tiaa

FRAUD DIGEST

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2022

THE CHANGING NHS FRAUD LANDSCAPE

The fraud landscape pre-covid-19

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Introduction

This is TIAA's sixth annual Digest on internal fraud. This Digest is designed to provide our forward looking assessment of emerging internal fraud trends in the NHS sector and the effects of the COVID-19 pandemic.

It is worth noting that fraud is now the number one crime in the UK. The pandemic has seen an evolution in fraud as criminals continuously look for new ways to target potential victims. The latest figures released by UK Finance in their half yearly fraud report shows that the scale of the problem is increasing. According to the UK Finance report, the first half of 2021 saw fraudsters steal £753.9 million through fraud. This is an increase of over a quarter (30 per cent) compared to the same Financial Year 2019/20, or 2020.

The risk of fraud both internally and externally has heightened since the start of the pandemic and this may be in part due to the abrupt change in working practices, as well as increasing pressure both financially and professionally on organisations and employees.

This is of particular note when considering the reasons that fraud occurs. In the 1950s Donald Cressey developed the Fraud Triangle. The Fraud Triangle presents three main enablers of fraud; **opportunity**, **pressure** and **rationalisation.**

In this Digest we analyse the new and emerging fraud trends during the pandemic and seek to make longer term future projections of the changes to the fraud landscape and provide insight into the key fraud indicators 'red flags', the NHS needs to be alert to and some of the measures that can be taken to mitigate the emerging and changing risks.

We will do this by examining the pre-pandemic fraud landscape, identifying new and emerging trends and risks and considering the likely effect on the key drivers to fraud.

As the country recovers from the pandemic the economy is likely to create a significant driver on individuals under financial pressure as they struggle to maintain living standards. This pressure is not restricted to individuals but will also affect businesses. This may provide some with a basis to **rationalise** fraud to ease this **pressure**.

The reliance that is placed on staff to comply with their organisation's policies and controls, and to operate those controls effectively is also under strain: This is primarily down to the fact that many people have been working, and some continue to work, either remotely or through a hybrid form of working. This may cause employees to become disengaged from the centre and their actions may be subject to less scrutiny and oversight. This provides **opportunity.**

In our conclusion at the end of this Digest, we outline our thoughts on the direction of the landscape, but more importantly, some things to consider adopting and a series of questions that audit committee's should be discussing and asking to gain assurance over your fraud risk resilience.

Why does fraud happen? The Fraud Triangle

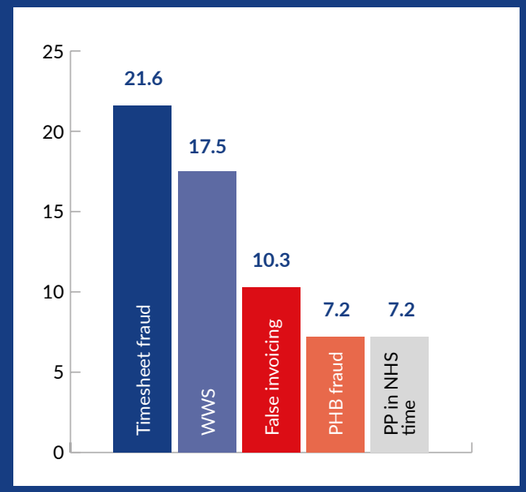
A FRAMEWORK FOR SPOTTING HIGH-RISK FRAUD SITUATIONS

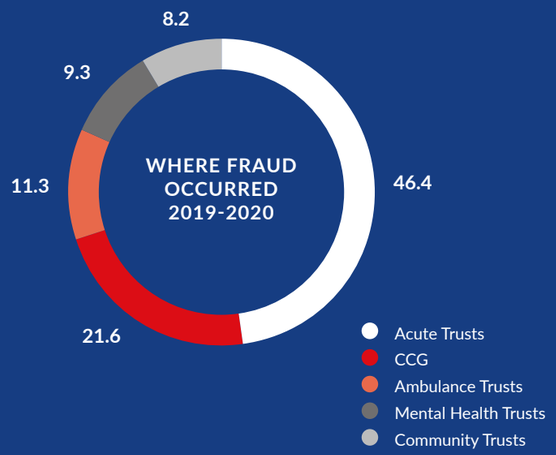
The pre-pandemic fraud landscape

NHS fraud statistics for the year leading into the COVID-19 pandemic have been analysed to obtain a snapshot of the pre-pandemic NHS fraud landscape, looking at prevalent frauds, where they occur and offender typologies.

NHS FRAUD TYPES 2019-2020

- Timesheet fraud (including false timesheets, overlapping shifts, false overtime/additional sessions) has consistently been the most prevalent NHS fraud type for many years and affects all NHS organisation types.
- Working whilst absent on sick leave (WWS) has historically been the second most common fraud and is also a fraud type that affects all NHS organisation types. WWS is typically a low value, high volume fraud.
- False invoicing has been and continues to be a consistent threat to all NHS organisations, albeit more of a risk to Clinical Commissioning Groups (CCGs).
- Continuing Healthcare and Personal Health Budget (PHB) frauds, which are specific to CCGs, was an emerging threat in the years prior to the pandemic.
- Unauthorised Private Practice (PP) in NHS time is a threat that mainly impacts on Acute and Mental Health Trusts.



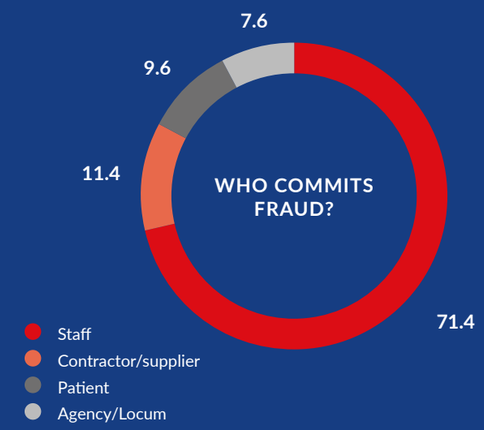


WHERE FRAUD OCCURRED 2019-2020

- Acute Trust's have traditionally been where most NHS fraud occurs. This can be explained because Acute Trust's are the biggest NHS employers. It is also evident that NHS employers are the main perpetrators of NHS fraud. This is illustrated by the 46.4% of frauds, investigated by Tiaa, that were committed in Acute Trusts.
- CCG's have been shown to be an emerging area of risk caused by increasing numbers of PHB frauds and high risk of invoicing frauds.
- Historically, levels of fraud in other NHS organisations have been interchangeable.

WHO COMMITS FRAUD?

- Historically, NHS staff are the most common perpetrator of fraud against the NHS, having consistently accounted for a proportion of offenders greater than all other offender groups combined (71.4% compared to 28.6%).
- However, it should be noted that the likelihood of NHS staff fraud being detected is greater than, for example patient fraud, given that most fraud is detected by staff within the workplace.



Changing patterns in NHS fraud

The COVID-19 pandemic has resulted in far reaching and significant changes to many aspects of life globally. These influences have caused major changes in how the NHS operates, how it manages its workforce and the increase in finances flowing through the NHS system.

The potential impact of COVID-19 on the fraud landscape are not yet fully known, but it is clear that the pandemic has opened up new methodologies for fraud. It has changed working practices, introducing remote and hybrid working styles, thus changing the dynamics of corporate governance, particularly at operational levels. As a result NHS staff are typically more removed from their direct reports than ever before, and as such it is more difficult to supervise and monitor work outputs.

Many NHS organisations have been required to make adaptions to their estate, often at short notice and with significant pressures to complete such works quickly. This inevitably increases the risk of fraud and error concerned with the procurement of contractors to complete these works. These are just two examples of risks that have been identified in the NHS as a result of the pandemic.

By analysing statistics for the 2020/2021 and 2021/2022 years and comparing with the pre-pandemic period, conclusions can be drawn as to the localised and short-term affects that the pandemic has caused on the NHS fraud landscape.

Note: *Statistics for the second year of the pandemic (2021-2022) have been extrapolated across the year. Data was collected to the end of February 2022. At that time there had been 57 criminal investigations opened by TIAA. This has been extrapolated to an estimated year end figure of 69 criminal investigations.*

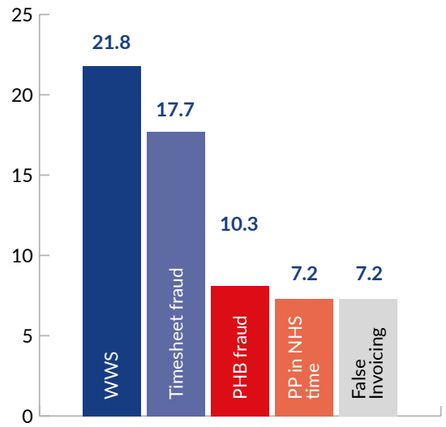
NHS FRAUD TYPES 2020-2021

2020-2021 (SEE COLUMN CHART)

- The key finding for the first year of the pandemic is that the total number of fraud investigations increased by 26%. The possible reasons for this will be discussed subsequently in this Digest.
- WWS fraud became the most prevalent fraud in the NHS. This is a change from a long standing historic pattern of timesheet fraud being the common NHS fraud type. The increase in the proportion of WWS is significant (an increase from 17.5% to 21.8%) especially when considering the overall increase of investigations.
- Analysis identifies a number of WWS offences directly related to the pandemic, including working whilst isolating and working whilst reporting as having COVID-19 symptoms. It is also of note that the pandemic provided an additional opportunity to commit fraud, due to the inherent difficulties of verifying COVID-19 related sickness.

2021-2022

- WWS is projected to constitute 26.1% of fraud types, making it the most prevent NHS fraud for the second consecutive year. This ongoing trend fortifies the likely link between COVID-19 and the increased risk of WWS fraud.
- Timesheet fraud has increased relative to WWS fraud. Scrutiny of the statistics identifies a number of timesheet frauds that concern overlapping shifts. This fraud type has increased in line with remote and hybrid working practices.
- False expenses and application frauds are projected to be amongst the most common frauds for this year. This may be indicative of the increased risks associated with remote and hybrid working, and increased pressure on recruitment.



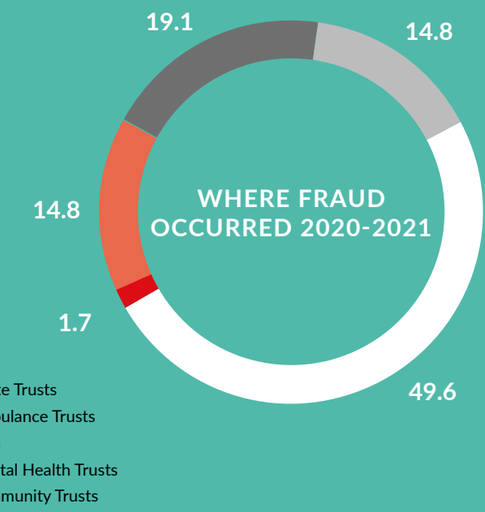
Where fraud occurs 2020-2021

Analysis shows a movement in frauds occurring at Mental Health Trusts during the first year of the pandemic. When considering the increase, this movement from 11.3% to 23.5% is significant.

- Further inspection of the statistics reveals that a high number of Private Practice in NHS time frauds were specific to Mental Health Trusts this year, however the reasons for this are not clear.
- The increase in the proportion of frauds at Mental Health Trust has been countered by a reduction in the proportion of frauds at Acute Trusts. Again, the reasons for this are not fully clear.

2021-2022 (see pie chart)

- Analysis shows a projected proportional increase in NHS frauds occurring at Acute Trusts, a movement from 38.7% in 2020-2021, to 49.6% this year.
- Acute Trusts are historically the most common victim of fraud in the NHS with 2021-2022 projections broadly in line with pre-pandemic records.
- A further key finding in the increase on the proportion of frauds occurring at Community Trusts (9.2% to 14.8%). Further scrutiny of the statistics for 2021-2022 potentially links this to the increase in false expense frauds, where for the majority, the offender was a staff member working in a community setting.
- Finally, it is of note that the proportion of frauds at CCGs is projected to decline to 14.8%, compared to over 20% for the two previous years. CCGs have been an emerging risk over a number of years. Analysis of the statistics shows that this is likely to be linked to the decline in PHB frauds for the current year.



Who commits fraud?

2020-2021 (see pie chart)

- NHS staff continued to constitute the largest proportion of offenders against the NHS. That trend is set to remain regardless of any internal or external factors.
- Frauds perpetrated by suppliers or contractors show an increase. Analysis suggests this is linked to the increase in frauds that occurred at CCGs, notably PHB frauds where the subject is often classified as a contractor.
- Patient fraud has reduced proportionally (9.6% to 3.8%).

2021-2022

- Patient frauds are projected to be lower (5%) than pre-pandemic levels for the second year running.

Future projections - the outlook

The COVID-19 pandemic is likely to have far reaching and long-term effects on many aspects of life. As a result the NHS will need to adapt to long-term changes and pressures to its business practices. In addition, the significant increases in funding and expenditure by NHS organisations, is likely to be reined in by the Government, given the direction and return to 'normality' and 'business as usual'. Concerns over financial discipline and the achievement of cost improvement plans is going to be a challenge that organisations will face, which may result in further changes to organisations structures and leaner operating models. In addition to this, the introduction of the Integrated Health Care System (ICS) places additional pressures and new methods of operating, which will both place governance risks and pressures.

Predicting future events is a challenge, but what is certain is the fact that fraud across the UK and globally is increasing. It is now the number one reported crime in the UK, which affects us all in the workplace and our personal lives.

National intelligence on fraud trends at this time show a mix of projections. In January 2022 the Treasury Committee reported a 32% increase in fraud the year ended June 2021, when compared with the same period two years prior. However, the NHS Counter Fraud Authority's (NHS CFA) Annual Report for 2020-2021 reports a decline in reporting of 40%. The newly released NHS CFA Business Plan 2022-23 commits to a shift in approach and focus on prevention and detection methods over the coming period. This change should drive and increased targeted focus to drive out fraud risks and incidents.

Whilst the short-term effects on the NHS fraud landscape can be interpreted by looking at changes in trends over a relatively short period of time, the real long-term effects are perhaps less understood. However, there is enough evidence already to suggest that COVID-19 has provided additional opportunities for fraud in the NHS. Increases in 'scam type' frauds, phishing attacks and data theft shows this trend will most certainly continue and sadly increase further.

What should you do?

In times of financial pressures, to cut costs, make savings and redirect resources to front line services, the typical approach is to cut back on back office functions. This has in the past included reducing investment in areas such as audit and counter fraud. However, this is the opposite of what you should be doing. Increasing resource, at a time where the economy is placing real challenges on household's income, fraud instances continue to evolve in complexity, volume and reach, is vital. Counter Fraud is now most probably as important as it ever has been, however, using your available resource wisely, targeted in areas that is based upon an evaluation of risk and intelligence, with a devised strategy with measurable outputs is the key factor that will provide you with assurance over your own organisation's fraud risk resilience.

Questions for the Audit Committee

1. How does your activity compare with the analysis contained within this digest?
2. Is your current resource sufficient to manage your current fraud risk profile?
3. Is your programme of counter fraud activity targeted in the areas deemed most at risk?

Fraud Smart and Fraud Check

FRAUD SMART

Any organisation can find themselves the victim of fraud and may have been scammed or involved in fraudulent activity at some time. New initiatives, such as "FraudSmart" and "FraudCheck" further support clients by identifying new and emerging fraud and economic crime trends which in turn assists organisations to developed strategies to combat fraud and to stay one step ahead in an ever fluid and challenging environment.

TIAA's Fraud Intelligence Team proactively seek to identify such risks, issuing Fraud Alerts throughout the year. Often well in advance of those issued by the established regulatory body or industry associations.

Recent Fraud Alerts have been issued across all sectors and have included those concerned with phishing attempts, mandate and socially engineered CEO frauds, targeted attempts to steal salaries and the vulnerability of emails to tampering to name but a few.

Our Fraud Smart team are standing by to provide further support and advice. Our experts include investigators, forensic accountants, auditors and data management experts.

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