

Dear Colleague

REVISED SCOTTISH FINANCIAL RETURN (SFR) 18: ENHANCED REPORTING OF NHS FRAUDS AND ATTEMPTED FRAUDS

1. This letter updates CEL (44) 2008 and the instructions annexed to that CEL, in light of experience of the first 18 months of reporting by NHS bodies of NHS frauds and attempted frauds, using revised form SFR 18.

Background

2. The aim of introducing revised form SFR 18, as reported in CEL (44) 2008, was to provide more comprehensive and harmonised reporting of NHS frauds and attempted frauds. Frauds are not static and it is important that the Scottish Government and NHSScotland Counter Fraud Services have as complete a picture as possible of the extent and nature of NHS frauds and attempted frauds in their widest sense. Knowledge of these will feed in to the Scottish Government's overall strategy to combat NHS fraud and help us to adjust existing, and introduce new, counter fraud measures.

3. Last financial year, NHS Boards and special Health Boards provided comprehensive information to NHSScotland Counter Fraud Services (CFS) on instances of fraud or attempted fraud for which there was evidence to the criminal standard. This does not however constitute a comprehensive picture. What we are looking for is the reporting of all forms of irregular activity which suggest that fraud may have taken place, even if the evidence is not of a standard that can be used for prosecution. Examples include cases of "health tourism" fraud (i.e. overseas visitors using NHS services inappropriately – see Footnote 2 in the 18.2 pro forma at Annex D), or cases involving potentially fraudulent activity which are referred for internal discipline, to the professional regulatory bodies or to the NHS Tribunal or cases where it could not be definitively established whether the loss was attributable to fraud or to error.

4. All of the items reported in form SFR 18.2 (formerly 18.1(c)), which has now been amended, will fall within the broad definition of "fraud/attempted fraud" although there is a separate code for each activity, including a new code to cover "other irregularities" which has been added in to the accompanying amended instructions. The heading for items 8-13 of form SFR 18.1 has also been amended

CEL 10 (2010)

29 March 2010

Addresses

For action

Finance and HR Directors,
NHS and special Health
Boards, NHS National
Services Scotland
Family Health Service
leads, NHS Boards

For information

Audit Committee Chairs,
Chief Internal Auditors,
Fraud Liaison Officers,
Employee Directors NHS
and special Health Boards
and NHS National Services
Scotland

Auditor General

NHSScotland Counter
Fraud Services

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to harmonise with this. The revised forms for use in financial year 2010-2011 onwards, together with the related guidance, are annexed to this letter. Additionally, in a further annex (Annex E), CFS have provided an example of a completed SFR 18.2 to help Boards report more fully the information required.

5. Audit Scotland has been consulted on the changes.

Action

6. Directors of Finance and Directors of Human Resources in NHSScotland bodies are asked to:

- note that SFR18 and accompanying instructions have been revised;
- note the illustrative example of the SFR 18.2 completed by CFS;
- use the revised SFR 18 forms from financial year 2010-2011 onwards to gather and record in full the information required on frauds/attempted frauds;
- ensure that the requirements for reporting quarterly as requested in CEL 14 (2008) are properly fulfilled, and that final summaries are forwarded to CFS by 16 April 2010 at the latest on the existing SFR 18s but ensuring that the cases reported go wider than those where evidence is to the criminal standard;
- thereafter forward the required information to NHSScotland Counter Fraud Services on a quarterly basis to enable completion of revised form SFR 18.2 for each Board; and
- note that completed SFR 18 forms should accompany the annual health Board accounts when forwarded to the Scottish Government Health Directorates rather than forming part of these.

7. The Head of Service, CFS, is asked to:

- complete an SFR 18.2 on behalf of each Board based on the returns from Boards on frauds/attempted frauds and on CFS's own counter fraud actions;
- where returns appear to be incomplete, resolve any issues with the Director of Finance of the relevant Board;
- forward the completed SFR18.2 to the Director of Finance at each Board in accordance with the Annual Accounts timetable; and
- forward all completed Board SFR 18.2 forms to Audit Scotland along with all covering letters for circulation to auditors.

Yours sincerely



JOHN MATHESON

Director of Health Finance

LOSSES AND SPECIAL PAYMENTS

INTRODUCTION

SFR 18.0 is used to record a summary of **all** losses and special payments incurred by Boards, including those separately disclosed in SFR 18.1. The form is completed manually, as it would not be practical to allocate account codes and line narratives to cover every eventuality. The form is a memorandum form, actual costs being charged as required in the accounts. The guidance detailed in NHS Circular 1985 (GEN) 17 on losses and special payments in the hospital service and should be applied to all the services of the Board.

If no losses have been incurred in the year of account, SFR 18.0 should still be provided as a 'nil' return.

Definition of a case

It is essential that accurate figures are entered against each item in the 'number of cases' column, and the following definitions of 'a case' supplement the notes to Appendix I of SHM 69/1964:

- **Theft (excluding fraudulent)/ Arson / Wilful Damage**

Losses arising from the same incident, irrespective of the number of persons involved, should be treated as one case. Thefts involving involving falsification of documentation should be classed as fraudulent and reported in the following category.

- **Fraud/ Embezzlement / Corruption / Theft (where documentation has been falsified) & attempts to perpetrate any of these activities**

Losses arising from the same incident, irrespective of the number of persons involved, should be treated as one case. Theft is included in this category as fraudulent where deliberate deception through falsification of documentation is involved. This category should include attempted cases as well as those actually perpetrated and details should be provided in **SFR 18.2**.

- **Nugatory and Fruitless Payments**

All payments in respect of the same item should be counted as one case.

- **Claims abandoned**

All claims - including RTA claims waived under paragraph 3(e) of Circular No 1981 (GEN)29 - in respect of each individual debtor should be counted as one case.

The amount to be shown against Line 15(a) should be in respect of patients who have occupied a private bed and not paid the account which has subsequently been abandoned by the NHS Board.

- **Stores losses**

The total net losses under each subhead at any on hospital within the year should be treated as one case. This applies even if there have been two or more stock takes carried out during the year. Losses in different departments of the same hospital, disclosed at stocktaking or physical check, should not be counted separately.

- **Losses of Furniture & Equipment and Bedding & Linen in circulation**

The total net losses under each subhead at any on hospital within the year should be treated as one case. This applies even if there have been two or more physical checks carried out during the year. Losses in different departments of the same hospital, disclosed at physical check, should not be counted separately.

Guidance is given for the control of bedding and linen in NHS Circulars 1976 (GEN)80 and in 1982 (GEN)1, including identification of losses to be reported on SFR 18.0. Linen in stores losses to be reported in lines 16 - 19, as appropriate. Theft/Arson/Wilful Damage to Linen to be reported in line 7. Losses of Bedding and Linen in circulation should be valued at 50% of the current replacement cost.

- **Compensation payments - legal obligation**

Payments made under legal obligation, in terms of the Dear Treasurer letter of 1 June 1990, ref. GEJ/6/1 should be recorded at Line 23 or 24. The corresponding Detail Codes are 3934, 5532 and 5533.

The gross amount of the compensation payment should be shown here notwithstanding that the charge in the accounts may be reduced to reflect the central contribution from the CNORIS scheme in line with the current limits.

- **Ex-gratia payments**

Payment of extra contractual sums to contractors should be treated as ex-gratia payments and recorded at line 25 of SFR 18.0.

Compensation payments which are genuine ex-gratia in terms of paragraph 9(ii) of memorandum SHM69/1964 should be recorded at Line 26 or 27. The corresponding Detail Codes are 3932 and 5531.

- **Damage to Buildings and Fixtures**

The total net losses arising from the same incident should be treated as one case.

- **Extra-Statutory & Extra-regulatory Payments**

Boards should only make such payments that have specific approval of Scottish Ministers.

- **Gifts in cash or kind**

The total gift arising from the same decision should be treated as one case. Boards should however consider making gifts appropriate to their functions in recognition of benefits received.

- **Other Losses**

Those losses which do not broadly fall within the above definitions and which would have previously been defined as "Cash Losses – overpayments of salaries, wages and allowances" or "Cash Losses – Other" should be included within this heading. The total net losses arising from the same incident should be treated as one case.

LOSSES AND SPECIAL PAYMENTS

Further Requirements

Losses Register

In all cases, losses should be recorded in the Losses Register and reported in the year in which they are discovered even if it is considered that there is a possibility of recovery. The losses on SFR 18.0 should be an abbreviated extract of the entries in the Losses Register.

Losses - charging in accounts

All losses should be reported in SFR 18 as a memorandum and charged to the accounts only where appropriate. Note that although the charge in the accounts may be net of recovery or a contribution from the Scottish Government or other NHSScotland body, SFR 18 should normally show the gross amount of the loss.

Prosecution/Other Actions

Where details are given of losses due to theft, arson etc, a note should be added indicating that prosecution has been or will be undertaken wherever appropriate or practicable. With respect to fraud/attempted fraud, actions taken or in prospect, such as prosecution, discipline or recoveries, should be noted on SFR 18.2.

Road Traffic Acts

For accidents occurring on or after 1 April 1980 Boards are authorised to waive claims under the Road Traffic Act 1960, against insurance companies as provided for in paragraph 3(e) of NHS Circular No 1980(GEN)8 up to a maximum limit of £1,381.75 without reference to the Department. From 5th April 1999 new central arrangements came into effect. MEL (1999)2 dated 12th January refers.

Recovered losses

Losses of any kind which have been fully recovered in the same financial year as the loss was incurred should still be recorded on SFR 18.0. Losses which have been partly recovered in the same year of account as the incident causing the loss should be recorded gross against the appropriate item. It should be noted that moneys accruing to staff during suspension prior to dismissal, or otherwise not earned, cannot be used to reduce the gross amount of a loss; such moneys, if recorded in the accounts as expenditure, should be credited to the appropriate head, e.g. salaries and wages. Recovery from a third party may be applied towards the cost of reinstating the damage or replacing the damaged items leaving only the net cost as expenditure, if the recovery is received in the same year of account as the payment for replacement is made. Otherwise recoveries should be treated as Income.

Current and prior year totals

The total amount of each loss should be entered, not merely the amount applicable to the year of account.

SFR 18.0 PRO FORMA

	[Insert Board name]		SFR 18.0
	SUMMARY OF LOSSES AND SPECIAL PAYMENTS		
	FOR THE YEAR ENDED 31 MARCH 2009		
ITEM NO.		NO. OF CASES	TOTAL £
	Theft / Arson / Wilful Damage		
1	Cash	0	0
2	Stores/procurement	0	0
3	Equipment	0	0
4	Contracts	0	0
5	Payroll	0	0
6	Buildings & Fixtures	0	0
7	Other	0	0
	Fraud / Embezzlement / Corruption / Theft (where documentation has been falsified), & attempts to perpetrate any of these activities		
8	Cash	0	0
9	Stores/procurement	0	0
10	Equipment	0	0
11	Contracts	0	0
12	Payroll	0	0
13	Other	0	0
14	Nugatory & Fruitless Payments	0	0
15	Claims Abandoned:		
	(a) Private Accommodation	0	0
	(b) Road Traffic Acts	0	0
	(c) Other	0	0
	Stores Losses:		
	Incidents of the Service		
16	- Fire	0	0
	- Flood	0	0
	- Accident	0	0
17	Deterioration in Store	0	0
18	Stocktaking Discrepancies	0	0
19	Other Causes	0	0
	Losses of Furniture & Equipment and Bedding & Linen in circulation:		
20	Incidents of the Service – Fire	0	0
	- Flood	0	0
	- Accident	0	0
21	Disclosed at physical check	0	0
22	Other Causes	0	0
	Compensation Payments - legal obligation		
23	Clinical	0	0

24	Non-clinical	0	0
	Ex-gratia payments:		
25	Extra-contractual Payments	0	0
26	Compensation Payments - ex-gratia - Clinical	0	0
27	Compensation Payments - ex-gratia - Non Clinical	0	0
28	Compensation Payments - ex-gratia - Financial Loss	0	0
29	Other Payments	0	0
	Damage to Buildings and Fixtures:		
30	Incidents of the Service – Fire		
	- Fire	0	0
	- Flood	0	0
	- Accident	0	0
	- Other Causes	0	0
31	Extra-Statutory & Extra-regulatory Payments	0	0
32	Gifts in cash or kind	0	0
33+	Other Losses	0	0
	Total	0	0

LOSSES AND SPECIAL PAYMENTS

DELEGATED AUTHORITY

Losses which are above the limit of the amounts delegated to the Board will require to be approved by the SGHD at the time of discovery. Application for write-off authority should follow as soon as the full facts of the losses have been established, and should not be delayed until the annual accounts are submitted. The details of the amounts delegated for Boards to authorise for each of the classes of loss as reported in SFR 18 are shown below.

Item No.	Category	Delegated Authority (per case) £		
		Category 1 Board	Category 2 Board	Category 3 Board
	Theft / Arson / Wilful Damage			
1	Cash	20,000	15,000	10,000
2	Stores/procurement	40,000	30,000	20,000
3	Equipment	20,000	15,000	10,000
4	Contracts	20,000	15,000	10,000
5	Payroll	20,000	15,000	10,000
6	Buildings & Fixtures	40,000	30,000	20,000
7	Other	20,000	15,000	10,000
	Fraud / Embezzlement / Corruption / Theft (where documentation has been falsified), & attempts to perpetrate any of these activities			
8	Cash	20,000	15,000	10,000
9	Stores/procurement	40,000	30,000	20,000
10	Equipment	20,000	15,000	10,000
11	Contracts	20,000	15,000	10,000
12	Payroll	20,000	15,000	10,000
13	Other	20,000	15,000	10,000
14	Nugatory & Fruitless Payments	20,000	15,000	10,000
15	Claims Abandoned			
	(a) Private Accommodation	20,000	15,000	10,000
	(b) Road Traffic Acts	40,000	30,000	20,000
	(c) Other	20,000	15,000	10,000
	Stores Losses			
16	Incidents of the Service – - Fire	40,000	30,000	20,000
	- Flood	40,000	30,000	20,000
	- Accident	40,000	30,000	20,000
17	Deterioration in Store	40,000	30,000	20,000
18	Stocktaking Discrepancies	40,000	30,000	20,000
19	Other Causes	40,000	30,000	20,000
	Losses of Furniture & Equipment And Bedding & Linen in circulation:			

ANNEX C

20	Incidents of the Service - Fire	20,000	15,000	10,000
	- Flood	20,000	15,000	10,000
	- Accident	20,000	15,000	10,000
21	Disclosed at physical check	20,000	15,000	10,000
22	Other Causes	20,000	15,000	10,000
	Compensation Payments - legal obligation			
23	Clinical *	250,000	250,000	250,000
24	Non-clinical *	100,000	100,000	100,000
	Ex-gratia payments:			
25	Extra-contractual Payments	20,000	15,000	10,000
26	Compensation Payments - Ex-gratia - Clinical *	250,000	250,000	250,000
27	Compensation Payments - Ex-gratia - Non Clinical *	100,000	100,000	100,000
28	Compensation Payments - Ex-gratia - Financial Loss *	25,000	25,000	25,000
29	Other Payments	2,500	2,500	2,500
	Damage to Buildings and Fixtures:			
30	Incidents of the Service			
	- Fire	40,000	30,000	20,000
	- Flood	40,000	30,000	20,000
	- Accident	40,000	30,000	20,000
	- Other Causes	40,000	30,000	20,000
31	Extra-Statutory & Extra-regulatory Payments	Nil	Nil	Nil
32	Gifts in cash or kind	20,000	15,000	10,000
33	Other Losses	20,000	15,000	10,000

Category 1 Boards - NHS Greater Glasgow and Clyde and NHS Lothian
Category 2 Boards - Remaining Regional Boards, NSS and Scottish Ambulance Service
Category 3 Boards - Island Boards and Remaining Special Health Boards

* This delegated limit was revised as at 1st August 2001 HDL (2001)65

A separate return (**SFR 18.1**) should be made listing all cases summarised on SFR 18.0 where authority for a write-off is approved for those cases above the delegated authority. The return should identify the date the authority was granted.

Boards should provide the total cost of each case and give a brief description of the nature of the loss. These details should be classified according to the types of losses within the delegated authorities shown above.

LOSSES AND SPECIAL PAYMENTS

FRAUD / EMBEZZLEMENT / CORRUPTION / THEFT (WHERE DOCUMENTATION HAS BEEN FALSIFIED)

NHSScotland Counter Fraud Services (CFS) – completion of SFR18.2

From 1 April 2010, as indicated in paragraph 6 of this CEL, NHS Boards are asked to use the revised SFR 18 forms from financial year 2010-2011 onwards to gather and record in full the information required on frauds/attempted frauds. CFS will be asked to complete form SFR18.2 for each Board. This will provide enhanced reporting of NHS Frauds and attempted frauds. Boards should forward information on a quarterly basis to enable CFS to complete their details. The completed forms, together with other Scottish Financial Returns, should accompany the Annual Accounts submitted to the Scottish Government, although they do not form part of them.

Completion

NHSScotland Counter Fraud Services will complete Form 18.2 on behalf of Boards based on the returns from Boards on frauds/attempted fraud identified/actioned by them and on CFS' own fraud actions. The completed form will be forwarded to Boards in accordance with the Annual Accounts timetable.

Recording

Where a fraud or attempted fraud has no attributable monetary value (e.g. in the falsification of job references uncovered before employment commences) the case will be recorded with a value of 'n/a'.

Classification

1. Fraud
2. Attempted Fraud
3. Embezzlement
4. Attempted Embezzlement
5. Corruption
6. Attempted Corruption
7. Theft (where documentation has been falsified)
8. Attempted Theft (where documentation has been falsified)
9. Other Irregularities (monies inappropriately claimed or paid but where there is insufficient evidence to establish whether the loss was attributable to fraud or error)

Loss Area

1. Cash
2. Stores/procurement
3. Equipment
4. Contracts
5. Payroll
6. Other

General

SGHD wish to obtain as full a picture as possible of frauds committed or attempted against the NHS. Consequently, where an unusual fraud or attempted fraud is identified, a description should be listed in the Classification column alongside the number corresponding to the category. It is accepted that certain frauds can only be measured on a national basis. For this reason, CFS will supply SGHD with such national data separately from individual Board SFRs.

SFR 18.2 Pro Forma

[Insert Board Name]		SFR 18.2		
1,2 DETAILS OF LOSSES DUE TO NHS FRAUD, EMBEZZLEMENT, CORRUPTION, OTHER IRREGULARITIES AND ANY ATTEMPTS AT THESE ACTIVITIES				
Case No.	Class.	Loss Area No.	Value of Loss/Potential Loss £	Sanctions / Actions Taken / Recoveries (type/outcome)

Footnotes:

¹ All categories combined comprise fraud/attempted fraud. If in doubt about selection of a category, please contact one of CFS's regional operational managers to discuss: tel: 01506 705 221 (East), 01506 705 226 (West).

² Health tourism cases should be included where treatment costs were not paid before, during or immediately after NHS treatment by an overseas visitor who should pay.

**LOSSES AND SPECIAL PAYMENTS
EXAMPLE SFR 18.2**

[Insert Board Name]					SFR 18.2				
1.2 DETAILS OF LOSSES DUE TO NHS FRAUD, EMBEZZLEMENT, CORRUPTION, OTHER IRREGULARITIES AND ANY ATTEMPTS AT THESE ACTIVITIES									
Case No.	Class.	Loss Area No.	Value of Loss/Potential Loss £	of	Sanctions / Actions Taken / Recoveries (type/outcome)				
ALPHA 0001/DSC/09	9	6	£2,307.95		Dentist inappropriately claimed recalled attendance fees. INAPPROPRIATE CLAIM – Repaid full amount. Board sent the contractor a warning letter.				
BRAVO 0002/MSS/09	9	6	£20,000		Individual submits false qualifications and by doing so secures employment with Health Board. CRIMINAL – CFS have undertaken an investigation and reported the matter to the Procurator Fiscal. (Note. In this case the work was carried out by the individual but the individual secured the post by fraudulent means. The loss recorded is the annual salary paid)				
CHARLIE 0003/MSS/09	1	6	£7,000		Allegation that staff at a surgery were accepting money to register patients with the practice who were not normally resident in the UK or entitled to receive treatment or services under NHS provisions without charge. INAPPROPRIATE CLAIM – Pending with Board.				
DELTA 0004/MSS/09	1	4	Unknown		Locum consultant allegedly working for a private hospital at times when he was contracted to be working for the Board. DISCIPLINE (REGULATORY) – Referred to GMC. INAPPROPRIATE CLAIM – Being pursued by Board.				
ECHO 0005/OSC/09	9	6	£3,242.30		Proactive Project. An optician inappropriately claimed for small frame supplements. INAPPROPRIATE CLAIM – Repaid full amount.				
FOXTROT 0006/PSC/09	9	6	£18,257.26		Pharmacist allegedly claimed for items not provided to patient. DISCIPLINE (REGULATORY) – Pending with Board. INAPPROPRIATE CLAIM – Being pursued by Board.				
0007/BAS/09	9	6	£1,611.01		Employee working whilst off sick. INAPPROPRIATE CLAIM – Repaid full amount. CFS reported back to Board and CFS recommendation implemented.				
GOLF 0008/BAI/09	9	6	£12,528.62		GP allegedly claimed that he resided at a hospital when he had, in fact, been absent and not immediately available for patient care on site. DISCIPLINE (INTERNAL) – Pending with Board. DISCIPLINE (REGULATORY) – Pending with Board. INAPPROPRIATE CLAIM – Pending with Board.				
0009/REF/09	9	6	£52.97		Former employee working whilst off sick.				

[Insert Board Name]				SFR 18.2
^{1,2} DETAILS OF LOSSES DUE TO NHS FRAUD, EMBEZZLEMENT, CORRUPTION, OTHER IRREGULARITIES AND ANY ATTEMPTS AT THESE ACTIVITIES				
				CFS reported back to Board.
0010/REF/09	9	6	£90	Employee had been submitting duplicate claims for out-of-hours work. DISCIPLINE (INTERNAL) – Internal investigation deemed that no further action taken and suspension from duty was lifted.
HOTEL 0011/BSO/09	2	6	£43,289	A non-NHS employee deceived an NHS employee to transfer NHS monies to his personal bank account instead of his employer's business account. CRIMINAL - CFS have undertaken an investigation and reported that matter to the police as the individual has defrauded others.
0012/BAI/09	9	6	Unknown	Employee allegedly undertakes private work, during NHS time, which involves typing letters and arranging appointments etc. CFS reported back to Board.
0013/BAI/09	9	6	£100	Nursing auxiliary submitted a medical certificate whilst working bank shifts. Management intervention undertaken by the Board.
0014/BAI/09	9	6	£20,000	GP working whilst off sick. DISCIPLINE (INTERNAL) – Pending with Board.
0015/BAI/09	9	6	£500	Employee working whilst off sick. CFS reported back to Board. INAPPROPRIATE CLAIM – Pending with Board.
0016/BAI/09	9	6	Unknown	Domestic staff found to have left work early on numerous occasions. CFS reported back to Board. INAPPROPRIATE CLAIM – Pending with Board.
INDIA 0017/BAI/09	9	6	£10,000	Consultant processing private patients as NHS patients. INAPPROPRIATE CLAIM – Repaid - £10,000 DISCIPLINE (INTERNAL) – Pending case with Board. DISCIPLINE (REGULATORY) – Pending with Board.
0018/PAC/09 0019/PAC/09 0020/PAC/09 0021/PAC/09 0022/PAC/09	9	6	£66,113.14	Five overseas visitors.

Footnotes:

¹ All categories combined comprise fraud/attempted fraud. If in doubt about selection of a category, please contact one of CFS's regional operational managers to discuss: tel: 01506 705 221 (East), 01506 705 226 (West).

² Health tourism cases should be included where treatment costs were not paid before, during or immediately after NHS treatment by an overseas visitor who should pay.