

# Report: Investigation of Bravida Region Malmö

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## 1. Internal investigation

The investigation has been led by Magnus Liljefors, Head of M&A. Magnus Liljefors previously served as chief legal officer at Bravida and member of Bravida's Group Management. He has been employed by Bravida since 2005.

The investigation covers the following parts:

- Bravida Branch Malmö El Service agreement with Region Skåne (using the EY report as starting point)
- Malmö El Service agreement with other public sector customers
- All other branches in Bravida that have agreements with Region Skåne
- Review of possible larger discrepancies between registered and billed hours for Bravida's public sector customers
- Other observations and suggested measures

The investigation team has consisted of Bravida employees with specific expertise in accounting and our business systems, as well as employees from the business with particular knowledge of contracts with public sector customers.

## 2. Background

Region Skåne presented on April 4, 2024, a report written by EY. The report concluded that Bravida had overcharged Region Skåne and that the Region should consider filing a police report.

The report was initiated because Region Skåne received an audio file in October 2023, indicating that a branch manager and a service manager at Bravida instructed a service leader to "overcharge" the customer. Bravida was asked to provide information not only about the specific branch but several branches, all working for Region Skåne.

## 3. Comparison with the EY report

Based on EY's report, "Examination of invoices from specific supplier" dated 2024-04-03, where EY, on behalf of Region Skåne, examined invoices from Bravida covered by two framework agreements (the Large and Small agreement) and, as relevant here, services performed by a branch in Bravida, Malmö El Service. The examination has reviewed work orders over a period of 24 months between 2021 and 2023. Although the logical reasoning is not easy to follow, the conclusion is that Bravida has invoiced Region Skåne for more hours than Bravida has worked on the relevant assignments.

We have initially worked to verify the content of EY's report. Thus, the work has initially been limited to Malmö El Service. The work has mainly been carried out at Bravida's office in Lund on April 8-9. Data has been analyzed and compiled from Bravida's business system Agresso.

According to the report, EY has examined 14 invoices, distributed across 12 "orders". The number of hours worked according to the invoice documentation (not "invoice", our remark) on the 14 invoices

sums up to 1,833.5 hours, while the number of hours worked according to the supplier's internal system amounts to 1,475.5 hours. The total deviation in the report thus amounts to 358 hours (net).<sup>1</sup>

As noted above, we do not know what information EY has used regarding the individual work orders. Our interpretation of the report is that each line in EY's summary corresponds to an invoice. However, we have not in any case been able to identify with certainty which invoice is referred to. For example, on order 1, Bravida has sent a total of 14 invoices. None of these invoices show a total of 335.5 billed hours ("worked hours according to the invoice documentation" by EY's terminology). However, there is an invoice with 288.5 hours ("worked hours according to the supplier's internal system" according to EY's terminology).

Furthermore, there is an obvious problem with comparing billed hours on a specific invoice covering a certain period with the number of recorded hours during the same period. Work orders where costs are recorded up to a certain date are billed monthly may include hours performed in a previous period that were recorded after the billing cutoff date, and vice versa.

In some cases, EY has requested information for a specific year, even though Bravida has invoiced for the same work order over multiple years. From the sample presented in EY's report, order 6 is identical to order 11.

Overall, the methodological issues outlined above mean that we, in order to make a meaningful comparison between billed hours and actual work time, have included all time billed and recorded on the work order from the date it was recorded up to April 8, 2024.

It should be noted that there is some uncertainty about whether we have successfully identified the work orders included in EY's report. However, this uncertainty is considered small and irrelevant to our conclusions.

## 4. Method and approach

By conducting report runs in our systems, we have compared recorded hours against billed hours per customer and per work order.

We then identified work orders with discrepancies. The discrepancies were then traced back.

The deviation can have several explanations:

- The service leader bills the customer for hours they have worked, which can be billed according to the contract, such as for planning, programming, or working as a technician. These hours have been recorded on an internal work order and not on the customer-facing work order.
- Bravida has subcontracted on an hourly contract, and these hours have been added to the invoice but not recorded in our business system.
- A work order is closed and invoiced before all hours are entered. Missed hours can then be recorded in the next work order. This is one reason why there may be work orders where we have billed fewer hours than recorded and work orders with more hours billed than recorded. Therefore, we also need to look at the total sum of discrepancies per individual customer.

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<sup>1</sup> See page 6 in the EY report

The cause of the discrepancy has been investigated through a review of the documentation, such as invoices, journals, and notes made in our systems. When necessary, discussions have also been held with the relevant administrator (the one who prepares the invoice proposal) and service leader (the one who approves the invoice proposal).

If the identified discrepancy cannot be explained, it is then assessed as "overcharging," meaning that the customer has been billed hours that do not correspond to agreed-upon work.

## 5. Summary of the Malmö EI Service agreement with Region Skåne (based on the EY report) and agreements with other customers

We have reviewed all 5,236 work orders from January 1, 2021, to April 13, 2024.

Our investigation shows that Region Skåne has been overcharged by approximately 1.5 million SEK during the period from January 1, 2021, to October 2023. This corresponds to approximately 2.4% of the total revenue the branch has had from Region Skåne during the period.

Our investigation also shows that another customer has been overcharged by approximately 600,000 SEK during the reviewed period from January 1, 2021, to April 2024. This corresponds to approximately 0.7% of the total revenue the branch has had from that customer during the period.

There is no evidence of overcharging after October 2023.

We have also obtained confirmation of this through conversations with employees at Bravida.

The individuals involved in the overcharging have either resigned or been dismissed.

Our conclusion is that the overcharging was driven by the branch manager.

## 6. All other branches in Bravida with agreements with Region Skåne

In addition to the mentioned branch Malmö EI Service, another 10 branches in Bravida have performed work for Region Skåne under current agreements. For 2023, the total revenue from these works amounted to 38.7 million SEK, of which Malmö EI Service accounted for just over half, or 19.9 million SEK.

We have reviewed 1,893 work orders, in addition to those related to Malmö EI Service. For work orders with a discrepancy of more than one hour, Malmö EI Service accounts for 202 work orders out of a total of 356 work orders. Of the remaining 154 work orders with a discrepancy of over one hour, Lund EI Service is responsible for 120. This has led us to conduct a more detailed review with this branch. Together with the administrator and service leader, we have gone through the discrepancies and the explanation for each one. In this case, the service leader has been able to bill their time to the customer.

The conclusion of the investigation is that the other branches, including Lund EI Service, have not overcharged Region Skåne.

## 7. Review of potential larger deviations between registered and billed hours for Bravida's public sector customers in Sweden

Bravida's total revenue for the full year 2023 from clients in the public sector on cost-plus contracts, reimbursing each hour spent, was 1,004 million SEK.

The review covered clients in the public sector where Bravida had revenues of 10 million SEK or more in 2023 on cost-plus contracts. The total revenue from these clients and contracts amounted to 472 million SEK.

Thus, the proportion of revenue included in the work orders we have reviewed compared to the total revenue is 47%.

The number of work orders included in the dataset is 25,816. These include all work orders for the selected clients registered in our business system from January 1, 2023, and completed no later than March 31, 2024.

A total of 129 cost centers across all 19 regions of Bravida in Sweden have registered and completed at least 1 (one) work order for any of the selected clients during the relevant period.

89% of the 25,816 work orders had a negative difference (i.e., fewer hours billed than recorded) or no difference at all.

9.5% had a positive difference of up to two hours, and 1.4% had a difference of between 2 and 11 hours. We assess that this category includes natural explanations such as hour rounding, invoiced service leader time, etc.

75 out of 25,816 work orders, equivalent to 0.3% of the sample, had a difference of 11 hours or more. Only one (1) work order had a deviation of over 100 hours.

Among these, we have selected the work orders with a difference of at least 20% between billed and recorded hours. There are a total of 38 work orders in this selection, spread across six regions.

These 38 work orders were first analyzed by reviewing the work order's income statement, including customer invoices, recorded time, and invoices from subcontractors. For two work orders, acceptable explanations for the discrepancies were found. Therefore, these were not further investigated.

The remaining 36 work orders were followed up by interviewing the respective branch manager, administrator, or relevant service leader. The interviews were conducted on April 23-25.

The most common reason for discrepancies is that work performed by service leaders was not recorded as worked time on the work order, even though the time was billed to the customer, e.g., for planning, programming, or working as a technician. This is the explanation in 25 of the 36 selected work orders.

The second most common reason – 5 out of the 36 work orders – is that during the billing process, it was discovered that time was not recorded on the work order or was recorded on the wrong work order, without correcting the time recording.

Generally, we can conclude that the number of work orders with a discrepancy between billed and recorded hours of more than 11 hours is small or even very small. 75 out of 25,816 work orders, equivalent to 0.3% of the sample, had such a discrepancy. 38 of these 75 work orders had a

discrepancy amounting to 20% or more of the recorded hours. This corresponds to 0.1% of the sample.

We believe that we have received reasonable explanations for the discrepancies in all 38 work orders we have examined in detail. Furthermore, we have not been able to find any signs of systematic and intentional overcharging, as we found in our review of Malmö EI Service.

## 8. Other observations and suggested measures

Additionally, the investigation makes some clear observations:

- Bravida has handled the relationship with Region Skåne, after October 12, 2023, when Region Skåne requested additional information, in an unacceptable manner.
- Bravida has not managed the knowledge of the so-called "Sound file" in an acceptable manner.
- This has led to significant consequences for Bravida.
- The local competence regarding Bravida's administrative procedures in several branches, with which we have been in contact, is deficient in parts. If the procedures are followed and the systems used, deviations should not occur.

The investigation therefore proposes the following measures:

- An extensive information and training program for administrators and service leaders throughout Bravida to ensure that everyone works in our business systems and in accordance with our procedures.
- On-site training in Bravida's Code of Conduct at the local level, as a complement to the e-learning that everyone undergoes.
- Strengthened monitoring and review of service agreements on cost-plus contracts; monitoring should be done monthly at divisional level.
- Introduction of internal auditing of major cost-plus contract agreements at the group level.
- Review of the organization.