Countering Fraud in the NHS in Wales:
Annual Report 2002-2003
Introduction

I am pleased to publish this Annual Report for 2002–2003, in my position as Chief Executive of the Counter Fraud and Security Management Service.

We now have the great challenge of building on the accomplishments of the NHS Counter Fraud Service in countering fraud and corruption in the NHS.

By facing these challenges head on, my aim is to assist the delivery of quality patient care and services through protecting the NHS and its resources.

I would like to stress my appreciation to all Counter Fraud Specialists in Wales for their dedication and commitment and I look forward very much to working with them in the future.

Jim Gee
Chief Executive
Counter Fraud and Security Management Service
Fraud and Corruption

1. Introduction

1.1 This Annual Report sets out the progress which has been made by the NHS Counter Fraud and Security Management Service\(^1\) (CFSMS) in providing counter fraud services to the Welsh Assembly Government (WAG) during 2002 – 2003.

2. Identifying the nature and extent of the problem

2.1 The CFSMS programme of fraud measurement exercises in England has provided the first ever robust estimates of losses to fraud in all primary service areas of NHS spending, through an innovative and rigorous measurement methodology. The National Audit Office (NAO) have pronounced themselves satisfied that the methodology provides a sound basis for estimating the likely levels of fraud and incorrectness. This methodology is now being used to determine levels of fraud and incorrectness in primary services in Wales.

3. Developing a clear strategy and action plans to tackle the problem

3.1 The Countering Fraud in the NHS in Wales strategy was published in September 2001 and communicated via fraud awareness seminars across the organisation. Action Plans addressing specific systems or policy weaknesses uncovered where fraud has been proven will follow based on the first two years operational work by the CFSMS Operational Service Team and Local Counter Fraud Specialists (LCFSs) employed in Wales.

4. Creating a structure to implement the strategy

4.1 Minister for Health and Social Services Directions concerning counter fraud work in Wales have been issued, and are currently being revised to take into account the establishment of Local Health Boards (LHBs) in Wales.

4.2 The CFSMS Wales Operational Team has been in place for the full year.

4.3 The CFSMS Pharmaceutical and National Proactive Teams extended their work across Wales covering the full year, and the Dental Fraud Team as of July 2002.

4.4 Quarterly meetings are held between the CFSMS and the Welsh Assembly Government (WAG) to review progress in Wales.

4.5 The NHS Counter Fraud and Corruption Manual for Wales has been issued to all NHS Wales Directors of Finance (DoFs) and LCFSs in Wales during 2002. It is anticipated that the revised version of the manual will be issued to every LCFS and DoF in summer 2003.

4.6 A Memorandum of Understanding (MoU) with the Audit Commission (AC) in Wales (indicating how the CFSMS and the AC work together) has been issued in Wales.

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\(^1\) The CFSMS is a Special Health Authority (SHA) established on the 1st January 2003. This has taken over the roles and responsibilities previously provided by the NHS Counter Fraud Service (CFS). In this report, all activity accredited to the CFSMS may have also been undertaken by the former NHS CFS.
4.7 Local Counter Fraud Specialists (LCFSs) for every health body in Wales are fully trained at the CFMS Training Services Centre. This professional training is provided free and is accredited by the Institute of Criminal Justice Studies at Portsmouth University.

4.8 The first Quality Inspections to assess the extent to which health bodies in Wales are complying with the standards set for counter fraud work have taken place. To date two inspections have been conducted in Wales between June – October 2002.

4.9 A seminar for DoFs in Wales was held in March 2002 with a two-day workshop for LCFSs held in April 2002. Further LCFS workshops are planned during 2003/04 to which the LCFSs based in the new LHBs will be invited to attend. An Advanced Investigations and Sanctions (AIS) Training course was conducted in Cardiff in October 2002.

4.10 A Pilot Project to develop the provision of LCFS services is expected to take place in late 2003. It is anticipated that at least one of the pilot sites will be in Wales.

5. Using the structure to take a range of action

5.1 Developing an anti-fraud culture

5.1.1 The Wales Team and LCFSs regularly conduct presentations to various staff forums throughout NHS Wales, these include induction days, management and staff training days and briefings to professional bodies.

5.1.2 Fraud Awareness Presentations (FAPs) were delivered to 6 Local Professional Committees (LPCs) between September 2002 to the end of October 2002.

5.1.3 Counter Fraud Charters have been signed with a number of Representative and Professional Associations including Welsh representatives. These include the British Medical Association (BMA), Federation of Ophthalmic and Dispensing Opticians (FODO), Royal College of Nursing (RCN), Association of British Dispensing Opticians (ABDO), Association of Optometrists (AOP), British Dental Association (BDA) and Community Pharmacy Wales (CPW).

5.1.4 Counter Fraud Charters signed with a selected number of Regulatory Bodies including Welsh Representatives. These include the General Dental Council (GDC), General Medical Council (GMC), Royal Pharmaceutical Society of Great Britain (RPSGB) and General Optical Council (GOC). Charters were also signed with The Royal National Institute for the Blind (RNIB) and an existing pan UK charter with the Long Term Medical Conditions Alliance (LMCA) incorporates Wales.

5.1.5 Newsletters are regularly sent to LCFSs, DoFs and Human Resource Directors in Wales.

5.1.6 A press conference was held in July 2002 to publicise the issuing of a MoU with the AC in Wales. Those in attendance included Jane Hutt, Minister for Health and Social Services, Jim Gee – Chief Executive of the CFMS, signatories of the Counter Fraud Charters, and representatives of the Audit Commission. The press release for the event is attached at Annex 2.

5.1.7 A second press conference was held in October 2002, where a MoU with the Association of Chief Police Officers (ACPO) was extended to constabularies in Wales. Jane Hutt Minister for health and Social Services, Jim Gee – Chief Executive of the CFMS, and representatives of ACPO were present. Copies of the MoU were sent to constabularies in Wales. The press release for the event is attached at Annex 3.
5.2 **Deterring fraud where this is possible**

5.2.1 At the press conference in October 2002, the results of the risk measurement exercise into Patient Prescription Charge Evasion (PPCE) in the pharmaceutical services, and details of operational cases in the public domain were announced.

5.2.2 The Auditor General for Wales issued a report in 2000 that estimated approximately £15 million of potential income was lost in 1999 – 2000 as a result of patients incorrectly or fraudulently claiming exemption from prescription charges. A CFSMS risk measurement exercise into this area has demonstrated estimated losses have been reduced to £8 million for 2001 – 2002.

5.2.3 Other announcements included the provision of Advanced Investigation and Sanction Training (AIS) for all NHS Counter Fraud Specialists in Wales.

5.2.4 Publicity is given to the successful outcome of investigations reinforcing the message that fraud is unacceptable throughout the NHS and to create a deterrent effect.

5.3 **Preventing fraud where it cannot be deterred**

5.3.1 Under the Health and Social Care Act 2001, new provisions to regulate primary care practitioners contracting for provision of services will shortly be introduced in Wales. These regulations include suitability criteria and the powers to refuse listing, suspend or remove from the lists on several grounds including fraud. From August 2002, the NHS Tribunal was abolished in Wales and the jurisdiction of the new independent appeal body, the Family Health Service Appeal Authority (FHSAA), was extended to cover both England and Wales. At the same time, new regulations for GMS, GDS and GOS will allow decisions about the overall acceptability of primary care practitioners to be taken locally by LHBs. Further amendment regulations for pharmaceutical services will be laid to a later timescale after the English regulations come into force, as will regulations requiring all practitioners in Wales to declare financial interests and the acceptance of gifts or other benefits.

5.3.2 Work towards the implementation of patient verification checks and penalty charges for people who incorrectly or fraudulently claim exemption from prescription charges in Wales has been completed. The Post Payment Verification Unit (PPVU) at Health Solutions Wales (HSW) started to impose penalty charges from October 2002. Similar arrangements have been developed for dental charges.

5.3.4 A Pharmacy Reward Scheme (PRS) exists in Wales to reward pharmacists for recovering lost, stolen, forged or counterfeit prescription forms. We are looking at extending time limits and improving rewards available under the scheme.

5.3.5 Work is underway to review the current civil recovery of funds lost to fraud, and a paper outlining options and routes to effective recovery is being drafted. Once completed, the arrangements will be considered for application in Wales and England.

5.3.6 CFSMS intends to put in place a revised and strengthened legal framework for counter fraud work in Wales.

5.3.7 The CFSMS has been reacting to the rapidly evolving Modernisation Agenda throughout the year to fraud proof future policy. These include work on a number of projects including the NHS/Private interface, Codes of Conduct for NHS Managers, Foundation Trusts and Dental ‘Options for Change’. The results of this input will apply in Wales.
5.4 **Detecting fraud where it is not prevented**

5.4.1 The NHS in Wales use the Fraud and Corruption Reporting Line on 08702 400 100, which is a bilingual service available via the CFSMS Wales Team. This line is open to health professionals and patients if they have any concerns or suspicions that there may be a serious risk of intent to defraud the NHS or others.

5.4.2 The six-person Wales Operational Team based at Mamhilad, Gwent have been operational since August 2001. There is also a comprehensive network of LCFSs in place, and is supported by the Welsh Operational Service.

5.4.3 Two initial Risk Measurement Exercises have been conducted in Wales. The Pharmaceutical Prescription Patient Fraud has been completed and the Optical Patient and Contractor is nearing completion.

5.4.4 The MoU with the AC in Wales specifies how auditors and counter fraud specialists will work together to counter fraud and corruption in Wales.

5.4.5 The first proactive exercise examining the risks to the NHS Trusts due to bank staff fraud across Wales and England is due to commence in June 2003.

5.5 **Fairly and objectively investigating suspicions of fraud where they arise**

5.5.1 The Wales Operational Team has received a number of referrals and as a result are currently investigating cases with a potential value of £800,000. Examples of concluded cases can be seen at Annex 1.

5.6 **Seeking to apply a suitable combination of criminal, civil and disciplinary sanctions**

5.6.1 Several important NHS Wales cases have now been concluded. These cases include that of a IT specialist at an NHS Trust involved in fraudulent payment transfers, a dental practice manager submitting false claims for treatment, a taxi company providing services to NHS Trusts submitting inflated and duplicate invoices, an NHS employee working whilst on sick leave, a doctor issuing false prescriptions, and a patient welfare officer committing theft from patients. See Annex 1.

5.6.2 A number of other long-term investigations are nearing completion. These include investigations into several optical service retailers, an audiologist, a hospital consultant and a mobile optical company who visit residential homes. It is anticipated that the number of referrals and cases under investigation will continue to increase as the LCFSs gain experience and the staff of NHS Wales become more aware of the LCFS role.

5.7 **Seeking to recover losses to fraud**

5.7.1 The Wales Operational Team and LCFSs has already, at this comparatively early stage of its development, undertaken work which has resulted in the recovery of £244,127.

5.8 **Quality Inspections of all counter fraud work**

5.8.1 During the 2002-2003 financial year the Quality Inspection process began to be rolled out across Wales. The intention of these inspections is to ensure that counter fraud work undertaken is of a high and consistent quality throughout the NHS in Wales.
5.8.2 It is planned to conduct six Quality Inspections each year for Wales. During 2003/04 this will focus on those NHS Trusts where there are no indications of counter fraud activity taking place. It is felt that these will benefit most from the outcomes of a Quality Inspection visit. In future years the focus will be placed on the new NHS bodies currently being developed in Wales.

6. Meeting targets and making savings

6.1 Work to accurately measure fraud losses in the area of Pharmaceutical Patient Fraud (PPF) in Wales is now complete. There has been no direct comparison between fraud levels prior to and post Point of Dispensing (PoD) checks. However, an NAO measurement exercise in April 1999 revealed a fraud level of £15 million and the results from the CFSMS risk measurement exercise in September 2002 showed fraud to be £8 million, a reduction of £7 million. This indicates a 53% fall in patient fraud in Wales over this period.

6.2 The CFSMS Risk Measurement Investigation Unit is currently carrying out a Welsh Optical patient and contractor exercise. The exercise is looking at a sample of General Optical Service (GOS) forms, for services obtained between June – July 2002, that had been submitted for reimbursement where exemption from charges had been claimed. These samples are currently undergoing extensive checking and the expected completion date for this exercise is summer 2003.

6.3 The CFSMS Risk Measurement Investigation Unit is to carry out a dental patient and contractor exercise in England and Wales in mid-2004.
ANNEX 1

NHS Counter Fraud Service Operational Service (Wales) – summary of cases:

The following cases have now been concluded:

1) **IT specialist**
   An IT specialist at a NHS Trust with previous experience in the creditor section used his computer knowledge and access rights to change creditor payment details on bank transfers. Payments of about £10,000 from the Trust were transferred to his personal bank account instead of the suppliers’ bank accounts. The IT specialist pleaded guilty to 18 counts of false accounting and was sentenced to six months imprisonment. The funds of £10,000 were repaid to the NHS.

2) **Dental practice manager**
   A Dental practice manager submitted bogus and enhanced claims for treatment provided to patients. The dental manager pleaded guilty to six charges of false accounting and was fined £6,000, he was also ordered to pay costs of £1,500 and reimburse the DPB with £550.

3) **Taxi Company**
   A taxi firm in North Wales submitted inflated and duplicate invoices to NHS Trusts for conveying patients for treatment. The contracts, which averaged £35,000 per month, have been cancelled and a new taxi firm appointed while payments of about £167,000 have been retained by the Trusts following a civil settlement. The new taxi contracts provide the same level of service, at a saving of £10,000 per month, to the Trusts.

4) **Working while claiming sick leave**
   An employee in the NHS catering department worked as a cook at a residential home while claiming sick leave from the NHS. During a period of four months the employee submitted doctors’ medical certificates stating that she was not fit to work with a declaration that she was not working in order to obtain sickness payments.

   The employee pleaded guilty at Swansea Magistrates Court on 11 December 2002 to four counts of false accounting. She was given a conditional discharge for a period of 12 months and was ordered to pay £500 compensation to the Trust. The employee resigned prior to trial.

5) **Doctor issuing false prescriptions**
   A doctor had become addicted to dihydrocodeine. The doctor stole a pad of prescriptions from the A&E Department of his local hospital and issued forged prescriptions for the drug. The forged prescriptions were later presented at a local pharmacist to obtain supplies of the drug for his own use. The pharmacist was suspicious and referred the case to the relevant health body; enquiries confirmed that the doctor had committed offences of theft and forgery.

   The doctor appeared at Cardiff Crown Court on 15 November 2002 where he pleaded guilty to twelve offences of theft. The doctor was sentenced to eight months imprisonment suspended for two years and the case has been referred to the GMC for disciplinary action.

6) **Theft from patients**
   The Patient Welfare Officer at a hospital in Gwent was suspected of misappropriating patients’ disability living allowance benefits and share dividends since February 1998. Internal Audit confirmed the offences; LCFS and Police interviewed the employee who admitted the offences. The employee was dismissed.

   The employee appeared at Newport Crown Court on 3rd January 2003, she pleaded guilty to four theft charges and was sentenced to 12 months imprisonment suspended for two years and was ordered to repay £7,262 to the relevant NHS Trust.
Press Release regarding counter fraud work in Wales, issued 23rd July 2002

Assembly Minister for Health and Social Services announced a series of counter fraud charters and a memorandum of understanding with the Audit Commission in Wales

Jane Hutt, Assembly Minister for Health and Social Services today announced the progress that the Welsh Assembly Government had made in Countering Fraud in the NHS in Wales at an event in Cardiff Bay.

At the event, a series of Counter Fraud Charter agreements were signed with the professional representative organisations, patient groups, the Royal College of Nursing and professional Regulatory Bodies. Signatories to the Counter Fraud Charters included the British Medical Association, British Dental Association, Association of Optometrists, Federation of Ophthalmic and Dispensing Opticians, Community Pharmacy Wales, Association of British Dispensing Opticians, Long Term Medical Conditions Alliance, Royal National Institute for the Blind, Royal College of Nursing, General Medical Council, General Optical Council, General Dental Council and the Royal Pharmaceutical Society of Great Britain.

These Charter agreements commit the signatories to work with the Welsh Assembly Government and the NHS Counter Fraud Service to counter fraud in the NHS in Wales and reduce fraud to an absolute minimum.

Speaking earlier today Jane Hutt, Assembly Minister for Health and Social Services said,

“The signatories to these counter fraud charters have all joined together to work with the Welsh Assembly Government to isolate the dishonest minority who seek to defraud the NHS. I am very pleased that we have reached such agreements with all of these organisations.

Jane Hutt also welcomed a new Memorandum of Understanding between the NHS Counter Fraud Service and the Audit Commission in Wales which commits both organisations to work together to tackle fraud in the NHS in Wales. This is the first time that lines of responsibility between the audit function and the specialist counter fraud function has been clearly defined in Wales.”

Jane Hutt added,

“This understanding between the Audit Commission in Wales and the NHS Counter Fraud Service is a further demonstration of our determination to minimise the opportunities for fraud and corruption. All of these developments contribute to our fight against fraud in the NHS. But we must not rest on our laurels or be complacent. Much has been done but there is still much to do.”

Andrew Wood, Lead Manager for the Audit Commission in Wales said,

“Tackling fraud in the health service is a key priority for the NHS and the Audit Commission in Wales. We have recently, for example, undertaken a series of investigations into cases of ophthalmic fraud, resulting in prosecution and conviction.

We are committed to working in partnership to safeguard public money. The new Memorandum of Understanding with the NHS Counter Fraud Service is a demonstration of that commitment. Together we are serving notice that the fight against fraud is being stepped up.”
Jim Gee, Director of the NHS Counter Fraud Service said,

“We now have a comprehensive, integrated and professional strategy and professional counter fraud specialists to implement it. We will work together with all the Counter Fraud Charter signatories and the Audit Commission in Wales and will seek to mobilise the honest majority to make it clear that fraud is unacceptable. This is a major step forward in the battle against fraud and the battle to free up resources for better patient care.

Fraud against the NHS is not a victimless crime but one which is draining away the lifeblood from necessary treatments in hospitals and GP’s surgeries. Quite simply, the more we can protect that public money, the easier it will be to keep the public healthy.”

Also taking place at this event was an award ceremony for Welsh staff who have successfully completed the NHS specialist counter fraud training. For the first time all Welsh counter fraud staff are being trained in a professional qualification which has become the standard in this field.

The training is accredited by the Institute of Criminal Justice Studies at the University of Portsmouth and is overseen by a Counter Fraud Professional Accreditation Board comprising of public and private sectors representatives, including the NHS.

The benefits of this professional approach can already be seen, as Jim Gee observes:

“Over the past three years over 4000 Counter Fraud Specialists from eight different sectors have successfully completed study in professional, accredited counter fraud training. Armed with this expert training, staff in Wales will be able to professionally tackle fraud and corruption in healthcare.”

Notes to Editors

1. The strategic document Atal Twyll yn yr NHS yng Nghymru or Countering Fraud in the NHS was published in September 2001.

2. The setting up of the NHS Counter Fraud Service Welsh Operational Team took place in August 2001.

3. The Audit Commission in Wales

The Audit Commission for local authorities and the NHS in England and Wales is an independent body established under the provisions of the Audit Commission Act 1998.

The Audit Commission in Wales aims to be a driving force in the improvement of Welsh public services by promoting the proper stewardship of public finances and by helping councils and the NHS to deliver economic, efficient and effective services. The Commission’s main functions are:

● appointing auditors to Welsh councils and NHS bodies;
● setting standards for those auditors and monitoring the quality of audits;
● undertaking national studies to promote economy, efficiency and effectiveness in the provision of services by local authorities and NHS bodies;
● receiving and where appropriate following up information received from ‘whistleblowers’ in local government and NHS bodies under the Public Interest Disclosure Act 1998;
● Inspecting Best Value Reviews produced by local authorities;
● Working with Estyn on joint inspections of LEAs;
● Working with CHI to review the work of NHS bodies.

4. For further information about the work of the NHS Counter Fraud Service please contact Chantal Ewart on 020 7972 2528
ANNEX 3

Press Release regarding counter fraud work in Wales, issued 24th October 2002

Major reduction in fraud losses announced by Jane Hutt

“Fraud in the NHS is totally unacceptable”, was the message from Welsh Minister for Health and Social Services Jane Hutt today when she announced NHS Wales’ success in reducing estimated losses for pharmaceutical patient fraud to £8 million.

Speaking at an event, where she also welcomed an historic agreement between the NHS Counter Fraud Service (CFS) and the Association of the Chief Police Officers (ACPO), she said: “The NHS in Wales has come a long way since 2001 when the Welsh Assembly Government set out its strategy to give greater protection to NHS resources from fraud.

Today I am very pleased to announce that estimated losses have reduced to £8 million for 2001-2002. These savings generated from reductions in fraud are now being spent where the money was intended to be spent – on the delivery of patient care. The Welsh Assembly Government has taken many steps to create an effective structure to counter fraud in the NHS in Wales and this figure proves that these have been successful.

We want fraudsters to see that their actions will not be tolerated and to ensure that potential fraudsters are successfully deterred. The NHS CFS has made a positive impact since its creation in 1999 and this must continue by working together with those who work in and use the NHS. The agreement being signed today with ACPO is another positive step in creating an anti-fraud culture in the NHS. It is a major step in the battle against fraud and our progress in freeing up resources for better patient care.”

Assistant Chief Constable Barry Taylor of Dyfed Powys Police said:

“The Memorandum of Understanding is welcomed by the police service. It is the product of valuable collaboration between representatives of the NHS CFS and the ACPO National Working Group on Fraud.

It establishes clear lines for effective communication between the NHS CFS and the forty three police forces of England and Wales. It sets out the respective powers and responsibilities of NHS CFS and police fraud investigators, encouraging early contact and ongoing co-operation throughout the life span of an investigation.

The agreement provides clear guidelines to achieve consistency in the reporting of frauds against the NHS to the police and encourages closer working relationships at the local level to improve procedures for gathering of evidence. It also seeks to promote co-operation and professionalism by defining practical and legal considerations that apply to joint investigations.

The ultimate benefits that will accrue from improved NHS CFS/police efficiency in conducting joint investigations, will be speedier and more certain prosecutions against those who steal public funds through fraud against the NHS.”
Jim Gee, Director of the NHS Counter Fraud Service said:

“The NHS CFS have spent some time negotiating this ground-breaking memorandum of understanding to establish how the police and the NHS Counter Fraud Service will work together and exchange information. In particular this will enable effective investigation and our objective to detect all forms of serious crime in the health service including fraud. It will also assist both the police and the NHS Counter Fraud Service to co-operate at an operational level.

The financial demands on the NHS mean that there can be no let up in protecting its resources. The health service was founded on a principle of trust and we will not allow it to be undermined by the exploitation of those values. We are seeking to protect public funds and defend the NHS against those who try to challenge it.”

Also announced today was the provision of Advanced Investigation and Sanction Training (AIS) for all NHS Counter Fraud Specialists in Wales. Applying the right sanctions is integral to countering fraud in the NHS which is why AIS Training has been introduced. This training is intended to ensure that counter fraud specialists consider the full range of available sanctions to them once an investigation commences.

In the past civil, disciplinary or criminal investigations have been undertaken at separately. This has caused fraudulently gained funds to be lost due to a suspect or suspects disposing of the money once they are aware of the investigation against them. The AIS training will highlight how counter fraud specialists can, in parallel, seek to apply a civil, disciplinary, and criminal sanctions. Therefore giving the NHS CFS a greater opportunity to regain the money lost and re-invest it into NHS frontline patient services.

For further information please contact Anne Jones or Kate Williams on 029 0289 8558/8100

Notes:

- ‘Countering Fraud in the NHS in Wales’ was launched in September 2001. Copies available on request.

- The Auditor General For Wales issued a report in 2000 that estimated approximately £15 million of potential income was lost in 1999-2000 as a result of patients incorrectly or fraudulently claiming exemption from prescription charges.