



Northern Ireland Audit Office

# **Social Security Benefit Fraud and Error**

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
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Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

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# Social Security Benefit Fraud and Error



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.

*J M Dowdall CB*  
Comptroller and Auditor General

Northern Ireland Audit Office  
23 January 2008

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## Abbreviations

<b>ARA</b>	Assets Recovery Agency
<b>BIS</b>	Benefit Investigation Services
<b>CJINI</b>	Criminal Justice Inspection Northern Ireland
<b>DWP</b>	Department for Work and Pensions
<b>FIU</b>	Financial Investigation Unit
<b>GB</b>	Great Britain
<b>MORI</b>	IPSOS MORI (Marketing and Advertising Consultants, Market Research)
<b>NAO</b>	National Audit Office
<b>NI</b>	Northern Ireland
<b>NIAO</b>	Northern Ireland Audit Office
<b>PAC</b>	Committee of Public Accounts
<b>PPSNI</b>	Public Prosecution Service for Northern Ireland
<b>UK</b>	United Kingdom
<b>the Agency</b>	The Social Security Agency for Northern Ireland
<b>the Unit</b>	Programme Protection Unit

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## Glossary

### **Fraud Referrals and Intervention Management System (FRAIMS)**

A clerical sift system, replicating the processes within the electronic FRAIMS IT system, was introduced from April 2006 to assess referrals of suspected fraud which have passed the FRISC assessment, to determine whether the referrals should be dealt with as customer error (and passed to Operations for follow-up) or as criminal (fraud) cases.

### **Fraud Referral Intelligent Score Card (FRISC)**

Referrals are assessed for the quality of information provided – more specific and better quality information will lead to a higher FRISC score. Referrals scoring above a specified threshold are recorded and processed by Benefit Investigation Services (BIS) and those below the threshold are not recorded or followed-up by BIS.

### **Income Support**

Income Support is a tax-free, income-related benefit payable to people between the ages of 16 to 60 whose income, from all sources, is below the minimum level set by Parliament. To qualify, the beneficiary must fall into one of a number of categories and meet certain conditions. It is paid for as long as the conditions are satisfied. The benefit is administered by the Agency's network of local offices.

### **Jobseekers Allowance**

Jobseekers Allowance (contributions based) is payable to unemployed persons who have paid sufficient National Insurance Contributions and are available for and actively seeking work – it is payable for up to 182 days. Jobseekers Allowance (income based) is for unemployed persons, available for and actively seeking work but who have not paid enough National Insurance Contributions to receive Jobseekers Allowance (contributions based).

### **Monetary Value of Adjustment (MVA)**

The measure of error detected and prevented by the Agency's programme protection checks and interventions. The measure of error for each case comprises the actual amount of error detected by checks or interventions plus an estimate of the amount of future error prevented calculated as 52 times the amount of the weekly error.

### **Programme Protection Check**

Programme Protection personnel select claimants' case files to check the accuracy of the benefit amount being paid. The check involves recalculation of the benefit entitlement using existing available information.

### **Programme Protection Intervention**

Programme Protection personnel carry out checks on claimants' case files and make enquiries of claimants by one of four methods - post, telephone, office interview or visit to the claimant's home. The benefit claim is reworked taking into account the information obtained to check the accuracy of the benefit amount being paid.

### **Value for Money ratio**

The ratio of the amount of total error detected and error prevented by programme protection activity (the monetary value of adjustment) to the overall cost of direct programme protection activity.





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## Summary and Recommendations

### Introduction and Background

1. The Northern Ireland Social Security Agency (the Agency) provides benefit services through a network of local and centralised benefit offices. Its main business aims include the assessment and payment of social security benefits accurately and securely, the prevention and detection of benefit fraud, prosecution of offenders and recovery of any benefit which has been paid incorrectly.
2. The level of benefit fraud and error is significant. In 2006-07, the Agency paid out £3.5 billion on social security benefits. Of this, it estimates that overpayments, due to benefit fraud and error, were some £60 million, 1.7 per cent of expenditure. This includes customer fraud and error and errors caused by Agency staff. For a number of years the Agency's annual accounts have been qualified as a result of the persistently significant levels of fraud and error.
3. The Agency has developed a range of methods to estimate the levels of fraud and error in the benefit system and has been working to improve these. However, there are difficulties in determining trends from the reported information. For example, adjustments for changes in methodology are not always applied to historical data and this can have a significant impact on the consistency and comparability of data over time. In addition the published data on levels of fraud and error, based on statistical samples, have not routinely included information on sampling error which is necessary for their proper interpretation. Although the trends and year-on-year changes in the levels of fraud and error are difficult to establish, the overall percentage is similar in Northern Ireland and Great Britain.
4. The Agency is committed to tackling fraud and error and has set targets for reducing fraud, improving accuracy and recovery of benefit overpayments. In taking this forward, the Agency has developed a counter fraud and error strategy and established a range of measures to improve accuracy in benefit processing and investigate suspected fraud. These include the regular monitoring and measurement of fraud, error and standards of decision making, fraud investigation and programme protection activity aimed at improving accuracy. In 2005, the Agency also launched a major anti-fraud publicity campaign.
5. Going forward, the Agency faces major challenges. The benefit system is inherently complex and there are some 35 million payments a year for over 1 million individual customers. In addition it currently has to implement efficiency savings which will impact on staffing levels. In relation to public attitudes, a survey also suggests that there is an increasing complacency towards benefit fraud.

### Scope of NIAO Study

6. **Part 1** of this report provides background to the overall level of fraud and error within the Northern Ireland benefit system;
 

**Part 2** examines the management and outcomes of programme protection activity, aimed at detecting errors in benefit assessments, for Income Support and Jobseekers Allowance. Disability Living Allowance, Income Support and Jobseekers Allowance are key benefits with high amounts or percentage of losses due to fraud and error (**Appendix 1**). As we have previously reported on Disability Living Allowance<sup>1</sup> this report examines programme protection for Income Support and Jobseekers Allowance;

**Part 3** focuses on how the Agency's Benefit Investigation Services (BIS) manages fraud referrals (suspected frauds). Our review is against the backdrop of a recent Criminal Justice Inspection review of BIS<sup>2</sup>; and

**Part 4** focuses on the outcomes of the Agency's actions to investigate and tackle fraud.
7. While our report does not consider the effectiveness of the Agency's debt management procedures we have noted that it seeks to recover debt arising from benefit overpayments. In 2006-07 it recovered £8.9 million of benefit debt against a target of £6 million. At March 2007, the debt balance was £67.5 million, an increase from £43 million at March 2004.
8. With increasing levels of benefit debt the Agency has made debt recovery one of its key priorities. In 2005

<sup>1</sup> *Decision-Making and Disability Living Allowance*, 16 June 2005, HC 43, NIA 185/03

<sup>2</sup> *Inspection of the Benefit Investigation Service of the Social Security Agency*, CJINI, May 2006. The published report includes the Agency's Action Plan in response to the CJINI recommendations.

## Summary and Recommendations

it initiated a debt transformation programme, following a similar initiative in GB, aimed at a radical overhaul of its debt management systems. The programme comprises a debt recovery initiative, using debt recovery companies, a debt modernisation project to re-organise the management of the debt process, and the introduction of new IT systems.

9. Indications are that the Agency has had some success in increasing the amount of debt recovered. We will continue to monitor the Agency's progress in implementing the debt transformation programme and its impact on debt management, and may report on this in due course.
10. For this review, we:
  - analysed the Agency's data on fraud and error and fraud referrals;
  - surveyed some 2,500 Agency staff involved in the administration and management of benefits to assess their views and experiences on fraud and error. More detail of the methodology is presented at **Appendix 1**;
  - liaised with Criminal Justice Inspection Northern Ireland on its review of the Agency's Benefit Investigation Services;
  - held structured interviews with Agency staff involved in programme protection and fraud investigation, and three of the six District Managers in the Agency's Operations Division, which is responsible for benefit delivery. Districts were selected as representative of a range of levels of performance in programme protection activity; and
  - liaised with the Income Support Business Manager with responsibility for programme protection and customer compliance in the Agency's Belfast Benefit Delivery Centre which provides services on behalf of the Department for Work and Pensions for people living in three Districts in London.

### Key Findings

#### On Programme Protection Activity

11. The Agency provides significant resources to improve benefit accuracy through its programme protection activity. This is aimed at checking for errors in the benefit system and improving the quality of benefit processing. In relation to two key benefits, Income Support and Jobseekers Allowance, some £21.8 million was provided over the period 2001 to 2007 specifically for programme protection activity. The level of activity undertaken is based on annual plans agreed between the Agency's District network which delivers these benefits, and the Agency's Programme Protection Unit (the Unit), which monitors and reports on performance against agreed targets.
12. However, the allocation of resources to Districts for programme protection could be more clearly linked to risk assessments. The process for establishing and agreeing programme protection plans is, in some measure, at the discretion of District managers and does not fully ensure that funds are allocated according to the assessed risk of error across the District network.
13. The Agency has set a range of targets for programme protection. Since 2001-02 these have been developed from being solely activity based to include outcome targets, for example, the monetary value of error detected. These targets provide a basis for assessing both the volume and the effectiveness of the activity carried out. In 2006-07, the Agency introduced specific benchmark times for programme protection checks to enhance the effectiveness and appropriateness of its activity targets.
14. There has been an increasing focus on developing the accountability of Districts for the delivery of planned programme protection work. While the Unit sets guidelines and provides funding for programme protection activity, it has no authority to direct Districts' activity. Over the period 2001 to 2006, there have been significant shortfalls in the volume of activity undertaken by Districts; 21 per cent of the planned activity for which funding was allocated was not delivered. The Agency considers that changes

introduced in 2005-06, including the regular review of District performance by senior management, will contribute to increased success in the delivery of targets. It informed NIAO that programme protection performance exceeded the targets set for 2006-07.

15. Overall the targets set for the monetary value of error detected and value for money ratio have been reported as broadly achieved over the period 2001 to 2006. However, there has been wide variation in the performance of individual Districts. It is important that the Programme Protection Unit, in conjunction with Districts, continues to analyse the performance information, identifies variances and puts in place measures to enhance performance across the network.
16. The accuracy of reported performance information is essential for the integrity of the evaluation of the programme protection process. Performance data for 2005-06 was the first to be independently validated. This exercise identified a high level of error in the case reviews carried out by programme protection staff. Independent validation should, we believe, become an integral part of the management of programme protection processes. It is important that the Programme Protection Unit and Districts address the issues raised by the validation of the 2005-06 data.

### On Processing and Investigation of Fraud Referrals

17. The Agency's Benefit Investigation Services (BIS) investigates suspected cases of benefit fraud. In May 2006, Criminal Justice Inspection Northern Ireland (CJINI) reported on the work of BIS. The report noted that there had been improvements in recent years and identified areas of good practice; but it also highlighted scope for improvement. CJINI set out a number of recommendations aimed at improving performance in fraud investigation. These relate to leadership and accountability, partnership working, organisational learning and delivering results. The Agency has developed an action plan to address these.
18. Our review found that the level of fraud referrals and the Agency's caseload have increased substantially in recent years. While the number of referrals has been

increasing, the investigation rate has not kept pace and, between April 2002 and March 2007, the number of cases being investigated or awaiting investigation increased from 5,793 to 11,217. Over the period 2000 to 2006, the numbers of investigators in post ranged from 63 per cent to 97 per cent of the staffing complement figure. The Agency told us that while it had made vigorous attempts to recruit investigator staff, it had experienced difficulties in attracting sufficient numbers of suitable recruits to these specialist posts. However, the Agency achieved its full complement of investigators for the first time in 2006-07; it considers that the present situation suggests that the past difficulties have now been largely overcome.

19. Over the period 2001 to 2006, the Agency has broadly met its targets for fraud investigation. Since April 2006, it now has one overarching target - the number of cases passed for sanction by its Central Sanction Decision Maker. The Agency considers that this single target focuses activity on achieving the desired sanction outcomes. However, in our view it is important that other performance measurement processes are implemented which complement the main target and provide a basis for assessing and evaluating the management and processing of fraud investigations. It is also important that the Agency's senior management regularly review the performance of its Benefit Investigation Service which has a key role in the delivery of its counter fraud strategy.

### On Outcomes of Investigation of Fraud Referrals

20. Information on suspected frauds is received from a wide range of sources. The Agency has processes in place to help assess the quality of referral and determine what action should be taken. Its Operations staff, who administer benefits, are well placed to provide an important source of fraud referrals. Our survey of Agency staff indicates that 92 per cent are aware of the Agency's fraud strategy and 88 per cent consider it to be committed to the strategy. However, we also found that 25 per cent of staff had not received fraud awareness training, and approximately half of all respondents were not confident that suspected fraud is fully investigated. While the Agency has commented that it was surprised at some of the

## Summary and Recommendations

findings of the survey, it is important that it examines the results and considers how they can be used to inform and further develop its strategy for tackling fraud and error.

21. The Agency is also engaged with other agencies in the Cross Border Operational Forum which addresses issues of cross border social security fraud. It is important that the Agency continues to participate in such initiatives and proactively develops procedures to identify and tackle this aspect of fraud.
  22. The Agency's policy is to take legal action in all benefit fraud cases where appropriate. However, it considers it may not be practical or cost-effective to instigate legal proceedings in all benefit fraud cases. In line with its sanction policy, fraud cases may be closed, a formal caution or administrative penalty may be applied or they may be taken forward for prosecution. We found that a substantial number of cases deemed to be fraud by investigators, do not result in sanctions. For example, over the period April 2003 to March 2007, some 3,000 cases were considered to be not sanctionable. The majority of these cases were closed in line with the Agency's sanction policy, however, approximately 600 cases were not subject to sanction because of procedural errors or oversights by the Agency.
  23. Where cases proceed to court, the Agency has achieved a conviction rate of 97 per cent. However, approximately one-fifth of cases prepared for prosecution by the Agency are, for a variety of reasons, not taken to court by the Public Prosecution Service for Northern Ireland. It is important that the Agency reviews the reasons for this and implements the necessary improvements to its procedures.
  24. Benefit Investigation Services is in a key position to inform the Agency's approaches to tackling benefit fraud and error. It is important that the relationships between BIS and other divisions within the Agency are regularly reviewed to ensure that information and expertise available is being applied effectively to enhance counter fraud activity.
  25. Through provisions contained in the Serious Crime Act 2007, the Agency, together with all Northern Ireland Departments, Non-Departmental Public Bodies, Health Bodies and local government bodies, has the opportunity to participate in the National Fraud Initiative. This has proved to be a powerful tool in Great Britain for identifying, through the matching of shared data, possible cases of fraud. This, we believe, is likely to be a useful source of future referrals to BIS; currently the Agency's restricted General Matching Service referrals have proven to be effective in terms of errors detected and future errors prevented.
  26. The main recommendations from our report are listed on pages 7 – 8.
-

## Recommendations

- We recommend that the Agency reviews its targets for the levels of fraud and error and sets targets which can be measured with statistical confidence. (Paragraph 1.13)
- The programme protection planning process should ensure that planned activity and resources allocated are commensurate with the risk of fraud and error within the District network. (Paragraph 2.10)
- We welcome the introduction in 2006-07 of Agency specific benchmark times for target setting and monitoring the programme protection work and recommend that appropriate benchmarks should continue to be used by the Programme Protection Unit. Indirect programme protection activity, including training and fraud liaison, should also be subject to more formal and robust performance measurement and evaluation. (Paragraphs 2.17 and 2.19)
- The methodology for calculating the financial impact of programme protection activity should be reviewed to ensure that evaluation is based on an objective measure. (Paragraph 2.21)
- The Agency should continue to monitor the outcome of the Department for Work and Pensions' new approach to programme protection and consider whether there are lessons which could be applied in Northern Ireland. (Paragraph 2.23)
- To further enhance accountability for programme protection, we recommend that performance against planned activity is reported at least once a year at the Agency Management Board. Districts should also formally respond to the Programme Protection Unit's recommendations, stating their consideration of the points raised and intended actions. (Paragraphs 2.30, 2.38 and 2.39)
- Independent validation of programme protection performance information should become an integral part of the management of programme protection plans. It is also important that the Agency ensures that findings from validation exercises are acted on by the Programme Protection Unit and Districts. (Paragraphs 2.43 and 2.44)
- The Agency should review the policy and processes for the referral from programme protection work of suspected fraud cases to Benefit Investigation Services. (Paragraph 2.48)
- We consider that the 'probabilities of success ratings' used to prioritise criminal (fraud) referrals for investigation should continue to be kept under review. The threshold and its impact on the number of cases which will not be investigated should be routinely reported to senior management. Information from fraud referrals, which have been closed without investigation, should continue to be retained as part of the fraud referral database and included in ongoing analysis and review of cases. (Paragraphs 3.15 and 3.16)
- The Agency should continue to monitor the numbers of qualified investigators and other staff in post. Its resource planning, recruitment and retention practices and procedures should be sufficiently responsive to ensure that it is adequately resourced to investigate fraud referrals in line with its priority and commitment to tackle fraud. (Paragraph 3.23)
- Appropriate performance measurement processes should be implemented to complement the Agency's main target for criminal sanctions and provide a basis for assessing and reporting on the management and processing of fraud investigations. (Paragraph 3.31)
- The Agency should make use of the new IT system planned for introduction in 2008 to develop benchmarks and comparative data with GB. The review and assessment of variances in key measures should help to identify opportunities for improving efficiency and lessons to improve its methods and approach to fraud investigation. (Paragraph 3.33)
- The Agency should consider the findings of our survey of Agency staff and how they could be used to inform its strategy for tackling fraud and error. The Agency should periodically re-run this or a similar survey to provide it with an effective means of monitoring staff



## Summary and Recommendations

views and assessing the effectiveness of its initiatives. Providing feedback on the progress and outcomes of fraud referrals to the staff who have raised them can bolster confidence in the system, particularly where referrals are successful, thus encouraging greater reporting of suspected frauds. In addition, the Agency could consider how it might better inform the sources of 'low quality' information of the type and quality of information required to support an investigation. (Paragraphs 4.8 to 4.10)

- The Agency's participation in the Cross Border Operational Forum, together with its employer surveys and the wider National Fraud Initiative, demonstrate the potential of proactively developing procedures to detect and discourage fraud. We encourage the Agency to continue to develop and participate in such initiatives. (Paragraph 4.13)
- Changing public attitudes to benefit fraud is a challenge and advertising can be one method of doing this. However, with all areas of public advertising, it is important that clear objectives are established and interim and final targets are set by which the impact of the media campaign can be assessed independently. (Paragraph 4.17)
- It is important that the Agency continues to monitor the reasons for cases being deemed non-sanctionable and works to further reduce the number of cases not sanctioned as a result of procedural errors or oversights. The use of performance measures to report to senior management should provide the appropriate oversight and accountability arrangements. (Paragraph 4.23)
- The Agency should review and analyse the causes of the withdrawal of cases by PPSNI, to identify broader trends and inform the development of improved procedures to address these causes. (Paragraph 4.29)
- We welcome the liaison which takes place within the Agency to address fraud and error and encourage it to continue to review the outcomes of this work. The Agency should also ensure that the expertise and information within Benefit Investigation Services is fully utilised across the Agency to strengthen operational controls aimed at preventing and detecting fraud and error. (Paragraph 4.35)

Part One:  
Introduction and Background

**BENEFIT FRAUD IT'S A REAL RIP-OFF**



## Part One: Introduction and Background

### The level of fraud and error is significant

1.1 The Northern Ireland Social Security Agency (the Agency) paid out £3.5 billion on social security benefits in 2006-07. It estimates that overpayment of benefits because of fraud and error in the year was some £60.1 million, 1.7 per cent of benefit expenditure. This includes both customer fraud and error and the Agency's internal error:

- customer error – £14.0 million (0.4%);
- internal (staff) error – £28.0 million (0.8%); and
- customer fraud – £18.1 million (0.5%)

A further estimated £21.8 million (0.6% of total benefit expenditure) was underpaid to customers, due to customer error (£2.6 million) and internal (staff) error (£19.2 million).

1.2 For a number of years the Comptroller and Auditor General has qualified, and reported on, the Agency's annual accounts as a result of the persistently significant levels of fraud and error. However, the Agency is committed to tackling fraud and error and has given a high priority to efforts to reduce this and recover benefit overpayments.

### The Committee of Public Accounts at Westminster and NIAO have reported previously on benefit fraud

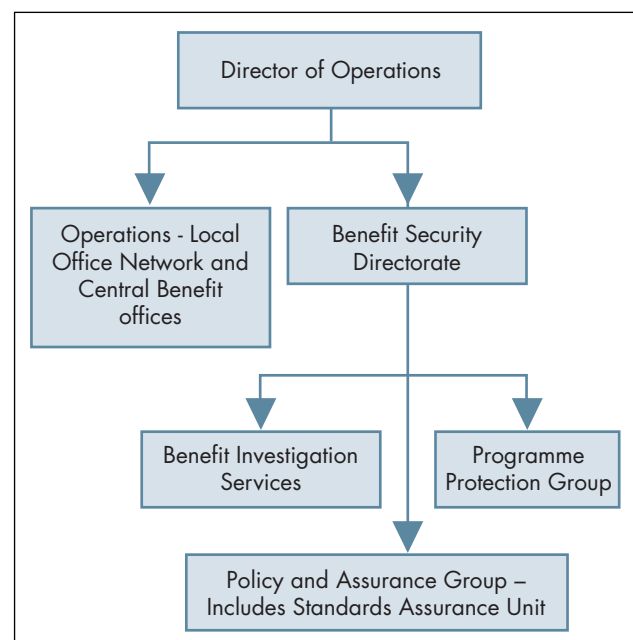
1.3 The Committee of Public Accounts (PAC) last reported on the Agency's counter fraud activity in 1996<sup>3</sup>, following a report by NIAO<sup>4</sup>. The Agency responded positively to the PAC recommendations and:

- produced its strategy 'Tackling Fraud and Error in Social Security' in 1999 (reviewed in 2002 and in 2005);
- established a new Benefit Security Directorate to provide a more coherent and co-ordinated focus to counter fraud work, and to promote quality and accuracy in the benefit process;
- created the Standard Assurance Unit (SAU) with specific responsibility for estimating fraud and error;

- set a target of an annual 5 per cent reduction in fraud and error in its main benefits; and
- re-organised its fraud section into the Benefit Investigation Services (BIS), and set it a number of targets.

1.4 The strategy provides the framework for initiatives aimed at reducing fraud and error. Key actions include regular monitoring and measurement of levels of fraud, error and standards of decision making; fraud investigation and programme protection activity aimed at improving accuracy; and identifying areas for action to reduce levels of fraud and error. In 2005, the Agency also launched a major anti-fraud publicity campaign. The main structures for tackling fraud and error are summarised in **Figure 1**.

**Figure 1: The Agency's Operations Organisational Structure**



Source: The Agency

3 Northern Ireland Social Security Agency: Prevention, Detection and Prosecution of Fraud, PAC 12th Report of Session 1995-96, HC 267/58-i.

4 Northern Ireland Social Security Agency: Prevention, Detection and Prosecution of Fraud, NIAO November 1995, HC 796

### The Agency is committed to tackling fraud and error but levels of losses remain high

- 1.5 The Agency's estimates of the level of benefit fraud and error are based on a programme of benefit reviews and examination of statistical samples of all benefit awards. Benefit reviews are carried out by the Agency's Standards Assurance Unit (SAU) and are designed to produce information on the level of fraud and error in benefit awards. This programme is risk-based with key benefits subject to review at least once every two years. The Agency also examines statistical samples of all benefit awards on a continuous basis, to monitor the accuracy of payments made, the quality of decision making and estimate the gross monetary value of error.
- 1.6 The Agency has been working to improve its measurement of fraud and error. In 2006, it reviewed its approach and decided to report against 3 key measures:
- customer error – relating to the failure by customers to report changes in their circumstances which affect the amount of benefit they are entitled to but where there is no suspicion of fraud;
  - internal (staff) error – relating to mistakes by staff in assessing cases or calculating the amount of benefit payable to customers; and
  - customer fraud – relating to the deliberate abuse of the benefit system.
- 1.7 The estimates of total fraud and error over the period 2003-04 to 2006-07 indicate significant levels of losses (Figure 2 and Appendix 2). Based on the overall figures, and subject to variations in methodology and reporting, the proportion of fraud and error are relatively similar between Northern Ireland and GB (Figure 3).

**Figure 2: There are significant levels of overpayment of benefits because of fraud and error**

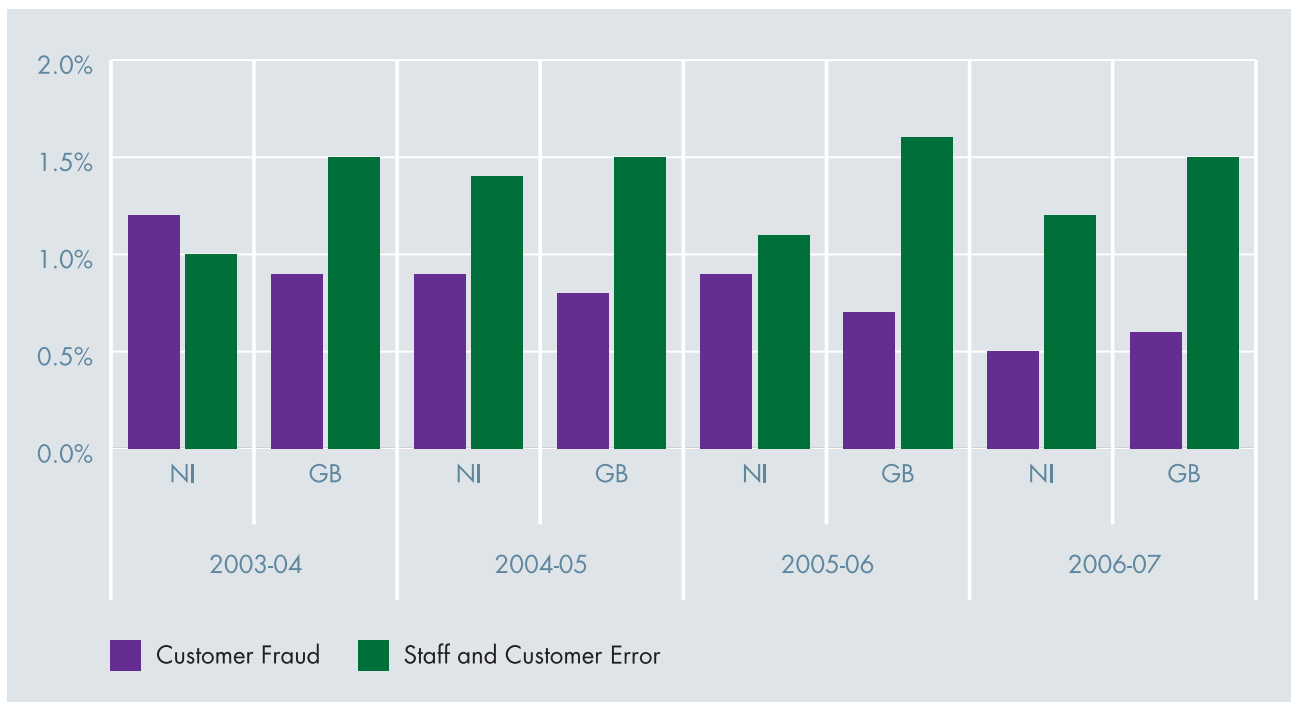
	2003-04	2004-05	2005 <sup>1</sup>	2006 <sup>1</sup>
Benefit expenditure	£3,179m	£3,320m	£3,406m	£3,501m
Estimated level of fraud and error	£70.7m 2.2%	£75.3m <sup>2</sup> 2.3%	£66.1m <sup>2</sup> 1.9%	£60.1m 1.7%
Fraud and Error comprises:				
Customer error	£7.4m 0.2%	£12.6m 0.4%	£14.2m 0.4%	£14.0m 0.4%
Internal (staff) error	£24.5m 0.8%	£33.8m 1.0%	£23.4m 0.7%	£28.0m 0.8%
Customer fraud	£38.8m 1.2%	£28.8m 0.9%	£28.6m 0.8%	£18.1m 0.5%

Source: The Agency's Accounts for 2006-07

- Note: 1. Prior to 2005, estimates were based on the financial year. Since 2005, estimates are based on a calendar year.  
2. The difference between the figure of total estimated level of fraud and error and the sum of customer error, internal (staff) error and customer fraud in 2004-05 and 2005 is due to the effects of rounding of figures.

## Part One: Introduction and Background

**Figure 3: The proportion of benefit fraud and error in NI and GB are broadly similar**



Source: The Agency and DWP

1.8 Data on fraud and error (Figures 2 and 3) includes estimates of overpayments only; it excludes estimates of underpayments resulting from customer error and internal (staff) error. In 2006-07 these underpayments were estimated at £21.8 million. The data also excludes amounts paid in excess, and amounts underpaid, in Disability Living Allowance. These have arisen as a result of 'change in customers' circumstances' where it has been considered that, due to the gradual nature of improvement or deterioration in the customer's condition, they could not have been reasonably expected to have known to report the change to the Agency. In 2006-07 the amount of Disability Living Allowance paid in excess of benefit entitlement and the amount underpaid in 'change in customers' circumstances' were estimated to be £20.2 million and £42.8 million respectively.

1.9 It is difficult to draw firm conclusions on trends and year-on-year changes in the levels of reported fraud and error. For example:

- adjustments for changes in methodology are not always applied to historical data - this could have a significant effect on the consistency and comparability of data over time;
- estimates for fraud and error for some benefits are not produced annually, as priority is given to higher risk benefits (paragraph 1.5); estimates of fraud and error on some benefits will be based on reviews which have been conducted two or three years previously, with estimates updated using the new benefit expenditure for the year concerned; and
- published information on levels of fraud and error has not routinely included reference to the effect of sampling error, which is necessary for proper interpretation of performance measures.

1.10 In GB, the National Audit Office (NAO) recommended in 2003<sup>5</sup> that the Department for Work

and Pensions (DWP) focus on higher risk activity; address the decline in fraud prevention and investigation activity; evaluate the deterrent effect of the different sanctions available; and assess costs and benefits of programmes to tackle fraud. In 2006<sup>6</sup>, NAO found that in the UK levels of social security fraud and error were similar to those in comparable countries, but that DWP had a better understanding than agencies in other nations of the problems and was doing more to tackle them. While the NAO report was specific to DWP, its general findings apply to the Agency which works closely, and aims for broad parity, with DWP.

#### The Agency sets targets for reducing fraud and error

1.11 The Agency has set targets to reduce the loss from customer fraud and error by 5 per cent each year in five key benefits- Income Support, Jobseekers Allowance, Incapacity Benefit, Disability Living

Allowance and Pension Credit. Its targets for the level of fraud and error in these benefits reflect the 5 per cent year on year reduction. The Agency has recorded a mixed success in achieving the target levels for reducing fraud and error (**Figure 4**). In 2004-05 and 2005-06, fraud and error targets were measured in terms of both overpayments and underpayments due to customer fraud and error and internal (staff) error. For 2006-07, targets were measured in terms of only overpayments due to customer fraud and error.

1.12 In addition, estimates of fraud and error are sample based and therefore subject to sampling error. Because of this, reductions of the small magnitude (5 per cent annually) set for this target cannot be measured with statistical confidence. Consequently, it is not clear whether the estimates of actual performance show statistically significant changes in levels of fraud and error.

**Figure 4: The Agency has had mixed success in achieving its target for reducing fraud and error levels**

Fraud and Error Levels						
	2004-05		2005-06		2006-07 <sup>1</sup>	
	Target %	Actual %	Target %	Actual %	Target %	Actual %
Income Support	4.6%	5.0% (£24.2m)	4.35%	5.4% (£25.6m)	2.62%	1.2% (£5.6m)
Jobseekers Allowance	8.1%	6.4% (£6.3m)	7.65%	4.4% (£4.1m)	3.38%	3.6% (£3.1m)
Incapacity Benefit	2.08%	4.3% (£13.8m)	1.95%	4.3% (£13.8m)	2.85%	3.0% (£9.7m)
Disability Living Allowance	7.89%	9.5% (£52.2m)	7.42%	9.5% (£54.7m)	0.73% <sup>2</sup>	0.23% <sup>2</sup> (£1.4m)
Pension Credit	No target		No target		1.3%	1.2% (£3.7m)

Source: *The Agency*

Note: 1. Targets and actual performance for 2006-07 were measured in terms of only overpayments due to customer fraud and error  
2. The Disability Living Allowance target and performance result excluded 'change in customers' circumstances' in 2006-07 (see paragraph 1.8).

## Part One: Introduction and Background

1.13 We recommend that the Agency reviews its current targets for the levels of fraud and error and sets targets which can be measured with statistical confidence.

1.14 For the main benefits the Agency also sets targets for financial accuracy. These measure the level of internal Agency error. In 2006-07, it reported that it had achieved the 99 per cent financial accuracy targets for Income Support, Jobseeker's Allowance and Retirement Pension. Incapacity Benefit achieved 97.7 per cent accuracy against a target of 99 per cent. In addition, Disability Living Allowance met its target of 98 per cent accuracy while Pension Credit achieved 95.2 per cent against a target of 98 per cent. (Appendix 3)

### The Agency faces major challenges in tackling fraud and error effectively

1.15 There are a number of challenges facing the Agency in successfully delivering its counter fraud and error business aims. These include:

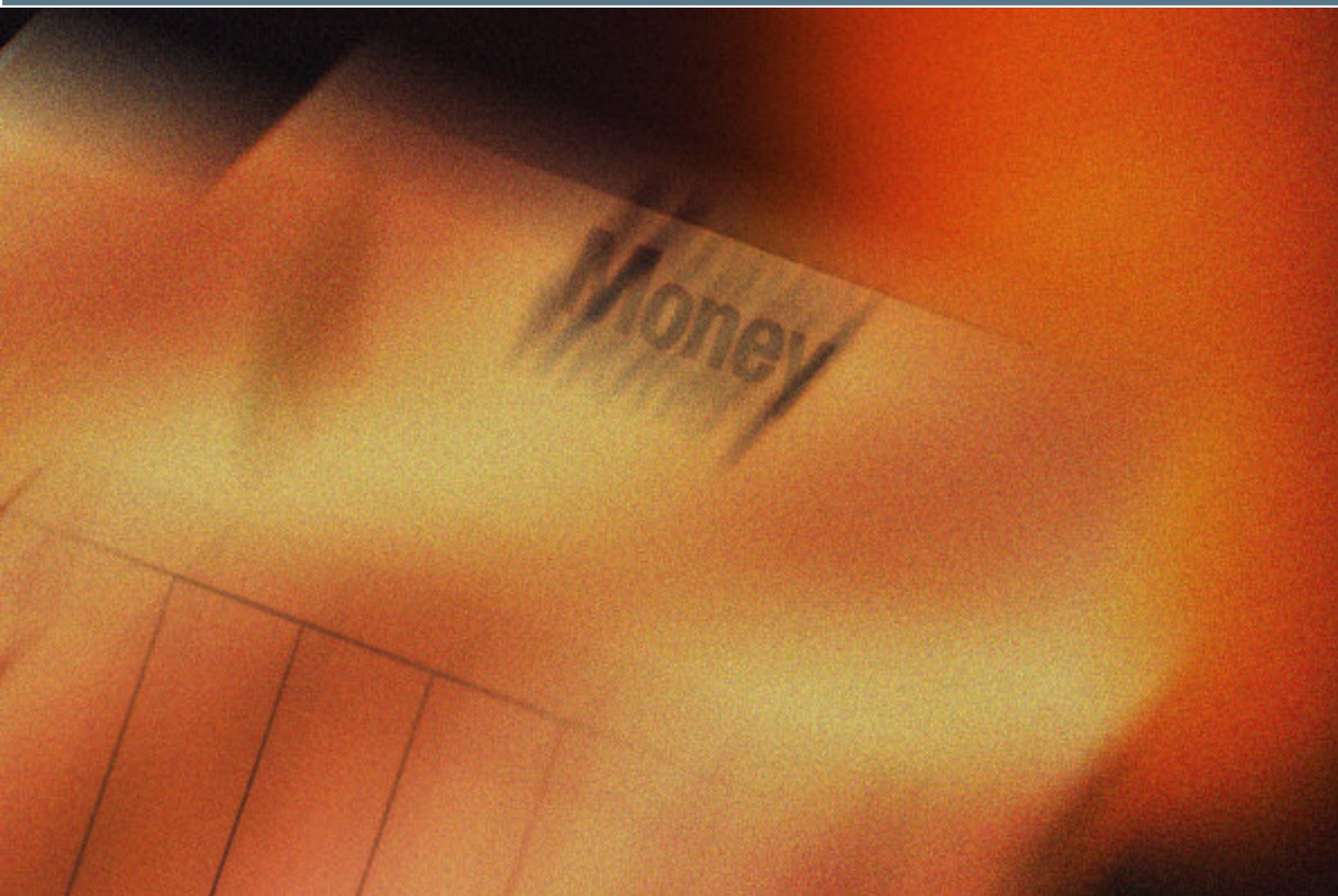
- the complexity of the benefits systems with numerous benefits based on complex regulations<sup>7</sup>;
- the Agency's large caseload and workload – it maintains a benefits caseload for over 1.1 million individuals (with a turnover of about 300,000 new cases a year) and makes approximately 35 million payments a year;
- a significant number of the population may be complacent about benefit fraud. A 2006 MORI survey for the Agency's publicity campaign 'Benefit Fraud It's a Real Rip-off', found that approximately 1 in 6 respondents considered benefit fraud acceptable or acceptable in certain circumstances (paragraphs 4.14 and 4.15);
- the requirement to implement efficiency savings set out in the Government's Priorities and Budget 2005-08 resulting in a planned staff reduction of 674 posts (one seventh of the workforce) over the 3 year period to March 2008; and

- a Strategic Business Review (SBR), to consider, amongst other things, how the Agency will respond to the Comprehensive Spending Review 2007 which requires further efficiencies to be delivered across the period 2008 to 2011 – the Agency is currently preparing a Business Case to identify a preferred option to deliver its services in the future. Subject to Ministerial approval, the shortlist of options, including the preferred option, will be issued for public consultation, with implementation of the way ahead in April 2008.

1.16 While there are significant challenges, we found 92 per cent of Agency staff were aware of the Agency's Tackling Fraud and Error strategy, with 88 per cent being clear about the Agency's commitment to tackle fraud and error and improve accuracy.



Part Two:  
Programme Protection Activity in Income Support and  
Jobseekers Allowance



## Part Two: Programme Protection Activity in Income Support and Jobseekers Allowance

### The Agency aims to improve benefit accuracy through programme protection activity

2.1 The Agency uses a wide range of systems and procedures aimed at ensuring the accuracy and security of benefit payments. These include:

- assessments, checks and control procedures carried out by 'frontline' Operations staff;
- additional programme protection activity undertaken by Operations staff; and
- follow-up work on fraud referrals by Benefit Investigation Services.

The Agency told us that its Accuracy Improvement Project (rolled out from the beginning of 2006) has introduced key initiatives to further help improve accuracy across the network of local offices within its six Operational Districts<sup>8</sup>.

2.2 The Agency's support to Districts for programme protection activity for Income Support and Jobseekers Allowance has been substantial, with £21.8 million provided over the period April 2001 to March 2007. Funding is provided for agreed programme protection plans and has also supported research and risk analysis to assist programme protection activity.

2.3 The Agency's Programme Protection Unit (the Unit) for local operations oversees the programme protection plans. These establish the activities to be undertaken to detect fraud and error in the benefit system. Districts are accountable for the delivery of the agreed plans.

2.4 Our review focused on the Unit's management of programme protection funds, including the basis for allocation of funding, monitoring, evaluation of progress against agreed plans and the outturn against targets.

### The allocation of programme protection resources could be more clearly linked to risk

2.5 The Unit issues guidance to assist Districts to formulate draft programme protection plans. This guidance is based on analysis of data on programme protection

activity reported by Districts. It covers the types of cases which represent the main areas of risk of error, and the types of programme protection check or intervention which Districts should carry out to address those risks. The Unit also provides indicative information on the resources Districts will require to deliver the appropriate checks and interventions.

2.6 Although, the plans seek to address the key areas of risk identified by the Unit, the volume of programme protection activity to be carried out is determined largely by the Districts based on the level of activity which they consider can be delivered. The allocation of funding is based on agreed plans and is not, therefore, based fully on an objective assessment of the relative levels and risks of error across all the Districts.

2.7 We also noted that up to 2005-06 not all Districts took up the funds available. Some reasons given by Districts were:

- they could not take up the full allocation as they did not have the staff immediately available; and
- with the introduction of a value for money target (paragraph 2.13) in 2004-05, they were not prepared to take on new staff as these staff would not be able to contribute to the target for some time while they were being trained.

2.8 The Agency told us that where funds had not been taken up by Districts, they were reallocated among other Districts which had the capacity to undertake additional programme protection activity. It also stated that District Managers did accept challenging targets - these were new types of targets and the Unit reviewed and developed the targets to help achieve the business aim of minimising benefit error.

2.9 In our view, planning of programme protection activity which is undertaken, in some measure, at the discretion of District Managers and dependent on the availability of staff, has not fully reflected the high importance the Agency places on reducing fraud and error.

<sup>8</sup> The Agency's 6 Operational Districts are North; South; East; West; Belfast North and East Antrim; and Belfast West and Lisburn.

2.10 It is important that the programme protection planning process ensures that activity is commensurate with the risk of fraud and error at District level. The Agency should consider, along with the Department's statisticians, how it can make best use of Standard Assurance Unit work (paragraph 1.5) to develop its methodology for determining the indicative funding allocation for Districts, and ensure that programme protection plans and the actual funding reflect the risks in each District.

2.11 The Unit has undertaken a pilot exercise in which it selected some of the cases to be reviewed by Districts. Using the past 3 years' programme protection performance data, risk profiling was applied to identify specific cases with a high risk of error. During the pilot, which ran from January 2007 to June 2007, these cases formed 50 per cent of the planned case activity in three Districts. The Agency told us that this resulted in an increase in errors detected. Evaluation of the pilot will be completed in Autumn 2007 following which the Agency will decide on whether to roll out the approach throughout the Agency.

2.12 We welcome the Programme Protection Unit's pilot initiative. This should assist the Unit to further develop its risk based approach and management of programme protection activity.

### The Agency has set a range of targets to measure performance against programme protection plans

2.13 Over the period from 2000-01, the range of targets has been widened from being solely activity based to include outcome targets.

#### Programme Protection Targets

**Casework Activity** (in 2000-01 and from 2003-04)

The number of benefit cases reviewed. Casework reviews are of 2 types:

**checks** - recalculating the benefit claim using the existing available information. The target was introduced in 2004-05 to tackle official error.

**interventions** – a 'check' plus enquiry of the claimant using 1 of 4 intervention methods - postal, telephone, office interview, visit to the customer in their home - to rework the claim and compare with the existing claim.

**Changes** (only for 2001-02 and 2002-03)

The number of benefit cases in error.

**Monetary Value of Adjustment (MVA)** (from 2001-2002)

A measure of the error detected and error prevented by programme protection staff. The measure comprises the actual amount of error detected in each case plus 52 times the weekly error to provide an estimate of the amount of future error prevented.

**Value for Money** (from 2004-2005)

The ratio of the amount of error detected and error prevented (MVA), in relation to the cost of direct programme protection work.

2.14 In setting targets for direct activity in the initial years (2000-01 to 2002-03), the Unit used Districts' actual activity in the first 9 months of each year, increasing it 'pro rata' to set the annual target. The result of this approach was that a District's performance dictated its targets – for example, the better the performance, the higher the target.

2.15 Subsequently, from 2003-04 until 2006-07<sup>9</sup>, in setting targets the Agency made use of:

- the time allocated by the Agency for an 'end-to-end' check on a case carried out by Operations staff, which involved similar activities to a programme protection check; and
- benchmark times used by the Department for Work and Pensions in GB for the time allocated to a visit intervention; this benchmark was used by the

<sup>9</sup> Agency specific benchmark times for the programme protection activities – checks and the 4 methods of intervention – were established in November 2006 and applied retrospectively to the 2006-07 plans.

## Part Two: Programme Protection Activity in Income Support and Jobseekers Allowance

**Figure 5: The Programme Protection Unit set activity targets per full time equivalent member of staff**

Type of Activity	2003-04		2004-05		2005-06		2006-07	
	Benchmark	Targets	Benchmark	Targets	Benchmark	Targets	Benchmark	Targets
Checks	N/A	N/A	-	2,100	-	2,100	1,477	1,477
Interventions <sup>1</sup> :		840		840		1,050		
Visit	1,050		1,050		1,050		770	770
Office Interview							1,121	1,121
Telephone							1,145	1,145
Postal							1,556	1,556

Source: *The Agency*

Note: 1. The intervention benchmark for the period 2003-04 to 2005-06 was based on the DWP benchmark for visits to a customer's home (paragraph 2.15)

Agency as the basis for setting targets for all 4 intervention methods.

The benchmark for visits to a claimant's home has the longest benchmark time of the 4 intervention methods and basing the targets on this, produces the lowest possible target number of interventions. In 2003-04 and 2004-05, the Agency set its targets at 80 per cent of the intervention benchmark. The Agency explained that a key factor in setting targets at these levels had been the need to secure Districts' agreement. However, in 2006-07, the Agency's benchmarks for programme protection were applied in full (Figure 5).

2.16 Targets, if they are to be effective, need to be realistic and challenging. We consider that, up to 2006-07, the lack of Northern Ireland benchmarks specific to each type of programme protection activity and the setting of targets below available GB benchmarks, did not serve the aim of targets driving and maintaining performance and outcomes.

2.17 We welcome the introduction of Agency specific benchmark times for programme protection checks and each type of intervention, and their application

for calculating targets. We also note that the Unit will monitor actual intervention activity in Districts against these targets.

2.18 Programme protection plans are focused on direct case review activity aimed at detecting error in benefits. However, the Unit also provides support for indirect activities including training and fraud liaison. Since 2003-04, the proportion of annual funding provided for direct activities has been increasing. For example in 2006-07 approximately 70 per cent of the programme protection funds were for direct activity (£1.7 million to fund 82 staff, compared to £678,000 to fund 26 staff on indirect activities).

2.19 Programme protection plans do not contain targets or quantified performance measures for indirect activities. Although Districts' monthly performance reports include narrative information on indirect activities undertaken, we consider that the substantial allocation (£7.3 million, almost one-third of total programme protection funding over the period 2001-02 to 2006-07), of resources for indirect activity, should be subject to more formal and robust

performance measurement and evaluation by the Unit. Appropriate targets for indirect activity should also form part of programme protection plans.

2.20 The measurement of the error detected and error prevented by programme protection (MVA) is calculated from the total actual error found plus an extrapolation over 52 weeks of the weekly amount of error detected (paragraph 2.13). However, it is not clear that the extrapolation of the weekly error for a further period of 52 weeks provides an accurate estimate of the error prevented by programme protection checks.

2.21 A measure of the amount of error detected is important to help assess the effectiveness of the programme protection activity and identify areas of risk. However, we consider that the Unit should review the methodology for calculating the future error prevented to ensure that the period of the extrapolation is appropriate, and that it provides an objective estimate of the benefit overpayment or underpayment prevented. This will also help to ensure that evaluation of the impact of programme protection activity is based on an objective assessment of financial impact.

2.22 We note that in GB, from April 2006, distinct programme protection units no longer exist and programme protection is entirely the responsibility of Operations. The Agency told us that it takes steps to ensure parity of activity with GB where appropriate, but considers that the problems encountered in GB in centrally managing a large scale programme of protection related activity do not apply to Northern Ireland. Given the smaller scale of operations, the Agency considers that it has maintained central oversight and direction of operational programme protection activity.

2.23 In our view, the Agency should continue to monitor the developments in the Department for Work and Pensions in GB and consider the outcome of its new

approach and whether there are lessons which could be applied in Northern Ireland.

### **There has been an increasing focus on accountability for the delivery of programme protection activity**

2.24 Funding for agreed programme protection plans is provided directly to Operational Districts' budgets. This is done early in the financial year to resource Districts for the staff undertaking the programme protection activity; these staff are not included in the Districts' baseline funding. However, the Unit does not have direct management responsibility for programme protection activity in Districts and there is a risk that resources provided for this activity will be used, in some circumstances, to meet other priorities.

2.25 As part of the accountability process:

- each District provides the Operations Director with monthly certificates of assurance covering key objectives - one of these is performance against targets, including programme protection targets; and
- the Unit issues a District report each month which provides District Managers and senior management within the Agency's Operations and Benefit Security Directorates with detailed performance statistics and commentary. This is used to hold District Managers to account at bi-monthly Operations Directorate Senior Management meetings (since 2005-06).

We also noted that during planning for 2006-07, District Managers were informed that they were expected to deliver what they sign up for in their programme protection plans.

### **Approximately one-fifth of the casework reviews funded over the period 2001 to 2006 were not delivered**

2.26 Over the 5 years to March 2006, Districts were funded to review some 364,000 cases and detect a further 16,610 cases in financial error (changes).



## Part Two: Programme Protection Activity in Income Support and Jobseekers Allowance

However, Districts reported a shortfall in planned activity of some 76,000 cases (21 per cent). This shortfall equates to approximately £1.7 million of the programme protection funding provided for direct activities.

2.27 A detailed review of the 2004-05 and 2005-06 years, accounting for almost two-thirds of the total planned activity, shows wide variation between Districts' performance (**Figure 6**). For example:

- two Districts (East and Belfast West and Lisburn) met or slightly exceeded their planned activity levels in each year;
- none of the remaining four Districts delivered the planned levels in any of the two years; and
- two Districts (West and Belfast North and East Antrim) failed to deliver 38 per cent and 31 per cent of funded activity levels respectively over the two year period.

2.28 The main factor cited for not achieving the targets was that staff were redirected by local office managers to operational work in support of baseline activity (dealing with benefit claims and customer enquiries). Other factors included insufficient staff to fill the posts and the inexperience of staff.

2.29 Although Districts repaid £181,000 over the period 2001 to 2006 for programme protection posts not filled or for general administration expenditure not incurred, the Agency did not seek recovery of the balance of £1.7 million from under-performing Districts. Based on the Agency's methodology, the 76,000 cases not reviewed (paragraph 2.26) could potentially have delivered an additional estimated £8.6 million of error - £2.7 million actual error detected (and recoverable) and a further £5.9 million error prevented<sup>10</sup>.

**Figure 6: Achievement of case review targets by Districts (2004-05 and 2005-06)**



Source: The Agency

<sup>10</sup> Based on a pro-rata estimate of what was achieved for the funds actually directed to programme protection.

2.30 The Agency told us that changes in accountability arrangements in 2005-06 (paragraph 2.25) have contributed to increased success in the delivery of targets and we note that Districts broadly achieved the 2006-07 targets for activity – ranging from 2 per cent below target (South) to 20% above target (East). Given the importance of programme protection to the Agency's strategy for tackling fraud and error, we recommend that accountability arrangements are further enhanced. For example, performance against planned activity should be reported at least once a year at the Agency Management Board. The Agency should also consider whether programme protection activity would be delivered more effectively if the Programme Protection Unit had direct management control of programme protection staff in Districts.

**Overall outcome targets over the period 2001 to 2006 have been reported as broadly achieved but few Districts met their Monetary Value of Adjustment targets in 2004-05 and 2005-06**

2.31 Based on the figures reported by the Districts the performance was close to overall outcome targets. Over the 5 years to March 2006:

- £45.9 million Monetary Value of Adjustment was delivered against a target of £46.5 million; and
- in the 2 years in which Value for Money targets (ratio of MVA to direct funding) were set, the outturns were
  - 5.5:1 compared with the target of 6:1 (2004-05)
  - 7.4:1 compared with the target of 8:1 (2005-06).

2.32 We estimate<sup>11</sup> that the £45.9 million Monetary Value of Adjustment outturn comprised:

- £8.9 million (19 per cent) of actual overpayments of benefit detected;

- £6.4 million (14 per cent) of actual underpayments detected;
- £23.0 million (50 per cent) of 'future' overpayments prevented; and
- £7.6 million (17 per cent) of 'future' underpayments prevented.

Therefore, the funding of £12.9 million for case reviews during this period resulted in the detection of £15.3 million actual errors, plus a further £30.6 million of estimated future errors being prevented.

2.33 While levels of overall outcomes for the period 2001 to 2006 have been close to target levels, in the 2 years 2004-05 and 2005-06, there was widespread variation between Districts in the levels of reported performance against the MVA targets and in the levels of cases found to be in error in local benefit offices (Appendix 4). The Agency informed us that in 2006-07 overall MVA achieved was £16.6 million against a target of £14.2 million and the Value for Money ratio 9.3:1 against a target of 8:1. The Agency also indicated that individual Districts also met their targets.

**The Unit monitors progress but its evaluation and recommendations have had limited influence on Districts' activities**

2.34 Guidance on programme protection plans sets out a number of factors which are critical to the management of the plans. These include:

- the ability to evaluate the progress of the programme protection plans on a regular basis and analyse the information; and
- the ability to respond to and direct activities.

2.35 The Unit uses programme protection activity and performance information reported by Districts to assess progress against targets, compare performance between Districts, give advice and make recommendations to improve performance and hold follow-up meetings with under-performing Districts to discuss and promote the recommendations. Quarterly meetings are also held with all Districts to share

11 We reviewed the composition of £21 million MVA returned by 3 Districts in 2004-05 and 2005-06



## Part Two: Programme Protection Activity in Income Support and Jobseekers Allowance

experiences and promote activities with high error detection rates. However, there is no requirement for District Managers to formally respond to the recommendations made.

2.36 The Unit's recommendations, based on its analysis of District returns, are typically of two types:

- the need for increased general activity levels, because of the shortfall in actual activity against planned activity; and
- the need to alter activity to focus on particular types of claims or case reviews which emerging findings show have the highest level of error.

2.37 We reviewed the Unit's reports for March 2003 to November 2005 and found that most contained recommendations; we also noted numerous instances of the same recommendation being restated throughout the year. We were advised that although the Unit had responsibility to monitor and respond to the Districts' progress in implementing the plans, it had no authority (paragraph 2.24) to direct that its recommendations are implemented. For example:

- in March 2003 and July 2003 one District was advised to give priority to particular types of cases for which high rates of error were being detected in other Districts. However, in November 2003 the Unit noted that no interventions of this type had been undertaken and recommended these cases be given priority; and
- throughout 2004-05 the Unit recommended that one District consider stopping the selection of a particular case type for intervention because of the low rate of error detection. However, at the year end the District had carried out 4,338 interventions of this type, some 30 per cent of the District's total activity.

2.38 We recommend that District Managers should formally respond to the Unit's recommendations, stating their consideration of the points raised and intended course of action. In our view, this will enhance accountability and Benefit Security

Directorate and Operations Directorate understanding of issues affecting the delivery of programme protection plans.

2.39 In addition, combining the Districts' risk assessments with the Unit's analysis of programme protection performance should ensure that variances within the District network are identified and measures put in place to address the causes, and enhance performance across the network.

### **An independent validation exercise has been carried out on the 2005-06 performance figures**

2.40 The validity of the figures provided by Districts is essential for the integrity of the programme protection process. The Unit informed us that it sought validation of performance figures some years ago and had carried out a limited exercise which suggested some inconsistencies between the programme protection assessments in different offices. However, performance data for 2005-06 was the first to be independently validated.

2.41 The validation exercise, carried out by the Agency's Standards Assurance Unit, reassessed a random sample of 500 cases. It found financial inaccuracies in the amount of error detected in 76 (15 per cent) of these cases. The findings indicated that:

- 42 per cent (+/-8 per cent) of all cases (139 cases) for which Monetary Value of Adjustment was claimed were in error – MVA was either over or under recorded; and
- 5 per cent (+/-2%) of cases (361 cases) in which programme protection checks had found no error were in fact incorrect.

2.42 We consider that validation of the programme protection activity and performance data is essential to the integrity of the process. However, the first initiatives to independently validate the programme protection performance figures occurred in 2005-06, some 5 years after the commencement of programme protection activity.

2.43 We welcome the Agency's commitment to undertake a validation exercise in 2006-07 and recommend that independent validation becomes an integral part of the management of programme protection plans. The Agency confirmed that validation of programme protection casework and performance data was undertaken for 2006-07 and validation is built into the programme of work for future years.

2.44 It is also important that the Agency ensures that findings from validation are acted on by the Districts and the Unit. This includes putting in place appropriate systems and training to tackle the causes of inaccuracies. Districts should also review their procedures for following up programme protection activity to ensure that all appropriate corrections and recoveries are made.

2.48 We recommend that the Agency reviews the policy and processes for the referral from programme protection work of suspected fraud cases to Benefit Investigation Services. We recommend that these processes should include procedures to record and monitor the numbers and types of suspected fraud cases which are referred to Benefit Investigation Services as a consequence of programme protection action.

#### **The number of fraud referrals arising from programme protection activity has not been monitored**

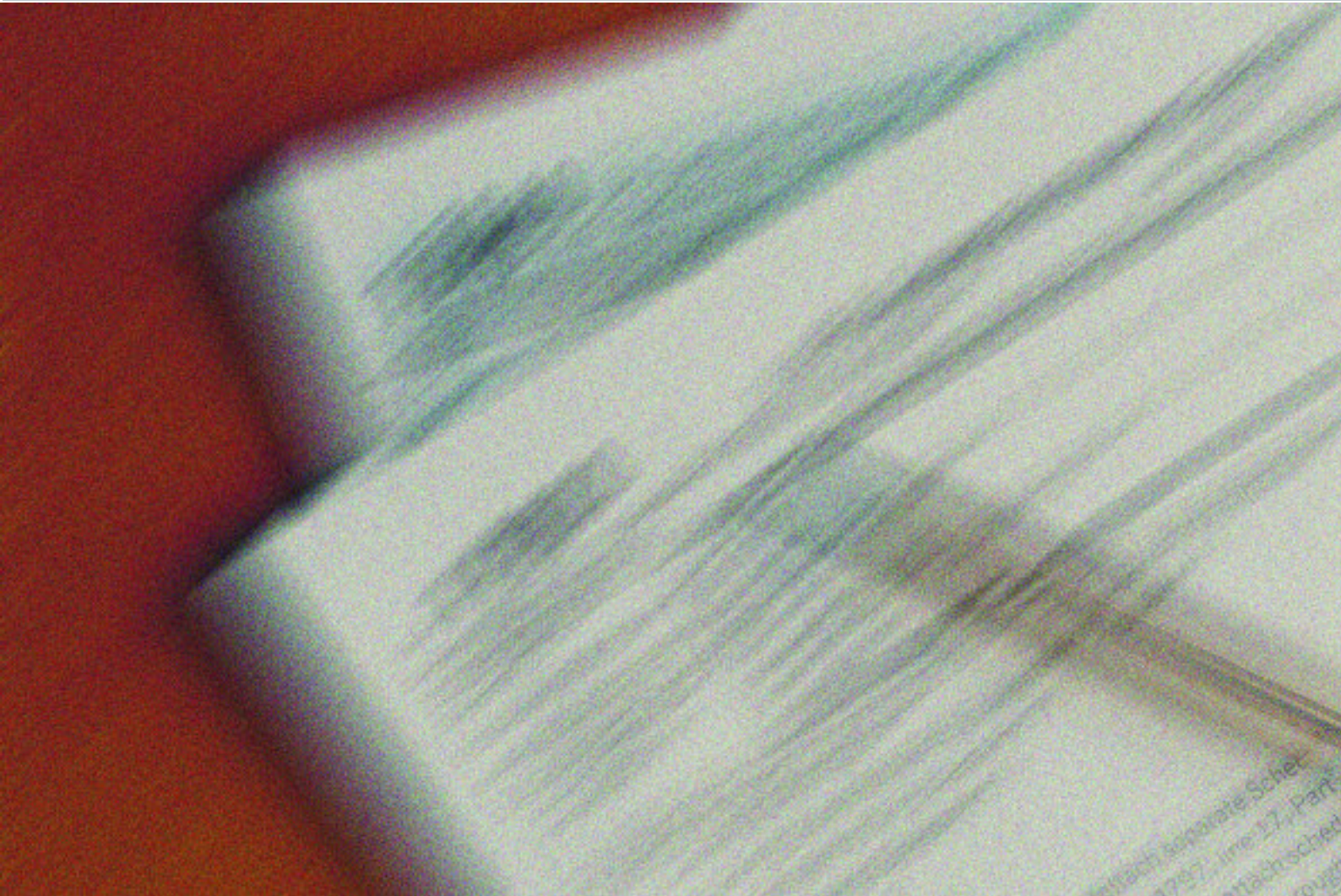
2.45 Substantial numbers of benefit claims are covered by programme protection activity. For example, approximately 130,000 benefit claims were subject to checks or interventions in 2005-06. However, the Unit, and Benefit Investigation Services which investigates fraud referrals, do not separately record the number of referrals resulting from programme protection activity.

2.46 The Agency told us that programme protection checks are designed to detect and correct error, and that fraud is addressed through its Fraud Policy Unit and Benefit Investigation Services. However, it was content that case interventions are, when appropriate, being referred to Benefit Investigation Services and these are recorded by Fraud Liaison Officers.

2.47 Programme protection activity has the clear potential to raise benefit fraud referrals and it is important that where suspected frauds are identified that these are appropriately referred to Benefit Investigation Services.



Part Three:  
Processing and Investigations of Fraud Referrals



## Part Three: Processing and Investigations of Fraud Referrals

### The Agency's Benefit Investigation Services is responsible for investigating fraud

- 3.1 The Agency's Benefit Investigation Services (BIS) is tasked with investigating cases of suspected benefit fraud<sup>12</sup>. Its activities are focused on fraud investigation and prosecution of offenders following receipt of fraud referrals. These referrals provide information on a suspicion or allegation of benefit fraud. The process for fraud investigation is summarised in **Appendix 5**.
- 3.2 Up until the introduction of the Social Security Fraud Act (Northern Ireland) 2001 (Fraud Act), effective from February 2003, investigators' primary means of intelligence gathering were surveillance and contacting employers. This involved observing and recording a subject's activities relevant to the fraud case.
- 3.3 With the introduction of the Fraud Act, investigators can access information from a range of sources, including banks, credit unions, credit card companies and building societies, distributors of gas and electricity and telecommunication providers to assist their investigations<sup>13</sup>. These enhanced powers provide for more in-depth and retrospective investigations.

### Criminal Justice Inspection Northern Ireland has reported on BIS

- 3.4 In May 2006, Criminal Justice Inspection Northern Ireland (CJINI)<sup>14</sup> reported on the Agency's Benefit Investigation Services. CJINI noted that while there had been some improvements in recent years and investigators had made good use of recent legislation, there was still scope for an improved joined-up approach, between BIS, benefit staff and other stakeholders to combat fraud (**Appendix 6**).
- 3.5 It also made a number of recommendations related to leadership and accountability, partnership working, organisational learning and delivering results, which are aimed at improving the management and pursuit

of benefit fraud. The Agency has developed an Action Plan in response to these; CJINI intends to revisit BIS by the end of 2007 to assess progress made.

- 3.6 We consider that the thrust of the recommendations made by CJINI will help the Agency to improve performance in fraud investigation and we welcome the actions planned by the Agency to address these.
- 3.7 Following on from the CJINI examination and report, we examined a number of areas:
- referral workloads and staffing;
  - target setting and performance measurement;
  - sources of referrals and sanctions achieved; and
  - BIS input to the wider strategy for tackling fraud and error.

### The level of fraud referrals has increased substantially in recent years

- 3.8 Over the period 2002 to 2007, Benefit Investigation Services has recorded 62,905 referrals. The numbers of fraud referrals received has increased from 8,432 in 2002-03 to 13,588 in 2006-07 (**Figure 7**). This is largely due to new data matching<sup>15</sup> rules being developed which examined different areas of information within the benefit system.
- 3.9 Referrals received by the Agency undergo a series of assessments to determine whether cases will be subject to a fraud investigation (**Figure 8**). These include:
- identifying whether the person to whom the referral relates was in receipt of benefit during the period of the suspected fraud – where the individual did not receive benefit during the period of suspected fraud the referral is closed;

12 BIS investigates cases of suspected fraud with the exception of referrals relating to the method of payment (payment instruments). These cases are pursued by a separate small unit, the Payment Investigation Unit.

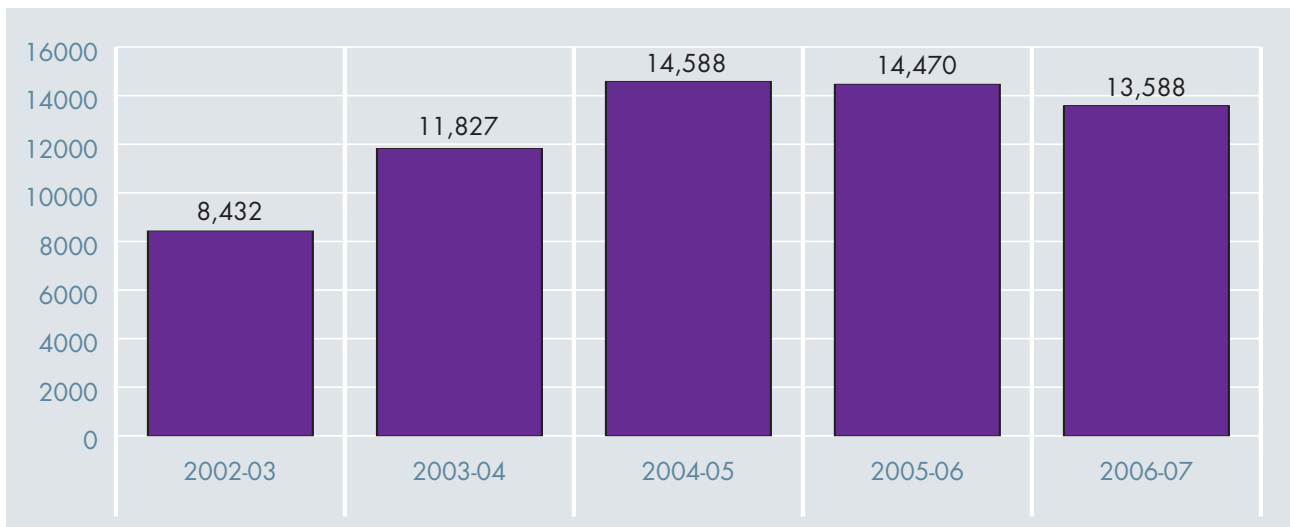
13 These powers are the same as those which apply in GB. They are used within a regulatory framework and can only be exercised by authorised officers. The powers will be applied to investigate specific identified suspects and are used when no other suitable means is available to secure the evidence needed, to comply with the provisions in the Human Rights Act 1998.

14 CJINI is an independent statutory inspectorate, established under the Justice (Northern Ireland) Act 2002. It is funded by, and reports to, the Secretary of State for Northern Ireland.

15 Data matching is the process of comparing electronically data held on a computer system with data from the same computer system, or from other computer systems, to identify specific inconsistencies in that data. The Agency matches data on benefit systems with selected data from Her Majesty's Revenue and Customs systems.



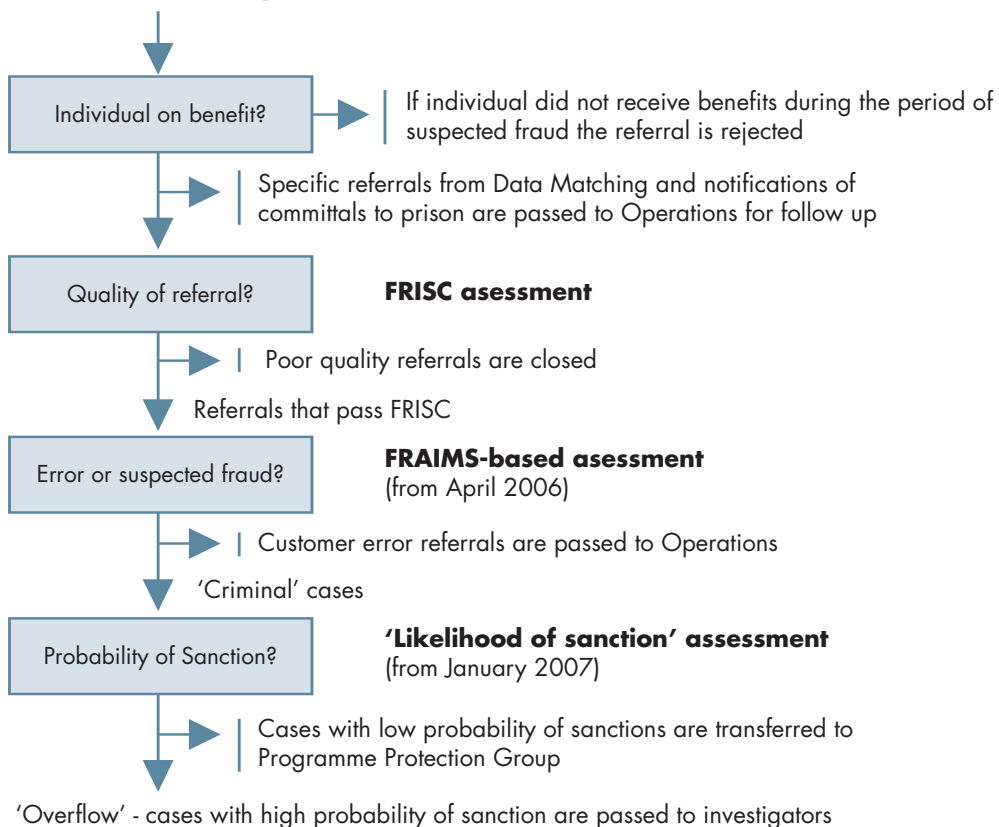
Figure 7: The number of fraud referrals recorded by Benefit Investigation Services has increased



Source: The Agency

Figure 8: Fraud Referral Processing by BIS

#### Referrals received by BIS



Source: The Agency

## Part Three: Processing and Investigations of Fraud Referrals

- transferring referrals from specific sources<sup>16</sup> to Operational staff for follow-up;
- applying a Fraud Referral Intelligent Score Card (FRISC) assessment to gauge the quality of referral information – referrals with non-specific information or insufficient information to support follow-up are closed;
- from April 2006, referrals that have passed the FRISC stage, are subject to a Fraud Referrals and Interventions Management System (FRAIMS) based assessment (paragraph 3.32) which separates them into
  - customer error cases which are passed to Operations for follow-up
  - criminal (fraud) cases; and
- from January 2007, an assessment of the probability of success for individual criminal (fraud) cases - cases with high probability of sanction are passed to investigators as capacity permits, and

cases with lower probability of sanction are passed to the Programme Protection Unit for follow-up. The Agency told us that, to best manage the volume of cases to be followed-up, it had statisticians review its database to determine the factors, and associated probabilities, associated with successful sanctions.

3.10 While the number of referrals has been increasing, the investigation rate has not kept pace. For example, during the period 2002-03 to 2006-07, 24,485 investigations were completed equating to 69 per cent of the 35,319 referrals which passed the FRISC assessment stage (Figure 10).

3.11 The remaining referrals (10,834), which have passed FRISC, have either been closed without investigation, passed to the Programme Protection Unit as intervention cases or are part of the caseload being investigated or awaiting investigation. At March 2007, BIS's carry forward caseload was 11,217 (Figures 9 and 10).

Figure 9: The BIS caseload has been increasing year on year

	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Referrals brought forward from previous year	5,793	8,300	10,138	10,609	11,800	-
<i>Plus</i>						
New Referrals which have passed the FRISC assessment <sup>1</sup>	5,914	7,869	6,865	8,052	6,619	35,319
Total 'available' Referrals in year	11,707	16,169	17,003	18,661	18,419	-
<i>Less</i>						
Referrals investigated	3,407	6,031	5,144	4,961	4,942	24,485
Referrals closed without investigation	-	-	1,250	1,700	956 <sup>2</sup>	3,906
Referrals identified for 'intervention' by Operations				200	1,304	1,504
<b>Referrals carried forward to next year</b>	<b>8,300</b>	<b>10,138</b>	<b>10,609</b>	<b>11,800</b>	<b>11,217</b>	<b>-</b>

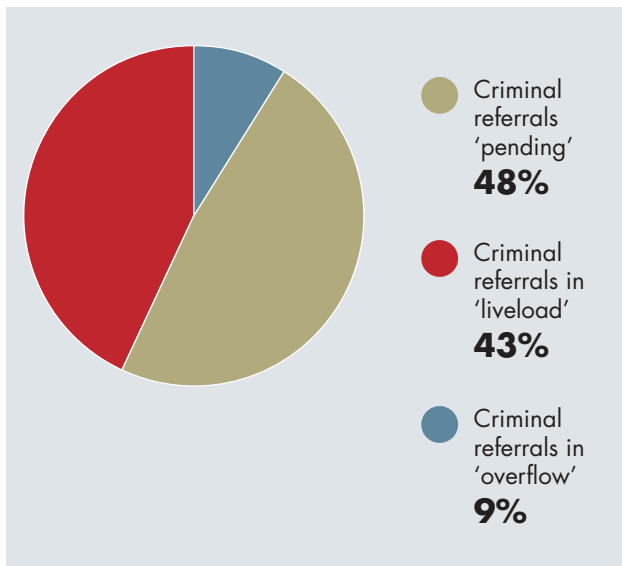
Source: The Agency

Note: 1. New referrals exclude referrals from specified sources which have been passed to Operations for follow-up and referrals which have failed the FRISC assessment.  
2. Referrals were closed following assessment of the likelihood of effective investigation. Cases were passed to Operations for follow-up.

<sup>16</sup> General Matching Service referrals where inconsistencies in benefits are identified through data matching and Prisoners Project referrals where the NI Court Service notifies the Agency of individuals on benefit who have been given custodial sentences.



**Figure 10: Cases are at various stages of investigation within BIS (at March 2007)**



Source: The Agency

3.12 In 2004-05 and 2005-06, the Agency took the decision to close 2,950 of the older referrals within its caseload without follow-up or investigative action having been taken. The impact was a reduction in caseload. However, the March 2007 caseload of 11,217 is broadly equivalent to more than twice the number of investigations completed in each of the previous five years.

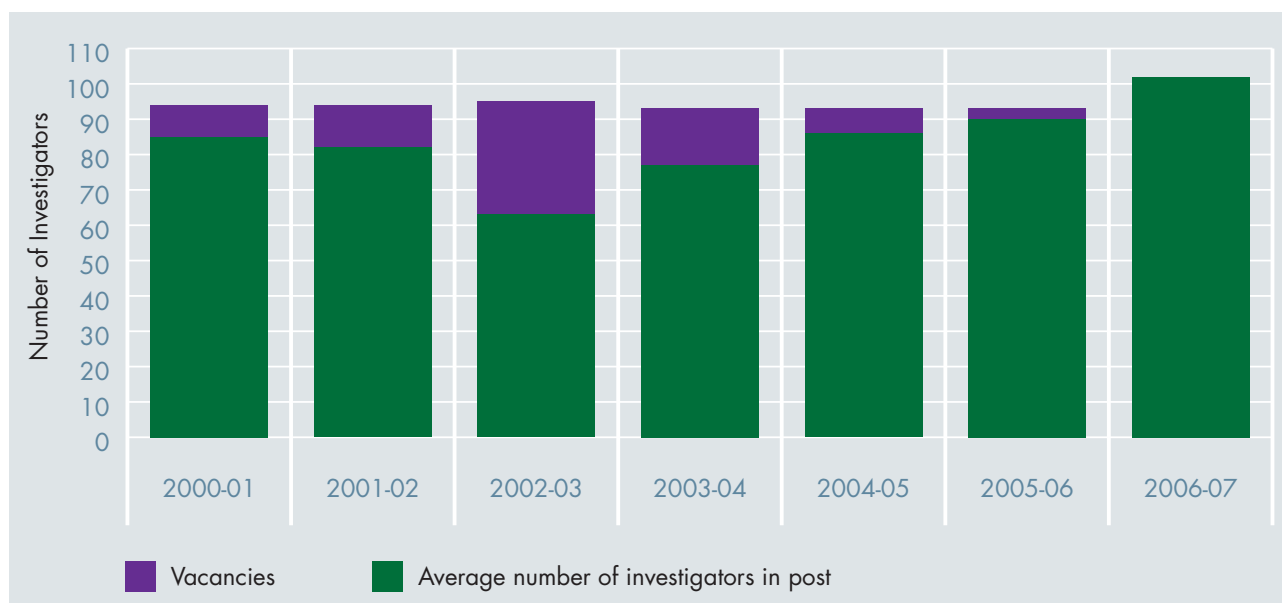
- 3.13 The closure of cases without investigation is counter to the Agency's commitment to tackling fraud and also sends inappropriate signals to those making the referrals.
- 3.14 It is important that sufficient resources are provided and well managed to avoid a substantial build up of cases and the closure of cases without appropriate investigation.
- 3.15 We note that the Agency is now using the probability of success ratings as a basis of prioritising which criminal (fraud) referrals to investigate. We consider that these ratings should continue to be kept under review. The threshold below which cases will not be investigated and the impact on the number of cases which, consequently, will be excluded from investigation, should also be routinely reported to senior management.
- 3.16 It is unlikely, given the lapse of time, that follow-up of the 2,950 fraud referrals would be an effective use of investigators' time. However, it is important that information from these referrals continues to be retained by the Agency.

#### **Investigator numbers have been below complement for long periods, but are now at complement**

3.17 Investigators comprise just over half of the total staff complement of Benefit Investigation Services and play a key role in the Agency's strategy for tackling fraud. The Agency informed NIAO that it now assesses the investigator complement using the managers' experience, the number of fraud referrals being received and the likely number of these going to sanction – its standard work measurement tool, the Integrated Complementing System, was not appropriate given the nature of the investigators' jobs. The Agency achieved its full complement of

## Part Three: Processing and Investigations of Fraud Referrals

**Figure 11: BIS investigator numbers have been below complement**



Source: *The Agency*

investigators for the first time in 2006-07. During the previous 6 years the numbers of investigator staff in post ranged between 63 and 90 (some 66 per cent to 97 per cent of complement) (Figure 11).

- 3.18 The Agency told us that it has made vigorous attempts to recruit staff but experienced difficulties in attracting sufficient numbers of suitable recruits to these specialist posts. It also said that recruitment could not keep pace with the high levels of investigator staff losses due to staff transferring on promotion and others leaving the Agency. Over a four-year period, while three recruitment competitions were held and 68 trainee investigators recruited, there was only a net increase of 27 in investigator or trainee investigator numbers (from 63 in 2002-03 to 90 in 2005-06). The Agency informed us that, while there had been serious difficulties in recruiting staff, the present situation suggests these have largely been overcome.
- 3.19 The CJINI report also highlighted the need to review the skills, competencies and experience for BIS operations and recommended that an up-to-date training needs analysis be performed. The Agency

told us that it will develop a training plan by the end of 2007.

- 3.20 In addition to the shortfall, time spent training new investigators affected the productivity of established investigators. The Agency estimates that, during the one year part-time Professionalism in Security training, each trainee investigator and their mentor (a qualified investigator) would be only 50 per cent productive in terms of day to day referrals work.
- 3.21 The impact of the shortfall in investigator resources has also been compounded by the increasing rate of referrals and increasingly more complex and time consuming investigations.
- 3.22 BIS, and in particular its investigative staff, plays an important role in the detection and sanctioning of benefit fraudsters. The Agency is committed to the development of trained investigation staff. However, it has taken some time for the benefits of this approach to impact on performance, and, while there has been a shortfall in the numbers of

investigation staff, the Agency told us that there is now greater interest in investigation work and it is confident that it will be able to maintain recent improvements in staffing levels.

3.23 We note the Agency's past difficulties in recruiting and retaining staff. However, it is important that its resource planning, recruitment and retention practices and procedures are sufficiently responsive to ensure that it is adequately resourced to fully deliver on the Agency's priority and commitment to tackle fraud (paragraph 1.2).

### BIS has broadly met its targets

3.24 Targets, along with robust internal procedures and controls, are important tools in driving and maintaining performance and the achievement of organisational objectives.

3.25 Over the period 2001-02 to 2006-07, BIS has broadly met its targets (**Figure 12**). However, over this period there have been changes in the nature and magnitude of the targets:

- the basis of two of the targets (adjustments (errors corrected) and sanctions (administrative penalties, formal caution and prosecutions, paragraph 4.24)) was changed from benefit referral to benefit claim. The Agency estimates for every 2 referrals there are 3 associated benefit claims. The Agency told us that the change was introduced to encourage investigators to ensure that all benefit claims related to a referral were fully investigated;
- also in 2006-07, the target for sanctions was changed from 'sanction achieved' to 'benefits passed for sanction', an interim stage in the sanction process; and
- the number of targets were reduced from 3 to 1.

**Figure 12: BIS has met most of the Chief Executive Targets**

Measure		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Adjustments <sup>1</sup>	Target	5,500	5,500	4,000	4,000	4,000	No target
	Outcome	5,576 (101%)	4,592 (83%)	3,944 (99%)	4,140 (104%)	5,708 (143%)	4,709
Sanctions achieved	Target	550	600	600			
	Outcome	646 (117%)	388 (65%)	398 (66%)			
Benefits passed for sanction	Target				400	500	1,000 <sup>2</sup>
	Outcome				672 (168%)	985 (197%)	1,304 (130%)
Monetary Adjustment <sup>3</sup>	Target	£1.5m	£2.0m	£2.5m	£3.5m	£5.0m	No target
	Outcome	£3.5m (233%)	£4.3m (215%)	£6.3m (252%)	£10.3m (294%)	£13.3m (266%)	£13.0m

Source: The Agency

- Note:
1. Adjustments are counted against benefits rather than referrals from 2004-05 (in keeping with the sanctions target) – the Agency estimates that on average for every 2 referrals there are 3 benefit claims.
  2. The target consisted of 400 cases passed for administrative penalties and formal cautions and a further 600 cases passed for prosecution.
  3. Monetary Adjustment is the amount of over or under payment of benefit (the actual error detected plus the amount of 1 week's over or under payment).

## Part Three: Processing and Investigations of Fraud Referrals

3.26 The Agency explained that the changes in the magnitude of the targets over the period were in recognition that the powers in the 2001 Fraud Act (paragraph 3.3) meant that investigations would be more in-depth, more complex and time consuming, and identify larger monetary values of error.

### **The range of performance targets for fraud investigation is limited in scope**

3.27 Targets should be clearly focused and challenging. It is also important that a range of targets support a consistent and coherent approach to the achievement of business objectives.

3.28 In its report, CJINI commented that the Agency needs to review the appropriateness and robustness of targets to deliver the optimum level of criminal sanctions in proven benefit fraud investigations and to report results in a clear and consistent manner. In response, the Agency indicated that the primary focus for 2006-07 would be challenging performance targets for criminal sanctions and prosecutions.

3.29 BIS has, from 2006-07, one Chief Executive target – ‘benefits passed for sanction’. The Agency has commented that having a single sanctions target focuses investigation activity on achieving the desired sanction outcomes. However, we note that the current target relates to an interim step in the sanction process as not all cases passed result in sanctions (paragraph 4.27).

3.30 The Agency also told us that, since January 2005, it had established a series of internal checks and reviews by team leaders and business managers to provide assurance that investigations were progressing on a timely basis. Since April 2006, those investigations considered not likely to conclude in a sanction were either closed or (since February 2007) passed to Operations for intervention.

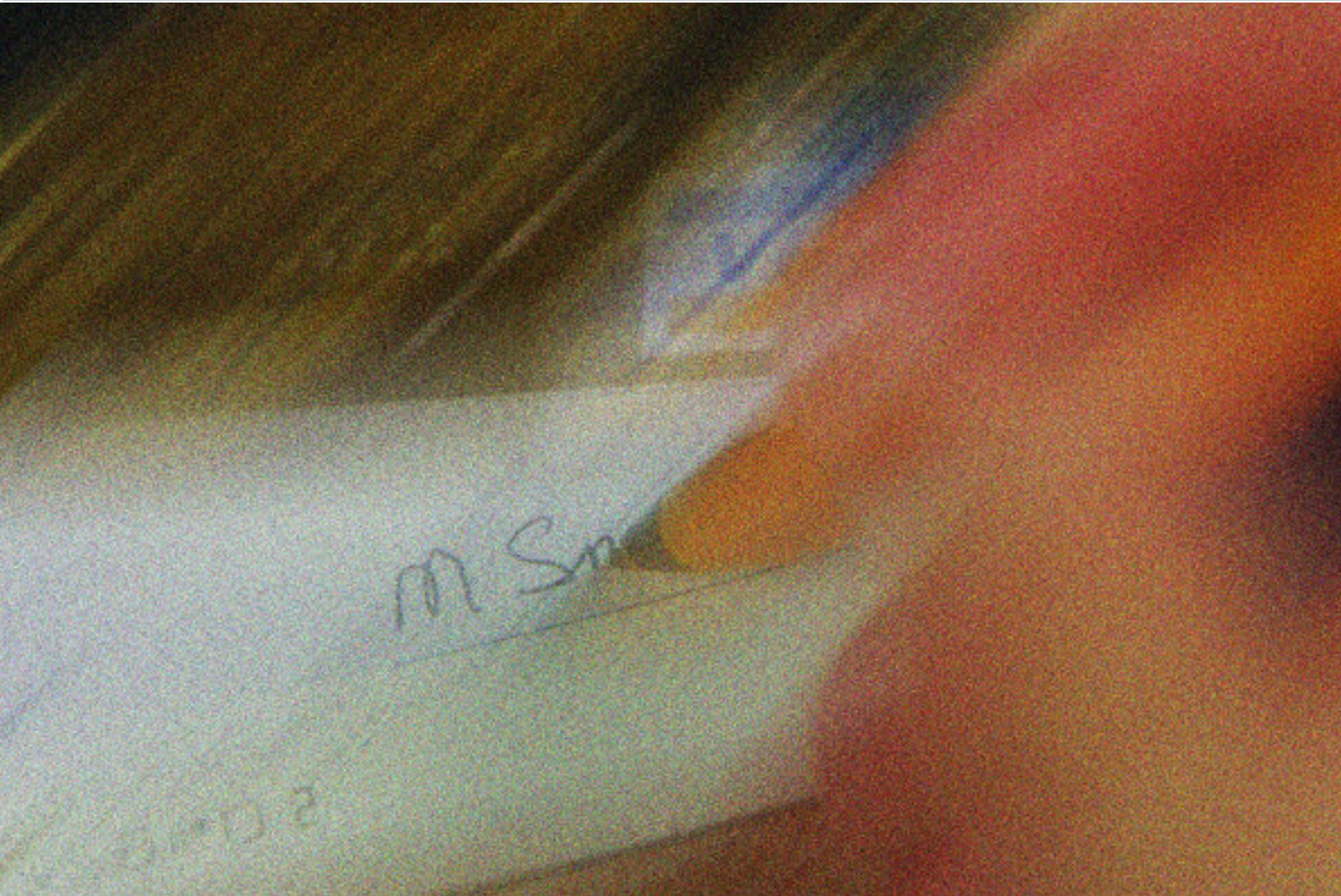
3.31 We welcome the Agency’s focus on achieving criminal sanctions and steps to improve the management of investigations. However, we recommend that the Agency reviews its current performance measurement processes and establishes a range of measures for which performance will be reported to senior management. Regular reporting of performance on a comprehensive set of measures should provide the Agency with key information and assurances on the management and processing of fraud investigations, ensuring that cases are being progressed on a timely basis and investigated effectively.

3.32 In terms of benchmarking, the Agency told us that the Fraud Referrals and Interventions Management System (FRAIMS) IT system is being developed to record and manage fraud referrals throughout GB and Northern Ireland; this will provide a common platform and present an opportunity for comparisons with GB.

3.33 We recommend that the Agency makes use of the opportunities presented by the introduction of the national FRAIMS system to develop benchmarks and comparative data with GB. The review and assessment of variances in key measures should help to identify both opportunities for improving efficiency and lessons to improve its methods and approach to fraud investigation.



Part Four:  
Outcomes from Investigation of Benefit Fraud Referrals



## Part Four: Outcomes from Investigation of Benefit Fraud Referrals

### Investigations of suspected fraud show a wide range of success by source of referral

- 4.1 The Agency receives referrals of suspected fraud cases from a range of sources which, up to March 2006, included a small number of designated priority sources (Appendix 7). Referrals received from priority sources were progressed directly to investigation.
- 4.2 Over the 4-year period April 2003 to March 2007 the main sources of referrals were:
- Investigator General Matching Service (GMS) - 33 per cent of referrals investigated;
  - Anonymous referrals - 21 per cent; and
  - Social Security Offices - 10 per cent.
- 4.3 Our review indicates that referrals from the priority sources accounted for 5,913 (37 per cent) of 16,136 referrals followed-up over the period April 2003 to March 2006. These cases also made up 50 per cent of all effective cases and 50 per cent of the total monetary adjustments in cases investigated.
- 4.4 However, overall there is a very wide range in effective outcomes by source of referral:
- Housing Benefit GMS referrals have the highest rate of effective cases (69 per cent) and the highest average monetary adjustment per effective case (£3,315); and
  - the Agency's publicity campaign produced very few effective cases, only 9 per cent, and a very low average monetary adjustment (£455) per referral followed-up (Appendix 7). The Agency told us that the publicity campaign showed a continuing improvement in effective outcomes since it commenced in March 2005.
- 4.5 Given the high levels of resources required to investigate fraud referrals, the better the quality of referral information and the more proficient the Agency is at early recognition and weeding out of potentially unfruitful investigations, the more effective will be its use of resources. Regular systematic analysis of trends in the numbers of referrals, their sources, and outcomes of investigations according to the source, would help inform the Agency's assessment of fraud risks and targeting of counter-fraud resources. The Agency told us that it had started using departmental statisticians to analyse key factors in successful outcomes over the past three years as a basis for selecting cases for investigation. For example, since April 2006 only Benefit Review referrals are considered as priority cases.
- 4.6 The Agency's Operations staff are well placed to provide an important source of fraud referrals. While our survey (Appendix 1) found that the vast majority of staff were aware of the Agency's strategy on tackling fraud, it also highlighted a need for fraud awareness training amongst this group and that there was only a limited degree of confidence that suspected frauds are fully investigated:
- 75 per cent of respondents said they had received fraud awareness training or briefings, but this decreased to just over 50 per cent within the Disability and Carers benefit staff group (Carer's Allowance has the highest percentage of overpayment due to fraud and error – see Appendix 1);
  - 83 per cent of respondents were aware of the indicators of fraud or the steps to take when they have suspicions of fraud; and
  - approximately half of the respondents were not confident that suspected fraud is fully investigated.
- 4.7 The Agency informed us that it was surprised at the figures. It stated that staff are regularly advised about benefit security and, following the CJINI inspection (paragraphs 3.4 and 3.5), it had introduced formal fraud awareness training and briefing which all operational staff received by Summer 2007. The Agency also told us that procedures are in place to regularly repeat this training and briefing and that it also included fraud awareness in induction training for new staff.

4.8 The introduction of formal fraud awareness training and briefing is a positive step. To further enhance this we recommend that the Agency considers our survey findings and how they could be used to inform its strategy for tackling fraud and error, its training, reporting of suspicions of fraud and raising staff awareness of the important role they play in tackling fraud and error.

4.9 We also recommend that the Agency periodically re-runs this or a similar survey to enable it to monitor staff views and assess the effectiveness of its initiatives. It is also important that the Agency considers how it can best provide feedback on the progress and outcomes of fraud referrals to the staff who have raised them. This can bolster confidence in the system, particularly where referrals are successful, thus encouraging greater reporting of suspected frauds

4.10 We also consider that the Agency should review the sources of 'low quality' information and consider how it might better inform these sources of the types and quality of information required to support an investigation.

4.11 Some success has been achieved through proactive work to identify and investigate fraud. For example, the Agency has surveyed selected employers to cross match wages records and employee details with benefit records. However, the last large scale exercise was carried out in 1999-2000.

4.12 We also note that the Agency participates in the Cross-Border Operational Forum, with the Department for Work and Pensions (GB) and the Department of Social and Family Affairs (Republic of Ireland), to address issues of cross-border social security fraud. Small localised exercises have identified Northern Ireland residents on benefits and working in the Republic of Ireland.

4.13 We note and welcome the Agency's participation in the Cross-Border Operational Forum. This, together with employer surveys and the wider National Fraud

Initiative demonstrate the potential of proactively developing procedures to detect fraud. We encourage the Agency to continue to develop and participate in such initiatives.

### The Agency is targeting public awareness and attitudes to benefit fraud

4.14 The Agency launched its first media campaign ('Benefit Fraud It's a Real Rip-Off') in March 2005<sup>17</sup> to raise public awareness of the scale and impact of benefit fraud and change the complacency towards it. The first phase of the campaign ran to April 2006 when it was put on hold pending the outcome of a review. The cost of the campaign was £547,000 covering initial research, design, production and delivery. The Agency's review drew on an evaluation of the campaign by MORI, an independent market research company.

4.15 MORI conducted three surveys: a 'baseline' survey in March 2005 with further surveys in August 2005 and March 2006. They found:

- the vast majority of those surveyed (92 per cent) were aware of the advertising campaign;
- there was an increase from 34 per cent (March 2005) to 48 per cent (March 2006) of those who considered they were well informed about the issue of benefit fraud; and
- an increase from 12 per cent (March 2005) to 17 per cent (March 2006) of those who considered that benefit fraud was acceptable, or acceptable in certain circumstances.

4.16 The Agency noted the growing debate about benefit fraud, partly sparked by the campaign, and proposed building on the existing messages and developing them further to expand knowledge and awareness. It also noted similarities with a Department for Work and Pensions national advertising campaign in GB and took some reassurance from this. In December 2006, the Agency approved the development of a second phase of the campaign, subject to final approval of

<sup>17</sup> In conjunction with the campaign, the Agency provided a freephone number 08009756050 and a website [www.stopbenefitfraudni.gov.uk](http://www.stopbenefitfraudni.gov.uk) where people could report suspected incidences of benefit fraud.



## Part Four: Outcomes from Investigation of Benefit Fraud Referrals

the content and costs. The Agency informed us that it has deferred the decision to proceed with a second phase of the campaign pending confirmation of the budgets for the Comprehensive Spending Review period (2008 to 2011).

4.17 Changing public attitudes to benefit fraud is a challenge and advertising can be one method of doing this. However, as with all areas of public advertising, it is important that clear objectives are established and interim and final targets are set by which the impact of the media campaign can be measured.

### A substantial number of cases deemed to be fraud by the investigators do not result in sanctions

4.18 The Agency's policy is to take legal action in all benefit fraud cases where appropriate. However, the

Agency considers that it would not be practical or cost-effective to instigate legal proceedings in all benefit fraud cases.

- 4.19 Over the period April 2003 to March 2007, 5,587 cases were deemed to involve fraud (**Appendix 8**); in 5,056 of these cases, the Agency has determined the course of action (**Figure 13**) and the remainder were under review.
- 4.20 Over the period April 2003 to March 2007, 1,356 cases involved sums under £350 and, in line with Agency policy, resulted in no sanction. However, as in all fraud cases, recovery of the overpayment was sought and any further benefit fraud by the offender will result in prosecution.
- 4.21 Also during the period 2003-04 to 2006-07, 1,604 cases involving sums in excess of £350 were considered non-sanctionable for a variety of reasons (**Figure 14**), and the cases closed.

**Figure 13: The Agency determines the action to take in cases considered to involve fraud**

Action	April 2003 to March 2007	
	Number of Cases	Percentage
Closure - Overpayment less than £350	1,356	27%
Closure - Interview with customer not conducted under caution	451	9%
Closure – other causes	1,153	23%
Formal Caution	189	3%
Administrative penalty	495	10%
Prosecution – cases passed to Public Prosecution Service	1,412	28%
TOTAL	5,056	

Source: The Agency

**Figure 14: There are 4 categories of non-sanctionable cases**

- **Non-‘Police and Criminal Evidence’ interviews**

Interviews of customers under suspicion not conducted under caution. The Agency informed us that it was correct not to conduct formal interviews under caution where it had no intention to prosecute, for example in cases where the customer was very elderly or ill.

The number of these cases has decreased from 232 (16 per cent) in 2003-04 to 45 (4 per cent) in 2006-07.

- **Central Sanction Decision Maker closures – BIS at fault**

Due to delays in progressing the case or failures in the investigation or benefit administration.

The number of such cases has decreased from 237 (16 per cent) in 2003-04 to 157 (13 per cent) in 2006-07.

- **Central Sanction Decision Maker (CSDM) closures – BIS not at fault**

The Agency explained that many of these were not actual frauds and that, after an interview under caution had been conducted, the CSDM had considered all the evidence and concluded the customer had not breached the benefit rules. The Agency stated that there was an increasing number of cases being referred where claimants had capital, for example funds in bank accounts, which necessitate an investigation.

The number of these cases increased from 64 (4 per cent) in 2003-04 to 250 (21 per cent) in 2006-07.

- **Closures by the Agency’s Prosecutions Section**

In the preparation of prosecution briefs a further 1 per cent to 8 per cent of cases have been closed per year, totalling 192 cases over the period 2003-07.

Source: *The Agency*

4.22 Over the period 2003-04 to 2006-07, there have been significant reductions in the numbers of cases closed where the Agency has been deemed to be at fault. However, these cases, combined with the closures by the Agency’s Prosecution Section, still constitute a sizable number of cases not proceeding to sanction because of a range of errors in processes or oversights, including delays in progressing cases.

4.23 It is important that the Agency continues to monitor the reasons for cases being deemed non-sanctionable and works to further reduce this number. The use of performance measures to report to senior management (paragraph 3.31) should provide the basis for appropriate oversight and accountability arrangements.

### The Agency may apply a range of sanctions

4.24 Cases which are not closed are passed by the Agency for sanction. Sanctions applied by the Agency are:

- **formal caution** – an oral warning is given with the individual having signed a document admitting the offence;
- **administrative penalty** - a financial penalty of 30 per cent of the gross overpayment may be offered as an alternative to criminal proceedings; and
- **prosecution** - through the Courts by the Public Prosecution Service for Northern Ireland on behalf of the Agency.

## Part Four: Outcomes from Investigation of Benefit Fraud Referrals

4.25 In deciding the nature of sanction to apply the Agency considers a range of factors, including the duration of the offence, the weekly benefit payment during the offence and the total amount of benefit overpaid. The Agency told us that all fraud cases proceeding to sanction are determined to a criminal level, that is, “beyond a reasonable doubt”.

### Approximately one-fifth of cases passed for prosecution have been withdrawn by the Public Prosecution Service

4.26 Cases passed for prosecution, typically frauds involving more than £1,500, are subject to case review by the Public Prosecution Service (PPSNI) prior to preparation and presentation in Court.

4.27 The CJINI report raised issues about the quality of submissions by the Agency and preparations by PPSNI for Court. Over the period 2003-04 to 2006-07, the Agency has passed 1,412 cases to PPSNI and 793 cases have proceeded to Court. We also found that 249 (18 per cent) cases were withdrawn following review by PPSNI and did not proceed to Court. The Agency’s analysis for us of 77 cases rejected by PPSNI in 2005-06 for reasons other than time delays, indicated that the rejection of 22 cases was outside the Agency’s control (mostly relating to summons not being served or cases withdrawn in court); of the remaining 55 cases, the majority (44 cases) related to insufficiency of evidence, partly due to the adequacy of evidence needed under the relatively new Fraud Act (paragraphs 3.2 and 3.3).

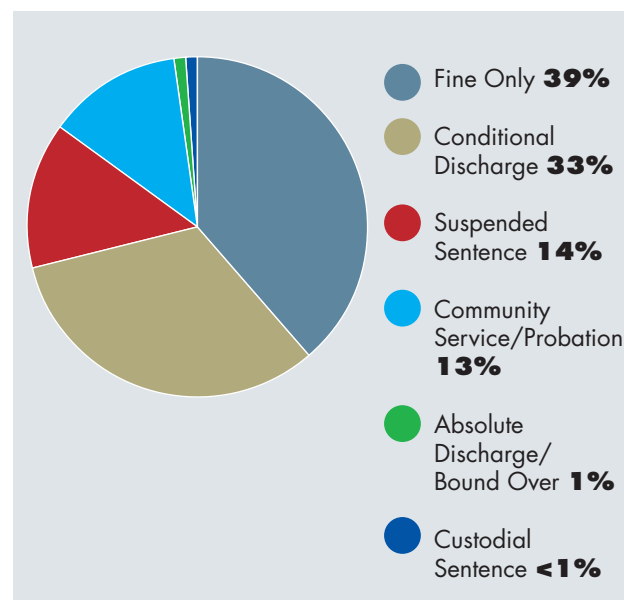
4.28 The Agency told us that it has been working closely with PPSNI and developing new relationships. Both organisations are co-operating closely in the development of a Service Level Agreement which should address these issues which were also raised by CJINI.

4.29 While the Agency reviews the cause of cases withdrawn by PPSNI at individual case level, there is no overall analysis of causes. In our view, it is important that such an analysis is carried out to identify broader trends and inform the development

of actions to address these causes, including, for example, training needs or review and revision of protocols and agreements between the Agency and PPSNI.

4.30 PPSNI prosecute cases under the Social Security Administration (Northern Ireland) Act 1992<sup>18</sup>. We noted that where cases did proceed to court the Agency has achieved a conviction rate of 97 per cent over the period 2003-04 to 2006-07. In most cases conviction has resulted in a fine or conditional discharge with only one case leading to a custodial sentence; the Agency informed us that suspended sentences and community service orders are regarded as being of equal weight to custodial sentences. (Figure 15 and Appendix 9). Cases A and B provide details of two prosecutions.

Figure 15: Court Convictions for Benefit Fraud 2003-07



Source: The Agency

18 PPSNI takes prosecutions under Sections 105 or 106 of the Act, depending on the seriousness of the case: Section 105 offences can result in sentences of up to 6 months imprisonment per offence (overall maximum of 12 months) and/or a fine not exceeding £5,000 for each offence; and Section 106 offences can result in sentences of up to 3 months imprisonment per offence (to a maximum of 6 months) and/or a fine not exceeding £5,000 for each offence.

**CASE A: Income Support fraud****Amount of fraud:** £3,605**Fraud:** Undeclared capital**Detection:** Fraud identified by data matching

The customer claimed Income Support from June 2001, stating on the original and subsequent review claim forms he had savings of £1,427.

Information from a data match exercise in June 2004 identified that the customer had savings in excess of the allowed limit of £8,000.

An investigator interviewed the customer under caution in August 2004 but was refused permission to check his bank accounts. The Agency then used the Social Security Fraud Act 2001 to obtain information from the customer's bank – this confirmed the customer had in excess of £19,000 (and up to £50,000 at one point) in accounts throughout the period of his claim.

The customer was again interviewed under caution in November 2004 when he stated that he had forgotten about the bank accounts.

The Agency's Operations staff confirmed an Income Support overpayment of £3,605 covering the period June 2001 to November 2004.

The Central Sanction Decision Maker reviewed the case and considered it suitable for prosecution. The file was sent to PPSNI in June 2005 for a decision on whether to prosecute and the case was heard in Court on 13th February 2006.

The customer pleaded guilty and was convicted on 4 counts and fined £75 on each, plus £55 court costs.

The Agency recovered the fraudulent overpayment by the end of February 2006 following benefit deductions and payment by the debtor.

*Source: The Agency*

**CASE B: Income Support and Housing Benefit fraud****Amount of fraud:** £37,880**Fraud:** Undeclared paid employment**Detection:** Fraud identified following an anonymous tip-off to BIS.

The customer claimed Income Support and Housing Benefit as a lone parent from October 1994 to April 2003. An anonymous tip-off to the Agency in January 2003 claimed the customer was married and living with her husband.

Investigation revealed that the customer was in full time paid employment between November 1997 to May 1998 and from January 1999 to April 2003. The case was taken forward on the 'paid employment' offence only as this was easier to prove than 'living together as husband and wife' while claiming to be a lone parent. The customer was interviewed under caution and admitted the offence.

Overpayments of benefit were confirmed as £26,836 Income Support and £11,044 Housing Benefit.

In November 2003, the case file went to the Central Sanction Decision Maker for consideration. PPSNI received the file in October 2004 and approved it for prosecution in January 2006.

The case was heard in Court on 16th February 2006 and following adjournment for pre-sentence reports, the customer received a conditional discharge for 3 years and was ordered to pay £60 court costs.

The debtor agreed to repay £5 per week towards each of the debts. The Income Support debt of £26,836 (£310 was recovered by the end of June 2007), at the current repayment rate, will be fully repaid by the year 2109 - the case is identified as a 'low payer' by the Agency and will be subject to review each year. At the current rate of repayment the Housing Benefit debt of £11,044 (the responsibility of the Northern Ireland Housing Executive) will be recovered by 2053 (the debt is part of £12,537 overpayment being recovered; at the end of June 2007 a total of £557 had been recovered).

*Source: The Agency and the Northern Ireland Housing Executive*

## Part Four: Outcomes from Investigation of Benefit Fraud Referrals

### The Agency may seek civil recovery of monies gained from benefit fraud

- 4.31 On 1 April 2005, a Financial Investigation Unit (FIU) was established within the Agency to undertake financial investigations and confiscate assets as a step to civil recovery. FIU investigate the possibility of the confiscation of assets where BIS has been successful in getting a criminal prosecution and the overpayment exceeds £17,000. In the two years since its establishment, 134 cases have been referred to FIU. It has completed investigations in 44 of these, closing 43 and, in the remaining case, confiscated assets through the Court totalling £22,262, including recovery of the overpayment.
- 4.32 Where criminal prosecution has either failed or proved impossible to complete, FIU considers referring such cases to the Assets Recovery Agency (ARA)<sup>19</sup>.
- 4.33 Prior to FIU's establishment, the Agency referred one case to the ARA for civil recovery; this case is still ongoing (**Case C**). Since April 2005, FIU has referred 8 cases to ARA and has also sought recovery of any fraudulently obtained social security benefit in a case ARA is separately pursuing. ARA has completed investigation of four of these cases resulting in the recovery of £77,607. **Case D** provides details of one of the completed cases.

#### **CASE C: Assets Recovery Agency had property worth £3 million, held by Ms A, frozen by the Courts in September 2005**

Ms A was in receipt of means tested Income Support and Incapacity Benefit for various periods from December 1993. An investigation by Benefit Investigation Services (BIS) identified some 32 properties held by Ms A on which she had applied for mortgages, either in her own name or as a director of a house letting agency. The majority of these applications were made while she was claiming benefits, and on some applications she quoted an annual income of £50,000 from her business. Ownership of such a business, the possibility of her being a landlord and the capitalisation of any additional properties she owned would have disqualified her from receipt of benefits.

Repeated attempts by BIS to interview Ms A, to establish any explanation she might have and to determine if her case should be referred for prosecution, were unsuccessful. In September 2004, BIS considered it was unable to go further with its criminal investigation and contacted the Assets Recovery Agency (ARA) which agreed to take the case for civil recovery investigation.

In September 2005, the ARA was granted an interim receiving order on Ms A's property. Valued at around £3 million, the net value, after mortgages were discounted, was estimated to be at least £0.5 million. An Interim Receiver appointed to investigate the origin of the various properties reported that Ms A had amassed her property portfolio using funds which were the proceeds of her unlawful conduct. The Interim Receivers, in their final report concluded that such property was recoverable under the Proceeds of Crime Act 2002. Recovery proceedings by the ARA are pending.

The Social Security Agency suspended payment of Income Support in March 2004 and disallowed Incapacity Benefit in November 2005. Based on the evidence gathered by the ARA it has calculated that overpayments totalled £77,904 on the two benefits. Ms A's appeal of the Agency's decisions was adjourned in July 2007 and is to be rescheduled .

*Source: The Agency and Assets Recovery Agency*

#### **CASE D: Assets Recovery Agency settlement in benefit fraud case**

**Amount of settlement:** £28,917.51

Between February 1998 and October 2003 the individual claimed Income Support payments on the grounds that she was a single parent and was unemployed.

The Agency gathered evidence showing that the claimant's husband was living in her household during her claim to benefit and that she had been in limited employment but failed to report it to the SSA. An overpayment of £28,917.51 was raised.

<sup>19</sup> The Proceeds of Crime Act 2002 created the Assets Recovery Agency (ARA) and provided completely new powers to allow ARA to seek recovery of the proceeds of unlawful activity by an action in the High Court. FIU's relationship with the ARA is governed by the Memorandum of Understanding of June 2005 between the Department for Social Development (the Agency's parent department) and ARA.

The SSA Financial Investigation Unit referred the case to ARA which carried out a civil recovery investigation. The claimant and her husband fully co-operated and agreed to settle the proceedings without delay and without the need for any legal action. The amount has now been repaid in full.

*Source: The Agency and Assets Recovery Agency*

**The Agency should ensure that it maximises the full potential of its knowledge in tackling benefit fraud and error**

4.34 BIS is in a key position to inform the Agency's approaches to deterring and preventing benefit fraud and error. BIS told us that in 2002 it had commenced a series of meetings with Operations managers and staff aimed at improving working relationships and discussing fraud matters. It also said that, following a review in May 2006, the role of Fraud Liaison Officers based in Operations has been expanded to include fraud awareness training for operational staff. There is a need for ongoing detailed review of the relationships between BIS and other divisions of the Agency to consider how the information available to BIS can be applied to enhance counter-fraud activity and to establish systems for disseminating this information.

4.35 We welcome the intra Agency liaison and encourage the Agency to continue to review the outcomes of this work. This will ensure that the expertise and information within BIS is fully utilised to aid the strengthening of operational controls aimed at preventing and detecting fraud and error. For example, our survey of Agency Operations staff identified a number of issues which the Agency should review and address (paragraph 4.6). The Agency should also ensure that training and development needs identified by Operations are adequately addressed through liaison within the Agency.





# Appendices



## Appendix 1 (paragraphs 10 and 4.6)

### NIAO Survey of the Agency's Operational Staff

#### The Questionnaire and Survey Methodology

The questionnaire consisted of 22 closed questions agreed with the Agency. The Audit Office engaged the Audit Commission of England and Wales to conduct the survey and provide its findings. All staff working directly in benefit administration were contacted by the Audit Commission, by e mail, and invited to access and complete the survey on-line. A total of 1,288 members of staff completed the survey, a response rate of 50%. The full data set was provided to the Agency.

#### Analysis

Results have been weighted to correct for grade and benefit area differences in the achieved sample size compared with the population from which the sample was taken.

#### Results

##### General

- the vast majority of staff **were aware** of the Agency's strategy on tackling fraud and error (92%) and **clear about** the Agency's commitment to tackle fraud and error and improve accuracy (88%);
- the vast majority of staff also **agreed** that they had a personal responsibility for preventing benefit error (94%) and to be alert to the possibility of benefit fraud (96%);
- a quarter of respondents stated that they **had never** had fraud awareness training;
- approximately half of respondents **were not** confident that suspected fraud was fully investigated;
- 46% of respondents **disagreed** with the statement "the Agency's approach to tackling fraud and error is working";
- 17% of respondents **were not aware** of events or transactions which could be indicators of fraud and 16% **were not aware** of the steps to be taken when they had suspicions of fraud;
- 20% of respondents, for whom the question applied, felt they **had not been** adequately trained in benefit processing and 18% felt they **did not receive** adequate

support and advice to ensure benefits are accurately processed and calculated;

- 20% of respondents **did not think** there were adequate controls to ensure benefits are processed accurately and a further 7% did not know; and
- 39% of respondents **did not agree** that the Agency encourages staff involvement in developing and implementing procedures aimed at reducing the levels of fraud and error.

#### Grade Effects

Statistically significant<sup>20</sup> results associated with the respondent's grade included:

- lower grades were **more likely to be unaware** of the Agency's "Tackling Fraud and Error Strategy" (SSO2/AO 10%, SSO1/EO2 6%, EO1 & above 1%);
- grades below EO1 were **less likely to agree** that the Agency's approach to fraud and error is working (SSO2/AO 33%, SSO1/EO2 32%, EO1 & above 52%);
- grades below EO1 were **more likely to be unaware** of the steps to be taken when they have suspicions of fraud (SSO2/AO 18%, SSO1/EO2 15%, EO1 & above 1%); and
- higher grades were **more likely to state** that the controls to ensure that benefits are processed accurately **are not** adequate (SSO2/AO 16%, SSO1/EO2 25%, EO1 & above 27%).

#### Benefit Area Effects

The benefit area where staff worked had a statistically significant<sup>20</sup> effect on responses to a number of questions.

Disability and Carers Service had the highest percentage of respondents who:

- were not aware of the Agency's Tackling Fraud and Error strategy (12%);

<sup>20</sup> More than 95% sure that the observed difference is reliable ie did not happen by chance.

- did not think that the agency had made clear its commitment to tackle fraud and error (15%);
- were not aware of their role in preventing error (21%);
- did not think that the Agency's approach to fraud and error was working (54%);
- had not received training in fraud awareness (48%);
- were not aware of transactions which could be indicators of fraud (40%);
- were unaware of the steps to be taken when there was suspicion of fraud (33%);
- thought that there were not adequate controls to ensure the accurate processing of benefits (35%);
- did not receive regular briefings/ updates on changes in benefit regulations (32%); and
- disagreed that their main priority is to meet benefit accuracy as opposed to meeting clearance times (52%).

In contrast, respondents who worked in Retirement Pensions were the most likely to:

- agree that the Agency has made clear its commitment to tackling benefit fraud and error (95%);
- be confident that suspected fraud is fully investigated (60%);
- have received training on fraud awareness (87%);
- be aware of events or transactions which could be indicators of fraud (90%);
- agree that there were adequate controls to ensure that benefits are processed accurately (84%);
- agree that they had been adequately trained in benefit processing (95%); and
- agree that they had adequate advice and support available to ensure benefits are accurately processed and calculated (90%).

### Length of time in the Agency and current post

Statistically significant<sup>20</sup> effects associated with length of time in the Agency and in current post included:

- those who had been working in the Agency longer **were less confident** that suspected fraud is fully investigated and **more likely to disagree** that the Agency's approach to tackling fraud and error, and improving accuracy, is working;
- those who had been working in their current posts for more than 3 years were the **most likely to disagree** that the Agency's approach to tackling fraud and error, and improving accuracy, is working (50%) and **not be confident** that suspected fraud is fully investigated (53%);
- 27% of respondents who had been in their post for less than 6 months, and 31% of those who had been in their post for 6-12 months felt that they **had not been** adequately trained in benefit processing compared with 13% of respondents who had been in their post for more than 3 years; and
- 23% of respondents who had been in their post for less than 6 months, and 25% of those who had been in their post for 6-12 months felt that **they did not** have adequate support and advice available to ensure benefits are accurately processed and calculated compared with 15% of respondents who had been in their post for more than 3 years.

## Appendix 2 (paragraph 1.7)

Estimates of benefit overpayments due to fraud and error over the period April 2004 to December 2006

Benefit	2004-05 <sup>1</sup>		2005 <sup>2</sup>		2006 <sup>2</sup>	
	Overpayment		Overpayment		Overpayment	
	Amount (£)	% of Benefit expenditure	Amount (£)	% of Benefit expenditure	Amount (£)	% of Benefit expenditure
Income Support	£18.4m	3.8%	£19.6m	4.1%	£8.1m	1.7%
Jobseeker's Allowance	£6.1m	6.2%	£3.8m	4.1%	£3.9m	4.3%
Disability Living Allowance <sup>3</sup>	£4.5m	0.8%	£4.6m	0.8%	£6.8m	1.1%
Attendance Allowance	£5.4m	2.9%	£2.9m	1.5%	£0.9m	0.5%
Carer's Allowance	£7.2m	8.5%	£7.1m	8.5%	£7.6m	9.1%
Pension Credit	£13.3m	4.8%	£10.6m	3.7%	£11.4m	3.8%
Retirement Pension	£3.1m	0.3%	£2.6m	0.2%	£4.5m	0.3%
Incapacity Benefit	£13.4m	4.2%	£13.4m	4.2%	£15.6m	4.8%
Social Fund	£1.2m	1.7%	£1.0m	1.4%	£0.9m	1.1%
'instrument of payment' fraud <sup>4</sup>	£2.7m		£0.5m		£0.4m	
<b>TOTAL</b>	<b>£75.3m</b>	<b>2.27%</b>	<b>£66.1m</b>	<b>1.94%</b>	<b>£60.1m</b>	<b>1.72%</b>

Source: The Agency

- Note
- 1: Based on the Benefit Reviews and Financial Accuracy exercises, and expenditure, in the financial year (April 2004 to March 2005).
  - 2: Based on the Benefit Reviews and Financial Accuracy exercises, and expenditure, in the calendar year.
  - 3: Excludes DLA 'change in customers' circumstances' cases where customers were paid in excess of benefit entitlement – legislation currently governing the administration of DLA recognises the circumstances surrounding the cases within this specific category ie where the customer's improvement or deterioration was so gradual that they could not reasonably have expected to have known that the change in their condition should have been reported to the Agency. In these circumstances the legislation determines there are no overpayments or underpayments and the benefit is adjusted from the date of the review.
  - 4: Instrument of Payment fraud relates to duplicate encashment of cheques and Post Office order book fraud (Post Office order books were withdrawn from March 2005).

## Appendix 3 (paragraph 1.14)

### Performance against Financial Accuracy targets

	2003-04		2004-05		2005-06		2006-07	
	Target	Outturn	Target	Outturn	Target	Outturn	Target	Outturn
Income Support	95%	98%	98.5%	97.8%	99%	97.7%	99%	99.2%
Jobseeker's Allowance	95%	98%	98.5%	98.4%	99%	99.2%	99%	99.1%
Incapacity Benefit	95%	99%	98.5%	98.2%	99%	98.8%	99%	97.7%
Retirement Pension	-	-	95%	99.6%	99%	99.2%	99%	99.6%
Pension Credit	-	-	95%	95.4%	98%	96.2%	98%	95.2%
Disability Living Allowance	95%	94%	95%	93.5%	96%	93.5%	98%	98%

Source: The Agency



## Appendix 4 (paragraph 2.33)

### District performance against programme protection Monetary Value of Adjustment targets

	North	South	West	Belfast North and East Antrim	East	Belfast West and Lisburn	TOTAL
2004-05							
Planned	£3.546m	£3.504m	£4.032m	£1.962m	£3.468m	£2.964m	£19.476m
Actual	£5.550m	£2.762m	£2.447m	£0.856m	£3.493m	£2.867m	£17.975m
Over/(Under)	+£2.004m	(£0.742m)	(£1.585m)	(£1.106m)	+£0.025m	(£0.097)	(£1.501m)
Achieved (%)	+57%	(21%)	(39%)	(56%)	+1%	(3%)	(8%)
2005-06							
Planned	£4.104m	£4.304m	£5.304m	£2.696m	£3.464m	£3.080m	£22.952m
Actual	£3.391m	£3.015m	£4.682m	£3.431m	£4.362m	£2.370m	£21.251m
Over/(Under)	(£0.713m)	(£1.289m)	(£0.622m)	+£0.735m	+£0.898m	(£0.710m)	(£1.701m)
Achieved (%)	(17%)	(30%)	(12%)	+27%	+26%	(23%)	(7%)

Source: The Agency

There is widespread variation in the achievement of programme protection targets between Districts.

For example, only one District (East) met its MVA targets each year, achieving a total MVA of £7.8 million compared to £6.9 million target and, by comparison, 2 Districts (South and West) failed to meet their MVA targets in both years:

- South District achieved MVA totalling £5.8 million compared to £7.8 million target; and
- West District achieved MVA totalling £7.1 million compared to £9.3 million target.

Our analysis of the 'hit rates' (percentage of cases in error) for 3 Districts found wide variations. For example:

- hit rates tended to be higher in caseload (ongoing benefit claims) than in Gateway (new benefit claims) cases;
- case interventions tended to be more successful than case checks;
- West District had hit rates 2 to 3 times higher than Belfast West and Lisburn and Belfast North and East Antrim Districts for Income Support Gateway checks and Jobseeker's Allowance case interventions;
- in 2004-05, hit rates in local offices in West District ranged between 2 per cent and 25 per cent for Jobseeker's Allowance Gateway interventions and the District's overall rate was 12.9 per cent; and
- in 2005-06, Belfast West and Lisburn District local offices varied between 2.7 per cent to 7.5 per cent for Income Support caseload checks (the District's overall rate was 4.8 per cent).

## Appendix 5 (paragraph 3.1) The Agency's Fraud Investigation Process

The key stages of investigation of fraud referrals by the Agency's Benefit Investigation Services (BIS) are:

### **Intelligence Gathering**

BIS gathers information from a range of sources, including government and financial bodies, employers and surveillance.

### **Interviewing**

Intelligence gathered in a suspected fraud case is checked against benefit criteria and at interview with the customer. Where the evidence from the information obtained is assessed as indicating benefit fraud, the customer is interviewed under caution<sup>21</sup>.

### **Prosecution**

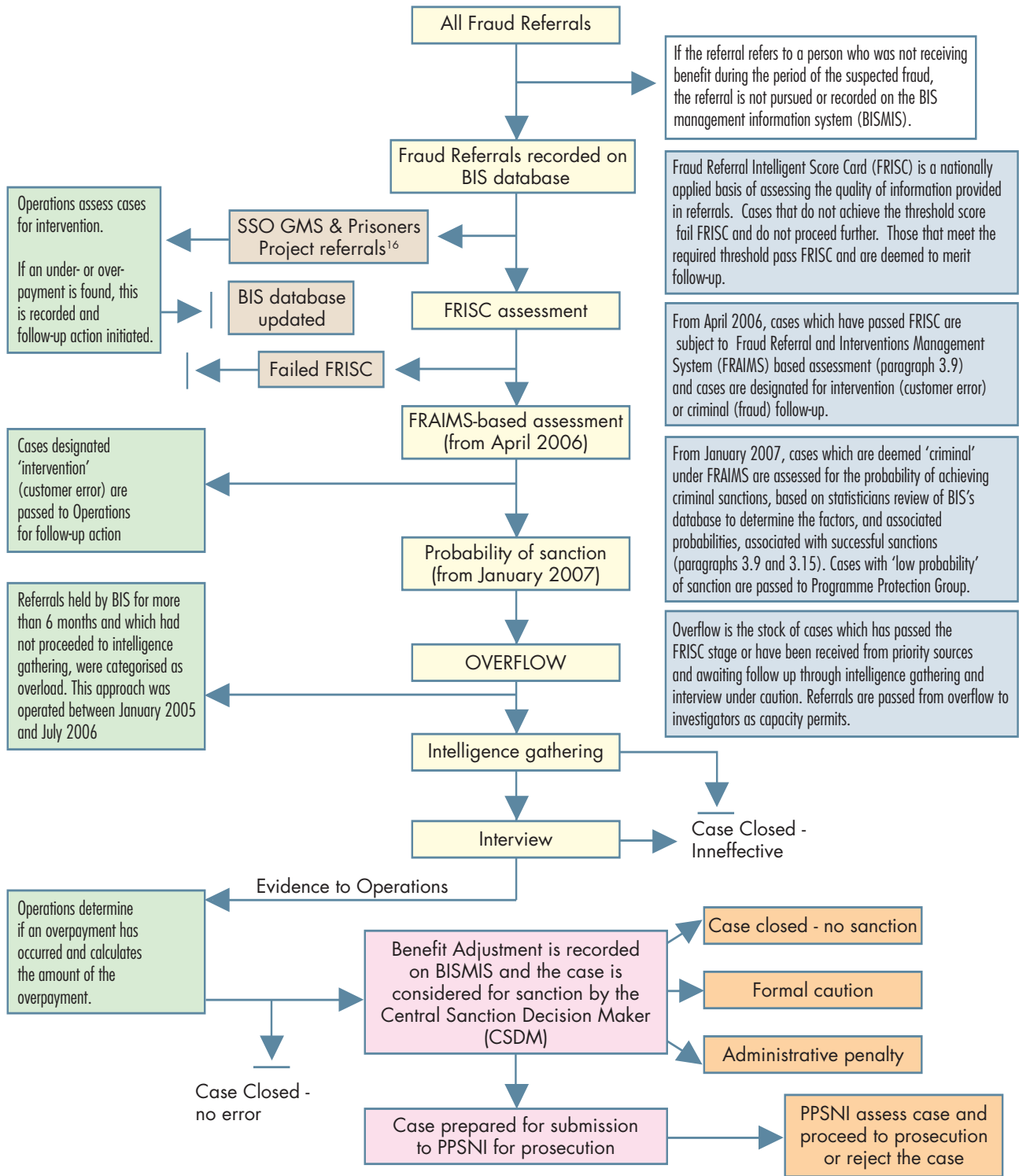
BIS prosecutes offenders through the Public Prosecution Service Northern Ireland (PPSNI) which presents the cases in Court. Where offences involve smaller sums or are considered to be less serious, BIS may not prosecute the offender but impose alternative sanctions.

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21 This approach is consistent with the Police and Criminal Evidence (Northern Ireland) Order 1989.



# Appendix 5 (paragraph 3.1) The Agency's Fraud Investigation Process



Source: The Agency

## Appendix 6 (paragraph 3.4)

### Criminal Justice Inspection Northern Ireland *Inspection of the Benefit Investigation Service of the Social Security Agency (May 2006)*

CJINI reported that there were areas of good practice and also identified areas for improvement. These were:

#### Areas of good practice

- the Agency's development of specialist counter-fraud staff through accredited Professionalism in Security (PINS) training;
- the availability of extensive investigative powers;
- gathering of internal management information by the Agency; and
- good use of protocols, memoranda of understanding and service level agreements with partners.

#### Areas for improvement

- the management of counter-fraud activities within the Agency particularly through enhanced working between BIS and benefit staff;
  - development of an Agency Fraud Response Plan to develop a better understanding of roles, responsibilities, commitments and timescales;
  - increased use of available information for criminal intelligence to aid target setting, decision making and to identify, analyse and mitigate risks of benefit fraud; and
  - quantification and accurate reporting of branch and team workloads including overflow and overload work measurement and a continuous assessment of the adequacy of resources to meet strategic and operational targets.
-

## Appendix 7 (paragraphs 4.1 and 4.4)

### Analysis of sources of referrals by outcomes (April 2003 to March 2007)

Source	Total referrals followed-up	Effective <sup>1</sup>			Total Monetary Adjustments	Average Monetary Adjustment per referral follow-up		Average Monetary Adjustment per effective referral	
		Number	% order	Rank		£ order	rank	£ order	rank
Housing Benefit GMS scan <sup>2</sup>	761	521	69%	(1)	£2,521,000	£3,315	(1)	£4,840	(5)
GMS (RI GMS) <sup>2</sup>	6,899	3,159	46%	(2)	£12,551,000	£1,820	(2)	£3,975	(8)
Employer Survey	456	199	44%	(3)	£782,000	£1,715	(3)	£3,930	(9)
Disability Living Allowance	325	102	31%	(4)	£271,000	£835	(9)	£2,655	(11)
Anonymous	4,389	1,219	28%	(5)	£4,962,000	£1,130	(7)	£4,070	(7)
NI Housing Executive	1,683	451	27%	(6)	£2,836,000	£1,685	(4)	£6,290	(2)
Information from Social Security Offices	2,177	593	27%	(6)	£3,339,000	£1,535	(5)	£5,630	(3)
Fraud Hotline	943	186	20%	(8)	£818,000	£870	(8)	£4,400	(6)
All other	2,290	379	17%	(9)	£1,096,000	£480	(10)	£2,890	(10)
Benefit Review <sup>3</sup>	200	27	14%	(10)	£241,000	£1,205	(6)	£8,925	(1)
Publicity Campaign <sup>2,4</sup>	955	87	9%	(11)	£434,000	£455	(11)	£4,990	(4)
TOTALS	21,078	6,923	33%		£29,851,000	£1,415		£4,310	

Source: The Agency

Notes: 1. Cases where follow-up on the referral resulted in an adjustment in the benefit amount.

2. Priority sources of fraud referrals to March 2006

3. Benefit Review remains a priority source of fraud referrals

4. Commenced in March 2005, figures are for the first 2 years of the campaign

## Appendix 8 (paragraph 4.19)

### Assessment of Cases for Sanction, 2003-04 to 2006-07

	2003-04	2004-05	2005-06	2006-07	Total
Total number of cases with overpayment	1,456	1,339	1,599	1,193	5,587
Less overpayments < £350	412	345	365	234	1,356
Less interviews non-PACE	232	105	69	45	451
Total potentially sanctionable cases	812	889	1,165	914	3,780
Less CSDM closures – BIS at Fault					
- Delay (unexplained delay in progressing cases)	146	28	29	25	228
- Failure in investigation	39	4	21	63	127
- Failure in benefit administration	10	4	11	11	36
- other	<u>42</u>	<u>3</u>	<u>20</u>	<u>58</u>	<u>123</u>
	237	39	81	157	514
Less CSDM closures – not BIS's Fault					
- No fraud / evidence inadequate	18	8	15	56	97
- Fraud not worth pursuing	15	23	48	76	162
- Mental/physical condition, social factors	26	12	17	107	162
- other	<u>5</u>	<u>4</u>	<u>6</u>	<u>11</u>	<u>26</u>
	64	47	86	250	447
Cases passed by CSDM for sanction	511	803	998	507	2,819
Less BIS's Prosecution Section closures					
- Delay (unexplained delay in progressing case)	19	1	1	31	52
- Failure in benefit administration	1	0	11	3	15
- withdrawal by branch	2	2	23	19	46
- other	<u>13</u>	<u>4</u>	<u>16</u>	<u>46</u>	<u>79</u>
	35	7	51	99	192
Cases passed by BIS for sanction	476	796	947	408	2,627
Administrative Penalties accepted	103	89	124	179	495
Formal Caution accepted	28	65	41	55	189
Fraud cases passed to PPSNI	250	241	318	603	1,412
Cases rejected by PPSNI					
- 'stale'	24	3	4	1	32
- 'other' <sup>1</sup>	20	36	99	62	217
Non service	3	0	0	0	3
Dismissed by courts	3	3	8	9	23
Number of Convictions	187	184	191	208	770

Source: The Agency

Note: 1. No further detail available on the BIS database

## Appendix 9 (paragraph 4.30)

### Court Convictions for benefit fraud 2003-04 to 2006-07

Type of Sentence	2003-04	2004-05	2005-06	2006-07	Total	
Fine only	80	75	82	60	297	39%
Conditional Discharge	57	66	52	76	251	33%
Suspended sentence	19	14	33	42	108	14%
Community Service	22	19	17	21	79	10%
Probation	8	8	3	6	25	3%
Absolute Discharge	1	2	3	1	7	1%
Bound Over	0	0	0	2	2	<1%
Custodial sentence	0	0	1	0	1	<1%
Total	187	184	191	208	770	100%

Source: The Agency

## NIAO Reports

Title	HC/NIA No.	Date Published
<b>2007</b>		
Internal Fraud in Ordnance Survey of Northern Ireland	HC 187	15 March 2007
The Upgrade of the Belfast to Bangor Railway Line	HC 343	22 March 2007
Outpatients: Missed Appointments and Cancelled Clinics	HC 404	19 April 2007
Absenteeism in Northern Ireland Councils 2005-06	-	30 March 2007
Good Governance – Effective Relationships between Departments and their Arms Length Bodies	HC 469	4 May 2007
Job Evaluation in the Education and Library Boards	NIA 60	29 June 2007
The Exercise by Local Government Auditors and their Functions	-	29 June 2007
Financial Auditing and Reporting: 2003-04 and 2004-05	NIA 66	6 July 2007
Financial Auditing and Reporting: 2005-06	NIA 65	6 July 2007
Northern Ireland's Road Safety Strategy	NIA 1	4 September 2007
Transfer of Surplus Land in the PFI Education Pathfinder Projects	NIA 21/07-08	11 September 2007
Older People and Domiciliary Care	NIA 45/07-08	31 October 2007













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