

Effectiveness of Counter-Fraud Arrangements – Cardiff and Vale University Health Board

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Summary report

Background

- 1 On 11 June 2019, the Auditor General published Counter-Fraud Arrangements in the Welsh Public Sector: An Overview for the Public Accounts Committee. The report was a high-level, descriptive review of the arrangements in place within the Welsh Government, the NHS and local government (unitary authorities only), and highlighted some important messages:
 - losses caused by fraud in the public sector are significant. In a time of austerity, every pound lost to fraud is a pound that could be spent on public services.
 - fraud in all its forms is constantly evolving, so counter-fraud measures need to keep pace with the fraudsters.
 - resources devoted to counter-fraud activity vary widely across the public sector in Wales.
- 2 Following publication of the report, the Public Accounts Committee endorsed the Auditor General's proposal to undertake further work across a range of Welsh public sector bodies to examine how effective counter-fraud arrangements are in practice and to make recommendations for improvement. This work was undertaken during December 2019 - February 2020.
- 3 On 30 July 2020, the Auditor General published a national report called 'Raising Our Game' – Tackling Fraud in Wales which summarises the key finding from our review across Wales. It does not describe in detail the arrangements in place in individual bodies, but it identifies a range of opportunities to improve counter-fraud arrangements across Wales.
- 4 Whilst the national report identified that NHS counter-fraud arrangements are the most developed across the public sector, it identified that there is still a challenging agenda to make counter-fraud fit for the next decade where globalisation and the advent of digital technology have created new risks, and opportunities for the fraudsters.
- 5 The report calls on NHS bodies to satisfy themselves that:
 - counter-fraud resources are determined based on an assessment of local risk factors;
 - counter-fraud risk assessments are integrated with corporate risk management arrangements; and
 - strategies are in place to make greater use of data analytics to both prevent and detect fraud.
 - strategies are in place to improve collaboration within the sector and more widely across sector boundaries.
- 6 This summary report sets out our assessment of Cardiff and Vale University Health Board's (the Health Board's) arrangements for preventing and detecting fraud. Our

assessment is based on document reviews, including board and committee papers, and interviews with a small number of staff.

Main findings and areas for improvement

- 7 Our assessment identified that the Health Board demonstrates a commitment to counter-fraud, has suitable arrangements to support the prevention and detection of fraud and is able to respond appropriately where fraud occurs. Our key findings from the work are set out in more detail in the following section of this report.
- 8 In undertaking this work, we identified some areas for improvement (**Exhibit 1**), they should be considered alongside the themes identified in the national report. The Health Board’s management response to the areas for improvement is available in **Appendix 2**.

Exhibit 1: areas for improvement

Areas for improvement	
Counter-fraud training	
I1	Implement mandatory counter-fraud training for some or all staff groups.
Counter-fraud staff capacity	
I2	Consider the Local Counter-Fraud Specialist capacity required to resource required levels of proactive and investigative work, including staff training, and build in resilience to the team.

Exhibit source: Audit Wales

Detailed report

Our findings

9 The following table sets out the areas of focus within our work and our findings.

Areas of work	Findings
<p>We considered whether the top tier demonstrates a commitment to counter-fraud and provides the necessary leadership to fight fraud.</p> <p>We expected to see:</p> <ul style="list-style-type: none">• The Board/Executive team promoting a clear commitment to zero tolerance of fraud and championing counter-fraud work.• Senior leadership actively promoting and cascading an anti-fraud culture.• An organisation-wide understanding of responsibilities for preventing fraud and reporting suspected fraud.• An organisational commitment to counter-fraud and ethics awareness training, with appropriate and targeted mandatory counter-fraud training for all staff.	<p>We found the following good practice:</p> <ul style="list-style-type: none">• The Executive Director of Finance is the Board executive responsible for counter-fraud.• Counter-fraud is a standing item on the Audit Committee agenda.• All fraud related issues are treated as a priority by the organisation, and there is a clear commitment from the Executive Director of Finance and the Chair of the Audit Committee• Policies and strategies send out a consistent message that fraud will not be tolerated, and that all steps will be taken to take criminal or disciplinary sanctions against perpetrators. The Health Board ensures that there are effective lines of communication between those responsible for counter-fraud, bribery and corruption work and other key staff groups and managers within the organisation.• The Health Board publicises proven frauds and the action taken. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none">• Whilst the Health Board provides refresher counter-fraud training for staff, it is not mandatory. However, the Health Board does provide counter-fraud induction training for new starters.

Areas of work	Findings
<p>We considered whether the organisation has a suitable structure and sufficient skilled resources to prevent and detect fraud.</p> <p>We expected to see:</p> <ul style="list-style-type: none"> • A designated Local Counter-Fraud Specialist (LCFS) with designated responsibility for counter-fraud and the ability to influence the level of counter-fraud resources. • An appropriate level of experienced, trained and accredited counter-fraud staff to undertake investigations and counter-fraud work. • Clarity in respect of counter-fraud roles, responsibilities and lines of accountability. • Investment in counter-fraud based on informed decisions derived from a fraud risk assessment which highlights risks and determines the resources needed to address them. • An annual programme of proactive counter-fraud work (fraud prevention work) which covers the risks identified in the risk assessment with ring fenced time allocated to proactive work. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> • The Health Board has a dedicated LCFS, with the ability to influence the level of counter-fraud resources designated by the Executive Director of Finance. • The LCFS is also the designated lead for three other health organisations. • The Health Board employs accredited and trained counter-fraud staff, who attend training and professional development as required. • The level of counter-fraud resources within the Health Board is just below the average for Wales (Appendix 1). The whole time equivalent (WTE) of local counter-fraud resources per 1,000 staff is 0.12 WTE compared to the average for NHS Wales of 0.19 WTE. • The Health Board has clearly articulated counter-fraud roles and responsibilities. There is a protocol which sets out the roles and responsibilities of the counter-fraud, finance and workforce teams in relation to pursuing fraud sanctions. • The LCFS and counter-fraud staff have access to all systems, records and premises required to do their work. • The LCFS completes the NHS Counter-Fraud Authority Self-Review Tool (SRT) on an annual basis. Where issues (risks) are identified, they are incorporated into the counter-fraud work plan, together with any issues/risks identified through general counter-fraud work. The SRT identifies proactive work priorities for the year. • The number of days allocated to proactive and reactive counter-fraud work is broadly based on previous years but is flexible and can adapt to demands as cases arise.

Areas of work	Findings
	<p>We identified the following area for improvement:</p> <ul style="list-style-type: none"> Staffing levels are just 1.8 WTE. If the level of investigative work increased, or if any member of staff were to be absent, this could impact the ability to deliver the agreed level of proactive counter-fraud work.
<p>We considered whether the organisation has a sound policy framework to support effective counter-fraud arrangements.</p> <p>We expected to see:</p> <ul style="list-style-type: none"> A counter-fraud strategy/policy which sets out the organisation's approach to managing fraud risks and defines specific counter-fraud responsibilities. A Code of Conduct setting out acceptable behaviours and how to report and manage conflicts of interest. Sound whistleblowing arrangements which set out mechanisms for reporting fraud. Maintained registers of gifts and hospitalities. Pre-employment screening. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> The Health Board has a current anti-fraud, bribery and corruption policy (the policy), which is reviewed, evaluated and updated regularly. The policy includes a counter-fraud response plan. Staff awareness of the policy is raised in counter-fraud awareness sessions. The Health Board has an appropriate Code of Conduct, and whistleblowing and cyber security policies with review and renewal processes in place. The Health Board has appropriate arrangements to maintain and review registers of interests, gifts and hospitality. The Health Board has arrangements in place to ensure that all new staff are subject to the pre-employment checks before commencing employment within the organisation. <p>We did not identify any areas for improvement.</p>

Areas of work	Findings
<p>We considered whether the organisation has an effective fraud risk assessment together with appropriate responses to emerging issues.</p> <p>We expected to see:</p> <ul style="list-style-type: none"> • Regular and comprehensive fraud risk assessments discussed and agreed with senior leaders and the Audit Committee. • Fraud risk assessments featuring as part of the organisation’s overall risk management framework. • Fraud risk built into system design to minimise opportunities for fraud. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> • The Health Board completes the NHS Counter-Fraud Authority’s SRT on an annual basis. • Annual work plans are based upon intelligence received and identified, a review of ongoing cases, referrals and proactive work priorities identified across Wales. Counter-fraud resource levels are proportionate to the risk level identified. Measures to mitigate identified risks are included in the workplan, which is approved by the Audit Committee. • Policies and paper-based procedures are fraud proofed using guidance issued by the NHS Counter-Fraud Authority. The LCFS reviews policies and proposes changes where it is deemed necessary. • Fraud risk features within the Health Board’s overall risk management framework. <p>We did not identify any areas for improvement.</p>
<p>We considered whether the organisation’s internal control environment support effective arrangements for preventing and detecting fraud.</p> <p>We expected to see:</p> <ul style="list-style-type: none"> • Internal controls designed and tested to address identified fraud risks and help prevent fraud occurring. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> • The Health Board’s Internal Audit team review fraud risks and test controls designed to prevent and detect fraud as part of its annual programme of work. Information and intelligence are shared with local counter-fraud services in line with the agreed information sharing protocol. • The Health Board acts upon recommendations to strengthen controls if internal controls are found to be not operating as well as intended and learn lessons from fraud incidents.

Areas of work	Findings
<ul style="list-style-type: none"> Internal Audit reviews of fraud risks and testing of controls designed to prevent and detect fraud. The organisation acting on recommendations to strengthen controls if internal controls are found to be not operating as well as intended and lessons learned from fraud incidents. The organisation uses data matching to validate data and detect potentially fraudulent activity. 	<ul style="list-style-type: none"> The Health Board participates in the National Fraud Initiative data matching exercise, primary care post-payment verification checks and other local checks (such as payroll). System weaknesses are put on a tracker and go through formal internal audit process. System and policy changes are implemented as a result of weaknesses identified. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none"> The Health Board uses NHS Shared Services Partnership for procurement and tendering which contains an automated checking service, and the Post Payment Verification team but there was concern that the more use could be made of post payment verification. Our national review identified only a few examples of data analytics being used as a means of preventing fraud, predominantly the National Fraud Initiative data matching exercise.
<p>We considered whether the organisation has an appropriate response to fraud. We expected to see:</p> <ul style="list-style-type: none"> A comprehensive fraud response plan which sets out clear arrangements for reporting and investigating allegations of fraud. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> The Health Board's Fraud Response Plan follows best practice as advised by the NHS Counter-Fraud Authority. Qualified staff investigate all cases of suspected fraud, and in line with the Fraud Response Plan. Outcomes of investigations are reported to the Audit Committee and to the NHS Counter-Fraud Authority.

Areas of work	Findings
<ul style="list-style-type: none"> • Action to ensure that all allegations of fraud are assessed. Documented procedures for conducting fraud investigations. • Investigations which follow proper professional practice and in line with the fraud response plan • Consideration of the full range of sanctions available, and redress sought (for example the recovery of money and assets) where appropriate. • An appropriate case management system to record and monitor the progress of potential fraud cases. • Collaboration with external partners to tackle fraud. 	<ul style="list-style-type: none"> • The Health Board utilises the full range of sanctions available (staff disciplinary action, civil action and criminal action) and seeks to recover monies where appropriate and cost effective to do so. • All investigations are documented on case management software. Learning from fraud is shared with appropriate staff to action and implement changes to systems and procedures where appropriate. • The Health Board liaises proactively and on a regular basis with other organisations and agencies such as NHS Legal and Risk Services, the police, Home Office Immigration Services, local authorities, and regulatory and professional bodies to assist in countering fraud, bribery and corruption. Specialist services can be purchased from the NHS Counter-Fraud Authority where necessary. <p>We did not identify any areas for improvement.</p>
<p>We considered whether the organisation has proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively. We expected to see:</p> <ul style="list-style-type: none"> • A record kept of fraud losses and recoveries. • The Audit Committee taking a proactive approach to prevent fraud and promote an effective anti-fraud culture. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> • The Health Board maintains a record of fraud losses and recoveries. • Counter-fraud is a standing item on the Audit Committee agenda. • The annual plan is presented to the Audit Committee along with regular progress reports on delivering the annual programme of work, along with identified fraud risks and actions to minimise them. • Case updates are produced for the private session of Audit Committee outlining the case, status, and recoveries of money/assets.

Areas of work	Findings
<ul style="list-style-type: none"><li data-bbox="143 517 757 608">• The Audit Committee challenging and reviewing counter-fraud work, and ensuring it discharges its duties in relation to counter-fraud.	We did not identify any areas for improvement.

Appendix 1

Counter-fraud resources

The following exhibit sets out the number of LCFS resources per 1,000 staff.

Exhibit 1: number of LCFS resources per 1,000 staff (in order of highest to lowest)

	LCFS WTE	Total number of staff within the organisation	LCFS WTE per 1,000 staff (headcount)
Health Education and Improvement Wales ¹	0.2	280	0.71
Welsh Ambulance Services NHS Trust	2.0	3,535	0.57
Powys Teaching Health Board ²	1.2	2,286	0.52
Cwm Taf Morgannwg University Health Board ²	2.6	11,944	0.22
Hywel Dda University Health Board	2.0	10,032	0.20
Aneurin Bevan University Health Board	2.6	13,659	0.19
NHS Wales (average)	18.2	94,614	0.19
Swansea Bay University Health Board ²	2.2	12,962	0.17
Betsi Cadwaladr University Health Board	2.9	18,491	0.16
Public Health Wales NHS Trust ¹	0.3	1,903	0.16
Velindre University NHS Trust ¹	0.4	4,411	0.16
Cardiff and Vale University Health Board ¹	1.8	15,111	0.12

¹ The Cardiff & Vale University Health Board LCFS Team also provide services to Health Education and Improvement Wales, Public Health Wales NHS Trust and Velindre University NHS Trust via an annual Service Level Agreement.

² The Swansea Bay University Health Board LCFS Team also provide services to Cwm Taf Morgannwg University Health Board and Powys Teaching Health Board via an annual Service Level Agreement.

Source: Counter-Fraud Authority NHS Wales, Operational Performance Report 2019-20 (Quarter 3), and Stats Wales Headcount as at 30 September 2019 (extracted from the NHS Electronic Staff Record system)

Appendix 2

Management response

The following table sets out the Health Board's management response to the areas for improvement

Ref	Area for Improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
I1	<p>Counter-fraud training</p> <p>Implement mandatory counter-fraud training for some or all staff groups</p>	To improve staff understanding of fraud and how to prevent it	No	No	As part of the Compliance & Competency section within the Health Body's Electronic Staffing Record (ESR) Database, any such training, which is deemed as being mandatory, has to be agreed and by the Health Body's Workforce Department in conjunction with Staff Side Representation before it can be implemented.	Ongoing with review date of 31 March 2021	Bob Chadwick (Finance Director) and Martin Driscoll (Director of Workforce &OD)

Ref	Area for Improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
I2	<p>Counter-fraud staff capacity</p> <p>Consider the Local Counter-Fraud Specialist capacity required to resource required levels of proactive and investigative work, including staff training, and build in resilience to the team.</p>	To ensure enough resource to meet counter fraud activity demands	No	No	Based on historical data, the Health Body is confident that the number of days in its current work-plan meets the current requirements. In support of this, regular reviews of the ongoing CF work and resources used are carried out and reported to the A/C. However, should there be an increase in referrals, the need for any additional resource would be agreed with the Finance Director. The overall budget is reviewed in the annual budget setting exercise.	31 March 2021	Craig Greenstock (LCFS) and Bob Chadwick (Director of Finance)



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