

Annual report and accounts

2018-19



NHS Counter Fraud Authority

Annual Report & Accounts 2018-19

Presented to Parliament pursuant to the NHS Counter Fraud Authority
(Establishment, Constitution, and Staff and Other Transfer Provisions) Order 2017.

Ordered by the House of Commons to be printed 10th January month 2020

NHS Counter Fraud Authority, 9th Floor, Earlsdon Park, 55 Butts Road, Coventry, CV1 3BH



© NHS Counter Fraud Authority (NHSCFA) copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at generalenquiries@nhscfa.gsi.gov.uk

ISBN 978-1-5286-1488-7
CCS 0619531574 01/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office



We have actively supported the creation of the Government Counter Fraud Profession, which launched in October 2018. Our investigators are among the first cohort of members, putting us at the forefront of the profession



We are committed to continuous improvement and have worked proactively to further develop a performance and target driven culture



We have delivered fraud prevention solutions to address specific fraud risks in the NHS

Contents

Message from the Chair	7
About NHSCFA	8
Performance report	10
Performance overview	11
An introduction from the Chief Executive Officer	12
Specialised Services to tackle Fraud	16
Business Model	17
Guiding principles	19
Inform and involve	19
Prevent and Deter	20
Investigate and sanction	21
Continuously review and hold to account	24
Barriers and challenges to success	26
Performance Summary	27
Going concern	28
Performance analysis	29
Organisational objectives	29
Organisational priorities	39
Our People	46
Our Working Environment	48
Anti-corruption and anti-bribery matters	48
Financial Performance – achievement of financial balance	49
Accountability report	50
Corporate governance report	52
Remuneration and staff report	64
Parliamentary accountability and audit report	73
Financial Statements and notes to the accounts	78

Message from the Chair

As we move into our third year as a special health authority, our role leading the fight against NHS fraud is as important as ever. With over £1 billion estimated to be lost to NHS front line services from fraud, we must redouble our efforts to fight what is a crime against every current and future user of NHS services.

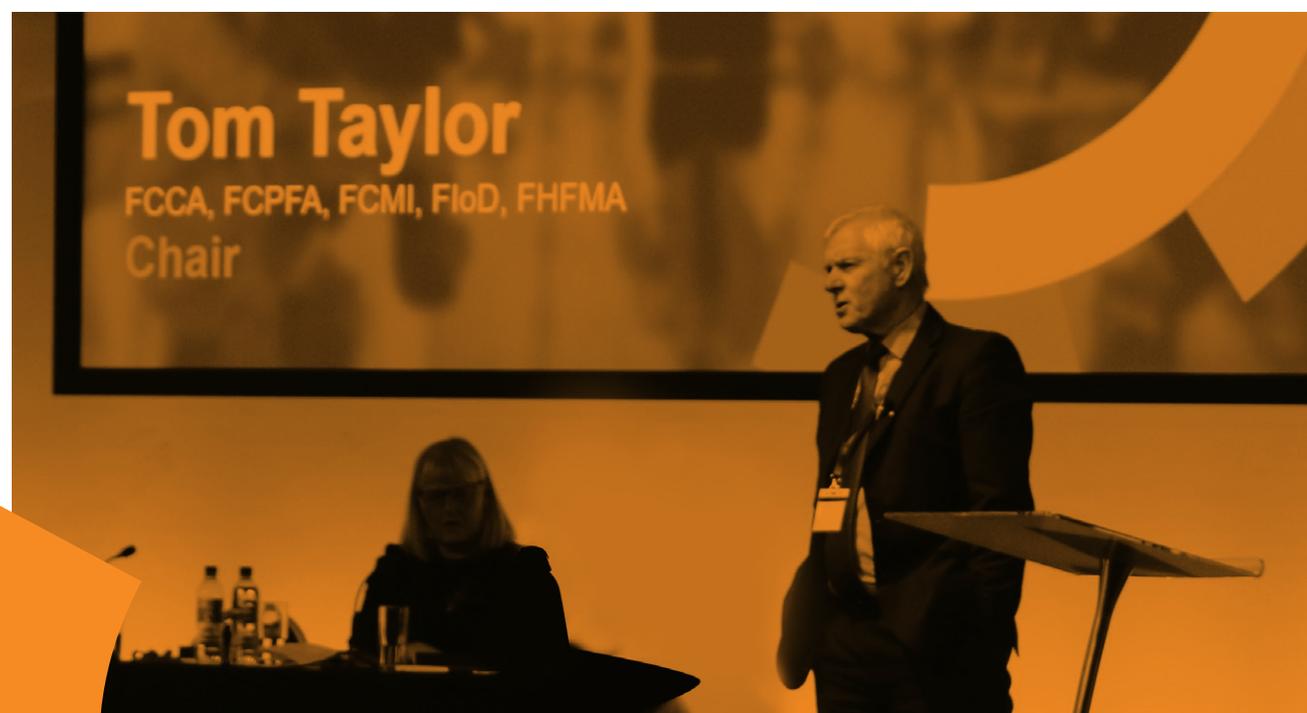
Fighting fraud is important for any organisation, but especially in the public sector where there must be confidence that money from taxpayer-funded services is not diverted into the pockets of criminals. Minimising the loss from fraud is an important part of the NHS Counter Fraud Authority (NHSCFA) delivering value for money and helping to ensure NHS resources are used as efficiently as possible.

As part of our plan for raising public awareness of fraud we were delighted to take part in a BBC One documentary series which featured a selection of recent, successful prosecutions of NHS fraud. The series was hugely successful and I hope it offered people an insight into the excellent counter fraud work undertaken at both national and local levels, as well as demonstrating the ways in which organisations work collaboratively to fight NHS fraud.

We participate beyond the NHS and wider health sector, as fighting public sector fraud requires a concerted effort across government. This was highlighted at the launch of the Government Counter Fraud Profession (GCFP) in October 2018. The NHSCFA has been involved for a number of years in work led by the Cabinet Office to establish the profession, and I was pleased that NHSCFA investigators were among the very first counter fraud specialists to join it.

From an organisational point of view, I am delighted that we have now been able to recruit my fellow Non-Executive Directors to the Board. They bring with them a wide variety of skills and experience to help develop and drive forward our strategy and to provide support and guidance to the organisation as it continues to lead the fight against NHS fraud.

Tom Taylor
Chair





About the NHSCFA

The NHSCFA leads the fight against fraud in the NHS and the wider health service. Established in November 2017 as a new special health authority, we are independent of other NHS bodies and directly accountable to the Department of Health and Social Care (DHSC). According to our estimates, fraud costs the NHS £1.27 billion each year – enough money to pay for over 40,000 staff nurses, 5,000 frontline ambulances or 116,000 hip replacements.

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, experience shows that this minority includes all kinds of people, from patients to NHS staff, from contractors to organised criminals. By diverting NHS resources from their intended purpose – delivering care for patients – the actions of these criminals have a serious impact on us all.

The NHSCFA's **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.

Our approach to counter fraud work is detailed in our 2017-2020 strategy document 'Leading the fight against NHS fraud'. We also work closely with the DHSC to deliver the Department's Counter Fraud Strategic Plan.



Performance report



Performance overview
Performance analysis



Performance overview

This section sets out an overview of the NHSCFA. It includes an explanation of our high level structure, our business model and the principles which guide our counter fraud work. Also described are some of the key activities we have undertaken to meet our objectives and the risks and challenges we have faced in delivering these.

Further details on how we have delivered against the objectives set out in our business plan for 2018-19 can be found in the performance analysis section.

The NHSCFA's organisational high level structure, set up to deliver our aims, includes four main business areas: Finance & Corporate Governance, Business Support, Intelligence & Fraud Prevention and Operations. Details of our overall performance is reflected in the performance summary of page 27.



An introduction from the Chief Executive Officer

I am delighted to present the annual report for the NHS Counter Fraud Authority's second year in operation. During this year we have continued to lead in this field and build on our approach to guide further improvements in the delivery of counter fraud work across the NHS and wider health group. We have improved our understanding of the risks the NHS faces from fraud, bribery and corruption and are positively tackling and reducing those risks. All loss to fraud undermines the NHS, as every penny lost to fraud impacts on the delivery of vital patient services. However, through the work of the NHSCFA this year, some notable successes and measurable reductions have been identified in fraud losses across the NHS.

Our annual intelligence assessment has allowed us to understand more fully where and how fraud occurs across the system and to build confidence in our estimates of fraud loss in specific areas. Our measurement of Help with Health Costs/patient fraud has this year identified a reduction in estimated fraud loss of £90 million since the last measurement in 2013. Dental contractor fraud has also decreased with estimated savings of £32.6 million.

Our approach to collaboration across the sector to tackle NHS fraud has delivered tangible results. Building on our fraud measurement and analysis work, we worked with the NHS Business Services Authority to develop fraud prevention interventions which they have delivered on behalf of NHS England.

The NHSCFA seeks to improve understanding of NHS fraud with each piece of work undertaken; this includes collaborating with the NHS local counter fraud service providers and managers, who are key partners for us in the fight against NHS fraud. This year we have been building and testing bench marking reports that can be shared with the sector, so that NHS Directors of Finance can in the future confidently direct their finite resources to tackle local fraud issues effectively. For the overall fraud loss figure to be reduced, it is important that everyone involved in this important work is aligned and collaborating; to ensure resourcing decisions are informed by evidence and intelligence and that focus is on where the greatest impact can be made.

To support this approach, we have engaged regularly with the Local Counter Fraud Specialists (LCFSs), Directors of Finance and Audit Committee Chairs. This has included the creation of an engagement group, who have helped to shape and support the delivery of our work, e.g. a new case management system, the development of the NHS fraud reference guide and improvements to the NHSCFA extranet.

Our fraud experts have delivered presentations at events to upskill the LCFS sector on effective disclosure practice for investigations and we have shared specific fraud prevention information where a clear and immediate vulnerability was identified. For example, we sent guidance to the sector on requests to change suppliers' bank account details made as part of attempted invoice (mandate) fraud. This included fraud prevention advice on a new threat identified where fraudsters have made attempts to change bank details to target the pay of

NHS Chief Executive Officers.

The NHSCFA also set out this year to raise the profile of NHS fraud and to increase awareness among NHS staff and the public about the work that we do to tackle fraud. The five-part BBC documentary 'Fraud Squad NHS' made the top 20 most watched BBC shows and delivered a significant increase of 100% in fraud referrals to our reporting line during the week the show aired. We have also targeted engagement with those working in our priority areas of pharmaceutical and procurement fraud, resulting in increased referrals in those specific areas.

Where fraud does occur the NHSCFA will pursue investigation and recovery of loss without fear or favour. Our enforcement work has continued to deliver notable and high profile successes this year. An organised crime group led by an insider working within a medical recruitment agency conspired to defraud the NHS. Following an NHSCFA investigation, all six of the conspirators were sentenced to terms of imprisonment, with the ringleader receiving a sentence of three years. In another case, following the earlier conviction of five fraudsters, NHSCFA financial investigators undertook a confiscation investigation which led to £91,000 being returned to the Epsom and St Helier NHS Trust. NHSCFA financial investigators use their powers under the Proceeds of Crime Act 2002 to ensure those convicted of fraud against the NHS do not benefit from their crimes. In support of ongoing National Investigation Service investigations, our financial investigators have restrained assets valued in excess of £6.5 million this year.

To support our investigation work, I am delighted to report that our forensic computing unit has achieved ISO accreditation. We have been subject to inspection by the UK Accreditation Service to assess their competence and compliance with ISO17025. This mandatory requirement from the Forensic Science Regulator ensures that any digital forensic laboratories working within the criminal justice system are meeting minimum standards of quality and technical competence. Compliance with these standards confirms that the courts can have confidence in the integrity of evidence produced.

Our NHSCFA national investigation team were also one of the first cohorts to apply for and be accepted as members of the new Government Counter Fraud Profession (GCFP). I was pleased to be part of the launch of the profession at events in London and Newcastle and to have progressed work with the Government Counter Fraud Professionals Board to seek access to the profession for NHS Local Counter Fraud Specialists.

According to our annual intelligence assessment, the overall estimated loss to fraud in the NHS is £1.27 billion per annum. This is a significant amount of money vulnerable to or being lost to fraud, and the NHSCFA will continue to work hard to prevent and reduce that loss.

As a new special health authority, the NHSCFA has been building and refining internal structures to ensure the organisation is in a position to deliver its important work, with the appropriate governance and organisational controls in place. During the first half of the year the NHSCFA was supported by an interim board and since November 2018 a full permanent board has been in place.

This has provided the NHSCFA with the skilled support and guidance of a team of experienced Non-Executive Directors to ensure our finance, corporate governance and assurance processes are being developed and embedded effectively. In the 17 months since our launch, much work has been done to make sure systems to deliver an efficient,

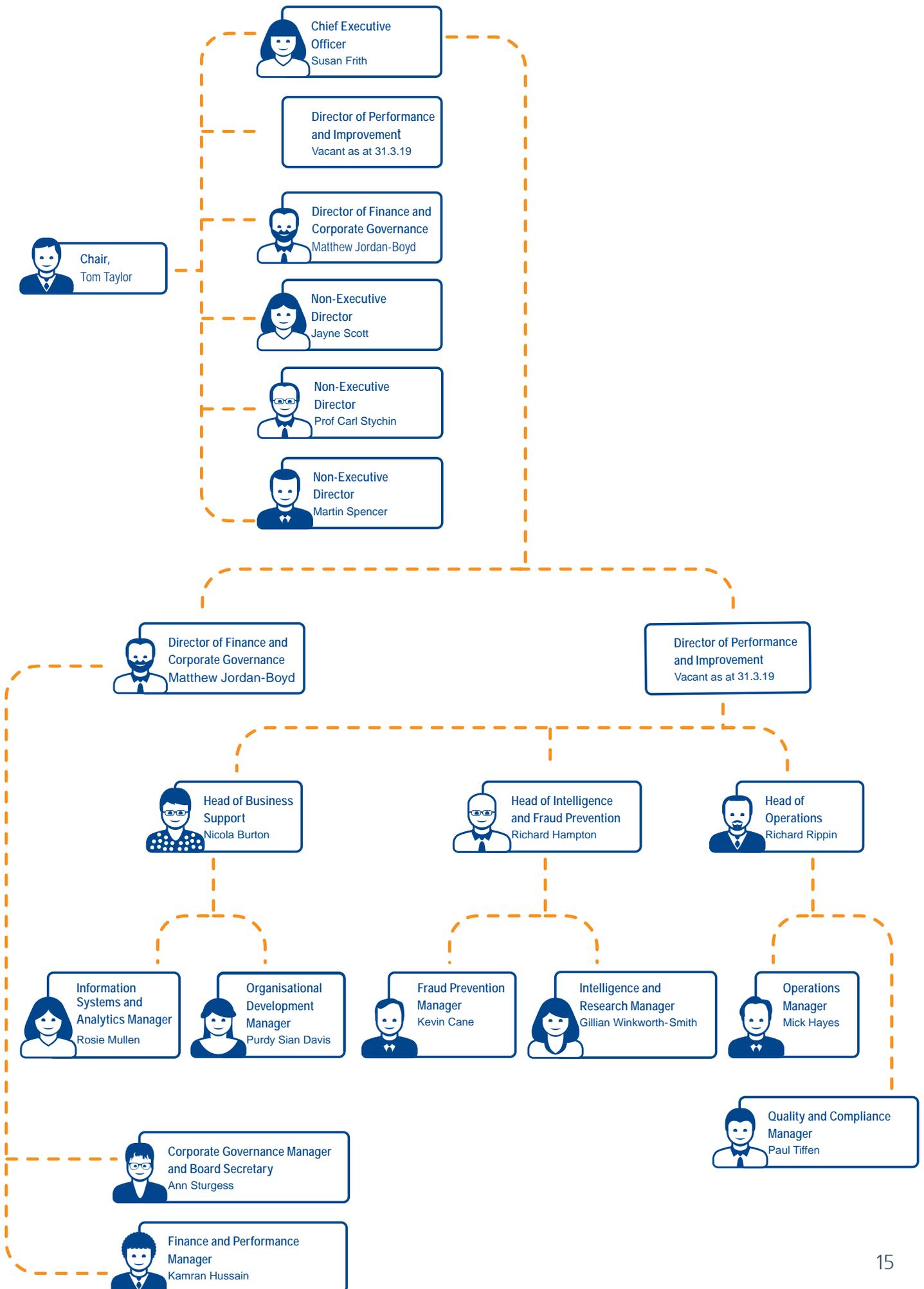
effective and compliant organisation are being developed and delivered. The permanent board and audit committee are now in place to drive improvements and support the NHSCFA to be successful.

Susan Frith

Chief Executive Officer & Accounting Officer



Board and high level structure chart



Specialised services to tackle fraud

The NHSCFA delivers a range of specialised services to tackle fraud in the NHS:

- **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. The Strategic Intelligence Assessment is produced annually setting out the picture of fraud risks.
- **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 unit which collects and analyses 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.
- **Information analytics** – We use complex algorithms and data mining tools to identify both normal behaviour and outliers in NHS data, within which fraudulent behaviour can be found. The resulting analyses are used to support ongoing investigations, inform the intelligence picture and guide fraud prevention steps.
- **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 ensure 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.

At 31 March 2019, we employed 164 people to deliver these services, based in three offices in London, Coventry and Newcastle. While it is the NHSCFA's responsibility to fight fraud against the NHS, we can't do this on our own. We work with a wide range of partner organisations, including the Department of Health and Social Care, NHS England and NHS Improvement. We also work with local counter fraud specialists, directors of finance and audit committee chairs in NHS health bodies to develop and further strengthen counter fraud work across the NHS.

We actively support the development of a counter fraud community across government

and have worked closely with the Cabinet Office on the development of the Government Counter Fraud Profession and counter fraud professional standards. NHSCFA investigators are among the founding members of the profession.

The NHSCFA's remit covers the NHS and the wider health service in England. In Wales we provide specialist counter fraud support functions to the Welsh Government under section 83 of the Government of Wales Act 2006.

Business model

The NHSCFA's business model defines how we manage our work to achieve our aims and objectives, and how we measure performance against them. The business model is made up of a number of linked areas:



The NHSCFA's 2018-19 business plan describing the work we set out to achieve is available at <https://cfa.nhs.uk/about-nhscfa/corporate-publications>.

Our four guiding principles for 2018-19 were:

- Inform and involve
- Prevent and deter
- Investigate and sanction, and
- Continuously review and hold to account

Our objectives and deliverables in respect of our four guiding principles for 2018-19 were:

- Fraud in relation to NHS Help with Health Costs (patient charge evasion)
- Pharmaceutical contractor fraud; threats associated with the production and supply of bulk blank prescriptions
- Fraud in relation to procurement and commissioning in the NHS; threats associated with post-contract invoice manipulation
- Driving improvements in standards of counter fraud work in the NHS

Finally, the five organisational objectives set out in the NHSCFA's organisational strategy 2017-2020 are:

1. Deliver the DHSC Counter Fraud Strategy, and be the principal lead for 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.
3. Lead, guide and influence the improvement of standards in counter fraud work, in line with HM Government Counter Fraud Professional Standards, across the NHS and wider health group, through review, assessment and benchmark reporting of counter fraud provision across the system.
4. Take the lead and encourage fraud reporting across the NHS and wider health group, by raising the profile of fraud and its effect on the health care system.
5. Invest in and develop NHSCFA staff; recognise their expertise and passion to deliver high quality counter fraud work for the NHS; and ensure and demonstrate that our professionals are respected for their contribution and that they feel proud to work for the NHSCFA.

Performance updates against the deliverables relating to the five organisational objectives and four organisational priorities have been made quarterly to the NHSCFA's Board.

A summary of metrics, deliverables and achievements over 2018-19 is provided in the performance analysis section.

Guiding principles

This section includes highlights of work delivered by the NHSCFA in 2018-19 in the areas defined by the four principles guiding our counter fraud work.

Inform and involve

This relates to raising awareness of fraud both in the NHS and among the general public, and also engaging with stakeholders across the NHS and beyond to highlight fraud risks and the impact of fraud.

Conferences and events

We exhibited and/or delivered presentations at major conferences and events including Confed18, the launch of the Government Counter Fraud Profession, the Healthcare Financial Management Association annual conference and Counter Fraud 2019, the leading conference on public sector fraud.

We targeted events based on our organisational priorities and the opportunity to engage with key stakeholders across the NHS and beyond. The Chief Executive Officer also spoke in a panel discussion at the launch the Government Counter Fraud Profession and delivered a presentation about the NHSCFA at the Counter Fraud 2019.

Press and media

We worked with an independent TV production company on a five-part documentary series on NHS fraud investigation. The series, called 'Fraud Squad NHS', was shown on BBC One from 4 February to 8 February 2019. It featured a selection of recent, successful prosecutions of NHS fraud, and showcased the work of investigators and officials from the NHSCFA, NHS Counter Fraud Service Wales, NHS Scotland Counter Fraud Services, and local counter fraud services around the country. The NHSCFA's Forensic Computing Unit also made an appearance in the documentary, as well as the police. The series had excellent viewing figures, 7.5m views over the five day broadcast period, averaging 1.5m views per day, and generated wide coverage in the national press such as articles in the Daily Telegraph

<https://www.telegraph.co.uk/men/thinking-man/nhs-fraud-squad-catching-medical-insiders-stealing-13-billion/>

and the Sunday Mirror

<https://www.mirror.co.uk/news/uk-news/patients-suffer-129bn-each-year-13945409>

Nine press releases were sent to national media and health titles, and 240 articles were published that either mentioned the NHSCFA by name or made reference to the NHSCFA's work. The link to The Daily Mail's article on NHS fraud following the publication of the 2017-18 annual report is below.

<https://www.dailymail.co.uk/health/article-6251751/Fraud-costs-NHS-1-29bn-YEAR-report-reveals.html>

Social media

The NHSCFA maintained an active presence on social media, with accounts on Twitter, Facebook and LinkedIn. During 2018-19 we more than doubled our Twitter followers and enjoyed a steady growth of connections on LinkedIn, from 253 LinkedIn connections in Q4 of 2017-18 to 1,570 in Q4 2018-19. Twitter also experienced an increase from 611 in Q4 2017-18 to 1,382 in Q4 2018-19. Sharing job vacancies on our social media platforms had a positive impact on recruitment during the year, for example 98 tweets regarding employment opportunities within NHSCFA in 2018-19.

Corporate communications

In May 2018 we launched a new email newsletter. This provides counter fraud updates from the NHSCFA to an audience of over 7,300 contacts, including LCFs and Directors of Finance (DOF's), around 5,000 NHS managers and a growing base of subscribers (over 1,100 at the end of Q4). Eight issues of the e-newsletter were sent in 2018-19. The e-newsletter includes a mix of news articles from the NHSCFA website, articles published by partner organisations and shorter updates. An example is a guest article from NHS Resolution's Chief Executive, Helen Vernon, about the work her organisation does to tackle the fraud risks they face (this was published in September 2018). In addition to the e-newsletter, we sent out 42 email campaigns to a range of stakeholders, primarily within the NHS counter fraud community. These included messages from the Chair and Chief Executive Officer, surveys, and circulars providing fraud prevention advice and guidance.

Campaigns

We delivered a range of campaign activities to raise awareness of NHS fraud, particularly in relation to our organisational priorities as detailed later in this report.

We also worked with NHS Supply Chain to place NHSCFA adverts on 5 HGV trucks delivering NHS supplies to the NHS in London and the South East and in the North West of England. The campaign, launched in June 2018 and running for one year, aims to enlist NHS staff and members of the public in the fight against fraud. Its launch was supported by a social media campaign using the hashtag [#trackthetruck](#).

The NHSCFA has been an active member of the Cabinet Office functional standards board, and Government Counter Fraud Professionals Board. Work to facilitate access to the new Government Counter Fraud Profession (GCFP) (see below) for LCFs has commenced.

Prevent and Deter

This principle relates to providing solutions to eradicate identified areas of fraud and emerging risks and discouraging those who may be tempted to commit fraud against the



NHS. This is more effective than detection and punishment. Those who are not deterred should be prevented from committing fraud by robust systems, which are put in place in line with policy, standards and guidance.

The NHSCFA has developed a new process to manage reports of system weaknesses identified through local counter fraud activity and investigations. This has improved our understanding of fraud risks and emerging threats to the NHS and it enables the NHSCFA to address the impact from identified threats or vulnerabilities.

The system weaknesses process includes dissemination of Fraud Prevention Notices (FPNs). FPNs provide a way for the NHSCFA to disseminate information and engage with the NHS at a local level, informing them of identified fraud threats and trends, and providing advice and guidance on how to deal with these issues.

Investigate and sanction

This principle relates to:

- investigating allegations of fraud thoroughly and to the highest professional standards
- pursuing the full range of civil, criminal and disciplinary sanctions where appropriate
- seeking redress where possible so that funds lost to fraud return to the NHS

October 2018 saw the launch of the GCFP, intended to spread best practice across the public sector and encourage a focus on the prevention and investigation of fraud. The profession has the objective of bringing together 10,000 counter fraud specialists operating across the public sector to help them develop their skills, knowledge and experience and improve the detection and prevention of fraud in essential public services. It provides counter fraud specialists across government organisations with a common framework of professional standards and competencies.

The NHSCFA played an important role among a number of organisations involved in the development of the GCFP, and is one of a small number of organisations which have been established as the very first collective members of the profession. With its well established team of counter fraud professionals and experience of working in harmony with a national network of local counter fraud provision, it has embraced the proposal of a common framework of Professional Standards and Competencies. It has also welcomed the introduction of a Professional Skills Platform (PSP), a web-based tool through which members can register their knowledge, skills, and experience, and self-assess against a range of counter fraud roles.

Two case studies highlighting the investigative outcomes from our National Investigation Service in 2018-19 are presented below.

CASE STUDY 1

An NHS manager who was responsible for the maintenance of dialysis equipment in both hospitals and patients' homes conspired with three of the hospital's suppliers to submit fraudulent invoices. The NHS manager had arranged for the three suppliers to undertake building and maintenance work on behalf of the hospital's renal unit. Investigations revealed that in many cases the fraudulent invoices were for work that was either not necessary, had been overcharged or had not been done at all.

The resulting payments from the Trust were then split between the conspirators. All four were found guilty of fraud by abuse of position, while the NHS employee's partner was convicted of a money laundering offence. Sentences totalling nine years' imprisonment were handed down to three of those convicted, with the other two receiving a total of eighteen months' suspended sentences. Following conviction NHSCFA financial investigators have used their powers under the Proceeds of Crime Act 2002 to identify the assets of those convicted and undertake a confiscation investigation which has resulted in more than £131,000 being returned to the Trust.

CASE STUDY 2

An organised crime group defrauded the NHS by fraudulently claiming payments from hospitals throughout England for hours allegedly worked by agency staff supplied to work in the NHS. The ringleader of the group, who worked for a medical recruitment agency which supplied the staff to the NHS, was able to abuse his position to submit fraudulent claims for payment.

This was a sophisticated fraud which involved the submission of a very significant amount of fake documents and the creation of bogus bank and e-mail accounts. However, following detailed analysis of data contained on the conspirators' computers and mobile phones, NHSCFA investigators were able to identify evidence of the offences. The weight of evidence was such that two of the conspirators pleaded guilty prior to trial. Following a trial at Hull Crown Court five others were found guilty of Conspiracy to Defraud the NHS and Money Laundering offences. All seven received prison sentences with the ringleader receiving a three year custodial sentence.

Financial investigation

NHSCFA financial investigators use their powers under the Proceeds of Crime Act 2002 to ensure those convicted of frauds against the NHS do not benefit from their crimes. In attempting to identify and recover money stolen from the NHS our financial investigators have successfully applied for over 80 financial orders in the Crown Courts. NHSCFA financial investigators are the only officers working within the NHS who are able to utilise powers under this Act.

In support of both national and local NHS investigations our financial investigators have restrained assets valued in excess of £6.5 million. In one investigation items restrained included 22 residential properties.

Forensic Computing Unit

The NHSCFA has its own dedicated Forensic Computing Unit (FCU) which supports the National Investigation Service with all their investigations. The FCU provides a comprehensive and professional forensic computing service to recover digital evidence for use in criminal, civil and disciplinary proceedings. It also provides these forensic services to NHS Scotland's Counter Fraud Service, NHS Wales' Counter Fraud Service, the Department of Health and Social Care's Anti-Fraud Unit, NHS England and all LCFSs. The FCU has two laboratories, one located in London and one in Newcastle.

The Forensic Science Regulator (FSR) requires all digital forensic laboratories were to be accredited to ISO 17025:2005 - General requirements for the competence of testing and calibration laboratories. This standard enables laboratories to demonstrate that they operate competently and generate valid results, thereby promoting confidence in their work nationally and, most importantly, in court.

In December 2017 the FCU submitted their documentation for assessment to the



United Kingdom Accreditation Service (UKAS) who then scheduled in assessment visits in both London and Newcastle in August and September 2018.

Gaining this accreditation for its two forensic laboratories has been key to the FCU, not only because it is mandated by the FSR, but because it demonstrates that the processes and staff have been assessed by an independent third party and deemed suitable, fit for purpose and competent. This accreditation adds extra weight to any witness statement and testimony required for court and any defence expert would be able to follow the processes defined by the FCU and use the same software to produce the same results. The unit must now extend their scope of accreditation to comply with the most recent version of the ISO standard, and later to comply with the FSR's Codes of Practice.

Continually review and hold to account

This relates to organisations across the NHS evaluating and improving their counter fraud measures. Where they fail to do so, they must be held to account for it. Evaluating progress in tackling fraud ensures that all involved in counter fraud work are ahead of the evolving threat.

The NHSCFA's fraud, bribery and corruption standards for NHS providers, NHS commissioners and NHS bodies in Wales were reviewed during the year and the 2019-20 edition was published in January 2019. This work drew upon engagement with stakeholders, including a Quality Assurance Review Group which includes a Director of Finance and Local Counter Fraud Specialists.

We support the NHS by ensuring all NHS organisations evaluate and improve their counter fraud measures, and where weaknesses are identified we support them in addressing these weaknesses.

In 2018-19 the NHSCFA received and reviewed self-review submissions from over 450 NHS provider and commissioner organisations, providing a reflection of performance against the NHSCFA standards. As a result, 35 organisations were subject to onsite inspections and assessments by the NHSCFA, designed to provide additional assurance, identify areas of concern and/or weakness, and provide the health body with assistance to develop an action plan for performance improvement. The NHSCFA developed an escalation process in partnership with NHS England to ensure commissioning organisations are held to account in cases of non-compliance with specific commissioning standards for fraud, bribery and corruption. This process supported discussions with commissioning organisations in relation to compliance with standards and enabled discussions around improved performance within twelve CCGs.

During 2018-19 the NHSCFA have completed three thematic assessment exercises, designed to identify weaknesses and vulnerabilities in relation the exercise of counter fraud functions across the NHS.

These are:

- An exercise to evaluate and test lines of governance and accountability relating to counter fraud functions within NHS bodies, in line with the requirements of the NHSCFA standards. The exercise sought evidence from organisations in relation to reporting lines, as well as qualitative data from senior officers relating to their perceptions of

the effectiveness of accountability lines within their own organisation. Results from this process were then triangulated with internal NHSCFA data to further support the conclusions drawn. The results indicate weaknesses in risk assessment processes and a low level of assurance in relation to accountability and strategic governance. Further work in this area is envisaged for 2019-20.

- An exercise to evaluate and measure the effectiveness of fraud risk assessment processes being undertaken in health bodies across England, and the overall adherence to organisational risk management policies. This exercise has highlighted weaknesses and inconsistency in the application of fraud risk assessment across some parts of the NHS. This is being addressed by engaging directly with health bodies to reaffirm best practice in this area for future local counter fraud activity.
- An exercise to assess the scope of implementation, impact and effectiveness of guidance issued to the sector regarding the threats of employment agency fraud. The findings of this exercise indicated recoveries were made as a result of the guidance and have highlighted the value of consistently implementing such guidance to protect the NHS from losses to fraud. It also identified the processes used by the NHSCFA to communicate messages and guidance of this type could be significantly improved.

During 2018-19, the NHSCFA began a process to review and redefine the requirements of its quality and compliance function, in order to provide a more robust framework for driving improvement in the standards of counter fraud work across the NHS. To support this the NHSCFA has defined the five foundations of an effective local counter fraud service against which NHS bodies will be asked to demonstrate effectiveness. The five foundations are formulated in terms of the attitudes and behaviours of the organisation. They describe an organisation that:

1. Takes a locally risk based approach to fraud that is linked to the NHSCFA's counter fraud standards (and the emerging Government Functional Standard GovS 013: Counter Fraud) and key performance indicators.
2. Has a Chief Finance Officer/Director of Finance who is fully engaged with the counter fraud agenda, has a clearly defined responsibility for managing the organisation's counter fraud service and discharges it effectively, evidencing the measurable outcomes/impact made on all areas of counter fraud activity.
3. Has a fully engaged audit committee who provide demonstrable support, direction and, crucially, monitor the service and holds it to account if it does not deliver outcomes/impact.
4. Adopts a realistic approach to the resources and work required to counter fraud and can clearly demonstrate measurable financial outcomes and impact of counter fraud activity.
5. Obtains assurance that they have in post a competent counter fraud function, utilising local counter fraud specialists holding the relevant and up to date skills to carry out the operational work to meet all counter fraud requirements on behalf of the organisation.

In order to enable and drive counter fraud performance improvements to NHS bodies, the NHSCFA developed a process and framework to assist and enable health bodies to deliver more effective counter fraud functions and outcomes. This includes:

- The development of a dashboard providing counter fraud benchmarking data nationally and providing health bodies with sufficient information to identify the effectiveness of counter fraud activity across the sector.
- The development of a process to provide tailored data to individual health bodies to enable the measurement of financial outcomes against other organisations in the sector across five key areas: referrals and cases, costs, sanction action taken, losses identified and losses recovered.
- Redevelopment of the self review tool (SRT) to provide further and better information on enforcement action nationally as well as the involvement of the audit committee chair in reviewing the SRT formally. This will promote engagement and awareness at senior level.
- The development of a framework of engagement, intervention and collaboration between the NHSCFA and local counter fraud functions with an emphasis on supporting and enabling health bodies to tackle fraud more effectively at a local level.

Trialling of these initiatives has already begun with key stakeholders.

Barriers and challenges to success

The NHSCFA's ability to tackle fraud affecting the NHS and the wider health group continues to be affected by a number of challenges and potential barriers to success. Proactive work has taken place during 2018-19 to address these.

A number of challenges and barriers to success were reported in the NHSCFA's 2017-18 annual report. The following provides an update on the issues identified there and work done to address them in 2018-19:

- The level of understanding of the nature of fraud in the NHS continues to be uneven across the health system. However the national picture has improved in both scope and quality during 2018-19.
- Work has commenced to collect information and develop a dashboard to demonstrate a minimum quality benchmark for local counter fraud investigations. Until this information is shared with the sector and follow up interventions take place, the lack of a benchmark remains a barrier.
- There is still a need for more comprehensive intelligence on specific fraud risks, to inform the development of prevention initiatives. Thematic intelligence exercises have been completed in a variety of areas including General Practice contractor fraud, fraudulent access to secondary care and timesheet fraud during 2018-19. This work has improved the intelligence available on fraud risks in these areas.
- The result of insufficient thematic intelligence is that NHS organisations are unable to effectively focus their resources on prevention and detection activity where it is likely to have the greatest impact.
- The under reporting of fraud and suspicious activity continues to be a concern, as outlined in the latest strategic intelligence assessment.

- Inconsistent recording of local counter fraud work also continues to be an issue. Implementation of a new investigation case management system, currently being tested, will help to address this issue.

A number of new challenges and barriers to success were identified in 2018-19:

- The level of influence the NHSCFA has to improve consistency of standards among the relevant NHS organisations and report on any concerns/issues can be increased. A number of initiatives were started in 2018-19 to address this, in partnership with DHSC; for example, we increased engagement with NHS audit committee chairs through attendance at key events and regular communications.
- There should be clearer accountability lines within NHS organisations for counter fraud work and greater clarity on potential sanctions. As a result of these findings the NHSCFA have made enhancements including: updating standards in relation to fraud risk, increasing the involvement of the audit committee chair in providing assurance on local counter fraud work and provision of data to senior managers to enable them to provide better support and challenge on counter fraud work.
- A lack of a framework contract for local counter fraud specialist (LCFS) providers, resulting in inconsistent standards and value for money in the delivery of effective counter fraud activity at a local level. In 2018-19 we started exploring the development of a fraud service specific framework contract, in partnership with DHSC.
- A fragmented approach in the NHS to sharing lessons learned and limited cross-NHS working, resulting in lost opportunities to identify and prevent fraud. This will be taken forward by the engagement group.
- An absence of counter fraud champions in NHS organisations, resulting in a lack of influence to embed a counter fraud agenda. This should continue to be a concern to the wider NHS. The NHSCFA carried out a survey of Directors of Finance on the creation of counter fraud champions in October-November 2018. The results of the survey supported delivery of a fraud champions network. The NHSCFA developed an e-learning product for fraud champions that will support basic fraud training as champions are identified and nominated. This initiative will be rolled out in 2019-20.
- The inability to access large data sets to enable the identification of potential fraud. Positive engagement with relevant stakeholders was undertaken in 2018-19 to enable access; this will continue in 2019-20.

A number of risks were also identified internally, these are set out in the Governance Statement within the Accountability report.

Performance summary

This year the NHSCFA has delivered outcomes that meet the planned business objectives and support the principles of the three year strategy. A steady growth in awareness of NHS fraud and the profile of the NHSCFA has been achieved, together with a marked increase in fraud reporting.

This year's annual strategic intelligence assessment has highlighted a reduction of £90

million in patient fraud, supporting the value of previous fraud solutions work and the benefit of the NHSCFA's focus on prevention. The successful BBC documentary 'Fraud Squad NHS' has showcased how the NHSCFA works with LCFs, NHS Wales and NHS Scotland as part of wider deterrence messaging. During 2018-19 there have been two successful criminal case results, returning £131K to the victim health bodies.

To monitor progress and achieve successful outcomes, a new performance management approach was initiated this year. This included quarterly performance panels that delivered regular monitoring of outcomes against key business targets, highlighted achievements and reviewed identified risks and issues. The panels provided a management challenge mechanism and support for internal assurance work. Members of the NHSCFA internal governance and assurance team attend the panels as part of their work to provide evidence to the Board and ARC on the effectiveness of operational delivery against objectives and key targets.

This approach will continue to develop as the NHSCFA introduces an updated management reporting tool in 2019-20 to capture and report on performance against the business plan in a more streamlined way.

It is acknowledged further work is required to improve the alignment between key performance indicators and areas of risk and uncertainty linked to these. This has been identified as a gap in 2018-19.

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.

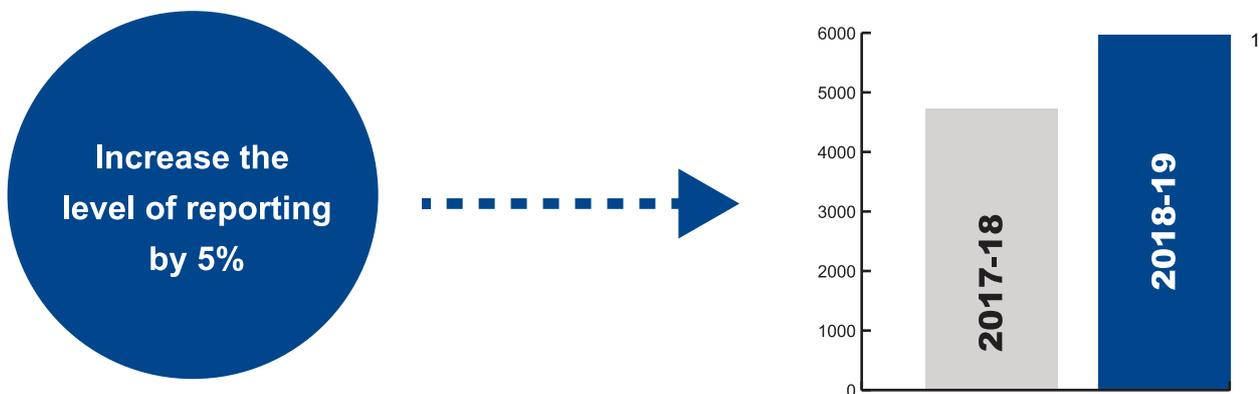
The NHSCFA was established under the NHS Counter Fraud Authority (NHSCFA) (Establishment, Constitution, and Staff and Other Transfer Provisions) Order 2017 (SI 2017 No. 958). This order cites an abolition date for the Authority of 31 October 2020. Section 28a of the National Health Service Act 2006 permits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

The Department of Health & Social Care (DHSC) will outline a process and a framework to enable this to take place. DHSC have confirmed the intent for the functions of the NHSCFA to continue beyond 12 months from the 2019/20 reporting date, using the same assets and expect to seek to extend the current order, which will require secondary legislation and a decision from parliament.

Performance analysis: Delivery against 2018-19 objectives detailed in the NHSCFA business plan

Organisational objectives

Increase the levels of fraud reporting to the NHSCFA



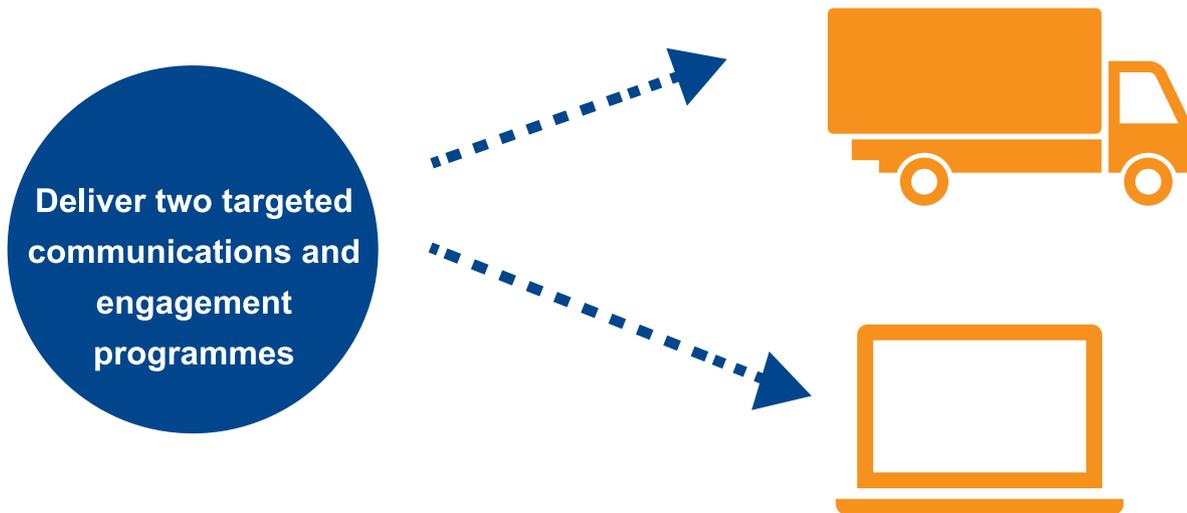
In 2018-19 we received 5,976 reports of fraud in total, a 17.4% increase on 2017-18 (12.4% above target).

This was measured by looking at the total number of reports of NHS fraud received from all sources (including the Fraud and Corruption Reporting Line, online reporting form and Local Counter Fraud Specialists) in 2018-19 compared to the previous financial year.

Metrics and deliverables	Achievements
Increase and deliver prevention activity to a range of stakeholders by 5%.	<p>On average 6 communications were sent each quarter, representing an increase of 17.5% on the baseline.</p> <p>This was measured by reference to the number of communications with a fraud prevention element sent out to the NHS counter fraud community (LCFSSs, Directors of Finance/Chief Financial Officers, Audit Committee Chairs) and other stakeholders in each quarter of 2018-19 compared to quarter 4 in 2017-18.</p>
Increase the use of our digital guidance library by 5%.	<p>There were 3,324 logins in 2018-19, a 38.3% increase compared to 2017-18 (33.3% above the baseline).</p> <p>This was measured by reference to the number of logins by LCFSSs to the NHSCFA’s secure Extranet, which hosts a digital library of counter fraud guidance including the NHS counter fraud manual, during 2018-19 compared to 2017-18.</p>

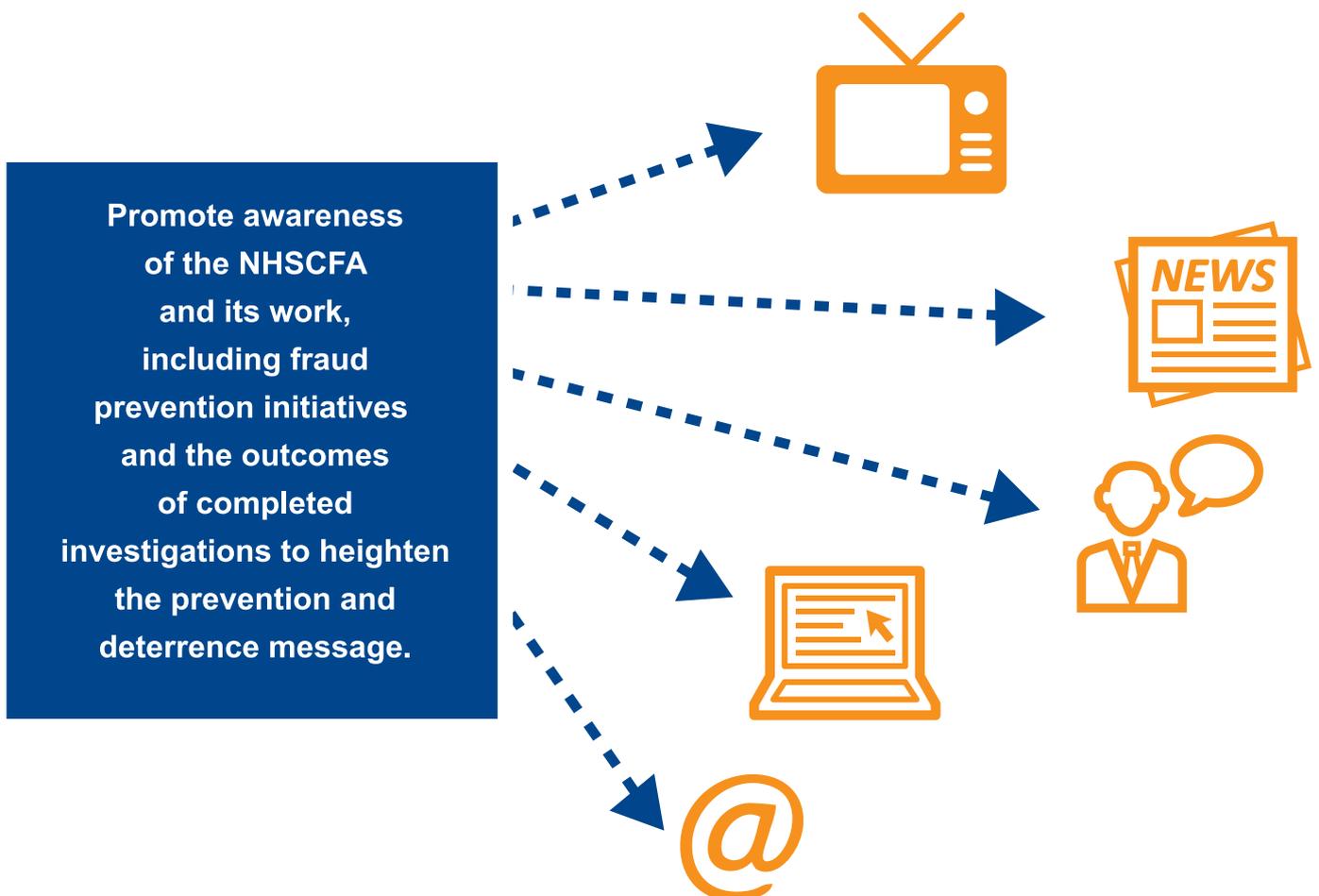
¹ Whole-year comparison to 2017-18 figures was carried out except where otherwise indicated.

Increase the profile of the NHSCFA and the work it undertakes



We partnered with NHS Supply Chain to deliver an advertising campaign using vehicles that deliver NHS supplies to sites in London and the South East and the North West of England. This is detailed in the guiding principles section above.

We also delivered a year-round communications and engagement programme on procurement and commissioning fraud, one of our organisational priorities for this year.



We worked with an independent TV production company on the five-part TV documentary series 'Fraud Squad NHS', which was shown on BBC One from 4 to 8 February 2019. The programme saw 7.5m views over the broadcast period. Nine press releases were sent to national media and health titles, and 240 articles were published that either mentioned the NHSCFA by name or made reference to the NHSCFA's work.

We attended 15 major conferences and events, exhibiting and/or delivering presentations at most of them.

We launched a new e-mail newsletter which at the end of Q4 went out to over 7,300 contacts, including LCFs, Directors of Finance (DOFs), Audit Committee Chairs (ACCs), a mailing list of NHS managers and a growing base of subscribers.

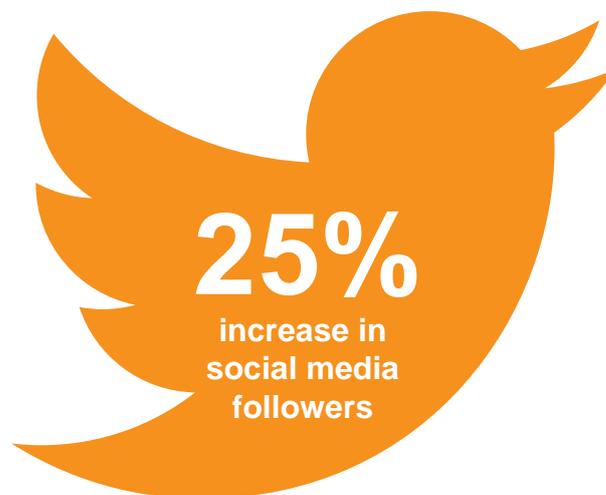
We maintained an active presence on social media, more than doubling our following on Twitter.





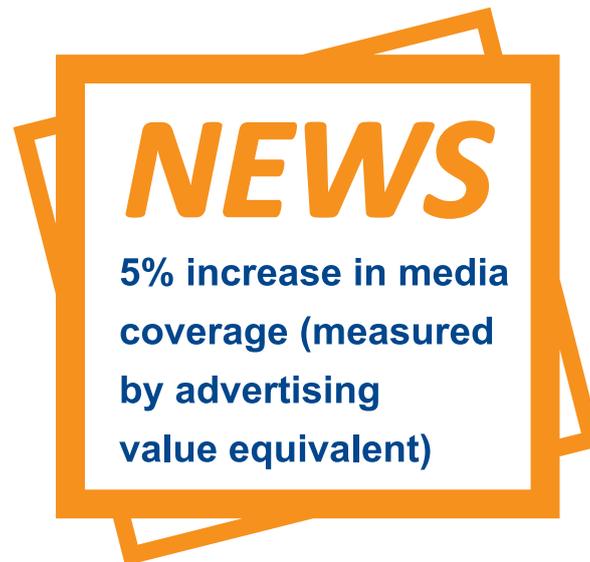
On average 27,217 sessions were recorded each quarter in 2018-19, a 17.5% increase on the baseline. We recorded 30,604 website sessions in Q4 2018-19, when compared to 23,173 in Q4 2017-18, an increase of 32.1% (Q4 2017-18 v Q4 2018-19).

This was measured by the number of sessions recorded on the NHSCFA website in each quarter compared to Q4 2017-18 (comparison with the whole of 2017-18 was not possible as the website was launched when the NHSCFA became fully operational on 1 November 2017).



We had 1,382 followers on Twitter at the end of 2018-19, an increase of 126.2%. The number of connections on LinkedIn has also increased steadily during the year to 1,570 from a baseline figure of 253.

This was measured by the number of followers of the NHSCFA account on Twitter, with the value at the end of 2017-18 taken as the baseline.



The advertising value equivalent (AVE) for 2018-19 was £2.8m, a 431% increase on the baseline of £529k in 2017-18. AVE is an industry-standard measure of the value of media coverage obtained.



25% increase in the number of stakeholder engagements

On average 4.25 events took place in each quarter of 2018-19, a 112.5% increase on the baseline, broken down to Q1 = 3, Q2 = 3, Q3 = 8, Q4 = 3.

This was measured by looking at the number of key events where corporate stakeholder engagement took place in each quarter of 2018-19 compared to Q4 2017-18.

Produce an accurate intelligence profile of loss in specific areas

Metrics and deliverables	Achievements
<p>The NHSCFA set out to:</p> <p>Deliver an enhanced Strategic Intelligence Assessment increasing levels of confidence in estimates in two targeted areas.</p>	<p>Our 2018 strategic intelligence assessment (SIA), providing an estimate of fraud losses by thematic area of NHS spend based on 2016-17 data, was published in July 2018. During 2018-19 we prepared the 2019 SIA.</p> <p>It was not possible to obtain the data sets required on medicine use reviews and dental contractor fraud. These two targets areas were therefore not progressed.</p>



Produce coherent fraud prevention strategies and interventions in response to the identified risk areas

Metrics and deliverables	Achievements
<p>The NHSCFA set out to;</p> <p>Deliver fraud prevention activity/solutions for two specific risk areas.</p> <div data-bbox="172 696 767 1218" data-label="Image"> </div>	<p>Fraud prevention notices offer a solution to addressing various risk areas. These were issued to LCFs and DOFs who are encouraged to disseminate to relevant staff to address the fraud risks around:</p> <ul style="list-style-type: none"> ■ NHS supplier fraud ■ mandate fraud ■ 'CEO email' fraud ■ Hospital Travel Cost Scheme fraud <p>The first phase of the NHS fraud reference guide has been achieved. This is a web based resource providing information and prevention guidance on identified NHS fraud typologies, following the NHSCFA's taxonomy of NHS fraud types. This is available to the general public and NHS staff on the NHSCFA website.</p> <p>The next phase of this work is under development. This will provide, for each fraud type, details of the main risks facing the NHS and key prevention strategies to mitigate them.</p> <p>The NHSCFA's systems weaknesses process was also developed and launched in 2018-19.</p> <p>This includes provisions to measure the impact of the guidance issued as part of the process, in two ways: by assessing the impact of guidance published on the public website and extranet in helping to raise awareness of counter fraud issues, and once every year by issuing a compliance statement to NHS organisations to assess levels of implementation of the guidance.</p> <p>The requirements to capture future system weaknesses were built into the design of the NHSCFA's new case management system. This includes a new system weakness referral process and form to capture systems weaknesses in a more efficient and effective way.</p>

Review the effectiveness of delivery of identified interventions

Metrics and deliverables	Achievements
<p>Deliver an evaluation report with findings and recommendations into the effectiveness of control measures adopted in the NHS to tackle agency fraud using a sample of 50 health bodies.</p>	<p>The effectiveness of the agency fraud guidance issued by our predecessor organisation NHS Protect in October 2016 was measured by the Quality and Compliance unit. This is linked to wider DHSC priorities regarding reducing the financial burden of agency costs.</p> <p>A survey for NHS bodies was developed and a sample based upon NHS Improvement data showing the 50 organisations with the highest agency spend (approximately 20% of all NHS providers) was established.</p> <p>Evaluation of the information received identified system improvements and recoveries were made as a result of the guidance. The exercise has identified a number of key strategic messages to improve the ability of the sector to respond to guidance and intelligence relating to the prevention and detection of fraud.</p>

Acquire targeted data sets from available sources to improve and enhance the intelligence picture

Metrics and deliverables	Achievements
<p>The NHSCFA set out to:</p> <p>Target NHS Shared Business Services (SBS), NHSBSA and the Home Office to ensure data sharing agreements are fit for purpose and review all others to ensure validity and relevance.</p>	<p>The NHSCFA and the NHSBSA have been working together to overcome the issues surrounding the confidentiality of personal data and data sharing agreements have been reviewed.</p> <p>There is no central database of all NHS procurement data, however NHS Shared Business Services (NHS SBS) has a significant market share in terms of the system processing of payments on behalf of NHS bodies. Building on the success of their proof of concept in 2017-18, individual fields of data held by SBS were identified to assess their usefulness for data analysis purposes.</p> <p>Working with NHS SBS and Directors of Finance from 18 provider organisations, NHSCFA gained authorisation from each organisation to access their data and a large scale data analysis exercise was undertaken.</p> <p>The findings showed that the system and process controls in place at NHS SBS can be considered robust, as only a small number of outliers were identified. There was also evidence of correction and validation of data which indicated the validation was working as intended. Where the analysis returned results that may warrant further investigation NHS SBS have confirmed their intention to pursue further joint work in the 2019-20 financial year.</p> <p>A joint dental fraud analysis project was completed, revisiting an analytical exercise that identified split treatments in 2015. Contemporary data and the same methodology was used to identify the impact of the exercise and the changes in dental practices in the subsequent period. The findings indicated there has been a drop in inappropriate claims from 3.5% to 2.4% (value circa £28m).</p>

Develop and deliver organisational and staff development programmes

Metrics and deliverables	Achievements
<p>The NHSCFA set out to:</p> <p>Align NHSCFA staff development with Government Counter Fraud Professional standards in the areas of Investigation and Intelligence.</p>	<p>All the investigative staff operating within the National Investigation Service and Forensic Computing Unit within the NHSCFA were part of the first cohort of counter fraud specialists who were successfully established as members of the new Government Counter Fraud Profession when it was launched across the public sector in October 2018.</p> <p>Specialist trainers have worked collaboratively with intelligence managers to scope training needed to meet the block application for membership of the profession for intelligence staff.</p>
<p>The NHSCFA set out to:</p> <ul style="list-style-type: none"> ■ align NHSCFA staff development with Government Counter Fraud Professional standards in the areas of Investigation and Intelligence ■ deliver effective learning and development solutions to maintain staff knowledge and skills aligned to the standards, by providing 100% of staff with appraisals and a personal development plan ■ produce and deliver standard operating procedures in Investigation (case management and security and continuity of evidence) ■ provide an assurance and governance reporting programme for the NHSCFA Board and deliver assurance reports in specific areas 	<p>During 2018-19, 142 Personal Development Planning (PDP) forms were received as a result of Optimising Performance and Development (OPD) appraisal discussions (95% of expected PDPs). By end March 2019, 522 requests for learning and development activities had been processed.</p> <p>Standard operating procedures in five key areas of investigative work were finalised and implemented. Measures to provide assurance and demonstrate compliance with requirements were introduced.</p> <p>A programme of assurance and governance activity was approved and assurance reports delivered in each area identified in the programme. The implementation of associated recommendations has been tracked and reported to the Board via the Audit and Risk Committee.</p>

Organisational priorities

Fraud in relation to Help with Health Costs (patient charge evasion)

Objectives:

- To collate and assess historic and current fraud prevention activity to mitigate patient charge evasion (dental, optical and pharmaceutical) across the NHS
- To conduct research to gain a greater understanding of the motivating factors behind patient charge evasion
- Review effectiveness of existing control measures within NHS England and its contracted services (for example: NHSBSA, Capita)
- Develop and propose fraud prevention activity/solutions for any identified gaps to the risk owner (NHS England)

Metrics and deliverables	Achievements
<p>The NHSCFA set out to:</p> <p>Deliver a landscape review report of historical and ongoing projects by health sector stakeholders that have an impact on patient charge evasion.</p>	<p>The report outlining opportunities to mitigate the risk of fraud in this area and fraud prevention solutions around patient charge evasion was completed. This report was shared with key stakeholders in NHS England and the DHSC to inform the collaborative development of fraud solutions in this area.</p>
<p>Establish where possible an accurate picture of the actual losses and types of charge evasion in relation to prescriptions.</p>	<p>NHSCFA has led a process of research and engagement with NHS England, NHSBSA, DHSC and other key stakeholders to establish and develop an overall picture of losses and charge evasion. A loss measurement exercise providing a clear estimate of the losses to fraud in prescription charge evasion was completed. The factors which motivate patients to commit this type of fraud validate, support and inform the recommendations for improvement to reduce fraud losses in this area.</p>
<p>Produce a statement of solutions with recommendations for preventing fraud in patient prescription charge evasion categories (in Dental, Optical and Pharmaceutical) to NHS England and DHSC.</p>	<p>The statement of solutions, produced in collaboration with the risk owner and key stakeholders, makes recommendations and sets out activities aimed at disrupting fraud which include:</p> <ul style="list-style-type: none"> ■ ensuring compliance by contractors with point of service checks when patients present for an NHS funded service ■ identifying the need for public-facing counter fraud messages

Metrics and deliverables	Achievements
	<ul style="list-style-type: none"> ■ advising patients of their responsibility to have a valid exemption when claiming one, that claiming exemption when not entitled may be considered fraudulent and the potential consequences of claiming exemptions when not entitled ■ ensuring that NHSBSA seek resolution with patients on receipt of their first Penalty Charge Notice in the form of payment, dispute resolution, education or prosecution ■ ensuring that NHSBSA establish an end-to-end process for the management of its Penalty Charge Notice process to prevent repeat offending ■ NHS England Counter Fraud team to have national coordination and oversight of patient exemption checking activity to ensure consistency in approach ■ NHS England to re-establish patient exemption claim checking within optical (GOS) services
<p>Develop a programme of disruption initiatives and campaigns aimed at increasing awareness and understanding among the public and NHS staff of patient charge evasion, increasing reports in this area by 5%.</p>	<p>Patient exemption fraud reporting across all areas has increased from 357 in 2017-18 to 425 in 2018-19. This figure is 13.4% above the 5% target.</p> <p>To increase this further the NHSCFA has developed a programme of public facing campaigns aimed at increasing awareness and understanding among the public and NHS staff of patient charge evasion.</p>
<p>A programme of activity targeted at reducing fraud relating to exemption eligibility where patients falsely claim that they are exempt from payment when they are not.</p>	<p>The NHSCFA continues to participate in the ministerial initiative Real Time Exemption Checking steering group (Prescriptions). There is potential for the project to establish a single resource for the checking of all patient exemptions.</p>

Pharmaceutical contractor fraud; threats associated with the production and supply of bulk blank prescriptions

Objectives:

- Review existing procedures for weaknesses and assess the opportunities and risk of abuse in obtaining bulk blank prescriptions
- To develop fraud prevention activity/solutions relating to identified threats and enablers of fraud
- Development of a targeted communications and engagement programme to promote awareness of the NHSCFA and its work, including fraud prevention initiatives

Metrics and deliverables	Achievements
<p>Produce a thematic intelligence assessment outlining the key weaknesses and areas open to abuse or fraud in the production and supply of bulk blank prescriptions, with the aim of providing a probable figure of fraud due to drugs being obtained by the use of illicitly obtained prescriptions.</p>	<p>The thematic assessment was completed in June 2019, outlining key weaknesses and vulnerabilities in the supply chain.</p>
<p>Produce a statement of solutions to key stakeholders, focused on actions to reduce opportunities for fraud to occur in the supply chain of blank bulk prescriptions, which, if implemented by the risk owner, will reduce the losses to fraud by 50%.</p>	<p>The thematic assessment was used to develop a statement of solutions and a risk log which were shared with the key stakeholders. Support to these stakeholders on the implementation of the solutions will be provided in 2019-20.</p>
<p>Deliver a communications and stakeholder engagement campaign to increase disruption activity around pharmaceutical contractor fraud, primarily the supply of bulk blank prescriptions, increasing reports in this area by 5%.</p>	<p>The Pharmacy Show newsletter was published in January 2019. This went to an audience of 60,000 including most pharmacies in the UK as well as wholesalers and distributors in the pharmacy sector. Almost double the number of reports of alleged pharmaceutical contractor fraud were received in 2018-19 compared to 2017-18.</p>

Fraud in relation to procurement and commissioning in the NHS; threats associated with post contract invoice manipulation

Objectives:

- To understand the threat posed by post contract invoice manipulation
- To raise awareness of the threat posed by post contract fraud
- To develop a plan of fraud prevention and disruption activity in response to threats identified

Metrics and deliverables	Achievements
Collect and analyse invoice data from key stakeholders and identify trends and patterns relating to suspicious or potentially fraudulent activity.	18 NHS trusts agreed to supply invoice data which has been analysed.
Collect and analyse data from finance and procurement professionals across the NHS, to identify system weaknesses relating to post contract invoice manipulation.	Further proactive research was undertaken within the Trusts, interviewing staff and reviewing systems to enhance our understanding of fraud risks within the procurement processes and to identify possible improvements for each trust and their LCFS.
Engage with finance and procurement professionals to better understand the threat risks encountered.	During the NHS Confederation's annual conference a survey was undertaken to measure awareness of procurement fraud. 45% of those surveyed were very aware or aware of fraud in procurement. The NHSCFA was aiming to increase fraud reporting in this area by 5% but it has actually increased reporting by over 35%.
Disseminate and discuss the results of the pilot exercise with NHS Shared Business Services and NHS organisations involved to inform the development of solutions.	The findings were shared with the LCFS at the trusts and joint working by the Information Analytics team, Fraud Prevention team and Intelligence unit has taken place to develop prevention solutions.
Update, disseminate and promote guidance on the prevention and detection of invoice fraud to NHS professionals and local counter fraud specialists.	Updated guidance on the prevention and detection of invoice fraud was published on the NHSCFA website in July 2018, along with updated guidance on pre-contract procurement fraud and corruption.

Metrics and deliverables	Achievements
Plan a programme of fraud prevention and disruption activity in response to the threat posed by post contract fraud (for implementation in 2019-20).	A programme of activity was prepared for implementation in 2019-20.

Driving improvements in standards of counter fraud work across the NHS

Objectives:

- To develop a comprehensive understanding of the requirements to enable and facilitate effective counter fraud work to take place across the NHS
- To develop a programme of activity to develop a more effective framework to better enable counter fraud work across the NHS to take place

Metrics and deliverables	Achievements
Deliver a targeted research and evaluation exercise to identify key requirements, information needs, perceptions of the counter fraud framework, opportunities and challenges within the provision of counter fraud activity across the NHS and produce a report identifying targeted action that will facilitate effective local counter fraud work.	<p>A questionnaire and research exercise was done and evaluation undertaken to identify the potential for improvement between the NHSCFA and local counter fraud functions.</p> <p>An engagement group was established comprising Local Counter Fraud Specialists and a finance director. It has continued to meet throughout the year to highlight barriers to local counter fraud provision and identify ways in which the national and local counter fraud response across the NHS can work more collaboratively to tackle fraud affecting NHS expenditure.</p>
Deliver an evaluation of current impact, deliverables, standards and effectiveness of counter fraud activity across the NHS to identify where value can be added to facilitate improvement. Deliver an action plan to bring about improvements in local counter fraud work.	<p>Working collaboratively with the engagement group, and using findings from the research project, a number of key themes to further facilitate effective local counter fraud work were identified.</p> <p>These themes will guide further work in 2019-20 under one of the control strategy priorities in the NHSCFA's business plan, 'Improving counter fraud outcomes in the NHS'. This work will include programmes to extend engagement and communication between national and local bodies, increase intelligence and information relating to counter fraud activity that is made available to health bodies, build effective case management relating to NHS offences and enable effective sanctions.</p>

Metrics and deliverables	Achievements
<p>Develop and deliver a clear strategy for the digital platforms upon which counter fraud services within the NHS can be enabled.</p>	<p>Local representatives and members of the engagement group have provided expert input into the configuration of the new case management system currently being tested and have participated in initiatives to develop quality improvement guidance for the NHS fraud reference guide.</p>
<p>Provide an improved case management system that delivers a 10% increase in both usage and user satisfaction.</p>	<p>The NHSCFA established a Super User Group in September 2018, including representatives from across local health bodies, with the objective of developing and configuring a new investigative case management system (Clue) which is to be made available to counter fraud specialists across the NHS.</p> <p>A newly configured version was made available in a live environment at the end of March 2019. This continues to be tested and evaluated prior to being made accessible to the NHS as a whole. While the product itself is considered to meet the demands of the sector, usage and user satisfaction cannot be measured until the system enters into a live environment for all health bodies in 2019-20.</p>
<p>Deliver increased compliance with standards relating to investigation work. Review and improve the platform that enables sector access to information and guidance, delivering a 10% increase in user activity to access information.</p>	<p>The engagement group has provided significant levels of feedback and input into the development of the NHSCFA extranet, which is a secure repository of documents and information available to LCFSs and DOFs providing advice guidance and support regarding best practice and standards of counter fraud work.</p> <p>The revised design and increased relevant content that has resulted from this work has resulted in a 91% increase in logins from Local Counter Fraud Specialists compared to those being made in 2017-18.</p>

Metrics and deliverables	Achievements
<p>Develop and establish targeted local engagement and communication through:</p> <ul style="list-style-type: none"> ■ Establishment of an engagement group led by an NHSCFA board representative ■ NHSCFA engagement with 100% of all established LCFS forums ■ Engage with 100% of all Local Counter Fraud Specialists and counter fraud services providers during 2018-19 ■ Establishment of a quarterly local counter fraud newsletter ■ Wider counter fraud engagement with over 7000 NHS contacts. 	<p>The group was established in July 2018, and has met on eight occasions throughout the financial year.</p> <p>The NHSCFA has established working arrangements with every established LCFS forum and has attended and presented at every forum (and associated conferences) throughout the financial year.</p> <p>E-newsletters are now produced on a monthly basis and have been issued to over 7,500 contacts in the NHS including our key stakeholders (Chief Financial Officers, Audit Committee Chairs, finance professionals to name a few) as well as newsletter subscribers.</p> <p>Further details of wider counter fraud engagement are detailed under the organisational objective concerning increasing the profile of the NHSCFA.</p>

Our people

We have recognised the need to ensure our people work in an environment where they are respected and valued. Our six principles of good practice underpin this. We have a diverse workforce and recognise the need to provide an equal and inclusive workplace.

During the year the staff intranet has formed our primary communication channel for sharing information with all staff. Communications have included updates from different areas of the business, updates from the Chief Executive alongside articles of general interest and health and wellbeing information.

The intranet also holds a repository of accessible information for staff including information on our Optimising Performance and Development programme, six principles of good



practice and our values and behaviors framework. We have updated our induction information for new starters and new line managers, rolled out internal training for managers and provided specialist training in investigative techniques. We have supported external training, for example Project Management.

The results of our annual spotlight staff survey were shared with staff in January 2019. The results demonstrated positive improvements as well as highlighting areas where we need to improve our systems, processes and management approach. An action plan has been drawn up in respect of these. One area highlighted is the need to continually engage with the whole workforce.



The annual staff conference is one example of engagement. This year it included a high level introduction to health and wellbeing initiatives. These included the development of a new Health and Wellbeing Strategy, days to be dedicated to health and wellbeing every month and a series of activities which will include on-site health assessments and walking challenges. Additional equipment has been purchased to support healthier ways of working. An employee assistance programme is available to all staff providing free counselling and an advice/support service.

Our new Board is now in place and a schedule of ‘meet and greet’ events for all staff has commenced. The Board also participated in the staff conference providing information on their role and responsibilities. This includes reviewing performance of the NHSCFA in the way that people are supported within the workplace.

NHSCFA has an active Staff Engagement Group who observe all the Board meetings.

Our working environment

The NHSCFA has fewer than 250 employees and consequently is not required to report against the current Greening Government Commitments.

Notwithstanding this we are conscious of our responsibility to ensure that we conduct our activities with the objectives of this initiative clearly in mind. As an organisation we seek to reduce the level of waste through:

- recycling of appropriate material across all three sites
- ensuring where possible that technology is adopted to replace face to face meetings thus reducing the need for employees to travel between locations
- including sustainability as a consideration in our procurement processes
- the use of public transport in line with NHSCFA policy and action to claim refunds where trains are delayed or cancelled

During the year we have reduced the London office floor space resulting in a reduction of costs. A new lease has also been negotiated for the Coventry office which will move to new premises during early 2019-20, again reducing size with a positive impact on finances.

Staff are encouraged to make use of two volunteering days per year. A range of activities have also taken place to support charitable causes.

Human rights requirements are reflected in our recruitment procedures and in the ongoing development of the workforce to ensure inclusive opportunities.

Anti-corruption and anti-bribery matters

The NHSCFA is committed to the highest standards of integrity, honesty and professionalism. To support this we have in place a whistleblowing policy and we encourage staff to use the procedures set out in the policy to raise concerns about any wrongdoing. We take all concerns very seriously and all allegations will be promptly investigated and action taken where appropriate.

The NHSCFA has proactively delivered a range of activities set out in an annual workplan in respect of countering fraud. The workplan was risk-based and focused on ensuring appropriate internal controls were in place. This was reported at Board level. A full organization wide exercise to update declarations of interest and raise awareness regarding standards of business conduct was completed. Internal policies and procedures were reviewed, including updating information for the workforce. Procedures for the investigation of potential allegations against the NHSCFA have been introduced, ensuring access to trained investigators. The NHSCFA met the requirements of the Counter Fraud Government Functional Standards in 2018. The review against those standards has been developed and NHSCFA will be reporting against these in 2019 and supporting NHS arm's-length bodies to report against them in the forthcoming year.

Financial performance – achievement of financial balance

Financial obligations		
	Target (£000)	Performance (£000)
Capital resource limit does not exceed target set by DHSC	2,568	1,704
Non-Ring-Fenced Revenue resource expenditure does not exceed the limit set by DHSC (excluding depreciation, amortisation and provisions)	11,110	10,556

Our finances

Total cash drawn down as Parliamentary funding for 2018-19 was £13.678m.

Total revenue expenditure including depreciation and amortisation in 2018-19 was £12.453m.

Total Capital expenditure in 2018-19 was £1.752m.

We achieved an underspend for the period of £1.418m across both revenue and capital programmes.

I am satisfied that this Performance report in respect of activities undertaken by the NHSCFA during 2018-19 is a true and fair reflection of the work undertaken.



Sue Frith
Chief Executive Officer and Accounting Officer
3.1.20



Accountability report

Corporate Governance Report

- Director's Report
- Statement of Accounting Officer's responsibilities
- Governance Statement

Remuneration and staff report

Parliamentary accountability and audit report

- The certificate and report of the Comptroller and Auditor General to the Houses of Parliament
- Financial statement and notes to the accounts

The NHSCFA is required to demonstrate to Parliament how we meet a number of accountability requirements. This information is detailed in the Accountability Report, which has three constituent parts:

1.

The Corporate Governance Report. This contains three sections: the Director's Report, the Statement of Accounting Officer Responsibilities and the Governance Statement. These sections combined describe the statutory functions of the NHSCFA, the composition of the Board and internal controls and governance arrangements.

2.

The Remuneration and Staff Report. This includes salary and pension liabilities of Board members and further information on staff remuneration.

3.

The Parliamentary Accountability and Audit Report. This covers additional information on fees and charges, contingent liabilities and the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

Corporate governance report

Director's report

The NHSCFA is accountable to the Secretary of State for Health and Social Care and is led by the NHSCFA Board, which is responsible for ensuring that the NHSCFA's activities support the policies of the Secretary of State and that decisions comply with statute and any Direction given by the Secretary of State.

The Comptroller and Auditor General is the statutory auditor of NHSCFA. The fee is £80,000 compared with the prior year fee of £53,000. No fees for non audit work have been charged.

As Accounting Officer, I have responsibility for maintaining a sound system of risk management, governance and control that supports the achievement of the aims and objectives of the organisation. Our internal controls and governance arrangements which support the delivery of our organisational business plan are set out in the Governance Statement, along with information on data breaches. Details on data breaches include those reported to the Information Commissioners Office.

Responsibilities of the board

The Board is responsible for setting the strategic direction of NHSCFA and ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board supports the Accounting Officer in ensuring that the NHSCFA exercises proper stewardship of public funds, including compliance with the principles laid out in Managing Public Money¹ and ensuring that total capital and revenue resource use in a financial year does not exceed the amount specified by the Secretary of State.

Full details relating to the composition of the Board and declarations of interest are contained in the Governance Statement.

Matters reserved to the board

The matters reserved to the Board, in summary, are as follows:

- Regulation and control, e.g approval of the organisation's Standing Financial Instructions and Standing Orders
- Strategy, business plans and budgets, e.g approval of the organisation's business plan

¹ Managing Public Money 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money__MPM__2018.pdf

- Financial and performance monitoring, e.g appraisal of the overall business and financial performance of the Authority

Statement of Accounting Officer's responsibilities

The NHSCFA prepares and presents before Parliament 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 (NHSCFA) Directions, with Supplemental Directions to the NHS Business Service Authority 2017. The accounts are prepared on an accruals basis and must give a true and fair view of the income, expenditure and cash flows of the NHSCFA and its financial position.

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

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental public bodies;
- 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
- prepare the accounts on a going concern basis.

As CEO and Accounting Officer I am personally responsible for the controls which underpin the achievement of the NHSCFA's objectives as set out in the business plan. This includes the 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.

As Accounting Officer I have taken all appropriate steps to make myself aware of any information which would be relevant to the NHSCFA's auditors. As far as I am aware there is no relevant audit information of which the NHSCFA's auditors are unaware. I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable. I take 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 confirm all assurances provided in the Governance Statement are in line with the HM Treasury guidance.

Statutory functions: legal and corporate requirements

The NHSCFA was created under enabling legislation contained within the National Health Service Act 2006. In November 2017 two Statutory Instruments were passed into law. SI 2017/958 (the Establishment order) established the NHSCFA as the Special Health Authority responsible for discharging the Secretary of State’s counter fraud functions in relation to the health service. These are set out at s.195 (2) of the 2006 Act. This Statutory Instrument also sets out the requirement for the appointment and composition of the Board. Recruitment to permanent Board positions has taken place during 2018-19.



...means his power (by virtue of section 2(1)(b)) to take action for the purpose of preventing, detecting or investigating fraud, corruption or other unlawful activities carried out against or otherwise affecting—

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

(s.195 (2) National Health Service Act 2006)

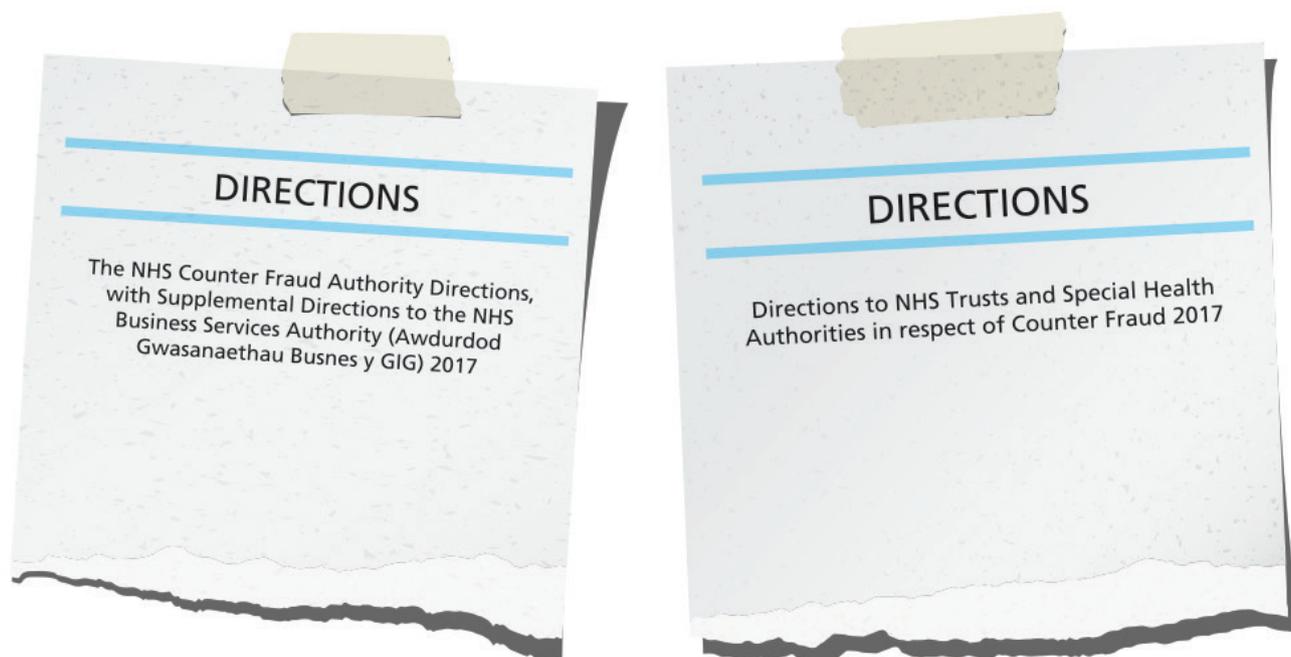
As a statutory body the NHSCFA is only allowed to exercise power or undertake functions allocated to it:

- by primary legislation
- by secondary legislation; or

- through Directions issued by the Secretary of State.

The main Directions affecting the work of the NHSCFA are:

- The NHS Counter Fraud Authority (NHSCFA) Directions, with Supplemental Directions to the NHS Business Services Authority (Awdurdod Gwsanaethau Busnes y GIG 2017
- Directions to NHS Trusts and Special Health Authorities in respect of Counter Fraud 2017



The first of these sets out the organisation's obligations in terms of reporting, accounting and auditing; and also the arrangements governing the transition between our predecessor organisation's status as a hosted body within the NHS Business Services Authority and our status as a Special Health Authority from 1 November 2017. These Directions also set out in broad terms the basic functions to be undertaken by the Authority. These are to:

- provide advice and assistance to the health service, including the Secretary of State
- obtain, monitor, collate and analyse data
- investigate fraud, corruption or other such unlawful activity for the purpose of detecting or preventing fraud
- monitor performance by providers in respect of their counter fraud arrangements
- enforcement by tracing and recovering assets derived from criminal activity

The second Directions direct NHS organisations to cooperate with the NHSCFA in countering fraud and to adhere to the NHSCFA's counter fraud standards for providers and commissioners.

Oversight by the Department of Health and Social care

The NHSCFA is accountable to the Secretary of State for Health and Social Care. The Department of Health and Social Care (DHSC) is the organisation's sponsoring department; the NHSCFA is responsible to DHSC for its use of resources and performance. The governance arrangements between DHSC and NHSCFA are set out in a Framework Agreement.

Regular accountability meetings between the DHSC and NHSCFA have been introduced during the year. These provide the opportunity to review and challenge the NHSCFA's progress to meet its agreed objectives.

NHSCFA Board

The Board meets seven times a year and considers a range of agenda items during its meetings. These include approval of the previous Board minutes, reports from sub-committees, updates from the Senior Management Team and detailed performance monitoring reports, including financial reports. The Board also reviews the strategic direction of the organisation.

The Board reviews compliance with HM Treasury's Managing Public Money, ensuring business is conducted lawfully and public money is safeguarded. The Board also ensures proper governance arrangements are in place to facilitate the delivery of objectives taking into account the good practice outlined in the HM Treasury's Corporate Governance Code. Due to the recruitment and development stage of the Board a detailed review of compliance with this code has not been undertaken, although the good practice outlined in this code has been applied during the recruitment and induction of Board Members and when reviewing risk management arrangements. The forward planner for the Board includes conducting a review of compliance with this code during 2019-20 as part of the business to be undertaken. An account of the governance arrangements follow.

The NHSCFA has policies in place to ensure all potential conflicts of interest are declared and action is taken where necessary to ensure impartial discussion and decision making is upheld. A full register of Board members' interests is maintained and reviewed regularly and can be accessed at <https://cfa.nhs.uk/about-nhscfa/nhscfa-board-directors/board-declarations-of-interest>.

Board and committee composition, reporting and meeting attendance

Between 1 April 2018 and 30 June 2018 the Board consisted of:

- Simon Hughes, a Non-Executive Director, as interim Chair
- David Rawsthorn, a Non-Executive Director, who also chaired the Audit and Risk Committee
- Susan Frith, interim CEO

■ Matthew Jordan-Boyd, Director of Finance

The current board is significantly larger following the appointment of a new Chair on 1 August 2018 and three new Non-Executive Directors on 1 November 2018; Professor Carl Stychin, Jayne Scott and Martin Spencer.

A recruitment exercise has concluded and the interim Chief Executive has been appointed as the permanent Chief Executive. The Director of Performance & Improvement has been appointed who will join the organisation and the Board as an Executive Director in May 2019.

The key areas of focus for the Board have been the setting of strategic objectives, the identification and development of governance, risk and financial management arrangements and the evaluation of performance. It is acknowledged that the Board is in an early stage of development. A limited review of the interim Board's effectiveness was completed. No review of the effectiveness of the permanent Board has been carried but the Board has adopted a policy to carry out an annual review of its effectiveness, starting in 2019-20. Appropriate induction and development sessions were held for Board appointees.

Highlights of the papers reviewed at each Board meeting have included financial and operational reports, performance reports and an over view of risks.

The Board has reviewed the NHSCFA's operational and financial performance, at each meeting. Reports have been provided to the Board with an overview of the status of the delivery of objectives set out in the organisational business plan. The reviews conducted have highlighted the need to reassess the methods by which the organisation measures the impact and outcome of work done against its objectives, and report on these in the future.

I receive assurance against the delivery of business objectives from the Senior Management Team. Further changes planned for 2019-20 include the introduction of clear targets relating to fraud prevention, detection and recovery agreed with DHSC. In addition, Key Performance Indicators are being introduced and a review of performance reporting undertaken.

Audit and risk committee

The NHSCFA has an Audit and Risk Committee (ARC) comprising of three Non-Executive Board Members. The ARC is chaired by Jayne Scott, a Non-Executive Director who has recent and relevant financial experience in line with the HM Treasury Code of Practice. The Board and Accounting Officer receive ARC minutes and regular reports from the ARC Chair concerning the work of the Committee.

The ARC provides an independent view on the appropriateness and adequacy of the NHSCFA's governance, risk management and assurance processes.

I have attended the final two ARC meetings in 2018-19 and intend to attend future meetings. Representatives from external and internal audit alongside the Director of Finance have also routinely attended ARC meetings.

Over the year the committee has considered:

- 
- 1 reports from internal and external auditors
 - 2 the need for other sources of assurance
 - 3 risk management and key risks to financial governance and control issues
 - 4 progress on implementation of internal and external audit recommendations
 - 5 financial reports
 - 6 counter fraud and security management measures and whistle blowing arrangements
 - 7 data breaches

The ARC has developed a forward plan for its work, taking into account the needs of an evolving organisation.

During the year the ARC reviewed a variety of items, including the internal audit plan, all internal audit reports received, the Head of Internal Audit annual report, External Audit reports, risk management reports and the 2017-18 Annual Report and Accounts.

An annual report on the key business conducted by the ARC is produced in support of the Governance Statement. It concluded that the reliability and integrity of the assurances provided by the Senior Management Team have generally been appropriate and adequate for meeting the governance needs of the Board and Accounting Officer and for supporting the decisions they have taken. However, it highlighted a number of areas of weakness, primarily in relation to our financial management and risk management, which were set out in the Annual Report from the Head of Internal Audit. These concerns were also reflected in the internal audit reports on Core Finance Systems and payroll which received an assurance rating of 'limited' and the report on Business Continuity Planning which was rated as 'unsatisfactory'. The ARC has reviewed in detail the management responses to the recommendations raised in these reports, and will keep them under review during 2019-20.

Remuneration committee

The NHSCFA also has a Remuneration Committee (REMCO), chaired by an independent non-executive director, which is responsible for remuneration and contractual arrangements for the CEO and Executive Directors, ensuring that the arrangements in place for evaluating the performance of the Chair, the CEO and Executive Directors are adequate.

Attendance at meetings

Attendance at meetings of the Board and Committees during the year was good. The table below shows the number of meetings held which each individual Board member was eligible to attend during their period of appointment and the number attended.

	Board meetings attended/possible	ARC meetings attended/possible	REMCO meetings attended/possible
Simon Hughes Chair (1.4.18-31.7.18)	1/2	n/a	n/a
David Rawsthorn NED & ARC Chair (1.4.18-31.10.18)	3/3	3/3	n/a
Susan Frith CEO	7/7	3/3	1/2
Matthew Jordan-Boyd Director of Finance	6/7	6/6	n/a

	Board meetings attended/possible	ARC meetings attended/possible	REMCO meetings attended/possible
Tom Taylor Chair (from 1.8.18)	5/5	n/a	n/a
Jayne Scott NED & ARC Chair (from 1.11.18)	3/4	3/3	1/2
Carl Stychin NED & Vice Chair (from 1.11.18)	4/4	2/2	2/2
Martin Spencer NED & REMCO Chair (from 1.11.18)	4/4	2/2	2/2

Internal controls

The need to further develop the detail and format of performance reports has been noted. Discussions with Board members have shown the current performance report format does not capture and display the key information in an effective way. During 2018-19, in order to better manage this process I have introduced quarterly performance and assurance review panels and amended the business planning timeline.

The NHSCFA operates a structured risk and control framework which is designed to manage the identification, prioritisation and mitigation of key strategic risks to the organisation. As a new organisation, this remains under development and further improvements are being progressed to ensure that risk is managed effectively and to enable timely decision making.

Positive steps have already been taken to address areas of weakness, including the identification of the risk appetite; these will continue during 2019-20.

It has been identified there is a need to ensure the 'three lines of defence' are appropriately reflected in the organisation's risk management processes. These developments will be kept under close review by the ARC during the year.

The most significant corporate risks faced and managed over the year 2018-19 include:

- the potential inability to access sector data sets, which could impact on the timely investigation of fraud and obtaining an accurate intelligence picture. Mitigating actions taken to manage this risk include the negotiating of new data sharing agreements
- the possibility of the NHSCFA's IT systems being subjected to a cyber-attack potentially compromising the information held, which could impact on key business functions. This ongoing risk is mitigated by a range of activities including regular review and testing of encryption measures. The security incident management process has also been redesigned

- the lack of mature financial systems and processes which could result in a weakened control environment. Internal audit have confirmed significant progress has been made against the implementation of recommendations to strengthen the control environment
- impact on operations due to lack of funding. Workstreams are prioritised to meet the challenging financial climate

As detailed in the performance analysis section, the controls in place to counter fraud against the NHSCFA have been reviewed, this included a review of effectiveness. As a result the Fraud, Bribery, Theft & Damage policy, Standards of Business Conduct and our Internal Whistleblowing policy have been updated and republished. These set out the organisation's stance on these matters and there are now detailed procedures to follow specific to the NHSCFA. One case was opened for investigation during 2018-19. The effectiveness of the awareness training to counter fraud within the organisation has also been reviewed and amendments to this will be reflected in the counter fraud action plan for the forthcoming year.

The organisation's risk-based counter fraud workplan, which sets out activities to counter fraud within the NHSCFA was reviewed by the ARC. The ARC will also have sight of the annual report on counter fraud activities.

Information governance

As an organisation that has access to NHS patient data and systems, we are required to complete NHS Digital's Data Security and Protection Toolkit. This allows the organisation to measure its performance against the National Data Guardian's 10 data security standards and is used to provide assurance that the organisation is practising good data security and that personal information is handled correctly.

Risk management is an essential component of Information Governance (IG). The NHSCFA has worked to implement a robust IG framework of policies and procedures to ensure the effective management and protection of all the organisation's information assets, enabling information to be shared securely with greater confidence. Upon establishment, the organisation was registered with the Information Commissioner's Office as an appropriate data controller, permitted to process personal and sets of personal data, to enable it to carry out its public function.

Following a review by the Information Commissioner's Office shortly following our establishment as a Special Health Authority, the NHSCFA was deemed compliant with all relevant data protection legislation. During 2018-19 we have also implemented recommendations made by internal audit. These have included the review and updating of a number of policies, procedures and schedules relating to information governance. We will continue to monitor their fitness for purpose.

We have reviewed and republished our Complaints Policy and updated our privacy notices.

We have processed data subject access requests and freedom of information requests in line with our published documents and relevant legislation.

There has been one instance where a data breach was identified which was deemed to be sufficiently significant to be reported to the Information Commissioners Office. None of the breaches was brought about by the deliberate action of either employees or others, but

they were the result of human or machine error. Only a small number of data subjects were affected by these breaches and where appropriate the data subjects have been informed and apologies issued. The lessons learnt from each have been reviewed, and working practices and standard operating procedures have been amended accordingly to ensure the breach does not occur again. None of the breaches were deemed likely to cause a significant risk to the freedoms of those involved. All such breaches are reported to the ARC.

The Parliamentary Ombudsman has reported no relevant investigations and made no recommendations.

Internal audit

Internal audit services were provided by the Government Internal Audit Agency (GIAA). The team providing the service operates to prescribed Public Sector Internal Audit Standards and complies with procedures and standards set by the GIAA.

Following completion of planned audit work for 2018-19 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.

“In accordance with the requirements of the UK Public Sector Internal Audit Standards, I am required to provide the Accounting Officer with my annual opinion of the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes.

*My overall opinion is that I can give **moderate** assurance to the Accounting Officer that the NHSCFA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2018/19”.*

Public Interest Disclosure Act (PIDA) 1998

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. NHSCFA is a ‘prescribed person’ as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014. As such, individuals working outside the NHSCFA, but in the healthcare sector, may contact the NHSCFA if they have any concerns in relation to fraud, corruption or other unlawful activity in relation to the health service in England. Individuals can report to the NHSCFA in a variety of ways including using our online fraud and corruption reporting form and calling our Fraud and Corruption Reporting Line powered by Crimestoppers.

From 1 April 2018 to 31 March 2019, the NHSCFA received 380 reports where the source had stated they were making a disclosure under the Public Interest Disclosure Act 1998.

87 reports were open and waiting to be actioned as at 31 March 2019.

229 reports were closed with No Further Action and progressed no further.

Of the remaining 64 reports, 53 were tasked to Local Counter Fraud Specialists and 11

were disseminated to another body.

Overall review of effectiveness

As Accountable Officer I have responsibility for the overall effectiveness of the system of risk management and internal control. My overall assessment for the year has been informed by the outputs from the Senior Management Team (both individually and as a group), the Board and ARC, internal audit, external audit and other third party assurance.

Based on the above and my own knowledge of the organisation, I am satisfied that during the year under review the overall control environment generally operated effectively and supported the organisation in meeting its aims and objectives. However, I also recognise that as a relatively new organisation, there were a number of limitations highlighted by the ARC as well as internal and external audit. Those limitations included delays to the recruitment of a fully functioning Board, the challenges of delivering effective financial controls in partnership with a third party supplier and embedding effective performance and risk management environments within the organisation. These concerns are being addressed as a matter of urgency and will ensure increased confidence in the overall risk management and control environment in future.

Remuneration and staff report

The terms of reference for the Remuneration and Nominations Committee were reviewed and continue to follow the framework laid down by the DHSC. They take into account the recommendations of the Senior Salaries Review Body. The committee met twice during the year.

Non-Executive Directors are appointed by the Secretary of State for a fixed term. Executive Directors have NHSCFA contracts of employment. Other than statutory requirements and other normal pay provisions, there are no contractual clauses or other agreements for compensation in the event of early termination of office.

Emoluments of board members (subject to audit)

Remuneration figures for all Directors in post during 2018-19 are detailed in the table below. This identifies the salary, other payments and allowances and pension benefits applicable to both Executive and Non-Executive Directors.

<i>Subject to audit</i>								
Name	Title	Salary (bands of £5,000)	Expense payments (Taxable) to the nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay and bonuses (bands of £5,000)	All pension related benefits (bands of £2,500)	Total (bands of £5,000)	Date of appointment
		£000	£00	£000	£000	£000	£000	
Simon Hughes	Chair (interim)	0-5 (10-15)*	0	0	0	0	0-5	1.11.17-31.7.18
Tom Taylor	Chair	5-10 ¹ (10-15)*	2	0	0	0	5-10	1.8.18
David Rawsthorn	Non-Executive Director (interim)	5-10 (10-15)*	0	0	0	0	5-10	1.11.17-31.10.18
Carl Stychin	Non-Executive Director	0-5 (5-10)*	0	0	0	0	0-5	1.11.18
Martin Spencer	Non-Executive Director	0-5 (5-10)*	0	0	0	0	0-5	1.11.18
Jayne Scott	Non-Executive Director	5-10 (10-15)*	0	0	0	0	5-10	1.11.18
Susan Frith	Chief Executive Officer	90-95	0	0	0	32.5-35	120-125	1.11.17
Matthew Jordan-Boyd	Director of Finance & Corporate Governance	55-60	0	0	0	45-47.5	100-105	30.1.18

¹ Tom Taylor was underpaid by 1 month's salary during the year. This position was corrected and payment made in August 2019. The underpayment is not included in the figures disclosed.

*Annual equivalent

2017/18 Comparison (1/11/17 - 31/3/18)

<i>Subject to audit</i>								
Name	Title	Salary (bands of £5,000)	Expense payments (Taxable) to the nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay and bonuses (bands of £5,000)	All pension related benefits (bands of £2,500)	Total (bands of £5,000)	Date of appointment
		£000	£00	£000	£000	£000	£000	
Simon Hughes	Chair (interim)	5-10 (10-15)*	0	0	0	0	5-10	1.11.17
David Rawsthorn	Non-Executive Director (interim)	5-10 (10-15)*	0	0	0	0	5-10	1.11.17
Susan Frith	Chief Executive Officer (interim)	35-40 (90-95)*	0	0	0	60-62.5	95-100	1.11.17
Matthew Jordan-Boyd	Director of Finance & Corporate Governance	5-10 (45-50)*	0	0	0	0-2.5	10-15	30.1.18
Patrick McGahon ¹	Interim Director of Finance	No salary paid	0	0	0	0	0	1.11.17 – 29.01.18

**Annual equivalent*

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

Fair pay disclosure (subject to audit)

The NHSCFA discloses the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the financial year 2018-19 was £90,000-£95,000. This was 2.4 times the median remuneration of the workforce, which was £38,344 (full year equivalent figures used).

The range of staff remuneration was £20,000 - £25,000 to £90,000 - £95,000. Compared to the range of £15,000 - £20,000 to £90,000-95,000 for the period 1/11/17-31/3/18.

In 2018-19 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.

In comparison the remuneration of the highest paid director 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).

Subject to Audit		
Remuneration balance	1/11/17 - 31/3/18	2018-19
Band of highest paid directors total remuneration (£000)	90-95	90-95
Median total (£)	39,070	38,344
Remuneration ratio	2.4	2.4

Pension benefits (subject to audit)

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

Subject to Audit								
Pension benefits of senior managers								
Name	Title	Real increase in pension at pension age (bands of £2500)	Real increase in pension lump sum at pension age (bands of £2500)	Total accrued pension at pension age at 31 March 2019 (bands of £5000)	Lump sum at age 60 related to accrued pension at 31 March 2019 (bands of £5000)	Cash equivalent transfer value at 31 March 2019	Cash Equivalent Transfer value at 1 April 2018	Real increase in cash equivalent transfer value
		£000	£000	£000	£000	£000	£000	£000
Susan Frith	Chief Executive Officer	0-2.5	5-7.5	45-50	145-150	1,144	970	132
Matthew Jordan-Boyd	Director of Finance & Corporate Governance	2.5-5	2.5-5	15-20	35-40	234	166	56

Staff numbers and costs

<i>Subject to Audit</i>			
Staff numbers and related costs – Executive members and staff costs			
	Total 2018-19 £000	Permanently employed £000	Other £000
Salaries and wages	6,362	6,221	141
Social security costs	676	676	0
Employer contributions to NHS Pensions	807	807	0
Termination benefits	96	96	0
Apprenticeship levy	16	16	0
Total	7,957	7,816	141
Recoveries in respect of secondments	-95		
Capitalised staff costs	-278		
Total	7,584		

<i>Subject to Audit</i>		
Average number of persons employed		
Total	Permanently employed	Other
152	150	2

The whole time equivalent of staff whose cost was capitalised was 6.

2017/18 Comparison (1/11/17 - 31/3/18) (subject to audit)

<i>Subject to Audit</i>			
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	0
Employer contributions to NHS Pensions	312	312	0
Termination benefits	0	0	0
Apprenticeship levy	0	0	0
Total	3,136	3,093	43
Recoveries in respect of secondments	0		
Capitalised staff costs	-130		
Total	3,006		

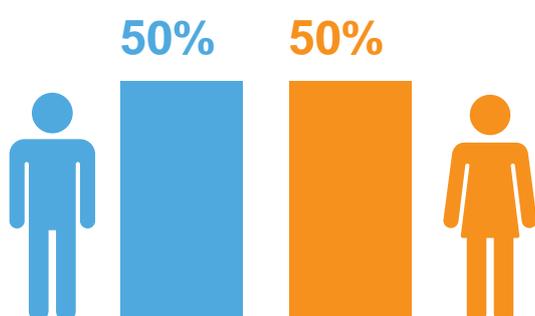
<i>Subject to Audit</i>		
Average number of persons employed		
Total	Permanently employed	Other
151	149	2

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

Gender balance

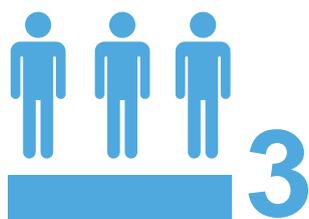
Shown below is the number and gender of staff at director, senior level and other staff levels.

Directors



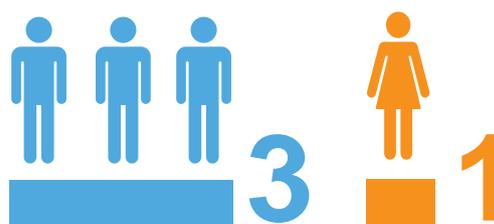
Senior managers (band 8c and above)

1.4.18 - 08.11.18



Senior managers (band 8c and above)

19.11.18 - 08.02.19

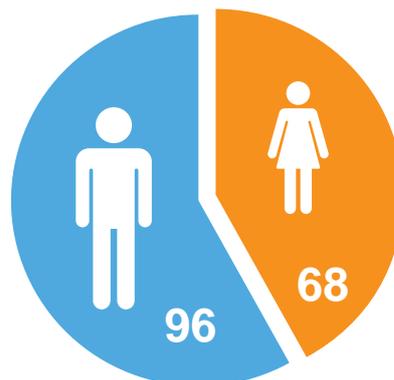


Senior managers (band 8c and above)

09.02.19 - 31.3.19



Total employees



The increase to 4 members was temporary due to the handover from an outgoing to an incoming post holder between 19.11.18 – 09.02.19.

NHSCFA does not employ any Senior Civil Service staff.

Cash equivalent transfer value (subject to audit)

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 (subject to audit)

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.

Employee sickness

285 occurrences of sickness were reported across the whole organisation, with 2,146 full time equivalent days being lost. As 2018-19 is the first full year of operation comparative data is not available.

Workforce development

As detailed in the performance analysis, we are currently developing a People Strategy which we believe will better enable us to:

- explain and share our vision for the NHSCFA with all our employees
- develop and grow our talent
- create a better place to work

A review of policy and procedure documents relating to human resources is currently in progress.

All recruitment includes full and fair consideration of disabilities and assessment procedures are in place to review the health and wellbeing of employees who have become disabled during employment. We have a programme of internally facilitated training for the ongoing development of the workforce. We also source and access external training to meet specific areas of development and expertise as required.

Staff engagement

The Staff Engagement Group (SEG) is composed of representatives of all grades from all parts of the NHSCFA and has observer status on the Board.

The SEG exists to provide an impartial voice to encourage and progress engagement between staff and between staff and the SMT. This is done by providing a channel through which staff can raise issues with the wider organisation and with the SMT, whether that is feedback, concerns, suggestions or enquiries related to the day-to-day work of the NHSCFA



Trade union recognition

We currently have a recognition agreement with UNISON. Under this agreement UNISON representatives are accorded facility time in which to conduct their trade union and industrial relations activities. The time spent by trade union representatives in respect of facility time is set out below. The NHSCFA also recognises the part played by the union in the overall governance of the organisation.

Relevant Union Officials	
The number of employees who were relevant union officials during 2018-19	11
The full time equivalent employee number	11

The number of employees who were relevant union officials employed during 2018-19 spending 0%,1%-50%,51%-99% or 100% of their working hours on facility time	
0%	0
1-50%	11
51%-99%	0
100%	0

Percentage of pay bill spent on facility time	
Total cost of facility time	£0.010m
Total pay bill	£7.584m
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.13%

Paid trade union activities - shown as a % of total of paid facility time hours, the number of hours spent by employees who were relevant union officials during 2018-19 on paid trade union activities	
Percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0.46%

Expenditure on temporary staff

The total contingent labour expenditure on temporary staff incurred on the provision of operating services was £141k. Compared to £43k in 2017-18. NHSCFA has had no consultancy expenditure.

Off-payroll engagements

The total contingent labour expenditure for off payroll engagements incurred on the provision of operating services was Nil.

Exit packages (subject to audit)

The table below shows the number and value of exit packages agreed during the year 2018-19. There were no packages agreed in 2017-18.

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of departures where special payments have been made
Less than £10,000	-	-	-	-
£10,000 - £25,000	-	-	-	-
£25,001 - £50,000	-	-	-	-
£50,001 - £100,000	1	-	1	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
> £200,000	-	-	-	-
Total Number	1	-	1	-
Total Cost (£)	£95,774	-	£95,774	-

Safety, Health and Environment (SHE)

We and the NHSBSA work together to ensure that our organisation continues to comply with all relevant health and safety legislation. The SHE committee continues to meet and review all aspects of health and safety. We have reviewed the terms of reference for our SHE representatives and have completed a full review of our policies, procedures and forms relating to this area.

Sustainability

In addition to the information detailed in the performance report, the NHSCFA complies with relevant legislation and reviews opportunities to consider sustainability.

Continually improving our approach to sustainable procurement includes working with the NHSBSA to ensure all furniture is recycled and environmental sustainability reviewed during procurement activity and throughout the supply chain.

Parliamentary accountability and audit report

NHSCFA disclosures (subject to audit)

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)

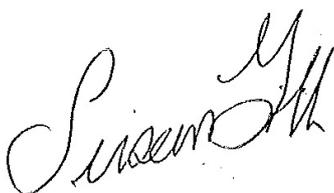
The NHSCFA is aware of its obligation for disclosure of gifts made over a value of £300k (as per Managing Public Money, annex 4.12). For this accounting period the NHSCFA discloses nil return this area.

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 nil return in this area.

Fees & Charges (subject to audit)

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



Sue Frith
Chief Executive Officer
3.1.20

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 year ended 31 March 2019 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, including the significant accounting policies. 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 2019 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 2006 and 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.

Conclusions relating to going concern

I am required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is 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 (UK) 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 (UK), 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.
- 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 Board and the Accounting Officer are 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 thereon. 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.

Gareth Davies
Comptroller and Auditor General
9th January 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statement and notes to the accounts

Statement of Comprehensive Net Expenditure for the period ended 31 March 2019			
	Notes	2018-19	2017-18 5 months
		£000	£000
Income from contracts with customers	2.1	245	99
Other operating income	2.1	18	35
Total operating income		263	134
Staff Costs	2.4	7,584	3,006
Other operating expenditure	2.2	5,132	1,995
Total operating expenditure		12,716	5,001
Net operating expenditure		12,453	4,867
Net (gain)/loss on transfers by absorption	2.5	0	(2,565)
Total Net Expenditure		12,453	2,302
Total comprehensive net expenditure for the period		12,453	2,302

The notes on pages 82 to 104 form part of these accounts.

Statement of Financial Position at 31 March 2019			
	Notes	31 March 2019	31 March 2018
		£000	£000
Non Current Assets			
Property, Plant & Equipment	3.2	1,641	1,794
Intangible Assets	3.1	2,119	2,155
Total non-current assets		3,760	3,949
Current Assets			
Trade and other receivables	3.3	496	193
Cash and cash equivalents	3.4	397	0
Total current assets		893	193
Total Assets		4,653	4,142
Current Liabilities			
Trade and other payables	3.5	1,414	2,128
Provisions for liabilities and charges	3.6	139	0
Total current liabilities		1,553	2,128
Net current assets/liabilities		(660)	(1,935)
Total assets less current liabilities		3,100	2,014
Non-current liabilities			
Provisions for liabilities and charges	3.6	0	139
Total non-current liabilities		0	139
Total Assets Less Liabilities:		3,100	1,875
Taxpayers' Equity			
General Fund		3,100	1,875
Total Taxpayers' Equity:		3,100	1,875

The notes on pages 82 to 104 form part of these accounts.



Sue Frith
Chief Executive Officer
Date 3.1.20

Statement of Changes in Taxpayers' Equity For the period ended 31 March 2019

	General Fund	Total Reserves
	£000	£000
Balance at 31 March 2018	1,875	1,875
Changes in taxpayers' equity for 2018-19		
Total net expenditure for the period	(12,453)	(12,453)
Total recognised income and expense for 2018-19	(12,453)	(12,453)
Net Parliamentary Funding	13,678	13,678
Balance at 31 March 2019	3,100	3,100
	General Fund	Total Reserves
	£000	£000
Changes in taxpayers' equity for 2017-18		
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 82 to 104 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2019			
	Notes	2018-19	2017-18 5 months
		£000	£000
Cash flows from operating activities			
Net operating expenditure		(12,453)	(4,867)
Other cash flow adjustments	4.3	1,941	727
Movement in working capital	4.1	(751)	222
Net cash (outflow) from operating activities		(11,263)	(3,918)
Cash flows from investing activities			
Purchase of property, plant and equipment	3.2	(440)	(8)
Purchase of intangible assets	3.1	(1,578)	(251)
Net cash inflow/(outflow) from investing activities		(2,018)	(259)
Cash flows from financing activities			
Net Parliamentary Funding		13,678	4,177
Net financing		13,678	4,177
Net increase/(decrease) in cash and cash equivalents		397	0
Cash and cash equivalents at the beginning of the financial year	4.2	0	0
Cash and cash equivalents at the end of the financial year	4.2	397	0

The notes on pages 82 to 104 form part of these accounts.

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 2018-19 (GAM) issued by the Department of Health and Social Care, and comply with HM Treasury's Government Financial Reporting Manual 2018-19 (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 for 2017-18.

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.

NHSCFA do not consider any judgements or uncertainties to be critical.

1.2 Income

The transition to IFRS 15 has been completed in accordance with paragraph C3 (b) of the Standard, applying the Standard retrospectively recognising the cumulative effects at the date of initial application - there are no cumulative effects at the date of initial application for NHSCFA.

In the adoption of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows;

- As per paragraph 121 of the Standard NHSCFA will not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less,
- NHSCFA is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.
- The FReM has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires NHSCFA to reflect the aggregate effect of all contracts modified before the date of initial application - the effect is nil for NHSCFA.

There is no effect on any financial statement line in the current reporting period resulting from the application of IFRS15 as compared to IAS11, IAS18 and related interpretations that were in effect before the change.

NHSCFA has no contract asset or contract liability balances at either the beginning or end of the year.

Income in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation.

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 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 current value in existing use.

Fixtures, IT Equipment and Plant & Machinery are capitalised at cost. In the absence of an active market, as they are short-lived and/or of low value, they are carried at depreciated historic cost as a proxy for current value in existing use. The useful life of these assets is a realistic reflection of the life of the asset and the depreciation method used provides a realistic reflection of the consumption of that asset class.

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

The Authority does not currently have any revalued assets, hence there is no balance in the revaluation reserve.

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, which is the case with all current NHSCFA intangible assets, at amortised historic cost. An exercise has been performed to demonstrate that amortised historic cost is not materially different to depreciated replacement cost, which is the valuation method set out in the GAM and FReM.

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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of NHSCFA's cash management. Cash, bank and overdraft balances are recorded at current values.

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, 85

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

Provisions are recognised when NHSCFA has a present legal or constructive obligation as a result of a past event, it is probable that NHSCFA will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, and the effect of the time value of money is significant, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.29% (2017-18: positive 0.10%) in real terms. All general provisions are subject to four separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:

- A nominal short-term rate of 0.76% (2017-18: negative 2.42% in real terms) for inflation adjusted expected cash flows up to and including 5 years from Statement of Financial Position date.
- A nominal medium-term rate of 1.14% (2017-18: negative 1.85% in real terms) for inflation adjusted expected cash flows over 5 years up to and including 10 years from the Statement of Financial Position date.
- A nominal long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows over 10 years and up to and including 40 years from the Statement of Financial Position date.
- A nominal very long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows exceeding 40 years from the Statement of Financial Position date.

All 2018-19 percentages are expressed in nominal terms with 2017-18 being the last financial year that HM Treasury provided real general provision discount rates.

1.11 Financial Instruments

NHSCFA has adopted IFRS 9 Financial Instruments in line with the FReM, applying the Standard retrospectively recognising the cumulative effects at the date of initial application. Adoption did not result in any restatement of opening balances and has not had a material impact on the financial statements.

Financial assets

Financial assets are recognised when NHSCFA becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and NHSCFA has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

All of NHSCFA's financial assets are measured at amortised cost, as they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes all trade and other receivables.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

Impairment

NHSCFA recognises a loss allowance representing expected credit losses on the financial instrument.

NHSCFA adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. NHSCFA therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, the Department of Health

and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and NHSCFA does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Financial liabilities

Financial liabilities are recognised when NHSCFA 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 extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'at amortised cost'.

All of NHSCFA's financial liabilities are classified as 'at amortised cost'. After initial recognition, all 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 (amortised cost) of the financial liability.

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 2018-19. These standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2020-21, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

- 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 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 £2.5m, 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			
		2018-19	2017-18 5 months
		£000	£000
Revenue from Contracts with Customers: Services provided to UK Devolved Administrations		245	99
Other income		18	35
Total Operating income		263	134
Performance obligations relating to all services provided are satisfied over time and fall entirely within the financial year			
2.2 Other operating expenditure (Non-Staff)			
		2018-19	2017-18 5 months
		£000	£000
The expenses of the authority were as follows:			
Non-executive members' remuneration		34	12
Rentals under operating leases		1,403	638
Establishment expenses		732	312
Transport		39	9
Premises		415	228
Non-cash: Depreciation	773		247
Amortisation	1,052		341
Impairments & reversals intangible	68		0
(Profit)/loss on disposal of intangible fixed assets	48		0
		1,941	588
Auditors' remuneration - audit fees		80	53
Internal Audit		47	8
Legal & Professional fees		437	147
Expected credit loss on contract receivables		4	0
Total non-staff costs		5,132	1,995

2.3 Operating leases

Authority as lessee		
	2018-19	2017-18 5 months
	£000	£000
Payments recognised as an expense		
Minimum lease payments	1,403	638
Total	1,403	638
Total future minimum lease payments Payable:		
Within one year	1,027	1,292
Later than one year and not later than five years	1,444	2,768
Later than five years	0	0
Total	2,471	4,060

The above leases relate to the Authority's office space in Coventry, London and Newcastle and cars provided to some staff.

2.4 Staff costs:

Executive members and staff costs						
	2018-19 Permanently employed	2018-19 Other	Total 2018-19	2017-18 Permanently employed 5 months	2017-18 Other 5 months	Total 2017-18 5 months
	£000	£000	£000	£000	£000	£000
Salaries and wages	6,221	141	6,362	2,509	43	2,552
Social security costs	676	0	676	272	0	272
Employer contributions to NHS Pensions	807	0	807	312	0	312
Termination benefits	96	0	96	0	0	0
Apprenticeship levy	16	0	16	0	0	0
Total	7,816	141	7,957	3,093	43	3,136
Recoveries in respect of secondments			-95			0
Capitalised staff costs			-278			-130
Net Total			7,584			3,006

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:

	2018-19	2017-18
	£000	£000
Property, Plant & Equipment at Net Book Value (Note 3.2.2)	0	1,935
Intangible Assets at Net Book Value (Note 3.1.2)	0	1,687
Trade and Other Receivables	0	106
Trade and Other Payables	0	(1,163)
Gain on net assets transferred	0	2,565

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 <https://www.nhsbsa.nhs.uk/nhs-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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

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 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 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.

3.1 Intangible assets

3.1.1 Intangible assets 2018-19

	Software licences	Information Technology	Total
	£000	£000	£000
Cost			
Gross cost at 1 April 2018	2,236	1,404	3,640
Additions - purchased	714	418	1,132
Disposals	(1,430)	(209)	(1,639)
Gross cost at 31 March 2019	1,520	1,613	3,133
Amortisation			
Accumulated amortisation at 1 April 2018	965	520	1,485
Charged during the year	787	265	1,052
Disposals	(1,430)	(161)	(1,591)
Impairments	0	68	68
Accumulated amortisation at 31 March 2019	322	692	1,014
Net book value at 31 March 2018	1,271	884	2,155
Net book value at 31 March 2019	1,198	921	2,119

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 period of the licences are £828k and £299k, and 24 months and 27 months respectively.

3.1 Intangible assets (continued)

3.1.2 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 were two software licences included above which had a carrying value which was material to the financial statements. The carrying values and remaining amortisation periods of the two licences were £415k and £432k, and 13 months and 39 months respectively.

3.2 Property, Plant and Equipment

3.2.1 Property, Plant and Equipment 2018/19

	Buildings excluding dwellings	Plant & machinery	Information technology	Furniture & fittings	Total
Cost	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018	2,112	50	1,207	323	3,692
Additions - purchased	219	0	392	9	620
Gross cost at 31 March 2019	2,331	50	1,599	332	4,312
Depreciation					
Accumulated depreciation at 1 April 2018	968	50	671	209	1,898
Charged during the year	468	0	240	65	773
Accumulated depreciation at 31 March 2019	1,436	50	911	274	2,671
Net book value at 31 March 2018	1,144	0	536	114	1,794
Net book value at 31 March 2019	895	0	688	58	1,641

3.2.2 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

3.2.3 Economic Lives of Non-current Assets

	Min Life Years	Max Life Years
Intangible assets		
Software licences	2	3
Information technology	3	5
Property, Plant and Equipment		
Buildings excl. dwellings	6	8
Plant & machinery	5	5
Furniture & fittings	5	5
Information technology	3	5

Buildings excl. dwellings only include the cost of improvements to leasehold premises, which are written off over the term of the lease; hence the low values for minimum and maximum life.

3.3 Receivables		
	Current	Current
	31 March 2019	31 March 2018
	£000	£000
Trade receivables	58	18
Accrued income	71	0
Expected loss allowance - contract receivables	(4)	0
Prepayments	247	119
Other receivables	124	56
Trade and other receivables	496	193

NHS receivables comprise £102k (2018: £Nil) of the above balance

There are no non-current receivables

3.4 Cash and Cash equivalents		
	2018-19	2017-18
	£000	£000
Balance at 1 April 2018	0	0
Net change in the year	397	0
Balance at 31 March 2019	397	0
Comprising:		
	31 March 2019	31 March 2018
	£000	£000
Held with the Government Banking Service	397	0
Commercial banks and cash in hand	0	0
Cash and Cash equivalents as in Statement of financial position	397	0
Bank overdraft	0	0
Cash and Cash equivalents	397	0

£192,000 is held on deposit in a separate bank account on behalf of a third party under the Proceeds of Crime Act 2002. (2018: £191,000)

The Authority did not have its own operational bank account during 2017/18. 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 was therefore no closing operational bank balance held with the Government Banking Service.

3.5 Trade and other payables		
	Current	Current
	31 March 2019	31 March 2018
	£000	£000
Trade payables	39	21
Accruals	1,370	2,014
Other payables	5	93
Trade and other payables	1,414	2,128

NHS payables comprise £302k (2018: £827k), and capital payables comprise £390k (2018: £656k) of the above balance

There are no non-current trade and other payables

3.6 Provisions for liabilities and charges		
	Current 31 March 2019	Current 31 March 2018
	£000	£000
Other provisions	139	0
Total	139	0
	Non-current 31 March 2019	Non-current 31 March 2018
	£000	£000
Other	0	139
Total	0	139
	Other	Total
	£000	£000
At 1 November 2017	0	0
Arising during the year	139	139
At 1 April 2018	139	139
Arising during the year	0	0
At 31 March 2019	139	139
Expected timing of cash-flows:		
Within one year	139	0
Later than one year and not later than five years	0	139
Later than five years	0	0

Other provisions at 31 March 2019 relate entirely to Leasehold Property Decommissioning .

Contingencies at 31 March 2019

At 31 March 2019, there were no known contingent assets or liabilities (2018: nil)

3.7 Events after the reporting period

The financial statements are authorised for issue by the NHSCFA Accounting Officer and Board.
The authorised for issue date is the date of audit certificate.

3.8 Capital and financial commitments

The Authority had no contracted capital commitments or other financial commitments as at 31 March 2019 (2018: nil).

4.1 Movements in working capital

	2018-19	2017-18 5 months
	£000	£000
(Increase)/decrease in receivables within 1 year (Note 3.3)	(303)	(193)
Increase/(decrease) in payables within 1 year (Note 3.5)	(448)	1,472
Increase in receivables arising from absorption transfers (Note 2.5)	0	106
(Increase) in payables arising from absorption transfers (Note 2.5)	0	(1,163)
Total	(751)	222

4.2 Analysis of changes in net debt

	Cash flows	As at 31 March 2019 £000	As at 31st March 2018
	£000	£000	£000
GBS cash at bank	397	397	0
Commercial cash at bank and in hand	0	0	0
Bank overdraft	0	0	0
Total	397	397	0

4.3 Other cash flow adjustments

	2018-19	2017-18 5 months
	£000	£000
Depreciation	773	247
Amortisation	1,052	341
Impairments and reversals	68	0
(Profit)/Loss on disposal of assets	48	0
Provisions - Arising in Year	0	139
Total	1,941	727

5. Related Party Transactions

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

The parent department, 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.

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'	At 'amortised cost'	At 'fair value through other comprehensive income'	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
Trade receivables	0	58	0	58
Other receivables	0	191	0	191
Cash at bank and in hand	0	397	0	397
Total at 31 March 2019	0	646	0	646

6.2 Financial Liabilities

	At 'fair value through profit and loss'	'At amortised cost'.	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
Trade Payables	0	39	39
Other payables	0	5	5
Other financial liabilities	0	1,370	1,370
Total at 31 March 2019	0	1,414	1,414

6.3 Maturity of financial liabilities

	31 March 2019	31 March 2018
	£000	£000
In one year or less	1,414	2,128
In more than one year but not more than five years	0	0
In more than five years	0	0
Total	1,414	2,128

CCS 0619531574

ISBN 978-1-5286-1488-7