

Payroll fraud

Guidance for prevention, detection and investigation

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Version 1.0



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

Version control

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1. Introduction

Background

- 1.1. The NHS Counter Fraud Authority (NHSCFA) is a special health authority charged with the identification, investigation and prevention of fraud within the NHS. The NHSCFA is the single expert intelligence led organisation providing centralised intelligence, investigation and solutions capacity for tackling fraud in the NHS in England. The NHSCFA acts as the repository for all information related to fraud in the NHS and wider health group, and has oversight of and monitors counter fraud work across the NHS. We provide strategic and tactical solutions to identified fraud risks, counter fraud standards and assessment of performance through the provision of comparative data.
- 1.2. The NHSCFA's departmental sponsor is the Department of Health and Social Care Anti Fraud Unit (DHSC AFU), which holds the NHSCFA board to account for the delivery of its strategy.
- 1.3. Working collaboratively with Local Counter Fraud Specialists (LCFSs) and other stakeholders, we drive improvements to counter fraud work that is undertaken across the NHS. Our remit for intelligence activities also includes the DHSC's non-departmental public bodies and executive agencies.
- 1.4. From data gathered in 2016-17, in 2017-18 we estimated that fraud losses within the NHS exceeded £1.29 billion per annum. This should be seen in the context of local health spending of over £120.5 billion.
- 1.5. The term 'fraud' refers 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.
- 1.6. This document provides LCFSs with guidance which can be used to support work to prevent detect and investigate the most common kinds of payroll fraud at a local level. It provides an introduction to the subject area, an overview of the NHS payroll environment, practical advice on the most effective ways of tackling payroll fraud and details of how to report suspected fraud, bribery or corruption. It includes advice on raising awareness of payroll fraud and is intended to supplement existing policies, directives and guidance available more widely in the NHS by providing an overview of NHS payroll processes from a counter fraud perspective.
- 1.7. Sections 3-6 in this document cover four main categories of payroll fraud:
 - Misrepresentation of qualifications/skills or experience
 - Timesheet fraud
 - Working elsewhere while sick
 - Expenses and allowances fraud

Each section provides a description of the fraud category and advice on prevention and detection.

Standards for providers and commissioners

- 1.8. NHSCFA's standards for NHS providers and commissioners 2019-20 require that organisations use relevant information and intelligence to identify anomalies that may be indicative of fraud and take appropriate action, including proactive exercises, to address them. Relevant information and intelligence may include (but is not limited to) internal and external audit reports, information on outliers, recommendations in investigation reports and information from payroll (as per standard 3.2).
- 1.9. To meet this standard, organisations should be able to demonstrate that where anomalies are identified that may be indicative of fraud, proactive exercises to assist in the prevention and detection of fraud are conducted to address them and all recommendations are actioned.
- 1.10. The standards are available at <https://cfa.nhs.uk/counter-fraud-standards>
- 1.11. This document aims to assist LCFs in identifying potential areas of payroll fraud risk within their organisations, so that proactive exercises can be undertaken if appropriate.

Scale of payroll fraud

- 1.12. The NHSCFA strategy document 'Leading the fight against NHS fraud: Organisational strategy 2017-20' includes a breakdown of estimated losses in key areas of NHS spend. Here, the estimated probable annual direct cost of payroll and identity fraud is £90.6 million per annum.

2. The NHS payroll environment

- 2.1. The NHS Electronic Staff Record (ESR) system provides an integrated HR and payroll system to NHS organisations. It is used by 99% of NHS Trusts and holds the data for about 1.4 million staff (about 6% of the UK's working population).
- 2.2. ESR automates every aspect of the payment of staff and is fully integrated within the HR functionality in order to save time and eliminate errors.
- 2.3. The HR module is at the heart of ESR because it contains all the core employee information used by the other components of the system. The HR functionality covers the three major areas of workforce management: new joiners, changes and leavers. The information held includes employee personal details (name, address,

emergency contacts, equal opportunities data, competencies, memberships and qualifications) and assignment information (grade, post, contracted hours, place of work and salary).

- 2.4. ESR supports the recruiting process from the identification of the initial vacancy, through the selection of suitable applicants, to an offer being made to the successful candidate. The data that is captured during this process forms the employee record. This also links with records held by professional registration bodies, such as the General Medical Council and the Nursing and Midwifery Council, and by NHS Jobs.
- 2.5. ESR holds the information required to make payments to staff. This includes personal details, which are shared with the HR side of the system so that there is no duplication of information.
- 2.6. ESR's self service capabilities enable any staff member to access the system through a browser-based interface. Employees have the ability to view and update their personal information, such as emergency contacts and bank details. They can also: view payslips, talent profiles, P60s, and Total Reward Statements, request annual leave, participate in a development review, do e-learning, browse learning opportunities and request enrolment on courses.
- 2.7. ESR has a variety of User Responsibility Profiles (URPs) which control the access rights of the user and protect system integrity. It is a matter for each local organisation how they allocate the URPs within ESR.
- 2.8. Guidance on this is available in the ESR user manual, which is part of the **ESR infopoint** at <https://www.infopoint.esr.nhs.uk/>
- 2.9. LCFS should contact their Local HR and payroll departments who have access to the infopoint. Where an organisation deviates from ESR recommendations, they should do so with full internal audit processes in place in order to minimise any risk of fraud or security breaches.
- 2.10. ESR reporting allows organisations control and audit of all aspects of the payroll process. It produces the mandatory information required for relevant internal and external purposes such as HMRC and pension returns and it facilitates the balancing of payrolls with the general ledger.

3. Misrepresentation of qualification, skills or experience

Description

- 3.1. This type of payroll fraud occurs when someone purports to have qualifications or experience that they do not actually have. This is particularly serious in senior and

medical positions. This type of fraud is easier to perpetrate where robust pre-employment processes are not in place, or are not followed.

Prevention and detection

NHS Employers standards

- 3.2. NHS Employers have developed the NHS Employment Check Standards that outline the type and level of checks employers must carry out before recruiting staff into NHS positions. The standards, last updated in July 2017, are available at <http://www.nhsemployers.org/your-workforce/recruit/employment-checks/nhs-employment-check-standards>
- 3.3. All NHS providers (including both NHS organisations and private providers) are required to be registered with the Care Quality Commission (CQC). The CQC monitors, inspects and regulates health and social care services to make sure they meet fundamental standards of quality and safety. The CQC provides guidance for providers on meeting the regulations. These include the fundamental standards – the standards below which care must never fall. This guidance is available at: <https://www.cqc.org.uk/guidance-providers/regulations-enforcement/regulations-service-providers-managers>
- 3.4. The NHS Employment Check Standards are also embedded in the Crown Commercial Service (CCS) health temporary staff frameworks, which cover compliance with the standards in relation to contracted and sub-contracted staff.
- 3.5. The NHS Employment Check Standards apply to all applications for NHS positions (prospective employees) and staff in NHS employment. This includes permanent staff, staff on fixed-term contracts, volunteers, students, trainees, NHS contractors, highly mobile staff, temporary workers (including locum doctors), those working for a trust bank, and other workers supplied by an agency. Trusts using agency, contractor or other external bodies to provide services must ensure, through regular audit and monitoring, that their suppliers comply with these standards.

Professional registration and qualification checks

- 3.6. It should be a contractual condition of employment for healthcare professionals that they have registration throughout their employment. Employers must check the registration of health professionals with the relevant regulatory body. Employers must have the consent of the health professional and their registration number in order to check the registration.
- 3.7. Qualification checks are necessary to validate the information provided by an applicant in relation to their educational or professional qualifications. Applicants may not always have the original documentation and employers will need to make an appropriate risk based assessment taking into account the priority given in the person specification to the relevant qualification and the level of checks required.
- 3.8. If qualifications have been checked by a professional regulatory body and the individual's registration has been confirmed, then further documentary evidence

about qualifications that are relevant to their registration should not be required. Employers must verify that the applicant is actually the person registered with the regulatory body, that there are no restrictions to their registration, and there are no pending investigations on their fitness to practise.

- 3.9. For non-health professionals, qualifications that are specified as a pre-requisite for the position must be checked. Where a qualification is essential for the position, employers must:
- request original certificates and retain a copy on file
 - check that the details on certificates match the information provided by the applicant in their application form
 - contact the awarding body directly, where possible, to confirm the applicant's attendance, course details and grade awarded. Employers will be required to provide a copy of the applicant's consent in order to obtain any such information.
- 3.10. Where the applicant has gained their qualifications overseas, employers will need to check that this qualification exists, that it is equivalent to the stated UK qualification and that the prospective employee does, in fact, hold the qualification. These checks should, wherever possible, be carried out directly with the awarding institution. Where this is not possible, employers should seek advice from the relevant country's UK embassy, consulate or high commission.

Alert notices

- 3.11. A Healthcare Professionals Alert Notice (HPAN) is a process of notifying NHS bodies, or other organisations providing services to NHS bodies, about registered health professionals whose performance or conduct could pose a significant risk of harm to patients, staff or the public.
- 3.12. Employers must check their alert notice files prior to recruiting an individual. If an individual is subject to an alert notice then employers must check whether they are suitable to be employed into the position being offered. HPANs are usually used whilst the regulator is considering the concerns and provides an additional safeguard during the pre-employment checking process.
- 3.13. The operation of the alert notice system is the responsibility of NHS Resolution. Further detailed information on the process of issuing HPANs, and checking whether an individual has been the subject of an HPAN, is available at <https://resolution.nhs.uk/services/practitioner-performance-advice/hpans/>

Employment history and reference checks

- 3.14. This standard outlines the requirements for seeking references to verify a candidate's employment and/or training history. The standard includes a range of

useful templates which outline the minimum data set that should be sought or provided in response to reference requests.

- 3.15. The main purpose of an employment history and reference check is to obtain information about an applicant's employment and/or training history in order to determine whether or not they are suitable for a particular position. As part of their duty of care to patients and staff, employers should carry out all reasonable checks to identify any circumstances that, if known, would result in an individual not being employed or appointed to undertake any activity on their behalf.
- 3.16. At a minimum, the following information should be obtained and verified:
- where the individual has been employed/has studied
 - dates employed/studied
 - position held/course undertaken
 - recent or ongoing disciplinary action or referrals
- 3.17. Any gaps or discrepancies in employment or training history should be further investigated at interview so that the employer can get an informed view as to the probity of the individual. Where there are gaps in employment or training history, employers will need to seek appropriate assurances from the applicant and, where in any doubt, should obtain suitable personal references.
- 3.18. Employers should complete the employment checks fields in ESR, including the date that employees' qualification checks were undertaken and the supporting documentation. ESR has a professional registration interface facility with organisations such as the Nursing and Midwifery Council and the General Medical Council.
- 3.19. Applicants should be required to sign a declaration when applying for a job, which includes the following wording:
- The information in this form is true and complete. I agree that any deliberate omission, falsification or misrepresentation in the application form will be grounds for rejecting this application or subsequent dismissal if employed by the organisation. Where applicable, I consent that the organisation can seek clarification regarding professional registration details.

4. Timesheet fraud

Description

- 4.1. Timesheet fraud occurs when staff keep a record of hours worked (timesheet) for the purposes of payment, and this record is falsified. The risk of this type of fraud taking place is higher where appropriate oversight and controls are lacking.

Prevention and detection

4.2. Health bodies should have clear written instructions and procedures for all staff and managers on completing, submitting and authorising timesheets.

4.3. Timesheets should include the following:

- Counter fraud declaration to be signed by the staff member:

I declare that the information I have given on this form is correct and complete and that I have not claimed elsewhere for the hours/shifts detailed on this timesheet. I understand that if I knowingly provide false information this may result in disciplinary action and I may be liable for prosecution and civil recovery proceedings. I consent to the disclosure of information from this form to and by the NHS organisation and NHSCFA for the purposes of verification of this claim and the investigation, prevention, detection and prosecution of fraud.

- Counter fraud declaration signed by the authoriser:

I am an authorised signatory for my ward/department. I am signing below to confirm that both the grade and the shift that I am authorising are accurate and I approve payment. I understand that if I knowingly authorise false information this may result in disciplinary action and I may be liable for prosecution and civil recovery proceedings. I consent to the disclosure of information from this form to and by the NHS organisation and NHSCFA for the purposes of verification of this claim and the investigation, prevention, detection and prosecution of fraud.

- NHS Fraud and Corruption Reporting Line details:

Any questionable timesheet must be immediately brought to the attention of your Local Counter Fraud Specialist or reported to the NHS Fraud and Corruption Reporting Line (powered by crime stoppers) on **0800 028 40 60** or online at www.cfa.nhs.uk/reportfraud

4.4. Timesheets should be self-carbonated to facilitate record keeping and assist in identifying any timesheets that are fraudulently amended post-authorisation.

Process

4.5. When developing their timesheet procedures, health bodies should consider the following:

- Staff should be required to record the hours they have worked on a daily basis.
- Health bodies should ensure that original timesheets are submitted before any payment is made.
- Faxed and photocopied timesheets should not be accepted.

- Forms should be completed using black ink and block capitals.
- Time of hours worked should be entered in 24 hour format.
- Any incomplete or illegible timesheets should be returned to the member of staff.
- Correction fluid should not be used on timesheets, and any alterations should be initialled by the authorised signatory.
- Health bodies should ensure that clear procedures are in place with respect to rest breaks.
- Authorised signatory lists should be kept up to date.
- Completed timesheets should be kept for a minimum of two years.
- Nominated managers should be responsible for submitting termination forms in the prescribed way immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.
- Training and guidance should be provided to staff on the completion of timesheets.

Electronic timesheets

4.6. The following principles apply specifically to electronic timesheets:

- Users of electronic timesheet systems should be required to change their password on a regular basis.
- When the system has not been used for a specified amount of time, the user should be automatically logged out.
- System login should be blocked after three incorrect attempts.
- The authorising officer should be able to view relevant staff timesheets at any time.
- A unique username and password should be available for the authorising officer.
- Staff access to the timesheet system should be stopped immediately upon termination of an employment contract.

5. Working elsewhere while sick

Description

- 5.1. This type of fraud can occur when a member of staff who is off sick, and being paid by one NHS organisation, is in fact working for another employer (often another NHS organisation).
- 5.2. As a general rule, there is nothing to stop employees from working for more than one employer (provided they are not working in competition against their main employer) and it is possible for an employee to qualify for statutory sick pay from one employer while continuing to work for another. The fact that an employee is fit

to do one job does not necessarily mean that they are fit to do another. For example one job may be sedentary and the other mobile.

- 5.3. However, if they falsely declare that they are unfit to work this may constitute fraud.

Prevention and detection

- 5.4. Health bodies should have policies and procedures on employees undertaking secondary employment. The policies and procedures should be communicated to staff at all levels.
- 5.5. The health body's employee code of conduct should include a requirement for staff to inform their manager of any secondary employment.
- 5.6. A standard clause can be included in contracts of employment to prohibit employees from undertaking any other employment without their employer's consent. This may not be applicable for all staff, for example those working part-time. If employees are allowed to carry out other work, they should still be required to inform their manager.
- 5.7. If unpaid or paid work, study or training is authorised, managers should put this in writing to the employee and a copy of the letter should be emailed to the HR manager.
- 5.8. Managers should ask employees during the return to work interview whether they have done any unpaid or paid work, study or training during the period of sick leave and record their answer on the sickness/absence notification form sent to payroll.
- 5.9. Return to work forms should include the following declaration:
- Employee declaration:

I confirm that during the period of being unfit for work I did not undertake any unpaid or paid work, study or training which was not approved in advance and in writing by my line manager. I confirm that during the period of being unfit for work I undertook unpaid or paid work, study or training which was not approved in advance and in writing by my line manager.

- 5.10. In cases of long-term absence, line managers must arrange to conduct regular review meetings to discuss possible courses of action should the absence continue. The meetings should be recorded and notes sent to the employee concerned.
- 5.11. Employees should be required, on an annual basis, to complete a form declaring any business interests which may be relevant to the work of the health body and

details of any other employment they may have. The form should include the following wording:

- Standards of business conduct declaration:

As an employee of.....you are required to declare, on an annual basis, any interests under the following sections, in accordance with the organisation's Standing Financial Instructions:

- Business interests of yourself, your partner or spouse, which are, or may be, relevant to the work of [insert name of organisation] or your work within the organisation.
- Details of any other employment you have or may undertake.
- Any gifts or hospitality offered to you, whether accepted or not.

The form should also include the following employee declaration:

- Employee declaration

I have read and understood the organisation's code of business conduct as it relates to conflicts of interest, personal activities and hospitality. I understand that failure to abide by Standing Financial Instructions will render me liable for disciplinary action, including termination of employment.

6. Expenses and allowances fraud

6.1. This type of fraud occurs when employees submit claims for expenses and allowances which are either entirely false, or are inflated.

6.2. Examples of fictitious claims for expenses and allowances include:

- claiming for travel and expenses that were never incurred
- using inflated mileage totals when seeking reimbursement
- collusion among employees who claim separately for travel or mileage reimbursement when they travelled together
- seeking reimbursement for items that were never purchased
- falsifying or manipulating receipts
- charging for items used for personal reasons

Prevention and detection

6.3. Health bodies should ensure that they have robust authorisation and monitoring procedures in place for the payment of expenses and allowances, including the following:

- Expenses and allowances policies and procedures should be communicated to staff.
- Claims should be submitted promptly within a specified time.
- Original documentation such as receipts should be maintained for a period of time for audit purposes.
- Claims should be authorised by an appropriate officer.
- The health body should maintain an up to date list of authorisers.
- Budget holders should be provided with sufficient information to enable them to monitor expenses and allowances costs against budget.
- If corporate charge cards are being used, managers should review credit activity reports on a regular basis.

6.4. Expense form declarations should include the following wording:

- Expense form declaration:

I declare that the expenses I have claimed were incurred wholly, necessarily and exclusively in the execution of my duties as an employee. I confirm that I have personally incurred the expenditure and have not previously submitted any item on this claim.

Expenses systems

6.5. Electronic expenses systems should include the following features:

- procedures covering the granting of appropriate access rights to users
- a requirement for users to change their passwords on a regular basis
- automatic user logout when the system has not been used for a specified amount of time
- system login blocked after a specified number of failed attempts

Checks

6.6. Checks that managers should undertake to verify claims and detect fraud include the following:

- random checks to verify details on claims
- requiring original documentation
- checking travel and subsistence claims for reasonableness
- checking claims relating to attendance at meetings against meeting minutes/attendance records

- consistency checks on claims made by staff attending the same meeting
- checks to ensure that the correct rate per mile has been claimed
- annual audits on a sample of expenses claims

7. Reporting suspected fraud

- 7.1. NHSCFA receives allegations of fraud from a number of sources. Referrals will normally be made through the NHS Fraud and Corruption Reporting Line or directly by an LCFS or a health body. However, they may also come from a number of other sources, such as the police, other law enforcement agencies, members of the public, and NHS employees.
- 7.2. If members of the public or staff have concerns about a suspected fraud in the NHS, they can:
- call the NHS Fraud and Corruption Reporting Line (powered by crime stoppers) on **0800 028 40 60**
 - fill in the online fraud reporting form at www.reportnhsfraud.nhs.uk
 - ask their Local Counter Fraud Specialist for advice. Contact details are available from the relevant NHS organisation.

8. Investigating payroll fraud

- 8.1. This section provides guidance on investigating payroll fraud.

NHS counter fraud manual

- 8.2. The NHS counter fraud manual sets out in greater detail the procedural, technical and legislative considerations and requirements which have a bearing on investigations. It also describes the NHSCFA's structure, strategy and business process and its powers to tackle fraud as a Special Health Authority. It has been written to provide guidance on NHSCFA investigative procedures (and links to further information) and to ensure that a common approach and best practices are adopted by all when allegations of fraud, bribery and corruption are investigated in the NHS.
- 8.3. The manual is available on both NHSCFA's extranet and staff intranet sites. NHSCFA's extranet contains resources for NHS counter fraud staff and their senior managers and is accessible to DOFs and LCFs in a secure password-protected environment. Go2, the intranet site for the NHSCFA, is accessible only to NHSCFA staff. Additionally, LCFs can request for a copy of the manual to be emailed securely to a DOF by writing to fraudmanual@nhscfa.gsi.gov.uk

Criminal and disciplinary investigations

- 8.4. Disciplinary investigations must be conducted separately from criminal investigations. These two processes have different purposes, rules of evidence, standards of proof and outcomes; it would not be appropriate for one process to cover the other.
- 8.5. The LCFS's remit covers criminal investigations only, and NHSCFA does not endorse the use of LCFS provision for carrying out disciplinary investigations at a health body. This is because criminal and disciplinary investigations should be conducted by different individuals. If an LCFS were to conduct a disciplinary investigation, and it later came to light that criminal offences may have been committed, he/she would not then be able to investigate the criminal allegations; this may undermine the integrity of both the disciplinary proceedings and any criminal proceedings, as well as their outcomes.
- 8.6. Close liaison is vital to ensure that action in one area does not interfere with action in the other. The NHS counter fraud manual describes the NHSCFA approach to sanctions and advises on pursuing criminal, civil and employment/disciplinary proceedings. It also covers the timing of parallel investigations and the NHSCFA approach to financial investigation and recovery of assets.

The case management system

- 8.7. The case management system is an information gathering, intelligence disseminating case management tool designed and provided specifically for all NHS counter fraud specialists by the NHSCFA. The case management system supports investigators with case preparation and a range of other investigative tasks and includes useful editing tools that help to keep information and cases up to date.
- 8.8. Access to the case management system can only be gained by NHS accredited counter fraud specialists, LCFSs or other authorised users who hold a current NHSCFA nomination and who, in the case of LCFSs, are currently employed by an NHS body directly, or through a third party organisation, to perform the LCFS role on its behalf. All case management system authorised users are allocated a user ID and password by the NHSCFA. Use of the case management system is mandatory for everyone engaged in the investigation of fraud within the NHS.
- 8.9. It is important that all allegations of fraud and corruption are recorded and investigated in a professional, consistent, objective and timely manner. If investigations are conducted in this way, they will form a good foundation for the application of appropriate sanctions.

9. Raising awareness of payroll fraud

General

- 9.1. LCFSs should cover payroll fraud in their local fraud awareness initiatives and campaigns. Resources to support LCFSs in delivering fraud awareness initiatives are available as part of NHSCFA's 'fraud awareness toolkit'. The toolkit includes a number of posters, leaflets and banners mainly focusing on a 'Report NHS fraud' message. All materials are available to view or download in a digital format – print ready versions are available on request for those wishing to get any materials professionally printed. The toolkit is available on the NHSCFA's website at <https://cfa.nhs.uk/>
- 9.2. LCFSs should work with communications departments in their health bodies to identify ways to raise awareness of payroll fraud among health body staff. This could include, for example, putting an article in the staff newsletter, developing local posters and leaflets, and making use of available social media channels (in accordance with the health body's social media policies) to reach all staff.

Media relations

- 9.3. Proactive engagement with the media remains an excellent and cost-effective way to reach large public and NHS audiences with a deterrent, counter fraud message. This should be led locally by health body communications teams.