

Contract reviews

NHS fraud prevention quick guide

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The NHS spends a significant amount of money on goods and services, which are obtained through a variety of contracts and arrangements. This quick guide highlights how contract management is key to ensuring optimal financial and operational performance of contracts and can be used to prevent and detect fraud.

Contract review meetings can be used to minimise fraud risks that can occur during the contract management phase. It is therefore important to understand what contract fraud looks like and what control measures can be employed to ensure accountability, transparency, and probity during the contract management phase.

Who is this quick guide for?

This guidance is intended for those staff working within NHS procurement teams, particularly those responsible for managing contracts and relationships with suppliers.

How to spot fraud

Contract review meetings can help to identify vulnerabilities to fraud risks in the procurement process.

Here are some vulnerabilities you may want to look out for:

- Undisclosed buyer/supplier relationships where conflict of interest rules are not followed and relationships between those managing the contract and the supplier are not disclosed or managed.



- Contract terms, Key Performance Indicators (KPIs) and deliverables which are different to those included in the tender documentation.
- Overbilling for goods and services or unjustified expenses claims by consultants/contractors.
- False performance reporting from suppliers and/or internal end-users where payment is claimed for levels of performance that have not been achieved.
- False claims and variations for unjustified contractual claims and payments for contract variations.
- Sub-standard materials involving the use and/or substitution of cheaper materials than those specified in the contract.
- Misappropriation of assets where NHS assets (including data and intellectual property) are stolen or exploited by suppliers in the course of performing a contract.
- Ghost suppliers, where a fictitious company, or a real company that does not have a genuine relationship with the NHS organisation, is set up as a supplier and receives payment.
- Duplicate invoicing where the NHS organisation is intentionally charged more than once for the same goods or services.
- Mandate fraud which is also described as change of bank account scams, payment diversion fraud or supplier account takeover fraud. (See link below for associated NHS fraud prevention quick guide on mandate fraud)

How to stop fraud

NHS organisations should regularly undertake contract review meetings with their suppliers/contractors to prevent and detect vulnerabilities to fraud in NHS contracts. The frequency of the contract review meetings should be determined using a risk-based approach, considering factors such as the contract's value (low or high) and size and the risk of fraud occurring. This should be a defined process that is documented in a standard operating procedure (SOP) and/or policy.

The following controls should be in place for all appropriate contracts:

Personnel

- Contract managers appointed for independent oversight and reporting.
- Board scrutiny for contracts above set thresholds (£1m-£5m and above) as determined locally.
- Setting and reviewing financial delegations/authorisation limits.

- Separation of duties so that no single individual has control over the whole process.
- Ensuring that those who are responsible for day-to-day contract management have sufficient authority and experience.
- Awareness of and direct access to the NHS organisation's nominated Local Counter Fraud Specialist for seeking advice.

Process

- Up-to-date contracts register that incorporates contracts from all corners of the organisation.
- Ensuring that single item, low value and rolling contracts are also prioritised for scrutiny as these may be overlooked, thereby increasing the risk to fraud.
- A contract monitoring programme with clear parameters to assess the level of contract management required (determined using a risk-based approach) and ensures that correct contract management protocols are applied. Contract monitoring should employ the use of the following tools to assess the effectiveness of a contract:
 - » Standard templates for document contract reviews, meetings, KPI management and any contract variances.
 - » A SOP/policy in place for the management and frequent monitoring of KPIs and contract variances. The SOP/policy should lay out actions to take if contract KPIs, variances, and deliverables occur outside agreed protocol.
 - » Monitoring pattern of spending with suppliers.
 - » Minute supplier meetings.
 - » Accurate record keeping.
 - » Escalation routes for staff to report concerns.
- Ensuring that procurement staff, end users, suppliers and sub-contractors are involved in contract reviews meetings.
- Ensuring the reinforcement of existing financial guidance and controls over the repository of contracts through the contract database and e-sourcing platform and hold staff to account when the procedures are not followed.
- Reinforcing existing financial guidance and controls on the involvement of the Procurement department in all procurement and contract management activity.
- Undertake reviews of the frequency and extent of contract review meetings on a risk-based approach.
- Review extent of contract management information collected and utilised from each contract on a risk-based approach.
- Consider having a dedicated strategic contract resource that has oversight of all contracts on a risk-based approach.

- Raise awareness through the education/training of non-procurement staff who are managing contracts on procurement fraud risks.

Governance

- Risk management process, registers, and issue logs in place with guidance for staff on how to raise concerns regarding a risk or issue.
- Conflict of interest policy that addresses the requirements of all staff, suppliers, contractors and sub-contractors in the course of day to day business, contract and project work.
- Conflict of interest register held centrally for both NHS employees and contractors. Declarations of interest should be recorded at contract sourcing stage as well as at regular intervals throughout the contract lifecycle by all (staff, suppliers, and sub-contractors) involved in the process. Undeclared interests that subsequently come to light should be treated as a breach of contract and a disciplinary offence.
- Regular audits and reviews undertaken on the conflict of interest policy and procedures.
- Standards of Business Conduct and Gifts and Hospitality policies provided to staff at induction.
- Gifts and hospitality register with an overarching SOP/policy circulated/published on the staff intranet.
- A whistleblowing policy communicated to all staff to raise concerns.
- Ensuring that any transactions which appear suspicious are immediately suspended with any further transactions cancelled or frozen and the NHS organisation's escalation process followed.
- Access to the NHS organisation's Local Counter Fraud Specialist and promotion of how to report fraud locally.

If you suspect fraud

If fraud is suspected the organisation's escalation process should be followed immediately and the Local Counter Fraud Specialist contacted for advice (see also how to report fraud below).

How to report fraud

Report any suspicions of fraud to the NHS Counter Fraud Authority online at <https://cfa.nhs.uk/reportfraud> or through the NHS Fraud and Corruption Reporting Line **0800 028 4060** (powered by Crimestoppers). All reports are treated in confidence and you

have the option to report anonymously.

You can also report fraud to your nominated Local Counter Fraud Specialist.

Why take action?

The purpose of contract management is to manage and mitigate risks within the supply chain. Good contract management encourages ownership and oversight and assists in the prevention and detection of fraud. It also prevents bribery and corruption of NHS staff and the potential for collusion with suppliers to either obtain an advantage or to commit fraud.

The impact of good contract management is that it maximises performance, reduces any potential disruption in service delivery and ensures accountable use of public money. It also provides assurance to the Audit and Risk Committee that processes and procedures are being adhered to.

Further information

- The NHSCFA series of fraud prevention quick guides focuses on specific areas of fraud risk vulnerability in NHS finance and procurement and are available to all on [NHSCFA's website](#). They include:
 - » Contract splitting (disaggregate spend)
 - » Buying goods and services
 - » Due diligence
 - » Suppliers code of practice: preventing fraud, bribery and corruption
 - » Mandate fraud
 - » Petty cash
 - » Credit card
- NHSCFA has developed and published advice and guidance for the NHS on fraud risks relating to COVID-19, which may be helpful. Please visit [NHSCFA's website](#) for further information.
- The [NHS Fraud Reference Guide](#) was developed by NHSCFA to include information and definitions for different types of NHS fraud.
- For further reading and information on conflicts of interests refer to [NHS England's Conflicts of Interest Guidance](#).
- Details of your Local Counter Fraud Specialist.

Organisation name:

Name:

Job Title:

Email:

Telephone:

Mobile:

Address: