

# **PO vs non-PO report of findings for CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD**

Preventing procurement fraud  
Organisation-specific feedback

**September 2022**

**Version 1.0**

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



## Version control

Version	Name	Date	Comment
1.0	Fraud Prevention Team	14/09/2022	

Table of Contents

Introduction..... 4

How to use this report..... 5

Overall PO vs non-PO spend ..... 6

Financial Vulnerability Exposure..... 7

Spend Category ..... 8

Conclusion ..... 12

Recommendations and Action Plan ..... 13

Resources ..... 15

## Introduction

1. NHS Counter Fraud Authority (NHSCFA) has previously reported in *Preventing procurement fraud in the NHS: Findings from a national proactive exercise*<sup>1</sup> that procurement fraud has been and remains an issue of concern across the whole of the NHS. Despite it being a huge area of spend and activity and crossing all sectors of the NHS, there is still a low level of fraud reporting. This has been the driver for NHSCFA making procurement fraud prevention a priority. NHSCFA estimated the financial loss to fraud, wastage and error from procurement and commissioning budgets to be approximately £300.4 million for the 2019/20 financial year.
2. In May 2019, NHSCFA launched a three-part National Proactive Exercise (NPE) directed at building a more accurate understanding of procurement fraud financial vulnerability exposure (FVE) and tackling fraud risk vulnerabilities within NHS procurement systems, informed by an earlier sample pilot exercise. By asking NHS organisations to undertake local proactive activity we sought to improve NHSCFA's understanding of procurement fraud risk vulnerabilities. The NPE measured three procurement fraud risk areas (disaggregate spend, contract management, and purchase order (PO) vs non-PO spend) and identified approximately £6.06 billion of potentially vulnerable spend.
3. Phase 1 and 2 of the NPE were successfully completed, and baseline figures for the three areas of fraud risk vulnerabilities were obtained. Due to the advent of Covid-19 and the impact to the NHS, phase 3 was delayed from 2020 and resumed in 2021. The findings of phases 1 and 2 were reported in 'Preventing procurement fraud in the NHS' and issued to the sector in 2021.
4. Phase 3 obtained comparable information solely focused on PO spend activity. The other two areas of disaggregate spend and contract management areas were excluded due to the unforeseen impact of Covid-19 on NHS procurement activities. The completed exercise facilitated in providing an examination into the fraud risk vulnerability within NHS PO spend and identified savings for NHS provider organisations.
5. NHSCFA issued its comparative findings to the sector on the outcome of the PO vs non-PO in August 2022 to be followed up with dynamic organisation-specific reports to each NHS organisation that participated in the exercise. NHSCFA is pleased to share feedback with **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD** on its performance in the PO vs non-PO spend exercise.
6. This report details **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD's** performance and where possible, how it relates to other organisations of a similar type. This organisation-specific report should be read in conjunction with the main sector-wide report mentioned above.

---

<sup>1</sup> NHS Counter Fraud Authority (2021) Preventing procurement fraud in the NHS: Findings from a national proactive exercise.

## How to use this report

7. Information within this feedback report must be read in conjunction with the '*Preventing procurement fraud in the NHS: Comparative findings (July 2022)*' report (referred to hereafter as the '**main report**').
  8. This is a dynamic report that details organisation-specific performance based on the data that was provided to NHSCFA in 2021. The information in this report (referred to hereafter as the '**feedback report**') relates specifically to **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD**.
  9. Each area within this **feedback report** will correspond to specific sections within the **main report** and will be signposted in **blue**.
10. Where this feedback report provides information using data specifically relating to **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD**, the text will be in green and/or highlighted within a green square surrounding the paragraph or table.
11. It is recommended NHS organisations review the findings within both the **feedback report** and **main report** and hold discussions with key stakeholders within their organisation. These discussions should focus on the organisation's findings and include an assessment of its fraud risk vulnerability within procurement. Appropriate fraud prevention initiatives should be designed as an outcome of those discussions. Where applicable, discussions should take place on how these risks score on organisational risk registers in line with NHS requirement 3<sup>2</sup> of the Government Functional Standard 013: Counter Fraud.
  12. To assist NHS organisations, several recommendations have been identified within the main report, in addition to the published procurement fraud prevention guidance available on the NHSCFA website.

<sup>2</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Overall PO vs non-PO spend

13. The Following feedback relates to and should be read in conjunction with '[Appendix 2: Methodology](#)' (paragraphs 51 – 65) of the **main report**.
14. NHSCFA's assessment of the impact of our fraud prevention campaign on FVE is drawn from 79 organisations that took part in both data collection exercises (baseline: 2018 – 2019 and comparable: 2019 – 2020). To provide holistic feedback to all 211 participating organisations, we assessed the overarching total spend vs non-PO spend figures for the 2019 – 2020 financial year to showcase each organisation's performance in relation to the complete dataset. This overarching data can be used as a benchmark by which all participating organisations can see how they have performed in relation to the overall average.
15. The below table shows total spend, non-PO spend and non-PO average for your organisation across all 23 spend categories in all four quarters of 2019 - 2020. It also shows the average values for Welsh Local Health Board organisations, and the total sample.

Organisational breakdown	Total spend	Total Non-PO spend	Non-PO spend %
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£161,746,372.04	£55,535,275.18	34.3%
Welsh Local Health Board (Average)	£285,196,960.95	£156,341,615.59	48.4%
210 organisations (Average)	£49.7 million	£15.1 million	30.3%

**Table 1: Monetary breakdown of non-PO spend as a proportion of total spend.**

16. In assessing organisational performance, we ranked organisations 1 – 210 on non-PO spend as a percentage of total spend. Rank 1 being the lowest percentage and 210 being the highest percentage. **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD** ranked **77 of 210** for non-PO spend percentage of total spend.
17. Your organisation was 1 of 147 to have a non-PO percentage that was over the average of 30.30%. Having a high percentage of non-PO spend can demonstrate a greater tendency for spend within your organisation to take place outside the organisation's pre-established procurement protocols and policies. Where non-PO spend occurs, an organisation is exposed to a far greater risk of fraud in the procurement process.

## Financial Vulnerability Exposure

18. The following feedback relates to and should be read in conjunction with section 2: '[Financial vulnerability exposure \(paragraphs 25 – 41\)](#) of the **main report**.
19. FVE is designed to give an indication of the exposure of the NHS to potential fraud. It should not be used as a financial instrument or to categorically define losses to fraud. FVE has been introduced to NHSCFA's Strategic Intelligence Assessments and more accurately reflects the nature of intelligence and the confidence the NHSCFA can attribute. For example, we may not be able to say that something is exposed to fraud exclusively, but we can have more confidence in stating that something is exposed to fraud or wastage or error. This provides stakeholders with more clarity and context around fraud risks.
20. To assess whether fraud prevention activity influenced a reduction in FVE, NHSCFA could only achieve this by looking at those organisations that participated in both data collection exercises. This is discussed in more detail within the **main report**. Whilst the sample sizes are larger, the FVE was assessed across 79 organisations.
21. In our analysis of FVE, we considered instances of non-PO spend of 90% or above and in categories of 30% or above and attributed monetary value. This helped to identify the most pertinent categories of non-PO spend. FVE instances are therefore counted each time an organisation's non-PO spend exceeds 90% of total spend (in a given spend category) in a particular quarter. The FVE value is the associated values of those instances. This is discussed in more detail within the appendix section: '[Appendix 2: Methodology \(paragraphs 51 – 65\)](#) of the **main report**.
22. Your organisation was 1 of 131 who provided 2019 – 2020 financial data for this exercise, however, did not participate in the previous data collection exercise covering 2018 – 2019 financial data. Without data relating to the 2018-19 financial year, we are not able to provide feedback in this section.

## Spend Category

23. The following feedback relates to and should be read in conjunction with the section on 'Analysis' (paragraphs 28 – 41) of the **main report**.
24. The data was collected, in order to analyse the level of non-PO spend present in each NHS organisation. We requested data to be broken down by the NHS-eClass system so that comparison could be drawn between different spend types.
25. In our analysis we considered instances of non-PO spend of 90% or above and in categories of 30% or above and attributed monetary value. This helped to identify the most pertinent categories of non-PO spend. This is discussed in more detail within the appendix section: 'Appendix 2: Methodology (paragraphs 51 – 65) of the **main report**'. This methodology identified five main vulnerable (eClass) categories of spend across the two data collections:
  - D: Pharmaceuticals Blood Products & Medical Gases
  - M: Hotel Services Equipment Materials & Services
  - P: Building & Engineering Products & Services
  - X: Transportation
  - Z: Staff & Patient Consulting Services & Expenses.
26. This section demonstrates how **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD** performed, in each of the five categories of spend listed above. For each of the five spend categories, the below tables will show **CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD's** total spend and non-PO spend in that given category, the value, and number of instances of FVE spend. It shows these values for your organisation, the average for Welsh Local Health Board organisations, and the average of the total sample (210 organisations).
27. We assessed each organisation's performance (in relation to other organisations) in the number of FVE instances and FVE spend (value) as a proportion of total spend within each category. Showing a higher-than-average number of FVE instances and proportion of FVE spend (value) could suggest your organisation is exposed to a risk of procurement fraud. Showing a lower-than-average number of FVE instances and proportion of FVE spend (value) could suggest your organisation is taking steps to mitigate the risk of fraud in the procurement process.



**Category D: Pharmaceuticals Blood Products & Medical Gases**

Organisational breakdown	Total spend in Cat. D	Total non-PO spend in Cat. D (percentage of total spend)	Total FVE Instances in Cat. D	FVE Cat. D value (percentage of total spend)
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£2,760,758.51	£1,545.00 (0.1%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£5,407,299.87	£776,916.04 (14.4%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£6.6 million	£1.6 million (23.6%)	0.6	£0.4 million (6.0%)

**Table 2: Breakdown of FVE instances and associated monetary value for Category D: Pharmaceuticals Blood Products & Medical Gases in 2019-20 FY.**

**M: Hotel Services Equipment Materials & Services**

Organisational breakdown	Total spend in Cat. M	Total non-PO spend in Cat. M (percentage of total spend)	Total FVE Instances in Cat. M	FVE Cat. M value (percentage of total spend)
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£3,886,734.44	£4,814.80 (0.1%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£4,267,936.83	£440,639.95 (10.3%)	0.0	£0.00 (0.0%)
210 organisations  (Average)	£4.7 million	£1.2 million (26.3%)	0.3	£0.4 million (8.6%)

**Table 3: Breakdown of FVE instances and associated monetary value for Category M: Hotel Services Equipment Materials & Services in 2019-20 FY.**

**P: Building & Engineering Products & Services**

Organisational breakdown	Total spend in Cat. P	Total non-PO spend in Cat. P (percentage of total spend)	Total FVE Instances in Cat. P	FVE Cat. P value (percentage of total spend)
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£6,903,990.06	£0.00 (0.0%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£9,893,103.34	£2,516,422.35 (25.4%)	0.0	£0.00 (0.0%)
210 organisations (Average)	£30.1 million	£7.8 million (25.9%)	0.5	£3.2 million (10.6%)

**Table 4: Breakdown of FVE instances and associated monetary value for Category P: Building & Engineering Products & Services in 2019-20 FY.**

**X: Transportation**

Organisational breakdown	Total spend in Cat. X	Total non-PO spend in Cat. X (percentage of total spend)	Total FVE Instances in Cat. X	FVE Cat. X value (percentage of total spend)
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£1,406,001.30	£27,012.68 (1.9%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£1,896,608.98	£291,398.67 (15.4%)	0.0	£0.00 (0.0%)
210 organisations (Average)	£6.5 million	£2.0 million (40.0%)	1.6	£0.7 million (19.0%)

**Table 5: Breakdown of FVE instances and associated monetary value for Category X: Transportation in 2019-20 FY.**

**Z: Staff & Patient Consulting Services & Expenses**

Organisational breakdown	Total spend in Cat. Z	Total non-PO spend in Cat. Z (percentage of total spend)	Total FVE Instances in Cat. Z	FVE Cat. Z value (percentage of total spend)
CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD	£30,221,671.95	£2,036,156.37 (6.7%)	0	£0.00 (0.0%)
Welsh Local Health Board  (Average)	£91,050,479.26	£72,099,733.82 (79.2%)	0.9	£54,694,106.28 (60.1%)
210 organisations  (Average)	£136.5 million	£24.4 million (17.9%)	1.0	£12.6 million (9.2%)

**Table 6: Breakdown of FVE instances and associated monetary value for Category Z: Staff & Patient Consulting Services & Expenses in 2019-20 FY.**

## Conclusion

28. This exercise has identified vulnerabilities that can lead to widespread fraud losses across the NHS. This **feedback report** and **main report** sets out recommendations to be taken at a local level, it is imperative that policy and action continues to be driven by senior leaders in each NHS organisation.
29. It is recommended CWM TAF MORGANNWG UNIVERSITY LOCAL HEALTH BOARD review the findings contained within this **feedback report** in tandem with **main report**. English NHS organisations that took part in the same PO vs non-PO exercise over the 2018-2019 financial year will still have access to feedback via the NHSCFA's Procurement NPE Feedback Portal (<https://portal.cfa.nhs.uk>). Access to the NPE feedback will only be available via this link until 30 November 2022. Welsh NHS organisations would have received feedback on the 2018-2019 exercise in the form of a PDF report. This information should help shape risk-based proactive fraud prevention initiatives and/or Local Proactive Exercises in the future.
30. NHS organisations should use this information in discussions with key stakeholders within their organisation to discuss, assess, or review fraud risk vulnerability within the procurement process. Where applicable, fraud risk assessments should be conducted on your organisation's procurement processes, discussions should take place on how these risks are recorded, mitigated, scored, and monitored on organisational risk registers' in line with NHS requirement 3<sup>3</sup> of the Government Functional Standard 013: Counter Fraud. Appropriate fraud prevention initiatives and/or Local Proactive Exercises could be designed as an outcome of those discussions.
31. NHSCFA provide support on undertaking fraud risk assessments via the [Fraud Risk Knowledge Hub page on Ngage](#) (NHSCFA extranet).
32. NHSCFA have identified several recommendations in the form of an action plan below, in addition to the published procurement fraud prevention guidance on the NHSCFA website.

---

<sup>3</sup> <https://cfa.nhs.uk/government-functional-standard/NHS-requirements/component-3-fraud-bribery-and-corruption-risk-assessment>

## Recommendations and Action Plan

Recommendation(s)	High/Medium/Low	Owner
1. Health Sector CFB to advocate for FVE reduction measurement to be included in the Cabinet Office Consolidated Data Return to incentivise fraud prevention work / local proactive exercises across health sector.	Medium	Health Sector CFB
2. NHS organisations to reinforce existing Standard Operating Procedure / financial processes / organisational policy over the processing of payments through the P2P system and hold staff to account when the prescribed procedures are not followed.	High	NHS organisations / Director of Finance / LCFS
3. NHS organisations to continue to promote the procurement fraud prevention campaign amongst staff and continue to reinforce mitigating controls.	Medium	NHS organisations / Director of Finance / LCFS
4. NHS organisations to review and update policies and procedures in accordance with NHSCFA procurement fraud prevention guidance.	Medium	NHS organisations / Director of Finance / LCFS
5. NHS organisations to undertake regular audits to ensure procedures are being followed.	Medium	NHS organisations / Director of Finance / LCFS
6. NHSCFA to review and update its existing procurement fraud prevention guidance (available on the NHSCFA website), taking into consideration the outcomes from this exercise.	Medium	NHSCFA

Priority level		Definition
<b>High</b>		These recommendations involve matters of significance which may have adverse impact on an organisation's ability to meet its strategic aims and objectives and which require immediate consideration and action.
<b>Medium</b>		These recommendations involve matters of significance which whilst not posing an immediate threat to the organisations ability to meet its strategic aim and objectives may have the potential to do so in future, and / or concerns a matter of significant importance which requires consideration and action on the stand-alone basis.
<b>Low</b>		These recommendations involve matters of less significance but which if addressed may lead to service improvements.

## Resources

33. The NHSCFA has re-launched a range of guidance that will reduce the NHS's vulnerability to procurement fraud by helping organisations to embed control measures and implement preventative action.
- Procurement fraud quick guides:
    - Contract splitting (disaggregate spend)
    - Contract reviews
    - Buying goods and services
    - Due diligence
    - Suppliers' code of practice: preventing fraud, bribery and corruption
    - Mandate fraud
    - Petty cash
    - Credit card
  - Invoice and mandate fraud: guidance for prevention and detection
  - Pre-contract procurement fraud and corruption: Guidance for prevention and detection
34. NHSCFA fraud prevention guidance is available to download from the NHSCFA website, under the Fraud Prevention, Guidance section: [www.cfa.nhs.uk/fraud-prevention/fraud-guidance](http://www.cfa.nhs.uk/fraud-prevention/fraud-guidance).
35. NHSCFA welcome the chance to address any queries or concerns you may have via our dedicated email address at [procurement@nhscfa.gov.uk](mailto:procurement@nhscfa.gov.uk).