entitled but has obtained or using an EHIC to access care within the NHS or in a member state.
- 6.7.2 Further assessment of thematic area has not occurred since the 2016 – 2017 strategic intelligence assessment and therefore the NHSCFA estimate the fraud loss and error for the misuse of EHIC⁴, in both the application and claims processes, remains at approximately £21.7 million.
- 6.7.3 This is made up of £640,000 lost to fraud and error during the application process whilst £21.1 million is lost due to fraudulent claims or error. The original assessment could not differentiate between fraud and error due to the level of the data and therefore for this thematic area, the error is also included.
- 6.7.4 NHSBSA assesses over 5 million cards a year are issued at a unit cost of £1.24 each. It is highly likely that £640,000 is lost during the application process attributed to fraudulent or false applications.
- 6.7.5 Data analysis revealed that 49.7% of all distinct NHS numbers that appear on applications are invalid or erroneous when compared to demographic information associated with medical records. Furthermore, 2.8% of NI numbers that appear on applications do not exist when compared against DWP data. The NHSCFA therefore assess that NHS and NI number applications are a high-risk method that will attract larger than anticipated levels of suspected identity fraud and error.
- 6.7.6 EU Exit will take place within the next reporting cycle and may affect EHIC application and claim behaviour. The EU and UK have provisionally agreed that all current EU citizens will be able to retain their rights to emergency treatment also covering pre-existing medical conditions, currently incorporated in the EHIC scheme. However, the withdrawal agreement needs ratification by both the EU and UK before the end of March 2019. If successful, this will enable the transition period up to the end of 2020 to allow for further negotiations.
- 6.7.7 It is unclear whether this timetable will have an impact on the level of operational risk currently identified for this thematic area. However, there may be uncertainty as to whether the UK will remain in some form of reciprocal healthcare agreement with the EU.

⁴ People who are ordinarily resident in the UK are entitled to an EHIC card for use in Member States of the European Economic Area (EEA). UK cardholders have the right to access clinically necessary, state provided, medical treatment that cannot wait until a planned date of return during a visit to an EEA country or Switzerland. This can be at a reduced cost or sometimes free of charge.

6.8 Optical contractor fraud

Estimated Loss: £82.4 million

Confidence: probable (50%-75%)

- 6.8.1 Optical contractor fraud relates to inappropriate claiming \ dispensing at the practice or care provided in homes, nursing, residential or day care facilities
- 6.8.2 In England approximately £510.5 million was spent on General Ophthalmic Services (GOS) in 2017-2018, provided by 13,141 ophthalmic practitioners. This is an assessment based on the total number of GOS vouchers processed in each service area during 2017-2018, published by NHS Digital, and the average value per GOS voucher identified during the NHSCFA loss analysis exercise, carried out in 2016.
- 6.8.3 The NHSCFA estimates a probable loss of £82.4 million due to optical contractor fraud. This is a slight increase from the 2016-2017 estimation of £79 million. This estimated loss figure was achieved by applying the individual loss rates per GOS service area, identified during the NHSCFA loss analysis exercise, to the most recent ophthalmic activity data published by NHS Digital.
- 6.8.4 The main areas at risk of abuse by optical contractors identified by the exercise in England were:
- Unjustified early sight test recall;
 - Patient did not warrant domiciliary visit;
 - Patient did not receive service;
 - Patient paid for service;
 - Patient did not need new glasses.
- 6.8.5 Without any significant proactive or reactive fraud awareness initiatives or fraud prevention programs being introduced into the ophthalmic landscape, these risk areas will remain a cause of concern. Even current guidance and regulations on appropriate claiming could be considered unclear and out of date.
- 6.8.6 The NHSCFA's E-Learning Team, in conjunction with the Federation of (Ophthalmic and Dispensing) Opticians (FODO) and the General Optical Council (GOC) have developed an online e-learning package, with final assessment, aimed at educating ophthalmic contractors and their staff on fraud awareness and to refresh their understanding of inappropriate claiming. By the end of the e-learning, the learner will be able to:
- describe why the prevention of fraud is of importance to the NHS;
 - identify ten elements of the GOC Standards that relate to fraud;
 - state the definition of fraud; identify fraud in 14 different contexts that could affect optometrists and opticians;
 - identify circumstances where the NHS is at risk from optical fraud;
 - identify the responsibilities of optometrists and staff working in opticians;
 - and describe how optometrists and their staff may report suspicions of fraud.

6.9 Dental contractor fraud

Estimated Loss: £93.5 million

Confidence: Low probability (25-50%)

- 6.9.1 Dental contractor fraud relates to inappropriate claiming \ dispensing at the practice relating to services delivered as defined by the contractual agreements. Private work carried out and impact on the NHS.
- 6.9.2 Approximately £2.8 billion was paid to 8,636 dental contracts in 2017-2018⁵ with 24,308 dentists performing NHS activity, an increase of 1.3% on 2016-2017⁶.
- 6.9.3 Applying the individual fraud rates identified from the 2009 loss analysis exercise to the different treatment bands of dental activity, the NHSCFA estimates there is a low probability that the loss to the NHS through dental contractor fraud is £93.5 million for 2017-2018.
- 6.9.4 The areas of potential loss resulting from fraud include:
- Patient did not receive the level of treatment claimed - up-coding (£46.8 million)
 - Split courses⁷ of treatment (£25.2 million)
 - Patient did not visit the dentist (£11.2 million)
 - Patient does not exist (£9.4 million)
 - Patient paid for treatment but was marked as exempt (£0.9 million)
- 6.9.5 NHSBSA continues its programme of activity to maximise behavioural change amongst dentists, with certain successes in projects such as the Business Rates Audit and the 28-day Re-attendance Dental Activity Review (28DR). As of January 2018 there has been a £4.5 million reduction in the value of business rates claimed. There has also been a 48% reduction in the rate of 28DR claims equating to a value of £19.5 million. Savings are predicted in future years as long as claiming patterns and high-risk contracts remain monitored.
- 6.9.6 The £4.5 million reduction in claims for Business Rates and the £19.5 million reduction in 28DR after counter fraud projects were initiated could be indicative of the scale of fraud prior to the control mechanisms being in place. This highlights the importance of being able to identify and manage fraud risks appropriately.

⁵ <https://www.nhsbsa.nhs.uk/fp17-processing-and-payments/nhs-payments-dentists-201718> (11/10/2018)

⁶ <https://files.digital.nhs.uk/4F/B3B6FE/nhs-dent-stat-eng-17-18-rep.pdf>

⁷ Split course treatment describes a practice where a dental contractor splits a single course of treatment into multiple courses over a prolonged period, thus increasing the amount of Units Dental Activity (UDA) claims submitted for payment.

6.10 Fraudulent access to NHS care in England

Estimated Loss: £35 million

Confidence: Low probability (25-50%)

- 6.10.1 Fraudulent access to NHS care in England describes inappropriate access to NHS secondary care by foreign nationals who avoid payment for services delivered.
- 6.10.2 The Department of Health and Social Care commissioned research which identified that the estimated cost from health tourism was £70 - £300 million. The NHSCFA assess 50% of the lower estimate range could be lost to fraudulent activity, a total of £35 million. This estimate should be treated with caution, as there have been limited studies into the costs attributed to overseas visitors on the NHS. Throughout 2016 – 2017 NHSCFA received seven allegations per 1,250 health tourists.
- 6.10.3 The NHSCFA assess that there is a low probability that £35 million could be lost to individuals travelling to England with the deliberate intention of obtaining free healthcare to which they are not entitled.
- 6.10.4 The estimate does not cover the cost of overseas visitors to the NHS, rather just those with a deliberate intention to deceive.
- 6.10.5 Little is known about the scale and extent of this thematic area, including how much is spent by the NHS in England in providing services to overseas patients. This makes it problematic assigning a fraud loss percentage therefore the same assessment methodology has been adopted as the 2016 – 2017 strategic intelligence assessment.
- 6.10.6 For Visitors outside of the European Economic Area (EEA) who are applying for a UK visa for more than 6 months are required to make a payment known as the International Health Surcharge (IHS) towards the cost of healthcare in England as part of their visa application.
- 6.10.7 In 2017 - 2018, the Home Office collected £235 million in IHS payments. The IHS is charged at £200 per annum with a reduction for students at the cost of £150 per annum. The Home Office have announced that the IHS application cost is intended to increase, so that it better reflects the cost of treatment provided.
- 6.10.8 Overseas visitors who are visiting the UK for six months or less, (including those on multiple entry visas), non-resident UK nationals, or those who are in the UK without immigration permission must be charged for services they receive at the point of accessing care, unless they are exempt from charges under other categories of the Charging Regulations.
- 6.10.9 With events around EU exit and its impact on the perception of access to UK services from foreign nationals, it is unclear how fraudulent access to NHS care will be affected in the future.

6.11 NHS Pensions

Estimated Loss: £2.3 million

Confidence: Probable (50-75%)

- 6.11.1 NHS pensions relates to the fabrication or failure to notify pension administrators of material changes to their circumstances that would affect their eligibility for receiving NHS pension.
- 6.11.2 The NHS pension scheme is Europe's largest pension scheme, paying out approximately £10.3 billion in 2017-2018 in pension payments, lump sum payments, widow and dependent payments, death gratuities, transfers out, and payments to other schemes and refunds. As at 31 March 2018 the number of active members is 1,572,053 and growing.
- 6.11.3 The NHSCFA assesses that it is probable that the loss due to fraud from the NHS pension scheme is approximately £2.3 million. It is assessed to be a probable loss due to previous data matching activity through the National Fraud Initiative (NFI).
- 6.11.4 The NFI has estimated the value of pension fraud, overpayment and error, at £144.8 million nationally with approximately 98% of cases being from public sector pension schemes. The NFI has assessed that frauds and overpayments most often occur due to 'suppression of death' fraud, which occurs when relatives intentionally fail to notify the pension scheme that the pension recipient has died.
- 6.11.5 Another abuse involves survivor pension fraud, whereby the recipient deliberately fails to notify the pension scheme of their remarriage or cohabitation with another person, thereby ensuring the continued payment of a pension which is no longer valid. Some parallels can reasonably be drawn between survivor pensions and DWP fraud reports involving benefit claims as a single person who may be suspected of living with a spouse or partner. Whilst DWP data indicates that cohabitation fraud could be a significant problem, age profiling amongst pension scheme members and their nominated survivors is likely to make remarriage or cohabitation less likely.
- 6.11.6 Historically the NHS has extensively recruited non-British nationals from overseas, and as this population ages, it is considered likely that more NHS pensions will be paid overseas, as employees retire and return to their homeland. The impact of EU Exit has also seen a large number of foreign-born employees leaving the NHS and returning to their homeland. The NHSCFA judge that the threat of 'suppression of death' fraud may increase as the number of NHS pensioners and the number of NHS pensions paid overseas rises, since the deaths of non-British nationals living overseas may not always be recorded on systems available within the UK and so deceased non-British nationals may not always be identified through 'mortality screening' exercises.

6.12 Fraud against NHS Resolution administered funds

Estimated Loss: £18 million

Confidence: Low probability (25-50%)

- 6.12.1 Fraud against NHS Resolution (formerly NHS Litigation) relates to fraudulent accident / insurance claims under the Liabilities to Third Parties Scheme (LTPS) or through clinical negligence.
- 6.12.2 NHS Resolution estimates that there is a combined realistic probability of fraud losses for 2016 – 2017 at £12.3 million. The estimated loss is split into two risk areas:
- Fraud within the LTPS scheme of £1.56 million
 - Fraud within clinical negligence claims of £16.32 million
- 6.12.3 Insurance industry fraud risks are widely reported. These reports reflect opportunistic, planned and organised fraud. Fraudulent claims against NHS Resolution administered schemes broadly falls into two categories;
- The serious exaggeration of legitimate claims for damages (i.e. the claim does not reflect the harm actually suffered).
 - The falsification of the circumstances which led to a claim for damages being made (i.e. the incident did not occur as described).
- 6.12.4 Claims under the Liabilities to Third Parties Scheme (LTPS) where payments in Damages totalled £31.2 million are likely to represent the most prevalent fraud risk encountered by NHS Resolution. LTPS typically covers employers' and public liability claims from NHS staff, patients and members of the public. These claims include, but are not limited to, slips and trips, workplace manual handling, bullying and stress claims. The risk profile reflects insurance business undertaken in the private sector.
- 6.12.5 The risk of clinical negligence fraud is considered significantly less prevalent; however, the value of individual claims is usually much higher. The costs associated with these claims can amount to several millions of pounds over their lifetime. In 2017-2018 NHS Resolution received 10,673 new clinical negligence claims, compared to 10,686 in 2016-2017. This suggests a plateauing following a surge in the numbers prior to a change in funding arrangements following the Legal Aid Sentencing and Punishment of Offenders Act 2012.
- 6.12.6 Based on 2017-2018 Damages payments for clinical claims of £1.63 billion and a reduced estimation from the general insurance claims experience of 5% to 1% it can be conservatively estimated with moderate confidence that clinical negligence claims fraud costs the NHS approximately £16.32 million. The variable nature of clinical negligence damage claims provides the potential for future estimates to be varied significantly by any single claim.

6.13 **NHS student bursary scheme**

Estimated Loss: £12.1million

Confidence: Low probability (25-50%)

- 6.13.1 NHS student bursary scheme relates to falsified application or supplied false documents to support a Bursary application or other NHS funded training or financial support stream.
- 6.13.2 Annual spend under the NHS student bursary scheme in 2017-2018 was approximately £450.1 million⁸. If we apply the 2.7% fraud rate from the NHSCFA loss analysis exercise from 2007 to this level of expenditure, it can be estimated that fraud within the NHS student bursary scheme currently costs the NHS approximately £12.1 million, although the biggest area of risk within this loss is childcare allowance.
- 6.13.3 The NHSCFA last measured losses in specific areas of the NHS student bursary scheme in 2006-2007. Although individual fraud rates were identified within the specific areas examined, the exercise revealed a combined loss to fraud of 2.7% of total expenditure.
- 6.13.4 The exercise identified four key areas of fraud risk:
- Identity fraud;
 - Personal eligibility fraud;
 - Course attendance fraud;
 - Childcare allowance fraud.
- 6.13.5 Our confidence in the estimate is limited due to the age of the original research, the limited scope of the original research (i.e. it did not include all available allowances), and the potential but unevaluated impact of fraud prevention work which has been initiated since the original loss analysis exercise took place.
- 6.13.6 As part of the Government's Healthcare Education Funding Reforms, from August 2017, new non-medical students (including nursing, midwifery and allied health students) will no longer be eligible for NHS bursary funding. Instead, they will have access to the same level of tuition fee and maintenance support funding as other students, via the Student Loans Company, which effectively replaces tuition fees and NHS bursary funding for new nursing, midwifery and allied health students. It is not currently anticipated that existing medical or dental students will be affected and so tuition fees and NHS bursary funding will remain available as before for these students.
- 6.13.7 The NHSCFA assesses that it is too early post-reform to make an informed assessment over the risk of fraud to the LSF scheme. However, forecast bursary expenditure for 2018-2019 illustrates a significant decrease to approximately £243.3 million, brought about by the introduction of the LSF scheme and the phasing out of the NHS Bursary scheme. Applying the 2.7% fraud loss rate against this forecast would mean an estimated loss to fraud of £6.6 million.

⁸ https://www.nhsbsa.nhs.uk/sites/default/files/2018-07/Student%20Services%20Annual%20Report%202017-18%20%28V1%29_0.pdf

Wales annual performance report

Annual summary report 2018-19

June 2019

Version 0.2



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

Version control

Version	Name	Date	Comment
0.2	Kishan Jilka	June 2019	First draft

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1. Introduction

The NHS Counter Fraud Authority (NHSCFA) leads the fight against fraud, bribery and corruption in the NHS and wider health group. As a special health authority focused entirely on counter fraud work, the NHSCFA is independent from other NHS bodies and is directly accountable to the Department of Health and Social Care (DHSC).

In Wales the NHSCFA provides specialist counter fraud support functions to the Welsh Government under section 83 of the Government of Wales Act 2006. Before 1 November 2017 this work was carried out by NHS Protect, the NHSCFA's predecessor organisation, which has now ceased to exist.

The NHSCFA has continued to provide support to the Counter Fraud Steering Group (CFSG), through the Head of Operations attending at CFSG meetings and strategic discussions with CFSG members.

Together with Local Counter Fraud Specialists (LCFSSs) and the NHS Counter Fraud Service in Wales (NHS CFS Wales), the NHSCFA continued to develop a counter fraud culture.

The purpose of this report is to provide detailed information on the activities undertaken in 2018-19 by the NHSCFA, as specified in the agreed work plan for the year.

2. Performance against the agreed 2018-19 work plan

2.1 Organisational Development

Communications

The NHSCFA's media relations office continues to work closely with NHS CFS Wales and their investigators, supporting successful convictions and helping with general media relations where appropriate and needed. The media relations office will also continue to liaise and work collaboratively with NHS CFS Wales for both national and local fraud cases. More opportunities for publicity and recognition is anticipated for 2019-20.

Tammy Ann Gunter

Tammy Ann Gunter and her husband were asked to pay back the money they had defrauded the NHS and DWP. Although a press release from the NHSCFA did not go out due to time constraints, the case was widely reported on news websites such as the BBC and ITV.

This case was featured in the documentary series 'Fraud Squad NHS' (see below) in episode one.

Swansea dentist sentenced for NHS fraud

Elizabeth Anne White – a Welsh dentist – was convicted on 24 September 2018. The media relations office drafted a press release with CFS Wales and included quotes from Mark Weston, lead investigator, and the Health Board's Director. The press release was actively sent to media – Welsh, UK-wide and health titles. The case was picked up by a few outlets such as WalesOnline.

Mark Weston was also featured on BBC Radio Wales, while Graham Dainty (NHS CFS Wales Manager) contributed (in Welsh) to BBC Radio Cymru.

The successful conviction of Elizabeth Ann White was promoted on the NHSCFA's staff intranet, with a link to the outlets that picked up the story.

Three managers jailed for £822,000 NHS fraud

Mark Evill, Robert Howells and Michael Cope were convicted for fraud on 2 November 2019. The media relations office drafted a press release with CFS Wales and included quotes from Cheryl Hil (lead investigator and deputy Manager of NHS CFS Wales), and the Health Board's Chief Executive. The press release was actively sent to media – Welsh, UK-wide and health titles. The case was widely documented over the course of the various trials and court dates. It was featured on numerous sites such as the BBC, Daily Mail, and Shropshire Star.

Elise David

The media relations office also helped to publicise the sentencing of NHS manager, Elise David. She was sentenced on 11 January 2019 at Newport Crown Court. A traditional press release was not sent out, but a briefing was sent to local media contacts. It was sent to and picked up by WalesOnline and Horse and Hound.

Fraud Squad NHS

The work of NHS CFS Wales was highlighted in the documentary series 'Fraud Squad NHS'. Two cases were featured in the five-part series that aired the week commencing 4 February 2019 on BBC1. The Tammy Gunter/Hart and Mark Evill, Robert Howells and Michael Cope cases were featured, told by the respective lead investigators. The series was widely viewed – with an average of 1.6 million viewers per episode.

Extensive publicity was gained before, during and after the show aired. It was featured in multiple publications, including online, radio and newspapers.

An article that publicised 'Fraud Squad NHS' went up on the NHSCFA extranet – summarising the programme, and breaking down what organisations and cases were scheduled to be featured in each episode.

The NHSCFA website includes a [page on CFS Wales](#). This page had 1,320 unique page views from 1 April 2018 to 31 March 2019, with an average time spent on the page of 54 seconds.

During Q4 we sent 38 emails to LCFs and DOFs in Wales, including 8 issues of the new NHSCFA e-newsletter, which was first sent out in May 2018.

The NHSCFA extranet includes contact details for CFS Wales and an article providing information about the team. This is a resource available to LCFs and DOFs in England and Wales (as well as CFS Wales and NHSCFA staff).

Learning and development

The NHSCFA's Organisational Development team continued to deliver specialist learning and development activities to Wales staff during 2018-19. The Senior Specialist Development Officers delivered the Accredited Counter Fraud Specialist (ACFS) qualification to 11 staff through the Induction and Continued Improvement Programme (ICIP). A knowledge session on changes to PACE in relation to voluntary interviews under caution was also attended by Wales staff.

The Senior Specialist Development Officers acted as point of contact as subject matter experts providing advice during this period on disclosure and warrant applications for excluded materials.

Table 1 below provides further details of courses delivered to CFS Wales.

Table 1 – Training courses delivered to CFS Wales

Date	Course	Number of delegates attending
3-4 October 2018	Accredited Counter Fraud Management	11
Throughout year	Subject Matter Expert Advice to questions around disclosure (CPIA) and issues regarding Section 9 Warrants (First and Second access conditions)	Various

2.2 Fraud prevention

The NHS Counter Fraud Authority provides national standards, policies and guidance which are tailored to meet the new and evolving conditions in the NHS and which will assist organisations in developing their local arrangements to prevent crime and to facilitate investigations.

As part of our commitment to provide, maintain, and ensure access for CFS Wales and Wales LCFSSs to the NHSCFA library of counter fraud manuals, guidance and support materials, work commenced on the version 3 of the NHS counter fraud manual. An ongoing process of engagement to review content and accessibility was undertaken in cooperation with the NHSCFA's Digital team and the latest version of the manual is due for release shortly. A complete document refresh was also undertaken to review all existing NHSCFA counter fraud guidance and update it in line with organisational priorities, regulatory and legislative changes. This work has been completed.

Work also scheduled for 2018-19 included updating and issuing the NHSCFA's anti-fraud, bribery and corruption standards for NHS bodies (Wales), which were published in quarter 4.

As part of the continuing process to engage and update CFS Wales on all the NHSCFA's fraud prevention projects, the Fraud Prevention unit (FPU) presented at the HCSA procurement conference in Cardiff on 28 November. FPU engaged with their Welsh counterparts to explore options for Wales involvement in the procurement project and a national exercise on procurement fraud, which NHS Wales are also participating in. Also, as part of the Help with Health Costs project (evidence of entitlement) research was undertaken on the free prescription process in Wales; which contributed to a project milestone Landscape report.

2.3 Intelligence

The NHSCFA's Intelligence team leads on the collection, collation and analysis of information that holds intelligence value. They develop processes to enable the best available understanding of current threats and emerging trends at operational, tactical and strategic levels. This enables the identification of threats that may not be apparent when considered locally or in isolation. The team also leads on managing the process of generating fraud referrals and investigation of cases reported on the Fraud Information and Reporting Systems Toolkit (FIRST).

During 2018-19 the unit provided the following support and data analysis in relation to counter fraud work in Wales:

- We received 100 reports of fraud relating to Wales through our online fraud reporting form (FCROL), while the Fraud and Corruption Reporting Line (FCRL)

received 38 calls relating to Wales. We also received 6 reports through other channels (e.g. post or email).

- We reviewed all reports and forwarded them to the appropriate body for action (either by email or via FIRST) – we forwarded 15 FCRL reports and 45 FCROL reports in 2018-19¹.
- The team also conducted 183 checks on the Police National Computer² and dealt with 14 Land Registry requests to support NHS fraud investigations in Wales.

2.4 Quality and Compliance

The NHSCFA's quality assurance programme assesses health bodies' compliance with the requirements of our fraud, bribery and corruption standards.

Table 2 below shows a list of health bodies in Wales and the submission dates of their Self Review Tool (SRT). Organisations were required to send the completed SRTs to the NHSCFA by 31 March 2018.

Table 2 – SRT submission dates for NHS health bodies in Wales

Organisation name	Date of submission of SRT
Hywel Dda University Health Board	Met deadline of 31 March 2018
Cardiff & Vale University Health Board	Met deadline of 31 March 2018
Welsh Ambulance Service NHS Trust	Met deadline of 31 March 2018
Cwm Taf University Health Board	4 May 2018 (late submission)
Velindre NHS Trust	Met deadline of 31 March 2018
Aneurin Bevan University Health Board	Met deadline of 31 March 2018
Abertawe Bro Morgannwg University Health Board	Met deadline of 31 March 2018
Betsi Cadwaladr University Health Board	Met deadline of 31 March 2018
Powys Teaching Health Board	Met deadline of 31 March 2018
Public Health Wales	Met deadline of 31 March 2018

¹ Both values are slightly higher than the sum of the corresponding figures provided in the quarterly reports (12 and 32 respectively). This is due to adjustments in the data following production of the quarterly reports.

² This value is also higher than the sum derived from the quarterly reports (262). This is also due to adjustments in our data logs following production of quarterly statistics.

One organisation failed to meet the deadline: **Cwm Taf**.

Wales area meetings with the OFM in CFS Wales were held on 26 July 2018, 12 December 2018, with the QA National Lead in attendance. Changes and issues relating to Welsh fraud LCFS cover, SQCI cover and DOFs were discussed.

Liaison visits were held with lead LCFS managers and staff at Cwm Taf, ABMU (Powys), WAST, BCU and Hywel Dda. Attended by SQCI and QA National Lead in quarter 2.

The QA Lead attended the Wales Steering Group Meeting on 12 December 2018, where a presentation was given on the QA process/findings and plans moving forward for the coming year. This included standards 3.4, 3.5 and 3.6, to be carried forward into the 2019-20 financial year.

A liaison visit was held with lead LCFS manager and staff at ABMU (Powys). This was attended by SQCI on 18/12/2018.

We delivered two risk workshops (standard 1.4 changes) in Q4, first to LCFS managers on 06/02/2019 and secondly to LCFSs on 06/03/2019. A total of 21 staff attended the workshop, with managers attending twice in some instances. Feedback from the workshop was very positive with a number of questions raised to the SQCI following the event which have all been answered via email or telephone.

Three organisations were assessed during the year: Public Health Wales, Cwm Taf and Hywel Dda. The assessed ratings against the submitted self review tools are highlighted in the table below, with the organisations highlighted in red.

These assessments were carried out in quarter one and reported on in the same period. A review process continued to track the recommendations and progress made by organisations that have been assessed. Part of the review process involves the organisation sending an update of the progress made to the NHSCFA via audit committee papers and counter fraud progress reports. Assessment reports are now issued to audit committee chairs to assist in this process.

Table 3 – Summary of SRT and assessments carried out for 2017-18

Organisation	Strategic Governance		Inform & Involve		Prevent & Deter		Hold to Account	
	SRT	Assessed	SRT	Assessed	SRT	Assessed	SRT	Assessed
Hywel Dda	Green	Not assessed	Green	Not assessed	Green	Green	Green	Green
Cardiff&Vale	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed
Welsh Ambulance	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed

Cwm Taf	Green	Not assessed	Amber	Not assessed	Green	Red	Green	Green
Velindre & SS	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed
Aneurin Bevan	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed
Abertawe Bro Morgannwg	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed
Betsi Cadwaladr	Green	Not assessed	Green	Not assessed	Green	Not assessed	Green	Not assessed
Powys	Green	Not assessed	Amber	Not assessed	Amber	Not assessed	Green	Not assessed
Public Health Wales	Green	Not assessed	Green	Amber	Green	Green	Green	Not assessed

2.5 Operations

The NHSCFA provides investigation and specialist expertise to support and authorise processes required by legislation for national fraud cases.

The organisation has continued to provide generic management, guidance and direction to CFS Wales in relation to operational matters, including the development of annual business plans, access to guidance, documentation, circulars and the core investigation manual. This has included regular operational discussions, and the continued attendance and input to the Wales Counter Fraud Steering group by the NHSCFA Head of Operations.

CFS Wales have been invited to attend Operational Managers' meeting throughout the year, with papers and follow up discussions being made available to CFS Wales OFM.

CFS Wales also attended the NHSCFA staff conference in March 2019, which highlighted and described the forward look and plan regarding counter fraud work in the NHS in England.

We have continued to provide access to the NHSCFA Dental Fraud Advisor for assistance in relation to progressing NHS Wales criminal investigations. During the year support was provided to five separate dental investigations (Vale, Whirlwind, Whirr, Yawn and Workbook), with 25 hours of direct advice being given relating to investigative matters.

The NHSCFA has also continued to provide access to its Forensic Computing Unit (FCU) for assistance with progressing NHS Wales criminal investigations. In addition to data acquisition, the FCU currently hosts over 11 Terabytes of data which is made available to CFS Wales and their LCFS' for review via Summation.

A procurement exercise to consider a replacement case management system was concluded in March 2018 and the NHSCFA has purchased a wholly new system (CLUE) capable of managing and handling fraud investigations at all levels – it is considered to be a significant upgrade on the existing FIRST system.

From April 2018 an implementation plan and Programme Manager were put in place to oversee the system implementation – CFS Wales were key stake holders and were fully involved during both the procurement and implementation phase to ensure the new system meets the needs of both CFS Wales and the Wales LCFS community. Both Wales CFS and Wales LCFSs have attended CLUE case management training, and the new system will be made fully available to both CFS Wales and to all Wales LCFS' free of charge.

2.6 Information Systems and Analytics

The NHSCFA, in conjunction with Capita, provides hardware and software assets including access to network applications (FIRST) and telecommunication systems to support CFS Wales investigations.

IT support was also provided to CFS Wales and LCFSs by the NHSCFA service desk. The NHSCFA have also registered a new email domain of nhscfswales.gov.uk on behalf of CFS Wales in preparation for use later this year.

The NHSCFA created and maintained access to dynamic SAS management performance reports analysing data specific to Wales. They have also provided access to the online self review tool (SRT), which enables health bodies in Wales to submit their annual SRT returns.

2.7 Finance and Corporate Governance

During 2017-2018 the NHSCFA's governance and assurance function conducted a review of the end to end process of investigative work conducted by CFS Wales. The terms of reference of the review fell under the following headings:

- organisation, administration and engagement
- case handling and management
- quality, compliance, standards and ethics
- case outcomes, evaluation and use of media for promoting deterrence, prevention and detection

A final report was issued to CFS Wales in October 2017 containing nine recommendations. Of the recommendations, six were rated Green, one was rated Amber and two were rated Red.

No further work was carried out in 2018-19.

A further assurance exercise is to be conducted in 2019-20 to assure the implementation of any recommendation which were accepted and adopted by CFS Wales. The terms of reference for 2020-21 have yet to be agreed.

3. NHS Wales 2018-19 operational outcomes

3.1 NHS Counter Fraud Services Wales (CFS Wales)

The CFS Wales team investigates potentially serious or complex fraud cases; these include economic crimes that involve more than one organisation, cross border investigations and all corruption and bribery cases in NHS Wales.

The CFS Wales team received 23 new referrals during 2018-19 and closed 13 investigations. The team were investigating 32 active cases as at 31 March 2019.

The ongoing cases include a complex pharmacy fraud and a long term fraud by a hospital doctor which will be submitted to CPS Cardiff for legal advice and several other investigations involving NHS Estates contracts or where dental practitioners, pharmacies or GP practices have allegedly submitted inflated or bogus financial claims for services provided to NHS patients.

During 2018-19, investigations by CFS Wales led to 4 criminal convictions, 1 disciplinary sanction and 9 civil recoveries which secured £379,666 for NHS Wales.

The CFS Wales team's employer, Velindre NHS Trust, is now listed as a regulatory body under the Proceeds of Crime Act 2002 (POCA). This enables the two accredited financial investigators on the CFS Wales team to conduct appropriate financial investigations and also restrain and recover funds from convicted persons. The team is currently utilising the investigation and restraint powers under POCA on several of the team's investigations.

The CFS Wales team has also negotiated civil settlements from dental practices where the available evidence was sufficient for a civil action but would not have reached the higher evidential standard for a prosecution via the criminal courts.

A breakdown by health body of NHS CFS Wales referrals and operational outcomes in 2018-19 is available in **Appendix 1**.

3.2 Local Counter Fraud Specialists (LCFSs)

The Local Counter Fraud Specialists (LCFSs) in NHS Wales are employed by health bodies in Wales and are usually based at the relevant health body. They are responsible for developing the counter fraud culture at their respective health bodies, investigating the local economic crime referrals and pursuing appropriate criminal, civil and disciplinary sanctions where necessary.

Several health bodies in Wales have increased their LCFS resource over the past few years. The number of LCFSs has increased from 14 in 2014 to 20 LCFSs in 2019. During 2018-19 the 20 nominated LCFSs across NHS Wales received a total of 129 new potential fraud referrals and closed 131 cases. The LCFSs were investigating a total of 174 active cases as at 31 March 2019.

During 2018-19 the LCFS investigations led to 12 criminal sanctions, 30 disciplinary outcomes and 27 civil recoveries, which resulted in the recovery of £142,364 for NHS Wales. A breakdown by health body of LCFS operational referrals and sanctions for 2018/19 is presented at Appendix 2.

The combined financial recoveries by CFS Wales and LCFSs employed by NHS Wales totalled £522,030 during 2018/19. CFS Wales and LCFS investigations have secured a combined total of £7,974,038 in financial recoveries for NHS Wales since the NHS Counter Fraud Strategy was launched in Wales in August 2001.

During the past five financial years CFS Wales and the LCFSs have recovered a combined total of £2,331,914 and have secured 64 criminal convictions, 147 disciplinary sanctions and 177 civil recoveries (please see Appendix 3 for more details).

Recent examples of fraud cases in NHS Wales

NHS Estates Managers – Brecon area

An agency Project Manager employed by NHS Estates at Powys tHB secretly set up his own company and abused the single tender waiver process to allocate several large scale capital contracts to his company. The Project Managers ownership of the company was discovered by a Powys tHB employee and the case was referred to CFS Wales for investigation.

The investigation established that the Project Manager had set up the company for the sole intention of defrauding the health body by allocating vastly over inflated construction contracts to his company. He then engaged sub-contractors to complete the work to a very poor standard at sites across Powys and the poor quality work later had to be rectified.

Financial enquiries disclosed that the Project Manager had bribed two other NHS Estates Managers who were aware of the true ownership of the company and the inflated value of the NHS construction contracts. The three managers were arrested, interviewed under caution and subsequently charged with various offences under the Fraud Act 2006.

The three managers appeared at Merthyr Crown Court on 8.10.18 for trial on fraud offences valued at about £822,000. Two of the subjects changed their initial not guilty pleas to guilty after two days of the trial while the third subject was found guilty by jury after a full trial. The case attracted significant media interest and the three subjects appeared at Merthyr Crown Court on 2.11.18 and were sentenced to seven, four and three years in prison respectively. Proceedings by CFS Wales under POCA 2002 are continuing to recover the proceeds of the relevant offences from the restrained assets of the convicted subjects. The three managers were dismissed.

Dentist – Swansea area

The subject was the co-owner of a Dental practice in the Swansea area, the initial investigation by CFS Wales focused on irregularities on claims for dental treatment provided to NHS patients at the practice. A large quantity of patient records was seized during a CFS Wales search operation; the dental records were then compared with claims for payment submitted by the dental practice and this exercise confirmed that bogus claims had been submitted by the practice to the health body.

A total of four dentists and three dental nurses were interviewed under caution by CFS Wales, the only firm evidence of fraud was against a dentist who was submitting false or inflated claims for treatment provided to genuine patients. The total value of false claims identified was £34,395.

The dentist was subsequently charged with two offences under the Fraud Act 2006. She pleaded guilty and appeared at Swansea Crown Court on 20.8.18 where she was sentenced to 12 months imprisonment on each charge suspended for 12 months to run concurrently. The dentist was also ordered to repay investigation costs of £1,200 and prosecution costs of £340 in addition to the £34,395 which she had repaid prior to the trial. The convicted dentist has recently retired but civil action to recover additional NHS funds wrongly claimed by other dentists at the practice is continuing.

Nurse – Cardiff area

A senior nurse who was employed by Cwm Taf UHB transferred to a new post at Cardiff & Vale UHB. Due to a managerial administration error the nurse was paid two NHS salaries for about 17 months during the period from January 2017 to May 2018. The payroll error issue was identified and referred to CFS Wales; their financial investigation confirmed that the nurse had been over paid £25,511.80 during this period.

The nurse was interviewed under caution and admitted that she had already spent all of the overpaid salary. CPS recommended that the subject be charged with one count of Theft, she pleaded guilty and subsequently appeared at Merthyr Crown Court on 22.2.19 where she was sentenced to 6 months imprisonment suspended for 12 months, ordered to undertake 200 hours of unpaid work and to repay the overpaid salary of £25,511.80 via instalments and prosecution costs of £360. The nurse was subsequently dismissed from her post.

Former NHS Quality Manager – Bridgend area

The subject was formerly employed by Velindre NHS Trust as a Quality Manager in the NHS Surgical Materials Laboratory. The subject left her post in February 2017 and later contacted her former employer and asked for all of her personal data to be removed from their records. This prompted a former colleague to conduct an internet search which indicated that the subject had competed in several high standard show jumping events while on sick leave from her NHS post with a bad back.

The issue was referred to the LCFS for investigation, his enquiries confirmed that the subject had competed at various show jumping events at locations across South Wales and South West England while on extended NHS sick leave. Records show that some of the show jumping events took place shortly after the subject had apparently needed walking sticks to help her attend sickness review meetings with line managers at her NHS office.

CPS reviewed the case and charged the subject with offences under the Fraud Act 2006. The subject was found guilty on 11.1.19 after trial at Newport Crown Court, she was sentenced to 12 weeks imprisonment suspended for 12 months with 180 hours community service and was also ordered to repay £7,616.71 salary and £600 investigation costs to NHS Wales.

Advanced Paramedic Practitioner – Swansea area

The subject was employed as an Advanced Paramedic Practitioner at a GP Practice in the Swansea Valley. The subject intentionally signed a total of 1,048 prescriptions for patients in the name of a genuine doctor despite not being authorised to do so in order to deceive pharmacists into believing that the signatures were genuine.

The case was referred to the LCFS for investigation; enquiries also indicated that the subject had also falsely claimed to hold a Masters Degree despite not having completed the relevant MSc course. The subject resigned from his post and was subsequently interviewed under caution. An advice file was submitted to CPS Cardiff who recommended multiple counts of Fraud and one count of Forgery.

The subject pleaded guilty to all charges and subsequently appeared at Cardiff Crown Court on 1.2.19 where he was sentenced to 6 months imprisonment suspended for 12 months and ordered to complete 150 hours of unpaid work.

Appendix 1 NHS Counter Fraud Service (CFS) Wales operational outcomes 2018-19

NHS organisation	No of open cases at start of reporting period	No of referrals received in reporting period	No of cases closed in reporting period	No of open cases at end of reporting period	Recoveries (£)	Sanctions from closed cases			
						Criminal		Disciplinary	Civil
						Court case	Police caution		
Abertawe Bro Morgannwg ULHB	1	2	1	2	£34,395	1	0	0	1
Aneurin Bevan ULHB	3	3	2	5	£6,599	0	0	0	2
Betsi Cadwaladr ULHB	5	2	3	4	£28,608	0	0	0	2
Cardiff & Vale ULHB	4	9	4	9	£216,080	0	0	0	2
Cwm Taf ULHB	4	4	1	7	£0	0	0	0	0
Hywel Dda ULHB	3	1	1	3	£300	0	0	0	1
Powys LHB	2	1	1	2	£93,684	3	0	1	1
Public Health Wales NHST	0	0	0	0	£0	0	0	0	0
Velindre NHST (inc NWSSP & HEIW)	0	0	0	0	£0	0	0	0	0
Welsh Ambulance NHST	0	0	0	0	£0	0	0	0	0
All Wales / multi organisations *	0	1	0	0	£0	0	0	0	0
TOTAL	22	23	13	32	£379,666	4	0	1	9

Appendix 2 Local Counter Fraud Specialist (LCFS) operational outcomes 2018-19

NHS organisation	No of open cases at start of reporting period	No of referrals received in reporting period	No of cases closed in reporting period	No of open cases at end of reporting period	Recoveries (£)	Sanctions from closed cases			
						Criminal		Disciplinary	Civil
						Court case	Police caution		
Abertawe Bro Morgannwg ULHB	43	12	12	43	£39,205	1	2	3	5
Aneurin Bevan ULHB	17	19	10	26	£45,972	5	0	7	6
Betsi Cadwaladr ULHB	22	20	15	27	£0	0	0	2	0
Cardiff & Vale ULHB	37	18	41	14	£9,349	3	0	10	2
Cwm Taf ULHB	14	7	10	11	£615	0	0	2	1
Hywel Dda ULHB	17	14	19	12	£25,080	0	0	3	4
Powys LHB	3	9	3	9	£0	0	0	1	0
Public Health Wales NHST	0	0	0	0	£0	0	0	0	0
Velindre NHST (inc NWSSP & HEIW)	6	5	7	4	£20,262	1	0	0	2
Welsh Ambulance NHST	17	25	14	28	£1,881	0	0	2	7
TOTAL	176	129	131	174	£142,364	10	2	30	27

Appendix 3 Five-year operational outcome summary

Fraud investigations	2014-15		2015-16		2016-17		2017-18		2018-19		Total referrals
	Referrals	Open cases at year end	Referrals	Open cases at year end	Referrals	Open cases at year end	Referrals	Open cases at year end	Referrals	Open cases at year end	
NHS Counter Fraud Service Wales	11	32	7	24	8	24	11	22	23	32	60
Local Counter Fraud Specialists	143	147	113	140	132	132	180	176	129	174	697
TOTAL	154	179	120	164	140	156	191	198	152	206	757

Financial recoveries	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	£941,697	£307,561	£335,127	£225,499	£552,030	£2,361,914

Sanctions	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Criminal	13	13	7	15	16	64
Civil	41	32	35	33	36	177
Disciplinary	37	17	20	42	31	147

Financial investigations	2014-15	2015-16	2016-17	2017-18	2018-19	Total
NHS Counter Fraud Service Wales	2	10	12	15	10	49

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Counter-Fraud Arrangements in the Welsh Public Sector

An Overview for the Public Accounts Committee



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



I have prepared and published this report in accordance with the
Government of Wales Act 1998 and 2006.

The Wales Audit Office team that assisted me in the preparation of this report comprised Ian Hughes, Rachel Davies and Christine Nash under the direction of Mike Usher.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Introduction

- 1 Fraud is prevalent across all sectors including the public sector. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services. At a time of austerity, it is more important than ever for all public bodies in Wales to seek to minimise the risk of losses through fraud.
- 2 Fraud in general is believed to be significantly under-reported. There is often a reluctance for organisations to identify suspicious activity as fraudulent and there is sometimes a mistaken perception that reporting fraud casts the organisation involved in an unfavourable light.
- 3 The Association of Certified Fraud Examiners has estimated that on average global organisations lose 5% of their annual revenues to fraud. The National Crime Survey for England and Wales estimates that in 2017-18, 3.47 million fraud offences were committed across England and Wales. Most of these offences were not reported.
- 4 When fraud is reported to the authorities the response can be disappointing. A report published by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services in April 2019 concludes that 'outside those organisations that have a specific national-level responsibility for fraud, it is rarely seen as a priority'.
- 5 Precisely how much the public sector loses to fraud is unknown. In March 2012, the National Fraud Authority estimated public sector fraud losses to be £20.3 billion (excluding taxation fraud).
- 6 Unfortunately, there is no breakdown of any estimated fraud losses to the devolved administrations in the UK. However, a recent report by the Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure¹. Applying those estimates to expenditure in Wales of around £20 billion would suggest that losses to fraud and error may be anywhere between £100 million and £1 billion per annum.
- 7 Although these headline estimates should be treated with considerable caution, they do give an indication of the magnitude of the potential risks from fraud facing the Welsh public sector. Organisations can mitigate against these risks by having the right organisational culture supported by effective counter-fraud arrangements.
- 8 The ways in which fraud is committed are constantly evolving as society and technology changes. Fraud does not respect geographical or other boundaries. It is therefore important that collaboration and the sharing of intelligence and good practice takes place between public, private and third-sector bodies across the UK and internationally.

1 Cabinet Office Cross Government Fraud Landscape Report 2018

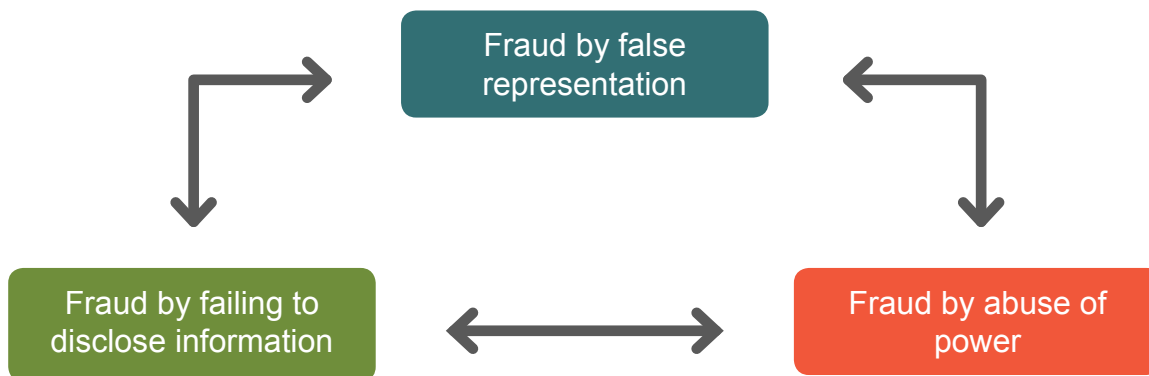
- 9 This paper provides an overview for the National Assembly's Public Accounts Committee of the counter-fraud landscape across the Welsh public sector. The Committee has expressed an interest in this topic following the recent publication of the 2018 National Fraud Initiative report, which provides some insight into aspects of public sector fraud in Wales but does not provide a robust evaluation of the underlying arrangements for prevention and detection. This paper therefore describes the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact. Details of our audit methods are set out in [Appendix 1](#).
- 10 The paper does not examine the scope or effectiveness of arrangements at a local level. However, the Auditor General, subject to further consultation with the Public Accounts Committee, is minded to undertake a further, more detailed review of those arrangements across The Welsh Government and its sponsored bodies, NHS Wales and Local Government in Wales. This will provide a fuller picture of how the risks of fraud are being identified, evaluated and mitigated across the Welsh public sector. This work is expected to take place over the next 18 months.

Part 1 – The impact and scale of fraud

What is fraud?

- 1.1 The term ‘fraud’ typically describes activities such as theft, corruption, money laundering, conspiracy, bribery and extortion. The UK Fraud Act 2006 sets out three ways in which the crime can be committed:

Exhibit 1: three ways in which the crime can be committed according to the UK Fraud Act 2006



- 1.2 In each case a defendant’s conduct must be dishonest with an intention to make a gain or to cause a loss to another party.
- 1.3 Fraud exists across all sectors, including the public sector. It poses a significant risk to public finances and damages the reputation of public bodies. Fraudsters are often well-resourced, innovative and constantly seeking to exploit weaknesses in systems and controls. Fraudsters do not respect geographical or other boundaries. Fraud is not a victimless crime. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services, and it is often the vulnerable in society who suffer.
- 1.4 At a time of austerity, it is more important than ever for public bodies to ensure that precious resources are not lost to fraud.

What is the cost of fraud?

- 1.5 The Association of Certified Fraud Examiners (ACFE) estimates that organisations lose 5% of their annual revenues to fraud. Extrapolated worldwide, this yields an annual economic loss of £60 trillion². The ACFE recognises that quantifying losses arising from fraud is an incredibly difficult task. No one knows the amount of fraud that goes undetected or unreported. Even for those frauds that do come to light, the full amount of loss is not always known.
- 1.6 A recent report by the Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure³. These estimates are consistent with the findings of the ACFE above.
- 1.7 The UK government reports that the estimated fraud and error loss, outside of the tax and welfare system, cost between £2.7 billion and £20.3 billion in 2016-17³. The report also states that the detected fraud and error loss in UK central government was £191 million in 2016-17 (£105 million in 2015-16). This supports the assertion that reported losses from fraud in the public sector are just the 'tip of an iceberg'.
- 1.8 Unfortunately, there is no breakdown of the above estimate to the devolved administrations in the UK. Applying the Cabinet Office range to annual devolved expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error in the region of £100 million to £1 billion per annum. The detail of how we have arrived at this estimate is set out in [Appendix 2](#).
- 1.9 Various analysts and commentators report that the level of reported fraud is increasing. The most recent KPMG Fraud Barometer⁴ reveals an increase of 78% in the number of fraud cases reaching UK courts in 2018. Over the same time in Wales, the volume of fraud cases rose by 150% with an increasing number of employee frauds. However, it is difficult to determine from the research whether more fraud is happening or whether public bodies are better at detecting it.
- 1.10 These headline figures should be treated with caution. Nevertheless, they do indicate the magnitude of the risk from fraud facing the Welsh public sector.

2 Report to the Nations, 2018 Global Study on Occupational Fraud and Abuse, Association of Fraud Examiners

3 Cabinet Office Cross Government Fraud Landscape Report 2018

4 KPMG Fraud Barometer 2018 - A snapshot of Fraud in the UK

What are the types of fraud and how are they detected?

1.11 There are several types of fraud common in the public sector, as highlighted in **Exhibit 2**. Their perpetrators can come from any level within the organisation as well as from the outside.

Exhibit 2: the main types of fraud in the public sector



Expenses Fraud – involving reimbursement of claims for fictitious expenses eg a travel expense for travel that did not happen or for a personal expense claimed to be for business.



Procurement Fraud – the purchase of goods and services or commissioned construction projects eg price fixing between suppliers to secure business or submitting false, duplicated or inflated invoices.



Planning Fraud – providing dishonest information on a planning application eg inaccurately describing the proposed development.



Accounting Fraud – the intentional manipulation of the financial statements eg overstating assets or not recording liabilities.



Benefits Fraud – providing false information regarding a benefit claim eg failing to disclose that a partner resides at the property or not disclosing all sources of income.



Housing Fraud – providing false information in council or housing association home by application eg not telling the landlord they are renting another council house.



Grant Funding Fraud – an attempt by recipients to deceive the grant paying body about the purpose of the money awarded eg not spending the monies on the purpose for which it was intended.



Payroll Fraud – unauthorised changes to a payroll system eg the creation of a ghost employee or amendments such as changes to salary payments or allowances.



Internal Fraud – fraudulent action by a person internal to an organisation eg theft of assets.



Cyber Crime – frauds committed using networks and computers eg hacking or phishing.



Sector-specific Fraud – including Dental fraud upon the NHS, Blue Badge fraud upon Local Government and tax fraud upon the Welsh Revenue Authority.

Source: Wales Audit Office

- 1.12 The longer a fraud goes undetected the larger its scale and potential implications. The ACFE's most recent study found the median length of a fraud was 16 months. It is therefore important that organisations prevent fraud happening in the first place and to detect fraud as soon as possible. The most successful means of detecting fraud are:
- tip offs (either internal or external whistle-blowers);
 - internal audit; and
 - internal controls, including management review.
- 1.13 It will always be preferable to prevent a fraud, rather than waiting for one to be discovered. Fraud investigations are often complex and time consuming and there is no guarantee of a successful prosecution. This means that the costs associated with investigations are often higher than the amounts recovered. Fraud prevention can reduce the loss faced by organisations both in terms of time and cost by stopping the fraud before it has occurred.
- 1.14 Organisations can mitigate against the risk of fraud by having the right organisational culture supported by effective counter-fraud arrangements. Although organisations need good whistleblowing arrangements, it is also important to have proactive measures in place eg fraud proofing at system design stage, comprehensive internal and external due diligence arrangements and intelligence sharing. Key elements of effective counter-fraud arrangements are set out in [Appendix 3](#).

How can losses from fraud be recovered?

- 1.15 Often recovery does not require the use of formal legal powers. When fraudsters are caught, they will often repay the money on request hoping to avoid heavier sentencing. This is often the case in benefit fraud. Monies can also be repaid through deductions from ongoing benefit payments, where applicable.
- 1.16 Authorities in the UK, including the Crown Prosecution Service (CPS), have powers to seek and confiscate the proceeds of crime, including losses arising from fraud. The CPS has a specialist unit, the CPS Proceeds of Crime Unit, which is dedicated to the confiscation or civil recovery of the proceeds of crime in the UK.
- 1.17 The legal and administrative framework for recovering the proceeds of crime is complex⁵ but there are three main ways in which the proceeds can be recovered as summarised in [Exhibit 3](#).

⁵ Arising under the Proceeds of Crime Act 2002

Exhibit 3: the main ways in which proceeds of crime are recovered

Restraint Orders	<p>A restraint order is obtained to preserve assets until a confiscation order is paid in full. It can be obtained from the Crown Court at any time from the start of an investigation.</p> <p>A restraint order can also be obtained to preserve assets for reconsideration applications and when obtaining confiscation orders against absconded defendants.</p>
Confiscation Orders	<p>A confiscation order is an order of the Crown Court which requires a convicted defendant to pay a sum of money to HM Courts and Tribunal Service.</p>
Civil Recovery	<p>The proceeds of crime can be recovered in civil proceedings in the High Court against property which can be shown to be the proceeds of crime.</p>

Source: Wales Audit Office

- 1.18 In the year ending 31 March 2018, £185 million of criminal proceeds were confiscated in the UK representing an 8% increase compared with the year ending 31 March 2013 (£171 million)⁶.
- 1.19 The recovery of the proceeds of crime, including losses from fraud, is largely dependent on the effective operation of law enforcement authorities, including local police forces. A report published by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in April 2019⁷ concludes that 'outside those organisations that have a specific national-level responsibility for fraud, it is rarely seen as a priority'. The report also concludes that many fraud victims are not receiving the level of service they deserve. HMICFRS has made a number of recommendations to address its concerns.

⁶ Asset recovery statistical bulletin 2012-13 to 2017-18, Criminal Finances Team, Home Office

⁷ [Fraud: Time to Choose – An inspection of the police response to fraud](#)

Who commits fraud?

1.20 Fraud is committed by a range of individuals both internal and external to an organisation as shown in [Exhibit 4](#).

Exhibit 4: the most common perpetrators of fraud

- Employees
- Service Users
- Suppliers
- Contractors
- Sub-contractors
- Benefit recipients
- Opportunist third parties

Source: Wales Audit Office

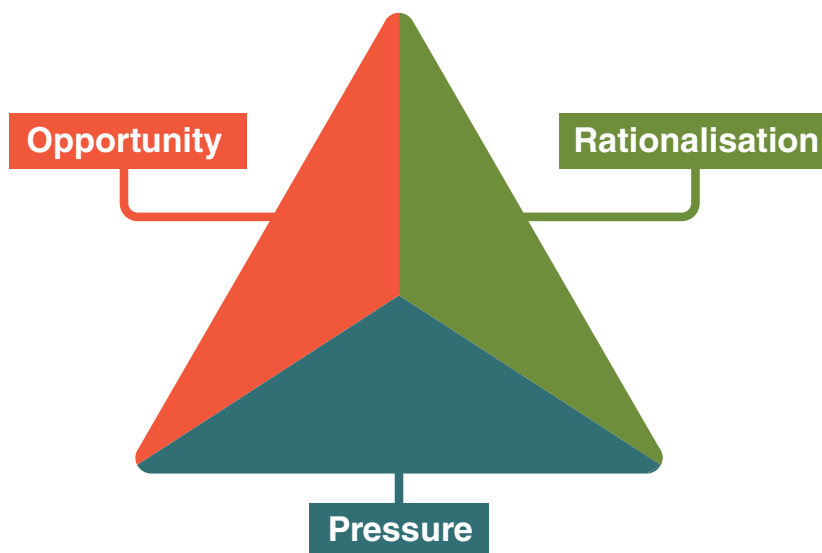
Why do people commit fraud?

1.21 There are many reasons why individuals commit fraud and there is no 'one size fits all' explanation. The Fraud Triangle⁸ is a model which helps explain the circumstances within which **internal fraud** has a greater likelihood of taking place. Internal Fraud is carried out by individuals internal to an organisation eg employees. [Exhibit 5](#) illustrates the Fraud Triangle.

⁸ The Fraud Triangle was developed in the 1950s by Donald Cressey and has been referred to widely ever since.

Exhibit 5: the Fraud Triangle helps explain the circumstances within which fraud has a greater likelihood of taking place

The fraud triangle



Opportunity

Opportunities whereby the individual can secure a way out of their predicament. Examples include weak or absent controls either within their employer, or a third party they can interact with.

Rationalisation

The individual needs to be able to rationalise their actions as understandable or acceptable under the circumstances. Examples include the perceived need to take care of family or the intention to repay amounts stolen in the future.

Pressure

Pressure on the perpetrator which they are unable to resolve through ethical means and a motivation to act on this pressure. Examples include personal debt problems, risk of job loss or a feeling of being overworked and underpaid.

Source: The Fraud Triangle - Donald Cressey




- 1.22 Although the Fraud Triangle applies to internal fraud its theory can also in part be applied to **external fraud**. External fraud is carried out by third parties eg individuals, businesses or organised crime groups. The motivation in these cases can be sheer greed or the desire to finance a cause eg terrorism. The common factor in both internal and external fraud is that there must be an opportunity. Opportunity is also the element that is most directly affected by the systems of controls. The key for public bodies is to minimise the fraud opportunity.
- 1.23 A time of austerity increases the risk of fraud because of greater financial pressures on individuals, often through a combination of pay restraint and increasing costs of living. Such times also increase opportunities for fraud because of lower investment in internal control and heightened grounds of rationalisation, for example by individuals feeling forced into a corner by financial circumstances.

How is fraud committed?

Internal Fraud

- 1.24 The Association of Certified Fraud Examiners has been tracking occupational (internal) fraud for over two decades. Despite significant technological and cultural advances, it maintains that occupational fraud falls into several time-tested categories, as shown in **Exhibit 6**:

Exhibit 6: the most common ways in which fraud is committed

Corruption	Asset Misappropriation	Financial Statement Fraud
<ul style="list-style-type: none"> • Conflict of interest • Bribery • Illegal gratuities • Economic extortion 	<ul style="list-style-type: none"> • Cash • Other assets 	<ul style="list-style-type: none"> • Timing differences • Manipulated revenues • Improper asset valuations • Improper disclosures • Overstated liabilities and expenses 

Source: Derived from Association of Fraud Examiners research

1.25 Factors that contribute to the facilitation of fraud are summarised in the KPMG Fraud Barometer and set out in **Exhibit 7**.

Exhibit 7: factors that contribute to the facilitation of internal fraud

• Collusion circumventing good controls	11%
• Reckless dishonesty regardless of controls	21%
• Weak Internal Controls	61%
• Other	7%

Source: KPMG Fraud Barometer

External Fraud

1.26 In cases of external fraud, fraudsters will look at a system or process where they can gain financial reward and assess where there are weaknesses that can be exploited. These weaknesses could be systems or people. Fraudsters will then assess the likelihood of being detected before attempting the fraud. For these reasons it is imperative that public organisations have appropriate internal control environments to improve the likelihood of frauds being detected and to act as a deterrent to fraudsters. **Case Study 1** highlights a recent example of opportunist external fraud attempted against a Welsh council⁹.

Case Study 1: Fraudulent Council Tax bills

A Monmouthshire resident recently reported that she was targeted by fraudsters, who phoned her, claiming to be from the Council, to inform her she was entitled to a Council Tax rebate. The resident reported that the caller was very convincing.

Monmouthshire Trading standards have said that scammers know the full name and address of the people they are calling and have estimated that only 5% of people targeted by this type of fraud actually report it to authorities often because of embarrassment.

Fraudsters refer to the fact that residents should have received a notification of their updated council tax and are entitled to a refund because they have been allocated an incorrect band.

Councils across Wales have been urging residents to be aware of potential fraudsters calling to claim that residents are entitled to a Council Tax rebate. Such calls are used to harvest personal information, including banking details, and can result in personal financial losses.

⁹ www.bbc.co.uk/news/uk-wales-47766983

How are fraud risks evolving?

- 1.27 The fraud landscape is dynamic. Fraudsters adapt and evolve to exploit any available opportunities no matter how unsavoury, as highlighted in [Case Study 2](#).

Case Study 2: prosecutions arising in the aftermath of the Grenfell Fire Tragedy

The June 2017 Grenfell Tower fire tragedy in London provided opportunities for fraudsters. Some individuals submitted false claims for rehoming and support despite having never lived in Grenfell Tower.

A council finance manager admitted in court to the defrauding of around £60,000 from the Grenfell Tower fund. The money was intended for victims of the fire. The perpetrator was jailed for five and a half years in September 2018.

- 1.28 Fraudsters do not respect geographical boundaries, more so in a digital age. New fraud threats are continually emerging both globally and nationally.
- 1.29 PricewaterhouseCoopers' (PwC) most recent global economic crime survey¹⁰ finds that cyber crime is now the most common fraud for UK businesses, overtaking asset misappropriation for the first time since the survey began. Cyber-attacks are an alternative means to commit traditional frauds such as theft of assets, cash or intellectual property. The PwC survey shows that only 25% of their respondents have a specific cyber security programme in place for their business.
- 1.30 A recent National Audit Office report¹¹ estimates that there were 1.9 million cases of cyber-related fraud in England and Wales for the year ended 30 September 2016. In response to the emerging threat posed by online fraud, the UK government has created a National Cyber Security Centre and published the National Cyber Security Strategy 2016-2021.
- 1.31 The KPMG Fraud Barometer¹² also shows a significant fraud risk arising from Brexit. Criminals can exploit weaknesses in new customs and tax arrangements, grant funding schemes and their accompanying IT systems.

10 PwC Global Economic Crime Survey 2018: UK findings

11 NAO Online Fraud Report June 2017

12 KPMG Barometer 30 years of tracking fraud December 2017


Part 2 – Overview of counter-fraud arrangements within the Welsh public sector

- 2.1 This section sets out an overview of counter-fraud arrangements currently in place within the Welsh public sector. We describe the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact. We have not tested the scope or effectiveness of these arrangements as part of this audit.
- 2.2 However, the Auditor General is minded to undertake a further review across the Welsh Government, the NHS and Local Government in Wales to get a better picture of how the risk of fraud is identified, evaluated and mitigated. This work is expected to take place over the next 18 months.

Welsh Government

- 2.3 A dedicated Counter Fraud team is responsible for coordinating the counter-fraud arrangements across the Welsh Government. **Exhibit 8** sets out the role and work of the team in more detail.

Exhibit 8: overview of the counter-fraud arrangements within the Welsh Government



<p>Resources</p> 	<ul style="list-style-type: none">• The Welsh Government currently has a Counter Fraud team comprising 1.5 Full-Time Equivalent (FTE) staff.• Prior to 2010 the Welsh Government had no dedicated resource for counter-fraud. In March 2010, the Welsh Government employed a Head of Counter Fraud to coordinate counter-fraud arrangements across the Welsh Government.• In 2015, 14 staff from across the Welsh Government received CIPFA Accredited Counter Fraud Technician training, although most of these have since moved posts and none have provided support to the Counter Fraud team.• In early 2017, the Welsh Government reviewed its counter-fraud resources and redeployed an IT auditor to support the Head of Counter Fraud on a half-time basis.• The Counter Fraud team also receives fraud investigation support from multi-disciplinary teams within the Welsh Government, and the Welsh European Funding Office and from the Internal Audit Service.• In November 2017 a Government Internal Audit Agency report¹³, commissioned by the Permanent Secretary, reviewed the counter-fraud arrangements within the Welsh Government. Although this report concluded that the counter-fraud team was under-resourced, no additional resources have been made available.
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13 Government Internal Audit Agency, Review of Approach to Counter Fraud, November 2017

Work and Collaboration



- The Welsh Government's Counter Fraud team's work is largely reactive in nature, dealing with investigations as they arise. Each fraud case is complex and can take a considerable amount of time to investigate. Under a Memorandum of Understanding with the four Welsh police forces, the Counter Fraud team produces an evidential package before referring a case to the police for further investigation.
- The Counter Fraud team does not have powers under the Proceeds of Crime Act 2002, and so relies on the police to conduct financial investigations and to pursue confiscation and recovery following a successful conviction.
- The Counter Fraud team only undertakes a limited amount of proactive work. The team recognises that more proactive work would be beneficial in helping to prevent and/or detect fraud. However, there are limited resources and so the team has to prioritise its reactive investigation work.
- The Counter Fraud team is responsible for providing training and disseminating information relating to fraud cases to key individuals across the Welsh Government. The team provides ad-hoc workshops across the Welsh Government pan-Wales in response to significant fraud cases.
- Policy departments across the Welsh Government complete fraud risk assessments and submit them to the Counter Fraud team. These assessments identify the key fraud risks for each policy area. The Counter Fraud team reviews these risk assessments to ensure appropriate arrangements are in place to deal with the risks identified.
- New cases of potential fraud cases are referred to the Counter Fraud team through various channels including a dedicated counter-fraud hotline and mailbox, whistleblowing correspondence, the Wales European Funding Office and the Police.
- The Welsh Government is a member of Cifas (see [Appendix 4](#)) and has access to the National Fraud Database. The Counter Fraud team has provided training to around 200 staff across the Welsh Government in the use and analysis of Cifas data to improve the due diligence checks undertaken for grant funding. Around 80 of these staff have access to the Cifas system.
- The Counter Fraud team undertakes several data-matching exercises which seek to proactively identify fraud across the Welsh Government. The team engages with the Wales Audit Office, Cabinet Office, Rent Smart Wales and local authorities in relation to these programmes.
- The Counter Fraud team regularly engages with the Welsh Government's Grants Centre of Excellence to provide advice for new grant projects and training on due diligence.
- The Counter Fraud team also works in collaboration with other agencies including counter-terrorism units, the National Crime Agency, Trading Standards and HMRC. The Head of Counter Fraud is a member of the Government Agency Intelligence Network (GAIN) and is also Deputy Chair of the Wales Fraud Forum.

<p>Scrutiny</p> 	<ul style="list-style-type: none"> • All suspicions of fraud at the Welsh Government are referred to its External Assurance Panel, which meets every six weeks. The Panel is responsible for overseeing and monitoring cases of fraud, and for authorising the Head of Counter Fraud to refer appropriate cases to the police. • Panel members include the Head of Counter Fraud, the Head of Audit, Assurance & Counter Fraud, the Director of Governance, representatives from the Grants Centre of Excellence and from each operational team across the Welsh Government. • The Permanent Secretary's Audit and Risk Assurance Committee (ARAC) receives high level information on suspected fraud cases as part of the Internal Audit update on a quarterly basis. • The Counter Fraud Manager previously reported directly to the ARAC on an ad-hoc basis. These reporting arrangements have recently changed. An update on counter-fraud work is now included as part of the Internal Audit update, at more summarised level than previously reported. The Counter Fraud Manager does not currently provide ARAC with an update on specific cases in progress, although this arrangement is currently under review.
<p>Impact</p> 	<ul style="list-style-type: none"> • The Welsh Government does not collate information on total losses and recoveries. However, the Head of Counter Fraud retains data from convicted cases over the last nine years in respect of losses, recoveries and sentences. In addition, some recoveries are made through claw-back and civil recovery. • Proceeds of Crime Act investigations after conviction can take three or four years to conclude, and there are three live cases currently. • Recoveries of losses by the Welsh Government are often difficult where organisations enter administration and assets can be hard to pursue. • The Counter Fraud team has investigated and identified many cases of fraudulent activity in recent years. Case Studies 3 and 4 provide two notable examples.

Source: Wales Audit Office

Case study 3: Welsh Government Counter Fraud team investigation – Express Motors, 2018

The Express Motors case involved the abuse of the concessionary bus pass scheme in Wales by the company's Directors. They instructed drivers to make additional swipes of bus passes to enhance the number of journeys they could claim for. In doing so the claims submitted to Gwynedd Council were false. The Directors gained personally through the additional monies (£500,000) received from the council.

The investigation, conducted jointly by the Welsh Government Counter Fraud team and North Wales Police, took four years. North Wales Police set a high threshold, that they would only consider abuse if a specific pass was used ten or more times on any one day on ten days or more.

Following completion of the cases, five directors were convicted and sentenced to a total of 29 years imprisonment. Concessionary bus pass usage in Gwynedd dropped by 34%, and by 5% across Wales. The fraud occurred over a lengthy period and the Judge commented that it was almost certain that the entirety of the fraud had not been identified.

Case Study 4: Welsh Government Counter Fraud team investigation – Dragon, 2019

The Dragon case relates to funding made to three associated companies to establish a processing plant in Port Talbot. The plant was intended to produce rag worm for the fishing industry and subsequently become the world's largest supplier of rag worm bait for the industry. Deliverables included building ponds, producing bait, creating jobs and making profit.

However, the defendant failed to carry out his obligations. The venture created only a fraction of the jobs expected, and the monies were used for purposes other than those intended by the Welsh Government.

The Welsh Government's Head of Counter Fraud commenced investigating the Dragon companies in early 2010 when he noticed some suspicious irregularities. His suspicions increased when the MP for Carmarthen West and South Pembrokeshire raised concerns he had received from his constituents. These concerns focussed on the lack of progress and jobs created despite extensive funding from the Welsh Government.

The investigation identified, among many other things, that the ponds were claimed to be a specialist build undertaken by the only company with appropriate expertise. In fact, this company was owned and run by family members and the pond design and construction required no specialist expertise. It also found that the project claims included a fictitious invoice for £0.4 million and that inaccurate information had been provided for monitoring purposes.

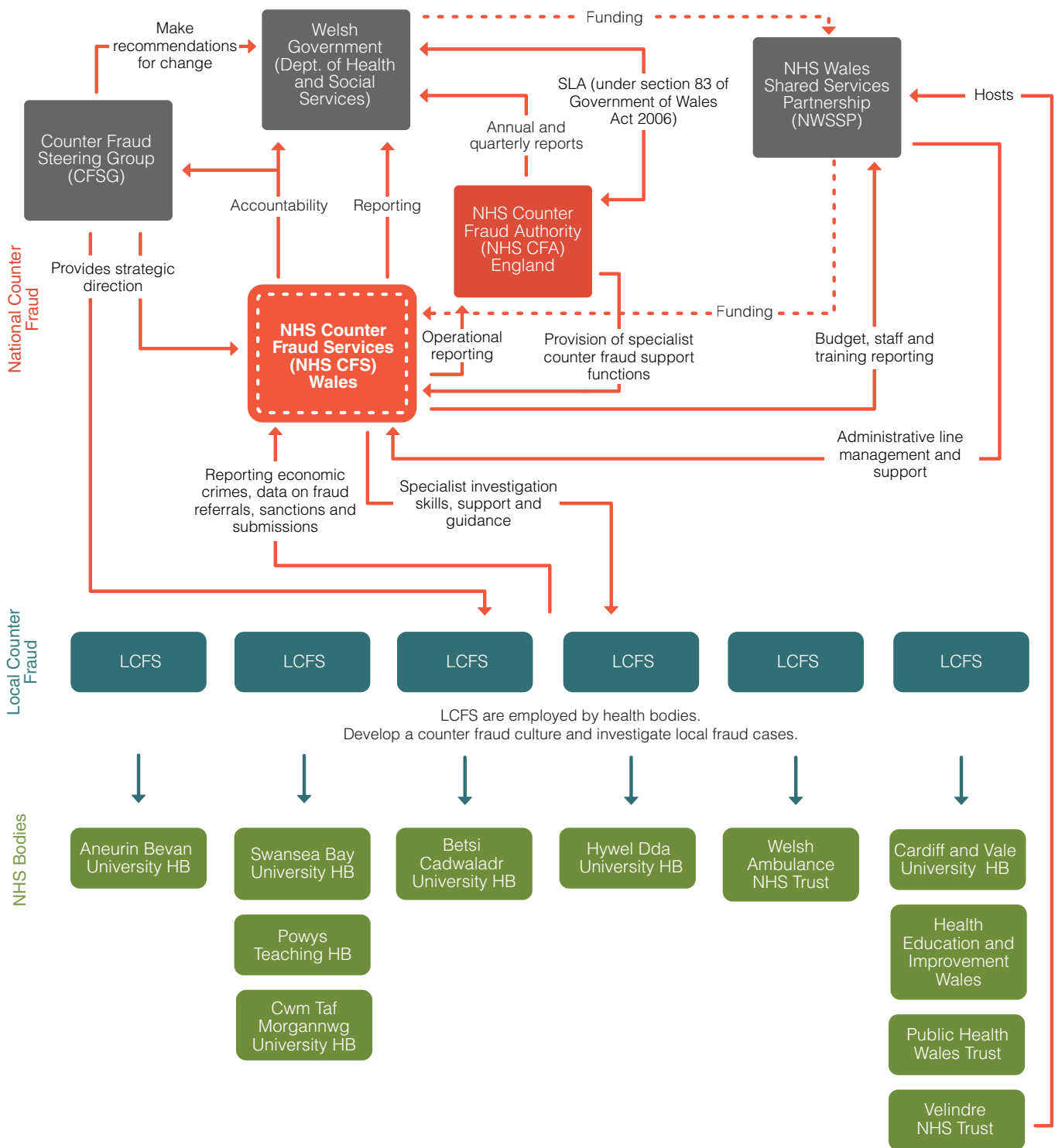
The defendant pleaded guilty to defrauding the EU and the Welsh Government of £4.7 million. In May 2019, he was sentenced to three years and nine months in prison.

The NHS in Wales

2.4 The Welsh Government retains overall responsibility for development and implementation of a strategy to combat crime in the NHS in Wales. It draws on three sources of resources and expertise to deliver counter-fraud services within NHS Wales, as shown in [Exhibit 9](#):

- The NHS Counter Fraud Authority (NHSCFA) – see [paragraphs 2.6 to 2.9](#);
- NHS Counter Fraud Services Wales (NHSCFS) Wales – see [paragraphs 2.10 to 2.11 and Exhibit 10](#); and
- Local Counter Fraud Specialists (LCFS) – see [paragraphs 2.12 to 2.13 and Exhibit 11](#).

Exhibit 9: the structure of counter-fraud services in NHS Wales



Source: Wales Audit Office

- 2.5 In 2001, the (then) Welsh Assembly Government launched the document 'Countering Fraud in NHS Wales' and issued Directions on counter-fraud measures to all health bodies in Wales. This resulted in the creation of the NHS Counter Fraud Service (NHSCFS) Wales Team, funded by the Welsh Government, and the requirement for all health bodies to nominate an accredited Local Counter Fraud Specialist (LCFS).

The NHS Counter Fraud Authority (NHSCFA)

- 2.6 In 2017 Welsh Ministers and the newly established NHS Counter Fraud Authority England (NHSCFA) entered into a new service level agreement under section 83 of the Government of Wales Act 2006. Under this agreement, the NHSCFA provides specialist counter-fraud services to Wales including IT support, intelligence, quality assurance and guidance.
- 2.7 The NHS Counter Fraud Authority is a specialist authority dedicated to identifying, investigating and preventing fraud and other economic crime within the NHS across England. The NHSCFA is independent from other NHS bodies and is directly accountable to the Department of Health and Social Care (DHSC) in England.
- 2.8 The NHSCFA sets national standards and provides policies and guidance (including the NHS Counter Fraud Manual) to support NHS bodies across England and Wales to implement effective local counter-fraud arrangements. It also conducts an Annual Quality Assurance assessment of LCFS resources at each NHS Wales body, and has commented positively on the structure, performance standards and quality of counter-fraud work across NHS Wales.
- 2.9 The NHSCFA submits quarterly reports to the Welsh Government, which enable Welsh Ministers to monitor the performance of the NHSCFA against the agreed annual service level agreement for the provision of specialist support services. The NHSCFA produces an annual report which is shared with Welsh Ministers, the NHS Wales Directors of Finance and the Counter Fraud Steering Group.

The NHS Counter Fraud Service in Wales

- 2.10 The NHS Counter Fraud Service (NHSCFS) Wales provides specialist criminal investigation and financial investigation services to all health bodies in Wales. Funded by the Welsh Government, the NHSCFS Wales team provide an operational lead for NHS Wales and the Welsh Government, to help ensure a consistent approach to counter-fraud work across NHS Wales.
- 2.11 **Exhibit 10** sets out the role and work of the NHS Counter Fraud Service in Wales in more detail.

Exhibit 10: overview of the counter-fraud arrangements within NHS Counter Fraud Service in Wales

Resources





- The NHS Counter Fraud Service (NHSCFS) Wales team comprises seven FTE experienced investigators.
- The team includes two accredited Financial Investigators who have the powers to recover funds from convicted fraudsters. They use investigation and restraint powers under POCA 2002 when appropriate.
- The NHSCFS Wales Manager is professionally accountable to the Head of Operations of the NHSCFA.
- NHSCFS Wales is a division of the NHS Wales Shared Service Partnership. The NHSCFS Wales team is employed by Velindre NHS Trust.

Work and Collaboration



- The main role of the NHSCFS Wales team is to investigate and prosecute serious, complex, or large-scale economic crime cases (fraud, corruption and bribery) within NHS Wales. Such cases may involve more than one health body and may cover both England and Wales.
- The NHSCFS Wales team investigates all cases in line with the NHS Anti-Fraud Manual and all relevant criminal law, and consider appropriate criminal, civil or disciplinary sanctions.
- The NHSCFS Wales team also provides specialist investigation skills, support and guidance to the LCFS network across NHS Wales. This includes cases which potentially involve senior executives and/or management at health bodies, where independent assurance is required as LCFS staff report to Directors of Finance.
- Although most of the team's activity is reactive and involves investigative work, NHSCFS Wales also undertakes proactive work such as presentations to NHS staff. These raise awareness of potential fraud risks and the reporting routes for any concerns.
- The NHSCFS Wales team facilitates information sharing on good practice and promotes general awareness of counter-fraud work and developments across NHS Wales.
- The team maintains a case management system and hosts a good practice exchange forum twice a year for LCFS staff, where specialist trainers from the NHSCFA in England provide updates on criminal justice issues and professional accreditation refresher training.
- The team also delivers regular fraud awareness training to key NHS Wales staff and stakeholders highlighting potential crime risks and addressing relevant system weaknesses.
- The team regularly engages with the police services when police arrest or search powers are necessary. The team also works closely with the National Crime Agency in relation to financial and money laundering investigations. Relevant investigative information is also shared with medical professional regulatory and disciplinary bodies when appropriate.
- The NHSCFS Wales team can refer its cases directly to the Crown Prosecution Service for independent consideration of criminal prosecution action. The team also reviews and approves LCFS prosecution files prior to their submission to the Crown Prosecution Service.

<p>Scrutiny</p> 	<ul style="list-style-type: none"> • The Counter Fraud Steering Group (CFSG) provides the prime governance and oversight for counter-fraud arrangements for NHS Wales.¹⁴ • The CFSG meets quarterly, with attendees including representatives from the Welsh Government, NHS Wales Finance, NHSCFA, NHSCFS Wales, the Chair of the NHS Wales Audit Committees and internal and external audit. • The NHSCFS Wales Manager completes a risk-based annual work plan and submits it to the NHSCFA's Head of Operations for review. This work-plan highlights the potential areas of risk, based on intelligence data and identifies proactive priorities across NHS Wales. The CFSG reviews and endorses the work plan. • The NHSCFS Wales team updates the Welsh Government, NHSCFA and relevant Finance Directors on any significant case developments as well as producing a quarterly case report for each of their ongoing investigations. The NHSCFS Wales team also produces quarterly consolidated economic crime investigation data for NHS Wales. • The NHSCFS Wales team reports to the CFSG every quarter who then make recommendations to NHS Wales Directors of Finance and to the Welsh Government. • The NHSCFS Wales team's activities are subject to inspection review and scrutiny by the NHSCFA's Governance and Assurance Manager. • The NHSCFS Manager reports on counter-fraud work, including resources and sanctions secured, to the Health and Social Services Group within the Welsh Government.
<p>Impact</p> 	<ul style="list-style-type: none"> • During 2018-19, there were 23 referrals investigated by NHSCFS Wales. The team secured four criminal convictions, one internal disciplinary and nine civil recoveries which led to £380,000 being recovered for NHS Wales. • During the five-year period 2014-19, NHSCFS Wales and the LCFS teams have jointly recovered a total of £2.3 million for NHS Wales and have together secured 64 criminal convictions, 177 civil recoveries and 147 disciplinary sanctions. • There is currently no comprehensive analysis of specific fraud risks, which may result in counter-fraud resources not being directed to the most appropriate areas. The CFSG is leading work to develop an analysis which will inform the future allocation of resources. • The NHSCFS Wales team has investigated several significant fraud cases in recent years. Case Studies 5 and 6 provide two notable examples.

Source: Wales Audit Office

14 A sub-group of the NHS Wales Directors of Finance Group, chaired by the Director of Finance and Corporate Services of the NHS Wales Shared Services Partnership

Case study 5: NHSCFS Wales investigation – Powys Teaching Health Board

A temporary Project Manager at Powys Teaching Health Board established a private company through which he submitted bogus invoices totalling £822,000 to his employer using false names.

The Powys fraud case was an anonymous referral received by the NHS CFS Fraud and Corruption reporting line in June 2015.

The perpetrator was assisted in this fraud by two other employees. In October 2018, the three individuals were convicted of Fraud and Money Laundering. The instigator was sentenced to seven years imprisonment, and the others to four and three years imprisonment respectively.

Proceeds of Crime Act 2002 confiscation proceedings are currently in progress with a view to recovering the money defrauded from the Health Board.

Case study 6: NHSCFS Wales investigation – Overpayment of Salary to NHS Nurse

A nurse was mistakenly paid a monthly salary for 17 months after she left her job and failed to disclose the error to her former employer.

The nurse stopped working at Cwm Taf University Health Board in January 2017 but was paid her monthly salary in error up until May 2018. This led to overpayments of £25,000. Instead of alerting her previous NHS employers to the continued salary payment error, the nurse decided to keep the money, which she then spent.

The error came to light during a review of salary payments and the case was then referred to NHS Counter Fraud Service Wales for investigation.


The nurse pleaded guilty to theft and was given a sentence of six months in prison, suspended for 12 months. She was ordered to carry out 200 hours of unpaid work and to attend a rehabilitation course. The nurse was ordered to repay the amounts overpaid at a minimum of £250 per month back to Cwm Taf University Health Board.




The Local Counter-Fraud Specialists in Wales

2.12 Individual health bodies are responsible for dealing with their own counter-fraud matters at a local level. Each health body in Wales has a nominated Local Counter Fraud Specialist employed by the health body who, either on their own or as part of a team, investigates smaller value fraud cases within their own health bodies.

2.13 **Exhibit 11** sets out the role and work of the Local Counter Fraud Specialists at health bodies in more detail.

Exhibit 11: overview of the Local Counter Fraud Specialists at health bodies

<p>Resources</p> 	<ul style="list-style-type: none">• Welsh Government Directions require each local health board in Wales to appoint and train at least one Local Counter Fraud Specialist (LCFS). Each LCFS is accredited by the Counter Fraud Professional Accreditation Board.• There is no regulatory requirement for health bodies to have more than one LCFS and no benchmark for the level of resource that should be invested. This has resulted in a variation in the resourcing levels at health boards.• The Local Counter Fraud Specialists are employed by health bodies in Wales and are usually based at the relevant health body. Not all health bodies employ their own LCFS directly, some buy in the service from another health body.• The Director of Finance at each local health board makes decisions relating to recruitment of LCFS, and the NHSCFS Wales Manager assists with the recruitment process.• The total number of LCFS staff in Wales has increased from 14.3 FTE in 2014-15 to 18.2 FTE in 2018-19.
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<p>Work & Collaboration</p> 	<ul style="list-style-type: none"> • The LCFS acts as the focal point for all economic crime matters within each health body. The Fraud, Bribery and Corruption Standards drive this work, which are set and updated annually by the NHSCFA. • LCFS staff are responsible for the initial investigation of all allocated allegations of economic crime affecting their NHS bodies. These are often the less complex economic crime referrals, but LCFS investigations frequently secure appropriate criminal, civil and disciplinary sanctions. • LCFS are also responsible for developing the counter-fraud culture at their respective health bodies. They host presentations and workshops within their NHS bodies to raise awareness of economic crime risks, the counter-fraud arrangements within their health body and the ways in which NHS Wales staff should report any concerns. • The LCFS also undertake prevention and deterrence work which highlights successful investigation outcomes, and also make recommendations to improve NHS Wales control systems so that opportunities to commit offences can be minimised. • Each LCFS is required to complete a four-week accreditation course, funded by NHS Wales and sourced from independent training providers. All LCFS staff receive continuing professional development training from the NHSCFA.
<p>Scrutiny</p> 	<ul style="list-style-type: none"> • LCFS report on their work plans and progress reports to their health body's Audit Committee, and occasionally call on the support of NHSCFS Wales if required to update on a specific case. • LCFS are directly accountable to the Finance Directors at their health bodies. • It is the responsibility of the Director of Finance and the LCFS to keep their Audit Committee informed of the progress of economic crime investigations and outcomes.
<p>Impact</p> 	<ul style="list-style-type: none"> • During 2018-19, 129 cases were allocated to LCFS for investigation, and their work led to recoveries of £142,364 for NHS Wales. Their investigations also resulted in 12 criminal sanctions, 30 disciplinary sanctions and 27 civil recoveries. • The LCFS have investigated several significant fraud cases in recent years. Case Studies 7 and 8 provide two notable examples.

Source: Wales Audit Office

Case study 7: LCFS Wales – Clinical Research Fellow in Cardiff & Vale area

A doctor was employed on a two-year contract as a full time Clinical Research Fellow at Cardiff & Vale University Health Board where he was contracted to work 40 hours per week split equally between clinical duties and research work.

Information received indicated that the subject was not conducting any of his research work. The issue was referred for investigation and it was confirmed that the subject was working lucrative hours as a locum doctor when he should have been completing his research work for the health body.

When interviewed, the doctor admitted the offences, he was subsequently charged with multiple fraud offences and appeared at Cardiff Crown Court, where in March 2018 he was sentenced to eight months imprisonment suspended for six months. He was also ordered to repay £55,733 in compensation with £2,000 investigation costs and a £115 victim surcharge. The individual is no longer employed by the health body and the issue has been referred to the General Medical Council.

Case study 8: LCFS Wales investigation – Student Nurse in Cwm Taf area

A former student nurse repeatedly submitted false information over several years when applying for student finance related funding. The mature student claimed that she was a single mother living with her two children in order to receive enhanced bursary funding and DWP benefits when she was actually living with her husband who was in full employment.

The joint investigation with DWP confirmed the false bursary and benefit claims and she was charged with multiple fraud and forgery offences. The subject appeared at Merthyr Crown Court where she pleaded guilty and was sentenced on 18 October 2017 to a 24-month custodial sentence; the husband was also sentenced to six months imprisonment for assisting the commission of the offences. Action under the Proceeds of Crime Act 2002 is ongoing to recover the proceeds of the frauds from the subjects.

Local Government

- 2.14 There are 22 Unitary Local Authorities in Wales. Each is a corporate body responsible for exercising the functions devolved to them under the Local Government (Wales) Act 1994.
- 2.15 These elected councils are responsible for policy formulation and determining spending priorities. Accordingly, each council determines how much resource to allocate to counter fraud and what policies and strategies they wish to follow.
- 2.16 The counter-fraud landscape across Local Government differs markedly from the NHS and Central Government in Wales. There is no all-Wales team responsible for local government counter-fraud or an overarching strategy or policy framework. Arrangements vary widely from council to council.
- 2.17 **Exhibit 12** sets out the key aspects of counter-fraud arrangements within Welsh councils.

Exhibit 12: overview of the counter-fraud arrangements currently within Welsh councils

Resources



- Austerity measures and pressures on budgets have led to a reduced internal capacity to investigate fraud and corruption at many councils.
- Most councils no longer have a dedicated council-wide counter-fraud team or resource.
- Leading up to 2014 all councils had dedicated counter-fraud arrangements primarily organised around the identification of benefit fraud and error. However, in 2014, a national Single Fraud Investigation Service (SFIS) for benefit fraud was established within the Department for Work and Pensions (DWP), and most of the skilled fraud investigators who transferred across to the DWP have not been replaced by councils.
- While some councils have retained a dedicated counter-fraud resource, internal audit has filled the gap elsewhere. However, not all internal audit teams have received formal training and many teams lack counter-fraud experience.
- In councils where internal audit undertake the investigations, increases in volume often means they do not deliver other programmed work on time due to limited resources.
- Our 2018 National Fraud Initiative (NFI) report found considerable variation in the level of commitment being shown by participants and, in a small number of cases, participants failed to adequately review NFI matches in an effective or timely manner.

<p>Work and Collaboration</p> 	<ul style="list-style-type: none"> • Individual councils are responsible for developing their own counter-fraud policies and culture. • Councils tend to focus more on investigations rather than prevention due to a lack of resources and competing priorities. • There are examples of where councils undertake some proactive work and raise awareness both internally and externally, but this is not widespread. • Generally, councils prioritise potential fraud cases as and when they arise, but the numbers of cases are difficult to predict. • A Welsh Chief Auditors group meets twice a year and participants view this as an effective means of discussing common issues. However, counter-fraud is not a standing agenda item for this forum. • There are some informal local networks in regions eg North Wales Chief Auditors, South Wales creditors group which act as an additional forum to discuss counter-fraud issues. Some councils are members of the National Anti-Fraud network which provides fraud alerts to members. • Councils recognise the benefit of collaboration and having a more holistic approach as well as the opportunities to share resources, skills and work across boundaries. However, barriers of time, cost and data sharing sensitivities, are some of the reasons preventing this from happening. Although collaboration could ultimately lead to cost savings there are conflicting short-term demands in times of austerity. • Councils have some links with CIPFA and often use its published information for example the Fighting Fraud Locally Strategy. However, councils' proactive engagement with CIPFA is limited. On cost grounds, only two councils have subscribed to the CIPFA Counter Fraud Centre.
<p>Scrutiny</p> 	<ul style="list-style-type: none"> • Councils typically provide information to their respective Audit Committees on cases of identified fraud and investigations. However, this information varies in terms of format and frequency.
<p>Impact</p> 	<ul style="list-style-type: none"> • Aggregate information on identified losses and types and incidence of fraud, sanctions and recoveries is not currently collected across the councils. • Information about new or novel frauds is not formally shared between councils to raise awareness and strengthen counter-fraud controls.

Source: Wales Audit Office

The National Fraud Initiative

- 2.18 The Welsh Government, several Welsh Government Sponsored Bodies, NHS and local government bodies in Wales all participate in the National Fraud Initiative (NFI). NFI is a data-matching tool which enables organisations to identify and investigate data anomalies that may be due to fraud. The Auditor General for Wales administers NFI in Wales, Audit Scotland in Scotland and Northern Ireland Audit Office in Northern Ireland. The former Audit Commission administered NFI in England until 2015, when responsibility transferred to the Cabinet Office.
- 2.19 The NFI has established itself as the UK's premier public-sector fraud-detection exercise. The design of the system allows the matching of different sets of data to identify possible fraudulent or erroneous claims and payments. Where the NFI system identifies a match, it may indicate an inconsistency which requires further investigation; it is not in itself evidence of a fraud. Participating organisations receive online reports containing the matches which relate to their organisation and they are responsible for analysing those matches.
- 2.20 Since 1996, the NFI has identified more than £35 million of fraud and overpayments in Wales, and nearly £1.7 billion across the UK. The information submitted is wide-ranging and includes data relating to housing benefits, student-loan recipients, payroll and pension payments.
- 2.21 The most recent NFI report concluded that although most participants have an effective approach for managing the NFI and reviewing data matches, there is still considerable variation in the level of the participants' commitment and, in a small number of cases, participants have failed to adequately review NFI matches in an effective or timely manner.
- 2.22 **Case Studies 9 and 10** provide examples of actions taken by local authorities in response to NFI data matches.

Case study 9: National Fraud Initiative (NFI) – City and County of Swansea occupational pension fraud

The City and County of Swansea reviewed NFI matches released in January 2017 between persons in receipt of occupational pensions paid by the Council and DWP records of deceased persons.

Checks were undertaken to confirm that the matched parties were the same. Where this was the case, further checks were undertaken to confirm that the pension was still in payment and whether pension records had been updated to record that the pensioner had died. Where pensions were still in payment after the date of death, payments were suspended, and attempts made to trace the next of kin. Eligibility forms were also sent out as a means of determining continued eligibility.

Because of the review, 26 cases were identified where incorrect pension payments were being made, and the Council is seeking to recover the overpayments. In one case, the pension overpayment amounted to £10,058. A further 11 pensions remain suspended, pending ongoing investigations to trace next of kin.

Case study 10: Caerphilly County Borough Council duplicate payments to creditors

Caerphilly County Borough Council undertook a review of NFI creditor payment matches to identify and investigate potential duplicates.

Several duplicates were identified which had already been recovered by means of supplier credits or refunds, but a number of unrecovered duplicates were also identified through this exercise. Thirty-seven unrecovered duplicated payments were identified with a total value of £60,534.

The Council has recovered, or is seeking to recover, all the duplicate payments identified and is continuing to review its systems and procedures to prevent overpayments in the future.

The Wales Fraud Forum

- 2.23 There is one other organisation in Wales that plays a role in counter-fraud; the Wales Fraud Forum¹⁵. This is a not for profit company run by a strategic board of volunteers from public and private sectors within Wales. The Wales Fraud Forum does not receive funding or employ staff, but its members have formed a steering group. The steering group uses its limited available time to:
- promote fraud awareness amongst its membership, organisations and individuals throughout Wales;
 - promote an open and co-operative environment between the membership in both public and private sectors;
 - establish a sound working relationship with similar forums in the UK and overseas and develop fraud prevention strategies for Wales in line with the UK's national fraud strategies;
 - provide the opportunity through feedback and surveys to assess the general effectiveness of Wales Fraud Forum initiatives; and
 - organise conferences and master classes on subjects relating to the fight against fraud.
- 2.24 The steering group is working towards creating a good practice culture by encouraging and developing anti-fraud strategies for members to utilise. It also aims to identify fraud risks and define methods to promote awareness and shared good practice, to enable its membership to effectively manage fraud.
- 2.25 Membership of the steering group includes a varied mix from the private and public sectors. There is a representative from the NHS and the Welsh Government on the group but there is currently no Local Government representative.
- 2.26 Details of some other counter-fraud organisations operating across England and Wales are set out in [Appendix 4](#).

¹⁵ www.fraudforum.wales/

Appendices

Appendix 1 – Audit Methods

Document reviews

We reviewed and reflected on the cumulative audit knowledge held within the Wales Audit Office regarding counter-fraud arrangements within the Welsh public sector. This included our previous work on the National Fraud Initiative and any recent local audit work on this topic.

We undertook a literature review on the topic of counter-fraud both generally and specific to the UK public sector. This included the following publications:

- Association of Fraud Examiners: Report to the Nations, 2018 Global Study on Occupational Fraud and Abuse
- Cabinet Office: Cross Government Fraud Landscape Report 2018
- KPMG: Fraud Barometer 2018 - A snapshot of Fraud in the UK
- Home Office, Criminal Finances Team: Asset recovery statistical bulletin, 2012-13 to 2017-18
- PricewaterhouseCoopers (PwC): Global Economic Crime Survey 2018: UK findings
- National Audit Office: Online Fraud report, June 2017
- Government Internal Audit Agency: Review of Approach to Counter Fraud, November 2017
- NHS Counter Fraud Authority: Wales Annual Performance Report, Annual Summary Report 2017-18
- CIPFA Counter Fraud Centre: Fighting Fraud and Corruption Locally, 2016-19 Checklist
- CIPFA Counter Fraud Centre: Counter Fraud Assessment Tool, 2015
- CIPFA Counter Fraud Centre: The local government counter-fraud and corruption strategy, 2016-2019
- National Fraud Initiative in Wales, Report 1 April 2016 to 31 March 2018
- The Government Counter Fraud Profession: Protecting public services and fighting economic crime
- Northern Ireland Audit Office: Managing Fraud Risk in a Changing Environment, 17 November 2015
- NHS Counter Fraud Authority: Wales Annual Performance Report, Annual Summary Report 2017-18
- NHS Wales: Fighting Fraud Strategy

Interviews

We had discussions with fraud specialist colleagues within the Wales Audit Office and conducted structured interviews with representatives from the following organisations:

- The Welsh Government's Counter Fraud team
- The NHS Counter Fraud Service Wales team
- Representatives from eight Welsh councils with a lead role in counter-fraud and fraud investigation
- The Wales Fraud Forum

We have also held discussions with representatives from the following organisations:

- Chartered Institute of Public Finance and Accountancy (CIPFA) in Wales
- The CIPFA Counter Fraud Centre
- The Welsh Local Government Association
- Cabinet Office Centre of Expertise for Counter Fraud
- Government Counter Fraud Profession

Appendix 2 – Arriving at an estimate for the cost of fraud to the Welsh public sector

The Association of Certified Fraud Examiners (ACFE) recognises that counting the cost of fraud is an incredibly difficult task, given the number of unknown factors required to make such an estimate. 'No one knows the amount of frauds that go undetected or unreported, and even for those frauds that do come to light, the full amount of loss might never be calculated. Such limitations mean that any attempts to quantify the global amount of fraud will be imperfect'.

The global cost of fraud

The ACFE has attempted to answer this question by surveying more than 2,000 anti-fraud experts who together have investigated hundreds of thousands of fraud cases. On this basis, the ACFE estimates that organisations lose 5% of their annual revenues to fraud. Applying this percentage to the gross world product yields a potential loss of £60 trillion annually.

The cost of fraud to the UK

A recent report by the UK Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure. The top end of these estimates is consistent with the findings of ACFE above.

The cost of fraud to Wales

Whilst it is difficult to quantify fraud losses both globally and nationally, it is even more difficult to find reliable estimates for the cost of fraud within the Welsh public sector. There is no annual survey or review undertaken to try and answer this question let alone break this down further either by sector or type of fraud.

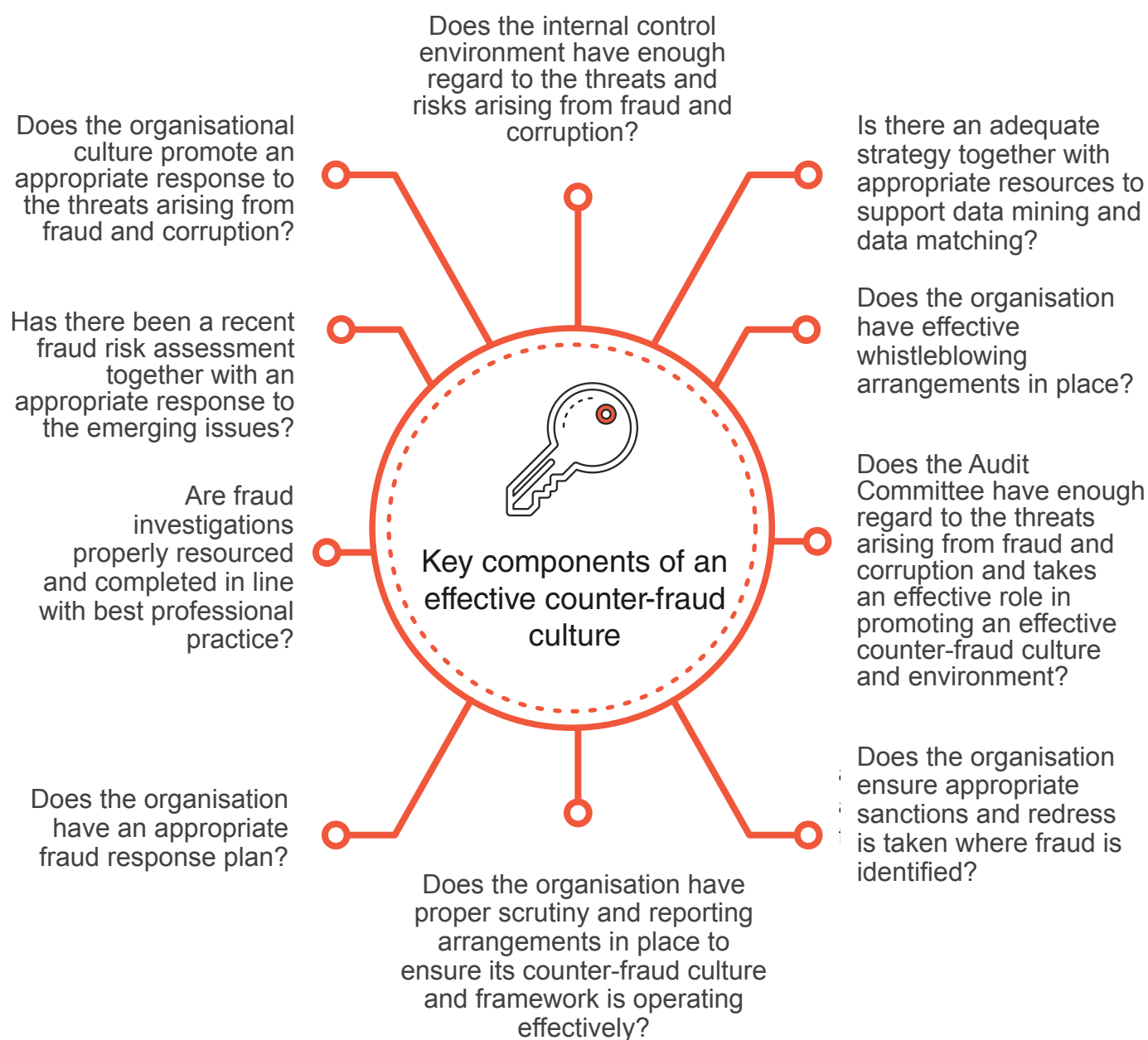
We have estimated in this paper that the cost of fraud in the Welsh public sector could be in the region of between £100 million and £1 billion annually.

We have arrived at this estimate by applying the Cabinet Office percentages above to devolved annual expenditure in Wales of £19.6 billion. This value comes from the Wales Audit Office Report – 'A Guide to Welsh Public Finances' and is derived from the main sources of funding for devolved services in Wales in 2016-17. These comprise the £14.5 billion block grant plus local borrowing, taxation and other borrowing and income.

Appendix 3 – Key components of an effective counter-fraud culture

Organisations can mitigate against the risk of fraud by having the right organisational culture supported by effective counter-fraud arrangements.

Key elements of effective counter-fraud arrangements are set out below. This list is not exhaustive, but it covers the main components.



Appendix 4 – Organisations promoting counter-fraud across the UK

The ways in which fraud is committed are constantly evolving as society and technology changes. Fraud does not respect geographical or other boundaries. It is therefore important that collaboration and the sharing of intelligence and good practice takes place across the UK.

This appendix provides details of organisations sharing intelligence and promoting counter-fraud across the UK, drawn from public website searches. It should not however be considered exhaustive, but rather as a good starting point for further inquiry.

The National Crime Agency

The role of the National Crime Agency (NCA) is to protect the public by disrupting and bringing to justice those serious and organised criminals who present the highest risk to the UK.

The NCA has a wide remit. They tackle serious and organised crime, strengthen our borders, fight fraud and cyber crime, and protect children and young people from sexual abuse and exploitation. They provide leadership in these areas through our organised crime, border policing, economic crime and CEOP commands, the National Cyber Crime Unit and specialist capability teams.

The NCA works closely with partners to deliver operational results. NCA has an international role to cut serious and organised crime impacting on the UK through a network of international liaison officers.

The National Anti-Fraud Network

Membership of the National Anti-Fraud Network (NAFN) is open to all public sector organisations and aims to provide cost-effective, class leading services which support the highest level of protection of the public purse & effective corporate governance.

NAFN exists to support its members in protecting the public interest. It is the largest shared service in the country managed by, and for the benefit of its members, and is hosted by Tameside MBC with each member paying a proportionate share of the annual operating costs. The NAFN Executive Board is elected annually by members at the AGM.

Membership is open to any organisation which has responsibility for managing public funds/assets and use of services is voluntary.

NAFN provides data, intelligence & best practice services for all teams within member organisations including:

- Corporate Fraud
- Debt Recovery
- Environmental Health
- Procurement
- Housing Benefit Fraud
- Housing
- Internal Audit
- Investigation
- Parking
- Trading Standards

This also includes both directly employed & out-sourced staff dealing with the verification of entitlement to services and benefits.

NAFN offers the following functions:

- Acquisition of data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.
- Compliance with the law & best practice: All data is acquired in full compliance with the law and best practice.
- Efficiency savings: Membership of NAFN significantly reduces recruitment, training and process costs for individual members. NAFN provides a pool of trained & accredited staff and negotiates savings for members.
- Effectiveness: NAFN is able to acquire data much faster than could be achieved by individual members.

Cifas

Cifas is a not-for-profit fraud prevention membership organisation. It claims to be the UK's leading fraud prevention service, managing the largest database of instances of fraudulent conduct. Cifas facilitates the sharing of data between more than 400 organisations in order to prevent and detect fraud.

Throughout the UK, Cifas experts and services help protect individuals and organisations from the growing and increasingly sophisticated threat of fraud and financial crime.

With every organisation that becomes a Cifas member, or with whom they collaborate, they establish a tougher environment for fraudsters – both externally and within an organisation. Using the simple tools of communication and sharing information, Cifas can shine a light on their activities for all members and partners to see.

For members of the public Cifas offer increased security against identity fraud, as well as expert advice on how to protect personal data in an increasingly tech-reliant world.

For individuals Cifas can provide the information and tools needed to understand fraud and financial crime when it happens and offer advice about what individuals can do to protect themselves from becoming a victim.

Since 1988, Cifas has collaborated with organisations from across the public and private sectors to create a non-competitive fraud prevention environment, focused on working with rather than against each other to defeat fraudsters. Their methods utilise a number of products and services including fraud risk databases and networking opportunities for members and law enforcement partners.

The CIPFA Counter Fraud Centre

Building on CIPFA's history of championing excellence in public finance management, its Counter Fraud Centre offers training and a range of products and services to help organisations detect, prevent and recover fraud losses.

The Centre leads on CIPFA's national counter-fraud and anti-corruption strategy for local government. It also conducts the annual CIPFA Fraud and Corruption Tracker, a national overview of all fraud, bribery and corruption activity throughout the UK public sector.

The Single Fraud Investigation Service

The Single Fraud Investigation Service (SFIS) is a partnership between the Department for Work and Pensions Fraud Investigation Service, HMRC and local authorities. These bodies work closely together to deliver a service where a single investigation covers all welfare benefit fraud and tax credit fraud.

The main objectives of the SFIS are to:

- operate under a single policy and set of operational procedures for investigating all welfare benefit fraud;
- conduct single investigations covering all welfare benefit fraud;
- rationalise existing investigations and prosecution policies to create a more coherent investigation service that is joined up, efficient and operates in a more consistent and fair manner, taking into account all offences that are committed;
- enhance closer working between DWP, HMRC and local authorities;
- bring together the combined expertise of all three services drawing on the best practices of each; and
- support the fraud and error integrated strategy of preventing fraud and error getting into the benefit system, by detecting and correcting fraud and punishing and deterring those who have committed fraud.

The Cabinet Office's Centre of Expertise for Counter Fraud

The Cabinet Office has recently established the Centre of Expertise for Counter Fraud as a function of central government in England. This new Centre sets cross-government standards for fraud and supports departments in understanding the risk posed by fraud.

The Centre comprises four key work streams:

- 1 The Government Counter Fraud Profession: team are responsible for improving cross-government counter-fraud capability and consistency by providing professional standards, competencies and guidance.
- 2 Policy Engagement & Assurance: the team set counter-fraud functional standards, for Government and then hold them to account. The team measure the amount of fraud and error detected through data gathered from departments. The data collected is then assessed through the Fraud Measurement and Assurance Exercise and the Prevention Panel.
- 3 Data Analytics Development: team are responsible for reviewing the use of data analytics and promoting greater access to data and data analytics across government. The team work to support and deliver new data sharing and data analytics projects, through the Digital Economy Act 2017¹⁶ where required.
- 4 The National Fraud Initiative: team focus on the prevention and detection of fraud through the cross matching of data from organisations in the public and private sectors across the UK.

¹⁶ The Digital Economy Act covers Wales. However Welsh Ministers are yet to enact the secondary legislation that will bring this Act into force

Appendix 5 – Glossary of Terms

ACFE	Association of Certified Fraud Examiners
ARAC	Audit and Risk Assurance Committee
Bribery	The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.).
CFSG	Counter Fraud Steering Group
Cifas	Cifas is a not-for-profit fraud prevention membership organisation.
CIPFA	Chartered Institute of Public Finance and Accountancy
Civil Recovery	The proceeds of crime can be recovered in civil proceedings in the High Court against property which can be shown to be the proceeds of crime.
Confiscation Order	A confiscation order is an order of the Crown Court which requires a convicted defendant to pay a sum of money to HM Courts and Tribunal Service.
CPS	Crown Prosecution Service
Cyber Crime	Crimes that target computer networks or devices. These types of crimes include viruses and denial-of-service attacks. Crimes that use computer networks to advance other criminal activities. These types of crimes include cyberstalking, phishing and fraud or identity theft.
DWP	Department for Work and Pensions
EU	European Union
Extortion	Extortion is a criminal offense of obtaining money, property, or services from an individual or institution, through coercion.
Fraud	The Fraud Act 2006 gives a statutory definition of the criminal offence of fraud, defining it in three classes – fraud by false representation, fraud by failing to disclose information, and fraud by abuse of position.
Fraud Triangle	The Fraud Triangle was developed in the 1950s by Donald Cressey which helps explain the circumstances within which fraud has a greater likelihood of taking place.
HMRC	Her Majesty's Revenue and Customs

LCFS	Local Counter Fraud Specialist
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
NCA	National Crime Agency
National Fraud Initiative	The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
NHSCFA	National Health Service Counter Fraud Authority
NHSCFS	National Health Service Counter Fraud Service
Proceeds of Crime	In effect any handling or involvement with any proceeds of any crime (or monies or assets representing the proceeds of crime) can be a money laundering offence. An offender's possession of the proceeds of his own crime falls within the UK definition of money laundering.
Restraint Order	<p>A restraint order is obtained to preserve assets until a confiscation order is paid in full. It can be obtained from the Crown Court at any time from the start of an investigation.</p> <p>A restraint order can also be obtained to preserve assets for reconsideration applications and when obtaining confiscation orders against absconded defendants.</p>
SFIS	Single Fraud Investigation Service
WEFO	Welsh European Funding Office
Whistleblowing Arrangements	Processes put in place by organisations that enable their workers to come forward to raise a concern about wrongdoing in a safe and transparent manner.

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