



Northern Ireland Audit Office

Compensation Recovery Unit – Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators





Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

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Compensation Recovery Unit – Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the Northern Ireland Assembly in accordance with Article 11 of that Order.

K J Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
26 January 2011

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Contents

	Page
Executive Summary	2
Background	2
Study scope and methodology	2
Findings and Recommendations	3
Part 1	7
Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators	7
There is a legal requirement to recover Social Security Benefits and Health Service costs in cases where personal injury compensation has been paid	8
Recovery of compensation is delayed by late and incomplete return of information from Trusts	9
The Compensation Recovery Unit seeks to recover debt immediately and has taken steps to obtain recoveries from compensators more quickly	13
Information received from compensators is not always accurate and requires additional resources to investigate and pursue recovery	14
The number of registered cases has decreased in Northern Ireland but increased in GB over the period 2000 to 2009	17
The Compensation Recovery Unit has received a number of allegations that compensators have failed to inform it of compensation claims	20
The Compensation Recovery Unit has not exercised its right to conduct inspections or data-match to ensure completeness of information supplied by compensators	24
The Compensation Recovery Unit does not monitor the number or trends in appeals by compensators against Compensation Recovery Unit’s assessments	25
The increasing practice of settling claims early minimises the amount of benefits and costs that can be recovered	27

	The Compensation Recovery Unit falls within the scope of the Agency's fraud policy but this does not meet the Compensation Recovery Unit's business needs	28
Part 2	Management of the Recovery of Benefit Payments and Health Service Costs from Compensators	29
	The Compensation Recovery Unit compares its processes, policies and systems with its GB counterpart	30
	Staffing levels in Compensation Recovery Unit have reduced significantly but are still higher than the equivalent levels in GB	30
	The Compensation Recovery Unit sets targets and monitors performance but published performance information is limited to one key target	31
Appendix 1	Compensation Recovery Unit's Compensation Recovery Process	36
Appendix 2	Health and Social Care Trusts' 2009-10 returns to the Compensation Recovery Unit	37
Appendix 3	Road Traffic Collisions and Accidents at Work Statistics in Northern Ireland	38
Appendix 4	The GB Compensation Recovery Unit's Targets and Performance	39
Appendix 5	Actions taken by the Agency in response to our recommendations	40

Glossary of Terms and List of Abbreviations

the Agency	Social Security Agency
CDCU	Corporate Debt Control Unit
Certificate of Recoverable Benefits	Issued by Compensation Recovery Unit and tells the compensator which recoverable benefits have been paid (or are likely to be paid) and the total amount to be repaid
Certificate of Health Service Charges	Issued by Compensation Recovery Unit and tells the compensator whether Health Service treatment was with or without admission to hospital, the number of days, ambulance charges and the amount to be repaid
Compensator	The person, company or agent paying compensation to an injured party
DHSSPS	Department of Health, Social Services and Public Safety
DSD	Department for Social Development
DSO	Departmental Solicitor's Office
DWP	Department of Work and Pensions
GB	Great Britain
HSENI	Health and Safety Executive for Northern Ireland
IDSL	IDSL is a company set up by insurers to allow the sharing of data
Injured person	The person claiming compensation
LEAN	LEAN working methodology aims to achieve more with less resource, by continuous review and elimination of those activities and processes that do not add value
NHS	National Health Service
NIAO	Northern Ireland Audit Office
PSNI	Police Service of Northern Ireland
PSS	Private Sector Service Debt Collector
Trusts	Health and Social Care Trusts
UK	United Kingdom

Executive Summary

Background

1. The Compensation Recovery Unit has a legal right to recover social security benefits and National Health Service (NHS) costs from compensators¹ in cases where a personal injury claim has been successful, for example, following a road traffic accident or injury at work.
2. Between 2002-03 and 2009-10, the Compensation Recovery Unit recovered £101 million from compensators. In 2009-10, it recovered a total of £13.6 million, comprising £5.4 million of benefit payments and £8.2 million of Health Service costs, relating to approximately 20,300 cases. Compensation Recovery Unit staff and administrative costs for 2009-10 were £1.1 million.
3. The Compensation Recovery Unit relies on compensators notifying it of personal injury claims. On receipt of a notification it determines the amount of social security benefits and the cost of National Health Service care received by the injured party (**Appendix 1**). The benefits figure is calculated directly from the Department of Work and Pensions' (DWP) Customer Information System database. Information gathered from Health and Social Care Trusts (Trusts), along with cost tables for ambulance service and hospital care, are used to calculate the total Health Service costs. These annual tariffs are set in Great Britain (GB) using information gathered by the Road Traffic Research Laboratory about treatment profiles for road accident victims. The Department of Health, Social Services and Public Safety (DHSSPS) has

adopted the GB rates as they are based on scientific research; the relevant costs are not significantly different from GB; and there is a need for consistency of treatment of insured people across the United Kingdom (UK).

Study Scope and Methodology

4. This report examines the Agency's effectiveness in maximising the recovery of benefit payments and Health Service costs.
5. To inform our review, we:
 - carried out a series of structured and semi-structured interviews with relevant personnel in the Agency, the Department for Social Development, DHSSPS and the Law Society;
 - obtained and reviewed performance data and information from the GB Compensation Recovery Unit;
 - utilised this to carry out comparative analysis of the Compensation Recovery Unit's performance;
 - reviewed relevant documents held by the Agency; and
 - consulted with the Northern Ireland General Consumer Council.

¹ A compensator is a person, company or agent paying compensation to an injured party.

Our Findings and Recommendations

On Maximising the Recovery of Benefit Payments and Health Service Costs from Compensators

6. The Compensation Recovery Unit gathers information from Trusts to confirm attendance at hospital, whether a patient was treated as an inpatient or outpatient, whether an ambulance was used and the length of stay. It is important that the Agency closely monitors the response to requests for information and the accuracy of the information provided by the Trusts. In most cases the Trusts do not provide this information within the 14 day target, taking on average 34 days. Where there are delays or if inaccurate information is provided, this is brought to the attention of DHSSPS promptly for action. DHSSPS must be more proactive in dealing with late returns from the Trusts to the Compensation Recovery Unit and give further consideration to the efficiency gains and other benefits of implementing an electronic interface. (paragraphs 1.5 to 1.16)
7. Information provided to the Compensation Recovery Unit by compensators is not always accurate and sometimes inconsistent with the injuries sustained. With some 2,000 incorrect forms being received each year, there is significant potential for loss to the public purse. We recognise that the Compensation Recovery Unit has put additional controls in place to check forms for incorrect information. However, these checks are at an additional cost to the public purse. We recommend that the Compensation Recovery Unit should continue to press compensators to ensure that complete and accurate information is submitted by compensators via the electronic interface, in the first instance and take action against compensators when incorrect notifications are provided. (paragraphs 1.22 to 1.34)
8. It is important that the Compensation Recovery Unit regularly reviews and assesses information and statistics on personal injury incidents and claims. This should include data and statistics from the GB Compensation Recovery Unit, Health Service Trusts, Police Service of Northern Ireland, Health and Safety Executive for Northern Ireland and the insurance industry regarding accidents. This should help the Compensation Recovery Unit identify any potential trends in under-notification by compensators. (paragraphs 1.35 to 1.42)
9. Our investigation identified a suspected fraud (**Figure 11**) that had not been investigated or reported to us. Managing Public Money Northern Ireland requires departments or agencies to report suspected or proven fraud immediately to the Department of Finance and Personnel and the Comptroller and Auditor General. This case study is a useful reminder to public bodies that all frauds, whether proven or suspected, must be reported to the appropriate authorities in a timely manner. (paragraph 1.56)
10. In January 2007 the Compensation Recovery Unit was informed by some members of the Association of Personal

Injury Lawyers that some compensators may be failing to notify the Unit of potential personal injury claims, as required by legislation. This prompted a review of the reduction in potential compensation claim registrations from compensators (**paragraph 1.38**) and the possible reasons for variances in trends between Northern Ireland and Great Britain. Further investigation is required and we recommend that the Agency requests annual control figures from compensators and undertakes inspections of insurers' databases where discrepancies are found. (paragraphs 1.43 to 1.62)

11. The Compensation Recovery Unit does not monitor the number or trends in appeals by compensators against the Unit's assessments. We recommend that the Agency develops its management information system to include and collate the reasons why decisions are overturned or upheld on appeal. It should regularly review this information to determine trends and identify and implement actions to further improve the processes for dealing with appeals. (paragraphs 1.63 to 1.67)
12. The Agency's External Fraud Response Plan relates to individuals or groups of individuals who deliberately give false information or make false representations in order to receive benefit to which they are not entitled. This does not reflect the type of work undertaken by the Compensation Recovery Unit. We recommend that the Agency carries out a review of its External Fraud Response Plan with a view to making any appropriate amendments to reflect the

business undertaken by the Compensation Recovery Unit. (paragraphs 1.73 to 1.75)

On Managing the Recovery of Benefit Payments and Health Service Costs from Compensators

13. Between 2002-03 and 2010-11, staff numbers in the Compensation Recovery Unit reduced from 84 to 48 and there has been a significant improvement in the ratio of costs to amounts recovered. However, the ratio is significantly higher than that in the GB Compensation Recovery Unit. Given the significance of the potential efficiency savings, we recommend that, using the LEAN² process, the Agency reviews its staffing structure and the relative performance of the Compensation Recovery Unit and the GB Compensation Recovery Unit, to determine the reasons for variances between the bodies. In addition, it should consider the possibility of securing economies of scale through amalgamating the Compensation Recovery Unit with its Debt Recovery Unit. (paragraphs 2.1 to 2.8)
14. In its Annual Report, the Agency reports on one key target for the Compensation Recovery Unit: the issue of certificates within four weeks and the accuracy of those certificates. However, we recommend that the Agency considers adopting similar targets to those set for the GB Compensation Recovery Unit. It should systematically benchmark against these. This will help the Agency assess its processes, identify any areas for improvement and implement changes to improve performance. The Compensation

2 LEAN working seeks to review processes from the customer perspective to eliminate waste, inconsistency and duplication and to identify and resolve the root cause of problems in performance. The main driver for LEAN is to achieve more with less resource, by continuous review and elimination of those activities and processes that do not add value.

Recovery Unit's performance should be reported in the Agency's Annual Report. (paragraphs 2.9 to 2.16).

15. The Agency has instigated a range of actions in response to our recommendations. These are set out in the relevant paragraphs in the report. However, for ease of reference they are summarised in **Appendix 5**.
-

Part One:
Maximising the Recovery of Social Security Benefits
and Health Service Costs from Compensators



Part One:

Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

There is a legal requirement to recover social security benefits and Health Service costs

1.1 The legal right to recover social security benefits paid and Health Service costs in cases where personal injury compensation has been paid is set out in:

- the Social Security (Recovery of Benefits)(NI) Order 1997; and
- the Health and Personal Social Services Act NI 2001 (for accidents prior to 29 January 2007) and the Recovery of Health Service Charges (NI) Order 2006 (for accidents on or after 29 January 2007).

1.2 Where a person claims and receives compensation as a result of an injury or disease, the Compensation Recovery Unit has three main functions:

- to recover any social security benefits paid to the injured person, ensuring the person does not get paid twice for the same injury or disease;
- to recover any relevant hospital and ambulance charges from compensators; and
- to pay amounts recovered to the Social Security Agency and Health and Social Care Trusts (**Figure 1**).

1.3 On receipt of notification of a potential claim settlement from a compensator, the Compensation Recovery Unit determines the amounts of social security benefits and the cost of National Health Service

Figure 1: Amounts recovered from compensators

Year	Social Security Benefits (£million)	Health Service Costs (£million)
2006-07	7.7	5.6
2007-08	7.9	5.9
2008-09	5.9	6.9
2009-10	5.4	8.2

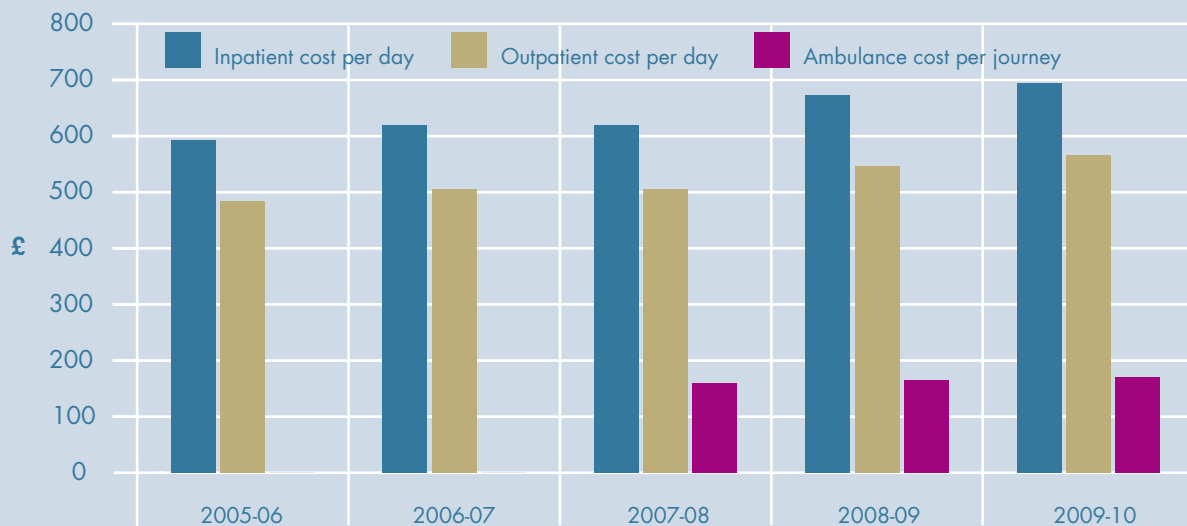
Source: NIAO based on Agency documents

care received by the injured parties. The benefits figure is calculated directly from the Department of Work and Pensions' (DWP) Customer Information System database. Information gathered from Trusts, along with cost tables for ambulance service and hospital care in GB, is used to calculate the total Health Service costs. These tariffs (**Figure 2**) are based on information from the Road Traffic Research Laboratory on treatment profiles for road accident victims.

1.4 The Department of Health, Social Services and Public Safety (DHSSPS) has adopted the GB rates as:

- they are based on scientific research;
- the relevant costs are not significantly different from GB; and
- there is a need for consistency of treatment of people insured and treated across the UK.

Figure 2: Health Service Charges



Note: Inpatient treatment costs are subject to a maximum level recoverable. This was £35,500 in 2005-06, rising to £41,545 in 2009-10.

Source: DHSSPS

Recovery of compensation is delayed by late and incomplete return of information from Trusts

1.5 The Compensation Recovery Unit is required by legislation to provide a Benefits Recoverable Certificate to a compensator within 28 days of notification that a claim has been settled. If the Compensation Recovery Unit fails to collect the relevant benefit information and issue the Certificate within this period, it loses the right to recover the amount from the compensator. The Compensation Recovery Unit told us that it has processes in place to gather benefit information and the loss of recoverable compensation is rare, with no certificates exceeding the 28 day limit in 2009-10.

1.6 There is, however, no time limit on the production of a Health Service Certificate. Therefore, the Compensation Recovery Unit does not issue a Certificate of Health Service Charges until it considers that all avenues of investigation to identify recoverable Health Service costs have been pursued.

1.7 Health Service data to confirm hospital attendance for an injured person is not as readily available as that for benefits. For example, information that will enable recoverable costs to be identified may be difficult to obtain where patients enter hospital in emergency circumstances. Trusts may also be hampered in providing information by the lack of a centralised patient database, sometimes resulting

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

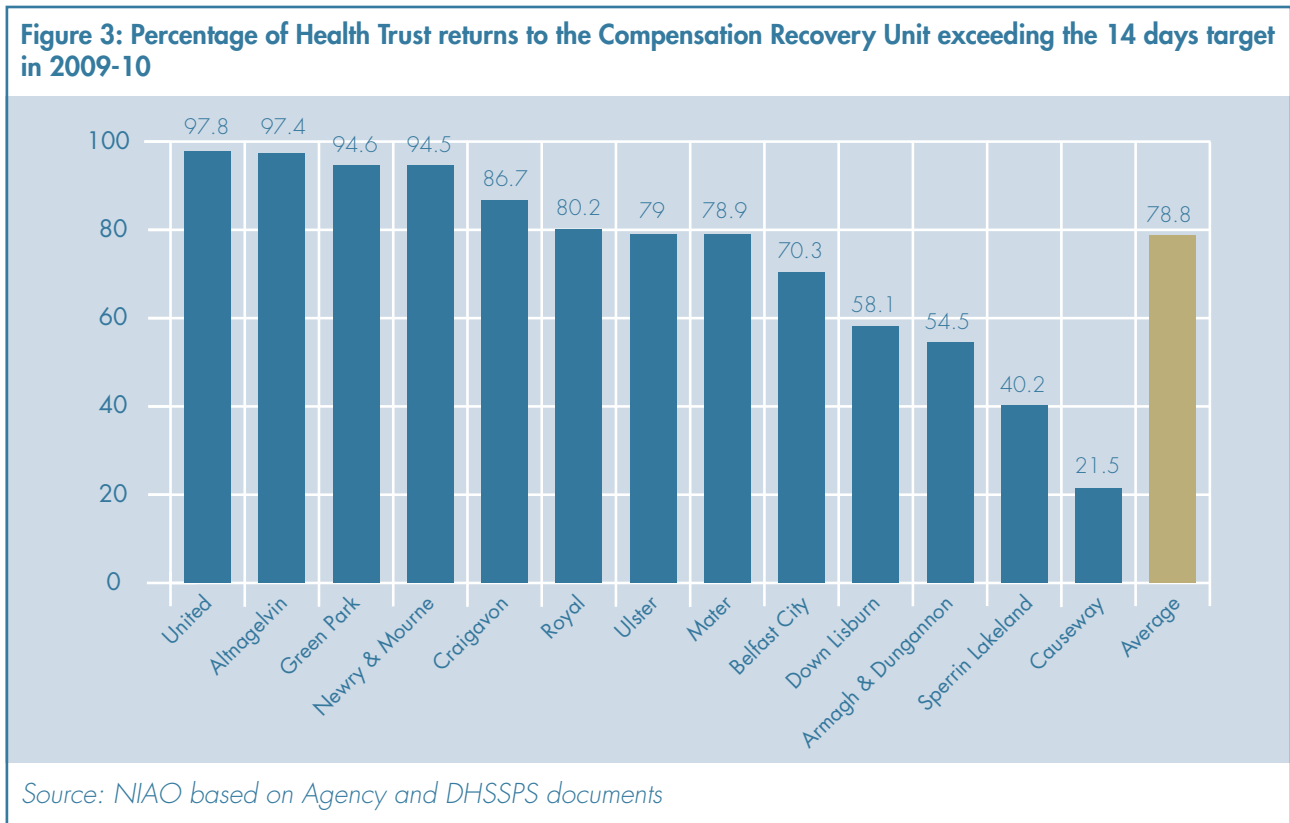
in the need to interrogate a number of separate systems to obtain relevant data. However, DHSSPS told us that late returns by the Trusts rarely results in lost income. It stated that while it is committed to improving the speed of the recovery process, in its view it is more important to explore all avenues to maximise recoveries, even if this takes longer than the 14 day target. DHSSPS also said that any electronic interface can only be as effective as the underlying information systems within the Trusts and, unlike their GB counterparts, Trusts in Northern Ireland do not have access to all patient attendance information at one source. Without linking various patient records systems, which would necessitate a change in the IT infrastructure, the interface would in its view have limited impact on turnaround times.

1.8 The Service Level Agreement between the Compensation Recovery Unit and DHSSPS states that correct and complete information on treatment details should be returned by Trusts within 14 days of a request from the Compensation Recovery Unit. It also states that the Compensation Recovery Unit should notify DHSSPS of any Trusts which persistently have reminders sent to them for failing to return completed forms within the 14 day time limit or who fail to provide any other information requested. The Compensation Recovery Unit issues a monthly report to each Health Trust listing the late forms but does not notify DHSSPS of Trusts which persistently fail to meet this target. The Agency told us that, with effect from August 2010, it has implemented a new

process of providing monthly statistics to DHSSPS on the timeliness of returns from Trusts. DHSSPS has, in turn, undertaken to write to Trust Finance Directors where turnaround times persistently fail to meet the target.

1.9 Our review found that the percentage of forms not returned within the 14 day target has increased from 29 per cent in 2006-07 to 79 per cent in 2009-10 (**Figure 3** and **Appendix 2**). To attempt to reduce delays, DHSSPS issued a guidance letter to Trusts in January 2007. DHSSPS also wrote to all Trusts, in April 2007 and January 2009, reminding them of the potential for loss of income to Trusts if returns were not completed accurately. However, DHSSPS does not currently monitor whether Trusts are complying with this guidance. DHSSPS told us that in the past, it did not monitor whether Trusts were complying with guidance as the Compensation Recovery Unit did this. It told us that consideration has been given to extending the 14 day target, in recognition of the increased return times and the changes in staffing levels (**paragraph 1.10**). After discussions with the Compensation Recovery Unit, it was decided that the target should be maintained at 14 days, as an extension may have led to a relaxing of effort in the processing of returns. In addition, the 14 day target is set in legislation which maintains parity with the scheme operating in Great Britain.

1.10 The Agency, DHSSPS and the Trusts put forward a number of reasons for late or inaccurate returns. For example:



- a Trust is unable to trace a record of the patient – in this case, the Compensation Recovery Unit will seek further information from the compensator, the injured party’s representative or the injured party to confirm Health Service treatment;
- DHSSPS told us that inaccurate information is often provided by the injured party and their representatives, leading to difficulty in tracing the patient’s records;
- no ambulance charges indicated - Trusts may omit ambulance costs in error and the NI Ambulance Service database does not always capture the information needed by the Compensation Recovery Unit;
- the limited data input fields on the Compensation Recovery Unit’s information system means that Trust staff have limited criteria with which to trace a patient’s record;
- a lack of resources for accessing medical records; and
- from April 2008, the establishment of five new integrated Health Service Trusts replacing the previous 13 bodies has had a negative effect on processing times. There are fewer posts dedicated to this work whilst

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

staff, and therefore expertise, have been moved without being replaced.

1.11 In 2007, a number of changes were introduced to improve communication between the Compensation Recovery Unit and Trusts. For example:

- individual contacts were established and formal arrangements agreed for a Compensation Recovery Unit representative to visit each hospital site on a six monthly basis; and
- improvements to the design and content of the form for returns to the Compensation Recovery Unit.

When the Compensation Recovery Unit completed liaison visits in 2007, there was an improvement in the returns from the majority of Trusts. However, liaison meetings were suspended during reorganisation of the Health Service with a resulting deterioration in return rates. Although meetings recommenced in July 2009, there have been difficulties in arranging these due to the unavailability of Trust staff. Representatives from the Agency, DHSSPS, all Trusts and the NI Ambulance Service met in October 2010 when they developed a series of actions, including the recommencement of liaison meetings.

1.12 In 2004, the Agency included proposals for the development of an electronic interface between Trusts and the Compensation Recovery Unit within the

scope of an Information Technology Upgrade Project. This would automate the flow of information between both bodies. In January 2007, responsibility for taking forward the proposal was given to DHSSPS. DHSSPS considered the introduction of the electronic interface, identifying that, while certain benefits (for example staff savings estimated at £110,000 per year) could be achieved, these would be offset to some extent by other costs.

1.13 In May 2008, DHSSPS completed a position report which noted that a business case was being prepared and that a considerable reduction in administration costs could be achieved by the introduction of such a system. However, the business case has not yet been completed.

1.14 DHSSPS told us that it accepts that a formal business case may be necessary to quantify the potential opportunities and losses that the interface would bring to Northern Ireland and to demonstrate whether it would provide value for money. It added that preliminary work indicated that the staff savings originally calculated would be reduced by the need to provide a local business support function and the need to maintain some level of manual checks on forms in order to maximise accuracy.

1.15 In GB, the electronic links between the GB Compensation Recovery Unit³ and NHS and Ambulance Trusts have been in

3 The GB Compensation Recovery Unit, part of the Department of Work and Pensions, recovers Social Security benefits from compensators (generally insurance companies) where people have received compensation for an accident, injury or disease and who have claimed benefits as a consequence of that accident, injury or disease. The GB Compensation Recovery Unit also recovers NHS costs in respect of road traffic accidents occurring before 29/01/2007 and NHS and ambulance journey costs for all personal injuries occurring on or after 29/01/2007. The NHS work is done on behalf of the Department of Health and all monies recovered are paid directly to the NHS and Ambulance Trusts that provided the treatment/ambulance journey.

Figure 4: Recovery of outstanding debt

	2006-07 (£000)	2007-08 (£000)	2008-09 (£000)	2009-10 (£000)
Value of debt recovered by CDCU mailshot	617	517	1,751	1,160
Value of debt recovered by Private Sector Debt Collector	117	85	138	71
Total debt recovered in year	734	602	1,889	1,231
Outstanding debt at year end	245	*718	353	306
Debt written-off in year	10	nil	nil	**161
Commission costs paid to Private Sector Debt Collector	16	7	6	7
Ratio of PSS recovery against commission costs	7.3:1	11.4:1	21.5:1	8.1:1

*This increase is due to the reduction to 14 days before an outstanding claim is categorised as debt.
 **This figure represents over two years write-off while the write-off policy was being agreed.
 Source: NIAO based on Agency documents.

place since 2001. The GB Compensation Recovery Unit has indicated that these links have made the process for the exchange of information more efficient and standardised across the Trusts.

- 1.16 In our opinion, it is important that the Agency continues to closely monitor the level of response to requests for information and the accuracy of information provided. It is also important that where there are delays or when inaccurate information is provided, this is brought to the attention of DHSSPS promptly for action. In our view, DHSSPS must be more active in dealing with late returns from the Trusts to the Compensation Recovery Unit and give further consideration to the efficiency gains and other benefits of implementing an electronic interface.

The Compensation Recovery Unit seeks to recover debt immediately and has taken steps to obtain recoveries from compensators more quickly

- 1.17 In 2007, the Compensation Recovery Unit adopted a revised approach to the recovery of debt from compensators. This entailed reviewing its outstanding debt, revising its procedures to identify debt if a compensator fails to pay within 14 days and updating its guidance. This resulted in a significant increase in debt between 2006-07 and 2007-08 (**Figure 4**), as sums owed were recognised and pursued more quickly.
- 1.18 When a compensation claim has been finalised and recorded by the Compensation Recovery Unit, the compensator has 14 days to pay the amounts due. If the compensator fails

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

Figure 5 Compensation Recovery Unit pursuing debt through the Small Claims Court

Date of accident 27 September 2004.

The compensator registered the potential claim with the Compensation Recovery Unit and paid the injured party compensation on 16 December 2005. The CDCU telephoned and issued numerous letters to the compensator requesting payment of the debt, amounting to £1,998. In June 2006, CDCU passed the case to the PSS debt collector who failed to collect the debt or establish a payment plan. The case was returned to CDCU.

In June 2008, CDCU prepared the case for the Small Claims Court. The NI Court Service wrote to the compensator regarding the court date. This prompted the compensator to contact CDCU who subsequently received payment in August. Court costs of £100 were also recovered from the compensator in October 2008.

Source: NIAO based on Agency documents

to pay, the Compensation Recovery Unit refers the case to the Corporate Debt Collection Unit (CDCU), a debt management team. CDCU informs the compensator of the outstanding debt, possible payment methods, date of expected receipt and the intention to transfer the debt to a private company for payment collection.

- 1.19 As a result of this preliminary action, CDCU recovers approximately 90 per cent of outstanding debt. If the compensator fails to respond, the case is referred to a Private Sector Service debt collector (PSS).
- 1.20 The PSS companies pursue the debt for six months and are paid commission of approximately ten per cent. A review by the Compensation Recovery Unit in 2008 indicated that PSS companies recovered approximately 63 per cent of the outstanding debt referred to them, approximately 6 per cent of the total debt. Where debt is not recovered or a

repayment plan is not established, the PSS companies refer the debt back to CDCU for further action, which can include court action or writing off the debt (**Figure 5**).

- 1.21 In January 2009, the Compensation Recovery Unit evaluated the performance of the PSS companies, considering value for money, speed of recoveries, customer service and comparison of the percentage of cases cleared by each company, including the GB Compensation Recovery Unit results. This resulted in one PSS debt collector being removed due to poor performance and establishment of a debt allocation ratio for the best performing companies. An evaluation is now conducted every six months.

Information received from compensators is not always accurate and requires additional resources to investigate and pursue recovery

- 1.22 Almost 60 per cent of all registrations of potential claims are submitted

to the Compensation Recovery Unit electronically. However, the Compensation Recovery Unit does not own the electronic interface; this is provided through the Claims Underwriting Exchange (Personal Injuries)⁴ and operated by IDSL⁵.

1.23 Prior to 2007-08, the Compensation Recovery Unit conducted a three per cent compliance check of cases:

- where the compensator stated that no Health Service treatment had taken place but the case involved serious injury; or
- the injured party was under 16; or
- the compensator claimed exemption from Health Service costs.

The Compensation Recovery Unit found that some of the forms submitted by compensators had incorrectly stated that no hospital treatment had been received.

1.24 Based on this, the Compensation Recovery Unit conducted a pilot scheme over the period August 2007 to July 2008, reviewing 100 per cent of such cases. This identified 2,520 cases (26 per cent) that were incomplete or where incorrect information had been supplied by the compensator. As a result, an additional £1.47 million in Health Service costs was recovered. DHSSPS funded additional staff in anticipation of an increased workload following the pilot scheme's extension in 2007. When this increase did not materialise, these staff

were redeployed to perform the 100 percent check. The approximate annual salary cost of these additional staff is £110,000.

1.25 Over the following two years (August 2008 to July 2010) 3,841 cases with incorrect information were identified and £2.3 million was recovered. The Agency told us that there has been a reduction from 2,520 cases in the pilot exercise to 1,840 (August 2009 to July 2010), and it believes that the process put in place is working.

1.26 The main cause of error was found to be that compensators' electronic forms automatically defaulted to '*No hospital treatment*' if no details of treatment were entered. In 2008, the Compensation Recovery Unit asked for this default to be removed. The compensators' IT service provider indicated that, due to cost restrictions, this would not be completed as an isolated amendment but may be incorporated at a time when further changes were required. In July 2010, the Compensation Recovery Unit told us that there had been no movement on this issue and it is unlikely any change will be made in the foreseeable future, as the compensators own the IT system.

1.27 To reduce the impact of this problem, the Compensation Recovery Unit has:

- during 2008-09, introduced the manual process, checking 100 per cent of forms where no treatment is indicated (**paragraph 1.24**);

4 The Claims Underwriting Exchange (Personal Injuries) is a UK wide secure database of personal injury/illness claims and includes claims previously held on the NI database.

5 IDSL is a company set up by insurers to allow the sharing of data.

Part One:

Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

- in May 2008, redesigned the paper forms to reduce the risk of insurers omitting the information; and
 - in February 2009, issued information for inclusion in the member bulletins of the Association of British Insurers, the Association of Personal Injury Lawyers and the Law Society of Northern Ireland, drawing attention to the need to inform the Compensation Recovery Unit if an injured party has attended a Health Service hospital.
- 1.28 The GB Compensation Recovery Unit uses the query function in its IT system to identify cases where a serious injury has been notified by the compensator but no hospital attendance is recorded. The GB Compensation Recovery Unit advised the Compensation Recovery Unit to request an upgrade to the system to identify these cases, without the need for a query tool from its IT supplier. However, the Compensation Recovery Unit did not pursue this. The Agency told us that it has the facility to use a query tool to extract this information but stopped using it in June 2007, when it started conducting a 100 per cent check on all cases which have indicated no hospital costs.
- 1.29 The Agency told us that the manual 100 per cent check and challenge of all the cases registered with no hospital treatment is comprehensive. It examined a random sample of cases which identified that only 5 per cent of cases involving serious injury would have been identified by the suggested computer system upgrade (**paragraph 1.28**).
- 1.30 In addition to errors found where Health Service costs were not notified (**paragraphs 1.24 to 1.26**), the Compensation Recovery Unit found, during a routine 10 per cent check on cases classified as “withdrawn”, that, on occasion, these cases had not actually been withdrawn. For example, a review of withdrawn cases in 2007-08, categorised these as:
- confirmed as withdrawn;
 - case still live;
 - case settled by the compensator; or
 - case transferred to another compensator (**Figure 6**).
- 1.31 This exercise identified an additional £95,000 of potential recoveries of benefits and Health Service costs. The Compensation Recovery Unit also increased the level of compliance checks, on withdrawn cases, from 10 per cent to 100 per cent.
- 1.32 In our view, with some 2,000 incorrect forms being received each year from compensators, there is significant potential for loss to the public purse. We recognise that the Compensation Recovery Unit has put additional controls in place to check forms for incorrect information. However, in our opinion allowing the identified default error to continue (**paragraph 1.26**) is not acceptable as the cost of the remedial action (increased manual checking) is borne by the taxpayer. The Agency told us that it is currently working

Figure 6 Compensator states case withdrawn when it had been transferred to another compensator

Date of accident 18 July 2007.

On 12 January 2009, the compensator informed the Compensation Recovery Unit that the case had been withdrawn. This prompted the Compensation Recovery Unit to write to the injured party’s solicitor to establish the status of the case. The solicitor acknowledged the case was ongoing and had not yet been settled.

In February 2009, the Compensation Recovery Unit issued a letter to the compensator challenging the facts. This established that the case had been transferred to another compensator. The Compensation Recovery Unit requested a registration form from the newly appointed compensator.

The case was settled on 26 February 2010 with the Compensation Recovery Unit notified on 16 March 2010. The Compensation Recovery Unit recovered £505 Health Service costs that without the challenge would have been lost.

Source: NIAO based on Agency documents

with a Northern Ireland representative of the Association of British Insurers to consider how this can be addressed.

1.33 We recommend that the Compensation Recovery Unit should:

- continue to press compensators to ensure that complete and accurate information is submitted via the electronic interface, in the first instance; and
- take action against compensators when incorrect notifications are provided.

1.34 The Agency disputes that there is significant potential for loss to the public purse, as the controls it has put in place minimise any loss and the statutory obligation to notify the Compensation Recovery Unit lies with compensators. It also told us that the actions it has taken

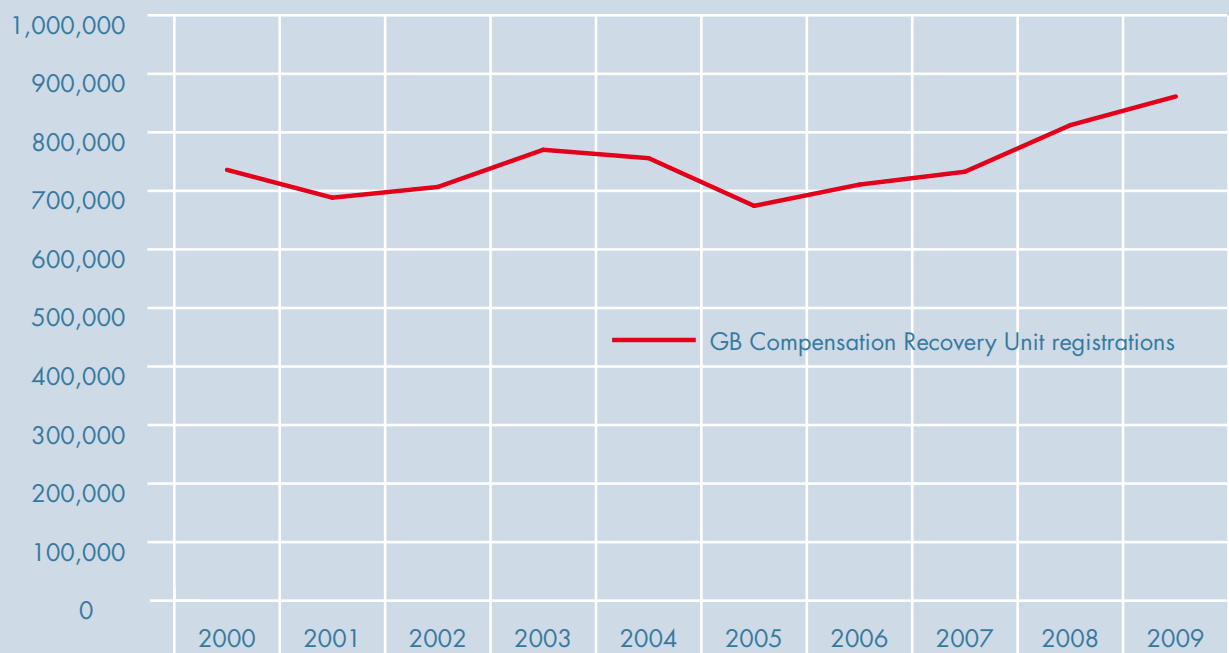
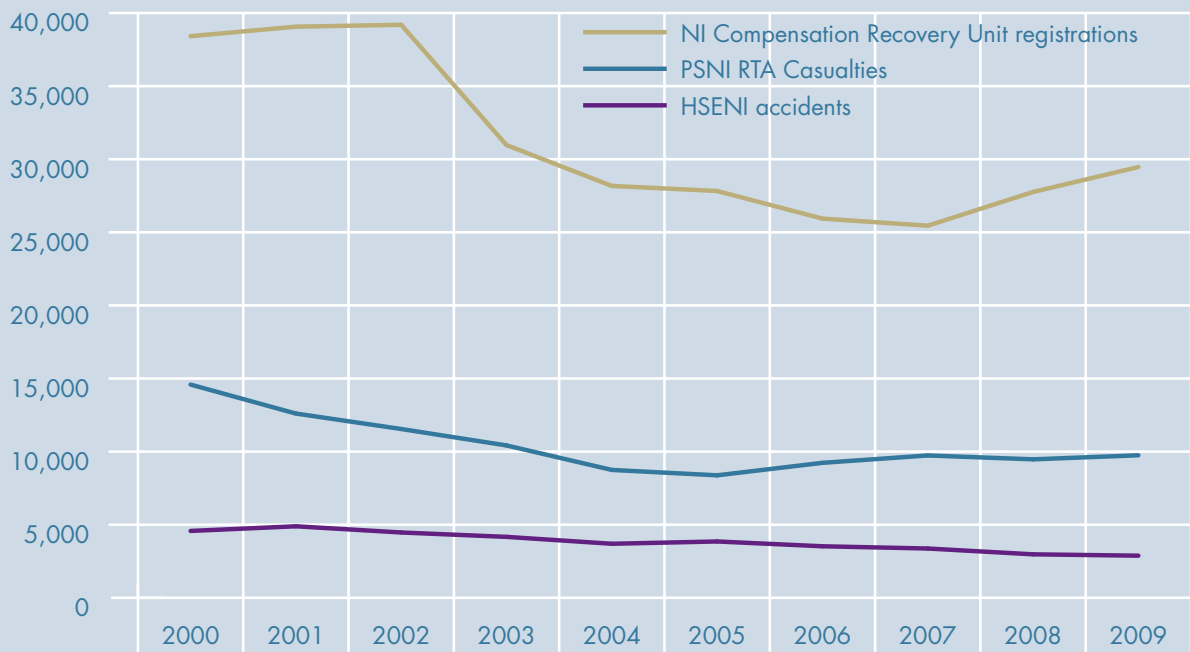
in conjunction with DHSSPS represent value for money, an additional recovery of over a £1 million annually at a cost of £0.1 million a year, and it will continue to review this position on the basis of the recoveries gained. DHSSPS told us that the measures contained in our recommendation alone will not guarantee accuracy in forms, without the facility to impose penalties on compensators submitting inaccurate or incomplete data for which there are no legislative powers. It also added that in its view a net loss to the public purse would be likely to occur if this checking role was discontinued.

The number of registered cases has decreased in Northern Ireland but increased in GB over the period 2000 to 2009

1.35 In the period 2000 to 2009, there has been a fall of 23 per cent in the number of cases registered with the Compensation

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

Figure 7: Registrations received have fluctuated over time



Source: NIAO based on Agency and DWP documents

Recovery Unit. In GB, over the same period, there has been a 17 per cent increase (**Figure 7** and **Appendix 3**).

- 1.36 Over this period, there has been a reduction in the number of road traffic accidents reported to the Police Service of Northern Ireland (PSNI) and accidents at work reported to the Health and Safety Executive for Northern Ireland (HSENI) (**Appendix 3**). However, this is in contrast to the Association of British Insurers who reported that, from 2004 to 2008, the amount of motor claims in the UK rose from £7.8 billion to £8.7 billion, with more than one in six private car drivers making a claim each year and the number of whiplash claims increasing by 25 per cent from 2002 to 2008.
- 1.37 Research⁶, conducted on behalf of the Department for Transport in England, has concluded that casualty statistics in GB, based on police data tended to substantially underestimate casualty levels, due to the failure to record all reported casualties, and a tendency to underestimate injury severity. This research has estimated that there may be 2.76 times as many serious injuries as recorded by police, and 1.7 times as many slight injuries.
- 1.38 In March 2007, the Compensation Recovery Unit investigated the potential reasons for variances between Northern Ireland and GB in the period 2003 and 2007. As a result it estimated that there was a potential loss of £5.2 million revenue a year. However, it concluded that, while there was a reduction in the volume of certificate requests in these years, this was not so significant as to suggest widespread flouting of compensation recovery legislation.
- 1.39 The Compensation Recovery Unit was unable to provide us with details of this investigation or the possible reasons for the trends over the four year period reviewed. In addition, the Agency told us it is unable to substantiate the £5.2 million figure which it had quoted in a letter to the Departmental Solicitor's Office. However, we noted that, based on this information, it had written to insurance companies (**paragraph 1.40**). Furthermore, in July 2007, information based on this letter was provided to an MLA regarding his investigation into the drop in the number of requests for recovery certificates.
- 1.40 In June 2007, the Agency issued a letter to insurance companies, through the Association of British Insurers, reminding them:
- to request a Certificate of Recoverable Benefits or Health Service charges (**paragraphs 1.5 and 1.6**);
 - of the enforcement and inspection provisions (**paragraph 1.48**), allowing the Compensation Recovery Unit to obtain details of compensation payments due or already made; and
 - that any wilful non-compliance would be reported to the appropriate authorities with a view to disciplinary action and/or referral for prosecution.

⁶ NIAO report on Northern Ireland's Road Safety Strategy, published 4 September 2007 referring to the TRL report 173 – Comparison of hospital and police casualty data.

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

- 1.41 The Agency told us that it has had no reason to monitor trends from individual compensators, as the reductions in volumes are in line with the reductions in PSNI road traffic collisions and HSENI accident statistics. The Agency added that it has initiated contact with the Association of British Insurers to consider appropriate ways in which the Agency can work with the industry to formally monitor trends in registration volumes.
- 1.42 In our view, it is important that the Compensation Recovery Unit regularly reviews and assesses information and statistics on personal injury incidents and claims. This should include data and statistics from the GB Compensation Recovery Unit, Trusts, PSNI, HSENI and the insurance industry regarding accidents. This should help the Compensation Recovery Unit identify any potential trends in under-notification by compensators.
- The Compensation Recovery Unit has received a number of allegations that compensators have failed to inform it of compensation claims**
- 1.43 The Compensation Recovery Unit can only recover benefits paid and Health Service costs when it has been informed by a compensator of a potential compensation claim. If this is not reported, the Compensation Recovery Unit will not be aware of a claim or if compensation has been paid.
- 1.44 In January 2007 some members of the Association of Personal Injury Lawyers notified the Compensation Recovery Unit that they suspected not all compensators were fulfilling their obligation to notify the Compensation Recovery Unit of potential compensation claims. Subsequently, the Compensation Recovery Unit consulted with the Agency's Fraud Policy Unit, the Departmental Solicitor's Office and other stakeholders.
- 1.45 Further information regarding non-compliance was received from solicitors and an MLA over the period February to July 2007. By the end of July 2007, the Compensation Recovery Unit had been made aware of 29 cases.
- 1.46 In August 2007, the Agency asked DSD's Corporate Investigations Unit⁷ to assist with a suspected fraud investigation involving allegations of an insurance company by-passing the compensation recovery system in respect of Health Service charges and social security benefits. NIAO was formally notified in December 2007.
- 1.47 In April 2008, the Departmental Solicitor's Office (DSO) advised that the failure of a compensator to apply for a Certificate of Recoverable Benefits is not of itself a benefit offence. The requirement to apply for a Certificate is a civil obligation and would be enforceable by civil and not criminal means. However, there may be cases where acts amount to both fraud and a breach of civil duty. DSO advised that, should the Department have evidence of a criminal offence being

⁷ The Corporate Investigations Unit is located within DSD and is responsible for carrying out investigations into suspected and/or actual fraud where it involves grant funding awarded by the Department to various voluntary sector bodies.

committed by a compensator which falls within the scope of the Fraud Act 2006, the matter should be referred to the police. Based on this advice, DSD closed all cases in June 2008. The cases were returned to the Compensation Recovery Unit for further investigation.

1.48 Social Security laws provide the Agency with the ability to investigate cases where non-compliance is suspected by individual companies. Where a compensator is suspected of having contravened the requirement of the 1997 Order (**paragraph 1.1**), section 103B of the Social Security Administration (NI) Act 1992 provides persons authorised by DSD with powers to require a compensator to provide such information as may be reasonably required. Where a compensator refuses to comply with a request for information he is liable to

prosecution of an offence under Section 105 of the 1992 Act.

1.49 In October 2008, the Compensation Recovery Unit asked DSD for further assistance. DSD indicated that it was willing to assist the Compensation Recovery Unit in the investigation of non-compliance by compensators, and would request authority to investigate under section 103A of the Social Security Administration (NI) Act 1992.

1.50 The Compensation Recovery Unit identified that most of the incidences of non-notification related to one compensator, Quinn Direct Insurance (**Figure 8** is an example of one case). The Compensation Recovery Unit wrote to Quinn Direct Insurance on a number of occasions between May 2008 and September 2008 asking for the cases

Figure 8 Insurance Company not notifying the Compensation Recovery Unit of compensation paid

Date of accident 24 April 2006

The compensator failed to inform the Compensation Recovery Unit of this potential compensation claim within 14 days of receipt. On 15 February 2007, the compensator settled and paid compensation to the injured party. The compensator failed to request Certificates for Recoverable Benefits and Health Service Charges from the Compensation Recovery Unit, as required by legislation.

Correspondence from the injured party's solicitor, dated 26 July 2007, brought this claim to the Compensation Recovery Unit's attention. The Compensation Recovery Unit requested a registration from the compensator, which was received on 19 May 2008.

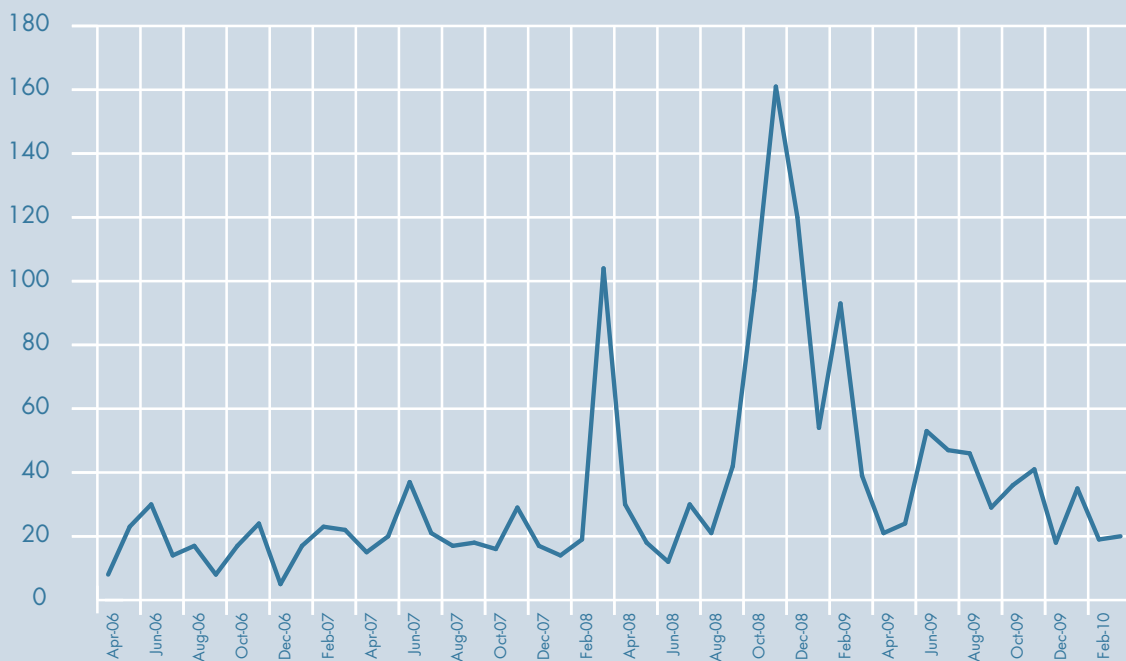
The Compensation Recovery Unit calculated the Health Service costs recoverable, issued the Certificate and received £505 on 17 July 2008.

No action was taken against the compensator for the failure to comply with legislation.

Source: NIAO based on Agency documents

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

Figure 9: Registrations over time from Quinn Direct Insurance



Source: NIAO based on Agency documents

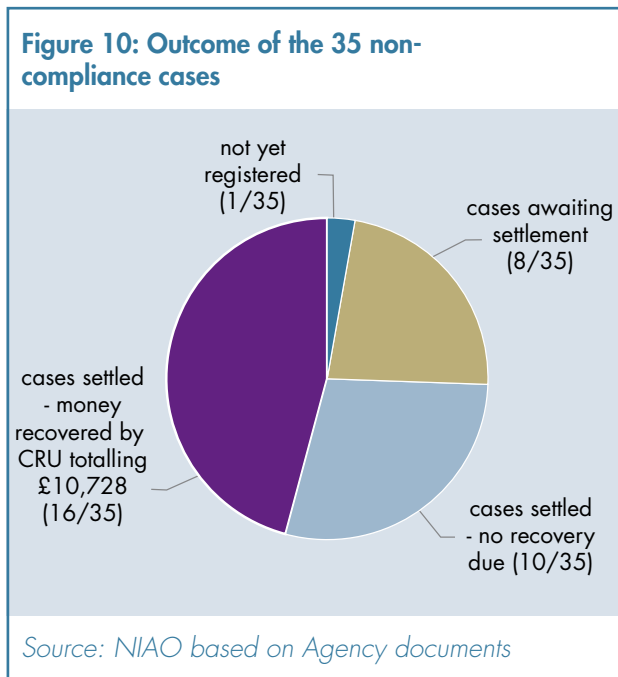
to be registered. In October 2008, Quinn Direct Insurance apologised for the errors and attributed them to internal administration problems which it had addressed. Subsequently, in the period September 2008 to February 2009 there was a temporary significant increase in registrations from Quinn Direct Insurance (**Figure 9**).

- 1.51 In the period from February 2007 to March 2010, the Compensation Recovery Unit was made aware of 35 incidences of compensators not registering potential claims (**Figure 10**). It has requested registration from the compensators in all 35 cases and to

date has received 34. The Agency told us that the information on the outstanding case has not been provided as the compensator is unable to trace the case.

- 1.52 In a sample⁸ of cases reviewed, we found a further 37 instances of the insurance company settling the case before the Compensation Recovery Unit had been notified of a potential claim. The time lag between settlement and the Compensation Recovery Unit notification ranged from 1 day to 686 days, while the variance between the date of accident and the Compensation Recovery Unit notification ranged from 16 days to 2,005 days.

8 The sample reviewed was for one insurance company, covering the period October 2008 to February 2009.



- 1.53 Quinn Insurance told us that the reason for the temporary significant increase in registrations in the September/October 2008 period (**Figure 9**) is that when the administration errors/loophole in their procedure became apparent, they conducted a review of their files. This identified a further number of claims which had not previously been registered and which were then registered retrospectively. The company told us that this exercise took a couple of months to complete, explaining the “spike” in the last quarter of 2008, while in early 2009 the number of registrations returned to more normal levels, albeit approximately at twice the level of that prior to September 2008.
- 1.54 Quinn Insurance also told us that with regard to the time lag between the accident date and the notification to the Compensation Recovery Unit (**paragraph**

1.52), this would in most cases be due to the time taken to settle the claim and that only then would the company know if a compensation payment is going to be made. It added that the delay could also be due to the time taken to investigate the claim, deal with issues regarding liability, and uncertainty as to whether or not any compensation (other than for property damage etc) was going to be paid on the claim.

- 1.55 However, the legislation states that when a compensator receives a claim for compensation, it has to register that claim with the Compensation Recovery Unit within 14 days. The Agency told us that in October 2010 it implemented a new monthly check where all cases settled in month are reviewed to ensure that the cases have been notified to the Compensation Recovery Unit within the legislative timescale (14 days) and before settlement of the case. Where a compensator has failed to comply with the legislation, it is contacted by the Compensation Recovery Unit to provide an explanation.
- 1.56 Managing Public Money Northern Ireland requires departments and agencies to report suspected or proven fraud immediately to the Department of Finance and Personnel and the Comptroller and Auditor General. This was not done in relation to the case referred to in **Figure 11**. This is a useful reminder to public bodies that all frauds, whether proven or suspected, must be reported to the appropriate authorities in a timely manner.

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

Figure 11 - Non-notification

In December 2007 the Compensation Recovery Unit received a telephone call from a solicitor's office requesting written confirmation that if a case was withdrawn by the compensator, the Compensation Recovery Unit would not pursue them for repayment of any benefits. The Compensation Recovery Unit had previously calculated the benefits to be in excess of £42,000 and correspondence on the file from the solicitor noted the case was going to the High Court.

It was suspected that the injured party was in receipt of welfare benefits and did not want the Benefit Office to know about a potential claim and that the injured party was related to one of the solicitors.

In December 2007 this information was passed to the Department but was not investigated. However, following our request for an update on this case, it was transferred to the Agency's Benefit Investigation Services to investigate a potential benefit fraud.

In December 2010 Benefit Investigation Service closed the case as no evidence of benefit fraud was uncovered.

Source: NIAO based on Department for Social Development documents

The Compensation Recovery Unit has not exercised its right to conduct inspections or data-match to ensure completeness of information supplied by compensators

1.57 The Social Security Administration (Northern Ireland) Act 1992 gives DSD inspectors the right to examine the records of compensators and employers. Under these powers, the Agency can:

- require the compensator to provide information;
- enter the compensator's premises; and
- require the production of documents.

This right of inspection is included in the Compensation Recovery Unit guide for companies and solicitors, which also explains their legislative obligations.

Updates to the guidance are sent to the Association of British Insurers and the Association of Personal Injury Lawyers who cascade it to their members.

1.58 In November 2008, the Compensation Recovery Unit sought advice from DSD and DSO regarding data-matching. They concluded that, if the Agency has reasonable grounds for suspecting that a compensator is failing to comply with its statutory duties, the Agency can utilise its powers under the 1992 Act.

1.59 We note that the Compensation Recovery Unit does not request annual control figures on the number of claims received by, and subsequent registrations sent to, the Compensation Recovery Unit from compensators, to ensure the completeness of the information supplied (**paragraphs 1.22 to 1.32**). It also does

not conduct data-matching exercises when discrepancies are identified.

- 1.60 The Agency told us that it has not conducted inspections or used data-matching because it has not been considered appropriate to do so.
- 1.61 The GB Compensation Recovery Unit has similar powers and like the Compensation Recovery Unit has not exercised them, as none of its investigative work has identified any reported evidence to suggest that there are issues with non-compliance.
- 1.62 We note the Agency’s position. However, in our opinion, the significant reduction in registrations received in Northern Ireland compared with GB (**paragraph 1.35**), combined with identified cases of non-compliance (**paragraphs 1.43 to 1.56**), requires further investigation. In addition, we recommend that the Agency considers requesting annual control figures from compensators and undertaking inspections of insurers’ databases where discrepancies are found.

The Compensation Recovery Unit does not monitor the number or trends in appeals by compensators against the Compensation Recovery Unit’s assessments

- 1.63 If a claim for compensation is successful, the Compensation Recovery Unit issues a certificate to the compensator requesting repayment of relevant social security benefits and Health Service costs. The compensator is required to pay these

costs. However, when the costs have been paid compensators have the right to appeal. Appeals can be made on the grounds that:

- the amount, rate or period on the Certificate is incorrect;
- benefits have been paid for a reason other than the accident in question;
- benefits have not been paid in the relevant period; or
- the compensation payments made were not in relation to the Recovery of Benefits Order (**paragraph 1.1**).

- 1.64 The number of appeals against certificates issued has fluctuated, peaking at 202 in 2009-10. The number of appeals won (allowed/revoked) by compensators has fallen to 42 in 2008-09 and 28 in 2009-10 respectively, from more than 80 cases in each of the previous three years (**Figure 12**).

- 1.65 This reduction has been achieved through the Compensation Recovery Unit’s development of a number of steps to improve the accuracy of assessments, for example:

- training staff in benefit entitlement and conditions for entitlement;
- highlighting cases where review and reconsiderations could have been avoided due to common administrative errors and judgement;

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

Figure 12: Appeals and the outcomes

	2005-06	2006-07	2007-08	2008-09	2009-10
Total Certificates issued	130,467	123,467	88,805	71,142	79,812
Money Certificates issued	39,593	37,577	18,828	21,152	18,678
Appeals received	122	146	168	124	202
Appeal taken to Appeal Tribunals	106	104	121	68	56
Appeal Outcomes					
Allowed *	59	56	66	36	21
Revoked **	28	26	21	6	7
Confirmed	16	20	27	23	24
Awaiting a decision	0	0	0	0	2
Withdrawn	3	2	7	3	2
Compensation refunded to compensators	Not available	Not available	£510,826	£603,952	£270,392

*The Appeals Service judges in favour of the Compensator and reduces the amount of the money certificate.
 **The Appeals Service judges in favour of the Compensator and reduces the money certificate to NIL.
 Source: Agency

- referring cases to the Medical Support Services⁹ and the Decision-Making Service¹⁰;
- tribunal decisions are referred to decision-makers for information and implementation of decision; and
- improved liaison between the staff making the appeal and review decisions.

1.66 We found however, that the Compensation Recovery Unit does not formally monitor the outcome of appeals and the reasons decisions are overturned. Although the number of appeals is low

(around three per cent of certificates issued by the Compensation Recovery Unit), refunds to compensators have been in the region of £1.4 million in the last three years. We recommend that the Agency should develop its management information system to include and collate the reasons why decisions are overturned or upheld. It should regularly review this information to determine trends and to identify and implement actions to further improve the processes for dealing with appeals.

1.67 The Agency accepts this recommendation and has introduced a process for collecting and recording the appeal

⁹ Medical Support Services is a business unit within the Agency responsible for conducting medical assessments of individuals applying for certain social security benefits.

¹⁰ Decision-Making Service provides additional advice to the departmental decision-makers and represent the Department in applications and appeals to the Commissioners by preparing written submissions and attending hearings.

outcomes and intends to review this information on a quarterly basis.

The increasing practice of settling claims early minimises the amount of benefits and costs that can be recovered

- 1.68 There has been a growing practice of some insurance companies making a settlement with claimants before there has been a full assessment of their injuries. This is commonly known as ‘door-stepping’ or ‘Third Party Capture’. Such early settlement minimises the amount of benefits and Health Service costs recoverable as the period for which recovery is possible ends with the payment of compensation.
- 1.69 The practice can lead to an insurance company not following its statutory obligation to notify the Compensation Recovery Unit, thus avoiding expensive bills for hospital treatment and benefits received. However, the practice itself does not contravene compensation recovery legislation, as long as the claim is still registered with the Compensation Recovery Unit and a Certificate of Recoverable Benefits and Health Service charges is sought.
- 1.70 In August 2009 the Law Society of Northern Ireland published a report into Third Party Capture, hoping it would initiate broader discussion within Government, and amongst MLAs, local Councillors, those supporting the interest of consumers and the general public. The Society issued a call, via its e-publication

in October 2008, to practitioners asking for evidence of the impact that Third Party Capture has had on injured parties. It received written submissions from twenty firms of solicitors and focused on forty cases. The report’s conclusions include:

- the practice of Third Party Capture, as well as leading to reduced compensation payments to injured parties, may be resulting in the loss of public funds through the non-registration of compensation payments by insurers engaging in Third Party Capture;
- in a number of cases the Compensation Recovery Unit responds informing the solicitor that no certificate has been requested. The solicitor will then assist the Compensation Recovery Unit in its investigations; and
- the Society recommends that a review of current levels of compliance with recoverable benefits and Health Service cost legislation be undertaken and the Compensation Recovery Unit be empowered with greater enforcement and investigative powers. A failure by a compensator to comply should be punishable by criminal sanction.

1.71 The Financial Services Authority¹¹ told us that it had investigated this practice during 2009, focusing on further understanding the profile and level of risk to consumers. However, it did not specifically look at

11 The Financial Services Authority has produced a factsheet of its findings and consumer information. These can be found at the following sites: http://www.fsa.gov.uk/pubs/other/third_party_capture.pdf and http://www.moneymadeclear.org.uk/products/insurance/settling_a_claim.html

Part One: Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

- firms' compliance or non-compliance with the requirements of the Compensation Recovery Unit.
- 1.72 The media has highlighted cases resolved through Third Party Capture which, when brought to court, have been awarded compensation in excess of the original amount. When the Compensation Recovery Unit is made aware of these cases, there is scope to recover additional benefits and Health Service costs.
- 1.75 The Agency told us a review of the its External Fraud Response Plan began in October 2009 but was deferred until the review of the departmental Fraud Response Plan had been completed. It intends to engage stakeholders, including the Compensation Recovery Unit's management, in the quality assurance process in early 2011.

The Compensation Recovery Unit falls within the scope of the Agency's fraud policy but this does not meet the Compensation Recovery Unit's business needs

- 1.73 The Agency's External Fraud Response Plan was published in October 2008. It relates to individuals or groups of individuals who deliberately give false information or make false representations in order to receive benefit to which they are not correctly entitled. The Compensation Recovery Unit's management considers that this does not meet their business needs and therefore it has not been circulated to the Compensation Recovery Unit staff.
- 1.74 We recommend that the Agency carries out a review of its External Fraud Response Plan with a view to making any appropriate amendments to reflect the business undertaken by the Compensation Recovery Unit.
-

Part Two:
Managing the Recovery of Benefit Payments and
Health Service Costs



Part Two: Managing the Recovery of Benefit Payments and Health Service Costs

The Compensation Recovery Unit compares its processes, policies and systems with its GB counterpart

- 2.1 The Compensation Recovery Unit monitors the level of accuracy of its benefit and Health Service costs certificates. Following restructuring of the Compensation Recovery Unit in August 2006, there has been a sustained improvement in its case accuracy. For example, Certificates of Recoverable Benefits accuracy increased from 90.7 per cent in 2005-06 to 99.05 per cent in 2009-10 and Health Service Certificates accuracy increased from 95 per cent in 2005-06 to 99.13 per cent in 2009-10.
- 2.2 In 2007 the Compensation Recovery Unit upgraded its computer system, bringing it in line with the system operated in GB. The system allows compensators to send and receive claim notifications, updates and results electronically. This has resulted in faster processing times, a reduction in staff numbers from 84 in 2000-01 to the current level of 48 and other efficiency savings.
- 2.3 The Compensation Recovery Unit continues to monitor developments within GB. In September 2007, it employed a Change Manager who represents it on the relevant GB Compensation Recovery Unit Project Boards. The role of the Change Manager has resulted in improved communication and liaison between both bodies.

- 2.4 The GB Compensation Recovery Unit has undertaken a number of measures to improve performance, including a highly structured checking regime and training on the use and application of its IT system. It has streamlined and automated processes through the implementation of e-business solutions that make efficiencies of £1.6 million a year and conducted an end-to-end process review. It is currently undertaking a programme of continuous improvement using LEAN¹² tools and techniques. Since 2004 all of these initiatives have generated resource efficiencies of 280 full-time equivalent staff.

Staffing levels in the Compensation Recovery Unit have reduced significantly but are still higher than the equivalent levels in GB

- 2.5 In 2009-10, the GB Compensation Recovery Unit received 861,325 registrations, employing 435 staff. The ratio of staff to registrations is 1:1,980, compared with 1:546 in the Compensation Recovery Unit (**Figure 13**).
- 2.6 It is clear that, if the Compensation Recovery Unit was to process registrations at a rate comparable to the GB Compensation Recovery Unit, there is scope for considerable further reduction in staff numbers, providing levels are consistent with appropriate controls and management structures.

12 LEAN working seeks to review processes from the customer perspective to eliminate waste, inconsistency and duplication and to identify and resolve the root cause of problems in performance. The main driver for LEAN is to achieve more with less resource, by continuous review and elimination of those activities and processes that do not add value.

Figure 13: Comparing the Compensation Recovery Unit and the GB Compensation Recovery Unit staff performance

	Registrations per staff member		Recovery per staff member	
	NI	GB	NI (£)	GB (£)
2006-07	452	–	231,944	–
2007-08	484	–	264,353	–
2008-09	488	1,880	226,035	319,502
2009-10	546	1,980	251,851	773,677

Source: NIAO based on Agency and DWP documents

2.7 The Agency told us that the GB Compensation Recovery Unit has benefited from having undergone the LEAN process and that there are economies of scale as it is part of an amalgamated Debt Recovery Centre. The Compensation Recovery Unit advised us that it commenced the Agency's LEAN programme in July 2010.

2.8 Given the significance of the potential efficiency savings, we recommend that, using this LEAN process, the Agency reviews its staffing structure and the relative performance of the Compensation Recovery Unit with the GB Compensation Recovery Unit to determine the reasons for variances between both bodies. In addition, it should consider the possibility of securing economies of scale through amalgamating the Compensation Recovery Unit with its Debt Recovery Unit.

The Compensation Recovery Unit sets targets and monitors performance but published performance information is limited to one key target

2.9 A range of targets are set each year by the Compensation Recovery Unit, taking into consideration staff resources, what is achievable and realistic, the volume of registrations, historical data and comparisons with its GB counterpart (**Appendix 4** and **Figure 14**). Performance is reported monthly to senior management. However, the Agency reports against only one key target for the Compensation Recovery Unit in its Annual Report - no other performance information on the Compensation Recovery Unit is published. In 2009-10, this target was:

- to issue 99 per cent of Certificates of Recoverable Benefits within 4 calendar weeks, with an accuracy of 98 per cent.

Part Two: Managing the Recovery of Benefit Payments and Health Service Costs

Figure 14: Compensation Recovery Unit's targets and performance

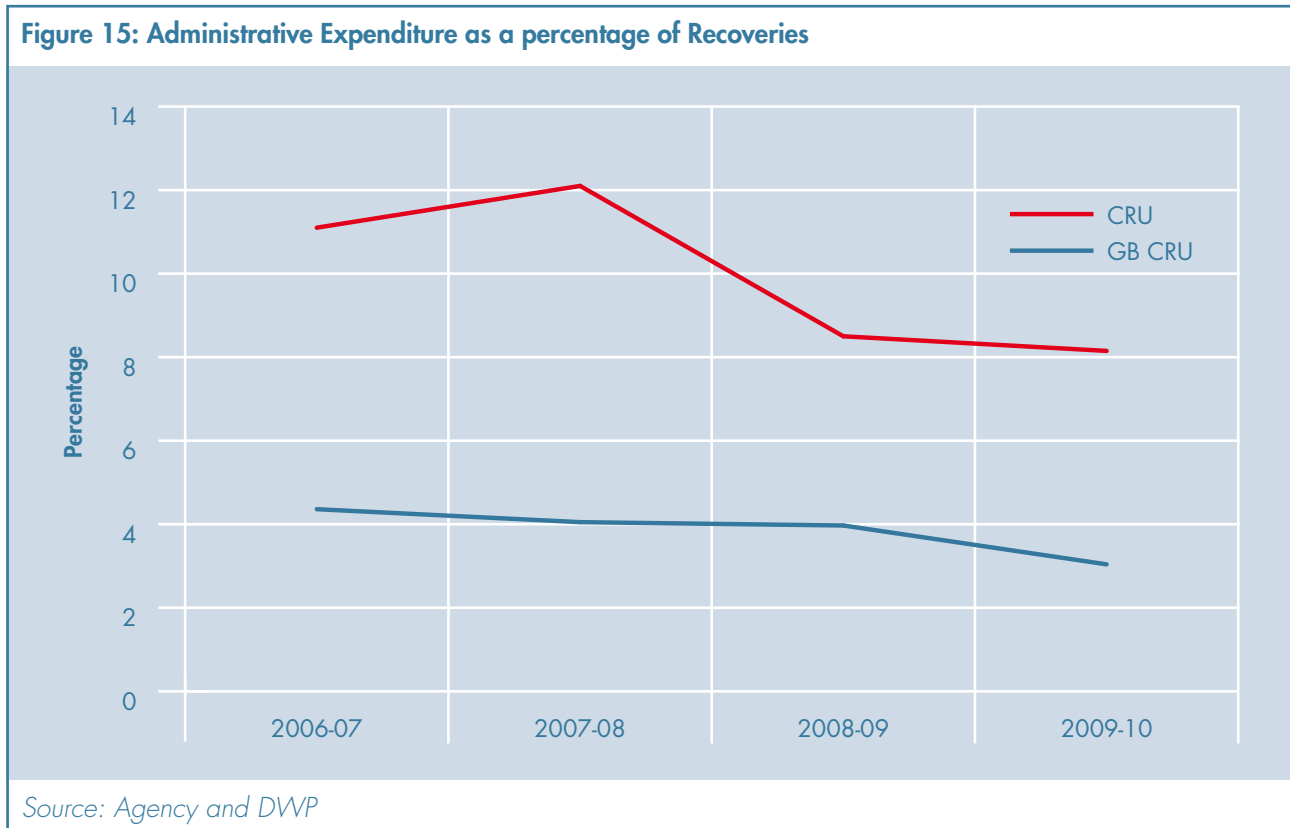
Activity	2006-07		2007-08		2008-09		2009-10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Issue acknowledgement within 12 days [VEF 1.4.2009 10 days] of receipt of forms	92%	99.06%	92%	99.85%	96%	99.96%	95%	99.94%
Issue Certificate of Recoverable Benefits: Within 4 weeks; and With 98% accuracy	99.8%	99.95%	99.8%	99.94%	99.8%	99.96%	99%	99.98%
	98%	98.36%	98%	99.45%	98%	98.93%	98%	99.05%
Determine reviews within 40 working days of receipt	72%	93.18%	72%	93.39%	90%	95.19%	90%	93.81%
Clear appeals within 30 working days of receipt	90%	93.33%	90%	95.76%	90%	98.37%	90%	98.86%
Level of net* recoupment	No target	£7.7m	£6m	£7.9m	£7m	£5.9m	No target	£5.4m
Health Service Certificate accuracy	98%	98%	98%	98.90%	98%	99.27%	98%	99.13%
Health Service money	No target	£5.6m	No target	£5.9m	No target	£6.9m	No target	£8.2m

*this is after refunds have been taken into account. If a case is spanning more than one financial year, some companies will estimate the payment and send it to the Compensation Recovery Unit before the case is settled. Where the estimate is higher than the actual, a refund is made.

Source: Agency.

2.10 The GB Compensation Recovery Unit has a target to ensure that administration expenditure is less than five per cent of recoveries (**Figure 15**). The Compensation Recovery Unit does not have this target but does informally calculate a similar ratio for comparison purposes. In 2009-10, actual performance was 8.15 per cent compared with 3.04 per cent in the GB Compensation Recovery Unit.

2.11 The Agency told us that while the Compensation Recovery Unit may informally calculate an administrative ratio, this is simply for information purposes and the Unit is aware of the differences with the GB Compensation Recovery Unit's methodology. The Agency considers that the measure for both bodies is not directly comparable and, therefore, it would be inappropriate to adopt



the target. For example, there may be particular economies of scale in GB. The Compensation Recovery Unit also told us that the GB Compensation Recovery Unit also recovers debt on behalf of other work areas, in addition to recovery of benefits and Health Service costs, which would result in higher recovery figures. However, the Compensation Recovery Unit has undertaken to review the methodology used in the GB Compensation Recovery Unit.

2.12 Although there may be factors which explain the variance between the two Units, in our view, the size of the variances suggests that there is scope

for the Compensation Recovery Unit to improve its outturn.

2.13 In addition, the GB Compensation Recovery Unit also sets a target for debtor days, measuring the number of days on average it takes to receive payment after being notified of a settlement (**Figure 16**). In 2009-10, the target was 21 days and performance was 20.24 days.

2.14 The Compensation Recovery Unit does not have a debtor days target and it has no plans to introduce one. It considers that this target would not be appropriate as it is not a debt centre but instead provides a recovery function for monies

Part Two: Managing the Recovery of Benefit Payments and Health Service Costs

Figure 16: GB Compensation Recovery Unit debtor day targets and performance

	Target	Actual
2005-06	23.2	19.12
2006-07	21.5	19.13
2007-08	20.5	17.96
2008-09	19.0	21.45
2009-10	21.0	20.24

Source: DWP

owed by the compensators for benefit and Health Service costs. It added that the GB Compensation Recovery Unit uses the target as a performance measure for Private Sector Debt Collection recoveries.

2.15 The GB Compensation Recovery Unit advised us that its debtor days target is used to measure the turnover of corporate debt for the Compensation and NHS

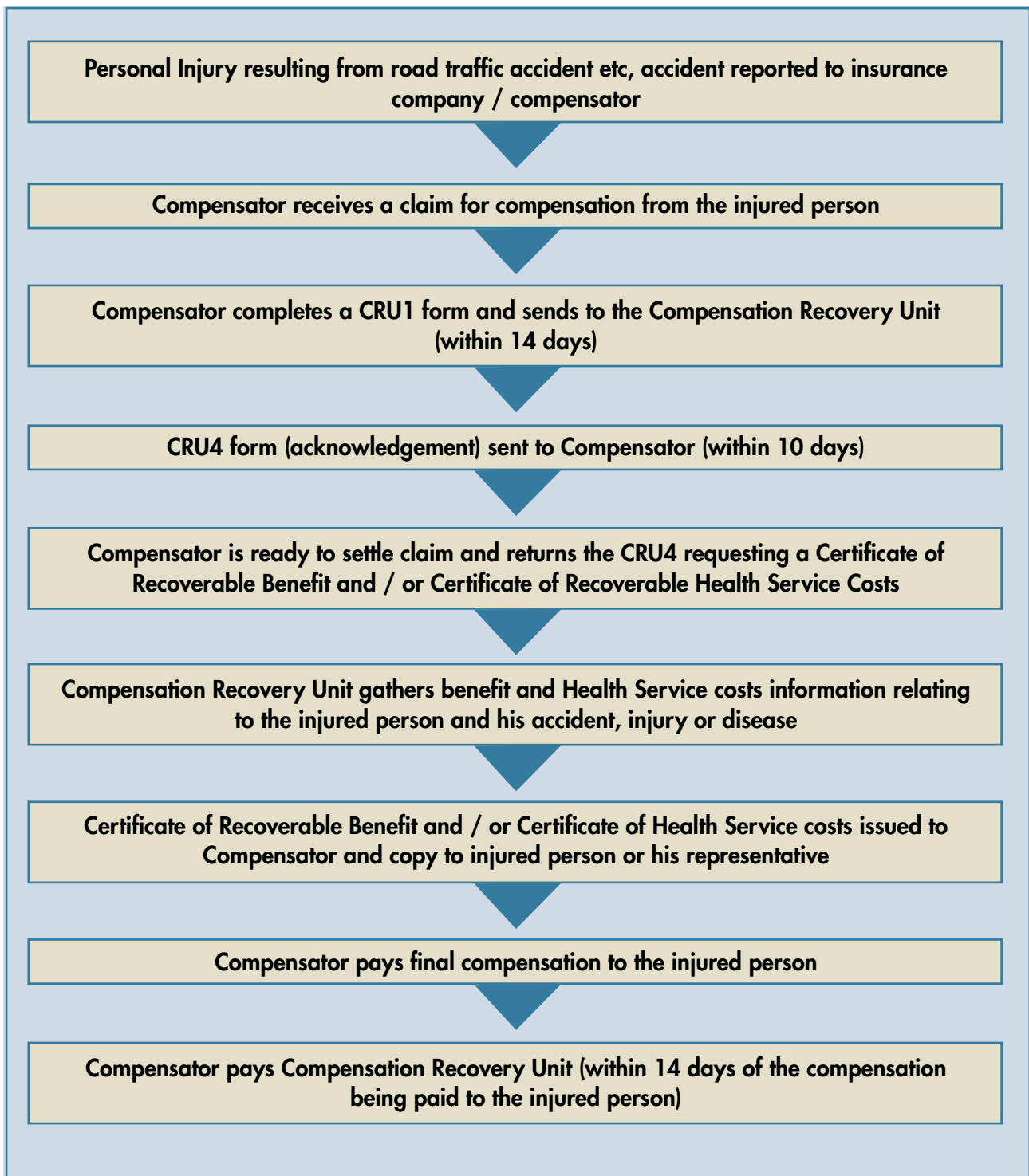
Recovery Schemes. It is calculated by dividing the total pursuable debt outstanding by the 'sales' (the total benefit and NHS recoveries over a 12 month rolling period, including the pursuable debt which is less than one year old, multiplied by 365 days).

2.16 In our view, information on the time taken to recover the substantial amounts due from compensators would provide important information on the timeliness of recoveries. It would also provide useful information on which to benchmark against the GB Compensation Recovery Unit. We recommend that the Agency considers adopting the GB Compensation Recovery Unit's targets and systematically benchmarks against these. This will help the Agency assess its processes, identify any areas for improvement and implement changes to improve performance. Performance should be reported in the Agency's Annual Report.

Appendices

Appendix 1: (paragraph 3)

The Compensation Recovery Unit's Compensation Recovery Process



Appendix 2: (paragraph 1.9)

Health Trust returns to the Compensation Recovery Unit 2009-10

TRUST	Total returns	Number and percent of total returns which are late											
		Total		15-28 days		29-49 days		50-100 days		>100 days			
		Number	%	Number	%	Number	%	Number	%	Number	%		
United	2,074	2,028	97.8	1,063	51.3	788	38.0	124	6.0	53	2.6		
Altnagelvin	1,485	1,446	97.4	571	38.5	701	47.2	118	7.9	56	3.8		
Green Park	129	122	94.6	31	24.0	52	40.3	31	24.0	8	6.2		
Newry & Mourne	563	532	94.5	232	41.2	200	35.5	61	10.8	39	6.9		
Craigavon	1,544	1,338	86.7	668	43.3	401	26.0	145	9.4	124	8.0		
Royal	2,009	1,611	80.2	919	45.7	400	19.9	231	11.5	61	3.0		
Ulster	2,090	1,652	79.0	1,278	61.1	273	13.1	67	3.2	34	1.6		
Mater	937	739	78.9	533	56.9	121	12.9	56	6.0	29	3.1		
Belfast City	569	400	70.3	341	59.9	27	4.7	17	3.0	15	2.6		
Down Lisburn	1,295	752	58.1	533	41.2	144	11.1	34	2.6	41	3.2		
Armagh & Dungannon	77	42	54.5	24	31.2	6	7.8	2	2.6	10	13.0		
Sperrin Lakeland	523	210	40.2	150	28.7	42	8.0	10	1.9	8	1.5		
Causeway	697	150	21.5	106	15.2	19	2.7	14	2.0	11	1.6		
TOTALS	13,992	11,022	78.8	6,449	46.1	3,174	22.7	910	6.5	489	3.5		

Source: NIAO based on Agency and DHSSPS documents

Appendix 3: (paragraphs 1.35 and 1.36)

Road Traffic Collisions and Accidents at Work Statistics in Northern Ireland

Year	HSENI accidents	PSNI Road Traffic Collisions Casualties
2000-01	4,572	14,584
2001-02	4,891	12,603
2002-03	4,467	11,546
2003-04	4,167	10,422
2004-05	3,696	8,746
2005-06	3,853	8,377
2006-07	3,524	9,232
2007-08	3,371	9,736
2008-09	2,973	9,471
2009-10	2,881	9,748

Source: HSENI Annual Report 2008-09 and PSNI Annual Statistical Report

Registration forms received		
Year	NI Compensation Recovery Unit registrations	GB Compensation Recovery Unit registrations
2000	38,416	735,931
2001	39,067	688,430
2002	39,196	706,715
2003	30,966	770,243
2004	28,174	755,875
2005	27,826	674,422
2006	25,938	710,784
2007	25,452	732,750
2008	27,760	812,348
2009	29,467	861,325

Source: Agency and DWVP documents

Appendix 4: (paragraph 2.9)

GB Compensation Recovery Unit's Targets and Performance

Activity	2006-07		2007-08		2008-09		2009-10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Issue Certificate of Recoverable Benefits within 28 days	99.00%	99.89%	99.00%	99.84%	99.50%	99.86%	99.50%	99.84%
Maintain Admin Expenditure less than 5% of Recoveries	<5%	4.36%	<5%	4.05%	<5%	3.97%	<5%	3.04%
Maintain the Debtors Days Target – the number of days on average it takes the GB Compensation Recovery Unit to recover monies due following notification of the settlement	21.5 days	19.13 days	20.5 days	17.96 days	19 days	21.45 days	21 days	20.24 days
Clear appeals within 30 working days of receipt. In 2009-10, within 90 working days.	95.00%	98.67%	95.00%	99.09%	95.00%	99.42%	95.00%	99.81%
Determine reviews within 90 days of receipt	90.00%	96.26%	90.00%	96.82%	90.00%	96.80%	90.00%	98.37%
NHS Certificate accuracy	97.50%	99.81%	97.50%	99.71%	97.50%	99.66%	97.50%	99.75%
Level of net recoupment		£139,713,557		£141,830,610		£138,165,561		£154,784,444
Health Service money		£128,187,681		£137,041,545		£155,150,145		£181,765,234

Source: DWP

Appendix 5: (paragraph 15)

Actions taken by Agency in response to our recommendations

Reference	Paragraph	Action taken by the Agency
Paragraph 6	<p>The Compensation Recovery Unit gathers information from Trusts to confirm attendance at hospital, whether a patient was treated as an inpatient or outpatient, whether an ambulance was used and the length of stay. It is important that the Agency closely monitors the response to requests for information and the accuracy of the information provided by the Trusts. In most cases the Trusts do not provide this information within the 14 day target, taking on average 34 days. Where there are delays or if inaccurate information is provided, this is brought to the attention of DHSSPS promptly for action. DHSSPS must be more proactive in dealing with late returns from the Trusts to the Compensation Recovery Unit and give further consideration to the efficiency gains and other benefits of implementing an electronic interface.</p>	<p>In August 2010 the Agency implemented a new process of providing monthly statistics to DHSSPS on the timeliness of returns from the Health Service Trusts to the Compensation Recovery Unit.</p>
Paragraph 7	<p>Information provided to the Compensation Recovery Unit by compensators is not always accurate and sometimes inconsistent with the injuries sustained. With some 2,000 incorrect forms being received each year, there is significant potential for loss to the public purse. We recognise that the Compensation Recovery Unit has put additional controls in place to check forms for incorrect information. However, these checks are at an additional cost to the public purse. We recommend that the Compensation Recovery Unit should continue to press compensators to ensure that complete and accurate information is submitted by compensators via the electronic interface, in the first instance and take action against compensators when incorrect notifications are provided.</p>	<p>In November 2010 the Agency initiated a monthly process to review the non-notification of Health Service costs via the electronic interface by insurance company, from 2008 to October 2010. The Agency has conducted an initial review of these figures to identify any obvious trends and will continue to monitor and review these statistics and take action as appropriate.</p>
Paragraph 8	<p>It is important that the Compensation Recovery Unit regularly reviews and assesses information and statistics on personal injury incidents and claims. This should include data and statistics from the GB Compensation Recovery Unit, Health Service Trusts, Police Service of Northern Ireland, Health and Safety Executive for Northern Ireland and the insurance industry regarding accidents. This should help the Compensation Recovery Unit identify any potential trends in under-notification by compensators.</p>	<p>In November 2010 the Agency implemented a six-monthly review of the volume of compensation notifications by the top 10 compensators. In addition the Agency will carry out a random percentage check of the remainder. The Agency is committed to identifying any potential under-notification by considering the relevant statistics on an annual basis eg PSNI Road Traffic Collisions, Health & Safety Executive statistics.</p>

Reference	Paragraph	Action taken by the Agency
Paragraph 10	<p>In January 2007 the Compensation Recovery Unit was informed by some members of the Association of Personal Injury Lawyers that some compensators may be failing to notify the Unit of potential personal injury claims, as required by legislation. This prompted a review of the reduction in potential compensation claim registrations from compensators and the possible reasons for variances in trends between Northern Ireland and Great Britain. Further investigation is required and we recommend that the Agency requests annual control figures from compensators and undertakes inspections of insurers' databases where discrepancies are found.</p>	<p>In August 2010 the Agency initiated contact with the Association of British Insurers to determine how best it can work with the industry and formally monitor trends in registrations. The Agency is also considering how it may best request details from compensators on the number of claims they have received versus the number of claims registered with the Compensation Recovery Unit.</p>
Paragraph 11	<p>The Compensation Recovery Unit does not monitor the number or trends in appeals by compensators against the Unit's assessments. We recommend that the Agency develops its management information system to include and collate the reasons why decisions are overturned or upheld on appeal. It should regularly review this information to determine trends and identify and implement actions to further improve the processes for dealing with appeals.</p>	<p>In September 2010 the Agency implemented a process to monitor the number and trend in appeals on a quarterly basis. To assist the Agency in this matter, it has requested the President of Appeal Tribunals provide further detail on the tribunal's decisions to enable the Compensation Recovery Unit to identify trends and facilitate lessons learned.</p>
Paragraph 12	<p>The Agency's External Fraud Response Plan relates to individuals or groups of individuals who deliberately give false information or make false representations in order to receive benefit to which they are not entitled. This does not reflect the type of work undertaken by the Compensation Recovery Unit. We recommend that the Agency carries out a review of its External Fraud Response Plan with a view to making any appropriate amendments to reflect the business undertaken by the Compensation Recovery Unit.</p>	<p>In July 2010 the Agency's Fraud Policy Unit initiated a review of the External Fraud Response Plan. The Compensation Recovery Unit's management will be included in the quality review process. It is envisaged that this process will be completed early in 2011.</p>

Appendix 5: (paragraph 15)

Reference	Paragraph	Action taken by the Agency
Paragraph 13	<p>Between 2002-03 and 2010-11, staff numbers in the Compensation Recovery Unit reduced from 84 to 48 and there has been a significant improvement in the ratio of costs to amounts recovered. However, the ratio is significantly higher than that in the GB Compensation Recovery Unit. Given the significance of the potential efficiency savings, we recommend that, using the LEAN process, the Agency reviews its staffing structure and the relative performance of the Compensation Recovery Unit and the GB Compensation Recovery Unit, to determine the reasons for variances between the bodies. In addition, it should consider the possibility of securing economies of scale through amalgamating the Compensation Recovery Unit with its Debt Recovery Unit.</p>	<p>The Agency is currently awaiting the outcomes of the Continuous Service Improvement/LEAN review and any associated impacts on staffing levels.</p> <p>In June 2010 the Agency's Finance & Planning Directorate completed a structural review and, as part of that review, it has been determined that the Compensation Recovery Unit will be amalgamated with the Debt Centre NI. The outcome of the review is currently being implemented. The Debt Centre NI and Compensation Recovery Unit will be co-located in new premises from May 2012 and, when this merger has been completed, the Agency will assess the potential for economies of scale.</p>
Paragraph 14	<p>In its Annual Report, the Agency reports on one key target for the Compensation Recovery Unit: the issue of certificates within four weeks and the accuracy of those certificates. However, we recommend that the Agency considers adopting similar targets to those set for the GB Compensation Recovery Unit. It should systematically benchmark against these. This will help the Agency assess its processes, identify any areas for improvement and implement changes to improve performance. The Compensation Recovery Unit's performance should be reported in the Agency's Annual Report.</p>	<p>In November 2010 the Agency put the processes in place to adopt the additional 2 targets; debtor days and administration ratio. These will be formally introduced as Unit targets from April 2011.</p>

Source: The Agency

NIAO Reports 2010-2011

Title	Date Published
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