

**National Association of Voluntary  
Services Managers**

Fraud Awareness Presentation 30 September 2016

# National Association of Voluntary Services Managers

## Presenter

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Audit Advisory

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# National Association of Voluntary Services Managers

## Session Aims

### **Part One: Knowledge Quiz**

### **Part Two:**

Introduction to legal offence of fraud

Discussion on how fraud manifests itself in wider NHS

Insights into the type of fraud VPM specifically should be aware of

Steps to prevent, detect and deter fraud.

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## Quick Quiz – Fraud Awareness

What percentage does the typical organisation lose of its annual revenue due to fraud?

1. 0.25%
2. 1%
3. 5%
4. 8%

Answer: 3 – ACFE estimates 5%

BBC Panorama March 2014: Fraud losses in the NHS at **£5 billion**.

The areas with the highest estimated losses to fraud and error are:

- **Payroll**, at between **£555 million** and **£1.49 billion** - where scams included false allowance claims, false expense claims and inflated timesheets; and
- **Procurement scams**, such as under-providing goods and services, was estimated to cost between **£1 billion** and **£1.27 billion**

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## Quick Quiz – Fraud Awareness

Which of the following statements is FALSE?

- A** The cost of frauds committed by managers and directors is higher than those carried out by other employees,
- B** The cost of frauds committed by men is higher than those committed by women,
- C** The cost of frauds committed by people over the age of 60 is less than the cost of frauds carried out by people under 26,
- D** The cost of frauds committed by people with university education is higher than the cost of frauds carried out by people without university education.

Answer: C. It is **29 times** higher.

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## Quick Quiz – Fraud Awareness

In a poll conducted by YouGov what percentage of respondents stated it was acceptable to submit fraudulent expense claims:

1. 1%
2. 10%;
3. 20%
4. 25%;
5. 33%

Answer: It varies! The survey was of **2,130 UK** adults and found:

One in five (**20%**) believe its acceptable *'when working long hours without overtime'*.

One in four (**25%**) judge it acceptable when the *'mileage rate paid doesn't cover the actual car and fuel costs'*.

Significantly the same report also shows:

One in twenty (6%) public sector employees admitted fiddling expense claims in the last year compared with one in eight (13%) in large (250 – 749 employees) enterprises and one in seven (13%) in the voluntary sector.

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## Quick Quiz – Fraud Awareness

What is the most common behavioural warning flag displayed by a fraudster?

1. Living beyond apparent means
2. Financial difficulties
3. Unusually close relationship with vendor or customer
4. Excessive control issues
5. 'Wheeler dealer' attitude to work
6. Recent divorce or family problems

Answer: 1 – ACFE 2016: **45.8%** of fraudsters were known to live beyond their apparent means.

Approximately **79%** of the perpetrators in the ACFE study displayed at least one of these six red flags during their schemes.

These 6 'red flags' has been consistent identified as the most common behaviours since 2008.

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## Quick Quiz – Fraud Awareness

The most effective anti-fraud controls in reducing the value of fraud losses are:

1. Surprise audits
2. Job rotation / Mandatory vacation
3. Implementation of a confidential reporting hotline
4. Fraud training for management and Executives

Answer: 1: 66% reduction in anti-fraud loses



What is fraud?

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## Key Fraud Offences

### **False representation**

Making a representation that is known to be untrue or misleading, or being aware that it might be:

*e.g. inflation of expense claim or submission of false sick note*

### **Failing to disclose information**

Failing to disclose information when there is a legal duty to do so, by statute, or contractually.

*e.g. purposeful omission of criminal convictions or legal status to work on an application form.*

### **Abuse of position**

Failing to safeguard the assets or act in the interests of a person when expected to do so.

*e.g. creation of a 'ghost employee' by a payroll clerk.*

# Fraud in the NHS / Charity Sector

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## The NHS is subject to fraud...

**September 2016** A locum doctor cost the NHS £13,000 in false timesheets over a period of two months, forging the signatures of three consultants to support his claim. He was sentenced to 8 months imprisonment and recovery of assets.

**August 2016** A woman provided false identity documents and fake references to secure work in the NHS where she was employed for 8 years and earned £93,000. She was jailed for 16 months.

**June 2016** A gynaecologist defrauded the NHS of £75,600 by working while sick was found guilty of fraud and ordered to repay the full amount owing. He worked in a number of hospitals while on paid suspension and sick leave. has been given a Confiscation Order for the full amount of the fraud.

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## The NHS is subject to fraud...

**May 2016** A cardiac physiologist lied about his qualifications and defrauded the NHS of £287K working at a Band 8A post. He was sentenced to three years' imprisonment for each charge – to run concurrently - and must serve at least 18 months in jail before being considered for release on license.

**May 2016** A temporary worker abused his position to steal nearly £7,000 from a charity for patients and received a 12 month jail sentence. On at least 22 occasions he either submitted a false request for charitable funds, altered a genuine request, or failed to pay the applicant their grant.

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The Charity Sector is not immune either...

A **Chief Executive** of a Hampshire disability charity stole over £3k through 65 fraudulent expense claims submitted over a 3 year period – often tearing of the top of receipts to conceal the merchants details.

At a Birmingham church the **Treasurer/ trustee** stole £186K. He was a former Magistrate and Bishop of the church. He was sentenced to two years for stealing £14,000 from petty cash, transferring £15,000 from a church bank account, and cashing £157,000 of cheques. The judge said, *"You were able to take the money because of the high degree of trust that was placed in you by your church. ... You had effective control of the bank accounts, which enabled you to fool a co-signatory into signing blank cheques."*

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The Charity Sector is not immune either...

A **trusted volunteer** with a gambling habit stole more than £1,000 over a five-month period. Suspicions arose when a new manager noticed that the store's annual profits had halved. A hidden camera was installed which caught the fraudster failing to register sales through the till and then stealing the cash. He was given a 12-month community order and told to pay £800 in compensation.

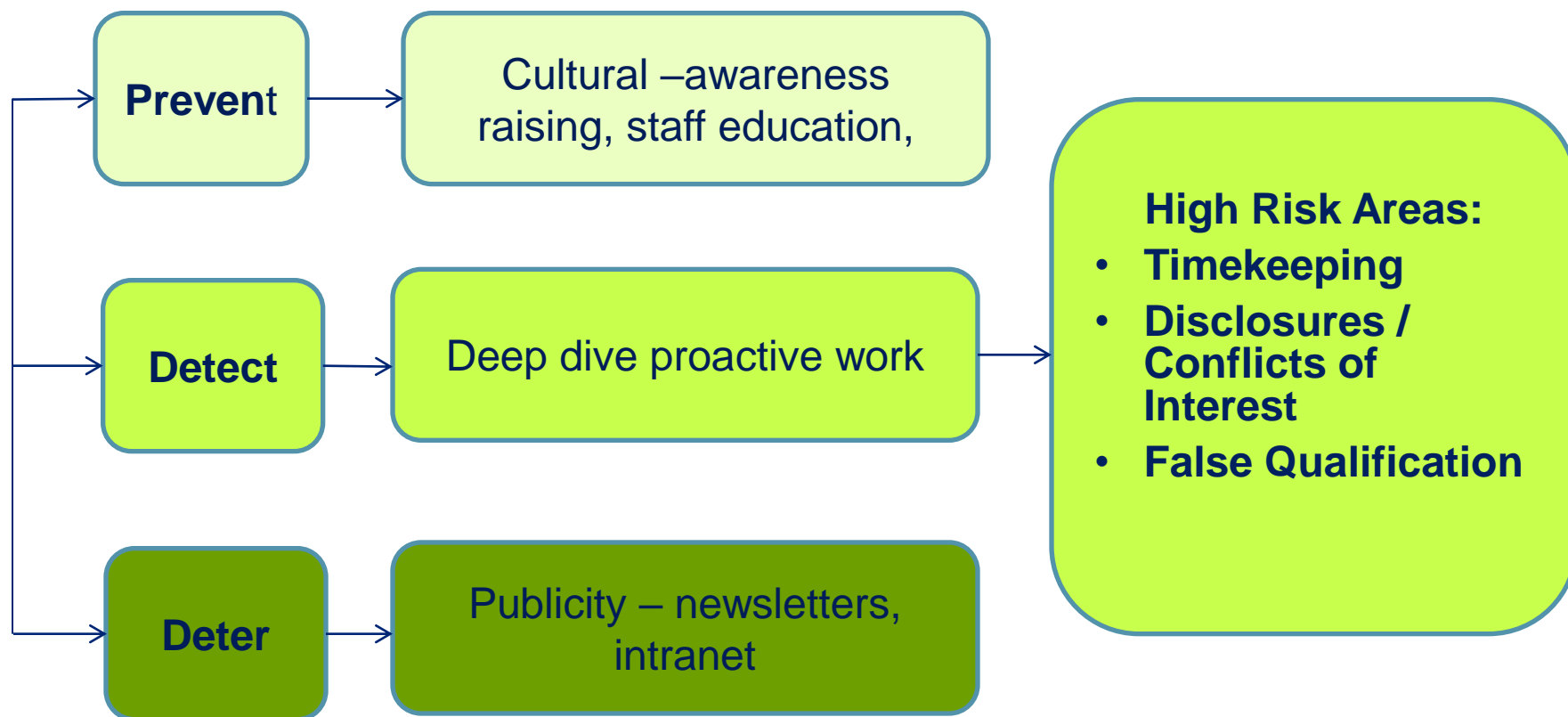
A former **chief cashier**, stole donations worth more than £800,000 by intercepting postal orders and cheques and then changing the name of the payee. He bought a luxury house, a villa, cars and various investments. He was jailed for six years.

# Prevention, Detection and Deterrence



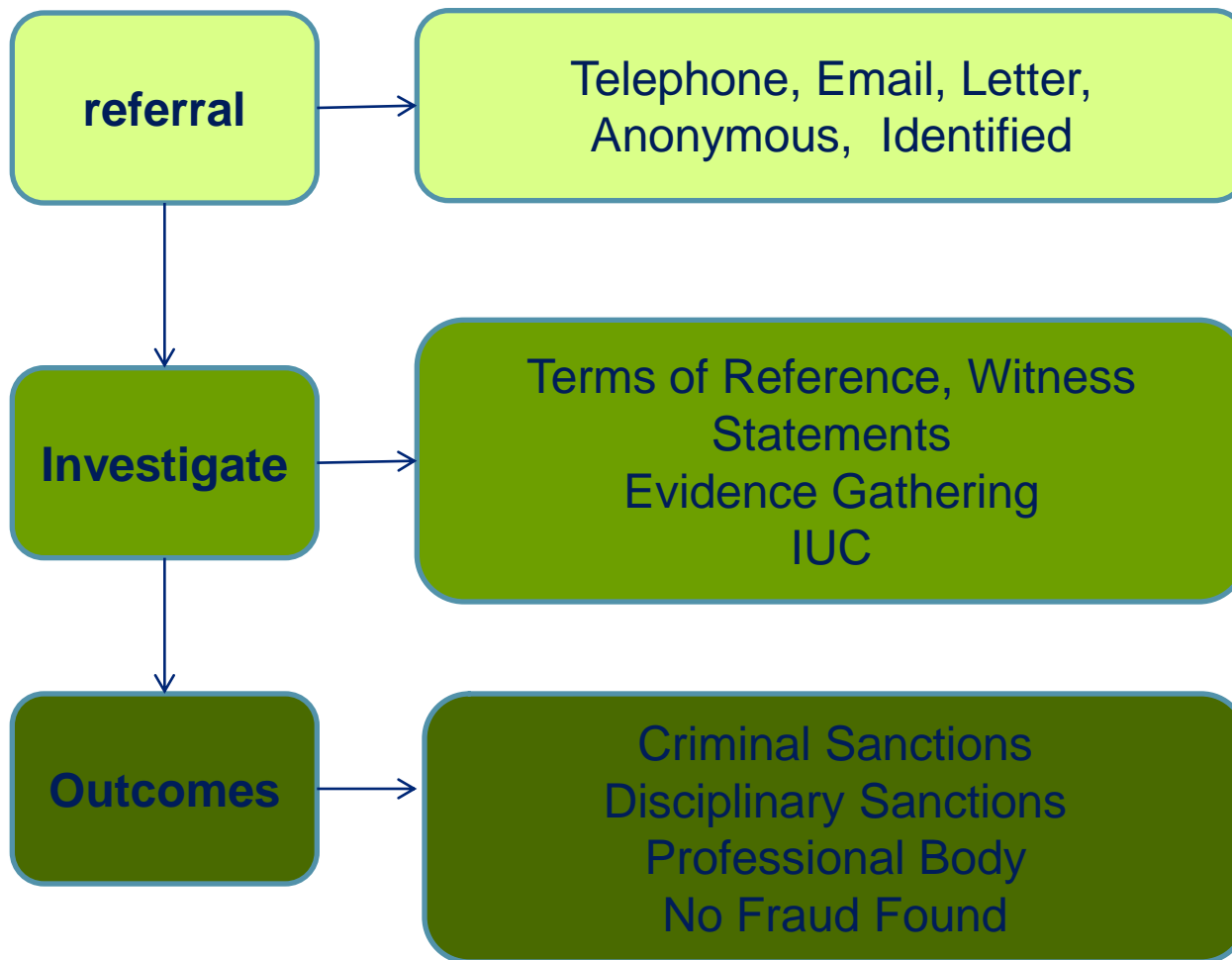
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## LCFS Proactive Work Plan



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## Reactive LCFS Work – Investigations



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## Voluntary Services Effective Controls:

- Perform proper **due diligence** on all staff and recruitment matters. Basic screening of candidates should include the following.
  1. Ask to see original **identity** documents. (If you're not sure about authenticity use a document verification service.)
  2. Check **qualifications**, either directly through the issuing college/university or via the Higher Education Degree Datacheck service, the UK's official degree verification service.
  3. Check work history by taking up **references**, calling referees and probing employment gaps.
  4. Explore opportunities to **share your data** with other organisations so that a fraudster can't just hop from one charity to another without being recognised. There are established schemes to help you do this.
- Ensure your entire team are aware of the role of the LCFS and **key policies** including the:
  1. Counter Fraud Policy
  2. Code of Conduct
  3. Declarations of Interests Policy
- Undertake a **Fraud Risk Assessment** to identify your vulnerabilities and assess the controls in place. Work with your LCFS

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## In the event of a suspicion:

- **Report suspicions immediately** to your LCFS / DoF / FCRH (0800 028 40 60) or online [www.reportnhsfraud.nhs.uk](http://www.reportnhsfraud.nhs.uk)
- Do not try to investigate yourself
- Consider carefully who may be implicated and **do not** confront the individual to demand an explanation.
- Do not try to gather evidence without liaising with the LCFS / obtaining specialist support.
- Don't write on prime evidence.
- Don't go '**snooping**' on the individual without authority.

## Remember...

- Be seen to do the right thing: YOU shape the culture of your Trust



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