

Covid-19 Post Event Assurance Report of findings for SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD

Organisation-specific feedback

September 2022

Version 1.0



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

Version control

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

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Introduction

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

How to use this report

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

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

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

- Where this feedback report provides information using data specifically relating to **SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD**, this text will be in green and/or highlighted within a green square surrounding the paragraph or table.

- It is recommended NHS organisations review the findings within both the **feedback report** and **main report** and hold discussions with key stakeholders within their organisation. These discussions should focus on the organisation's findings and include an assessment of its fraud risk vulnerability, governance and assurance arrangements within procurement. Appropriate fraud prevention initiatives should be designed as an outcome of those discussions. Where applicable, discussions should take place on how these risks score on organisational risk registers in line with NHS requirement 3¹ of the Government Functional Standard 013: Counter Fraud.
- To assist NHS organisations, several recommendations have been identified within the **main report**, in addition to the published procurement fraud prevention guidance available on the NHSCFA website.

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

Contract risk management

10. The following feedback relates to, and should be read in conjunction with, section 1: 'Contract risk management' (paragraphs 15 – 21) of the **main report**.
11. NHSCFA understands there are many instances where action taken by NHS organisations has led to the cancellation of a contractual arrangement with a supplier to avoid identified risks.
12. NHSCFA asked questions around new suppliers that were in the process of being onboarded, but had contracts cancelled and/or payments clawed back due to identified risk (following information relating to suspicious financial transactions and/or concerns around company liquidity and activities).
13. The impact of local activity was evaluated where supplier contracts (either in the process of being onboarded, or under active consideration) were cancelled and/or payments clawed back due to identified risk, following information received, or due diligence undertaken, relating to suspicious financial transactions and concerns around company liquidity and/or activities. In this respect, NHSCFA identified £10m (£10,055,391.89) savings.
14. This positive outcome was presented to the Cabinet Office via the Consolidated Data Return².
15. Your organisation was 1 of 195 organisations that did not identify any savings in this area, we therefore do not have feedback to provide in this section. For more information on the methodology and criteria adopted, please refer to the main report.

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

Direct award of contracts

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

Organisational breakdown	Total No. of ExU contracts	Total value of ExU contracts	Total No. of new supplier ExU contracts	Total value of new supplier ExU contracts
SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD	17	£1,013,595.94	0	£0.00
Welsh Local Health Board average	8.4	£8,378,823.47	1.1	£756,759.79
210 organisations sample average	7	£3.4 million	3	£1.5 million

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

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

- **Tests met:** were the tests stipulated in PPN 01/20 met.
- **Due diligence:** were new suppliers subject to adequate due diligence checks.

Record keeping

21. The following feedback relates to, and should be read in conjunction with, section 2: [‘Direct award of contracts’ \(paragraph 27\)](#) of the **main report**.
22. PPN 01/20 and PCR 2015 require contracting authorities to maintain records of decisions and actions taken on direct award contracts. Record keeping acts as a significant component of transparency and good governance. Where organisations fail to meet this requirement, it can demonstrate a lack of governance over this process.

23. Of the 17 directly awarded contract(s) issued by **SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD**, 17 contract(s) had records on decisions and actions maintained. This represents 100% of your total directly awarded contract(s).

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

Tests met

25. This feedback relates to, and should be read in conjunction with, section 12: [‘Direct award of contracts’ \(paragraph 28\)](#) of the **main report**.
26. PPN 01/20 stipulated that, contracting authorities should keep records that demonstrate whether the tests set out in PPN 01/20 were met.

27. Of the 17 directly awarded contract(s) issued by **SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD**, 17 contract(s) had records that demonstrated the tests stipulated in PPN 01/20 were met. This represents 100% of your total directly awarded contract(s).

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

Due diligence

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

SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD due diligence activity		
Organisational breakdown	Number of contracts	Value of contracts
Total contracts awarded to <u>new</u> suppliers	0	£0.00
Contracts With 3 sources of due diligence	0	£0.00
Contracts with 2 sources of due diligence	0	£0.00
Contracts with 1 sources of due diligence	0	£0.00
Contracts with 0 sources of due diligence	0	£0.00

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

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

Supplier relief payments

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

Conclusion

36. This exercise has identified vulnerabilities that can lead to widespread fraud losses across the NHS. This **feedback report** and **main report** sets out recommendations to be taken at a local level, it is imperative that policy and action continues to be driven by senior leaders in each NHS organisation.
37. It is recommended SWANSEA BAY UNIVERSITY LOCAL HEALTH BOARD review the findings contained within this **feedback report** in tandem with **main report**. This information should help shape risk-based proactive fraud prevention initiatives and/or Local Proactive Exercises in the future.
38. NHS organisations should use this information in discussions with key stakeholders within their organisation to discuss, assess, or review fraud risk vulnerability within the procurement process. Where applicable, fraud risk assessments should be conducted on your organisation's procurement processes, discussions should take place on how these risks are recorded, mitigated, scored, and monitored on organisational risk registers in line with NHS requirement 3³ of the Government Functional Standard 013: Counter Fraud. Appropriate fraud prevention initiatives and/or Local Proactive Exercises could be designed as an outcome of those discussions.
39. NHSCFA provide support on undertaking fraud risk assessments via the [Fraud Risk Knowledge Hub page on Ngage](#) (NHSCFA extranet).

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

Counter Fraud Recommendations Action Plan

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

Recommendations

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

Resources

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