

FRAUD COUNTS

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Audit South West - delivering Counter Fraud and Internal Audit services for the NHS in the South West
Newcourt House, Newcourt Drive, Old Rydon Lane, Exeter, Devon EX2 7JQ

Procurement Fraud Newsletter

Editor's Comment

This is the first in a series of newsletters based on a theme - this one is about Procurement Fraud, which is an increasing and high value fraud risk. According to the University of Portsmouth's Centre for Counter Fraud Studies, the annual cost of public sector fraud in the UK could be as high as £49bn with procurement fraud being the biggest source, representing 88% of losses.

In this edition we have included three recent cases in the NHS and added some of the key points that can help prevent this type of fraud. Your Local Counter Fraud Specialist is always keen to discuss this area in more detail; their contact details are on the back page.

John Micklewright
Counter Fraud Manager, Audit South West

Senior Commissioner Jailed for Defrauding Bromley CCG of nearly £145,000

Noel Morrow, 47, of East Molesey, Surrey, was convicted of fraud by abuse of position. Morrow was employed at Bromley CCG and was responsible for the approval and management of funding for mental health 'cost per case' care packages for patients with learning disabilities.

The investigation began after Bromley CCG identified potential fraud through its monthly financial reporting controls and spotted a suspicious invoice after establishing the company was registered to Morrow's home address and a former address. All invoices from the Choice and Independence Care Solutions Ltd and Blue Gale Ltd were for services that were never delivered and payments of £144,986 were paid into a bank account owned by Morrow.



Image from www.thecommissioningreview.com

Morrow was handed a 2¼ year prison sentence and NHS Protect have already recovered £93,000.

To view the full of the article please see <http://www.nhsbsa.nhs.uk/5829.aspx>

Fraud may be reported anonymously by telephoning in confidence NHS Protect Fraud
Reporting Line 0800 028 40 40 or www.reportnhsfraud.nhs.uk or 0800 028 40 60

HELP STOP FRAUD

Examples of Procurement Fraud

Biased supplier selection

Giving information to the preferred supplier to position their bid successfully, introducing an unfair bias or element of the process to favour the fraudulent company, biased marking and evaluation of the tenders received to favour the fraudulent team.

“Corrupt” contract negotiation

Agreeing contractual arrangements that are not truly competitive or ignoring contract terms in a manner that favours the fraudster. Agreeing changes to the contract that, again, are not in the organisation’s best interests

Over charging or false payment

Invoicing for more than the actual amount provided, or for goods or services that were not provided at all. Invoicing at prices higher than agreed in the contract, over-buying and invoicing of goods or services that were provided but were not required. Fake invoices submitted from a fraudster that is not a supplier to the organisation.

Former NHS IT director jailed for corrupt NHS payments that cost a hospital £81,000



NHS trust director Peter Lewis (left) and
IT director Richard Moxon (right)
Photo from: www.bbc.co.uk

Peter Lewis, a former director of ICT at a Surrey NHS Trust and husband to the Trust’s former Chief Executive, pleaded guilty to corruption after receiving more than £74,000 from an IT company director in exchange for signing off a contract worth £950,000.

The company director, Richard Moxon, also pleaded guilty to corruption for the fraud.

Moxon was awarded a contract to provide software for records data at the hospital’s A&E department, which was said to be worth £950,000 for the first year.

The police said that Moxon submitted multiple invoices for £15,000, the highest amount Lewis could sign off for, from a number of different companies he controlled. In return, Moxon paid Lewis nine payments totalling £73,770 as well as a further payment of £7,200 to a stables that Lewis owed money to. Mr Lewis was overheard saying to Mr Moxon he could see how the proposal was of value to the trust but he couldn’t quite see how it would benefit him.

Although the Trust did recover some of the lost money by using some elements of the software in a new system in August 2012, it declared a loss of £433,000 on the project in the 2011-12 financial year.

The direct fraud against the hospital was almost £81,000.

Lewis was sentenced to 3½ years in prison. Moxon was sentenced to 14 months in prison.

Are you Concerned
About Fraud in the NHS?
We are on the case



'Dodgy Hodge' receives a 4 year sentence for claiming over £300k contractor fraud



Alan Hodge pictured here with his partner Lisa Green.
Picture from www.dailymail.co.uk

Alan Hodge, Dialysis Manager, based at Epsom and St Helier Trust and his accomplices defrauded the NHS of costs that were too extensive and complex to ever be precisely added up, but were estimated at around £300,000. The exact figure will be determined at a future confiscation hearing to get the money back.

Hodge was responsible for maintaining dialysis equipment at three sites and also visited patients' homes to decide what modifications would be needed for them to receive home dialysis and to procure the work required. He abused his position within the Trust by creating over 260 false and inflated invoices for work that was either not done or not necessary.

Further investigation established that he had been exploiting his position by engaging people he knew as contractors, ostensibly to carry out necessary work for the Trust. However, invoices were raised in their name for work which was either not done at all, done far more frequently than necessary and or was greatly overpriced.

Hodge received a 4 year prison sentence with his four accomplices receiving both prison sentences and community work.

To view the full article please see: www.nhsbsa.nhs.uk/5923

Key points that can help prevent this type of fraud

- Follow your organisation's policies.
- Involve your Procurement department in all expenditure.
- Use framework agreements or call off contracts wherever possible.
- Orders must be raised for all purchases of good and services.
- Ensure effective segregation of duties, with at least two people involved in the requesting, ordering and authorising of payments (invoices).
- Check that the work has been done!
- Declare any potential conflicts of interest as per your standards of business conduct guidance
- Similarly declare any offers of gifts/hospitality
- Imagine there was a Daily Mail reporter watching you.



Your Local Counter Fraud Team

Audit South West's Local Counter Fraud Specialists are fully accredited with the University of Portsmouth. We aim to prevent and deter fraud and hold those to account who commit fraud against the NHS.

If you would like to know more about our Counter Fraud work or arrange for your department to receive a Fraud Awareness Presentation, please contact your Local Counter Fraud Specialist (LCFS) below.

Regional Contact– Counter Fraud Manager		
Counter Fraud Manager		John Micklewright 07775 417508 jmicklewright@nhs.net
Truro Contact - LCFS		
Royal Cornwall Hospitals NHS Trust Cornwall Partnership NHS Foundation Trust South Devon and Torbay CCG		Gareth Cottrell 01872 258058 or 07814 002364 gareth.cottrell@nhs.net
Plymouth Contact - LCFS		
Devon Partnership NHS Trust Plymouth Hospitals NHS Trust Livewell Southwest		Tracy Wheeler 01752 431378 or 0778 986 8568 tracy.wheeler2@nhs.net
Torquay Contact - LCFS and CFA		
Torbay and South Devon NHS Foundation Trust New Devon CCG		Kevin Forrest 01803 656438 or 07585 405047 kevin.forrest@nhs.net
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Exeter Contact - LCFS		
Northern Devon Healthcare NHS Trust Royal Devon & Exeter NHS Foundation Trust Integrated Care 24 Herts Urgent Care		Mo Jackson 01392 356034 or 07824 606889 mo.jackson@nhs.net
Bristol Contacts - LCFS and CFA		
South Western Ambulance Service NHS Foundation Trust University Hospitals Bristol NHS Foundation Trust Weston Area Health NHS Trust Bristol CCG North Somerset CCG South Gloucestershire CCG North Somerset CCG		Sandra Bell 01173 420838 or 07795 953101 sandra.bell5@nhs.net
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