



Northern Ireland Audit Office

The National Fraud Initiative: Northern Ireland

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
7 July 2016



Northern Ireland Audit Office

The National Fraud Initiative: Northern Ireland

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K J Donnelly

Northern Ireland Audit Office

Comptroller and Auditor General

7 July 2016

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Abbreviations

BBIS	Blue Badge Improvement Service
BSO	Business Services Organisation
C&AG	Comptroller and Auditor General
DDRI	Disclosure of Death Registration Information
DfC	Department for Communities
DfI	Department for Infrastructure
DoF	Department of Finance
DPA	Data Protection Act
DWP	Department for Work and Pensions
GRO	General Register Office
LPA	Lone Pensioner Allowance
LPS	Land and Property Services
NFI	National Fraud Initiative
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIHE	Northern Ireland Housing Executive
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
SSA	Social Security Agency
UK	United Kingdom
VAT	Value Added Tax

Foreword

Public sector organisations in Northern Ireland continue to face ever tighter budget constraints. Fraud impacts on the level of funding available for front line services, so fighting fraud must remain a key element in ensuring that limited public funds for the provision of goods and services are maximized. Fraud affects us all and we all pay the price. It is up to each public sector body to remain committed to challenging those who seek to abuse public funds by fraudulent means.

Under statutory powers inserted in the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007, I am able to undertake data matching exercises for the purpose of assisting the prevention and detection of fraud. These powers have strengthened the fight against fraud. The main data matching tool used is the National Fraud Initiative (NFI).

The Assembly's Public Accounts Committee has endorsed the NFI as "a key tool in the armoury against fraud and error". The continued commitment of Northern Ireland public sector bodies to the Initiative has helped to maximize its impact and while many organisations do not identify direct outcomes, the inclusion of their data in the NFI contributes to the identification of wider savings for the public sector as a whole.

This is the fourth NFI exercise to be undertaken in Northern Ireland. I wish to publicly thank all those involved in the review and investigation of data matches for the essential work that they do. Once again, that work has proved fruitful in identifying a significant level of fraud and error.

NFI outcomes in Northern Ireland now stand at almost £33 million, representing current and past fraud stopped and potential future fraud averted. Nationally, outcomes from data matching through the NFI stand at over £1 billion.

I continue to implement a strategy for widening the scope of the NFI in Northern Ireland and would encourage all public sector organisations to come forward with proposals for further potential data matches that could help in the prevention and detection of fraud.

Kieran Donnelly
Comptroller and Auditor General

Executive Summary

Partnership working allows cross-jurisdictional data matching under the NFI

1. The National Fraud Initiative (NFI) is a major data matching exercise undertaken every two years. This is the fourth exercise to be undertaken in Northern Ireland, with over 100 organisations from across central government, local government and the health sector participating.
2. Cross-jurisdictional data matching through the NFI means that the data of over 1,300 organisations across England, Scotland, Wales and Northern Ireland is compared, in order to highlight inconsistencies which could indicate fraud.

The success of the NFI depends on the commitment of participating organisations

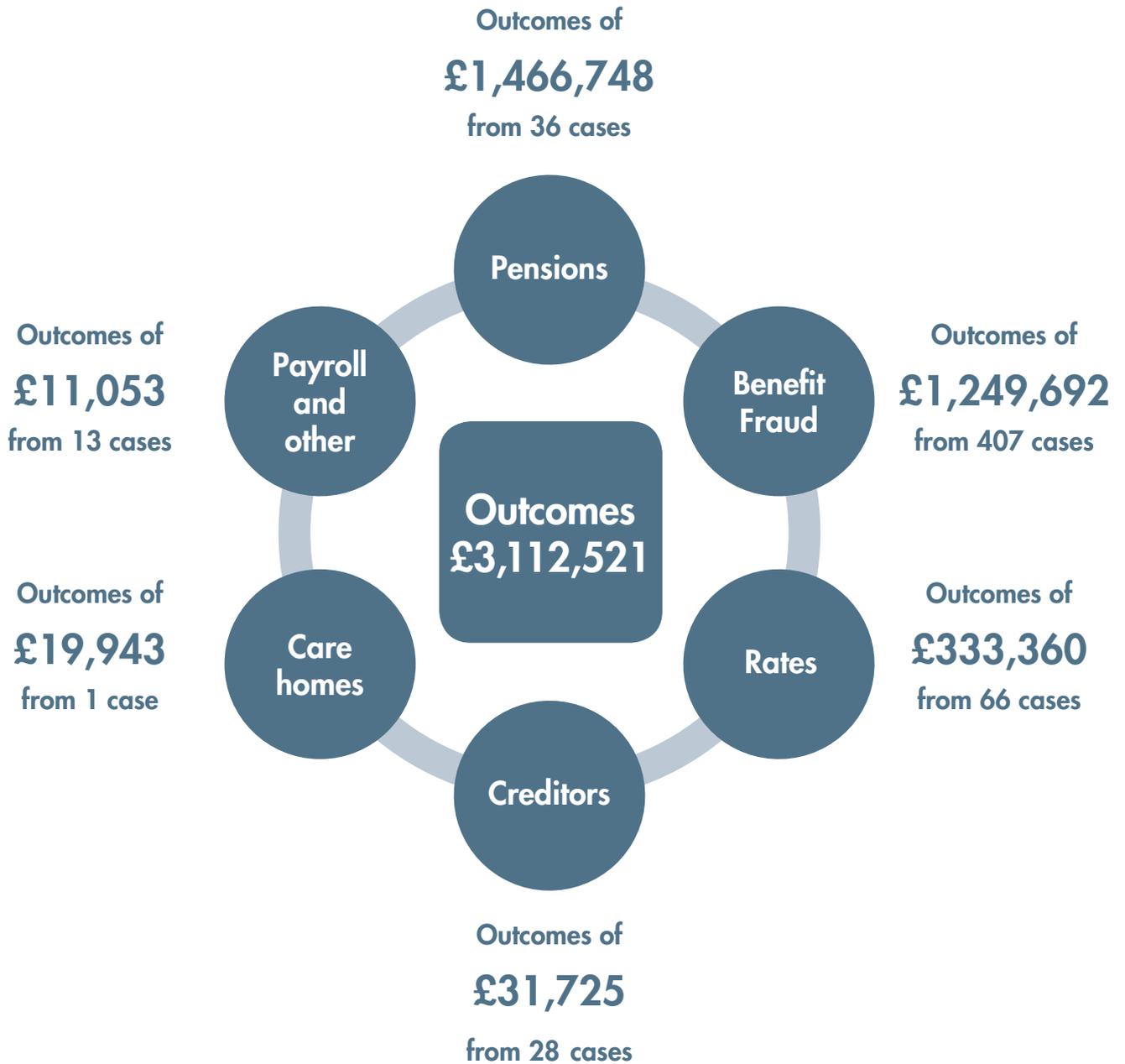
3. Participating organisations in Northern Ireland must be commended for their continued commitment to the NFI.

Outcomes to date show the value of data matching

4. Total NFI outcomes¹ for the first four exercises in Northern Ireland are almost £33 million (see Appendix 1). Between 1 April 2014 and 31 March 2016, local participation in the NFI resulted in outcomes of £3.1 million (see Figure 1), including:
 - almost £1.5 million of pensions fraud and overpayments;
 - over £1.2 million of housing benefit fraud and overpayments; and
 - over £330,000 of rates evasion.
5. The outcomes comprise actual outcomes of over £1.6 million and estimated outcomes of over £1.4 million (see footnote 1).
6. In addition to quantified benefits, the NFI can also highlight duplication or inconsistencies in data which can be corrected by organisations, providing qualitative benefits and leaving bodies less vulnerable to fraud.

¹ Outcomes include the value of incorrect payments (due to fraud or error) which are stopped, and an estimate of future savings achieved by no longer making these incorrect payments.

Figure 1: Key Outcomes from the fourth NFI exercise



Executive Summary

A number of organisations are still over-investigating

7. Most participating organisations have participated in four cycles of NFI data matching and have refined their approach to reviewing and investigating matches, concentrating on high risk areas and recommended matches. However, some organisations are still over-investigating. **Organisations are not expected to investigate all matches but should base their work on a fraud risk assessment and knowledge of key fraud risks.**
8. The Northern Ireland Audit Office (NIAO) continues to monitor the approach of participating organisations through examination of data match reports on the secure NFI website and discussion with key personnel as appropriate.

Many participating organisations continue to embed the NFI in their counter fraud work

9. The following examples of good practice show how some participating organisations use the NFI as part of their counter fraud control environment:
 - the NFI is included as a standing agenda item for the Audit Committee, with reporting to the full Board or Council as appropriate;
 - the NFI investigation plan is approved by the Audit Committee before work commences;
 - NFI results are used to inform Internal Audit plans;
 - the NFI is a standing agenda item for the Counter Fraud Working Group;
 - the NFI, in particular the appropriate review and investigation of matches, is included as a performance objective for the Director of Finance; and
 - NFI results are built into the organisation's overall plans for identifying and minimising potential fraud and duplicate payments.

Areas remain where practice could be improved in some instances

10. Previous NFI reports have identified areas where organisations could be more efficient and effective in how they implement the NFI and these still apply, in particular:
-

- Over-investigation of matches remains an issue (see paragraph 7). **There is no audit requirement to investigate all matches.** The level of investigation should be guided by a fraud risk assessment. Investigations should not continue if no fraud or error is being found.
- More use could be made of the report comment facility within the NFI web application, to save time entering comments against individual matches where there are no outcomes to record.
- Working offline should be kept to a minimum. Working within the secure web environment is more efficient and does not compromise the security of personal data.
- Key contacts² should regularly review progress on matches and ensure that they are being reviewed, investigated and closed appropriately. There is some evidence of matches being opened and then left for long periods with no activity.
- Key contacts should ensure that outcomes, including qualitative outcomes such as corrections to national insurance numbers, are correctly recorded in the NFI web application so that the full value of the NFI can be reflected in the regional report.
- Key contacts and users should review the comments shared by organisations on the other side of the match. Reviewing and responding to comments in a timely way may be a better use of resources than continuing to investigate matches where no fraud and error is being found.

The NIAO will continue to develop the NFI in conjunction with public audit partners

11. The Cabinet Office NFI Team which administers the Initiative continues to develop the scope of data matching, with an increasing focus on fraud prevention. The NIAO continues to work with participating organisations in Northern Ireland to consider how any developments can be applied locally.
12. In addition, the NIAO has a strategy which sets out how coverage of the NFI can be expanded in Northern Ireland, in terms of both additional participants and inclusion of additional datasets. It continues to take this strategy forward.

2 Key contacts are the individuals primarily responsible for the NFI within participating organisations.

Part One:
NFI Outcomes

Part One: NFI Outcomes

Reducing fraud and error makes good business sense

- 1.1 Public sector losses due to fraud and error impact directly on taxpayers, ratepayers and service users by diverting valuable resources away from front line services. Preventing and detecting fraud makes good business sense and is an essential part of maximizing front line resources.
- 1.2 Public sector organisations must protect public funds by having a strong anti-fraud culture and effective strategies for tackling fraud and error. Potential fraudsters must be made aware of this anti-fraud culture and the consequences of any fraudulent activity.

The NFI is a valuable tool for tackling fraud and error

- 1.3 The National Fraud Initiative (NFI) is a major data matching exercise undertaken every two years (see Appendix 2 for more detail). It compares sets of data submitted by a wide range of organisations and highlights inconsistencies which could indicate fraud or error. Participation by organisations in England, Scotland, Wales and Northern Ireland is a major advantage of the NFI, allowing cross-jurisdictional matching.

The range of datasets matched helps to detect fraud and error in a number of key areas

- 1.4 Participating organisations submit a range of datasets including payroll, pensions, trade creditors, housing benefit, blue badges, concessionary travel passes, taxi driver licenses, private supported care home residents and domestic rates.
 - 1.5 Figure 2 gives examples of the types of matches undertaken and the potential fraud or error they may reveal.
-

Figure 2: Examples of data matches

Data match	Potential fraud or error
Payroll to payroll	Employee working elsewhere while on sick leave
Housing benefit to payroll	Claimant not declaring income which may remove or reduce entitlement to benefit
Pensions to death records	Pension fraudulently or erroneously paid where the pensioner has died and pension administrator has not been notified
Blue badges to death records	Fraudulent use of badge where badge holder is deceased
Private supported care home residents to death records	Care home continuing to receive payments after the resident's death

NFI 2014-15 is the fourth NFI exercise in Northern Ireland

- 1.6 NFI 2014-15 involved participation by 110 Northern Ireland public sector organisations (see Appendix 3). Northern Ireland data was matched with data from around 1,200 further organisations in England, Scotland and Wales.
- 1.7 A data match highlights an inconsistency which may require further investigation to confirm that no fraud is present. There may be an acceptable reason for the match. The majority of matches were made available to participating organisations via the secure NFI website in January 2015. Organisations had 12 months to aim to complete any investigative work. Any outcomes from uncompleted investigations will be captured and reported as part of the next NFI exercise.

Organisations should use a risk-based approach when selecting matches for investigation

- 1.8 **Organisations are not expected to investigate all matches. They should base their investigative work on a fraud risk assessment and knowledge of key local fraud risks.** Matches provided to organisations via the NFI are prioritised through the application of parameters, resulting in a number of "recommended filter matches". Ideally, these should be reviewed and investigated where appropriate but participating organisations can reprioritise matches based on their known fraud risks.

Part One: NFI Outcomes

- 1.9 The Northern Ireland Audit Office (NIAO) has recently published a good practice guide on managing fraud risk³ which sets out how organisations should assess, prioritise and address fraud risks (see paragraph 2.9).

Continuing to investigate matches when no fraud and error is being found is an inefficient and ineffective use of resources

- 1.10 A number of organisations continue to over-investigate. If no fraud or error is found after reviewing and investigating the recommended filter matches (see paragraph 1.8), it is unlikely that further work will produce outcomes. If an additional small sample of non-recommended matches produces no outcomes, there is little to be gained by continuing to investigate.

The current NFI exercise has resulted in significant outcomes

- 1.11 Between 1 April 2014 and 31 March 2016, Northern Ireland bodies identified outcomes⁴ of £3.1 million, comprising late outcomes from the previous exercise of over £833,000 and outcomes to date from the current exercise of over £2.2 million⁵.

The most significant monetary outcomes are secured in relation to housing benefit, pensions and rates

- 1.12 The nature of the data being matched means that, as in previous NFI exercises, the majority of outcomes have been secured by those organisations which administer housing benefit, pensions and rates. However, there have also been around £52,000 of outcomes in relation to trade creditors and private supported care home residents.
- 1.13 Many participating organisations secure no direct monetary outcomes from participating in the NFI. However, the inclusion of their data is essential to achieve monetary outcomes in key areas such as housing benefit and pensions, as illustrated in Figure 3.

3 *Managing Fraud Risk in a Changing Environment: A Good Practice Guide*, NIAO, November 2015

4 The outcomes include both actual fraud and error detected plus estimated forward savings where appropriate. Estimates are included where it is reasonable to assume that fraud and overpayments would have continued undetected without NFI data matching. The basis of calculation of these estimated figures is set out at Appendix 4.

5 The Cabinet Office reports every two years on outcomes at the relevant 31 March. This report uses the same basis for Northern Ireland.

Figure 3: Reverse match outcomes

- The data of one organisation which had no direct monetary outcomes contributed to 28 housing benefit outcomes, totalling over £17,000, for the NI Housing Executive and the Department of Finance.
- The data of one organisation which had no direct monetary outcomes contributed to one housing benefit outcome worth almost £10,000, through an address match.
- The data of one organisation which had no direct monetary outcomes contributed to a pension abatement outcome of over £5,000.

Source: NFI 2014-15 web application

Outcomes can also be qualitative and provide positive assurance

- 1.14 Organisations which have few matches, or find no fraud or error in the matches they investigate, can take this as positive assurance in relation to their internal control environment and their Annual Governance Statement.⁶ The NFI also contributes to improved data quality through, for example, the correction of national insurance numbers and the removal of duplicate creditor references, thereby reducing the risk of fraud in the future. In the current exercise, 63 national insurance numbers have been corrected within organisational records.
- 1.15 It is important that qualitative outcomes, such as the correction of national insurance numbers, are properly recorded within the web application. Good quality data is essential for good quality data matching and the NFI plays a valuable role in highlighting where improvements are required.
- 1.16 Organisations' data matches provide invaluable intelligence, and assurance, in relation to counter fraud work, particularly because the cross-jurisdictional coverage of the NFI provides access to data for matching that local organisations would not otherwise have.

Successful prosecutions have been secured against fraudsters

- 1.17 Once again a number of successful and significant prosecutions have been secured as a result of NFI data matching, as outlined in the following case examples:

Case Example 1

An NFI address match identified a person who failed to declare they were living with a partner. Overpayment of benefits amounted to £57,000 over a period of five years. The person was sentenced to six months' imprisonment, suspended for one year. A recovery plan is in place.

Source: Social Security Agency

⁶ The Annual Governance Statement replaced the Statement of Internal Control in 2010-11. All departments, agencies and arm's length bodies must prepare them. They bring together all disclosures relating to governance, risk and control.

Part One: NFI Outcomes

Case Example 2

An NFI data match identified a person with an undeclared occupational pension and an undeclared partner. Overpayment of benefits in a five year period amounted to over £33,000. The claimant was sentenced to 12 months' imprisonment, suspended for three years. A recovery plan is in place.

Source: Social Security Agency

Case Example 3

A data match revealed that a person had been working for a public sector organisation while claiming housing benefit and jobseekers' allowance. Overpayment of benefits in a six year period amounted to more than £22,000. The person was sentenced to a community service order. A recovery plan is in place.

Source: Social Security Agency

Information on successful prosecutions is not routinely shared with fraudsters' employers

- 1.18 If a public servant is convicted of fraud, the onus is on them to notify their employer of this. If the fraud is committed against a public authority, that authority has no obligation to notify the fraudster's employer.
- 1.19 A number of public sector employees have been convicted of significant benefit fraud over the years as a result of the NFI. However there is still no consistent approach to ensure that employers are notified. The main prosecuting authority in relation to benefit fraud in Northern Ireland, the Social Security Agency (SSA)⁷, publicises convictions for benefit fraud on its website and in the local press, but does not share such information directly with employers.
- 1.20 There remains a strong conviction among the key partners in Northern Ireland – the NIAO, the Department of Finance (DoF)⁸ and the Department for Communities (DfC - see footnote 7) – that sharing information about convicted fraudsters is the right thing to do. At present, however, there is no clear guidance as to how this can be done without a breach of legislation. The DfC has particular concerns about data protection and inequality in relation to notifying employers.
- 1.21 While the NIAO has confirmed with the Information Commissioner that the Data Protection Act (DPA) is not a barrier to the sensible disclosure of information such as fraud convictions, the Commissioner's advice is that organisations considering making disclosures would need to consider these on a case by case basis to avoid any unlawful disclosure of information. In these circumstances, it is difficult for the DoF to issue guidance. Consequently, despite considerable efforts on all sides, this matter remains unresolved.

⁷ Following departmental restructuring in May 2016, the Social Security Agency was subsumed into the new Department for Communities (DfC).

⁸ Formerly the Department of Finance and Personnel. Departmental restructuring came into effect on 9th May 2016.

- 1.22 This is deeply unsatisfactory. Without action, the risk remains that a public body may inadvertently continue to employ a convicted fraudster in a position of trust. The C&AG is committed to seeking a solution to this and will engage once more with the DoF, the DfC and the Information Commissioner to resolve the issue.

Significant outcomes continue to be secured in key areas

- 1.23 The following paragraphs summarise key findings in more detail. Outcomes figures include late outcomes from the 2012-13 exercise and estimated forward savings (see footnote 4).

Housing Benefit

- 1.24 People on low incomes may receive help with their rent by way of housing benefit.⁹ Fraud and error can occur when calculations are based on inaccurate information, for example where:

- the claimant does not declare a source of income; or
- the claimant does not declare a change of circumstances, e.g. additional residents at the address.

The NFI matches housing benefit records to datasets such as public sector payroll and pensions, student loans and housing tenancies in order to detect such inaccuracies.

- 1.25 Housing benefit makes up a large proportion of the fraud and error identified through the NFI in Northern Ireland. The current exercise has identified 407 cases of housing benefit fraud, error and overpayment totalling £1.2 million.

Case Example 4

A match between housing benefit records and student loan records identified a person who had been claiming housing benefit and jobseekers allowance but was ineligible for these benefits. Overpayment of benefits amounted to £32,000 over a five year period. The person was sentenced to five months' imprisonment, suspended for two years. A recovery plan is in place.

Source: Social Security Agency

⁹ The Northern Ireland Housing Executive (NIHE) administers housing benefit for those who rent their homes. Land and Property Services (LPS) administers housing benefit for those who own and occupy their own homes.

Part One: NFI Outcomes

Case Example 5

An NFI data match revealed a person who had an undeclared occupational pension but was claiming a range of benefits including housing benefit. Further investigation revealed that the person was also working. Overpayments amounted to £19,000 over a five year period. The person was sentenced to 24 weeks' imprisonment, suspended for two years. A recovery plan is in place.

Source: Social Security Agency

Case Example 6

A data match showed that a person was receiving housing benefit in relation to two properties. Investigations revealed that they had vacated one of the properties in 2010. Overpayment of housing benefit amounted to almost £5,500. Recovery is in progress.

Source: Land and Property Services

Case Example 7

A homeowner claiming housing benefit failed to declare student loan income, which affected eligibility. Overpayment of housing benefit amounted to almost £1,500. The amount is being recovered.

Source: Land and Property Services

Social Housing

- 1.26 The cost of social housing tenancy fraud in Northern Ireland has not formally been quantified. In GB it is estimated that two per cent of social housing properties may be occupied fraudulently; this would equate to over 2,000 properties if the same percentage applied in Northern Ireland.
- 1.27 Data matching under the NFI helps to detect tenancy fraud by identifying where a person appears to be resident at two properties and is therefore potentially subletting one property unlawfully. It can also detect where a tenant is unlawfully resident in Northern Ireland and therefore has no entitlement to the property.
- 1.28 In Northern Ireland, the majority of social housing (around 88,000 properties) is owned and managed by the NI Housing Executive (NIHE). The remainder (around 32,000 properties) is managed by 21 registered housing associations.¹⁰ NIHE and two of the biggest housing associations submit their tenancy data to the NFI, accounting for almost 104,000 properties between them.

- 1.29 No monetary outcomes, in terms of value of properties recovered, have been recorded but a significant number of data quality issues have been identified where incorrect national insurance numbers were held and had to be amended. These corrections improve data quality, reduce the risk of fraud and minimise the chance of false matches occurring in future NFI exercises.

Domestic Rates

- 1.30 Domestic rates are a property tax based on the valuation of a residential property and are payable by the occupier (or landlord in certain circumstances). Rates are administered by Land and Property Services (LPS).
- 1.31 Rates records are matched to the electoral register to identify cases where a property may not have been registered for rates, and also cases where there is a significant time difference between the registration dates on both systems, indicating possible rates arrears due.
- 1.32 In the current exercise, 66 cases of rates avoidance were detected, totalling just over £333,000.

Case Example 8

NFI data matching identified a property which was not on Land and Property Services' (LPS) rating system. A bill has been issued to recover outstanding rates dating back to 2007, amounting to more than £11,500.

Source: Land and Property Services

Case Example 9

NFI data matching identified a property which LPS was unaware of. Outstanding rates dated back to 2009 and amounted to around £11,100. The occupant did not dispute this and has repaid the amount in full.

Source: Land and Property Services

Occupational Pensions – Deceased Pensioners

- 1.33 The NFI matches pension information to deceased records provided by the Department of Work and Pensions (DWP), and to Disclosure of Death Registration Information (DDRI) from the General Register Office (GRO). This matching is known as mortality screening.

Part One: NFI Outcomes

- 1.34 Fraud and error in relation to deceased pensioners can occur where relatives do not notify the death of a pensioner and so a pension continues to be paid. Six public sector pension paying bodies¹¹ submitted pension data for mortality screening. Investigation of pensions to deceased matches has highlighted 33 cases of fraud or error resulting in outcomes of just over £1.2 million.

Case Example 10

A pensioner died in February 2014. The pension administrator was not notified and only became aware of the death through an NFI data match. Payments totalling £2,226 had been made by cheque after the date of death. The cheques had not been cashed so when the overpayment was identified, the value of the cheques was reinstated.

Source: NILGOSC

Case Example 11

An NFI data match released in January 2015 showed the date of death of a pensioner as August 2014. Overpayment of pension amounted to almost £3,500. The pension paying body wrote to the family and eventually received confirmation from the pensioner's son, who was the executor of the pensioner's will, that the amount would be repaid in full when the estate was finalised. The full amount has now been repaid.

Source: NICS Pensions

Occupational pensions - Pensioners returning to work

- 1.35 Pension records are matched to payroll records to identify cases of pensioners returning to work without notifying the pension paying body, thereby avoiding a reduction (abatment) in pension. In the current exercise, three such cases were identified, with outcomes totalling over £224,000.

11 Northern Ireland Civil Service (NICS) Pensions; Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC); Teachers' Pensions; Health Pensions; Northern Ireland Fire and Rescue Service Pensions; and Assembly Pensions.

Case Example 12

A data match showed that a former employee of a public sector organisation who was in receipt of an ill health pension had been re-employed in the same sector since 2006, at which date pension eligibility ceased. The pension paying body had not received the necessary notification. Overpayment of pension amounted to almost £75,000. Recovery is ongoing. In a similar case, an ill health pension continued to be paid after re-employment ended eligibility; again the pension paying body had not been notified. Overpayment of pension amounted to £150,000 over a period of almost 10 years. Recovery is ongoing.

Source: Department of Education

- 1.36 Inclusion of pension data in the NFI has also contributed to housing benefit outcomes. Of the 407 housing benefit cases with outcomes (see paragraph 1.25), 148 were as a result of pension income not being declared on the benefit application.

Payroll

- 1.37 The NFI matches payroll data across all participating organisations, and with Home Office information, to identify cases of employment fraud, in particular:
- employees working for one body while on long-term sick leave from another;
 - employees with two jobs where shift patterns overlap, so that it would not be possible to cover both jobs; and
 - employees with no entitlement to live or work in the UK.
- 1.38 Thirteen cases of payroll fraud or error have been identified with outcomes of just over £11,000.
- 1.39 Inclusion of public sector payroll data in the NFI also contributes to housing benefit outcomes. Of the 407 housing benefit cases with outcomes (see paragraph 1.25), 104 were as a result of income being undeclared by a public sector employee or their co-habiting partner.
-

Part One: NFI Outcomes

Trade Creditors

- 1.40 Trade creditors' data matching within the NFI helps organisations to identify duplicate payments and incorrect VAT calculations. In addition it can highlight cases where system improvements or "housekeeping" are needed, for example the removal of duplicate creditor reference numbers.
- 1.41 In the current exercise, organisations have identified 28 cases involving monetary error totalling over £31,000. In a further 114 cases, action has been taken to correct non-monetary errors, such as a duplicate creditor reference number. Such corrections reduce the chance of fraud and error occurring in future.
- 1.42 Figure 4 sets out examples of creditor outcomes.

Figure 4: Trade Creditor Outcomes

- One department recovered three duplicate payments amounting to £4,500.
- One department recovered a duplicate payment amounting to £2,900.
- One health and social care trust recovered a duplicate payment amounting to £2,800.
- One regional college recovered two duplicate payments amounting to £3,900.

Source: NFI 2014-15 web application

Private Supported Care Home Residents

- 1.43 Health trusts may pay all or part of private care home fees for older people. If care homes fail to notify trusts, either fraudulently or erroneously, that a resident has died, payments may continue after the death. The NFI matches trusts' private care home payments records to death records, in order to identify such cases.
- 1.44 In the current exercise, one significant error was found where a fee continued to be paid for more than two years after the date of death (see Case Example 13).
-

Case Example 13

An NFI data match between private supported care home residents and death records showed that a client of the Trust had died in June 2013 but the care home had not notified the Trust. The client was a private placement and the Trust paid £100 per week to the home for the client's nursing care, in line with statutory regulations. Contrary to the terms of the contract in place, the home failed to identify on its monthly remittances that the client had died. The resulting overpayment by the Trust was £12,943. The Trust has recovered the full amount.

Source: *Western Health and Social Care Trust*

Concessionary Travel Passes

- 1.45 Concessionary travel is available to people aged 60 and over for travel in Northern Ireland, aged 65 and over for All Ireland Free Travel, and to others with certain mobility or medical issues (half fare). Concessionary travel passes are issued and administered by Translink.¹²
- 1.46 Matching of travel pass holders to death records reveals cases where a pass is still in circulation, and could therefore potentially be used, after the death of the pass holder. In the current exercise, this matching revealed 2,427 such cases. Translink were already aware of 1,141 of these through monthly information received from the local GRO.
- 1.47 Translink deactivated the remaining 1,286 passes by early March 2015. Only 15 of these had recorded usage, estimated at a value of £1,141, after the date of death but fraud cannot be proven.

Blue Badges

- 1.48 People with severe mobility problems can apply for a blue badge which entitles them to a range of concessions such as free parking in "pay and display" areas and use of parking spaces designated for blue badge holders. The Department for Infrastructure (DfI)¹³ administers blue badges in Northern Ireland.
- 1.49 An NFI match of blue badge holder records to death records, to identify badges potentially still in use after the death of the registered owner, generated 4,285 matches, a 15 per cent reduction on the previous exercise. This reduction may be due in part to the receipt of monthly death records from the GRO, enabling the DfI to cancel badges at the earliest possible date. The 4,285 badges have been flagged on the DfI's database as not for automatic renewal, meaning the badge is effectively cancelled.

¹² Translink is the name under which the bus and rail companies operate. Its parent company is the Northern Ireland Transport Holding Company, which is an Arm's Length Body of the Department for Infrastructure (formerly Regional Development).

¹³ Formerly the Department for Regional Development. Departmental restructuring came into effect on 9th May 2016.

Part One: NFI Outcomes

- 1.50 The DfI prioritised 45 cases for investigation where the badge issue date was after the date of death. These were due to an administrative time lag. No frauds have been confirmed.
- 1.51 The NFI also matches blue badge holders across authorities, to detect people who may be holding more than one badge. This generated 53 matches, 33 of which occurred because either the DfI or the organisation on the other side of the match held an incorrect national insurance number. This emphasises the need for all participating organisations to ensure that they hold accurate data, to minimise the number of false matches.
- 1.52 In a continuing effort to improve the administration of blue badges and minimise fraud, the DfI attempted to establish a formal link with the Department for Transport's Blue Badge Improvement Service (BBIS) in March 2016. However, BBIS contractual arrangements made no provision for the inclusion of Northern Ireland. The DfI has sought confirmation from the Department for Transport that this omission will be rectified when the new BBIS contract is offered in January 2017.
- 1.53 In the meantime, the DfI:
- has created a new blue badge database which will in future link into the GB database;
 - has adopted a new badge design which will be much more difficult for fraudsters to replicate or amend; and
 - introduced a new application form in June 2016 to ensure the capture of complete and accurate information, including national insurance numbers.
- 1.54 The DfI is considering how it might make more use of the increased capacity of traffic attendants' hand-held devices, to give the attendants access to all live badge data, enabling them to confirm the proper use of badges on the spot.

A pilot exercise on Lone Pensioner Allowance produced valuable outcomes and has been incorporated into the main NFI exercise

- 1.55 Three pilot exercises were undertaken during the last NFI exercise, one of which produced valuable outcomes. Lone Pensioner Allowance (LPA) gives a 20 per cent rate rebate to people aged 70 or over who live alone. LPA records were matched to death records, electoral records and state pension records to determine whether the award of LPA was still valid. The pilot produced outcomes of almost £23,000. The matches have been incorporated into the main NFI exercise and over £37,000 of outcomes have been identified so far.
-

Case Example 14

A data match highlighted that a pensioner in receipt of Lone Pensioner Allowance (LPA) had died. The account was closed and changed to a Rating of Empty Homes account in the name of the personal representatives of the deceased person. Rates, including clawback of LPA amounting to £1,080, have been fully recovered.

Source: Land and Property Services

Two new pilot exercises have been undertaken as part of NFI 2014-15

1.56 Two pilot exercises have been undertaken as part of NFI 2014-15:

- Direct payments (personal budgets) for health and social care were matched to death records to detect cases where a direct payment recipient had died but the health trust had not been notified. There have been no monetary outcomes from the pilot and it is unlikely to remain as a match in the NFI 2016-17 exercise.
 - GP patient registration data, administered by the Business Services Organisation (BSO), has been included as a pilot in 2014-15 to help tackle the issue of cross border health fraud, where a person not ordinarily resident in Northern Ireland uses a false address or a relative's address to register with a GP in order to access free health and social care to which they are not entitled. The matches will be used by the BSO to target their counter fraud work. It is too early to judge the success of this pilot but it will be evaluated ahead of the next NFI exercise.
-

Part Two: Using the NFI more effectively

The commitment of participating organisations to the NFI is key to its success

- 2.1 The success of the NFI continues to depend on the co-operation of participating organisations and their recognition that effective data matching is a key component of a successful counter fraud strategy. Organisations must be commended for their continued commitment and co-operation.

Organisations must adopt a robust but measured approach to NFI investigations to make the most of finite resources

- 2.2 NFI 2014-15 is the fourth exercise in Northern Ireland. Most participating organisations are now very familiar with the process and have a tried and tested approach to reviewing and investigating matches. However, there are still many examples of organisations continuing to investigate matches when no fraud or error is being found. This is not an effective use of resources.
- 2.3 **There is no audit requirement to investigate all matches.** The time and effort devoted to reviewing and investigating NFI data matches is entirely a matter for participating organisations. However, given that the matches highlight inconsistencies which could indicate fraud and error, organisations must adopt a robust, risk-based approach when deciding how many, and which, matches to investigate.
- 2.4 Key reports and recommended matches are highlighted within the NFI web application to help organisations identify where finite resources should initially be focused but organisations can sort, filter and reprioritise matches in line with local fraud risk assessments.

The value of data matching can be enhanced by effective communication between participating organisations

- 2.5 The NFI web application provides a secure environment for exchanging information on data matches through a shared comment facility. This is the means by which organisations can both seek information from and provide information to the organisation on the other side of the match, to help determine whether a match indicates fraud or error.
- 2.6 There is clear evidence that many organisations are not reading and responding to shared comments on a regular or timely basis. Key contacts should ensure that review of, and response to, shared comments is factored into NFI work. This may be a better use of resources than continuing to investigate matches where no fraud and error is being found (see paragraph 2.2).
-

There is still evidence of inefficiencies in how some organisations undertake their NFI work

2.7 Previous NFI reports have highlighted how organisations could be more efficient and effective in relation to the NFI but some of these lessons have not been learnt. Figure 5 reiterates some of these key points:

Figure 5: Using the NFI more efficiently and effectively

Issue	Action
Roles and responsibilities	<ul style="list-style-type: none"> • Key contacts must be appropriate for the role and have the time, commitment and oversight necessary. • Users must know the business area in order to investigate matches effectively.
Planning	<ul style="list-style-type: none"> • Once matches are released, the Director of Finance and Key Contact should agree an approach to the review and investigation of matches and a timetable for completing the work. • Users who will investigate matches should view the relevant on-line training videos and read the latest guidance so they know the most efficient way of working.
Investigating matches	<ul style="list-style-type: none"> • Matches should be followed up promptly once available. • Priority should be given to recommended matches and key reports. • Make use of the sort and filter options within the web application to help prioritise matches. • Work within the secure web application. It is designed to streamline the process, allow easy sharing of information and ensure data security. • Report comments should be used where possible, rather than repeating the same comment on numerous individual matches. This will save time and effort. • You are not required to investigate every match. Use a risk based approach. • Time may be better spent responding to shared comments rather than continuing to investigate. • Provide short but informative comments on matches, as opposed to simply writing "No issue".
Recording and reporting	<ul style="list-style-type: none"> • Outcomes should be recorded promptly and only on the secure NFI web based application. • Ensure that <u>all</u> outcomes are captured, including qualitative ones such as national insurance number corrections. • Use outcomes to inform how controls can be improved. • Senior management, the Board and the Audit Committee should be informed of progress and outcomes. • Positive assurance can be taken from having few matches and no outcomes. • Positive outcomes such as successful prosecutions should be published both internally and externally as a deterrent.

Part Two: Using the NFI more effectively

Fraud risks are constantly evolving and a sound counter fraud strategy, of which the NFI is a part, is essential for all organisations

- 2.8 Fraud risks change as organisations, and the environment in which they operate, change. The Northern Ireland public sector is currently in the middle of a period of unprecedented change, with reductions in the number of local councils and central government departments, replacement of the education and library boards with a single education authority and significant staff losses through a voluntary exit scheme.
- 2.9 It is widely accepted that fraud risk increases in times of change. Organisations must review and revise their fraud risk assessments to take account of changing risks and ensure that their counter fraud strategy is fit for purpose. The NIAO recently published '*Managing Fraud Risk in a Changing Environment: A Good Practice Guide*' aimed at helping organisations to recognise and address the risks and challenges that change presents.
- 2.10 Figure 6 shows some of the ways in which the NFI contributes to counter fraud arrangements.

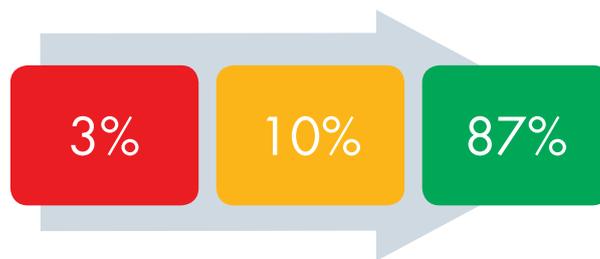
Figure 6: The NFI as part of a counter fraud strategy



The vast majority of participating organisations have sound arrangements in place in relation to the NFI

2.11 The majority of participating organisations are audited by the NIAO. Audit staff have a role in quality assuring each organisation's progress on the NFI, including how they review and investigate matches, record outcomes and report on the NFI internally. Auditors reviewed progress as at November 2015 and applied a **Red** / **Amber** / **Green** rating to each organisation (see Appendix 5 for details). As Figure 7 shows, the progress of 87 per cent of participating organisations was considered satisfactory.

Figure 7: Rating of Organisations' NFI Approach



2.12 The three organisations classed as **red** are all local councils. Significant organisational change occurred within the local government sector during this NFI exercise and these three organisations gave the NFI a low priority. One of the three councils completed its review of recommended matches by 31st March 2016, following regular reminders. The two remaining councils had not reviewed all their recommended matches by that date.

There are examples of both good and poor practice by participating organisations

2.13 Figure 8 sets out examples of both good and poor practice by participating organisations, as highlighted by audit staff:

Part Two: Using the NFI more effectively

Figure 8:

Good Practice

- The NFI is included as a standing agenda item for the Audit Committee, with reporting to the full Board as appropriate.
- NFI results are used to inform Internal Audit plans.
- The NFI investigation plan is approved by the Audit Committee before work commences.
- NFI outcomes are included as a Key Performance Indicator in the accountability review process.
- The NFI is recognised in the organisation's risk register as a mechanism for managing fraud risk.

Poor Practice

- The NFI is not given any recognition in the organisation's counter fraud arrangements and is not referred to in their Fraud Policy.
 - NFI results are not reported to the Audit Committee. There is no recognition that few matches and no outcomes represent positive assurance for the organisation.
 - A number of organisations continue to over-investigate. This is a waste of resources.
 - There are examples of organisations working offline. This is not recommended and should not be required in most cases, except perhaps in relation to trade creditors where further analysis is required.
 - Non-monetary outcomes are not always properly recorded. Corrections, such as amending national insurance numbers, are important in that they improve data quality, thereby lessening the chance of fraud happening and preventing false matches in future.
-

Part Three:
NFI Developments

Part Three: NFI Developments

Responsibility for the NFI now rests with the Cabinet Office

- 3.1 Following the abolition of the Audit Commission in March 2015, responsibility for the NFI moved to the Cabinet Office. The expertise of the NFI coordinator team and the agent who carries out the data matching has been retained, so in practice the initiative has continued unchanged.

A move towards fraud prevention is a key deliverable for the NFI

- 3.2 While the main NFI exercise every two years still produces useful outcomes, fraud and error prevention is a more efficient and effective solution for organisations, especially at a time of budgetary pressure and decreasing staff resources. Real time data matching using a new NFI product, **AppCheck**, can prevent fraud and error getting into organisations' systems. Key advantages of AppCheck are:
- it is a fraud prevention tool;
 - it provides immediate access to a wide range of datasets, reducing the administrative burden of having to seek confirmation of details on a case by case basis; and
 - it will help reduce the volume of matches in the main NFI exercise, allowing investigative capacity to be targeted more effectively and helping to maximise efficiency.
- 3.3 The NIAO is keen to work with public sector organisations to explore how AppCheck can help them reduce their fraud risk, reduce administrative burden, and help focus investigation resources on areas of greatest benefit.

The NIAO continues to implement its strategy for the development of the NFI in Northern Ireland

- 3.4 It is important that new opportunities are sought to expand and develop the NFI, by securing participation by new organisations and by including new datasets. The current exercise has seen participation by two large housing associations (see paragraph 1.28) and the inclusion of direct payments and GPs' patient registration data for the first time (see paragraph 1.56).
-

3.5 Looking ahead to NFI 2016-17, there will be a number of developments:

- It is anticipated that a third housing association, with a housing stock of 4,500 properties, will participate in the NFI. If this is confirmed, tenancy data for around 90 per cent of the social housing stock in Northern Ireland will be included in the NFI.
- The Victims and Survivors Service will participate for the first time on a voluntary basis, submitting payroll and creditors data.
- It is anticipated that data on company directors, held by Companies House, will be reintroduced to the NFI to help detect undeclared conflicts of interest.

The scope of the NFI will be extended through pilot data matches

3.6 Pilot data matches will once again be used to extend the scope of the NFI. Areas being considered include:

- Grants – we have been discussing with the NIHE the possibility of using real time data matching in relation to certain grants, to confirm eligibility at application stage, thereby preventing potential fraud or error entering the system (see paragraph 3.2).
- Rating of empty homes exclusions – a legislative change in October 2011 means that all properties, even empty homes, are subject to rates. However, there are a number of exclusions, for example where the empty home is in the possession of a personal representative of a deceased person or where the occupant is in nursing or residential care. In such cases, applications can be made for 100 per cent rates relief. LPS are keen to explore a pilot in this area, to provide confirmation that the empty homes are in fact empty.

The NIAO remains indebted to Cabinet Office NFI colleagues for their support in implementing the NFI in Northern Ireland

3.7 Once again we thank the NFI team, now based in the Cabinet Office, for their invaluable support in the development and operation of the NFI in Northern Ireland.

Appendices:

Appendix 1

(paragraph 4)

Total NFI outcomes in Northern Ireland to date

This is the fourth NFI report for Northern Ireland. Total outcomes to date are set out in the table below.

Dataset	Reporting period 1 April 2008 to 31 March 2010	Reporting period 1 April 2010 to 31 March 2012	Reporting period 1 April 2012 to 31 March 2014	Reporting period 1 April 2014 to 31 March 2016	Total to date
Housing benefit	1,322,864	5,026,800	1,651,977	1,249,692	9,251,333
Pensions	729,160	2,128,393	3,372,325	1,466,748	7,696,626
Rates	979,596	13,219,605	372,835	333,360	14,905,396
Creditors	208,536	386,635	102,868	31,725	729,764
Payroll and other	15,019	5,774	35,250	11,053	67,096
Private supported care home residents	0	14,820	0	19,943	34,763
Total	3,255,175	20,782,027	5,535,255	3,112,521	32,684,978

Outcomes are made up of actual fraud, error and overpayments identified by participating bodies and recorded on their web application plus, where appropriate, an estimated amount using the calculations set out in Appendix 4.

Appendix 2

(paragraph 1.3)

Overview of the National Fraud Initiative

What is data matching?

1. Data matching uses a web-based application to compare sets of data – such as payroll, pensions, benefits and trade creditors - held by public bodies on different financial systems, to uncover possible cases of fraud or error. A match indicates an inconsistency that may require further investigation; it does not mean there is definitely fraud or error.

The National Fraud Initiative (NFI)

2. The NFI is a data matching exercise run every two years to detect frauds and incorrect payments. To date, it has identified over £1 billion of outcomes nationally. Under the NFI, there is cross-jurisdictional data matching, so Northern Ireland data are matched with data from England, Scotland and Wales.

Code of Data Matching Practice

3. The NFI is governed by a Code of Data Matching Practice¹⁴ which ensures that data matching exercises comply with the law, in particular the Data Protection Act 1998. The Code lets individuals know why their data is being matched, the standards that apply and where they can find further information. The C&AG has statutory authority to data match and does not require the consent of the individuals concerned.

Who participates in data matching?

4. Bodies whose accounts are audited by the C&AG or a local government auditor¹⁵ may be required to participate in the NFI, where there is reasonable evidence that fraud is likely to be found. Other bodies may participate on a voluntary basis where the C&AG considers it appropriate. See Appendix 3 for a full list of participants.

How is data secured?

5. The NFI uses a secure web-based application for the transmission of data and for the accessing of matches by the participating bodies. The NFI's systems are accredited to handle, store and process information up to the restricted classification level.

14 Prepared by the C&AG under Article 4G of the Audit and Accountability (Northern Ireland) Order 2003 and available at www.niauditoffice.gov.uk

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

Appendix 3

(paragraph 1.6)

Participating Bodies – NFI 2014-15

Mandatory Participants

Northern Ireland Departments:

Department of Agriculture and Rural Development
Department of Culture, Arts and Leisure
Department of Education
Department for Employment and Learning
Department of Enterprise, Trade and Investment
Department of the Environment
Department of Finance and Personnel
Department of Health, Social Services and Public Safety
Department of Justice
Department for Regional Development
Department for Social Development
Office of the First Minister and Deputy First Minister
Public Prosecution Service (non-ministerial)

Executive Agencies:

Rivers Agency
Forest Service
Driver and Vehicle Agency
Northern Ireland Environment Agency
Planning Service
Social Security Agency
Land and Property Services Agency
Northern Ireland Statistics and Research Agency
Northern Ireland Guardian ad Litem Agency
Northern Ireland Medical and Dental Training Agency
Labour Relations Agency

Youth Justice Agency of Northern Ireland
Forensic Science Northern Ireland
Northern Ireland Courts and Tribunals Service
Public Health Agency

Other central government bodies:

Belfast Education and Library Board
North Eastern Education and Library Board
South Eastern Education and Library Board
Southern Education and Library Board
Western Education and Library Board
Invest Northern Ireland
Northern Ireland Assembly
National Museums and Galleries of Northern Ireland
Northern Ireland Council for the Curriculum, Examinations and Assessment
Northern Ireland Fire and Rescue Service
Northern Ireland Housing Executive
Northern Ireland Tourist Board
Arts Council of Northern Ireland
Sport Northern Ireland
Livestock and Meat Commission
Agri-Food and Biosciences Institute
Libraries Northern Ireland
Council for Catholic Maintained Schools
Construction Industry Training Board
Ulster Supported Employment Ltd
Belfast Metropolitan College
South West College
South Eastern Regional College
Southern Regional College
Northern Regional College
North West Regional College

General Consumer Council
 Health and Safety Executive
 Commissioner for Children and Young People
 Northern Ireland
 Equality Commission Northern Ireland
 Strategic Investment Board
 Northern Ireland Legal Services Commission
 Probation Board for Northern Ireland
 Northern Ireland Authority for Utility Regulation
 Community Relations Council
 Stranmillis University College

Health Services Bodies:

Business Services Organisation
 Health and Social Care Board
 Belfast Health and Social Care Trust
 Northern Health and Social Care Trust
 South Eastern Health and Social Care Trust
 Southern Health and Social Care Trust
 Western Health and Social Care Trust
 Northern Ireland Social Care Council
 Regulation and Quality Improvement Authority
 Northern Ireland Blood Transfusion Service
 NI Ambulance Service HSS Trust

Local Government Bodies:

Antrim Borough Council
 Ards Borough Council
 Armagh City and District Council
 Ballymena Borough Council
 Ballymoney Borough Council
 Banbridge District Council
 Belfast City Council
 Carrickfergus Borough Council

Castlereagh Borough Council
 Coleraine Borough Council
 Cookstown District Council
 Craigavon Borough Council
 Derry City Council
 Down District Council
 Dungannon and South Tyrone District Council
 Fermanagh District Council
 Larne Borough Council
 Limavady Borough Council
 Lisburn City Council
 Magherafelt District Council
 Moyle District Council
 Newry and Mourne District Council
 Newtownabbey Borough Council
 North Down Borough Council
 Omagh District Council
 Strabane District Council
 Northern Ireland Local Government Officers'
 Superannuation Committee
 Arc21

Voluntary participants

Electoral Office
 Northern Ireland Audit Office
 Translink
 Northern Ireland Water
 St Mary's University College
 Helm Housing Association
 OakleeTrinity Housing Association

Appendix 4 (footnote 4 at paragraph 1.11)

Formulae for calculating outcomes, including forward savings

Dataset	Basis of calculation
Housing benefit	Value of fraud or error detected plus forward savings calculated as the weekly benefit reduction multiplied by 21 weeks
Pensions	Cabinet Office formula: annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Creditors	Value of overpayments
Rates	Value of fraud or error detected plus forward savings calculated as the average annual rates bill (£700) multiplied by 2. For Lone Pensioner Allowance, the forward savings are £700 x 2 x 20% for each case, as LPA gives 20% relief.
Payroll	Value of overpayments, plus £5,000 per case where an employee is dismissed or resigns, or £10,000 per immigration case (estimated amounts based on future losses prevented where a fraudulent employee resigns or is removed from post)
Private supported care home residents	Value of fraud or error detected plus forward savings calculated as 13 weeks x average weekly cost (£544), rounded down to £7,000

Appendix 5

(paragraph 2.11)

Audit Assessment of Organisations' NFI Arrangements

RED (High Risk)

- There has been little or no activity and progress on matches.
- There is a significant risk that all planned review and investigation work will not be carried out on time.
- The Key Contact for NFI has been ineffective or has inadequate influence within the organisation.

AMBER (Medium Risk)

- There has been some progress on matches in key reports but not all key reports have been opened and not all recommended matches reviewed.
- There is a risk that all planned review and investigation work will not be carried out on time.
- The Key Contact for NFI is an appropriate person but improvements to NFI arrangements could be made.

GREEN (Low Risk)

- Good progress is being made on all key reports and recommended matches.
 - The organisation is on track to complete all review and investigation work on time.
 - The Key Contact for NFI is effective and experienced in the NFI process.
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