

Effectiveness of Counter-Fraud Arrangements – **Hywel Dda** **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 between December 2019 and 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;
 - strategies are in place to make greater use of data analytics to both prevent and detect fraud; and
 - 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 Hywel Dda 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 strong 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.
Intelligence sharing activities	
I2	Examine and implement the potential for further sharing of intelligence with local authorities.
Counter-fraud staff capacity	
I3	Consider the Local Counter-Fraud Specialist (LCFS) 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.

Exhibit 2: areas of work and 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;all organisation-wide understanding of responsibilities for preventing fraud and reporting suspected fraud; andan 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 Director of Finance is the lead executive with responsibility for counter-fraud.the Local Counter-Fraud Specialist (LCFS) reports regularly to the Assistant Director of Finance and has ready access to the Director of Finance, if necessary.counter-fraud is a standing item on the Audit, Risk and Assurance 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, Risk and Assurance 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 in social media and the press.the Health Board includes counter-fraud training in induction sessions. <p>We identified the following area for improvement:</p>

Areas of work	Findings
	<ul style="list-style-type: none"> the Health Board acknowledges that the uptake of fraud training by staff is lower than they would like it to be. The Director of Finance has proposed that the training is mandated, although this had not been agreed at the time of our fieldwork.
<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 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; and 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> there are two accredited LCFSs, one of whom is the nominated service lead. the Counter-Fraud, Bribery and Corruption Policy sets out the structure and responsibilities for counter-fraud including the Chief Executive, the Audit, Risk and Assurance Committee, the Head of Internal Audit, Director of Finance and the LCFSs. the LCFS can request support from the Counter-Fraud Authority Service Wales regarding overpayments and for any investigations with a value in excess of £15,000. the LCFS lead is able to influence decisions on staffing levels and actions. investment in the counter-fraud service is based on several factors such as the historical resource, current and emerging risks, and the need to balance the work across the key fraud strategic areas. the whole-time equivalent (WTE) of local counter-fraud resources per 1,000 staff is 0.2 WTE compared to the average for NHS Wales of 0.19 WTE (Appendix 1). the Health Board has clearly articulated counter-fraud roles and responsibilities. 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

Areas of work	Findings
<ul style="list-style-type: none"> 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>plan, together with any issues/risks identified through general counter-fraud work. The SRT identifies proactive work priorities for the year.</p> <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none"> although staffing levels are just above the average for Wales, staffing levels are just 2.0 WTE. If the level of investigative work increased, or if any member of staff were to be absent, this could impact on the ability to deliver the agreed level of proactive counter-fraud work. during 2018-19, counter-fraud training was delivered to approximately 1,075 members of staff, this represents approximately 11% of the Health Board's workforce. However, the e-learning training module does mean that counter-fraud training can be delivered to many staff easily.
<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; 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> the LCFS lead is involved in developing and refreshing the Health Board's Counter-Fraud, Bribery and Corruption Policy (the policy) as necessary. It is signed off by the Director of Finance and approved by the Audit, Risk and Assurance Committee. The Counter-Fraud Strategy is set out as part of this policy and is available to all staff on the intranet. the policy is cross-referenced to key policies including: <ul style="list-style-type: none"> the All Wales Raising Concerns (Whistleblowing Policy); the All Wales Disciplinary Policy; and the Health Board's Standards of Behaviour Policy. the Health Board's local whistle blowing arrangements are comprehensive. It makes clear that all concerns will be treated confidentially and dealt with professionally in line with relevant

Areas of work	Findings
<ul style="list-style-type: none"> • sound whistleblowing arrangements which set out mechanisms for reporting fraud; • maintained registers of gifts and hospitalities; and • pre-employment screening. 	<p>legislation. It also makes clear that there are no recriminations against staff that report reasonably held suspicions.</p> <ul style="list-style-type: none"> • the Health Board's Standards of Behaviour Policy sets out expectations in relation to the declaration of interests. • 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>
<p>We considered whether the organisation has an effective fraud risk assessment together with appropriate responses to emerging issues. 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; and • 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 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. Fraud risk is evaluated throughout the year and changes made to the annual plan as appropriate. • consideration of fraud risk is closely aligned to the overall risk management process. • all relevant policies are scrutinised by the LCFS from a counter-fraud perspective. Feedback is provided to the policy owner as appropriate. The LCFS is involved in key policy development from an early stage. <p>We did not identify any areas for improvement.</p>

Areas of work	Findings
<p>We considered whether the organisation's internal control environment supports 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; • 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; and • the organisation uses data matching to validate data and detect potentially fraudulent activity. 	<p>We found the following good practice:</p> <ul style="list-style-type: none"> • the Counter-Fraud, Bribery and Corruption Policy sets out that managers are the first line of defence against fraud, bribery and corruption and must ensure that an adequate system of internal control exists within their areas of responsibility and that the controls operate effectively. • the Health Board's Internal Audit team reviews fraud risks and tests 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 learns lessons from fraud incidents. • 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). • the Health Board uses case management software to record all system weaknesses as identified as a result of investigations and/or proactive prevention and detection exercises. An important aspect of this software is recording lessons learned. • the Health Board is exploring the potential to make more of the work carried out by the Post Payment Verification team. <p>We identified the following area for improvement:</p> <ul style="list-style-type: none"> • 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.

Areas of work	Findings
<p>We considered whether the organisation has an appropriate response to fraud.</p> <p>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; • action to ensure that all allegations of fraud are assessed; • documented procedures for conducting fraud; • 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; and • collaboration with external partners to tackle 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. Investigations are monitored by the Director of Finance and the Audit, Risk and Assurance Committee. • 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 identified the following area for improvement:</p> <ul style="list-style-type: none"> • the Health Board indicated that there is scope to make greater use of intelligence sharing with local authorities.

Areas of work	Findings
<p>We considered whether the organisation has proper reporting and scrutiny in place to ensure its counter-fraud culture and framework are operating effectively.</p> <p>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; and • the Audit Committee challenging and reviewing counter-fraud work, and ensuring it discharges its duties in relation to counter-fraud. 	<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, Risk and Assurance Committee; • 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; and • case updates are produced for the private session of the Audit Committee outlining the case, status, and recoveries of money/assets. <p>We did not identify any areas for improvement.</p>

Appendix 1

Counter-fraud resources

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

Exhibit 3: 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 provides 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 provides 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.

Exhibit 4: 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
11	<p>Counter-fraud training</p> <p>Implement mandatory counter-fraud training for some or all staff groups.</p>	Greater uptake of counter fraud staff training leading to greater awareness of associated issues and responsibilities.	Yes	Yes	<p>Actions identified:</p> <p>Actions have already been taken to implement mandatory learning in the form of Counter Fraud eLearning. This should be achieved within 2020/21 and will sit alongside a general programme of counter fraud awareness work and regular risk bespoke training for high risk staff groups.</p>	<p>31/03/2021</p> <p>– To be actioned by the conclusion of this year’s work plan.</p>	<p>Huw Thomas, Director of Finance</p> <p>Ben Rees – Head of Counter Fraud.</p>

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
I2	<p>Intelligence sharing activities</p> <p>Examine and implement the potential for further sharing of intelligence with local authorities.</p>	Mutual benefit from increased information sharing leading to a further strengthening of the service.	Yes	Yes	<p>Actions identified:</p> <p>More regular meetings with local partners would be beneficial. This encompasses all enforcement bodies. Whilst the Health Board as a whole maintains relationships with these local partners, counter fraud specific sharing does not exist.</p> <p>Introductory meetings will be held to ascertain exactly how we can assist one another. Maintaining these relationships going forward will be the key consideration.</p>	31/03/2021 – To be progressed during this year's work plan.	<p>Huw Thomas, Director of Finance</p> <p>Ben Rees – Head of Counter Fraud.</p>

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
13	<p>Counter-fraud staff capacity Consider the LCFS capacity required to resource required levels of proactive and investigative work, including staff training, and build in resilience to the team.</p>	Maximise the potential of the service.	Yes	Yes	<p>Actions identified: It is accepted that an increase in capacity could lead to greater impact and return within Counter Fraud work. However, economies of scale have yet to be explored in detail. As per the report the Health Board's resource per 1,000 staff is 0.2 WTE compared to the national average for NHS Wales of 0.19 WTE.</p>	To be agreed – As discussed with Philip Jones this area needs to be further explored.	<p>Huw Thomas, Director of Finance</p> <p>Ben Rees – Head of Counter Fraud.</p>



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