

Counter Fraud Guidance

Contract Management and Review



What is it?

HSC spends a significant amount of money on goods and services obtained through contractual arrangements. Good contract management is essential to ensure optimal financial and operational performance of contracts. It can also be used to assist in the identification of potential fraud risks.

The impact of good contract management is that it maximises performance, reduces any potential disruption in service delivery and ensures accountable use of public money. It also provides assurance to an Audit and Risk Committee that processes and procedures are being adhered to.

How to spot this type of fraud

Contract review meetings can help to identify potential fraud risks, such as:

- Undisclosed buyer/supplier relationships where conflict of interest rules are not followed and relationships between those managing the contract and the supplier are not disclosed or managed.
- Contract terms, Key Performance Indicators (KPIs) and deliverables which are different to those included in the tender documentation.
- Overbilling for goods and services or unjustified expenses claims by contractors.
- False performance reporting from suppliers and/or internal end-users where payment is claimed for levels of performance that have not been achieved.
- False claims and variations for unjustified contractual claims and payments for contract variations.
- Sub-standard materials involving the use and/or substitution of cheaper materials than those specified in the contract.
- Misappropriation of assets where HSC assets (including data and intellectual property) are stolen or exploited by suppliers in the course of performing a contract.
- Ghost suppliers, where a fictitious company, or a real company that does not have a genuine relationship with a HSC organisation, is set up as a supplier and receives payment.
- Duplicate invoicing where the HSC organisation is intentionally charged more than once for the same goods or services.

How to prevent this type of fraud

HSC organisations should regularly undertake contract review meetings with suppliers/contractors to prevent and detect vulnerabilities to fraud in HSC contracts. If the frequency of contract reviews is not stipulated within the contract, the frequency of contract review meetings should be determined using a risk based approach taking into account factors such as the contract value and risk of fraud occurring. This should be a defined process that is documented in a policy or standard operating procedure (SOP).

The following controls should be in place:

Personnel

- Contract Managers should be appointed for independent oversight and reporting.
- Executive Management Scrutiny for contracts above set thresholds.
- Setting and reviewing of financial delegations/authorisation limits.
- Segregation of duties to ensure no single individual has control over the whole process.
- Ensuring that those responsible for contract management have sufficient authority and experience.
- Awareness of and direct access to the organisation's Fraud Liaison Officer and Counter Fraud Service for advice and guidance.



Process

- Up-to-date contracts register that incorporates all contracts across the organisation.
- Ensure that single item, low value and rolling contracts are also scrutinised.
- A contract monitoring programme with clear parameters to assess the level of contract management required (determined using a risk-based approach) and ensure that the correct contract management protocols are applied. Contract monitoring should employ the use of the following tools to assess the effectiveness of a contract:
 - Standard templates for document contract reviews, meetings, KPI management and any contract variances.
 - A SOP/policy in place for the management and frequent monitoring of KPIs and contract variances. The SOP/policy should lay out actions to take if contract KPIs, variances, and deliverables occur outside agreed protocol.
 - Monitoring pattern of spending with suppliers.
 - Minuted supplier meetings.
 - Accurate Record keeping.
 - Escalation routes for staff to report concerns.

Governance

- Risk management process, registers, and issue logs in place with guidance for staff on how to raise concerns regarding a risk or issue.
- Conflict of interest policy that addresses the requirements of all staff, suppliers, contractors and sub-contractors in the course of day to day business, contract and project work.
- Conflict of interest register held centrally for both HSC employees and contractors. Declarations of interest should be recorded at contract sourcing stage as well as at regular intervals throughout the contract lifecycle by all parties involved in the process i.e. staff, suppliers, and sub-contractors. Undeclared interests that subsequently come to light should be treated as a breach of contract and a disciplinary offence.
- Regular audits and reviews undertaken on the conflict of interest policy and procedures.
- Gifts and Hospitality policy should be provided to staff.
- A Raising a Concern in the Workplace policy communicated to all staff to raise concerns.
- Ensuring that any transactions which appear suspicious are immediately reported to ensure that appropriate action can be taken.

To report fraud against Health and Social Care please call the HSC Fraud Reporting Line or send a report online.

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