

Effectiveness of Counter-Fraud Arrangements – Betsi Cadwaladr 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). It highlighted some important messages:
 - losses caused by fraud in the public sector are significant and could be anywhere between £100 million and £1 billion. 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 40 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;
 - 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 Betsi Cadwaladr 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

Training and awareness raising

- I1 Although training is part of the induction training and progress is monitored at Audit Committee, the Counter Fraud e-learning module could be included in the Health Board's Mandatory Training for Staff and staff are not trained on an annual basis.

Resources and skills

- I2 The number of LCFS staff in the establishment is not explicitly linked to an evaluation of the increased fraud risk facing the Health Board. There is an opportunity to reflect on whether counter-fraud resources and balance between proactive and reactive work match the fraud risks the Health Board is exposed to.

Fraud risk assessment

- I3 Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary. The case study on the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together and reflect on the speed and effectiveness of its response to the scammers and fraudsters. However, this reflection could also be undertaken at a local level by the Health Board.

Internal control environment

- 14 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. The Health Board should reflect on how it could make greater use of data analytics to both prevent and detect fraud.

Response to fraud

- 15 The Health Board should explore avenues to improve collaboration more widely across sector boundaries on common risks and challenges.

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;an 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 Executive Director of Finance is the Board Level Executive with responsibility for Counter Fraud – responsibility is delegated to the Finance Director: Operational Finance;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; andthe Health Board publicises proven frauds and the action taken. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none">although training is part of the induction training and progress is monitored at Audit Committee, the Counter Fraud e-learning module has not been included

Areas of work	Findings
	<p>in the Health Board's Mandatory Training for Staff and staff are not trained on an annual basis. For quarter one of 2020-21, just nine staff undertook the e-learning module.</p>
<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; and • an annual programme of proactive counter-fraud work (fraud prevention work) which covers 	<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 Health Board employs accredited and trained counter-fraud staff, who attend training and professional development courses as required. • the level of counter-fraud resources within the Health Board is the highest of the six big health boards, however when compared to the total workforce, the rate of LCFS per 1,000 staff is one of the lowest (Appendix 1). The number of LCFS has remained at three full-time LCFS since 2010 with a part-time Administration Support Officer since 2015. Prior to 2010 the number was higher at five whole-time equivalent LCFS. • the Health Board has a clear structure where the roles and responsibility in relation to counter-fraud are clearly set out. • 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.

Areas of work	Findings
<p>the risks identified in the risk assessment with ring fenced time allocated to proactive work.</p>	<ul style="list-style-type: none"> the Health Board has an annual programme of proactive counter-fraud work (i.e. fraud prevention work) which covers the risks identified in the risk assessment with ring fenced days for proactive work to be undertaken. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none"> the number of LCFS staff in the establishment is not explicitly linked to an evaluation of the increased fraud risk facing the Health Board. There is an opportunity to reflect on whether counter-fraud resources and balance between proactive and reactive work match the fraud risks the Health Board is exposed to.
<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; 	<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. the policy was scrutinised and signed off by the Health Board's LCFS, senior management and Audit Committee. 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

Areas of work	Findings
<ul style="list-style-type: none"> maintained registers of gifts and hospitalities; and pre-employment screening. 	<p>the organisation. Further clarification should be sought as to whether this includes staff employed via employment agencies.</p> <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.</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; 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 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. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none"> fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

Areas of work	Findings
<p>We considered whether the organisation's internal control environment supports effective arrangements for preventing and detecting fraud. 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 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. • there is information sharing between the LCFS and the Post Payment Verification team but some concerns about the robustness of recovery arrangements as a result of recoveries not being based on extrapolated data. <p>We identified the following areas 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. The Health Board should reflect on how it could make greater use of data analytics to both prevent and detect fraud.

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. • 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 found the following areas for improvement:</p> <ul style="list-style-type: none"> • The Health Board should explore avenues to improve collaboration more widely across sector boundaries on common risks and challenges.

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 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; and • case updates are produced for the private session of 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)	18.17	94,614	0.19
Swansea Bay University Health Board ²	2.16	12,962	0.17
Betsi Cadwaladr University Health Board	2.91	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 & 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 provide services to Cwm Taf Morgannwg University Health Board and Powys Teaching Health Board via an annual Service Level Agreement.

Source: Counter Fraud Services in 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

Exhibit 4: management response

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
11	Training and awareness raising Although training is part of the induction training and progress is monitored at Audit Committee, the Counter Fraud e-learning module could be included in the Health Board's Mandatory Training for Staff and staff are not trained on an annual basis.	Greater uptake of counter-fraud staff training leading to greater awareness of associated issues and responsibilities.	No	Yes	The Health Board will explore if it is viable to include Counter Fraud e-learning as part of its mandatory training.	31 December 2020	Sue Hill

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
I2	<p>Resources and skills</p> <p>The number of LCFS staff in the establishment is not explicitly linked to an evaluation of the increased fraud risk facing the Health Board. There is an opportunity to reflect on whether counter-fraud resources and balance between proactive and reactive work match the fraud risks the Health Board is exposed to.</p>	Maximise the potential of the service.	No	Yes	A review of resources employed will be undertaken, taking into account current workload, benchmarking with comparative organisations and the current fraud risk.	31 December 2020	Sue Hill

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
13	<p>Fraud risk assessments</p> <p>Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary. The case study on the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together and reflect on the speed and effectiveness of its response to the scammers and fraudsters. However, this reflection could also be undertaken at a local level by the Health Board.</p>	Improved management of risk and minimised opportunities for fraud to occur	Yes	Yes	<p>The Health Board will use fraud risk assessments as a live resource and fraud will be integrated within the general risk management framework, to ensure that these risks are appropriately managed and escalated as necessary. This process has already started.</p> <p>The Welsh NHS counter-fraud community both nationally and at a local level share fraud alerts, (especially in relation to scams and fraud relating to the COVID-19 pandemic) in real time. The fraud alerts are shared with the relevant stakeholders.</p> <p>The Health Board will establish a monitoring programme to measure the speed and effectiveness of the fraud alerts, which are issued at a local level.</p>	31 December 2020	Sue Hill

Ref	Area for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
14	<p>Internal control environment</p> <p>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. The Health Board should reflect on how it could make greater use of data analytics to both prevent and detect fraud.</p>	Maximised impact through the use of data analytics.	Yes	Yes	The Health Board will undertake the appropriate research on how to make greater use of data analytics to both prevent and detect fraud.	31 December 2020	Sue Hill
15	<p>Responses to fraud</p> <p>The Health Board should explore avenues to improve collaboration more widely across sector boundaries on common risks and challenges.</p>	Mutual benefit from increased information sharing leading to a further strengthening of the service.	Yes	Yes	The Health Board will explore avenues to improve collaboration more widely across sector boundaries on common risks and challenges.	31 December 2020	Sue Hill



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