NHS
Counter Fraud Authority

An evaluation of NHS procurement spending during the COVID-19 pandemic

A report on post event assurance activity

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Contents

Executive summary

GOOD

NHS organisations demonstrated prudent application of governance and financial risk management during the Covid-19 pandemic.[1]

Background

1. The vision of the NHS Counter Fraud Authority (NHSCFA) is to lead and proactively support the NHS to understand, find, prevent, and respond to fraud.

2. The Covid-19 pandemic placed the NHS and UK government under extreme operational and financial pressures. In line with the government programme of work to scrutinise centralised spending, the Health Sector Counter Fraud Board2 (CFB) tasked NHSCFA to lead a Post Event Assurance (PEA) exercise on local NHS healthcare spend during the pandemic response. This work would be unlike anything NHSCFA had previously undertaken.

3. NHSCFA set out to understand the true nature and potential value of procurement fraud risks associated with Covid-19. The unique nature of the pandemic and the subsequent need for an immediate response put extreme pressure on procurement practices. It was therefore important to capture behaviours locally during the emergency management response.

4. It would not have been possible for NHSCFA to undertake this work without the assistance and participation of NHS provider organisations and their Local Counter Fraud Specialists (LCFSs). NHSCFA is grateful to all those organisations and their staff for their work in this assurance exercise.

Opinion

5. It is our opinion that despite the mounting operational pressures, 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.

1. Our classification system is defined in appendix 3 of this report.

2. The Counter Fraud Board is chaired by Department of Health and Social Care which draws together key national organisations including: NHSCFA, NHS Business Services Authority and NHS England and NHS Improvement; with representation from Cabinet Office for strategic oversight of all NHS counter fraud activity.

6. There were a small number of instances within a small number of NHS organisations where performance could be improved. This opinion is based on our assessment of NHS organisations' performance in response to instructions on financial activity during Covid-19. The Cabinet Office issues guidance in the form of Procurement Policy Notes (PPNs) which brings together best practice on public sector procurement. Our exercise looked to test NHS organisations against three PPNs issued in the early stages of the pandemic. Our focus was on the areas of direct award of contracts and supplier relief payments (SRPs).

7. We also identified proactive activity at a local NHS organisational level that was taken to avoid identified risks when taking on new suppliers. The impact 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 an identified risk, following information/intelligence received, or due diligence undertaken. In this respect, NHSCFA identified £10m savings.

Notable areas of good practice

8. It is acknowledged that risk appetite and control frameworks will shift during an emergency management situation. Our assurance exercise demonstrated that the vast majority of the NHS organisations maintained good record keeping as stipulated within the direct award and supplier relief payments guidance.

9. Where this PEA exercise identified failures of internal controls, they were mostly attributed to a small number of NHS organisations with unique circumstantial contexts. NHSCFA will be providing individualised feedback to all participating NHS organisations in 2022-2023 and will work in collaboration to address the identified issues. This should not however distract from the prudent application of fraud risk management protocols largely applied throughout the NHS provider sector.

Notable areas of improvement

10. Two key themes were identified to have shifted the ability to mitigate fraud risk in procurement activity locally: routes to market and management of contracts. The urgency posed by the pandemic forced NHS organisations to accept new additional risks in the form of new overseas procurement routes, use of multiple intermediaries and inflated prices. The PEA also exposed a lack of centralised support and

coordination for NHS organisations in sourcing and procuring ventilators and medical clothing.

11. Whilst the proportion of supplier contracts both in receipt of SRPs and directly awarded – which demonstrated no evidence of records of decisions / agreements made – was low, there is an opportunity for all NHS organisations to ensure that there are adequate provisions to undertake such activity, and a suitable platform to record such decisions. This is likely to derive from standard operating procedures (SOPs), and a contract management software platform.

12. Equally, it is important for organisations to provide the capability to their staff to record risk assessments relating to contractual activity (more specifically, advance payments relating to SRPs). Again, this is likely to derive from a contract management software platform.

13. The low level of due diligence undertaken on new suppliers is concerning. When entering a contract with an unknown entity, it is paramount to understand what risks lie within the contractual relationship. When no due diligence is undertaken on a new supplier, a contracting authority is accepting a high level of risk by entering into the unknown. It is important for NHS organisations to build a capacity of commercial due diligence – a function that NHSCFA has previously raised concern over. It is however acknowledged that in an emergency management situation, it may be necessary to accept higher levels of risks.

14. There were common trends of contracting authorities not undertaking adequate due diligence on SRPs, as well as failing to manage internal records on key decisions and the suppliers failing to use SRPs in the manner intended. These outcomes highlight the importance of contracting authorities applying basic principles of risk management (as set out in PPN 02/20), even during an emergency management situation. Effective management of internal controls under normal circumstances will impact an organisation's ability to apply basic risk management protocols in an emergency management scenario, such as the Covid-19 pandemic. It is therefore recommended that NHS organisations continue to implement and review the appropriateness of their fraud risk management regime. Again, NHSCFA will work collaboratively with NHS organisations to achieve this.

1. Contract risk management

15. The 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.

16. 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).

17. 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.

18. It is important that these instances are captured as successful outcomes so that the value of proactive counter fraud activity at a local level can be reported on a national level.

19. This savings figure is a culmination of 20 contracts across 12 NHS organisations in England (11) and Wales (1).

20. This methodology was proposed to the Cabinet Office Prevention Savings Panel by the Department of Health and Social Care's Anti-Fraud Unit and accepted. The cases identified have not necessarily concluded that fraud occurred based on the civil 'balance of probability' test, however, they are the result of information shared with a view to prevent and detect fraud. Contracts were terminated following review via contractual grounds due to a deemed evaluation of high risk, and as a result of suspicious activity reporting from banks and other sources. In some cases, there was a potential for fraudulent activity, but the payments/contracts had been stopped as highlighted, as a disruption and prevention measure.

21. These outcomes were generated from actions arising from activity by the LCFSs

/ local NHS organisation. The savings highlighted were validated by each NHS organisation's LCFS and signed off by the organisation's Director of Finance, as well as peer reviewed by NHSCFA's Data Strategy Group[3].

3. NHSCFA's Data Strategy Group provides assurance to the Executive Management Team and the Board. It acts as a conduit for the measuring and application of quantifiable findings for data exercises within NHSCFA at point of commencement and conclusion ensuring there is consistency in terms of how the related metrics are applied, utilised, and recorded.

2. Direct award of contracts

22. 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 contracts'. To understand the level of which fraud risk was managed, NHSCFA asked NHS organisations for details of such contracts.

Key findings

23. There was a total of 1032 directly awarded contracts worth a total value of £508.2m between 1 April 2020 and 31 March 2021. 756 (73%) were extreme urgency contracts worth a total value of £385,696,125.02 (£385.7m). The below table depicts the value of all directly awarded contracts throughout the financial year, however this section will focus only on extreme urgency contracts.

Reason for direct award of contract	Number of contracts awarded	Value of contract
Call for competition using a standard procedure with accelerated timescales	3	£838,315.00
Call off from an existing framework agreement or dynamic purchasing system	73	£27,626,896.52
Direct award due to absence of competition or protection of exclusive rights	91	£30,743,383.70
Direct award due to extreme urgency (regulation 32(2) (c)	756	£385,696,125.02
Extending or modifying a contract during its term	64	£53,795,548.67
Method and reason of direct award not recorded	7	£1,399,918.10
Unknown	36	£7,752,993.10
Waiver	2	£397,382.10
Grand Total	**1032**	**£508,250,562.21**

Table 1: Directly awarded contracts and values

24. The highest proportion of extreme urgency contract spend (60%) is attributed to acute trusts, with health and care and ambulance services accounting for 7%, and mental health trusts accounting for 5%. The remaining 28% was awarded by the Welsh Local Health Boards.

25. 468 (62%) extreme urgency contracts were awarded to pre-existing suppliers whilst 288 (38%) contracts were awarded to non-existing suppliers. During the pandemic period the ability to procure goods and services through normal routes was severely interrupted. A higher proportion of directly awarded procurement activity with new suppliers could identify a higher vulnerability and level of risk in procuring goods and services during the Covid-19 pandemic. Anecdotal evidence suggests that during the height of the pandemic, when NHS organisations were actively attempting to procure high in-demand medical equipment vital in the fight against Covid-19, regular procurement routes did not suffice. As a result of the urgency posed by the pandemic, NHS organisations were forced to accept additional risks such as new overseas procurement routes, use of multiple intermediaries, and inflated prices.

26. 30 (4%) extreme urgency contracts worth a total value of £18.9m were identified as having either not met satisfactory levels or not delivered goods and/or services on time, in accordance with the requirements set out in their contract. Most of these contracts were for staff clothing (13), and medical and surgical equipment (12). Issues were centred around the suppliers' ability to fulfil orders; this is likely due to the high levels of demand for the goods and services during the pandemic period. There were however four NHS organisations that accounted for 21 of the contracts which is likely to indicate a heightened state of urgency when procuring goods and services. Furthermore, the heightened state of urgency may have impacted suppliers' ability to fulfil their contracted requirements as well as the NHS organisations' ability to manage contracts effectively.

27. PPN01/20 and PCR 2015 required contracting authorities to maintain records of decisions and actions taken. 68 (9%) extreme urgency contracts worth a total value of £34.2m were identified as not maintaining adequate records as required. Record keeping acts as a significant component of transparency and good governance. If proper records are not kept, it shows a lack of governance over this process. Whilst the proportion is not high, 58 of the 68 contracts are attributable to five NHS organisations which means that the failure of this requirement is concentrated to a small number of NHS organisations. It is important for all NHS organisations to ensure that financial governance arrangements are maintained throughout an

emergency management situation.

28. PPN 01/20 stipulates that, contracting authorities should keep records that demonstrate whether the tests set out in PPN 01/20 were met. Those tests are focused on ensuring the following:

    - There is genuine reason for extreme urgency.
    - The events that have led to the need for extreme urgency were unforeseeable.
    - It is impossible to comply with the usual timescales of a 'normal' procurement as set out in PCR 2015.
    - The situation is not attributable to the contracting authority.

29. 674 (89%) contracts met the tests, and such records were maintained. Given the obvious urgency faced by NHS organisations during this period, this result demonstrates a significant focus on financial governance was maintained – even during a challenging period for the sector.

30. 69 (9%) contracts were identified as not meeting the tests, little information was provided as to why the contracts did not meet the tests. Of the 69 contracts, 57 were attributable to four organisations. Only one directly awarded contract had further internal action taken as a result of the PEA exercise. 6 (1%) contracts partially met the tests, and for 7 (1%) contracts it was unknown whether the contracts met the tests stipulated.

31. As a result of the PEA exercise, we asked participating NHS organisations whether any further action was taken by the organisation or LCFS. 709 (93.7%) contracts required no further internal action.

32. 21 (2.8%) contracts required the NHS organisation and/or LCFS to make enquiries into the directly awarded contract, but findings were deemed satisfactory.

33. 16 (2.2%) contracts were terminated as a result of the PEA exercise.

34. 2 (0.2%) contracts were investigated as a result of enquiries made and subsequent fraud investigations were opened and ongoing. A further 3 (0.4%) contracts were followed up for internal review with an unsatisfactory outcome (with no suggestion of fraud).

35. PEA reviews of 5 (0.7%) contracts led to policy / SOP changes.

36. The proportion of contracts that raised concerns after internal PEA checks were undertaken is minimal. This suggests that the level of risk management that was applied to the awarding of extreme urgency contracts was largely sufficient and effective, under the circumstances of an emergency management situation.

37. 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. Of the 288 extreme urgency contracts awarded to new suppliers, the following levels of due diligence was conducted:

- 59 (20%) contracts worth a value of £42.8m had due diligence checks undertaken via three or more sources[4].
- 52 (18%) contracts worth a value of £22.4m had due diligence checks undertaken via two sources.
- 154 (54%) contracts worth a value of £93.8m had due diligence checks undertaken via one source.
- 23 (8%) contracts worth a value of £6.8m had no due diligence checks undertaken.

38. Our assessment reveals value for money and good commercial judgement was achieved through the application of extreme urgency contracts, however, the level of due diligence undertaken on new suppliers is concerning. When entering into a contract with an unknown entity, it is paramount to understand what risks lie within a contractual relationship. When no due diligence is undertaken on a new supplier, a contracting authority is accepting a high level of risk by entering into the unknown. It is important for NHS organisations to build a capacity of commercial due diligence – a

[4] 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 check, 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.v

function that NHSCFA has previously raised concern over. It is however understood that in an emergency management situation, it may be necessary to accept higher levels of risks.

Notable areas of good practice

39. Our assessment in respect of directly awarded contracts showcases a positive level of financial governance, transparency, and risk management on procurement activity during the Covid-19 pandemic. It was also evident that value for money and good commercial judgement was achieved through the application of existing procurement protocols. There are however some caveats to the positive outlook; most of which were heightened by the sense of urgency in managing the NHS's response to Covid-19.

40. The majority of extreme urgency contracts had records maintained, met the tests stipulated by PCR 2015, and performed to a satisfactory standard. The proportion of contracts that raised concern after internal PEA checks were undertaken is minimal. This suggests that the level of risk management that was applied to the awarding of extreme urgency contracts was largely sufficient and effective in the circumstances of the pandemic.

Notable areas of improvement

41. Regular procurement routes throughout the pandemic did not suffice. As a result of the urgency posed by the pandemic, NHS organisations were forced to accept additional risks such as new overseas procurement routes, use of multiple intermediaries, and inflated prices.

42. The heightened state of urgency may have impacted suppliers' ability to fulfil their

contracted requirements as well as the NHS organisations' ability to manage contracts effectively.

43. Whilst records of decisions and actions taken on individual contracts were largely present, a number of NHS organisations repeatedly failed in this aspect. If proper records are not kept, it shows a lack of governance over the procurement process, especially when normal routes to procurement are circumvented due to the nature of extreme urgency. It is important for all NHS organisations to ensure that financial governance arrangements are maintained throughout an emergency management situation. Therefore, it is recommended that NHS organisations ensure they have arrangements in place and review the suitability of their contract management database function.

44. Whilst our assessment reveals value for money and good commercial judgement was achieved through the application of extreme urgency contracts, the level of due diligence undertaken on new suppliers is concerning. When entering into a contract with an unknown entity, it is paramount to understand what risks lie within a contractual relationship. When no due diligence is undertaken on a new supplier, a contracting authority is accepting a high level of risk by entering into the unknown. It is important for NHS organisations to build a capacity of commercial due diligence – a function that NHSCFA has previously raised concern over. It is however understood that in an emergency management situation, it may be necessary to accept higher levels of risks.

3. Supplier relief payments

45. 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.

46. The NHSCFA asked NHS organisations, in relation to the period between 20 March and 30 June 2020, the number and value of 'at risk' suppliers that they continued to pay as normal when service delivery was disrupted or suspended. These arrangements and a definition of 'at risk' are contained within PPN 02/20.

Key findings

47. There were 100 SRPs awarded under PPN02/20 worth a total value of £24,657,517.45 (£24.7m). 81% of SRPs were made by acute trusts, with health and care and ambulance accounting for 4% and mental health trusts accounting for 15%.

48. The highest proportion (21%) of SRPs were for contracts relating to patient appliances, whilst 19% of contracts were for hotel services equipment, materials, and services. Medical and Surgical and Purchase Healthcare each accounted for 11% of contracts.

49. PPN02/20 stipulates that, contracting authorities should keep records of decisions and agreements made as record keeping acts as a significant component of transparency. If proper records are not kept, it shows a lack of governance over this process. 94 (94%) SRPs worth £21.5m had evidence of such records documented. The proportion of SRPs where records of decisions were documented was high. This demonstrates high levels of transparency across the NHS with regards to this process.

50. No evidence was documented for 5 (5%) SRPs worth £1m, all of which were within acute trusts, whilst it was unknown for 1 (1%) SRP worth £0.1m. The proportion of these SRPs where no evidence of records documented were scattered across various NHS organisations and suppliers. This indicates no pertinent trend of risk. It was however explained for 3 of these SRPs that internal approval had been granted in some form.

51. PPN 02/20 stipulates that “risks associated with advance or pre-payments should be carefully considered and documented”. There were 8 (8%) SRPs worth £1.3m which had no evidence of a risk assessment documented. Whilst this proportion is low, 6 of these 8 SRPs were from one NHS organisation, this may suggest a lack of capability across those organisations to undertake or record such activity. With the failing of this control being largely isolated to one NHS organisation, our assurance exercise continues to show good performance across the vast majority of NHS organisations in demonstrating effective risk management and governance around the process of making SRPs.

52. As part of guidance for SRPs, PPN 02/20 stipulates that the supplier operates on an

'open book' basis to ensure that there is transparency during the period of SRPs. This means they must make available records / data to demonstrate that payments made to the supplier under contract, have been used in the manner intended.

53. 74 (74%) SRPs worth a total value of £16.2m demonstrated evidence that the NHS organisation requested such records / data from the supplier. 72 (72%) of these requests had been satisfied by the supplier, with 2 (2%) suppliers not making records / data available to the contracting authority. There were 26 (26%) SRPs worth a total value of £6.5m where no request was made to the supplier to provide such records or data. Receiving this information acts as a significant component of transparency between the contracting authority and the supplier about the application of public funds. Although the total value of these SRPs is relatively low in comparison to the total NHS procurement spend; the proportion of total SRPs is high and should therefore be considered with caution.

54. Of the 72 (72%) SRPs where requests for records / data were received by contracting authorities, 3 (3%) worth a total value of £188,019 did not demonstrate that payments made were used in the manner intended; there were no further indications as to what action would to be taken. The total value and proportion of these instances relative to all SRPs is low and would therefore suggest prudent application of the supplier relief tools set out in PPN 02/20.

55. It was identified that 6 suppliers were in receipt of SRPs from at least 6 NHS organisations or more. Although there is no indication of fraud, it is important for NHS organisations to ensure that SRPs are used for the manner intended by PPN 02/20.

Notable areas of good practice

56. Our assessment shows good levels of transparency, financial governance, and fraud risk management by NHS organisations in the application of SRPs. Where this PEA exercise identified failures of internal controls, they were mostly attributable to a small number of NHS organisations with unique circumstantial context. NHSCFA will be providing individualised feedback to all participating NHS organisations in 2022-2023 and will work in collaboration to address the identified issues. This should not however distract from the prudent application of fraud risk management protocols largely applied throughout the NHS provider sector.

57. Whilst the proportion of SRPs that demonstrated no evidence of records of decisions / agreements made was low, there is an opportunity for all NHS organisations to ensure that there are adequate provisions to undertake such activity, and a suitable platform to record such decisions. This is likely to derive from SOPs, and a contract management software platform. Equally, it is important for organisations to provide the capability to their staff to record activities of risk assessments relating to contractual activity (more specifically, advance payments relating to SRPs). Again, this is likely to derive from a contract management software platform.

58. There are common trends of contracting authorities not undertaking adequate due diligence on SRPs, as well as failing to manage internal records on key decisions with the failings of suppliers not using SRPs in the manner intended. These outcomes highlight the importance of contracting authorities applying basic principles of risk management (as set out in PPN 02/20), even during an emergency management situation. Effective management of internal controls under normal circumstances will impact an organisation's ability to apply basic risk management protocols in an emergency management scenario, such as the Covid-19 pandemic. It is therefore recommended that NHS organisations continue to implement and review the appropriateness of their fraud risk management regime. Again, NHSCFA will work collaboratively with NHS organisations to achieve this.

4. Counter Fraud Action Plan

Recommendation(s)	High/Medium/Low	Owner
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 organisations / 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

Appendix 1: Objective, Scope and Limitations

Objective

59. 59. The objective of this exercise was to provide assurance on the effectiveness of controls and processes implemented across NHS provider organisations; in particular to manage operational and financial fraud risks during an emergency management scenario such as the pandemic.

Scope and limitations

60. All NHS provider organisations in England and Wales were considered in scope for this exercise. The organisations' Directors of Finance, Audit Committee Chairs and LCFSs were all written to asking for their participation and support of the exercise. The LCFS would be pivotal to the exercise in their review of NHS organisation's records.

61. The PEA was designed to obtain information of NHS spending behaviours during the pandemic therefore the exercise focused on contract cancellations and three PPNs sent out at the beginning of the pandemic: PPNs 01/20, 02/20 and 04/20. PPN 01/20 was on direct award, and PPN 02/20 and PPN 04/20 provided guidance on supplier relief payments.

62. The scope of this review included:

- Assessing the compliance and effectiveness of the application of Government guidance across NHS provider organisations during the pandemic.

- Assessing 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).

- Reviewing the number and value of contracts that were directly awarded with

extreme urgency (Covid-19 related) under PCR 2015 regulation 32(2)(c), as stipulated under PPN 01/20.

- Reviewing in relation to the period between 20 March and 30 June 2020, the number and value of 'at risk' suppliers that were paid as normal when service delivery was disrupted or suspended as per PPN 02/20.

- Reviewing how effectively risks were identified and managed by NHS provider organisations.

- Assessing the compliance of NHS provider organisations in adhering to SFIs, SOPs and internal processes.

Exclusion from the scope

63. We did not examine any areas that are not specifically outlined above.

Appendix 2: Methodology

64. The number and value of contracts that were directly awarded with extreme urgency (Covid-19 related) under PCR 2015 regulation 32(2)(c), as stipulated under PPN 01/20 and a full review of each contract directly awarded covering the following areas:

    - Supplier and contract details
    - Due diligence checks
    - Whether the provision of goods/services were received (on time and to standard)
    - Records maintained on the decisions and actions taken as stipulated by PCR 2015 and PPN 01/20.
    - Direct award' standards set by regulation PPN 01/20.

65. The NHSCFA project team undertook extensive stakeholder engagement to assist with design and development of the Covid-19 PEA, including the identification and access of available Covid-19 financial data and information. Some of the stakeholders we engaged with include:

    - NHS England and NHS Improvement
    - Cabinet Office – PEA Covid-19 Counter Fraud Response Team
    - Cabinet Office – Crown Commercial Team
    - NHS Procurement Leads.

66. In addition to the above discussions with stakeholders, the project team also hosted two workshops and webinars with LCFSs. The subsequent engagement resulted in the development of a question set for post event assurance based on the PPN guidance.

67. All NHS provider organisations in England and Wales were written to, advising of the exercise and their expected participation, as covered by the NHS Standard Contract in England, and supported by the Welsh Counter Fraud Steering Group[6].

68. The national exercise sought to provide assurance on NHS spend during the pandemic by testing the areas covered by four PPNs. The exercise also aimed to identify any associated fraud risks and actual fraud. The exercise ran between Jun – Aug 2021. The findings are explained in detail in the main body of this report.

69. NHSCFA also produced guidance for NHS organisations on completing the exercise and submitting their returns via its Data Capture System.

70. Conclusions are drawn from self-reported data by the LCFSs / local NHS organisation. Findings in this report were peer reviewed by NHSCFA's Data Strategy Group[7].

71. The methodology of savings attributed to the Contract Risk Management section of this report complies with the methodology applied by DHSC Anti-Fraud Unit in reporting savings to Government Counter Fraud Function (Cabinet Office).

Response rates

72. 219 NHS (provider) organisations in England and 10 NHS (Welsh Health Board) organisations in Wales were invited to participate in the Covid-19 PEA. There was an 91% response rate comprising the following respondents:

- 200 NHS organisations in England
- 10 NHS organisations in Wales

[6] The role of the Counter Fraud Steering Group is to provide strategic oversight and review of the Counter Fraud Service provided to NHS Wales. It will make recommendations for change to Welsh Government and to the NHS Wales Director of Finance Group for adoption.

[7] NHSCFA's Data Strategy Group provides assurance to the Executive Management Team and the Board. It acts as a conduit for the measuring and application of quantifiable findings for data exercises within NHSCFA at point of commencement and conclusion ensuring there is consistency in terms of how the related metrics are applied, utilised, and recorded.

What questions were asked

73. LCFSs will require input from their procurement and/or finance teams in the completion of this exercise as well as the potential involvement of their internal audit team to support this work.

Contract cancellations

74. 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).

75. A full review of each supplier identified was conducted by the NHS organisation's LCFS covering the following areas:

- Supplier and contract details
- Circumstances around the identified risk

Direct award of contracts

76. NHSCFA asked NHS organisations the number and value of contracts that were directly awarded with extreme urgency (COVID-19 related) under PCR 2015 regulation 32(2)(c), as stipulated under PPN 01/20.

77. A full review of each contract directly awarded was conducted by the NHS Organisation's LCFS covering the following areas:
    - Supplier and contract details
    - Due diligence checks
    - Whether the provision of goods/services were received (on time and to standard)
    - Records maintained on the decisions and actions taken as stipulated by Public Contracts Regulation 2015 and PPN 01/20.
    - 'Direct award' standards set by regulation PPN 01/20.

Supplier relief payments

78. The NHSCFA asked NHS organisations, in relation to the period between 20 March

and 30 June 2020, the number and value of 'at risk' suppliers that they continued to pay as normal when service delivery was disrupted or suspended. These arrangements and a definition of 'at risk' are contained within PPN 02/20.

79. A full review of each supplier where 'supplier relief' payments were made was conducted by the NHS Organisation's LCFS covering the following areas:
    - Supplier and contract details
    - Supplier relief payments
    - Whether records were maintained on the decisions and actions taken as stipulated by PPN 02/20.

80. The NHSCFA also asked questions around unsuccessful 'supplier relief' applications by suppliers.

81. A full review of each unsuccessful 'supplier relief' application was conducted by the NHS organisation's LCFS covering the following areas:
    - Supplier and contract details
    - Circumstances around the refusal of 'supplier relief'.

Appendix 3: Our classification system

PRIORITY LEVEL		DEFINITION
Good		The framework of governance, assurance, transparency, and fraud risk management is adequate and effective. Adherence to policy requirements is high. The level of fraud, irregularity, and non-compliance is low.
Moderate		There is evidence of a framework of governance, assurance, transparency, fraud risk management, and adherence to policy requirements, although some improvements are required. The level of fraud, irregularity, and non-compliance is limited.
Limited		There are significant weaknesses in the framework of governance, assurance, transparency, and fraud risk management. There is limited adherence to policy requirements. The level of fraud, irregularity, and non-compliance is substantial.
Unsatisfactory		There are fundamental weaknesses in the framework of governance, assurance, transparency, and fraud risk management. There is inadequate adherence to policy requirements. The level of fraud, irregularity, and non-compliance is unsatisfactory.

Recommendations

	DEFINITION	
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.