

Public Audit and Post-Legislative Scrutiny Committee

National Fraud Initiative

Submission from Northern Ireland Audit Office

- **What have been the benefits, financial and otherwise, of putting the National Fraud Initiative on a statutory footing?**

Data matching legislation in Northern Ireland, as in Scotland, England and Wales, provides a clear statutory footing which requires the majority of public sector organisations to provide their key data for matching purposes. Being able to mandate data in this way helps ensure a significant level of data capture which in turn boosts the level of fraud that can be detected and/or prevented.

Since 1996, the NFI has realised over £1.1 billion savings nationally. This has only been possible because of the clear legal basis for the exercise, which includes arrangements for matching data across the four countries.

NIAO believes that the NFI should continue on a statutory footing.

- **Could the legislation be strengthened in any way?**

There are two potential ways in which the legislation could be strengthened:

- extend the purposes for which data matching can be carried out; and/or
- mandate follow-up of matches by organisations.

Purposes

There are legislative differences in the data matching powers of England, Scotland, Wales and Northern Ireland. Our understanding is that under current legislation, Scotland cannot extend its data matching powers to include debt recovery (this can be added under E, W and NI legislation) or errors and inaccuracies (this can be added under English legislation). Such extensions would potentially provide greater outcomes.

Follow-up

While organisations can be mandated to provide their data, current legislation does not require them to take any specified follow-up action in relation to the data matches they receive.

Data matches highlight an inconsistency which could indicate fraud or error. Logically, therefore, the more follow-up and investigation of matches that is undertaken, the more outcomes there are likely to be.

There is, however, a balance to be struck between little or no effective follow-up by organisations and mandating organisations to look at all matches (which could cause significant resourcing issues for many organisations). Currently, the general approach adopted is a collaborative one, whereby organisations are encouraged to review and investigate a targeted sample of matches based on identified fraud risks. NIAO (and Audit Scotland), as statutory external auditors, can challenge those

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organisations which do not adopt a proportionate, risk-based approach to their NFI work.

NIAO would have reservations about extending the legislation to include the mandatory follow-up of matches. It may, however, be possible to introduce a limited power which would enable the statutory auditors to require action in certain defined circumstances.

- **Should participation in the National Fraud Initiative be improved? Are there any bodies who do not participate in the National Fraud Initiative who should do so?**

The NI Comptroller and Auditor General and the Local Government Auditor can mandate participation in the NFI by those organisations for which they have audit responsibility. There are other organisations which receive significant sums of public money but because there is no audit relationship, there is no power to mandate participation.

Organisations can choose to participate voluntarily and in Northern Ireland, for example, three of the largest housing associations (which receive significant public money) participate on this basis.

There may be a case for extending the coverage of the NFI to include, on a mandatory basis, organisations which receive significant amounts of public money even though they are not audited by the Comptroller and Auditor General and the Local Government Auditor (and equivalent in Scotland).

A further improvement would be an increased emphasis on preventative measures, for example by way of real time data matching. This is aimed at preventing fraud getting into the system in the first place, rather than detecting it after it has occurred, and is potentially a more efficient and effective way of tackling fraud.

This area of NFI functionality continues to be developed. The value of real time data matching would be significantly increased if key datasets, such as those held by HMRC, were available to the NFI.