NHS
Counter Fraud Authority

Annual report and accounts

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

2017-18

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NHS Counter Fraud Authority
Annual Report & Accounts 2017-18

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Message from the interim Chair

The first annual report of any organisation is a significant step, especially for one whose mission is to lead the fight against fraud affecting the NHS and wider health service and protect vital resources intended for patient care. Ensuring public money pays for services the public needs and doesn't line the pockets of criminals means we all benefit from securing NHS resources. It is this reality that led to the formation of the NHS Counter Fraud Authority on 1 November 2017.

Our role is important, and we have moved quickly and purposefully to establish ourselves and deliver the work needed to support the Department of Health and Social Care's strategy for tackling fraud.

Getting to this point has been down to the collective and dedicated work of our teams with the support of NHS colleagues and partners around the country. It is no mean feat to continue to deliver a demanding workload while at the same time establishing the new systems and relationships. These foundations will underpin our ambitions to be the single expert, intelligence-led organisation providing centralised intelligence, investigation and solutions capacity for tackling fraud in the NHS in England.

We also know there is much still to do. We must forge stronger and more constructive relationships with government, health colleagues and NHS organisations. These relationships will ensure we work collaboratively, combining expertise and resources. When needed we will draw on the strengths of these relationships to challenge practice that hinders us all in making a difference in tackling fraud.

Any good organisation must undoubtedly have strong foundations and relationships. Our first five months have significantly established these, but we look forward to succeeding in what is ultimately the only test of our work: the difference we make in ensuring fraud does not take away health services from those who need them.

Simon Hughes
Interim Chair

Message from the interim Chief Executive Officer

As the interim Chief Executive Officer I am delighted to present this first annual report for the new NHS Counter Fraud Authority. In its first five months of operation, the NHSCFA has taken very positive steps to put in place an organisational structure and model of working that delivers a single expert intelligence led organisation. The NHSCFA provides a central economic crime intelligence hub and investigates serious and complex fraud; this supports the development of tangible fraud prevention solutions and drives improvement in countering fraud across the sector. This annual report sets out the progress made and I would like to thank all of my colleagues at the NHSCFA, our stakeholders and the interim Board for their contributions in delivering the launch of the new organisation and supporting us to deliver successful outcomes.

The NHSCFA launched on 1 November 2017 and embarked on a programme of engagement to raise the profile of the new organisation. We delivered a new website alongside targeted communication campaigns, and used a range of engagement methods including social media, direct marketing and presentations at specialist conferences. Through these different approaches we were able to highlight the negative impact of fraud on the NHS to a wide audience of NHS staff and the public.

In order for the NHSCFA to deliver our counter fraud strategy 'Leading the fight against NHS fraud' and support the Department of Health and Social Care's counter fraud strategy, we were clear about the need to work in partnership with others, not just with those in the counter fraud profession but with the public, NHS colleagues and other stakeholders. The cornerstone of our launch was our message

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

We know that fraud always undermines the NHS, with every penny lost to fraud impacting on the delivery of vital patient services. If fraud is left unchecked, we believe losses will increase. The NHSCFA's approach on launch was to deliver a five-month business plan in support of a three-year delivery plan that would establish the organisation as the lead counter fraud body in the NHS and wider health group.

Our aim was to raise the organisation's profile, raise the profile of fraud and increase understanding of the financial impact it has on the NHS.

To set the context for current and future economic crime work, the NHSCFA will report on an annual basis our estimate of fraud losses across the NHS and wider health group. At launch we estimated the losses to fraud to be £1.25bn and as a result of our work during the year we have improved our knowledge and understanding

of fraud losses and produced a new estimated loss figure of £1.29bn.

The NHSCFA approach will be to continually refine this estimate. Through the use of research and measurement activity, we will demonstrate improved accuracy in the information we hold and increase the levels of confidence in our overall assessment of the value of fraud losses across the NHS and wider health service. This will ensure that all work planned and delivered to address NHS fraud is targeted appropriately, and that solutions developed will prevent fraud and reduce losses when implemented.

To deliver these aims, the NHSCFA's business plan was developed using an established law enforcement process, the management of risk in law enforcement (MoRiLE) system. Through this process the NHSCFA identifies the key priorities for future years and highlights the intelligence gaps that need to be addressed.

At launch the NHSCFA targeted two specific priority areas, procurement and optical services, to inform and involve the professionals working in those areas. To gain support for the delivery of our counter fraud work we attended three specialist conferences: 100% Optical, the Healthcare Supply Association annual conference and the NHS procurement conference at Salford University. This direct approach to specialists proved very effective, with the feedback from optometrists and procurement staff demonstrating the value of engaging closely with others in specialist positions to tackle NHS fraud.

Optical fraud and European Health Insurance Card (EHIC) fraud were the two key areas of fraud identified for the NHSCFA to focus efforts on prevention and deterrence. The work progressed in these areas successfully delivered statements of solutions to be adopted by the risk owners to tackle the identified fraud issues. Should the recommendations be adopted and implemented, losses in optical contractor and optical patient fraud could be reduced by as much as 50%. If our solutions were adopted in the EHIC system, we would expect to see a reduction in the losses to fraud and error and an increase in suspected fraud cases being identified, reported and investigated. Any subsequent disruption activity to address system weaknesses would bring a decrease in the number of fraudulent claims in time, due to the deterrence effect of such action.

As part of our work to hold to account those who commit fraud against the NHS, the NHSCFA has delivered two positive outcomes from investigation work.

A successful proceeds of crime case delivered funds back to the NHS from a former Chief Executive Officer.

A guilty finding in a case of fraud by abuse of position committed by a locksmith employed by the NHS resulted in a six-year prison sentence for that staff member; proceeds of crime work has commenced to recover losses in this case. These outcomes are a result of detailed and complex investigation work, and show how we will assess all information referred to us and progress serious NHS fraud allegations.

Reports of NHS fraud are increasing. Across the NHS and the public sector there is a focus on working collaboratively to share best practice and professionalise counter fraud work. The NHSCFA fully supports the work of the Cabinet Office to create the Government Counter Fraud Profession (GCFP) and has successfully applied for collective membership to the profession in the first round of applications for investigators.

The NHSCFA has also worked with the Cabinet Office on the production of an analytical business process to identify fraud. This will be developed further this financial year and contribute to the professional standards for analytical work within the GCFP.

There is still much to do to provide the NHS with what it needs to protect itself from fraud, bribery and corruption. Our focus in the coming year will be to build on our initial success and work more closely with our key stakeholder groups to identify the best ways to help and enable counter fraud work to be delivered effectively across the health sector.

Sue Frith
Chief Executive (interim) and Accounting Officer

The NHSCFA:

a new special health authority

The NHSCFA estimates that annual financial losses to fraud in the NHS are £1.29 billion a year – enough money to pay for over 40,000 staff nurses, or to purchase over 5,000 frontline ambulances. This is taxpayers' money that is taken away from patient care and falls into the hands of criminals. When we say 'fraud', we refer to a range of economic crimes, such as fraud, bribery and corruption or any other illegal acts committed by an individual or group of individuals to obtain a financial or professional gain.

Those who commit fraud against the NHS are a minority; however they are having a serious impact on us all. Experience shows that this minority can include all kinds of people, from patients to NHS staff, from contractors to members of the public and organised criminals. Unfortunately there is no such thing as a 'typical' NHS fraudster.

Established on 1 November 2017, the NHSCFA was created as a new special health authority charged with identifying, investigating and preventing fraud within the NHS and the wider health service.

Our mission

is to lead the fight against fraud affecting the NHS and wider health service, and protect vital resources intended for patient care.

Our vision

is for an NHS that can protect its valuable resources from fraud.

Our purpose

is to lead the NHS in protecting its resources by using intelligence to understand the nature of fraud risks, investigate serious and complex fraud, reduce its impact and drive improvements.

As a special health authority focused entirely on counter fraud work, the NHSCFA is independent from other NHS bodies and is directly accountable to the Department of Health and Social Care (DHSC). In line with statutory requirements, the NHSCFA will be subject to review every three years; this review will look in part at how we have performed against our strategic priorities.

"Fraud in the healthcare system not only undermines public confidence in the NHS but also diverts valuable resources away from caring for patients… We created the NHS Counter Fraud Authority so that for the first time there is a dedicated NHS organisation to tackle health service fraud and corruption and bring fraudsters to justice."

Lord O'Shaughnessy,
Health Minister

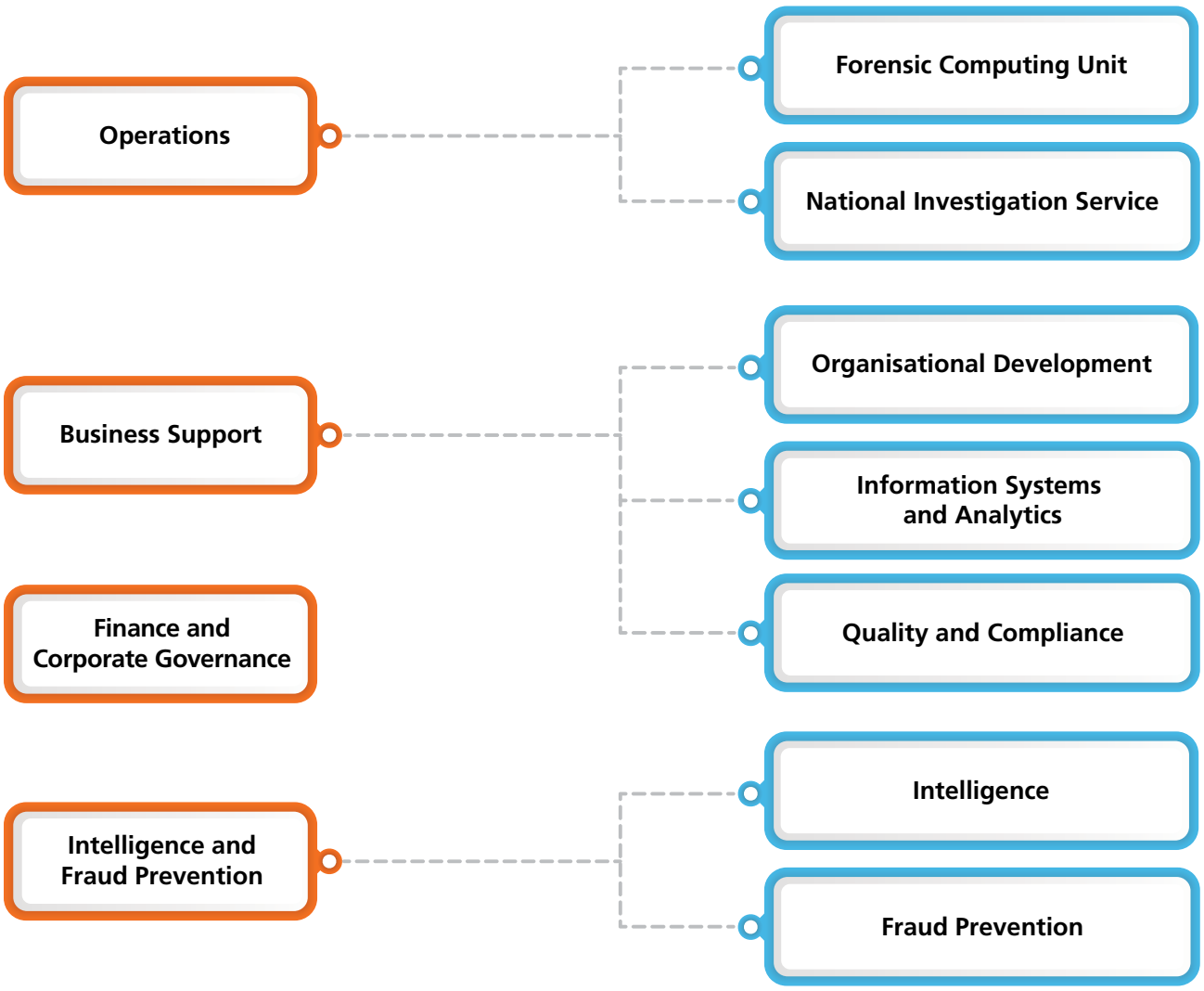
The NHSCFA is the centre of excellence for combating fraud, bribery and corruption against the NHS. At 31st March 2018, we employed 159 members of staff, including specialists in intelligence, fraud prevention, computer forensics, fraud investigation, financial investigation, data analysis and communications.

Based in three offices in London, Coventry and Newcastle, our staff deliver a range of specialised services to tackle NHS fraud:

- **Intelligence.** As an intelligence-led organisation, the NHSCFA uses the latest in intelligence and information gathering techniques to build an accurate picture of the fraud risks facing the NHS, to inform preventative action and to support investigations.
- **Investigations**. We are experts in investigating the most serious, complex and high-profile cases of fraud, and work closely with the police and the Crown Prosecution Service to bring offenders to justice. Our specialist financial investigators have powers to recover NHS money lost to fraud, and we have a forensic computing team who collect and analyse digital evidence.
- **Fraud prevention.** We develop a range of targeted fraud prevention solutions to address identified fraud risks. This may include reviewing and redesigning whole systems or developing tailored guidance or other solutions.
- **Standards.** We set standards for counter fraud work across the NHS. We assess commissioners and providers of NHS services for compliance with the standards through our quality assurance programme.

- **Staff and organisational development.** Our staff are the NHSCFA's most important asset. We are committed to developing a skilled workforce, in line with the government's counter fraud professional standards. We carry out internal quality assurance, ensuring continued compliance with legislation and professional standards.
- **Communications.** By raising awareness of fraud against the NHS and publicising the work of the NHSCFA, we encourage NHS staff, other stakeholders and the public to join the fight against NHS fraud.
- **Digitalisation and technology.** We strive to be a digital by default organisation, using technology to make our work quicker, smarter and more data-driven.

Figure 1 – NHSCFA organisational structure



Our strategy 2017-2020

When it launched in November 2017, the NHSCFA published a three-year strategy. The document, titled 'Leading the fight against NHS fraud: Organisational strategy 2017-2020', sets out the organisation's approach to fighting fraud and other economic crime affecting the NHS and wider health service[2].

Cover page of 'Leading the fight against NHS fraud: Organisational strategy 2017-2020'

For the first time, the strategy provided and published an estimate of losses to fraud in the NHS, based on a strategic intelligence assessment of economic crime threats within the NHS and wider health service. During the course of its first five months of operation the NHSCFA has further developed its confidence in relation to some of these figures and has revised this estimate of annual losses to £1.29 billion. These figures are shown within Table 1 It should be noted that the loss estimates are reflected against a financial value within 2016-17. This is because the NHSCFA estimates rates of fraud loss against the known financial values of NHS expenditure. These estimates are revised annually with a Strategic Intelligence Assessment, but will always be calculated against known NHS expenditure from the most recent confirmed financial year.

NHS Counter Fraud Authority, 'Leading the fight against NHS fraud: Organisational strategy 2017-2020' (version 2.1, December 2017), available at https://cfa.nhs.uk/resources/downloads/documents/corporate-publications/Leading%20the%20fight%20against%20NHS%20fraud_NHSCFA%20strategy%202017-20%20V2.1.pdf

Table 1. Estimated fraud losses by thematic area and associated confidence levels, 2016-17

Thematic area	Estimated loss to fraud (£ millions)				
Confidence level	Almost certain	Highly likely	Probable	Realistic probability	**Total**
Help with health costs (patient fraud)	£35.3m		£50.3m	£256.1m	**£341.7m**
NHS staff frauds				£94.2m	**£94.2m**
Optical contractor fraud			£79m		**£79m**
Dental contractor fraud				£126.1m	**£126.1m**
Community pharmaceutical contractor fraud				£111m	**£111m**
General practice fraud				£88m	**£88m**
Fraudulent access to NHS care in England				£35m	**£35m**
European Health Insurance Card		£0.6m		£21.1m	**£21.7m**
NHS pensions			£2.2m		**£2.2m**
National tariff and performance data manipulation				£108m	**£108m**
Procurement and commissioning fraud				£266m	**£266m**
NHS student bursary scheme				£10.7m	**£10.7m**
Fraud against NHS Resolution administered funds				£12.3m	**£12.3m**
Total	**£35.3m**	**£0.6m**	**£131.5m**	**£1.12bn**	**£1.29bn**

Note: Discrepancies in the total figure may occur due to rounding to one decimal point.

As the NHSCFA strategy makes clear, financial losses due to fraud divert precious resources from patient care and reduce the ability of the health service to meet the needs of the population.

The NHSCFA has been established to be the single expert intelligence-led organisation providing centralised intelligence, investigation and solutions capacity for tackling fraud in the NHS in England. We will act as the repository for all information related to fraud in the NHS and the wider health group, and we will have oversight of and monitor counter fraud work across the NHS. We will provide strategic and tactical solutions to identified fraud risks, set standards for counter fraud work and assess performance through the provision of comparative data.

Working collaboratively with local counter fraud specialists and other stakeholders, the NHSCFA will drive improvements to counter fraud work that is undertaken across the NHS.

The NHSCFA will be held to account against five key organisational objectives:

1. Deliver the DHSC strategy, vision and strategic plan and lead counter fraud activity in the NHS in England

2. Be the single expert intelligence led organisation providing a centralised investigation capacity for complex economic crime matters in the NHS

3. Lead, guide and influence the improvement of standards in counter fraud work

4. Take the lead and encourage fraud reporting across the NHS and wider health group

5. Invest in and develop NHSCFA staff

Section 4 discusses how we have delivered against the five objectives in 2017-18, including highlights of our achievements and case studies.

Alongside the five objectives, the strategy also included a delivery plan setting out the NHSCFA's operational priorities for the period 2017 to 2020. To determine our annual and longer term operational priorities, we employ a control strategy, which is in turn informed by our annual strategic intelligence assessment.

This means that the delivery plan is subject to annual review in response to both strategic intelligence and control strategy assessments; these also feed into the organisation's business plan for each year, so that the delivery plan and the business plan are aligned.

The delivery plan and the business plan may also change at any time in response to emerging issues or threats.

For an update on performance against the business plan (and delivery plan) in 2017-18, please see section 5 below. Contained within initial business plan objectives for 2017-18 are only a limited number of indicative key performance indicators (KPIs), which are currently restricted to the completion of identified activity within the set time period, plus the monitoring of increased fraud reporting activity.

The NHSCFA has begun a process of engagement with its internal auditors and stakeholders to determine a potential range of KPIs which are more reflective of outcome based metrics, rather than output or activity based indicators against objectives and action plans. The counter fraud community across the NHS has recognised the fact that impact and outcome based KPIs are an area that requires some significant development, and this is included within the work activity planned for 2018-19.

Barriers and challenges to success

The NHSCFA's ability to tackle fraud across the NHS and wider health group is affected by a number of risks and potential barriers to success:

- The level of understanding of the nature of fraud in the NHS is uneven across the health system. This is exacerbated by lack of available data, which has resulted in the national picture being limited.
- We lack a minimum quality benchmark for local counter fraud investigations.
- More comprehensive intelligence is needed on specific fraud risks. Without thematic intelligence exploring a particular problem in more detail, there is insufficient intelligence to properly inform the planning, resourcing and focus of specific fraud prevention initiatives.
- A lack of thematic intelligence has meant many NHS organisations have been unable to effectively focus their resources on prevention and detection activity where it is likely to have the greatest impact.
- Fraud is significantly under-reported. In some cases, suspicious activity is not identified as being fraudulent and therefore goes unreported. There is also sometimes a mistaken assumption that reporting fraud casts the organisation involved in an unfavourable light. At any rate, analysis of fraud that has been reported indicates that it does not reflect the diversity of services provided by the NHS.
- Local counter fraud work is also inconsistently recorded. Failing to accurately report on local counter fraud activity has a negative effect on the overall intelligence picture, and exposes other organisations to risks that could be prevented if information was appropriately shared.
- There are also inconsistencies at a local level around identifying, detecting and investigating fraud, as well as the process by which sanctions are applied.

These issues underscore the need for targeted and coordinated action to tackle NHS fraud. The approach set out in the NHSCFA strategy is designed to provide the foundation for this.

Performance report

How we have delivered against our organisational objectives

This chapter provides an account of how the NHSCFA delivered against its five organisational objectives, from its establishment on 1 November 2017 to the end of the financial year on 31 March 2018. Important activities and achievements are highlighted in relation to each objective, and risks or barriers to success are discussed along with mitigating actions taken or planned. Figures showing the impact of our work are included wherever possible, and case studies provide examples of specific activities.

A more detailed analysis of performance against the operational deliverables included in our 2017-18 business plan (and in the 2017-18 part of our three-year workplan) is provided in Chapter 5.

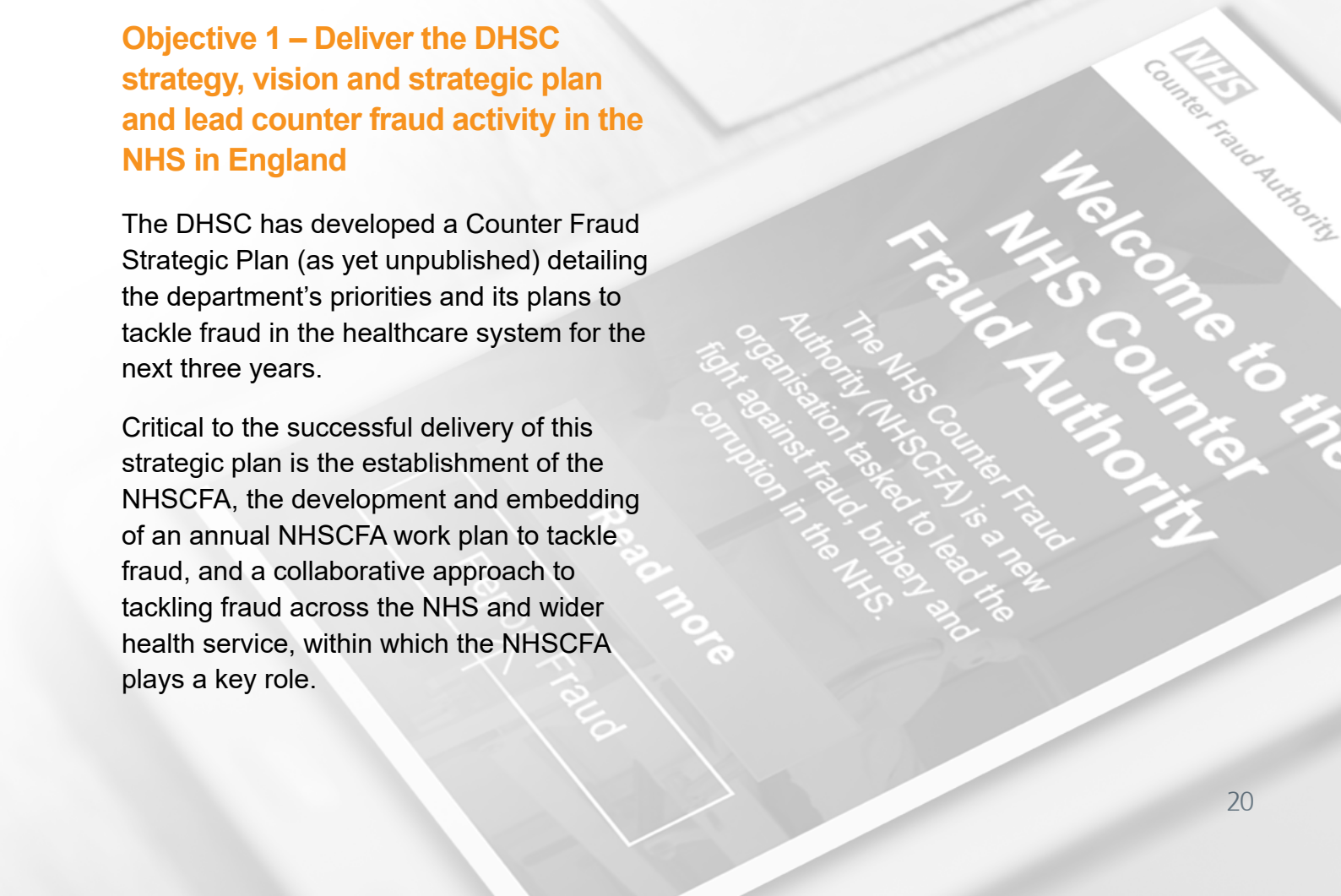
Objective 1 – Deliver the DHSC strategy, vision and strategic plan and lead counter fraud activity in the NHS in England

The DHSC has developed a Counter Fraud Strategic Plan (as yet unpublished) detailing the department's priorities and its plans to tackle fraud in the healthcare system for the next three years.

Critical to the successful delivery of this strategic plan is the establishment of the NHSCFA, the development and embedding of an annual NHSCFA work plan to tackle fraud, and a collaborative approach to tackling fraud across the NHS and wider health service, within which the NHSCFA plays a key role.

The launch of the NHSCFA

The NHSCFA strategy highlighted the need to work collaboratively with our key stakeholders in the NHS and beyond. As soon as it was launched, the organisation began a programme of engagement and communication with stakeholders across the NHS and the wider health group, and the public sector in general. The aim was to help establish the NHSCFA as the organisation leading the fight against fraud in the NHS, highlight its collaborative approach to counter fraud work and raise awareness of the NHSCFA/DHSC plan of action to tackle fraud.

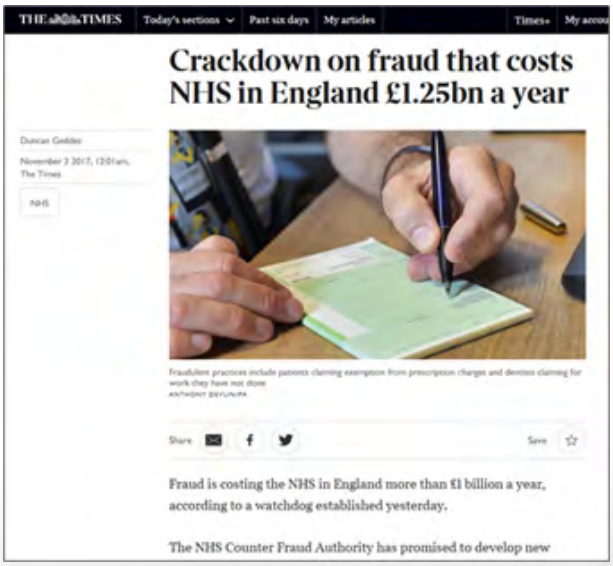


Here is a brief overview of the communication and engagement activities we carried out as part of the NHSCFA launch:

- **Media activity** including interviews with the NHSCFA interim Chief Executive Officer on BBC One and BBC Radio 5 Live (with a combined audience of 2.5 million) and wide coverage from the national press and trade publications. We also worked with a number of media outlets (e.g. PR Weekly) and other stakeholders (e.g. College of Policing, Crimestoppers) to include articles about the NHSCFA in their publications, reaching an audience of 300,000 (including 8,000 NHS leaders).

- Launch of the **new NHSCFA website**. The website had over 87,000 page views from 1 November to 31 March, generated by over 28,000 users.

- Launch of the **NHSCFA social media** presence, with profiles on Twitter, Facebook and LinkedIn. A range of visual resources were developed for use on social media, including video animations and banners highlighting the impact of NHS fraud, providing examples of different types of fraud and explaining how to report it.


THE TIMES

Crackdown on fraud that costs NHS in England £1.25bn a year

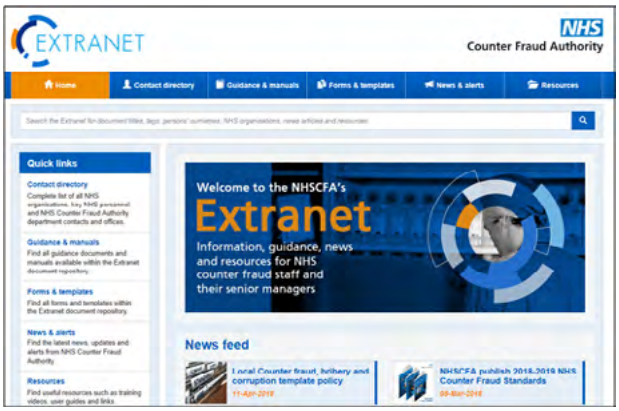
Fraud is costing the NHS in England more than £1 billion a year, according to a watchdog established yesterday.

The NHS Counter Fraud Authority has promised to develop new

Article on The Times website about the establishment of the NHSCFA (2 November 2017)

One of the first tweets sent by the NHSCFA on launch day, 1 November 2017

- Direct **engagement with our stakeholders** led to several supportive quotes being provided for the launch of the new organisation (including from NHS England, NHS Improvement, NHS Employers and Crimestoppers). Our CEO wrote personally to over 80 key stakeholders to introduce herself and the new organisation.
- Continued engagement with **Local Counter Fraud Specialists (LCFSs)** and Directors of Finance, including a message sent from our CEO on 1 November and delivery of a rebranded and updated NHSCFA Extranet.
- Launch of a range of **promotional materials** to help raise awareness of the NHSCFA, including a video clip, seven animations, banners for use on social media, a 16-page brochure, a factsheet, leaflets and posters.



The NHSCFA Extranet – a secure, password-protected site providing information, guidance, news and resources to LCFSs and DOFs

A still from the 'Who pays for fraud?' animation, which provides examples of different types of fraud affecting the NHS, highlights the impact of NHS fraud and explains how to report it.

Ongoing work to raise the NHSCFA's profile

Work continued following the NHSCFA launch to raise the profile of the new organisation and promote collaborative working with our key stakeholders. Highlights of this work in 2017-18 include:

1. Participation in 5 **conferences and events:**

- The International Fraud Awareness Week exhibition at the Cabinet Office in November 2017
- The Healthcare Supply Association annual conference in November 2017
- The NHS procurement conference in December 2017
- The 100% Optical conference in January 2018
- The 8th Fraud and Error conference in February 2018

We exhibited at all conferences, making valuable contacts with stakeholders, and presentations in both plenary and breakout sessions were delivered by our CEO and members of our senior management team.

NHSCFA staff speaking to delegates at the Fraud and Error conference

NHSCFA chief executive Sue Frith delivers a presentation at the Fraud and Error conference

2. **Targeted emails** were sent to LCFSs, Directors of Finance and a wider list of NHS managers (including over 5,300 contacts). The emails included a message from the CEO of the NHSCFA promoting the organisation's role and setting out how we intend to work with our stakeholders in the year ahead to fight NHS fraud.

3. Continued **media activity**: in March 2018 the first conviction secured by the NHSCFA received wide media coverage, including in national news and trade publications. Also in March, the NHSCFA Director of Finance Matthew Jordan-Boyd gave an interview to Healthcare Finance, the magazine of the Healthcare Financial Management Association.

4. We continued to work with **stakeholders** to include content about the NHSCFA in their publications. From January to March 2018, items about the organisation appeared in five stakeholder bulletins or e-newsletters (NHS England, Primary Care Commissioning, Human Tissue Authority, NHS Business Services Authority and College of Policing), with a total audience of over 105,000 readers.

5. Delivery of an expanded **fraud awareness toolkit** on the NHSCFA website, including a range of videos. These resources were promoted in the targeted email campaigns to LCFSs and other NHS stakeholders.

Strategic engagement across the sector

The NHSCFA is becoming known as an organisation that contributes significantly to the cross government counter fraud agenda. This work and the launch of the NHSCFA have brought wider engagement opportunities.

Outside of central government we started discussions with the College of Policing on the placement of police officers within the NHSCFA who will deliver projects for us and raise our profile in the police service. This project has also given us the opportunity to develop a placement exchange process with the Metropolitan Police Service for intelligence staff.

At ministerial level the NHSCFA's CEO attended a roundtable discussion on tackling fraud prevention with the Rt Hon Ben Wallace MP (Minister of State for Security and Economic Crime). The discussion with a cross section of counter fraud experts from across the private and public sector provided further support for our approach to fraud prevention work, which is based on partnership work and collaboration with stakeholders to find fraud prevention solutions.

Simon Hughes, our interim Board Chair, also started engaging with the Rt Hon John Penrose MP, the Prime Minister's anti-corruption champion, to seek a better understanding of the Home Office oversight role of the NHSCFA, as our organisation is mentioned in the UK Anti-Corruption strategy.

The NHSCFA has met with senior representatives from the Home Office to explore joint/cooperative working and have been asked to meet with Commander Clark, City of London Police (economic crime lead for policing).
High-level strategic engagement across government is important to our work and we will continue to build relationships with a wide range of interested parties to further our work and deliver on common aims and priorities.

Objective 2 – Be the single expert intelligence led organisation providing a centralised investigation capacity for complex economic crime matters in the NHS

The NHSCFA conducts investigations into serious, organised and/or complex cases of fraud, bribery and corruption within a clear professional and ethical framework. This includes services provided by an established Forensic Computing Unit to recover data from seized digital items, and the work of accredited financial investigators who seek to recover losses to the NHS and investigation costs through the use of the Proceeds of Crime Act 2002.

As at 31 March 2018, the number of live criminal investigations being undertaken by the NHSCFA is 45, including nine which are currently with the Crown Prosecution Service for pre-charge advice or confirmation of a charging decision, and two where charges have already been brought and court trial dates have been set.

Case study – Former locksmith jailed for £600,000 NHS fraud

Andrew Taylor, a locksmith employed by Guys and St Thomas' NHS Foundation Trust, was found guilty and sentenced for defrauding the NHS of almost £600,000. This was the first conviction secured by the NHS Counter Fraud Authority (NHSCFA) since its establishment as a new special health authority in November 2017.

Taylor abused his position of trust to defraud his employer of £598,000. The jury unanimously found him guilty of Fraud by Abuse of Position, contrary to sections 4 of the Fraud Act 2006 (at Inner London Crown Court, 26 March 2018).

Andrew Taylor had worked for the trust since 1998 and had been its permanent locksmith from 2006. Due to the specialist role he performed, Taylor was responsible for sourcing and obtaining a best value quote for locksmith supplies to the NHS body. In March 2007 Surety Security (an incorporated limited company from 2009) began to supply the health body with locksmith materials. Investigations revealed that Surety Security was actually owned and controlled by Taylor himself, and he exploited his position of both purchaser and supplier of security hardware equipment to the trust over a number of years, charging the NHS mark-ups of up to 1,200%.

Enquiries also established that, apart from two very low value pieces of work, Surety Security had no customer other than Guys and St Thomas', suggesting that the company was set up and used solely as a vehicle to facilitate the fraud.

After initial enquiries established that the value of the materials Taylor had obtained for the trust had been billed at a vastly inflated mark-up, he was suspended, but resigned before disciplinary proceedings were completed.

NHSCFA investigators obtained witness statements from Taylor's wholesale supplier, which confirmed the huge mark-ups the locksmith had charged his own trust. They also obtained statements from a number of Guy's Hospital employees to prove the method and value of the fraud. A number of computers that had been used by Taylor were seized and forensically imaged by NHSCFA forensic computing specialists, revealing template Surety Security invoices saved onto Taylor's profile. Meanwhile our financial investigators were able to prove that Taylor controlled the Surety Security finances.

The NHSCFA financial investigators also established that Taylor was leading a cash rich lifestyle beyond his legitimate means, which included paying for his son to attend a private school whose fees were £1,340.00 a month, and purchasing a brand new Mitsubishi L200 vehicle at a cost of £27,400.00.

Taylor was found guilty by a unanimous verdict and was sentenced to six years' imprisonment. The judge also set a timetable for confiscation proceedings under the Proceeds of Crime Act 2002, and the NHSCFA is progressing action to recover moneys obtained by Taylor during the course of his offences.

The NHSCFA employs specialist financial investigators accredited by the National Crime Agency Proceeds of Crime Centre.

Our financial investigators use powers conferred on them under the Proceeds of Crime Act to investigate money laundering offences. They are able to apply to a Crown Court for production orders which compel financial institutions to produce a wide range of financial and banking documentation. This is then analysed for evidence of money laundering offences and in support of the wider fraud investigation.

45 **live criminal investigations as at 31 March 2018**

When perpetrators are convicted, the financial investigators can use their powers of restraint and confiscation to recover money lost to the NHS through the fraud and deprive the criminal of the financial benefit of their crime.

Services from the NHSCFA financial investigators are available free of charge to LCFSs in relation to their fraud investigations.

Case study – Court orders former trust CEO and husband to return money they defrauded from the NHS

Paula Vasco-Knight was the CEO of Torbay and South Devon NHS Trust; she was also NHS England's National Lead for Equality. In March 2017 she pleaded guilty to the offence of Fraud by Abuse of Position. Her husband Stephen also pleaded guilty to the offence of Fraud by False Representation. Both received suspended prison sentences.

When the NHS has suffered a financial loss as the consequence of a fraud, the NHSCFA will always use all available avenues to attempt to recoup all of the funds lost. As the NHS had suffered a financial loss due to the Vasco-Knights' offending, NHSCFA financial investigators, using their powers under the Proceeds of Crime Act 2002, commenced a financial investigation with the intention of identifying assets owned by the couple which could be used to repay the NHS.

The Vasco-Knights had originally claimed that they did not have sufficient assets to repay the full amount they had defrauded. However, during the course of the financial investigation it was revealed that both had access to personal pensions which could be surrendered and used to repay the NHS loss.

On 23 March 2018 a judge at Exeter Crown Court determined that the benefit to the Vasco-Knights from their offending had been £11,072 and that based on the surrender value of their personal pensions they had sufficient assets to repay this sum in full. He therefore ordered that £11,072 be repaid as compensation to the NHS.

The Vasco-Knights were also ordered to pay an additional £2500 towards the NHSCFA's investigation costs.

The Vasco-Knights were instructed that if they did not repay the full amount within three months they would both receive six-week prison sentences in default.

The NHSCFA's Forensic Computing Unit (FCU) provides a comprehensive, professional service to recover digital evidence for use in criminal, civil and disciplinary proceedings. The FCU can also provide a data recovery service for lost documents and an auditing service to assist in compliance with corporate policies.

The unit operates to the highest forensic standards and adheres to the guidelines set out in the Good Practice Guide for Computer based Electronic Evidence issued by the National High-tech Crime Unit (NHTCU) and agreed by the National Police Chiefs' Council (NPCC). Importantly, by adhering to NPCC guidelines, the FCU safeguards the integrity of the digital evidence for court proceedings. The FCU has achieved ISO 27001 accreditation (this is the international standard governing information security and management), and is working towards obtaining accreditation to ISO/IEC 17025:2005 (general requirements for testing and calibration laboratories) as required by the Forensic Science Regulator.

Services from the FCU are available free of charge to LCFSs in relation to their fraud investigations.

Objective 3 – Lead, guide and influence the improvement of standards in counter fraud work

The NHS Standard Contract, published by NHS England, is used by clinical commissioning groups (CCGs) and NHS England itself when commissioning NHS funded services including acute, ambulance, care home, community-based, high secure and mental health and learning disability services. CCGs must also use the NHS Standard Contract for all community-based services provided by GPs, pharmacies and optometrists.

The NHS Standard Contract includes mandatory clauses that require providers of NHS services to put in place and maintain appropriate counter fraud arrangements. The NHSCFA is the body responsible for developing counter fraud standards for providers in line with the intelligence-led strategy described within the DHSC Counter Fraud Strategic Plan 2017-2020.

The NHSCFA also develops counter fraud standards for commissioners in line with the same strategy. These standards have been approved and adopted by NHS England's Audit Committee in order to ensure a unified approach to tackling economic crime. As well as overseeing the counter fraud arrangements in place within providers, commissioners also need to ensure that there are appropriate arrangements in place within their own organisations.

NHS counter fraud standards 2018-19

The NHSCFA's 2018-19 counter fraud standards for NHS providers and commissioners were published in February 2018 at https://cfa.nhs.uk/counter-fraud-standards/nhs-standards-2018-19

Counter fraud standards for NHS providers and NHS commissioners (February 2018), front covers

The standards are grouped according to four key principles in line with the DHSC and NHSCFA strategies: Strategic Governance, Inform and Involve, Prevent and Deter, and Hold to Account.

Strategic Governance

This principle relates to the organisation's strategic governance arrangements. The aim of standards in this section is to ensure that counter fraud measures are embedded at all levels across the organisation. For example this is the text of Standard 1.4, which covers fraud risk assessment, and the rationale for the standard:

Standard 1.4

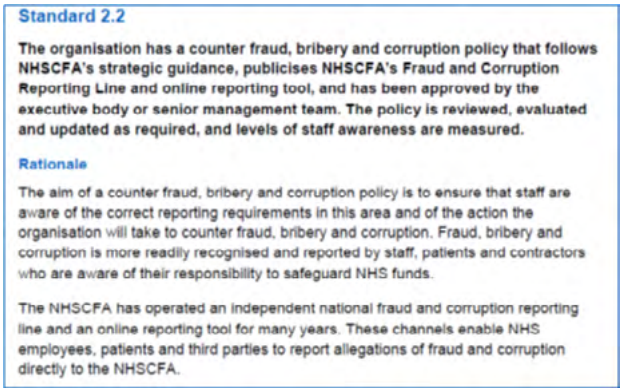
The organisation has carried out risk assessments to identify fraud, bribery and corruption risks, and has counter fraud, bribery and corruption provision that is proportionate to the level of risk identified. Measures to mitigate identified risks are included in an organisational work plan, progress is monitored at a senior level within the organisation and results are fed back to the audit committee (or equivalent body).

Rationale

An effective risk management programme and risk based work plan enables the organisation to target NHS funded resources at the areas of greatest risk, and will assist it in prioritising counter fraud, bribery and corruption activities.

Inform and Involve

This principle covers the requirements around raising awareness of fraud risks against the NHS and working with NHS staff, stakeholders and the public to highlight the risks and consequences of fraud affecting the NHS. This section includes standard 2.2, on organisational counter fraud policies; here is the text of the standard and the accompanying rationale:



Standard 2.2

The organisation has a counter fraud, bribery and corruption policy that follows NHSCFA's strategic guidance, publicises NHSCFA's Fraud and Corruption Reporting Line and online reporting tool, and has been approved by the executive body or senior management team. The policy is reviewed, evaluated and updated as required, and levels of staff awareness are measured.

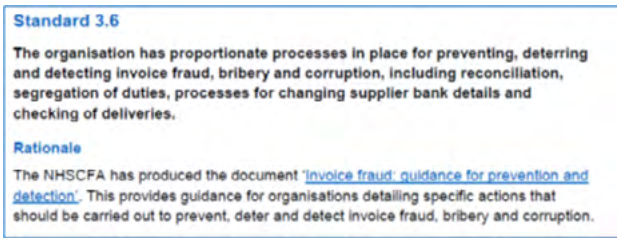
Rationale

The aim of a counter fraud, bribery and corruption policy is to ensure that staff are aware of the correct reporting requirements in this area and of the action the organisation will take to counter fraud, bribery and corruption. Fraud, bribery and corruption is more readily recognised and reported by staff, patients and contractors who are aware of their responsibility to safeguard NHS funds.

The NHSCFA has operated an independent national fraud and corruption reporting line and an online reporting tool for many years. These channels enable NHS employees, patients and third parties to report allegations of fraud and corruption directly to the NHSCFA.

Prevent and Deter

This principle covers the requirements around discouraging individuals who may be tempted to commit fraud against the NHS and ensuring that opportunities for fraud to occur are minimised. Standards in this section include standard 3.6, on invoice fraud:



Standard 3.6

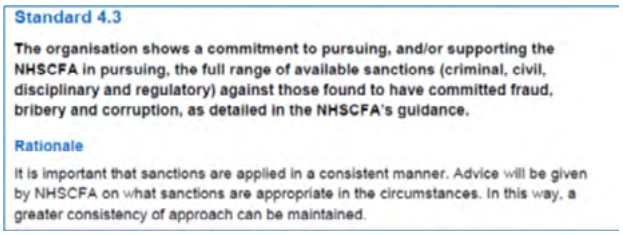
The organisation has proportionate processes in place for preventing, deterring and detecting invoice fraud, bribery and corruption, including reconciliation, segregation of duties, processes for changing supplier bank details and checking of deliveries.

Rationale

The NHSCFA has produced the document 'Invoice fraud: guidance for prevention and detection'. This provides guidance for organisations detailing specific actions that should be carried out to prevent, deter and detect invoice fraud, bribery and corruption.

Hold to Account

This principle concerns the requirements on detecting and investigating economic crime, obtaining sanctions and seeking redress. For example standard 4.3, which relates to sanctions, reads as follows:



Standard 4.3

The organisation shows a commitment to pursuing, and/or supporting the NHSCFA in pursuing, the full range of available sanctions (criminal, civil, disciplinary and regulatory) against those found to have committed fraud, bribery and corruption, as detailed in the NHSCFA's guidance.

Rationale

It is important that sanctions are applied in a consistent manner. Advice will be given by NHSCFA on what sanctions are appropriate in the circumstances. In this way, a greater consistency of approach can be maintained.

Along with the text of each standard and its rationale, the standards documents provide guidance that assists organisations in achieving compliance with the standards, using red, amber and green (RAG) ratings. The guidance is also used by organisation in self-assessing against the standards and providing evidence of compliance as part of the NHSCFA's quality assurance programme (please see below).

The standards provide significant benefits as a framework to minimise the loss of NHS funds to fraud, bribery and corruption.

Our quality assurance programme

The NHSCFA aims to support NHS bodies in complying with NHS counter fraud evaluation of effectiveness and value for money indicators. This is achieved through the delivery of a risk-based quality assurance programme, which also enables the analysis of trends and patterns in performance in relation to each standard and helps provide comprehensive and focused support to organisations.

From 1 November 2017 to 31 March 2018, the NHSCFA undertook a quality assurance assessment of NHS England and engaged with them in identifying ways in which their arrangements for investigating suspicions of fraud, pursuing appropriate sanctions and obtaining redress could be enhanced further. This was structured around measuring NHS England's performance against the seven NHSCFA standards in the Hold to Account section (see above).

Due to NHS England's geographical and financial reach, this was a labour intensive inspection, both in terms of personnel involved and the time taken. Nevertheless, a great deal of assurance has been obtained and NHS England has a clear road map to advance and enhance its work on counter fraud investigation, sanctions and redress. Furthermore, regular and frequent meetings continue to be held between senior managers at the NHSCFA and NHS England to promote strategic coordination and the sharing of good practice.

Leading the improvement of counter fraud standards at a strategic level

The NHSCFA's Fraud Prevention team considers the strategic and tactical intelligence assessment of the risks and vulnerabilities to fraud loss in the NHS; it reviews expected, anticipated or future possible fraud prevention opportunities, proactively identifying areas of vulnerability, and produces solutions and information in the form of materials directly aimed at preventing loss occurring in the first place.

Case study – Providing solutions to mitigate risks from ophthalmic services fraud

From its inception on 1 November 2017, the NHSCFA has led a process of engagement with NHS England and the DHSC and other key stakeholders – Optical Confederation, General Optical Council and the National Advisory Group for General Ophthalmic Services – to establish and develop a programme of activity targeted at reducing fraud in relation to NHS ophthalmic services. This led to the production of a statement of solutions that included recommendations developed in collaboration with the risk owner and key stakeholders. The key recommendations are:

- Compliance by ophthalmic contractors with point of service checks when patients present for an NHS funded service, specifically processes supporting patient entitlement and completion of GOS forms.

- NHS England to fully implement the requirements of its Post Payment Verification (PPV) policy and mandate this across all area teams. Counter fraud specialist input needs to be brought into the policy to ensure identified fraud is reported to the NHSCFA and sanctions are taken. Routine PPV visits should be reinstated, to occur every 3-5 years.

- NHS England Counter Fraud team to have national coordination and oversight of PPV activity to ensure consistency in approach.

- Patient PPV to be undertaken, replacing the batch processing of GOS forms with a minimum percentage sample check on the forms.

- Targeting ophthalmic contractors to improve fraud awareness through the NHSCFA's optical fraud e-learning package hosted on a suitable platform accessible to all optical contractors and their staff for training and awareness purposes, and reviewing national guidance on accurate claims to include fraud awareness and a desk aid for point of service checks.

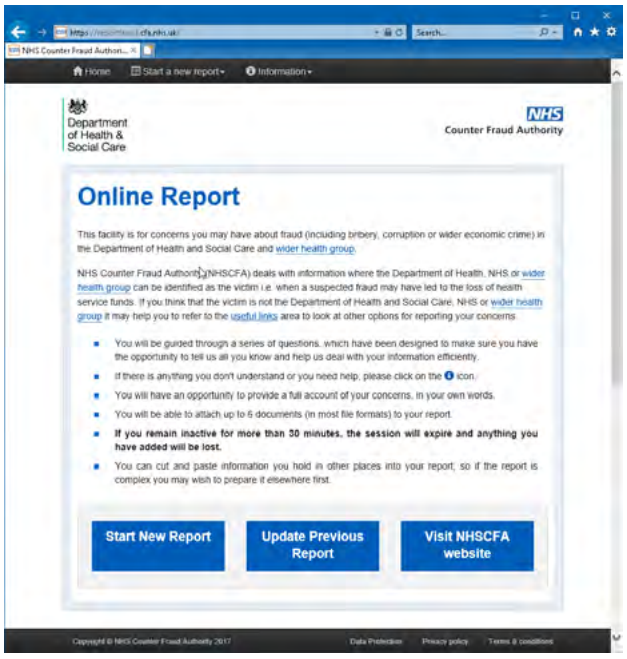
If the recommendations are implemented in full by the risk owner, it is estimated that up to 50% of all losses due to fraudulent activity by contractors could be realised. For example, a targeted PPV programme on ophthalmic contractors is likely to achieve a return in excess of £7.6 million.

Objective 4 – Take the lead and encourage fraud reporting across the NHS and wider health group

The establishment of the NHSCFA as a new organisation provided a real opportunity to raise awareness and understanding of fraud issues across the NHS and increase fraud reporting. Following the launch of the NHSCFA in November 2017, a range of communications and marketing strategies were deployed to this effect. A key objective of this work was to encourage vigilance within the sector and enable all parts of the NHS to identify activity that may be indicative of fraud.

The NHSCFA launched a new website, designed to include clear signposting on how to report NHS fraud, with prominent links to our online fraud reporting form and a new 'Report fraud' page providing information on how to report. The online reporting form was updated and rebranded to reflect the fact that it can now be used to make reports of fraud relating to the DHSC and the wider health service as well as the NHS.

The Report fraud page on the NHSCFA website provides information on how to report fraud and a link to our online reporting form



The jointly branded NHSCFA-DHSC online reporting form, which can be used to report suspicions of fraud in the NHS, DHSC and wider health group

Reporting featured prominently in the organisation's branding and messaging from the start – for example in our strapline 'NHS fraud. Spot it. Report it. Together we stop it.' which is used across a range of media to increase awareness of NHS fraud and encourage fraud reporting across the sector.

A poster featuring the NHSCFA's strapline: NHS fraud. Spot it. Report it. Together we stop it.

We recognised that the way to generate awareness and interest in NHS fraud (and subsequently encourage fraud reporting) was to use a range of channels to engage with our audiences.

From 1 November the NHSCFA launched its social media presence, with channels on Twitter, Facebook and LinkedIn, enabling us to target different audiences effectively and make counter fraud messaging more accessible.

The NHSCFA Twitter account generated over 200,000 impressions from 1 November 2017 to 31 March 2018, with a steady growth in both followers and impressions over the same period. The messaging and engagement on this platform has included simple awareness messages, more detailed descriptions of fraud along with preventative and deterrence information, digital clips and YouTube videos.

Quoting a Tweet from NHS Pensions about reporting fraud to the NHSCFA

Although it is challenging to evaluate the impact of this activity in such a short space of time, the NHSCFA has identified a modest increase in the number of reports of NHS fraud being made following the launch of the organisation on 1 November (see table below). The intention is that the organisation will continue to monitor and analyse information on fraud reporting to identify how it can make its messaging more effective in relation to identifying fraudulent behaviour and ensuring that it is reported effectively.

Month	Number of fraud reports	
June 2017	436	2128 fraud reports received in the five months prior to launch
July 2017	391	
August 2017	463	
September 2017	423	
October 2017	415	
November 2017	480	2202 fraud reports received in the first five months of NHSCFA. An increase of 3.5%
December 2017	343	
January 2018	500	
February 2018	453	
March 2018	426	

Objective 5 – Invest in and develop NHSCFA staff

From the date of its launch the NHSCFA has had a team with the capability to develop the skills and expertise of our workforce through a programme of learning and development activities that are aligned to our strategic and organisational priorities, the Government Professional Counter Fraud Standards and our Six Principles of Good Practice and Values and Behaviours Framework.

Counter fraud expertise

The team developed the Induction and Continued Improvement Programme (ICIP), a bespoke training and development framework designed to meet the learning and development needs of NHSCFA staff. The programme includes the Accredited Counter Fraud Specialist (ACFS) qualification, but in addition to this it provides development support for staff in specialist roles, ensuring they are adequately equipped to carry out their duties with an up to date and ongoing support service.

The programme was initially rolled out to investigation staff, and during 2018-19 it is being extended to intelligence officers and associated staff. This programme and framework has already been recognised as being innovative and at the forefront of developing professional expertise relating to counter fraud work.

Case study – Advanced disclosure course

In considering the development of investigative expertise within the organisation and the potential for risks associated with the disclosure of evidence within criminal proceedings, the NHSCFA undertook a collaborative partnership with the Disclosure Champion within the Crown Prosecution Service Specialist Fraud Division, and the former College of Policing National Lead for Disclosure.

The result of this collaboration was the development of a specialist Advanced Disclosure training course which is now incorporated into the NHSCFA's ICIP programme for fraud investigators, and has already been rolled out internally to those engaged in the investigation of allegations of fraud. The disclosure of evidence is essential to the ongoing and future success of the organisation in its ability to provide an effective enforcement response for serious and complex fraud matters within the NHS.

"Well done to the NHSCFA for recognising the organisational risk around CPIA before it became front page news in 2018. You should be congratulated for your vision on that and I hope that is recognised by a wider audience. As a result your organisation is certainly well placed in receiving the most comprehensive training that is available at this moment."
Robin Carr, *System 2 Learning*

Two NHSCFA staff members were successfully recruited to join the Government Counter Fraud Profession Advisory Panel, a body made up of counter fraud leads from across government and arm's-length bodies who will be driving forward the development and implementation of a counter fraud profession across central government departments and its arm's-length bodies. As a result the NHSCFA started to submit evidence of the training and development activity that it has in place relating to fraud investigation; this was used to support the NHSCFA application for collective membership of the newly established government counter fraud profession.

Developing NHSCFA staff

A number of learning and development programmes were developed and implemented to strengthen the expertise of NHSCFA staff. Between 1 November 2017 and 31 March 2018, 36 learning and development events were delivered with 353 delegates attending. Events included:

- Leadership and Management Development - Holding to Account programme for all line managers
- HR awareness workshops in Discipline and Grievance and Performance and Absence developed with human resources in response to feedback from our staff survey about the need to develop management skills in this area
- A number of successful Pathways to Success bite-size workshops including Feedback, Delegation and Preparing for OPD (appraisal) reviews
- Workshops for line managers including Managing Performance Conversations and Developing Teams

- Job evaluation training for NHSCFA staff to enable the organisation to evaluate new roles

The NHSCFA established and promoted its Values and Behaviours Framework through the staff intranet and promotional materials were developed to feature across all offices. The use of the Values and Behaviours Framework is integral to the effective application of performance appraisal and review discussions and this is included in the content of the Pathways to Success – Preparing for your OPD (Appraisal) Review workshops held for line managers and all staff.

Engaging and involving NHSCFA staff

The first staff conference as the new NHS Counter Fraud Authority took place in Coventry on 19 and 20 March 2018. The aim of the conference, titled 'Working together to fight NHS fraud', was to provide an opportunity to hear from the board about their vision for the NHSCFA and learn more about the role and remit of the new organisation, including our links with key stakeholders in the health service, in the counter fraud sector and across government.

The conference also provided an opportunity for all NHSCFA staff to come together for the first time, meet new colleagues and network.
Speakers included members of the NHSCFA's board and senior management team, as well as representatives of the DHSC Anti-Fraud Unit and the Cabinet Office.

David Rawsthorn, the NHSCFA's interim non-executive director, speaking to staff at the NHSCFA staff conference, 19 March 2018

A view of the room at the NHSCFA staff conference

Mark Cheeseman, who leads the Fraud, Error and Debt team at the Cabinet Office, delivering a presentation at the conference

Fraud costs the NHS an estimated £1.25 billion each year

The NHS Counter Fraud Authority (NHSCFA) is a new organisation tasked to lead the fight against fraud, bribery and corruption in the NHS.

Types of NHS fraud

There are many different types of fraud, bribery and corruption affecting the NHS. Here are just a few examples:

False claims

- Patients claiming for free treatment when they are not entitled to it.
- NHS professionals claiming money for services they have not provided.

Payment diversion fraud

- Fraudsters trick an NHS organisation into paying money to them.
- An example of this is pretending to be from one of the organisation's regular suppliers.

Employment agency fraud

- This may happen, for example, when staff supplied to the NHS by employment agencies have not gone through the appropriate pre-employment checks.

Misrepresentation of qualifications or experience

- When a job applicant claims to have qualifications or experience they do not actually have.
- This is particularly serious if it occurs in senior or clinical positions.

Timesheet fraud

- When staff falsify their timesheets to obtain payment for hours they have not actually worked.

Procurement fraud

- This relates to the purchasing of goods and services by an NHS organisation.
- An example is post-contract invoice manipulation, where the NHS makes payments following fraudulent claims for work not carried out, or carried out only in part.

How you

Be vigilant

Being aware of fraud
suspicious activity is
fraud and bringing t

If you have any
or concerns...

You can call our 24-
0800 028
Powered by Crimestoppers

or report online at
www.cfa.n

All reports are treate
you have the option

5. Performance against our 2017-18 business plan

This chapter provides an analysis of the NHSCFA's performance against the operational deliverables included in our 2017-18 business plan (and in the 2017-18 part of our three-year workplan).

Deliverable	We said (actions identified for 2017-18 under each deliverable)	We did (work delivered in 2017-18)
We will increase the levels of fraud reporting to the NHSCFA	To target and then increase the level of fraud reporting in specific areas of NHS spend and risk by developing a range of communications and marketing strategies that increase the NHS's understanding of fraud threats and risks, thus increasing levels of reporting and the NHSCFA's profile.	Delivered a programme of engagement and communications using a range of channels, including social media (Twitter, Facebook, LinkedIn and YouTube). Fraud reports have increased by 3.5% in the five months following launch, compared to the previous five months.
	To identify problem areas relating to invoice and procurement fraud within the NHS through the development of an intelligence profile that identifies key enablers to fraud occurring.	Completed a pilot exercise on invoice data gathered from two NHS healthcare providers, in order to establish areas of irregularity and perceived weakness through a series of rule based analyses. This has highlighted seven areas where, based on quantifiable outliers, the potential for fraud has been detected. As well as providing a basis for further work in in this area (which continues to be an organisational priority for the NHSCFA in 2018-19), these seven areas have been used to support the work of the Fraud Prevention team and complement the intelligence picture.

Deliverable	We said (actions identified for 2017-18 under each deliverable)	We did (work delivered in 2017-18)
We will increase the levels of fraud reporting to the NHSCFA	To increase the incidence of reporting of invoice and procurement fraud in order to improve understanding of the problem.	The NHSCFA provided speakers to two key NHS procurement conferences and has established communication links with key procurement experts via forums and engagement groups. A platform for direct targeted messaging has been established to encourage increased fraud reporting in this area.
We will increase the profile of the NHSCFA and the work it undertakes	To develop and produce a wide range of communications and marketing strategies to increase the profile of the NHSCFA and to help counter fraud, along with evaluation measures.	Established messaging strategies for all existing and new communication platforms, and identified priority counter fraud areas to exploit in 2018-19.
	To develop communications and information media in multiple formats (social media, digital media, public relations, print).	Established a new website, new social media channels, an updated extranet and a new platform for email campaigns, to enable the targeted delivery of counter fraud messaging to the NHS.
We will produce an accurate intelligence profile of loss in specific areas	To understand the levels of threat posed by identity and right to work issues relating to unvetted staff working in the NHS. To produce accurate information on the risks of historic and current pre-employment checks.	Developed and delivered an intelligence profile in relation to the 'Threat posed by inadequately vetted workers in the NHS'. This will be used as the basis for providing future fraud prevention solutions and guidance for the NHS.

Deliverable	We said (actions identified for 2017-18 under each deliverable)	We did (work delivered in 2017-18)
	To produce a statistically viable picture of the loss to fraud in procurement and commissioning in a sample area enabling evidence based statistical comparison work on wider data sets.	Using analysis gained from reviewing over a million lines of invoice data produced over a three-year period by two NHS providers (Somerset Partnership NHS Foundation Trust and Somerset and Taunton NHS Foundation Trust) we have applied a series of rule-based analyses to identify areas of irregularity and in particular highlight seven key areas of risk or weakness in terms of invoice fraud, with quantifiable areas of irregularity within each. As well as providing a basis for influencing and driving changes and improvements, we will be able to develop this rule-based approach to accommodate new business rules which, regardless of the invoice system used by a trust, will allow the NHSCFA to identify areas of duplication using validated business logic in the future as more data is accessed. This will include SBS data, which we are currently expanding into analysis of via a pilot NHS organisation (Leeds Community).
We will produce coherent fraud reduction strategies and interventions in response to the identified loss areas	To formulate strategies and solutions, working with others, that can be applied at a local level to prevent fraud in the EHIC system.	The NHSCFA has worked with the Department of Health and Social Care (DHSC), Department of Work and Pensions (DWP), NHS Business Services Authority and others to consider what can be done to prevent fraud within the EHIC system. We have developed a range of fraud prevention measures and arrived at an agreed response with the risk owner and key stakeholders.
	To develop an intelligence evidence base that allows for the future development of fraud solutions and reduction interventions that, working with others, can be applied at a local level to prevent NHS losses in the area of identity fraud and to increase identification of incidents for reporting.	The NHSCFA has engaged with all employment agencies on an NHS framework by sharing its guidance on reducing the risks of employment agency fraud.

Deliverable	We said (actions identified for 2017-18 under each deliverable)	We did (work delivered in 2017-18)
	To produce fraud solutions and reduction interventions that, working with others, can be applied at a local level to reduce loss to optical fraud by £1m.	The NHSCFA Intelligence unit undertook research into identifying the key fraud risks associated with optical fraud, and a loss analysis exercise identified specific areas which warranted development of fraud prevention measures to reduce the losses to fraud in this area. The Fraud Prevention team worked with colleagues at NHS England and others to consider what can be done to prevent and reduce losses to optical fraud. A range of fraud prevention measures have been developed and we have arrived at an agreed response with the risk owner and key stakeholders. It is estimated that following implementation of all recommended solutions a reduction of up to 50% of all contractor fraud losses could be achieved (for more details see the case study in Chapter 4 above).
We will review the effectiveness of delivery of identified interventions	To measure and produce qualitative reports on the effectiveness of interventions introduced to tackle specific loss types in optical fraud.	Produced a qualitative assessment and report drawing on previous optical fraud prevention exercises. This included an evaluation of previous counter fraud measures relating to ophthalmic fraud over a 10 year period.
We will acquire targeted data sets from available sources to improve and enhance the intelligence picture	To establish an information sharing framework, with appropriate partner bodies, to enable the detection and identification of identity fraud and right to work fraud within the NHS workforce using data matching.	The NHSCFA and the Home Office have agreed a formal framework for data sharing which will enable the identification of NHS organisations that have been penalised for employing staff without the right to work in the UK. This will allow the NHSCFA to identify the individuals involved for intelligence purposes and the higher risk NHS organisations that are not meeting their legal requirements.
	To identify and use data sets to identify fraud within the EHIC system.	Produced a thematic intelligence report detailing the risk from fraud to the EHIC system. This will inform further fraud prevention activity in this area.

Deliverable	We said (actions identified for 2017-18 under each deliverable)	We did (work delivered in 2017-18)
We will develop and deliver organisational and staff development programmes	To produce a series of staff learning and development opportunities to meet identified needs.	Introduced an Induction and Continued Improvement Programme to deliver high-level training and expertise to NHSCFA staff in line with Government Counter Fraud Professional Standards.
	To improve and promote the values and behaviours framework and staff use and understanding of it.	The NHSCFA has developed and established a 'Values and Behaviours Framework' for the organisation.
	To promote and support the activities of the NHSCFA's staff engagement group (SEG).	The NHSCFA has established a Staff Engagement Group which has provided input into a number of key areas of work and acted as an important 'sounding board' for projects, e.g. the staff conference and development of the NHSCFA staff intranet.
	To develop and deliver an internal assurance and governance programme.	As part of the ongoing development of the NHSCFA's corporate governance framework, an internal Governance and Assurance strategy and programme of work has been launched and a number of initiatives implemented. The procedures which support this have been tested and reviewed.

6. Corporate responsibility and sustainability

The NHSCFA interim Chief Executive Officer has overall responsibility for ensuring the organisation meets its statutory obligations for corporate responsibility and sustainability. The arrangements in respect of health and safety are in part discharged via the HR services Memorandum of Understanding with the NHSBSA, which provides a suitably competent safety, health and environment (SHE) team, maintains a documented SHE management system, and delivers SHE audits and statutory training.

The NHSCFA set out to establish a National Joint SHE Committee within its first 5 month of operation. This has been achieved. Terms of reference for the committee have been drafted and meetings dates for 2018-19 have been set. The terms of reference setting out responsibilities of the SHE representatives have also been drafted and new SHE representatives have been recruited and training needs identified.

The committee has a representative from the organisation's Staff Engagement Group in attendance alongside the recognised trade union representative.

Staff have completed mandatory e-learning on induction to the NHSCFA to cover the legislative requirements of health and safety.

Staff are allocated two volunteering days annually. A reminder was issued to staff to encourage participation in community projects.

The NHSCFA reviewed responsibilities and options linked to developing the workforce using apprentices. A Security and Operational Support Analyst apprentice joined the organisation in February 2018. His main responsibility is to proactively identify and address the risks, threats and vulnerabilities found within our IT infrastructure using the various security applications and systems that we manage. This feeds into his Cyber Security Technologist apprenticeship.

Due to having less than 250 full time equivalent employees the NHSCFA is in the process of completing exemption requirements from the Greening Government Commitment Targets. However, the commitment to contributing towards these continues to be embraced. Activities taken towards these have been identified. Where practical, staff are encouraged to make use of laptops during meetings to access papers, reducing waste generated. Training instructions and handout material are also issued electronically where possible. Staff actively participate in a recycling scheme across all three office sites and have access to the cycle to work scheme.

The NHSCFA makes use of e-learning options for training to reduce the impact of travel on the environment. This includes making use of homeworking and hot desking where suitable. Conference facilities are available for use across our three offices, alongside telephone conferencing facilities for use with external and internal stakeholders.

The NHSCFA has a Values and Behaviours Framework reflecting the requirements of the Human Rights Act 1998 and Equality Act 2010. This framework sets out expected behaviours and includes Six Principles of Good Practice; Integrity, Professionalism, Fairness, Objectivity, Vision and Expertise.

7. Summary of financial performance: Achievement of financial balance

NHSCFA Financial Obligations	2017/18	2017/18	Duty
	Target	Performance	Achieved?
	£000	£000	
Capital resource use does not exceed the limit set by DHSC	1,070	915	Yes
Non-Ring-Fenced Revenue resource expend-iture does not exceed the limit set by DHSC (excluding depreciation, amortisation and provisions)	4,569	4,140	Yes

Our finances

Total cash drawn down as Parliamentary funding for 2017-18 was £4.177m.

Total revenue expenditure in 2017-18 was £4.867m.

Total capital expenditure in 2017-18 was £0.915m.

We achieved an underspend for the period of £0.314m across both revenue and capital programmes.

Going concern

Public sector bodies are assumed to be going concerns where financial provision for their continued operation is outlined in published documents. The NHSCFA annual financial statements have been prepared on a going concern basis.

The NHSCFA was established under the NHS Counter Fraud Authority (Establishment, Constitution, and Staff and Other Transfer Provisions) Order 2017 (SI 2017 No. 958). This order cites an abolition date for the Authority of 31 October 2020. Section 28a of the National Health Service Act 2006 permits the life of a Special Health Authority to be extended by order requiring approval of both Houses of Parliament. The Department of Health and Social Care will outline a process and framework to enable this to take place.

Although the cash balance of the NHSCFA at the end of the period was £nil, this is because cash management was delivered on our behalf by the NHSBSA, who managed the cash position based on requirement. This will not have a negative impact on cash availability in future years.

8. Performance summary overview

The NHSCFA launched successfully and delivered objectives in its Inform and involve work strand by raising the profile of the organisation during the first five months of operation. Two successful criminal case results in our Investigate, sanction and seek redress work strand also contributed significantly toward the deterrence message by raising the profile of the NHSCFA and our commitment to stopping NHS fraud. In addition to this, fraud prevention work has progressed effectively; this work has identified financial savings that can be delivered for the NHS if the recommended solutions are implemented. All work delivered has been in line with the business plan and overall strategy. I am satisfied that this performance report is a true and fair reflection of the work undertaken by the NHS Counter Fraud Authority in the first 5 months of operation.

Sue Frith
Chief Executive (interim) and Accounting Officer 17/07/2018

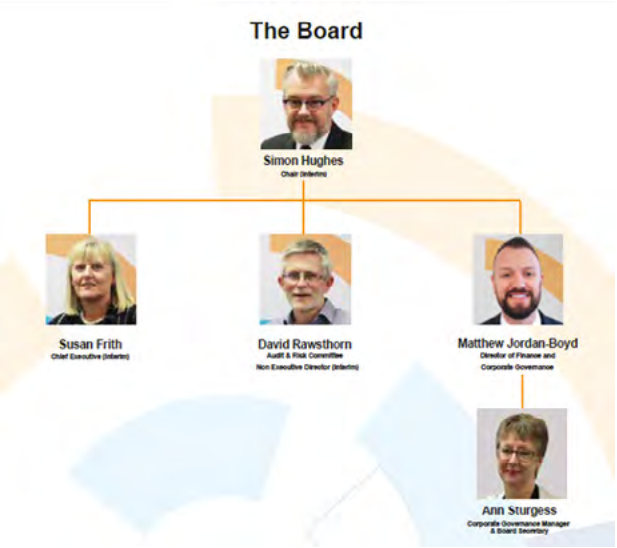
Accountability report

The accountability report summarises the corporate governance arrangements and contributes to our accountability to Parliament.

9. Corporate governance report

Directors' report

This corporate governance report reflects the legislative requirements for the NHSCFA. It is the responsibility of the Accounting Officer to work with the Board to ensure the organisation is appropriately governed and has an assurance framework to ensure delivery of the key functions and business objectives.
The Board is currently meeting the requirements of the Establishment Order; details of its structure are shown below.
The Board members recruited have appropriate skills and knowledge relevant to the NHSCFA.



Legislative and corporate responsibilities

The NHSCFA was created by the Secretary of State under powers conferred by the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012).
This legislation permits the Secretary of State to create a special health authority by way of secondary legislation. In the case of the NHSCFA this is by way of Statutory Instruments (SIs).

The 2 SIs relating to the NHSCFA are:

1. The NHS Counter Fraud Authority (Establishment, Constitution, and Staff and Other Transfer Provisions) Order 2017 (SI 2017 No. 958)

2. The NHS Counter Fraud Authority (Investigatory Powers and Other Miscellaneous Amendments) Order 2017 (SI 2017 No. 960)

The 'Establishment Order' (SI 2017/958) provides for the constitution and governance of the NHSCFA, and its functions, which are to be exercised subject to and in accordance with Directions of the Secretary of State.
The Secretary of State's 'counter fraud functions' in relation to the health service are set out in the NHS Act 2006 and means his power to take action for the purpose of preventing, detecting or investigating fraud, corruption or other unlawful activities carried out against or otherwise affecting:

- the health service, or
- the Secretary of State in relation to his responsibilities for the health service.

As a special health authority the NHSCFA has a substantial amount of autonomy in how it manages its operations. It is, however, a statutory body and as such it can only carry out functions set out in primary legislation (Acts of Parliament), functions allocated to it by other secondary legislation or by way of Directions issued by the Secretary of State.

9. Corporate governance report

The main Directions affecting the work of the NHSCFA are:

- The NHS Counter Fraud Authority Directions, with Supplemental Directions to the NHS Business Services Authority
- Directions to NHS Trusts and Special Health Authorities in respect of Counter Fraud 2017

Statement of director appointments and board/management structure

The NHSCFA Board is currently in transition status and consists of three interim members and one permanent member overseeing the activities of the organisation. The NHSCFA Board consists of:

Simon Hughes
Chairperson (interim)

David Rawsthorn
Non-Executive Director (interim)

Susan Frith
Chief Executive Officer (interim)

Matthew Jordan-Boyd
Finance Director*

(*Patrick McGahon was the interim Finance Director from 1st November 2017 to 29th January 2018)

The board is responsible for providing strategic leadership for the organisation and ensuring the NHSCFA is able to account to Parliament and the public onhow we deliver our functions. The board continually reviews the financial and operational performance of the NHSCFA, receives reports from the Audit & Risk committee and adopts the Annual Report and Accounts.

The board met three times between 1 November 2017 and 31 March 2018. During this period they approved key documents including Standing Orders and Standing Financial Instructions and the organisational business plan.
No company directorships or significant interests were held by the board members which may conflict with their management responsibilities.

Meeting date	Attendance
23 November 2017	Full attendance
15 February 2018	Full attendance
22 March 2018	Full attendance

The board has received a performance report at each meeting, summarising performance against business plan objectives. They have also been updated on the current financial position and corporate risks and issues.

The DHSC sponsor is also invited to the board in line with the NHSCFA-DHSC Framework Agreement.

Board members must declare any interests

9. Corporate governance report

to the Chair and the Corporate Secretary. Details of the declarations are shown below.

There are two committees to the board: the Audit and Risk Committee (ARC) and the Remuneration and Nominations Committee (REMCO). The REMCO did not meet during this period.

The ARC met once during this period and provided an update to the board. The ARC is chaired by the interim non-executive director, who has relevant financial experience.

Simon Hughes	Chair (interim)
Director	Mid Sussex District Council
Susan Frith	Chief Executive Director (interim)
None	
David Rawsthorn	Non-Executive Director and Chair of the Audit & Risk Committee (interim)
Asset Transfer Support Officer	Pernrith Town Council
Non-Executive Director	North Cumbria University Hospital Trust
Mathew Jordan-Boyd	Director of Finance and Corporate Governance
Director	The White Room Tattoo Ltd
Patrick McGahon	Director of Finance and Commercial, NHS Business Services Authority
Chairman	Carlisle College

Statement of Accounting Officer's responsibilities

The NHSCFA is obliged to lay accounts for each financial year under the requirements of the National Health Service Act 2006 and details under 6(1) of The NHS Counter Fraud Authority Directions, with Supplemental Directions to the NHS Business Services Authority 2017. These are prepared on an accruals basis and accounts must give a true and fair view of the income and expenditure and cash flows of the NHSCFA and its financial position.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe guidance issued by the Department of Health and Social Care and HM Treasury that is applicable to special health authorities including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- make judgements and estimates on a reasonable basis

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts and financial statements

prepare the accounts and financial statements on a going concern basis

The Accounting Officer for the NHSCFA is the Chief Executive Officer.

As CEO and Accounting Officer I am personally responsible for the controls which underpin the achievement of the NHSCFA's business plan. This includes responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the NHSCFA's assets, requirements for which are set out in 'Managing Public Money', published by HM Treasury.

As Accounting Officer I can confirm that:

As far as I am aware there is no relevant audit information of which the NHSCFA's auditors are unaware; and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSCFA's auditors are aware of that information.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable.

I have taken personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

As Accounting Officer, I have responsibility for providing assurance for the organisation. The framework used in 2017-18 to deliver our corporate governance systems, which support the delivery of the organisational business plan, is set out in this governance statement. This statement includes the internal controls and governance arrangements which ensure the safeguarding of public monies. These arrangements are supported by policies which ensure business objectives are achieved and risks managed. As the NHSCFA is a new special health authority, this governance framework will evolve further in 2018-19.

The purpose of the framework is to ensure the NHSCFA delivers its functions which are set out in the Establishment Order and is accountable to its stakeholders. It is supported by the NHSCFA's Values and Behaviours Framework which includes Six Principles of Good Practice. The elements I have responsibility for providing assurance on include:

- compliance with statutory instruments and directions which set out the functions and structure of the NHSCFA
- delivery of the board functions in line with the Code of Conduct and Accountability for NHS Boards, including relevant sub committees
- matters determined by the board
- risk management mechanisms
- internal governance and assurance strategy and associated programme of work
- internal audit plan
- strategy, policy and guidance documents

While not all identified risks can be removed, the framework ensures a mechanism for managing these risks whilst meeting business objectives.

The key corporate risks faced over the period have been identified as:

- access to sector data sets which could impact on the timely investigation of fraud and obtaining an accurate intelligence picture
- the NHSCFA's IT systems being subjected to a cyber attack potentially compromising the information held, which could impact on key business functions
- inadequate review processes in place to manage the transition of finances from NHSBSA to NHSCFA, which could allow for unacceptable levels of error within financial transactions
- the abolition of the NHSCFA following the 2019-20 financial year under part 4 and schedule 3 of The NHSCFA (Establishment, Constitution, and Staff and Other Transfer provisions) Order 2017

Each of these risks were regularly reviewed and action taken to manage them.

Statutory functions

The Establishment Order set out both the functions of the NHSCFA and those functions which transferred over on the date of the launch.

Board functions

The key functions of the board are described above at page 50. Full attendance has taken place at each meeting as detailed on page 50. A review of the effectiveness of the board and committees has been scheduled and an agenda identified as part of the transition arrangements. The board have been participating in an induction programme which has included full and transparent access to all relevant strategy, policy and guidance documents.

The purpose of the Audit and Risk Committee (ARC) is to provide an independent and objective view of internal control. The ARC is authorised to take decisions on behalf of the NHSCFA on matters relevant to the purpose of the committee (but not reserved to the board) and to obtain outside independent professional advice and secure attendance of outsiders with relevant experience and expertise if they consider this to be necessary. The committee is authorised to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience. The ARC advises the board and Accounting Officer on:

- the strategic processes for risk, control and governance and the governance statement
- the accounting policies, the accounts, and the annual report of the NHSCFA, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors
- the planned activity and results of both internal and external audit
- adequacy of management response to issues identified by audit activity, including external audit's management letter
- assurances relating to the management of risk and corporate governance requirements for the NHSCFA
- counter fraud policies, whistle-blowing processes, and arrangements for special investigations

The role of the Remunerations and Nominations Committee includes:

- determining the remuneration and other contractual arrangements for the chief executive officer and executive directors and remuneration and contractual arrangements for other senior managers where applicable
- ensuring adequate arrangements are in place for the interim Chair of the board to evaluate the performance of the interim Chief Executive Officer and for the interim Chief Executive Officer to evaluate the performance of executive directors

- regularly reviewing and making recommendations to the board with regard to any changes to the structure, size and composition (including the skills, knowledge, experience and diversity) of the board, including both executive and non-executive members, and to ensuring the continued ability of the organisation to deliver its strategic objectives

- offering suitable advice and information to support the process operated by the DHSC for the appointment (or proposed re-appointment) of the chair or non-executive members of the board

- in line with the NHSCFA's statutory instruments, working with the interim Chief Executive Officer to identify and nominate for the approval of the board candidates to fill executive board vacancies as and when they arise

- regularly reviewing succession planning arrangements to ensure a stable, experienced and viable team is in place at executive level and next tier

- making recommendations to the board concerning suitable candidates for the role of senior independent director

Matters approved by the board

These ensure that the NHSCFA has appropriate decision making and include:

- Standing Orders
- Standing Financial Instructions
- a Scheme of Delegation

Responsibilities of the Senior Management Team and the Leadership Team

The routine responsibility for management of the NHSCFA is delegated to the CEO who is supported by a Senior Management Team and Leadership Team. The Senior Management Team discuss and shape the broad strategic objectives of the organisation. Senior Management Team members represent all parts of the organisation and have overall responsibility for the management and direction of the NHSCFA. The Leadership Team discuss, develop and monitor implementation plans for the organisation's strategy, priorities, objectives and operational targets.

Risk management

Risks are managed through individual unit registers and a corporate risk register and were subject to an internal audit during the reporting period. The key corporate risk managed and closed during this period was the transition to becoming operational as the NHSCFA.

A risk policy and guidance document was developed and circulated to all staff. Risks are escalated through teams to the NHSCFA's Leadership Team, who evaluate and rate each risk and consider whether it should be added to the corporate risk register and reviewed at the monthly Leadership Team meetings.

Risks which are added to the corporate risk register are managed by the Senior Management Team. Project risks and risks associated with specific programmes of work are managed by appropriate project owners and can also be reported to the Leadership Team as required. Information on the management of risks was included in the assurance framework session delivered to the NHSCFA staff conference on 19 March 2018. During this session delegates participated in an interactive task to identify areas of weakness; these have been reviewed against the risk registers and will also feed into the organisation's governance and assurance programme of work.

The ARC received a copy of the corporate risk register and actions. The board were also updated on key changes across the range of risks.

The NHSCFA has appointed both a Senior Information Risk Owner (SIRO) and Caldicott Guardian (and deputies for each role). The remit of the SIRO is to take ownership of the risk policy and act as advocate of information risk to the board.

Information governance

Engagement with staff and external stakeholders takes place through a variety of channels. During the reporting period data was collected, retained and stored subject to the requirements of the Data Protection Act (DPA) 1998. Registration as a new special health authority was completed. During the reporting period we processed 4 subject access requests through to completion and 3 requests where proof of ID was requested but not provided and the request closed. All requests were responded to within the required time frame. During this period no charges were made in respect of these requests.

The NHSCFA is also subject to the requirements of the Freedom of Information Act (FOI) 2000. During the reporting period we processed 7 requests under FOIA (and handled 2 additional requests as business as usual) within the required time frames.

A data breach log is maintained, and 3 data breaches were reported to the Data Protection Officer. In all cases immediate action was taken to rectify the issues.

The NHSCFA receives allegations of fraud through the Fraud and Corruption Reporting Line and online reporting form, by verbal communications, and in email or written format. The organisation is also a prescribed person under the Public Interest Disclosure Act (PIDA) 1998. No disclosures were made under PIDA during the reporting period.

Complaints management

Following its launch the NHSCFA published its complaints policy and also provided staff with an internal guidance document. During our first five months of operations we learnt a number of lessons regarding how we manage complaints, the processes we follow and how we liaise with all parties involved. A review of the complaints process has commenced. During the reporting period we received 9 complaints.

Governance and assurance

An internal governance and assurance function was embedded during the first five months of operation of the NHSCFA. This function provides assurance that risk and operating procedures are managed effectively across the organisation. A governance and assurance strategy was launched and reviewed. A set of operating procedures was adopted and a programme of governance and assurance work was identified and delivered.

Strategy, policy and guidance documents

Since the launch of the NHSCFA a range of strategy, policy and guidance documents were drafted and approved to underpin all areas of work undertaken. These include those published on the NHSCFA's external website.
In line with its Standing Financial Instructions, the NHSCFA has reviewed its own counter fraud and security management measures. Taking a risk based approach, workplans are being formulated in respect of each of these to identify activities for implementation in 2018-19.

Internal audit

Role of Internal Audit

The NHSCFA internal audit service is provided by the Health Group Internal Audit Service (HGIAS). HGIAS delivers a shared internal audit service for the DHSC and 14 of its arm's length bodies, with the exception of NHS England.

HGIAS plays a crucial role in the review of the effectiveness of risk management, controls and governance within the NHSCFA by:

- focusing audit activity on the key business risks;
- being available to guide managers and staff through improvements in internal controls;
- auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
- providing advice to management on internal control implications of proposed and emerging changes.

The HGIAS team operates in accordance with Public Sector Internal Audit Standards and to an agreed Internal Audit Plan, which has been agreed with the Accounting Officer and the Audit and Risk Committee (ARC). With the agreement of ARC, this Plan is updated appropriately throughout the year to reflect changes in risk profile.

The Head of Internal Audit submits regular reports to the ARC relating to the adequacy and effectiveness of the NHSCFA systems of internal control, and the management of key business risks, together with recommendations for improvement. These recommendations have been discussed and the plan - agreed by management - includes an agreed timetable for implementation. The status of Internal Audit recommendations and the collection of evidence to verify their implementation are reported to the ARC.

Internal Audit Opinion

Following completion of planned audit work for 2017-18 for the NHSCFA, the Head of Internal Audit has objectively considered the adequacy and effectiveness of the NHSCFA's systems of risk management, governance and internal control throughout the year. As such, the Head of Internal Audit's opinion is that he can give Moderate Assurance to the NHSCFA Principal Accounting Officer in relation to the 2017-18 reporting year. A Moderate Assurance means that in the Head of Internal Audit's opinion some improvements are required to enhance the adequacy and effectiveness of the framework of risk management, governance and control.

10. Remuneration and staff report

As a new special health authority, the terms of reference for the Remuneration and Nominations Committee (REMCO) have been agreed with the board. The REMCO is yet to meet.

The Remuneration and Nominations Committee terms of reference follow the framework laid down by the DHSC, and take into account the recommendations of the Senior Salaries Review Body.

Appointments

Non-executive directors are appointed to the NHSCFA Board by the Secretary of State for a fixed period of time. Executive directors have NHSCFA contracts of employment, in which there are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements and normal pay provisions.

Emoluments of board members

The remuneration relating to all directors in post during 2017-18 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.

Non-executive directors

The following table sets out details of payments made and appointment term details for the Chair and non-executive members.

subject to audit

Name and title	2017-18						Date of appointment
	Salary (bands of (£5,000	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	
	£.	£.	£.	£.	£.	£.	
Simon Hughes Chair (Interim)	5 – 10 [1]					5 – 10	1 Nov 2017
David Rawsthorn Non-executive director and Chair of Audit and Risk Management Committee (Interim)	5 – 10 [2]					5 – 10	1 Nov 2017

[1] part year (full year equivalent (FYE): £10-15k) / [2] part year (FYE: £10-15k)

Executive directors

The following table sets out details of payments made and appointment details of executive directors.

subject to audit

Name and title	2017-18						Date of appointment
	Salary (bands of (£5,000	Expense payments (taxable) total to nearest £100	Perfor-mance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	
	£.	£.	£.	£.	£.	£.	
Susan Frith Chief Executive Officer (Interim) (from 1 Nov 2017)	35 – 40 (FYE 90 – 95)				60 – 62.5	95 – 100	1 Nov 2017
Matthew Jor-dan-Boyd Director of Finance and Corporate Gov-ernance (from 30 Jan 2018)	5 – 10 (FYE 45 – 50				0 – 2.5	10 – 15	30 Jan 2018
Patrick McGa-hon Interim Director of Finance (from 1 Nov 17 until 29 Jan 2018)	No salary paid						1 Nov 2017

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce, often referred to as the 'fair pay disclosure' (Table 11).

The banded remuneration of the highest paid director in the NHSCFA in the financial year 2017-18 was £90,000 - £95,000. This was 2.4 times the median remuneration of the workforce, which was £39,070 (full year equivalent figures used).

The range of staff remuneration was
£15,000-£20,000 to £90,000 - £95,000.

In 2017-18 no employees received remuneration in excess of the highest paid director.

Total remuneration includes salary, non- consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Patrick McGahon was employed and paid by NHSBSA, therefore no payments were made by NHSCFA.

subject to audit

Table 11: Remuneration balance	2017-18
Band of highest paid director's total remuneration (£000)	90 – 95
Median total (£)	39,070
Remuneration ratio	2.4

Pension benefits

The table below sets out the pension benefits of the Chief Executive and senior managers of the NHSCFA:

subject to audit

Table 12: Pension benefits of senior managers

Name and title	Real increase in pension at pen-sion age (bands of (£2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2018 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2018 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2017	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
Susan Frith Chief Executive Officer (Interim) (from 1 Nov 2017)	2.5 – 5	7.5 – 10	45 – 50	135 – 140	970	905 [1]	56
Matthew Jor-dan-Boyd Director of Finance and Corpo-rate Govern-ance (from 30 Jan 2018)	0 – 2.5	0 – 2.5	0 – 5	0	1	0	0
Patrick McGahon Interim Director of Finance (from 1 Nov 17 until 29 Jan 2018)							

[1] CETV at 31 October 2017

There are no entries in respect of pensions for non-executive directors as they don't receive pensionable remuneration.

Pension Benefits in respect of P McGahon will be reported in the annual report of NHS Business Services Authority as his employer.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

Staff report

Staff numbers and costs

Table 13 gives details of staff numbers and costs.

subject to audit

Table 13: Staff numbers and related costs - Executive members and staff costs

	Total 2017/18 £000	Permanently employed £000	Other £000
Salaries and wages	2,552	2,509	43
Social security costs	272	272	
Employer contributions to NHS Pen-sions	312	312	
Total	3,136	3,093	43
Capitalised staff costs	(130)		
	3,006		

The average number of persons employed during the year was

subject to audit

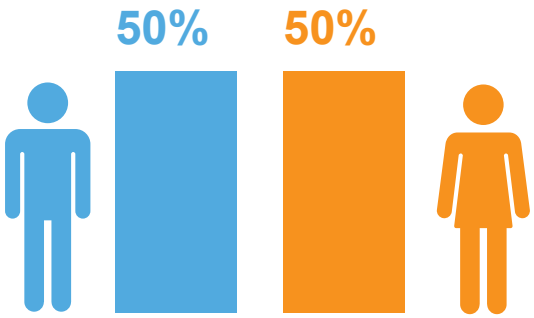
Table 14		
Total	Permanently employed	Other
151	149	2

The whole time equivalent number of staff whose cost was capitalised was 4.

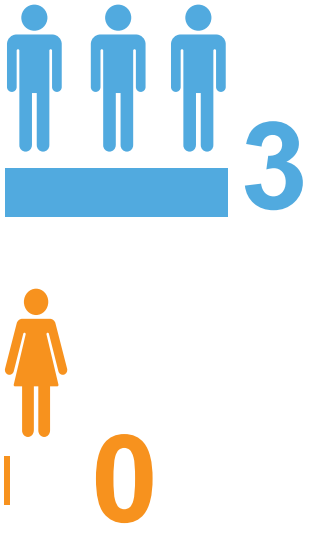
Gender balance

Infographics below provide details of the number of staff and gender at director, senior manager and other staff level.

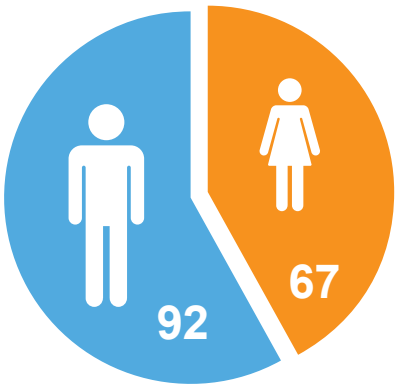
Directors



Senior managers (band 8c and above)



Total employees



Employee sickness

The NHSCFA has an absence management policy covering the whole organisation. This is underpinned by an externally provided occupational health service and employee assistance programme. The total number of working days lost to sickness during this period was 953.

Supporting disabled people

Our commitment to job applicants and staff with a disability includes providing a Guaranteed Interview Scheme for job applicants with a disability and making adjustments to our recruitment process.

We have support measures in place through relevant policies and our Occupational Health Service and Employee Assistance Programme. Through our appraisal procedure and by monitoring our recruitment and promotion statistics, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

Supporting and engaging with our people

We support and invest in our people in a range of ways:

- Staff development – We are committed to maximising the performance and potential of all of our people. We have an Optimising Performance & Development Programme and require all staff to have a personal development plan.

- Diversity and Inclusion – We follow our Values & Behaviours Framework and the 6 Principles of Good Practice.

- Health and Safety – We have a dedicated Safety, Health and Environment (SHE) Team and management system and we consult with our people through our National Joint Health and Safety Committee.

- Consultation and Trade Unions – We are committed to working in partnership and have a structure in place which supports this.

- Trade Union Facility Time – The NHSCFA has agreed a Union Recognition Agreement. This states that Stewards, Representatives and Officers will be released on a paid time off basis during working hours to meet requirements. The total number of officials for the period 1.11.17 -31.3.18 was nine.

The facility time granted was as follows:

Amount of facility time	Number of employees
0%,	0
1%-50%,	9
51%-99	0
100%	0

Percentage of pay bill spent on facility time:

	£000
Total cost of facility time	3.7
Total pay bill	3,006
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.12%

Expenditure on temporary staff

The total contingent labour expenditure incurred on the provision of operating services was £43k.

Off-payroll engagements

There were zero off-payroll appointments.

Exit packages *(subject to audit)*

There were zero Exit packages.

11. Parliamentary accountability and audit report

NHSCFA disclosures

The NHSCFA is aware of its obligation for disclosure of material remote contingent liabilities (under Parliamentary reporting requirements not IAS 37) and an estimate of its financial effect. For this accounting period the NHSCFA discloses a nil return in this area.

The NHSCFA declares that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Disclosure of gifts *(subject to audit)*

The NHSCFA is aware of its obligation for disclosure of gifts made over a value of £300k (as per Managing Public Money, annex 4.12). For this accounting period the NHSCFA discloses a nil return in this area.

Losses and special payments

(subject to audit)

The NHSCFA is aware of its obligation for disclosure of losses and special payments recorded in excess of £300,000. For this accounting period the NHSCFA discloses a nil return in this area.

Remote contingent liabilities

(subject to audit)

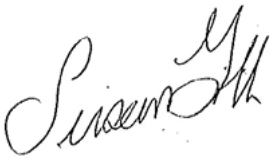
For this accounting period the NHSCFA discloses a nil return in this area.

Fees and charges *(subject to audit)*

For this accounting period NHSCFA discloses a Nil return in this area

Sue Frith

Chief Executive (interim) and Accounting Officer 17/07/2018



THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the NHS Counter Fraud Authority for the period ended 31 March 2018 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the NHS Counter Fraud Authority's affairs as at 31 March 2018 and of net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the National Health Service Act 2006and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the NHS Counter Fraud Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in

accordance with the National Health Service Act 2006.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NHS Counter Fraud Authority's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NHS Counter Fraud Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report there on. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006;

- in the light of the knowledge and understanding of the NHS Counter Fraud Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse 19.7.18
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London

SW1W 9SP

12. Financial statements and notes to the accounts

Account of NHS Counter Fraud Authority 2017-18		
Statement of Comprehensive Net Expenditure for the period ended 31 March 2018		
	Notes	**2017-18**
		£000
Other operating income	2.1	134
Total operating income		134
Staff Costs	2.4	3,006
Other operating expenditure	2.2	1,995
Total operating expenditure		**5,001**
Net operating expenditure		**4,867**
Net (gain)/loss on transfers by absorption	2.5	(2,565)
Total Net Expenditure		**2,302**
Total comprehensive net expenditure for the period		**2,302**

The notes on pages 77 to 99 form part of these accounts.

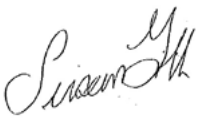
These accounts include transactions for the period from 1st November 2017 when the organisation was established. Due to it being a first year account there are no prior year comparatives.

Account of NHS Counter Fraud Authority 2017-18		
Statement of Financial Position at 31 March 2018		
	Notes	**2017-18**
		£000
Non Current Assets		
Property, Plant & Equipment	3.2	1,794
Intangible Assets	3.1	2,155
Total non-current assets		3,949
Current Assets		
Trade and other receivables	3.3	193
Cash and cash equivalents	3.4	0
Total current assets		193
Total Assets		4,142
Current Liabilities		
Trade and other payables	3.5	2,128
Total current liabilities		2,128
Net current assets/liabilities		(1,935)
Total assets less current liabilities		2,014
Non-current liabilities		
Provisions for liabilities and charges	3.6	139
Total non-current liabilities		139
Total Assets Less Liabilities:		1,875
Taxpayers' Equity		
General Fund		1,875
Total Taxpayers' Equity:		1,875

The notes on pages 77 to 99 form part of these accounts.

Sue Frith

Chief Executive (interim) and Accounting Officer 17/07/2018



Account of NHS Counter Fraud Authority 2017-18

Statement of Changes in Taxpayers' Equity For the period ended 31 March 2018		
	General Fund	**Total Reserves**
	£000	£000
Changes in taxpayers' equity for 2017-18		
Balance as at 1 November 2017	0	0
Total net expenditure for the period	(2,302)	(2,302)
Total recognised income and expense for 2017-18	(2,302)	(2,302)
Net Parliamentary Funding	4,177	4,177
Balance at 31 March 2018	1,875	1,875

The notes on pages 77 to 99 form part of these accounts.

Account of NHS Counter Fraud Authority 2017-18		
Statement of Cash Flows for the period ended 31 March 2018		
	Notes	**2017-18**
		£000
Cash flows from operating activities		
Net operating expenditure		(4,867)
Other cash flow adjustments	4.3	727
Movement in working capital	4.1	222
Net cash (outflow) from operating activities		(3,918)
Cash flows from investing activities		
Purchase of property, plant and equipment		(8)
Purchase of intangible assets		(251)
Net cash inflow/(outflow) from investing activities		(259)
Cash flows from financing activities		
Net Parliamentary Funding		4,177
Net financing		4,177
Net increase/(decrease) in cash and cash equivalents		0
Cash and cash equivalents at 31 March 2018	3.4	0

The notes on pages 77 to 99 form part of these accounts.

Account of NHS Counter Fraud Authority 2017-18

Notes to the Accounts

1. Accounting Policies

As directed by the Secretary of State for Health, the following financial statements have been prepared in accordance with the DHSC Group Accounting Manual 2017-18 (GAM) issued by the Department of Health and Social Care, and comply with HM Treasury's Government Financial Reporting Manual 2017-18 (FReM). The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and financial liabilities.

Transfer of functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the DHSC group are outside the scope of IFRS 3 Business Combinations. Where functions transfer between two public bodies, the GAM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

Under absorption accounting the entity taking on the functions only accounts for the transactions and balances relating to the transferred functions from the date of transfer and no prior figures are required to be disclosed. Hence these accounts only contain five months of transactions and no comparative figures are included.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.2 Income

Income is accounted for applying the accruals convention. Income is recognised to the extent that it is probable that the economic benefits will flow to the Authority

and the income can be reliably measured.

The main source of funding of the Authority is Parliamentary Funding from the Department of Health and Social Care within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the Authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation
The Authority is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Property, Plant & Equipment
(a) Capitalisation
All assets falling into the following categories are capitalised:
Property, Plant & Equipment which is capable of being used for more than one year and they:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

(b) Valuation
The land and buildings currently used for the Authority's services and for administrative purposes are held under operating leases and are not valued for inclusion as Property, Plant & Equipment. Leasehold improvement work to these properties is capitalised at cost, and in the absence of an active market, carried at depreciated historic cost as a proxy for fair value.

Fixtures and equipment are carried at depreciated historic cost as a proxy for fair value.

An increase arising on any asset revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure.

1.5 Intangible Assets
Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at cost. Internally-generated

assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is charged to the Statement of Comprehensive Net Expenditure (SoCNE) in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised historic cost, as a proxy for fair value. Internally-developed software is held at amortised historic cost to reflect the opposite effects of development costs and technological advances.

1.6 Depreciation, amortisation and impairments

Depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives. The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

At each Statement of Financial Position date, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the SoCNE to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.7 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24

hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Most past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Authority commits itself to the retirement, regardless of the method of payment.

1.9 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Authority as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

1.10 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rates of -2.42%, -1.85% and -1.56% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively in real terms. In the case of early retirement costs the rate is 0.10%.

1.11 Financial Instruments

Financial assets

Financial assets are recognised on the Statement of Financial Position when the Authority becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.
Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.12 Accounting standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2017-18. These standards are still subject to HM Treasury FReM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 and IFRS 17 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted

- IFRS 15 Revenue for Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted

- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration – Application required for accounting periods beginning on or after 1 January 2018.

- IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

Application of these standards is not expected to have a material impact on future financial statements, with the exception of IFRS 16. The Authority currently has commitments under operating leases of £4.1m, which IFRS 16 will require to be recognised in the statement of financial position as right of use assets with corresponding lease liabilities.

2.1 Other operating income

		2017-18
		£000
Services provided to UK Devolved Administrations and Crown Dependencies		99
Other income		35
Total Operating income		**134**
2.2 Other operating expenditure (Non-Staff)		
		2017-18
		£000
The expenses of the authority were as follows:		
Non-executive members' remuneration		12
Rentals under operating leases		638
Establishment expenses		312
Transport		9
Premises		228
Non-cash: Depreciation	247	
Amortisation	341	
		588
Auditors' remuneration - audit fees		53
Internal Audit		8
Legal & Professional fees		147
Total non-staff costs		**1,995**

Account of NHS Counter Fraud Authority 2017-18

2.3 Operating leases	
Authority as lessee	
	2017-18
	£000
Payments recognised as an expense	
Minimum lease payments	638
Total	**638**
Total future minimum lease payments Payable:	
Within one year	1,292
Later than one year and not later than five years	2,768
Later than five years	0
Total	4,060

2.4 Staff costs

Executive members and staff costs:					
	2017-18	Total 2017-18	Permanently employed	Other	Total 2016-17
	£000	£000	£000	£000	£000
Salaries and wages	2,552	2,552	2,509	43	0
Social security costs	272	272	272	0	0
Employer contributions to NHS Pensions	312	312	312	0	0
Total	3,136	3,136	3,093	43	0
Capitalised staff costs	(130)	(130)			0
	3,006	3,006			0

2.5 Net gain on transfers by absorption

The Authority's functions were transferred from the NHS Business Services Authority (NHSBSA) on 1st November 2017.

The following assets and liabilities were transferred from the NHSBSA on this date:

	2017-18
	£000
Property, Plant & Equipment at Net Book Value (Note 3.2.1)	1,935
Intangible Assets at Net Book Value (Note 3.1.1)	1,687
Trade and Other Receivables	106
Trade and Other Payables	(1,163)
Gain on net assets transferred	**2,565**

The average number of persons employed during the year was :

Total	Permanently	Other	2016-17
Number	Employed Number	Number	Number
151	149	2	0

Account of NHS Counter Fraud Authority 2017-18

2.6 Pension costs

Most past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales.

They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

b) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

Account of NHS Counter Fraud Authority 2017-180			
3.1 Intangible assets			
3.1.1 Intangible assets 2017-18	**Software licences**	**Information Technology**	**Total**
	£000	£000	£000
Cost			
Additions - purchased	679	130	809
Transferred from NHSBSA	1,557	1,274	2,831
Gross cost at 31 March 2018	**2,236**	**1,404**	**3,640**
Amortisation			
Charged during the year	251	90	341
Transferred from NHSBSA	714	430	1,144
Accumulated amortisation at 31 March 2018	965	520	1,485
Net book value at 31 March 2018	1,271	884	2,155

There are two software licences included above which have a carrying value which is material to the financial statements. The carrying values and remaining amortisation periods of the two licences are £415k and £432k, and 13 months and 39 months respectively.

Account of NHS Counter Fraud Authority 2017-18					
3.2 Property, Plant and Equipment (continued)					
3.2.1 Property, Plant and Equipment 2017/18					
	Buildings excluding dwellings	Plant & machinery	Information technology	Furniture & fittings	Total
Cost	**£000**	**£000**	**£000**	**£000**	**£000**
Additions - purchased	98	0	8	0	106
Transfer from NHSBSA	2,014	50	1,199	323	3,586
Gross cost at 31 March 2018	2,112	50	1,207	323	3,692
Depreciation					
Charged during the year	116	4	100	27	247
Transfer from NHSBSA	852	46	571	182	1,651
Accumulated depreciation at 31 March 2018	968	50	671	209	1,898
Net book value at 31 March 2018	1,144	0	536	114	1,794

Account of NHS Counter Fraud Authority 2017-18		
3.2.2 Economic Lives of Non-current Assets		
	Min Life Years	Max Life Years
Intangible assets		
Software licences	2	3
Information technology	5	5

Account of NHS Counter Fraud Authority 2017-18		
3.2.2 Economic Lives of Non-current Assets		
	Min Life Years	Max Life Years
Property, Plant and Equipment		
Buildings excl. dwellings	6	8
Plant & machinery	5	5
Transport equipment	5	7
Information technology	5	5
Furniture & fittings	5	5

Account of NHS Counter Fraud Authority 2017-18	
3.3 Receivables	**Current**
	31 March 2018
	£000
Trade receivables	18
Prepayments and accrued income	119
Other receivables	56
Trade and other receivables	193

Account of NHS Counter Fraud Authority 2017-18	
3.4 Cash and Cash equivalents	
	2017-18
	£000
Net change in the year	0
Balance at 31 March	0
Comprising:	
	31 March 2018
	£000
Held with the Government Banking Service	0
Commercial banks and cash in hand	0
Cash and Cash equivalents as in Statement of financial position	0
Bank overdraft	0
Cash and Cash equivalents	0

Account of NHS Counter Fraud Authority 2017-18	
3.5 Trade and other payables	
	Current
	31 March 2018
	£000
Trade payables	21
Accruals and deferred income	2,014
Other payables	93
Trade and other payables	**2,128**

NHS payables comprise £827k, and capital payables comprise £665k of the above balance.

There are no non-current trade and other payables

The Authority did not have its own operational bank account during the period. Payments and receipts were processed through an account administered by NHSBSA.

In the absence of a bank account, Parliamentary Funding was drawn down by NHSBSA and recognised as NHSCFA funding to the extent of the cash required to cover the transactions undertaken during the period.

There is therefore no closing operational bank balance held.

£191,000 is held on deposit in a separate bank account on behalf of a third party under the Proceeds of Crime Act 2002.

Account of NHS Counter Fraud Authority 2017-18			
3.6 Provisions for liabilities and charges			
	Current 31 March 2018		
	£000		
Other provisions	0		
Total	**0**		
	Non-current 31 March 2018		
	£000		
Other	139		
Total	**139**		
		Other	Other
		£000	£000
Arising during the year		139	139
At 31 March 2018		139	139
Expected timing of cash-flows:			
Within one year		0	0
Later than one year and not later than five years		139	139
Later than five years		0	0

Other provisions at 31 March 2018 relate entirely to Leasehold Property Decommissioning.

Contingencies at 31 March 2018:
At 31 March 2018, there were no known contingent assets or liabilities

Account of NHS Counter Fraud Authority 2017-18

3.7 Events after the reporting period

The Accounts were authorised for issue by the Accounting Officer on the date of the Audit Certificate of the Comptroller & Auditor General.

There are no adjusting events after the reporting period which will have a material effect on the financial statements of NHS Counter Fraud Authority.

3.8 Capital commitments

The Authority had no contracted capital commitments as at 31 March 2018.

4.1 Movements in working capital

	2017-18 £000
(Increase)/decrease in receivables within 1 year (Note 3.3)	(193)
(Increase)/decrease in payables within 1 year (Note 3.5)	1,472
Increase in receivables arising from absorption transfers (Note 2.5)	106
Increase in payables arising from absorption transfers (Note 2.5)	(1,163)
Total	**222**

4.2 Analysis of changes in net debt

	Cash flows	31st March 2018
	£000	£000
GBS cash at bank	0	0
Commercial cash at bank and in hand	0	0
Bank overdraft	0	0
Total	**0**	**0**

4.3 Other cash flow adjustments	
	Cash flows
	£000
Depreciation	247
Amortisation	341
Provisions - Arising in Year	139
Total	**727**

5. Related Party Transactions

The Authority is a body corporate established by order of the Secretary of State for Health.

The Department of Health and Social Care is regarded as a related party. During the year the Authority had a number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department including NHSBSA.

During the year none of the Department of Health and Social Care Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHSCFA. Compensation paid to directors has been disclosed in the Remuneration Report.

Account of NHS Counter Fraud Authority 2017-18

6. Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Authority are met primarily through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Authority's expected purchase and usage requirements and the Authority is therefore exposed to little credit, liquidity or market risk.

Currency risk

The Authority is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Authority has no overseas operations. The Authority therefore has low exposure to currency rate fluctuations.

Interest rate risk

All of the Authority's financial assets and financial liabilities carry nil or fixed rates of interest. The Authority is not, therefore, exposed to significant interest-rate risk.

Credit Risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other Public bodies the Authority has low exposure to credit risk.

Liquidity Risk

The Authority's net operating costs are financed from resources voted annually by Parliament. The Authority largely finances its capital expenditure from funds made available from Government under an agreed capital resource limit. The Authority is not, therefore, exposed to significant liquidity risks.

6.1 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	'£000	'£000	'£000	'£000
Trade receivables	0	18	0	18
Other receivables	0	56	0	56
Total at 31 March 2018	**0**	**74**	**0**	**74**

6.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	'£000	'£000	'£000
Trade Payables	0	21	21
Other payables	0	93	93
Other financial liabilities	0	2,014	2,014
Total at 31 March 2018	**0**	**2,128**	**2,128**

Account of NHS Counter Fraud Authority 2017-18

6. Financial Instruments (continued)

6.3 Maturity of financial liabilities	
	31 March 2019
	£000
In one year or less	2,128
In more than one year but not more than five years	0
In more than five years	0
Total	**2,128**

6.4 Fair values

Fair values of financial assets and liabilities do not differ from the carrying amounts.

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