NIAO

Northern Ireland Audit Office

National Fraud Initiative 2008-09

Northern Ireland Audit Office

National Fraud
Initiative 2008-09

This report is being published under Article 4E of the Audit and
Accountability (Northern Ireland) Order 2003

KJ Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
16 February 2011

Foreword

In circumstances where public services are facing unprecedented budgetary pressures, it is imperative that public bodies use every means at their disposal to prevent and detect misuse of public funds. The National Fraud Initiative (NFI) is a highly effective tool which I run to help public bodies identify fraudulent and duplicate transactions using sophisticated data matching techniques. The NFI in Northern Ireland is similar to exercises undertaken elsewhere in the United Kingdom. Data is processed by the Audit Commission in England using a secure web based system.

I would like to take this opportunity to commend the 74 public bodies in Northern Ireland who took part in the 2008-09 NFI exercise which, so far, has identified over £11 million of fraud and overpayments.

I pay tribute to all public servants involved in this exercise who, through their determined efforts, have sent a very clear message that their organisations will not be a soft touch for fraudsters and that fraud will not be tolerated.

Although the roll out of NFI in Northern Ireland has been very successful, I believe that there is considerable scope to further exploit the potential of data matching. It is important that public sector bodies embrace this new tool, making it a key component of their counter fraud strategy, and embed it into their core business. I am keen to explore with bodies how, working together, we can further develop and widen our involvement in NFI. I therefore welcome all approaches by both public and private sector bodies highlighting potential data sets that will help expose and reduce public sector fraud.

Kieran Donnelly
Comptroller and Auditor General

Contents

Abbreviations

C&AG	Comptroller & Auditor General
CIS	Customer Information System
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services & Public Safety
LPS	Land and Property Services
NFI	National Fraud Initiative
NIAO	Northern Ireland Audit Office
NIHE	Northern Ireland Housing Executive
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
PAC	Public Accounts Committee
UK	United Kingdom

Executive Summary

1. The Comptroller and Auditor General for Northern Ireland's new powers to conduct data matching exercises for the purposes of the prevention and detection of fraud came into effect in 2008.

2. The Northern Ireland Audit Office (NIAO) used these powers to participate in the Audit Commission's 2008-09 exercise of the National Fraud Initiative (NFI), a major data matching exercise that is undertaken every two years and which enables public audit agencies in the UK to participate in cross jurisdictional matching.

3. Seventy-four bodies from across the public sector in Northern Ireland took part in NFI 2008-09, including central government bodies, agencies, non-departmental public bodies, councils and health sector bodies.

4. Participants were asked to provide certain data sets for the matching. These included payroll, pensions, trade creditors, housing benefit, blue badges, private supported care home residents, domestic rates and the electoral register.

5. The data matching exercise compares sets of data, such as the payroll or benefits records of a body, against other records held by the same or another body to see how far they match. Where a match is found it indicates that there may be an inconsistency that requires further investigation.

6. Matches from NFI 2008-09 were issued to participants from February 2009 for follow up and investigation in accordance with their own policies and procedures.

7. The results of our participation in NFI 2008-09 are very encouraging and show the potential of data matching to protect the public purse against fraud. At 31 March 2010, Northern Ireland's participation in NFI 2008-09 had resulted in £3.3 million of savings arising from fraud and error. By September 2010, a further £8.3 million had been identified. Key findings are shown at Figure 1. It is projected that the total savings from the exercise may exceed £16 million.

8. The benefits derived from the exercise are both quantitative and qualitative.

Quantitative outcomes include:

- overpayments, for example of housing benefit;

- underpayments and non-payments, for example of VAT; and

- additional revenue, in respect of domestic rates.

Qualitative outcomes include:

- better quality records resulting from the investigation and cleansing of data sets leaving bodies less vulnerable to fraud;

- identification of fraud risks not previously considered; and

- assurance over the existing control environment.

Executive Summary

9. In looking to our next exercise, NFI 2010-11, we have identified opportunities that exist for participants to gain greater benefit from NFI:

    •   NFI should be embedded into the core business practices and counter fraud strategies of bodies;

    •   careful consideration should be given to the level of resources required to follow up matches;

    •   matches should be prioritised and followed up promptly and rigorously;

    •   bodies should consider whether they can improve the quality of their records; and

    •   to make best use of the NFI web application, bodies should familiarise themselves with it in conjunction with the interactive training modules provided.

Figure 1: NFI Key Findings

Housing Benefit
•   £1.32 million in overpayments had been identified by 31 March 2010.
•   Since 1 April 2010, a further £893,000 in savings has been identified and it is projected that this will rise by a further £1.5 million.
•   2,240 cases of suspected fraud have been uncovered.

Blue Badges
•   5,142 blue badges were registered to persons in Northern Ireland who were deceased. These are being cancelled on Roads Service's computer system.

Trade Creditors
•   £193,000 overpaid to suppliers.
•   £16,000 of VAT overpayments.
•   Identification of duplicate and obsolete supplier records.
•   Assurance on proper operation of controls in supplier payments.

Domestic Rates
•   296 investigations, resulting in savings of £980,000 involving non-payment, fraud and error, completed at 31 March 2010.
•   From 1 April 2010 a further £7.4 million in savings has been identified and it is projected that this will rise by a further £3.2 million.

Pension Payments
•   Suspected fraud, overpayment or error of £729,000 found in 25 pension cases matched to death records.

The Comptroller and Auditor General's new data matching power to assist in the prevention and detection of fraud, and its first application in a data matching exercise

Part One:
Introduction

Background

1.1   While the vast majority of people who are entitled to public money by way of benefits, grants or in the provision of goods and services are trustworthy and honest, there are those who will deliberately set out to obtain money fraudulently. It is essential, therefore, that public bodies have adequate controls in place to prevent and detect fraud and error.

1.2   A welcome and significant opportunity to tackle and reduce the scale of fraud against the public sector in Northern Ireland and beyond, and to provide a strong deterrent against future fraudulent acts, has been provided by the Serious Crime Act 2007. This inserted provisions in the Audit and Accountability (Northern Ireland) Order 2003, giving the Comptroller and Auditor General for Northern Ireland (C&AG) the power to undertake data matching exercises for the purpose of assisting in the prevention and detection of fraud. This power came into effect in April 2008. We wish to acknowledge the determination and commitment of the Department of Finance and Personnel (DFP) in taking the lead in securing these powers for the C&AG.

1.3   The C&AG's data matching compares sets of data, such as the payroll or benefits records of a body, against other records held by the same or another body, to see how far they match. Where a match is found, it indicates that there may be an inconsistency that requires further investigation.

1.4   The matching of data sets allows potentially fraudulent claims and payments to be identified. Where no match is found, the data matching process can provide assurance that the control environment is operating as intended. Additionally, assurance can also be provided where there are few matches occurring or where matches are investigated and found not to be cases of fraud or error.

1.5   As part of this matching process the C&AG can share his data with other public audit agencies in the UK, which enables cross-jurisdictional matching to take place.

1.6   Data matching has been used very successfully by the Audit Commission[1] every two years since 1996, under the banner of '*The National Fraud Initiative*' (NFI), to detect frauds and overpayments totalling £664 million[2]. Upon receiving his new power, the C&AG made arrangements to participate in the Audit Commission's NFI 2008-09 exercise.

Code of Data Matching Practice

1.7   A Code of Data Matching Practice[3] laid before the Northern Ireland Assembly in July 2008 applies to all data matching exercises conducted by or on behalf of the C&AG. The purpose of the Code is to promote good practice in data matching and to help ensure that all taking part in data matching exercises comply with the law, especially the provisions of the Data Protection Act 1998. It also

---

1   The body responsible for the audit of local authorities in England.
2   'The National Fraud Initiative 2008/09' - http://www.audit-commission.gov.uk/nfi/reports/pages/default.aspx
3   Prepared by the C&AG under Article 4G of the Audit and Accountability (Northern Ireland) Order 2003 and available at www.niauditoffice.gov.uk

lets individuals know why their data is matched, the standards that apply and where they can find further information.

How the Comptroller and Auditor General chooses data to be matched

1.8 Bodies whose accounts are audited by the C&AG or a local government auditor[4] may be required to participate in a data matching exercise on a mandatory basis. Other bodies, both public and private sector, may participate on a voluntary basis where the C&AG considers it appropriate.

1.9 The C&AG will only choose data sets to be matched where he has reasonable evidence that fraud is likely to be found as a result of matching those data sets. Evidence may come from previous data matching exercises, from pilot exercises, from participants themselves or from other reliable sources of information.

Security of data

1.10 A primary consideration for NIAO in data matching is ensuring the security of data provided by participants. NFI uses a secure web based application both for the transmission of data to the Audit Commission and the accessing of matches. Data is encrypted and uploaded directly from organisations' computer systems over a secure internet connection, the data is held on secure servers, and there is strict password access.

1.11 Further actions are continually being taken to enhance security and provide confidence in the security arrangements. NFI's systems are now accredited to handle, store and process information up to the restricted classification levels. Another level of assurance comes from ongoing joint security audits involving the UK public audit agencies, including NIAO.

Fairness and transparency

1.12 The processing of data by the C&AG in a data matching exercise is carried out with statutory authority. It does not require the consent of the individuals concerned. However, the Data Protection Act 1998 normally requires participating bodies to inform individuals that their data will be processed. All participating bodies confirmed to NIAO their compliance with the Act.

Training and guidance for participants

1.13 The Northern Ireland Civil Service Fraud Forum, chaired by DFP, has supported the successful introduction of NFI by keeping bodies informed of the practical implementation of the initiative throughout the process. It hosted a public sector anti-fraud conference in March 2008 specifically to promote the initiative.

1.14 To prepare Northern Ireland bodies for participating in NFI 2008-09, NIAO, assisted by the Audit Commission, provided training and guidance.

---

4   Local government auditors are designated under the Local Government (Northern Ireland) Order 2005

Part One:
Introduction

Workshops were held for participants, to introduce and explain NFI, provide clarity on roles and responsibilities, and provide information and advice on the review and investigation of matches. NIAO also met with individual bodies to discuss NFI and, alongside the Audit Commission, was available to handle queries that arose.

1.15   Instructions to guide participants through the NFI process were produced. Participants also had access to the Audit Commission's interactive training module which provides relevant training on how to use the web based software. The training modules include demonstrations and tutorial exercises.

NFI 2008-09: Data sets provided by participants

1.16   The 74 bodies (listed in Appendix 1) participating in NFI 2008-09 provided the data sets in Figure 2 to the Audit Commission in autumn 2008 for matching. The types of data matches undertaken are shown in Figure 3.

Figure 2: Participants were asked to provide a range of data sets	
Data Set	**Bodies**
Payroll, Pensions, Trade Creditors standing data and payments history	Northern Ireland Departments, including Executive Agencies; Health Service bodies and other Central Government Bodies; Local Government Bodies.
Private supported care home residents	Health and Social Care Trusts
Blue badges	Roads Service
Housing benefit Housing tenants Right to buy	Northern Ireland Housing Executive
Housing benefit Rate relief Domestic rates (pilot)	Land & Property Services
NI companies and directors	Department of Enterprise, Trade and Investment
Electoral register (pilot)	Electoral Office for Northern Ireland

Figure 3: Selected data sets were compared with each other	
Examples of data matches undertaken	**Examples of potential fraud or errors**
Payroll to Payroll	Employees working elsewhere whilst on sick leave or employees being paid for two full time posts with different organisations.
Payroll to failed asylum seekers and expired visa records	Someone who is employed in the public sector but is not entitled to be in the UK.
Housing Benefit payments to Payroll	Claimants not declaring income which may remove entitlement to housing benefit or reduce the amount of benefit payable.
Housing Benefit payments to Pension	Pensioners in receipt of Housing Benefit may not have declared their full pension income.
Pensions to Deceased Persons	Pension is wrongly paid to a pensioner who has deceased but relatives fail to notify the pension administrator.
Pensions to Payroll	Overpayment of pension due to return to work in the same sector after retirement (if applicable)
Blue Badges to Deceased persons.	Fraudulent use of badges where holder is deceased.
Private supported care home payments to Deceased persons.	Payments still being made to care homes after the date of a resident's death.

The investigation of matches

1.17   NFI uses sophisticated data matching software to match data sets. Matches for 2008-09 were issued to participants from February 2009 for follow up and investigation in accordance with their own policies and procedures.

1.18   To ensure matches are not investigated by more than one body, responsibility for any actions considered necessary is assigned to one body. For example, housing benefit was matched to payroll and the matches were assigned to the relevant body administering the housing benefit. The NFI web application provides a mechanism for the investigating body to track progress and outcomes on investigations. It also facilitates the sharing of information arising from follow up and investigation with the other side of the match.

1.19   The Audit Commission uses the NFI software to filter the matches and identify those of high quality that it recommends should be considered for investigation first. The results are placed on the secure NFI website to which each participating body has access. The software also

Part One:
Introduction

allows bodies to use their own knowledge of data sets to prioritise matches before commencing investigations. It is ultimately a matter for bodies to decide which matches they investigate.

Public Accounts Committee

1.20   The Assembly's Public Accounts Committee published a report[5] on NFI on 22 May 2008. The Committee considered it important to publicly support this initiative and called upon everyone to play their respective roles to the full in taking this forward. It viewed NFI as *'a key tool in the armoury against fraud and error'*.

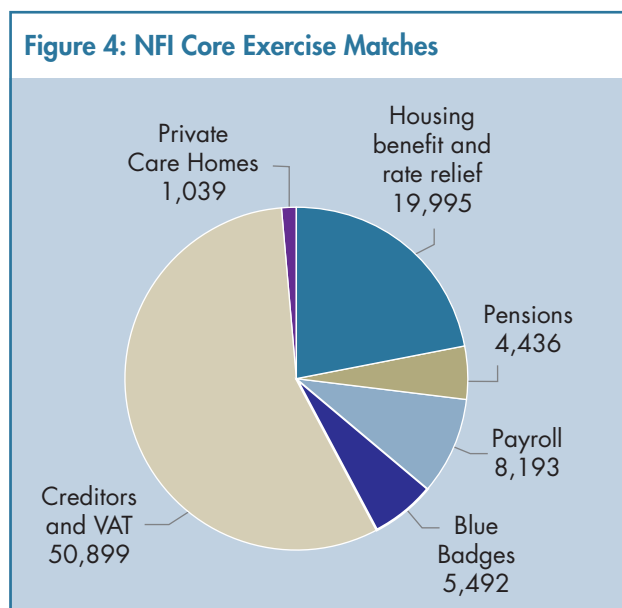5   Report on National Fraud Initiative, Fourteenth Report, Session 2007/08

Northern Ireland's participation in the National Fraud Initiative has resulted in over £11 million of savings arising from fraud and error. Total savings are expected to reach £16 million with the investigation of remaining matches.

Part Two:
Results

NFI Core Exercise

2.1 Data sets from 73 bodies[6] were matched as part of NFI. This included matching, as appropriate, to data sets obtained by the Audit Commission and the Auditor General for Wales. Over 90,000 matches were identified and approximately 10 per cent of these were categorised as 'recommended', where inconsistencies in the data suggested that investigation may be required. Figure 4 groups these matches by the leading data set.

Figure 4: NFI Core Exercise Matches

- Private Care Homes 1,039
- Housing benefit and rate relief 19,995
- Pensions 4,436
- Payroll 8,193
- Blue Badges 5,492
- Creditors and VAT 50,899

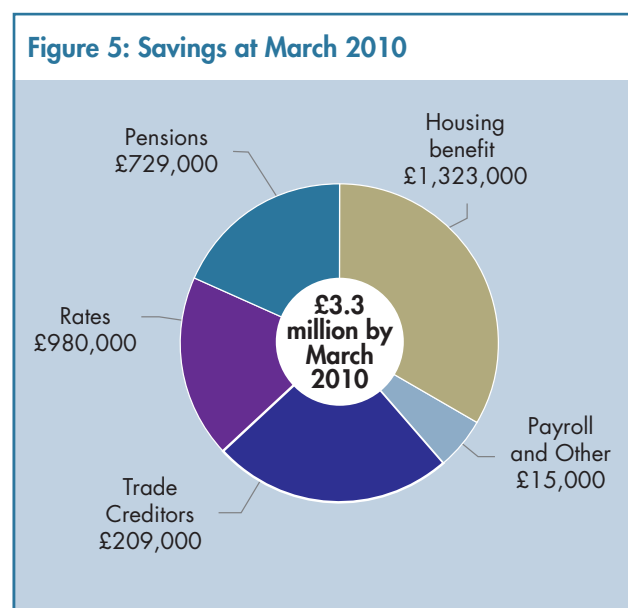2.2 Progress and outcomes on each of the matches are examined in paragraphs 2.10 to 2.48.

NFI Pilot Exercises

2.3 Matching focused on two data sets, domestic rates and the electoral register.

This is addressed at paragraphs 2.49 to 2.54.

NFI Overall Results

2.4 Taking together the results from the core and pilot NFI 2008-09 exercises, Northern Ireland had detected fraud, overpayments and errors (referred to as savings[7] in this report – see Appendix 2) of £3.3 million by 31 March 2010, as represented in Figure 5.

Figure 5: Savings at March 2010

- Pensions £729,000
- Housing benefit £1,323,000
- Rates £980,000
- £3.3 million by March 2010
- Payroll and Other £15,000
- Trade Creditors £209,000

2.5 Quantitative outcomes include:

- overpayments, for example of housing benefit;

- underpayments and non-payments; and

---

6   74 bodies participated in NFI 2008-09. One participated only in the pilot exercises.
7   The savings figures used throughout this report include both actual and estimated figures for fraud detections, overpayments and additional revenue. Estimates are included where it is reasonable to assume that fraud, overpayments and errors would have continued undetected without NFI data matching. Appendix 2 sets out the basis of calculation of savings.

- additional revenue in respect of domestic rates.
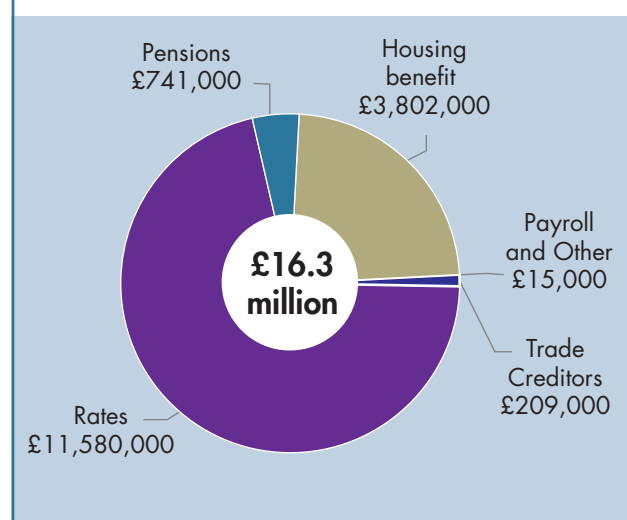
2.6 Qualitative outcomes include:

- higher quality records resulting from the investigation and cleansing of data sets, leaving bodies less vulnerable to fraud;

- identification of fraud risks not previously considered; and

- assurance over the existing control environment.

2.7 From 1 April 2010 to 30 September 2010, significant further savings totalling £8.3 million were identified, comprising mainly housing benefit matches (paragraph 2.20) and domestic rates (paragraph 2.53). In addition, further savings in excess of £4.8 million are anticipated (paragraphs 2.23 and 2.53), therefore the total savings from the 2008-09 exercise may exceed £16 million (see Figure 6). These will be covered in our next report on NFI.

2.8 The savings figures compare against a cost of running the exercise of £256,000, which NIAO recovered by charging fees to those who took part. This cost does not include participants' own costs, such as those incurred investigating matches.

2.9 The remainder of this section sets out the key findings of the exercise.

Figure 6: Projected Total Savings

Pensions £741,000

Housing benefit £3,802,000

Payroll and Other £15,000

Trade Creditors £209,000

Rates £11,580,000

£16.3 million

Housing

2.10 People on low incomes, including pensioners, may be entitled to assistance with their rent and/or rates. Land & Property Services (LPS) administer housing benefit and rate relief schemes for those who own and occupy their own home. The Northern Ireland Housing Executive (NIHE) administers a housing benefit scheme for those who rent their home.

2.11 The most common frauds and errors occur when housing benefit and/or rate relief entitlement is calculated on inaccurate information. This can happen, for example, where:

- an increase in income is not declared to the body administering the benefit/ rate relief; and/or

- a claimant does not declare all residents at the address.

Part Two:
Results

2.12 NIHE housing benefit and LPS housing benefit and rate relief data were matched to each other, to public sector pay and pensions, and other data sets such as student loans and housing tenancies.

Land & Property Services

2.13 Land & Property Services (LPS), the body responsible for investigating over 5,000 matches involving housing benefit and rate relief in relation to owner occupiers, has completed its investigations, identifying fraud and overpayments of at least £893,000 in 849 cases, comprising:

- 450 cases of suspected fraud; and

- 399 other cases of overpayment.

2.14 LPS informed us that the suspected fraud cases were not formally referred to the Social Security Agency's Benefit Investigation Service. This was due to a combination of factors such as the demographics of the claimants, the age of some of the data provided, the fact that all cases were corrected and the monies due were billed, and the liklihood of a criminal conviction in light of these factors.

Case Study 1

NFI identified a claimant in receipt of Housing Benefit on the basis of a passport benefit (see footnote 8), income support, being in payment. The information in the match indicated that a resident at the address was employed in the public sector. Further investigation confirmed that income support had not been in payment since 2004, as the claimant and partner had both been earning. The overpayment, which exceeded £8,000, has been recovered.

Source: Land & Property Services

2.15 While the original claim in the above case study was correctly assessed, the change in circumstances had not been communicated by the claimant nor had this information been obtained from the body processing the passport benefit.[8] LPS explained that, in over 70 per cent of cases, housing benefit and/or rate relief is granted on the basis of a passport benefit being in payment. LPS told us that it has access to the Department for Work and Pensions' Customer Information System (CIS) and has recently undertaken an exercise to provide assurance that all 'live' housing benefit cases are registered on CIS as having a housing benefit interest. LPS informed us that this will ensure that it is notified electronically of changes to other benefits where there is a 'live' housing benefit interest.

Northern Ireland Housing Executive (NIHE)

2.16 NIHE received over 14,400 housing benefit matches. Approximately 4,500

---

8 Claimants in receipt of specified benefits paid by the Social Security Agency are automatically entitled to Housing Benefit. These specified benefits are referred to as *passport benefits*.

matches involving passport benefits were passed to the Social Security Agency, as the new information may impact on entitlement to the passport benefit.

2.17   In relation to the remaining 9,900 cases not involving a passport benefit, 1,190 suspected fraud cases were referred for investigation to the Social Security Agency's Benefit Investigation Service, in line with existing protocols. A further 313 overpayment cases in excess of £430,000 were identified.

Social Security Agency

2.18   The Social Security Agency assessed the 4,500 passport matches referred by NIHE and found 1,750 cases where new information provided by NFI conflicted with benefit claim details, for example, where NFI identified an undeclared occupational pension may be in payment.

2.19   Following a risk analysis of these cases, the Social Security Agency's Benefit Investigation Service undertook to investigate 600 as suspected fraud. Of the remaining 1,150 cases, 1,100 are now subject to compliance analysis to identify any further recoveries of overpayments of both housing and passport benefits.

2.20   Benefit Investigation Service also assessed the 1,190 non-passport suspected fraud referrals from NIHE and undertook to investigate 595 cases. The remaining 595 cases were returned to NIHE to pursue recovery of overpayments. By 30 September 2010, almost 400 of the

595 cases returned to NIHE had been dealt with as part of NIHE's Customer Compliance Programme. Customer error was identified in just over 100 cases, which had resulted in housing benefit overpayments of £625,000.

2.21   With regard to the 1,195 cases of suspected fraud (600 referred to at paragraph 2.19 and 595 referred to at paragraph 2.20), the Agency had initiated 632 investigations at 30 September 2010, resulting so far in the indentification of overpayments of £178,000.

2.22   Additionally, arising from the Social Security Agency's analysis of NFI matches referred by NIHE:

- a number of other cases were identified, mostly state pension credit claims, where there was a high likelihood that benefit was being paid incorrectly mainly due to either official or customer error. The Agency has commenced an exercise to correct payments. This risk based exercise is achieving high rates of return for its investment;

- of these, the Agency has examined 327 cases and taken corrective action on 65 claims which were found to be in error. This activity has identified both over and under payments of benefit totalling £90,734;

- a further 307 potential cases, with projected savings of £85,000, will be examined through the Agency's

Part Two:
Results

corrective programme of work. This number may increase following further risk analysis of NFI error corrections.

Case Study 2

A claimant on weekly Housing Benefit since April 2003 had never declared a partner living at the same address. The partner has been employed full-time in the public sector. This investigation is ongoing.

Source: NIHE

Case Study 3

NFI has identified one case where a claimant appears to be claiming weekly Housing Benefit both in England since 2005 and in Northern Ireland since 2007. This investigation is ongoing.

Source: NIHE

Case Study 4

A Housing Benefit claimant failed to properly declare a pension that had been in payment. When the Housing Benefit was recalculated back to 2003, which is as far back as NIHE can check its records due to a systems change, the overpayment totalled around £15,000. NIHE has implemented recovery procedures.

Source: NIHE

Projected Savings

2.23 In relation to the 2,540 cases where investigation was incomplete at 30 September 2010 (1,750 referred to at paragraph 2.18 and 595 + 195 at paragraph 2.20), it is estimated, on the basis of the results achieved so far on NFI matches, that at least a further £1.5 million in overpayments may be identified.

Trade Creditors

2.24 NFI can assist bodies in identifying duplicate payments, incorrect VAT payments and potential corruption.

2.25 The tests applied to creditors standing data and payments history generated over 50,000 matches for investigation by participating bodies (as shown in Figure 4 at paragraph 2.1). This represents over 55 per cent of all NFI matches. Improving the quality of records held by cancelling or updating records will generate fewer and higher quality matches in future exercises. This should enable a more efficient targeting of resources to the investigation of potentially fraudulent transactions.

Duplicate payments

2.26 Seventy duplicate payments to suppliers, totalling £193,000, have been identified for recovery action.

Duplicate records

2.27 Poor record keeping by bodies can provide suppliers with the opportunity to obscure fraudulent activity.

2.28 NFI tests to detect duplicate records in the standing data of suppliers resulted in 17,730 matches, providing bodies with the opportunity to improve the quality of standing data and increase the chances of detecting fraudulent activity by suppliers at the earliest stage.

Case Study 5

One body found seven cases of overpayment in its Trade Creditors' matches which totalled £18,000 and are now in recovery. The body has since reviewed and improved controls to limit the risk of future overpayments being made.

Source: District Council

Case Study 6

One body processed an 'order acknowledgement' as an 'invoice for payment'. When the actual invoice for over £17,000 was received, it was processed again. The duplicate payment has been repaid by the supplier.

Source: District Council

VAT

2.29 NFI matches can detect inconsistencies in the calculation and payment of VAT. At 31 March 2010 overpayments of £16,000 had been identified and recovery procedures implemented.

Blue Badges

2.30 Blue badges can be applied for by those with severe mobility problems and entitle the holder to a range of parking concessions. Badge holders may park free of charge and without time limit at on-street 'pay and display' equipment, make use of parking spaces reserved exclusively for their usage and, subject to certain conditions, park on single or double yellow lines for up to three hours.

2.31 The main risks in relation to blue badges are:

- the usage of the badge by someone other than the named badge holder, to avoid parking costs and for accessibility of parking;

- the potential denial of parking spaces to genuine blue badge holders; and

- selling the blue badge on the black market.

2.32 Case study 7 demonstrates the ability of NFI to prevent and detect wrongful use of badges.

Part Two:
Results

Case Study 7

NFI matching identified that a badge holder had died in 2008. On investigation, it was found that a car displaying the deceased holder's blue badge was issued with penalty charge notices for parking violations on four occasions in 2009. This case is ongoing.

Source: Roads Service

2.33   In autumn 2008 when NFI 2008-09 commenced, 100,000 blue badges were in circulation in Northern Ireland. Information on blue badge holders was matched to records of deceased persons. Roads Service assessed that 5,142 registered badge holders were deceased and blue badge records should be amended accordingly. These badges are being cancelled on Roads Service's computer system.

2.34   Information on badge holders can be accessed by blue badge traffic wardens, who specialise in detecting blue badge abuse. This team was established in 2008 prior to NFI, partly in response to concerns raised by disability groups on the improper usage of blue badges. In addition, this will alert Roads Service staff to the need to seek fresh evidence of entitlement should an attempt be made to renew badges on expiry (badges are valid for 3 years).

2.35   The Audit Commission uses a methodology to calculate the savings[9] arising from the cancellation of blue

badges. The methodology quantifies the lost parking and congestion charge revenue from the misuse of blue badges where the holder is deceased. However, as parking rates and charging regimes are significantly different in Northern Ireland, it is considered that it would not be appropriate to use this methodology. We have agreed with Roads Service to develop a methodology for Northern Ireland in respect of future NFI exercises.

Payroll

2.36   Matching payroll against payroll can identify cases of fraud where one employee holds down more than one full time job or works for one body while on long-term sick leave from another. Alternatively, the two jobs may have overlapping shift patterns so that it would not be possible to cover both jobs.

2.37   There was only a low level of fraud, error or overpayment found in this match.

2.38   Payroll data is also matched to UK Border Agency Visa and Asylum Seeker data sets to identify illegal immigrants and those employees not entitled to work in the UK. A number of bodies received a small number of matches in this area but none has reported any irregularities arising from these on their NFI web application.

2.39   The matching of payroll against pensions detects former employees who have returned to work and where abatement to pension may be

---

9   In Northern Ireland, using the Audit Commission's methodology, the savings would be calculated at £2.57 million for NFI 2008-09.

required. These cases are examined at paragraphs 2.42 to 2.45.

Occupational Pensions

2.40 Six occupational pension paying bodies in the public sector submitted data sets to identify suspected fraudulent pension payments and error. This is an important aspect of NFI in Northern Ireland and there are a number of ways in which fraud and error may happen:

- pensions continue in payment after the pensioner has died because the pension paying body has not been notified;

- the pensioner returns to work but does not inform the pension paying body where an abatement may be required; and

- the pensioner does not declare pension where he is in receipt of other benefits.

Deceased pensioner

2.41 NFI matched pension records to death records and generated 798 matches for investigation. All matches have been investigated and 25 overpayments totalling £729,000 were identified.

Case Study 8

An annual pension of just under £40,000 remained in payment following the death of a pensioner. At the time the NFI match was issued to the body, overpayments amounted to £30,000. The pension paying body has recovered the money.

Source: DHSSPS

Pensioner returns to work

2.42 Pension records were matched to payroll records, with a match indicating that a pensioner may have returned to work and abatement of pension may be required.

2.43 One pension paying body, the Department of Health, Social Services and Public Safety (DHSSPS), identified 223 cases of this type and all were investigated. DHSSPS told us that in 103 cases, abatement was not applicable. For the remaining 120 cases, investigations are continuing. One case has identified an overpayment of over £12,000 and DHSSPS is pursuing repayment of this amount.

2.44 Another pension body, the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC), told us that, at 30 September 2010, it had 40 pension cases under consideration, with 5 identified where abatement may be necessary.

Part Two:
Results

Pensioner fails to declare pension income

2.45 The correct assessment of benefit applications is dependent on timely and accurate income information from the applicant, at both the initial application stage and when there is any change in circumstance. Of the 1,162 housing benefit cases discussed in paragraphs 2.13 and 2.17 (849+313), at least 50 per cent involved overpayments to pensioners totalling over £500,000.

Private Supported Care Home Residents

2.46 The Health Trusts provide for skilled care and support to physically frail and mentally frail older people in a homely therapeutic environment. They may pay all or part of private care homes' fees.[10]

2.47 The main risk is that the Trusts are not made aware of the death of a resident and may continue to make payment to the private care home. NFI matched information about private care home payments to the deceased persons' register.

2.48 The Trusts received 1,039 matches and followed up 655 of these. No frauds, errors or overpayments were reported.

Pilot Exercises

2.49 New areas of data matching can be carried out on a pilot basis to test their effectiveness in preventing or detecting

fraud. Only where pilot exercises provide reasonable evidence that fraud is likely to be found, will they be built into future NFI exercises.

2.50 In NFI 2008-09, the C&AG piloted the matching of domestic rates against the electoral register, to detect fraud in the avoidance of payment of rates.

2.51 Rates are a property tax payable by occupiers of properties. Matching domestic properties to the electoral register may identify non-payment of domestic rates arising from an owner or occupier, for example:

- not notifying LPS, the body responsible for administering rates, of the occupancy of a property; or

- intentionally notifying LPS of an incorrect date of occupancy of the property.

2.52 LPS identified 22,000 matches for investigation. At 31 March 2010, 296 investigations had detected and prevented £980,000 in non-payment, fraud and error.

2.53 Since 1 April 2010, substantial further work on these investigations has taken place. LPS has completed a further 2,027 cases, identifying £7.4 million of non-payment fraud and error, with 10,005 matches remaining to be followed up. LPS estimates that the examination of these case will identify a further 847 cases of non-payment fraud and error valued at £3.2 million.

---

10 On 8 December 2010, the C&AG published a report on arrangements for ensuring the quality of care in nursing and residential care homes.

2.54 In light of the success of this pilot, the matching of domestic rates to the electoral register is being incorporated in NFI 2010-11, which commenced in October 2010 (see paragraph 3.11).

Part Three:
How can participants get more out of NFI?

Key Messages

- **NFI should be embedded into the core business practices and counter fraud strategies of bodies;**

- **Bodies should consider whether they can improve the quality of their records;**

- **Careful consideration should be given to the level of resources required to follow up matches;**

- **Matches should be prioritised, and followed up promptly and rigorously; and**

- **To make best use of the NFI web application, bodies should familiarise themselves with it in conjunction with the interactive training modules provided.**

3.1 The majority of the Northern Ireland bodies taking part in the 2008-09 exercise were participating in NFI for the first time and therefore, for many, there was a need to familiarise themselves with the Initiative and obtain a sound understanding of how it operated.

3.2 Bodies responded positively to this challenge and the resulting success of the initiative is due to the hard work and commitment of participants. A significant input of time and resources has been required in the preparation of data and in the subsequent follow-up and investigation of matches. Bodies are to be commended for their efforts.

3.3 As with the introduction of all new initiatives there are some lessons that can be learnt and bodies will already be aware of how they could better prepare for and implement future NFI exercises. Outlined below are the main themes that emerged from our overview of the implementation of NFI 2008-09.

Strategic approach to NFI

3.4 NFI is an anti fraud tool that is available to public sector bodies in Northern Ireland. It should be embedded into core business practices and be an important component of their counter fraud strategy. Bodies should seek to use data matching as clear evidence of their zero tolerance to fraud.

3.5 We understand that for some bodies the costs of NFI involvement appear to have outweighed the benefits they personally have derived from participation, however we hope that the results of the first exercise should help demonstrate to all bodies the wider benefits that accrue from participation.

Preparation for NFI

3.6 The use of high quality data leads to a smaller number of matches but of a much higher quality, and reduces the level of resources required to conduct the follow-up work. On payroll we noted that some bodies were not holding up-to-date addresses for employees. Likewise, 17,730 creditor matches related to

bodies holding duplicate creditors by creditor reference, name or address. We encourage participating bodies to ensure that data is accurate and complete before uploading for matching.

3.7 It is important for bodies to give careful consideration to resourcing the follow up of matches. There is a risk that bodies who allocate too many resources may follow up matches where the benefits accruing diminish. Conversely bodies that allocate too few resources may not follow up matches that ought to be pursued. We recognise that in relation to this first data matching exercise, the outcome was unknown and unpredictable for individual participating bodies until matching was actually undertaken, but expect, over time, to find an increased precision in the allocation of resources.

3.8 The Public Accounts Committee (PAC) considered the need for adequate resourcing for the investigation of NFI matches in a 2008 report[11]. It recommended that the Social Security Agency should consider, on the basis of spend to save, the business justification for increasing the number of investigators. PAC stated that this was particularly important in the context of the introduction of NFI, which may generate greater numbers of fraud referrals.

3.9 We will continue to communicate best practice through engagement with participants and publication of reports on NFI.

Follow-up of Matches

3.10 NFI results are dependent on how effectively bodies follow up matches and identify those for investigation. Bodies participating in future NFI exercises should bear in mind the following:

- Bodies should have a clear strategy and make use of the specialist knowledge of their business areas to identify matches for follow-up.

- Matches should be prioritised.

- Prompt follow-up of matches is essential, as this will help bodies to limit overpayments accruing and identify non-payment at an earlier stage.

- Participating bodies have generally made good progress in seeking recovery of monies but, at this stage, very few sanctions have been applied or prosecutions or disciplinary investigations instigated. Serious cases should be pursued.

- In cases where fraud is proven against a public sector worker through prosecution, this information should be shared with the employing body.

- All suspected frauds should be reported to the C&AG in line with normal reporting requirements.

---

11 Social Security Benefit Fraud and Error : Twelfth Report, Session 2007-2008.

Part Three:
How can participants get more out of NFI?

- Suspected frauds should be investigated in line with the body's counter-fraud policy and fraud response plan.

- Bodies should address any weaknesses identified in their control environment as a result of the follow-up of matches.

Making full use of the NFI web application

3.11 The C&AG is participating in NFI 2010-11 which commenced with data upload in October 2010. Bodies participating in this exercise should familiarise themselves with the NFI application in conjunction with the interactive training modules. They should:

- ensure they utilise the interactive training modules that provide demonstrations and tutorial exercises on how to best use the NFI software;

- make good use of inbuilt filtering mechanisms to further prioritise matches for follow up, for example sorting by particular fields, to target the highest risk matches first;

- make better use of NFI software, for example to reduce time spent on inputting information on to the NFI system; and

- fully record information on the web application. Failure to do this in the first exercise has resulted in some savings not being captured.

3.12 Making full use of the functions of the NFI software can reduce the workload a body faces.

Part Four:
Conclusions and the Way Forward

The results of our participation in NFI 2008-09 are very encouraging and show the potential of data matching to protect the public purse against fraud.

4.1   Savings arising from fraud, overpayments and errors totalled £3.3 million at 31 March 2010, £11.6 million at 30 September 2010, and are projected to exceed £16 million. In addition to these headline figures, there are qualitative outcomes, including the assurance to be taken where fraud and error is not found.

4.2   NFI 2008-09 provides strong evidence of the benefits of using data matching for the prevention and detection of fraud and should help persuade other bodies in both the public and private sectors of the strong arguments for participating in NFI.

4.3   Public sector bodies are now on a sound footing to further develop data matching by embedding it into their core business and making it an intrinsic part of their counter fraud strategy. In the current economic climate, and with pressures on public finances, NFI can make an important contribution and should be used to full effect. At present the potential of data matching is not fully exploited.

4.4   While acknowledging the considerable savings that have been achieved, we would stress the need for earlier investigative action, which could reasonably have been expected to ensure earlier delivery of savings.

4.5   For future exercises we strongly encourage bodies to spend to save, and to engage proactively and effectively in NFI, ensuring that they have sound arrangements in place for managing NFI and for investigating matches. Areas set out in this report for attention and/ or improvement should be fully taken into account by participants in future NFI exercises.

4.6   While continuing to focus on the core NFI data sets, we remain keen to develop and widen our involvement in NFI:

- over 100 public bodies are participating in NFI 2010-11, compared with 74 in NFI 2008-09;

- we observe closely the developments in NFI which currently include, among other things, strengthening work with private sector companies[12]; and

- we continue to explore additional datasets for inclusion, and welcome all approaches by both public and private sector bodies highlighting potential matches that may assist with the prevention and detection of fraud.

4.7   Finally, we would like to thank the Audit Commission. It has played a pivotal role in helping us to develop NFI in Northern Ireland. Its expertise and assistance has been crucial to the success of our participation in NFI 2008-09.

---

12   The National Fraud Initiative 2008-09 - http://www.audit-commission.gov.uk/nfi/reports/pages/default.aspx

Appendices

Appendix 1: Bodies participating in NFI 2008-09
(paragraph 1.16)

Mandatory Participants

Northern Ireland Departments:
Department of Agriculture and Rural Development
Department of Culture, Arts and Leisure
Department of Education
Department for Employment and Learning
Department of Enterprise, Trade and Investment
Department of the Environment
Department of Finance and Personnel
Department of Health, Social Services and Public
    Safety
Department for Regional Development
Department for Social Development
Office of the First Minister and Deputy First Minister

Executive Agencies
Rivers Agency
Forest Service
Driver & Vehicle Agency
Northern Ireland Environment Agency
    (formerly Environment and Heritage Service)
Planning Service
Roads Service
Social Security Agency
Land & Property Services
Northern Ireland Statistics & Research Agency

Other central government bodies:
Belfast Education and Library Board
North Eastern Education and Library Board
South Eastern Education and Library Board
Southern Education and Library Board
Western Education and Library Board
Invest Northern Ireland
Northern Ireland Assembly
National Museums and Galleries of Northern Ireland
Northern Ireland Council for the Curriculum,
    Examinations and Assessment
Northern Ireland Fire and Rescue Service

Northern Ireland Housing Executive
Northern Ireland Tourist Board

Health Services Bodies:
Business Services Organisation
    (formerly Central Services Agency)
Belfast Health and Social Care Trust
Northern Health and Social Care Trust
South Eastern Health and Social Care Trust
Southern Health and Social Care Trust
Western Health and Social Care Trust
Eastern Health and Social Services Board
Northern Health and Social Services Board
Southern Health and Social Services Board
Western Health and Social Services Board
Northern Ireland Ambulance Service HSS Trust

Local Government Bodies:
Antrim Borough Council
Ards Borough Council
Armagh City & District Council
Ballymena Borough Council
Ballymoney Borough Council
Banbridge District Council
Belfast City Council
Carrickfergus Borough Council
Castlereagh Borough Council
Coleraine Borough Council
Cookstown District Council
Craigavon Borough Council
Derry City Council
Down District Council
Dungannon & South Tyrone Borough Council
Fermanagh District Council
Larne Borough Council
Limavady Borough Council
Lisburn City Council
Magherafelt District Council
Moyle District Council
Newry & Mourne District Council
Newtownabbey Borough Council
North Down Borough Council

Omagh District Council
Strabane District Council
Northern Ireland Local Government Officers'
    Superannuation Committee

Voluntary participants

Electoral Office for Northern Ireland
Northern Ireland Audit Office
Northern Ireland Courts and Tribunal Service
    (formerly Northern Ireland Court Service)
Translink

Appendix 2: Savings and Basis of Calculation
(paragraph 2.4)

	Savings to 30/9/10 (£'000)	Estimated (£'000)	Total (£'000)	Basis of Calculation
Housing Benefit	2,217	1,585	3,802	Value of sanctions applied plus forward savings calculated as the weekly benefit reduction multiplied by 13
Pensions	741	0	741	Cabinet Office formula: annual pension multiplied by the number of years until the pensioner would have reached the age of 90
Creditors	209	0	209	Value of overpayments
Rates	8,380	3,200	11,580	Value of sanctions applied plus forward savings calculated as the average rate bill multiplied by 3
Payroll and other	15	0	15	Value of overpayments
TOTAL	**11,562**	**4,785**	**16,347**	

NIAO Reports since 2009

Title	HC/NIA No.	Date Published
Absenteeism in Northern Ireland Councils 2007-08	–	9 January 2009
Obesity and Type 2 Diabetes in Northern Ireland	NIA 73/08-09	14 January 2009
Public Service Agreements – Measuring Performance	NIA 79/08-09	11 February 2009
Review of Assistance to Valence Technology: A Case Study on Inward Investment	NIA 86/08-09	25 February 2009
The Control of Bovine Tuberculosis in Northern Ireland	NIA 92/08-09	18 March 2009
Review of Financial Management in the Further Education Sector in Northern Ireland from 1998 to 2007/ Governance Examination of Fermanagh College of Further and Higher Education	NIA 98/08-09	25 March 2009
The Investigation of Suspected Contractor Fraud	NIA103/08-09	29 April 2009
The Management of Social Housing Rent Collection and Arrears	NIA 104/08-09	6 May 2009
Review of New Deal 25+	NIA111/08-09	13 May 2009
Financial Auditing and Reporting 2007-08	NIA 115/08-09	20 May 2009
General Report on the Health and Social Care Sector in Northern Ireland 2008	NIA 132/08-09	10 June 2009
The Administration and Management of the Disability Living Allowance Reconsideration and Appeals Process	NIA 116/08-09	17 June 2009
The Pre-School Education Expansion Programme	NIA 133/08-09	19 June 2009
Bringing the SS Nomadic to Belfast – The Acquisition and Restoration of the SS Nomadic	NIA 165/08-09	24 June 2009
The Exercise by Local Government Auditors of their functions	–	30 June 2009
A Review of the Gateway Process/The Management of Personal Injury Claims	NIA 175/08-09	8 July 2009
Resettlement of long-stay patients from learning disability hospitals	–	7 October 2009
Improving the Strategic Roads Network - The M1/ Westlink and M2 Improvement Schemes	–	4 November 2009
The Performance of the Planning Service	–	25 November 2009
Improving Adult Literacy and Numeracy	–	9 December 2009
Absenteeism in Northern Ireland Councils 2008-2009	–	11 December 2009

NIAO Reports 2009-2010

Title	HC/NIA No.	Date Published
Campsie Office Accommodation/ Synergy e-Business Incubator (SeBI)	–	24 March 2010
The Management of Substitution Cover for Teachers: Follow-up Report	–	26 May 2010
Managing the Performance of NI Water	–	16 June 2010
Schools' Views of their Education and Library Board 2009	–	28 June 2010
School Design and Delivery	–	25 August 2010
CORE: A Case Study in the management and control of a local economic development initiative	–	27 October 2010
Absenteeism in Northern Ireland Councils 2009-10	–	26 November 2010
Arrangements for Ensuring the Quality of Care in Homes for Older People	–	8 December 2010
Examination of Procurement Breaches in Northern Ireland Water	–	14 December 2010
General Report by the Comptroller and Audito General for Northern Ireland - 2010	–	22 December 2010
Compensation Recovery Unit –Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators	–	26 January 2011

TSO

information & publishing solutions