ANNUAL THEFT & FRAUD REPORT

2015/16

Compiled by the Department of Finance

THEFT & FRAUD REPORT 2015/16

CONTENTS

SECTION 1

Introduction

Background

1.1 Managing Public Money NI (MPMNI) Chapter 4 requires the Department of Finance (DoF) to prepare an annual report on all 'actual', 'suspected' and 'attempted but prevented' frauds involving public money reported by departments. The information is collated by DoF through an annual exercise completed by departments in respect of their own core department, their agencies, Non Departmental Public Bodies (NDPBs) and other sponsored bodies.

1.2 The purpose of the report is to identify trends in the cases reported and to highlight to bodies how such cases have been perpetrated and, more importantly, highlight controls that should be considered to help prevent and detect such cases in the future.

Defining fraud

1.3 It should be noted that while the 2006 Fraud Act provided a legal definition for the term "fraud", the exercise undertaken and this report has been written to provide a wider view and therefore "fraud" includes both reported cases of theft, and cases which historically may have been referred to as false accounting, bribery and corruption, conspiracy to defraud etc. The cases included in this report include not only 'actual' cases but 'suspected' and also 'attempted but prevented' cases reported by departments for the 2015/16 year.

Scope of report and analysis of cases

1.4 As stated at Para 1.1 the report includes cases of theft and fraud reported by NICS departments in respect of their core departments and agencies, along with cases relating to departments' NDPBs and other sponsored bodies.

These cases have been reported by the 12 departments which were in existence in 2015/16.

1.5 The returns provided to DoF do not include cases which may have arisen in the following bodies:-

- the NI Assembly;
- the NI Audit Office;
- the Office of the NI Public Services Ombudsman; or
- NI district councils.

1.6 Although summary reports on specific fraud risk areas are included at Section 5 these specific types of fraud are not included in the main analysis sections. These include the areas of:-

- SSA – Benefit Fraud;
- NIEA – Environmental Crime;
- LPS – Benefit Fraud;
- Legal Services Agency NI – Legal Aid Fraud;
- NI Housing Executive – Tenancy Fraud; and
- NI Water – Water Connections.

1.7 Section 5 also contains a summary of the counter fraud work undertaken by Business Services Organisation (BSO) within the Health Sector.

1.8 This report is based on known information provided by departments and does not purport to be a complete/absolute record of all cases of theft and fraud perpetrated during the 2015/16 period. Additionally the report does not include 'suspected' cases which were investigated during the course of the year but were subsequently found to be unfounded.

1.9 The report is still considered to be a useful source of information for members of the NICS Fraud Forum and for those staff in NI public sector bodies in helping to prevent and detect fraud in specific risk areas.

SECTION 2

General Fraud Issues Update

Number of cases reported annually

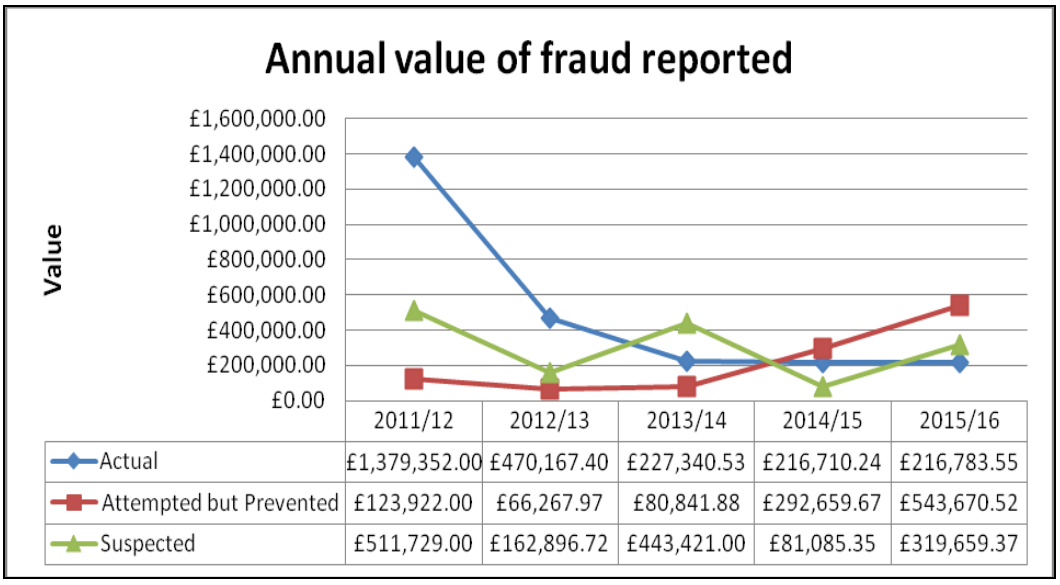
2.1 The number of cases reported this year as part of the annual exercise to DoF was 310 cases. This includes:

- 148 cases reported as 'actual';
- 118 cases reported as 'suspected'; and
- 44 cases reported as 'attempted but prevented' cases.

Annual value of fraud reported (actual, suspected and attempted)

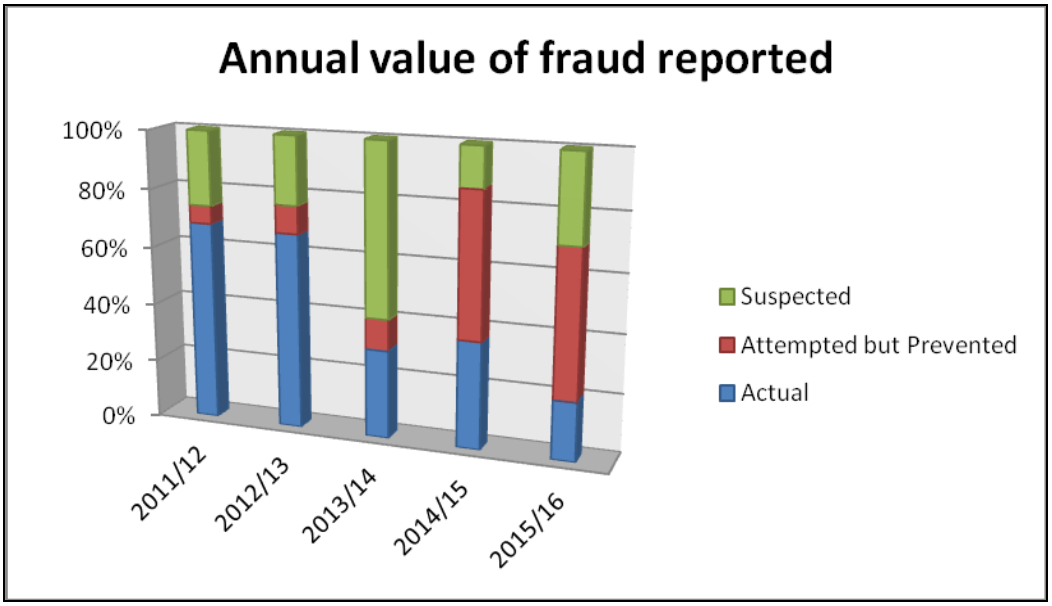
2.2 The total value of the cases reported was £1,080k[1]. This value includes:-

- £217k reported in cases categorised as 'actual' cases;
- £320k reported in cases categorised as 'suspected' cases; and
- £544k reported in cases categorised as 'attempted but prevented' cases.



	2011/12	2012/13	2013/14	2014/15	2015/16
Actual	£1,379,352.00	£470,167.40	£227,340.53	£216,710.24	£216,783.55
Attempted but Prevented	£123,922.00	£66,267.97	£80,841.88	£292,659.67	£543,670.52
Suspected	£511,729.00	£162,896.72	£443,421.00	£81,085.35	£319,659.37

[1]There may be a slight discrepancy in the exact values or percentages quoted in the report due to the rounding of figures.



2.3 It is particularly important to note this year that 44 cases, with a value of £544k, (50% of the overall value reported) fall into the category of 'attempted but prevented'. In these cases as the attempts to defraud were thwarted there was no resulting financial loss to the organisation concerned.

2.4 Departments advised that in 130 cases values could not be provided or estimated – this is often due to the early stage of investigation. In 122 cases of the 180 cases where values were reported an actual value was provided – this accounted for £733k (68% of overall reported value). In the remaining 58 cases estimated values were provided. This equates to £347k (32% of the overall reported value).

National Fraud Initiative - data matching

2.5 Data matching as part of the National Fraud Initiative (NFI) is one of the key mechanisms used by NI public sector bodies to prevent and detect fraud. The NFI has been endorsed previously by the Public Accounts Committee as "a key tool in the armoury against fraud and error."

2.6 The Comptroller and Auditor General NI (C&AG) acquired data matching powers in 2008 and all organisations whose accounts are audited by the C&AG or Local Government Auditor may be required to submit their data for matching. The NFI exercise is run every two years by the Cabinet Office.

2.7 Over 100 public sector bodies took part in the most recent NFI exercise, the fourth in Northern Ireland. The C&AG published the outcomes of this exercise in July 2016. A copy of his report is available on the NI Audit Office website. Outcomes to date from these exercises are almost £33 million, principally in the areas of pensions, rates and housing benefit.

2.8 The fifth NFI exercise in Northern Ireland has been launched, with data uploaded by participating organisations in October 2016. Matches will be released in January 2017 and organisations will review and investigate their data matches in line with their own fraud risk assessments.

2.9 The C&AG continues to seek ways of maximising the benefits of the NFI and will explore with participating organisations the possible introduction of real time data matching.

Organised Crime Task Force (OCTF)

2.10 The OCTF was established in 2000 to provide strategic direction to tackle organised crime in NI through a multi agency partnership. The OCTF does not take any operational responsibility – that remains with the individual law enforcement agencies – but is supported by sub groups each dealing with specific operational and policy issues. The Taskforce is chaired by the Minister for Justice.

2.11 The OCTF and its sub groups continue to have representation from NI central government organisations, where such organisations have an input into addressing organised criminality in specific areas. Additionally the Treasury Officer of Accounts is a member of the Criminal Finances Sub Group. Also acting as the Chair of the NICS Fraud Forum the Treasury Officer of Accounts' attendance assists in maintaining contact between the OCTF and the NICS Fraud Forum.

2.12 The OCTF's 2016 Annual Report and Threat Assessment highlights that for 2015/16 the principal threats from organised crime were assessed to be armed robbery and cash in transit attacks; tiger kidnaps; drugs; counterfeit currency; excise and tax fraud (including oils fraud); organised immigration crime

including human trafficking; intellectual property crime; internet crime; ticket fraud and money laundering.

2.13 The 2016 Organised Crime Task Force Annual Report and Threat Assessment can be obtained at: OCTF Annual Report and Threat Assessment 2016.

NICS Fraud Forum

2.14 The NICS Fraud Forum is a best practice advisory group made up of representatives from all NI Civil Service departments, along with representatives from the NIAO, the Public Prosecution Service and the Police Service of Northern Ireland. Representatives from the Business Services Organisation (Health Sector) and NI Housing Executive also attend the Forum. The Forum has been in existence since 2005, meeting 2-3 times per year under the chairmanship of the DoF Treasury Officer of Accounts.

2.15 During the 2015/16 year the Fraud Forum met three times. Through these meetings the Forum:-

- reviewed the draft 2014/15 Annual Theft and Fraud Report;
- considered emerging fraud trends and the need for additional guidance;
- were updated on data sharing proposals being put forward by Cabinet Office;
- received updates on the work of the OCTF sub group;
- received a presentation from FIN NET – a fraud intelligence sharing and coordination group;
- assisted in the establishment of the NICS Group Fraud Investigation Service, including reviewing and inputting to Memorandum of Understanding (MOU) and Service Level Agreement (SLA) documents for the service;
- were updated on the progress and timescale for completion of the fourth NFI exercise;
- considered issues and guidance relevant to the handling of Whistleblowing concerns; and
- quality assured an e-learning package which has now been rolled out to NICS departments.

2.16 Fraud guidance issued by DoF during the 2015/16 period included the circulation of the NIAO's Guide to "Managing Fraud Risk in a Changing Environment: a Good Practice Guide". This was issued under cover of a Finance Director letter (FD (DFP) 09/15) in November 2015. Departments were asked to draw it to the attention of relevant staff in their departments, agencies and Arm's Length Bodies (ALBs).

Establishment of the NICS Group Fraud Investigation Service

2.17 During 2015/16 a NICS Group Fraud Investigation Service was established with the support of Permanent Secretaries Group. Although based in DoF the Service provides fraud investigation services to most of the NICS departments, their agencies and a range of ALBs. MOUs and SLAs are in place between the Group Head of Service and the various users. These set out the roles and responsibilities of the service and those of departments etc.

2.18 During the Fraud Investigation Service's first year of operation 41 investigations were carried out. The most common type of potential fraud investigated was grant related followed by contracting / payments and then pay and allowances.

2.19 Although a small team, the Fraud Investigation Service has been a useful addition for those NICS departments who historically did not have their own in-house fraud investigation teams.

SECTION 3

An analysis of 'actual', 'suspected' and 'attempted but attempted' fraud as reported to DoF through the 2015/16 Annual Fraud Return exercise.

Number of cases reported

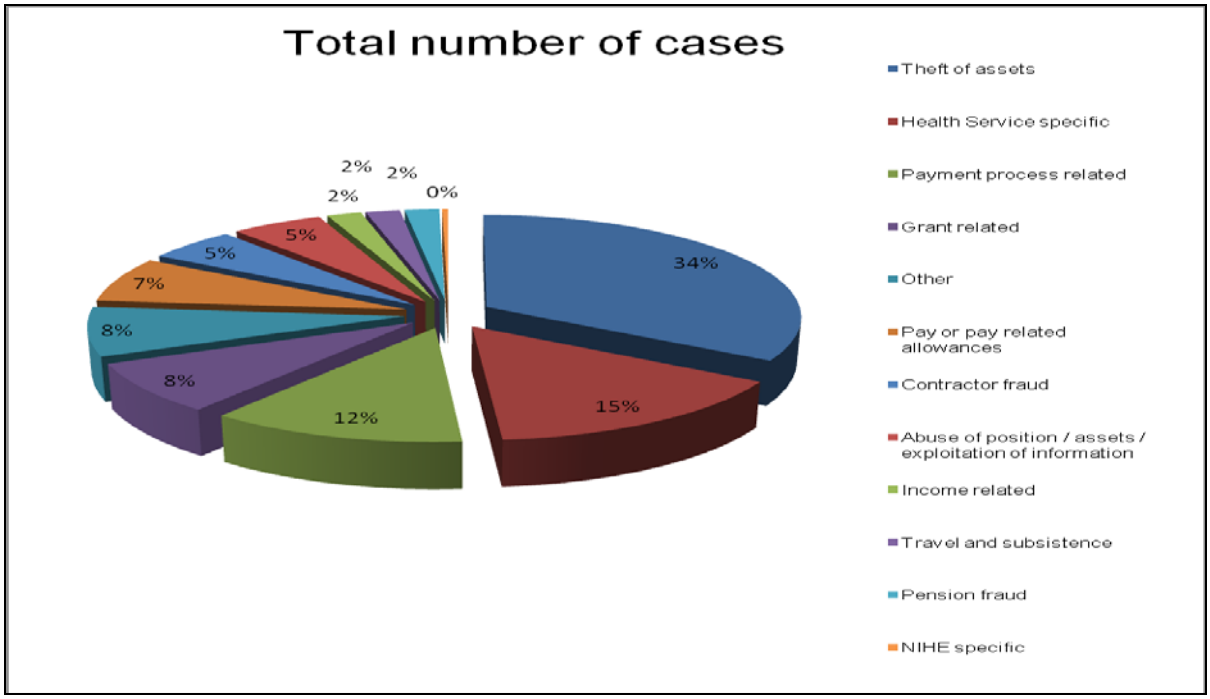
3.1 Departments reported 310 cases to DoF as part of the 2015/16 annual exercise. This is a 16.5% decrease from 2014/15 when 372 were reported though this can be partly explained in the reduction in Health Service specific cases (47 this year compared to 117 in the 2014/15 year). This is due to the removal of Health Service specific cases relating to individuals availing of health services who may not have an entitlement to do so. Due to the specialist nature of such cases these are now reported as part of the Business Service Organisation input in Section 5.

3.2 The highest number of cases reported in 2015/16 fell into the theft of assets category. This year 104 cases were reported in this category. This is a similar level to 2014/15 when 101 cases were reported.

3.3 No other significant increases or decreases in cases reported in individual categories were identified from the figures provided.

3.4 Of the 310 cases reported 148 were recorded as 'actual' cases; 118 as 'suspected' cases; and 44 as 'attempted but prevented'.

Number of frauds reported by category					
			Categorisation of case reported		
Category of Fraud	**Total Number of Frauds**	**Percentage of frauds reported**	**Actual**	**Attempted but Prevented**	**Suspected**
Theft of assets	104	34%	78	1	25
Health Service specific	47	15%	25	16	6
Payment process related	37	12%	9	17	11
Grant related	25	8%	2	5	18
Other	24	8%	13	4	7
Pay or pay related allowances	22	7%	7	0	15
Contractor fraud	16	5%	1	1	14
Abuse of position / assets / exploitation of information	16	5%	4	0	12
Income related	6	2%	5	0	1
Travel and subsistence	6	2%	4	0	2
Pension fraud	6	2%	0	0	6
NIHE specific	1	0%	0	0	1
TOTALS	**310**	**100%**	**148**	**44**	**118**



Value of Cases Reported

3.5 The value of the cases reported in 2015/16 was £1,080k. This is made up of:

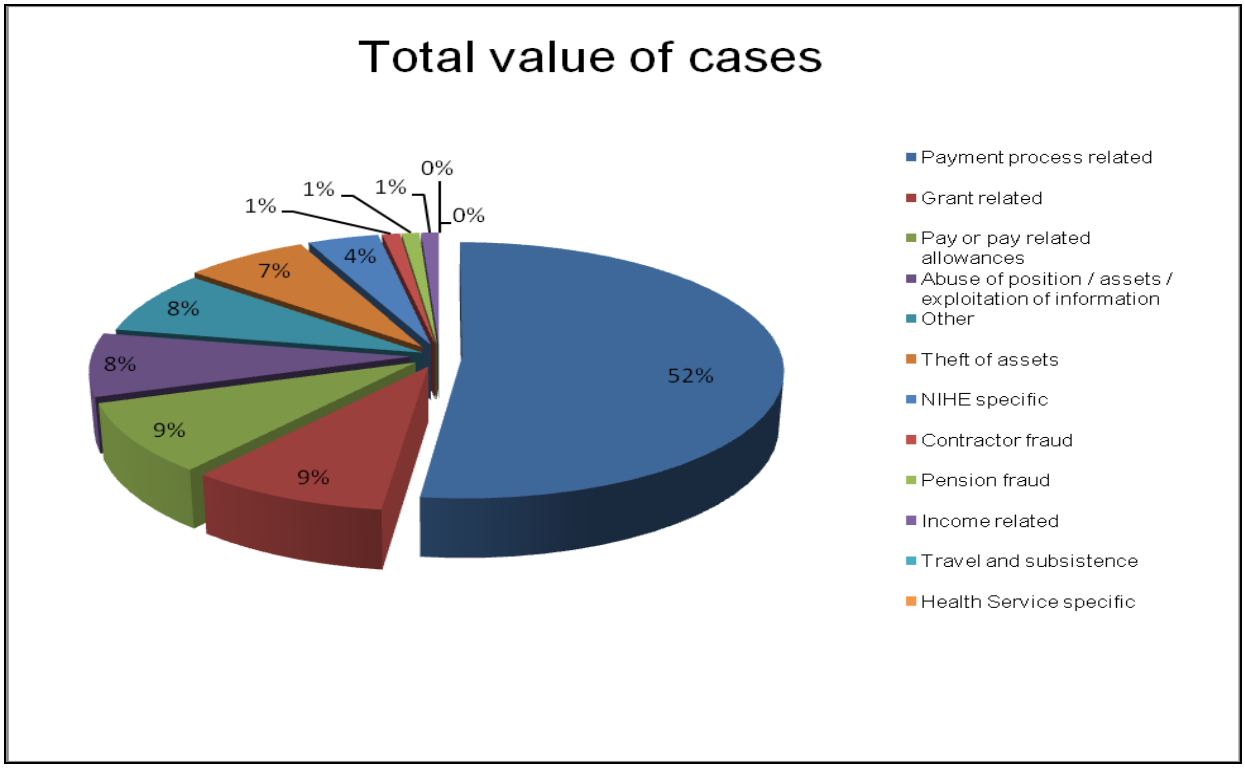
- £733k where actual values were reported (122 cases); and
- £347k where estimated values were reported (58 cases).

3.6 Compared to 2014/15 when £590k was the overall value figure reported this looks like a significant increase in value i.e. a 83% increase. However this can be explained by a number of high value cases particularly in the payment process related category which accounted for £559k (52%) of the overall value.

3.7 It is also important to note that many of the cases in this category fell into the 'attempted but prevented' classification. While the value recorded for individual cases was high these attempts to defraud the public sector were unsuccessful and as such there was no loss to the public sector. This is discussed further in Section 3.

3.8 The table below shows the breakdown of value of cases broken down by 'actual', 'suspected' and 'attempted but prevented' categories.

Value of cases reported by category							
Category of fraud	**Total**	**Number of cases where a value was recorded**	**Number of cases where a value could not be estimated**	**Actual value**	**Estimated value**	**Total value**	**Percentage of total value of cases reported**
Payment process related	37	28	9	£557,557.39	£1,173.00	£558,730.39	52%
Grant related	25	18	7	£44,024.79	£53,400.00	£97,424.79	9%
Pay or pay related allowances		8	14	£66,212.78	£30,532.00	£96,744.78	9%
Abuse of position /assets/ exploitation of information	16	5	11	£83.00	£82,750.00	£82,833.00	8%
Other	24	15	9	£4,141.50	£77,500.00	£81,641.50	8%
Theft of assets	104	89	15	£33,824.19	£44,332.78	£78,156.97	7%
NIHE specific	1	1	0	£0.00	£50,000.00	£50,000.00	4%
Contractor fraud	16	3	13	£7,395.76	£6,500.00	£13,895.76	1%
Pension fraud	6	4	2	£11,732.37	£0.00	£11,732.37	1%
Income related	6	6	0	£7,340.00	£21.28	£7,361.28	1%
Travel and subsistence	6	3	3	£1,008.70	£583.90	£1,592.60	0%
Health Service specific	47	0	47	£0.00	£0.00	£0.00	0%
Total	**310**	**180**	**130**	**£733,320.48**	**£346,792.96**	**£1,080,113.44**	**100%**



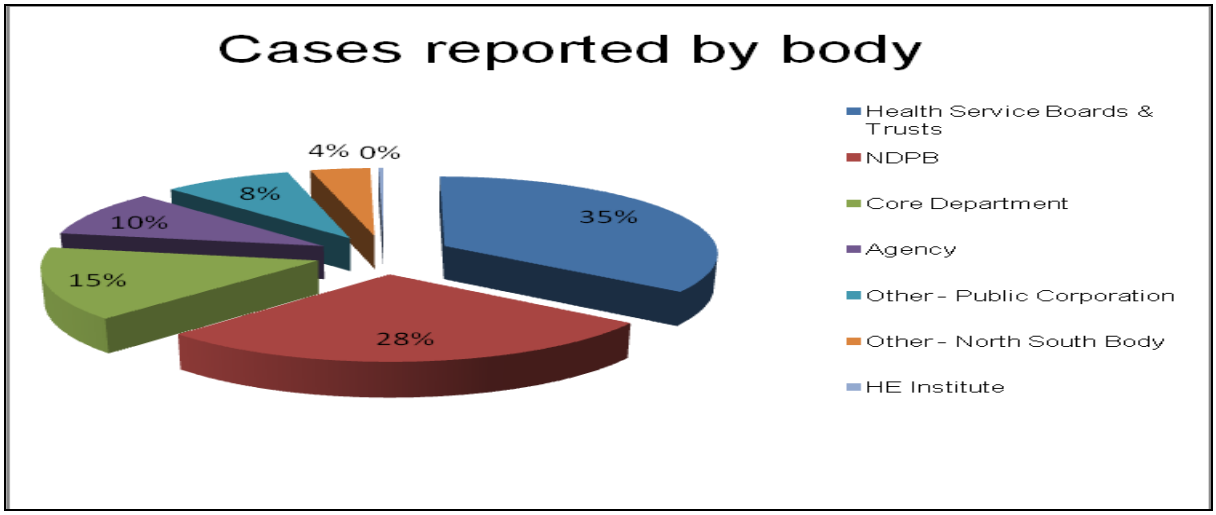
3.9 As shown in the table above, there were 130 cases where no values were provided. This was mainly in the Health Service Specific category which accounted for 47 cases. In other cases values were not provided due to the early stage of investigation or because there was no direct quantifiable loss to the reporting organisation.

3.10 The category with the highest value was payment process related. The value in this category was £559k. This accounted for 52% of the overall value.

Bodies Reporting Cases

3.11 The majority of cases reported (108 cases - 35%) were reported by Health Service Boards and Trusts. This was then followed by NDPBs (86 cases – 28%) and Core department (47 cases – 15%). The table below details the breakdown by body. This is similar to the information reported in previous years.

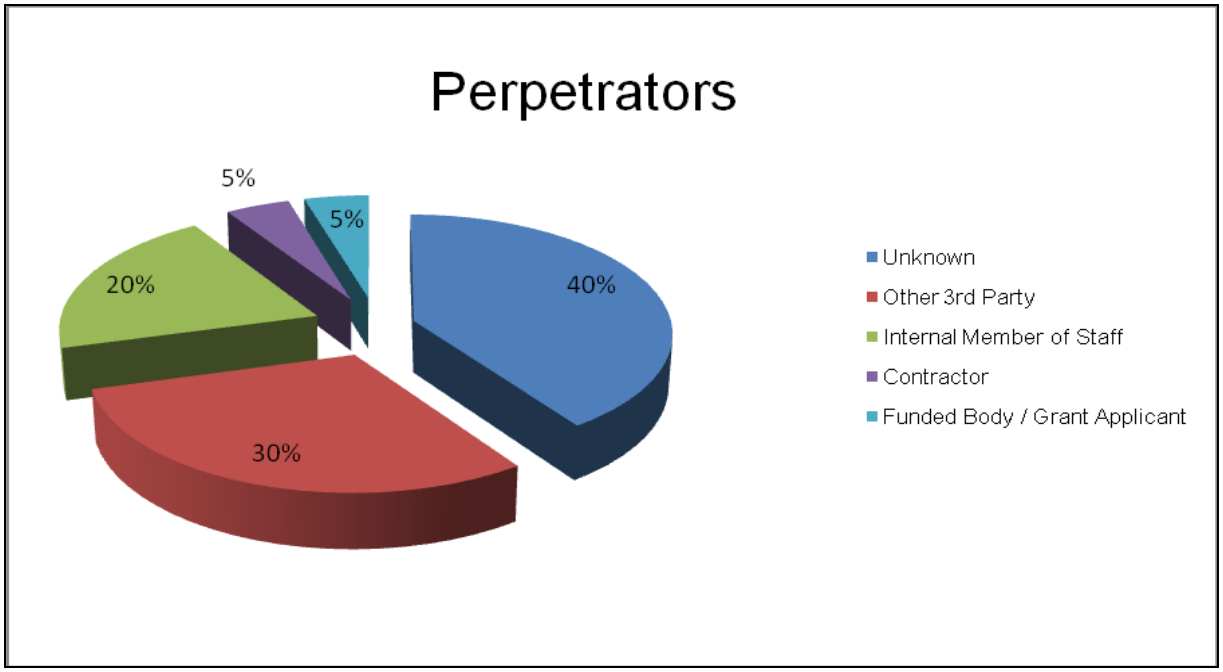
Cases reported by body		
Body where case occurred	**Number of cases**	**Percentage of cases reported**
Health Service Boards & Trusts	108	35%
NDPB	86	28%
Core Department	47	15%
Agency	30	10%
Other - Public Corporation	26	8%
Other - North South Body	12	4%
HE Institute	1	0%
Total	**310**	**100%**



Perpetrators

3.12 In 40% of the cases (125 cases) the perpetrator was unknown. In a further 30% (94 cases) the perpetrator was recorded as 'other – third party'. Internal staff members were considered to be the perpetrator in 63 cases (20% of all cases).

Reported by Perpetrators		
Perpetrators	**Number of cases**	**Percentage of cases reported**
Unknown	125	40%
Other 3rd Party	94	30%
Internal Member of Staff	63	20%
Contractor	14	5%
Funded Body / Grant Applicant	14	5%
Total	**310**	**100%**

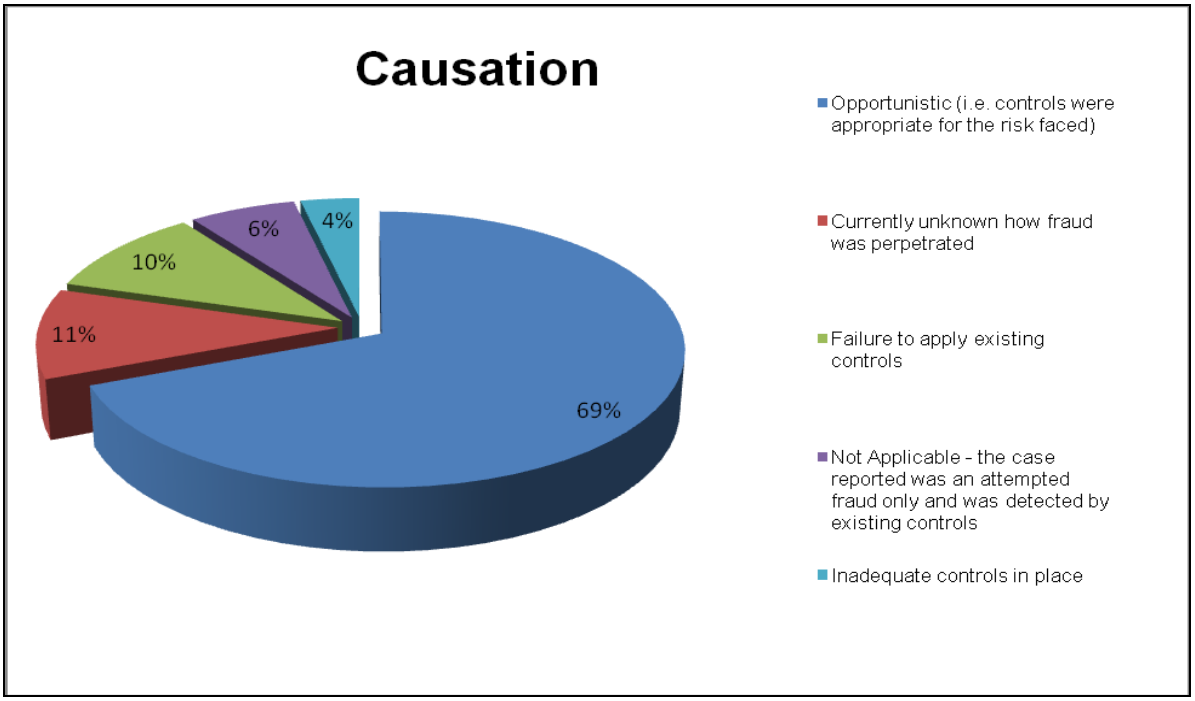


Causation

3.13 As in previous years the cause of many cases (214 cases – 69%) is considered to be opportunistic. This is where it is assessed that the controls are appropriate for the particular risk faced but the opportunity to commit theft/fraud still exists. This causation is often recorded against the theft of assets category.

3.14 In 20 cases (6%) the case was 'attempted but prevented' and was therefore not successful due to being detected by controls already in place. This was commonly reported in the category of payment related cases where internal or bank checking procedures prevented the attempts to obtain funds fraudulently.

Causation		
Causation	**Number of cases**	**Percentage of cases reported**
Opportunistic (i.e. controls were appropriate for the risk faced)	214	69%
Currently unknown how fraud was perpetrated	33	11%
Failure to apply existing controls	32	10%
Not Applicable - the case reported was an attempted fraud only and was detected by existing controls	20	6%
Inadequate controls in place	11	4%
Total	**310**	**100%**

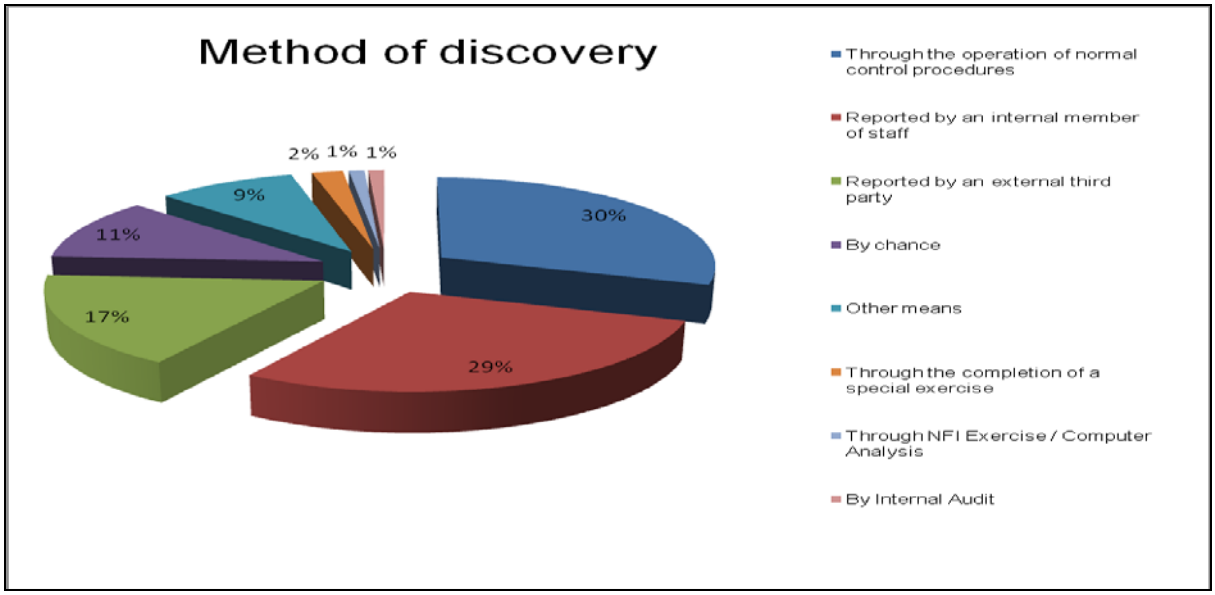


Method of Discovery

3.15 30% of cases (92 cases) were discovered through the operation of management checks; closely followed by 29% (90 cases) being reported by an internal member of staff.

3.16 Other means accounted for 27 cases (9%) and included cases being discovered through processes/activities such as whistleblowing.

Method of discovery		
Description of discovery	**Number of frauds reported**	**Percentage of frauds reported**
Through the operation of normal control procedures (includes management and supervisory checks)	92	30%
Reported by an internal member of staff	90	29%
Reported by an external third party	52	17%
By chance	34	11%
Other means	27	9%
Through the completion of a special exercise	8	2%
Through NFI Exercise / Computer Analysis	4	1%
By Internal Audit	3	1%
Total	**310**	**100%**



Whistleblowing

3.17 Departments reported that 26 cases (8% of all cases) were reported through established whistleblowing arrangements. This is a reduction from the 2014/15 year when 74 cases were reported. This decrease reflects the removal of health entitlement cases from the main analysis.

3.18 Of the 26 cases recorded as reported via whistleblowing:

- 1 was recorded as an 'actual' case; and
- 25 were recorded as 'suspected' cases.

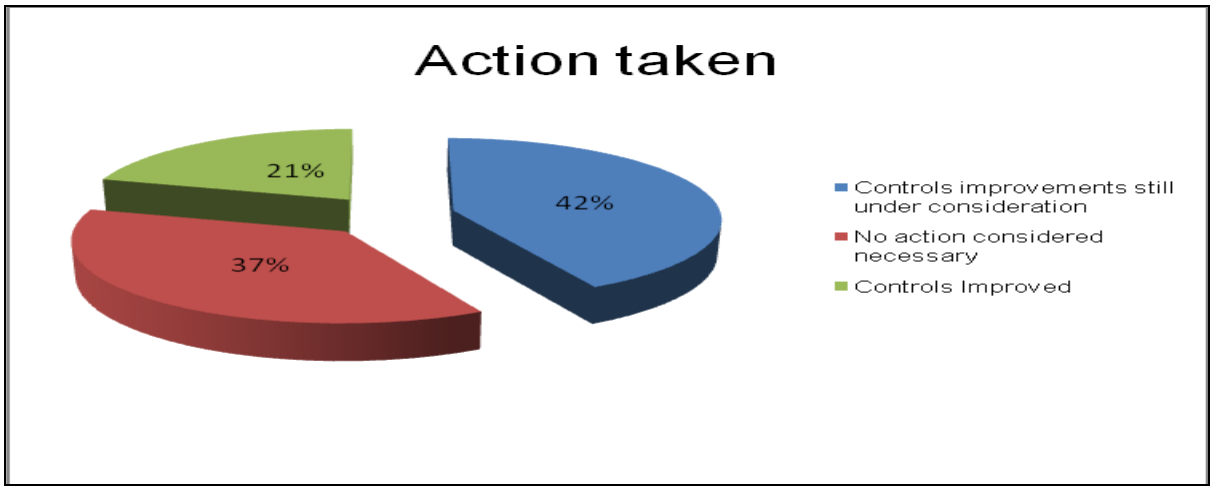
3.19 The cases spanned the categories of grant, pay or pay related allowances and abuse of position.

Actions taken to improve controls

3.20 In 42% of the cases (131 cases) consideration was still being given to control improvements. In a further 37% (115 cases) no additional actions were considered necessary.

3.21 In 21% (64 cases) controls had been improved. More detail on the nature of controls implemented is outlined in Section 4.

Action taken		
Action Taken	**Number of cases**	**Percentage of cases**
Controls improvements still under consideration	131	42%
No action considered necessary	115	37%
Controls Improved	64	21%
Total	**310**	**100%**



SECTION 4

An analysis of the main categories of cases reported.

Theft of assets

4.1 104 cases were reported in this category of which 78 were 'actual' cases; 1 'attempted but prevented' and 25 'suspected'.

4.2 The value reported was £78k in total – this sum includes actual and estimated values combined.

4.3 In terms of number of cases reported this was the most common category reported. The value of cases reported was £7k lower than in the previous year (£85k).

4.4 A range of items were recorded as being stolen under this category. These included theft of cash sums; cameras; tools, batteries; chainsaws; laptops, etc.

4.5 There were 6 cases reported relating to theft of fuel/heating oil. This is a decrease in cases reported in 2014/15 when 23 cases were reported. There were 4 cases of lead/metal theft. Again this is a slight decrease from the 5 cases reported in 2014/15. This supports the general view that the level of thefts of metal and fuel etc have stabilised in recent years following increases in previous years.

4.6 In many theft of asset cases departments have reported that no additional action is considered necessary. In other cases procedures have been reviewed and re-circulated; cash has been stored in more secure locations; signs have been erected to show lead replacement products have been used to replace stolen lead; and more regular supervisory checks implemented etc.

Health Service specific

4.7 47 cases were reported in this category. These cases were mainly related to where persons are believed to be obtaining or attempting to obtain prescription medication fraudulently. Many of the cases are ongoing at the time of

reporting. They are generally detected through reporting by an external party or by chance. Values for these cases have not been provided.

Payment process related

4.8 This category accounts for 37 cases, 12% of all cases but with a value of £559k, 52% of the overall value of cases.

4.9 The cases include where forged/false bank notes are taken and presented for lodgement. These are normally in currency denominations of £10's or £20's. It also includes many 'attempted but prevented' cases where organisations' cheques have been altered; credit cards have been misused; emails have been received requesting fund transfers; and fake direct debits being set up.

4.10 This category included some particularly high value cases (including one for over £356k) when a forged cheque was used but was detected and no loss occurred. Additionally there were a number of £20-35k value cases where email requests for funds transfer were received purporting to come from senior officials and one 'suspected' case of refunds being made inappropriately. This case was given an estimated value of £89k.

4.11 In many instances the controls in place are considered adequate to prevent such attempts, and indeed in practice have. However in other areas staff have been reminded of currency checking procedures and fraud alerts have been issued to staff to advise them of the need to be vigilant regarding receipt of emails. This category also highlights the need for ongoing and thorough bank reconciliations to be undertaken.

Grant related

4.12 Among the 25 cases reported in this category are cases where grant recipients do not have a correct entitlement to grants/payments; inaccurate information has been provided to support a claim; and where false documentation is suspected of being provided to back up grant payment eligibility.

4.13 The value of these cases was given as £97k which is a significant reduction in this category from the £274k value reported in the previous year.

4.14 In many of the cases the attempts were prevented or detected by existing controls. They do however highlight the need for staff and management vigilance when processing and checking grant payments.

Other

4.15 There were 24 cases reported in this category in 2015/16, this has increased from 12 cases in the previous year.

4.16 The cases reported are quite diverse in nature and include the detection of fake/false or altered driving licences and passports and ID cards; misuse of telephones; public liability claims which are suspected to be fraudulent; and misuse of the Blue Badge Scheme. Many of these cases were considered to be opportunistic in nature. Three high value cases alone in this category account for £70k of the overall £82k reported. All relate to 'attempted but prevented' public liability claim cases.

Pay or pay related allowances

4.17 22 cases with a value of £97k were reported in this category. 15 of the cases were 'suspected' at the time of reporting.

4.18 Cases range from staff/employees making false overtime claims; staff working elsewhere while on sick absence; staff not working conditioned/claimed for hours; and unauthorised claims being submitted.

4.19 Once again these cases highlight the need for managers to be vigilant in the checking/authorisation of claims and for organisations having clear HR policies and procedures which are known to employees.

Abuse of position/assets/exploitation of information

4.20 This category recorded 16 cases with a value of £83k - 8% of the overall value reported.

4.21 Cases included where employees misused their position to obtain cash through customer charging/cash receipt procedures; staff carried out private work on an organisation's time; and misuse of an organisation's property/assets. Many of the cases reported are 'suspected' only with investigations ongoing.

4.22 One high value case of £50k is reported within the category and relates to where an employee misused their position to obtain additional funding/payment.

4.23 Due to the adverse range of cases in this category it is difficult to identify generic lessons learned however they do highlight the importance of having strong ethical cultures in an organisation including the need for Whistleblowing arrangements so that concerned fellow staff can bring such issues to the attention of management.

Contractor fraud

4.24 There were 16 cases reported in this category with a total value of £14k.

4.25 A number of cases reported in this category related to cases in the Health Sector including where there were concerns about financial controls in care homes, and claims made by contractors/providers. Other cases related to contractors not having appropriate insurances in place and suspicions that work was not done or was not required.

4.26 These cases highlight the need for contracting organisations to ensure that there are proper contract management procedures in place.

Income related

4.27 Income related cases reported this year relate to cash shortages in lodgements and lodgements not tallying with sums receipted. In total there were 6 cases in this category. The value of these cases was £7k.

Travel and subsistence related

4.28 Six cases were reported in this category with a value of £1.5k. Cases related to where journeys claims have not been made or are suspected of not being made, or where free travel voucher details had been amended.

4.29 The key point to note in these cases is the need for line managers to be careful when approving staff travel claims and to consider the need to cross check claims against diary entries or other supporting documentation.

Pension fraud

4.30 Pension fraud cases reported included failure to notify deaths of pensioner resulting in the ongoing payment of pensions after death and issues around pension entitlements when individuals left on ill health retirement. The total value of the cases was £12k.

4.31 Three of the cases were detected through NFI as part of the cyclical process of pension data matching to death records.

NIHE specific

4.32 One case fell into this category relating to the payment of housing benefit. The case was investigated internally and by PSNI and criminal prosecution is either being taken or considered with losses being recouped.

SECTION 5

5.1 Summary reports provided by the relevant organisations are included in this section. These came from:-

- SSA – Benefit Fraud
- NIEA – Environmental Crime
- LPS – Benefit Fraud
- Legal Services Agency NI – Legal Aid Fraud
- NI Housing Executive – Tenancy Fraud
- NI Water – Water Connections
- Health Sector – Counter Fraud Services

5.2 These have been included in line with a recommendation from the Public Accounts Committee in 2008 which recommended that the annual exercise should report, at least in summary, on all fraud in the public sector, quantify the value of that fraud and analyse the types of public sector body in which fraud occurs. The relevant organisations have provided the summaries included below to DoF in respect of the 2015/16 year.

Social Security Agency (SSA) – Benefit Fraud

5.3 The SSA is responsible for social security benefit expenditure of over £5.0 billion each year. The Agency has a robust strategy for tackling fraud and error when it occurs in the social security system. The strategy focuses on the prevention, detection, investigation, sanctioning of benefit offenders, and instigating legal proceedings against offenders when appropriate. The Agency considers it important that any losses associated with benefit crime are rigorously pursued.

5.4 Reducing fraud and error remains a key priority for the Agency. Wide ranging powers combined with an improved IT support system means that the Agency operates effectively within wider criminal justice frameworks. These include information gathering powers, investigatory powers, surveillance powers, powers of entry, effective sanctions and the authority to recover assets derived through crime. The Agency also measures the extent of fraud and

error annually to help direct its focus to areas of greatest risk.

5.5 The Agency introduced its Single Investigation Service in April 2013. Fraud investigation, customer compliance and case intervention functions are now integrated within this new Service, effectively managing all customer behaviour by organising customer fraud and error activity within one cohesive structure. This provides greater flexibility with the capability to assess risk quickly and effectively and ensure cases are dealt with efficiently.

5.6 A range of further initiatives to help modernise the Agency's counter fraud and error capabilities are being taken forward by a dedicated project team within the Agency. The focus is the mitigation of any potential future risks and to create an infrastructure necessary to deal promptly and effectively with fraud and error.

5.7 Principally these initiatives are:

- Joined up working – closer liaison and joint working with Her Majesty's Revenue and Customs and the NI Housing Executive with the aim of carrying out joint prosecutions for those customers who abuse both the tax credit and benefit systems.
- Targeting – continued development, alongside Department for Work and Pensions (DWP), of the use of new data sources including Real Time Information (RTI), to enhance future fraud prevention and detection capability – with particular focus at the gateway i.e. the point of entry to a benefit claim.
- Deterrence – legislation within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties and loss of benefit.
- Communication – continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud.

5.8 The 2015 estimates calculate benefit fraud loss at £28.3 million, or 0.6% of expenditure: a slight increase from the previous year.

Investigations, Penalties and Convictions

5.9 The Single Investigation Service focus remains the prevention, detection and investigation of benefit fraud and error. In 2015/16 counter fraud activity led to a total of 931 penalties and convictions being imposed.

Financial Recoveries

5.10 Financial Investigation Unit continues to pursue assets of those convicted of serious benefit fraud using powers in the Proceeds of Crime Act 2002. During the 2015/16 year the Unit's intervention brought about the recovery of £304k of assets criminally obtained. This figure included 14 confiscation orders to the value of £223k, 1 compensation order to the value of £2k, and 8 voluntary payments to the value of £78k.

Customer Compliance

5.11 Customer Compliance interviews have continued to generate very positive outcomes in the correction and prevention of customer error. In the past year (2015/16) Customer Compliance Officers within SIS carried out 4,286 Compliance Interviews that resulted in changes in 34% of cases and led to over £6.8 million in benefit adjustments. This in turn freed up investigators to focus on high risk fraud cases and to maximise results from criminal investigations.

Organised Crime

5.12 During 2015/16 the Organised Fraud Unit completed investigations on 154 potentially serious and complex fraud allegations and raised overpayments totalling £258k.

Data sharing and international co-operation

5.13 The Agency continues to work closely with the DWP and Department of Social Protection through the Cross Border Forum and the higher level Memorandum of Understanding Committee. During 2015/16 the Agency investigated a total

of 27 cases with an element of cross border fraud, uncovering overpayments amounting to £373k.

5.14 The Agency pursues cross jurisdictional counter-fraud measures through participation in Memoranda of Understanding with the Republic of Ireland, Netherlands, Spain, Australia, Belgium, Malta, Norway Sweden, Poland, Germany, the USA, and Denmark. Additionally, the Agency's liaison with DWP allows the Department to participate in the development of international agreements and is doing so with a number of other countries, including France, Switzerland, Italy, and Cyprus.

Northern Ireland Environment Agency (NIEA) – Environmental Crime

Environmental Crime Unit

5.15 The Northern Ireland Environment Agency's (NIEA's) Environmental Crime Unit (ECU) continues to vigorously deter and disrupt serious and organised waste crime in Northern Ireland.

5.16 ECU's focus is on compliance with the Waste and Contaminated Land (Northern Ireland) Order 1997 with a particular emphasis toward offences committed on a commercial scale.

5.17 Serious waste offenders may operate under a veneer of legitimacy using some form of formal waste management authorisation. Considerable financial gain may be made by illegal waste disposal. This generally results from the avoidance of landfill tax, fees at licensed landfill facilities and VAT. The legitimate waste industry cannot compete with illegal operators and genuine business suffers as a result.

5.18 The avoidance of landfill tax, gate fees and VAT represents a pecuniary advantage under the Proceeds of Crime Act and thus a benefit derived by the offender from the offences for which they have been convicted. Following conviction, the courts will be invited to assess the value of benefit from criminal conduct and impose confiscation orders.

5.19 Where there have been significant financial gains, ECU investigators will commonly request that criminal proceedings be heard in the Crown Court. This is coupled with confiscation proceedings once convictions have been secured. The confiscation process is one of accountability and not culpability.

5.20 During the 2015/2016 financial year, ECU secured five confiscation orders to the value of £315,413.66. In the same period, ECU secured 28 criminal convictions generating £32,275 in fines.

5.21 The Proceeds of Crime Act continues to be an important deterrent to financially motivated offending. It sends a clear message to others who may be considering offending that waste crime will not pay.

5.22 As part of its strategy, ECU continues to remain an active participant in the OCTF Criminal Finance and Cross Border Fuel Fraud Enforcement Groups. It continues to build on partnership arrangements with OCTF stakeholders and others.

Fraud Background

5.23 The avoidance of payments described above may constitute fraud as defined in the Fraud Act 2006. For example, this offence may be used against those who fail to disclose taxable income to HMRC. A confiscation order under the Proceeds of Crime Act effectively recovers the value of fraud which is also the value of benefit from criminal conduct.

Waste Licensing

5.24 The NIEA also has responsibility for the registration of waste carriers to ensure the legitimate transportation of controlled wastes and the authorisation of waste sites through waste management licences and waste management licence exemptions. Further to this function, the Agency submitted four cases to the Public Prosecution Service and there are a number of other investigations ongoing. In November 2015, an operator was sentenced to a 12 month suspended prison sentence for an Article 4 offence under the Waste Order 1997 for unauthorised waste management activities at an End of Life

Vehicles site. Sixteen Fixed Penalty Notices were issued resulting in £4,650 being received in fines. 398 incidents were received for investigation. Several formerly unauthorised sites visited have now obtained waste management authorisations, resulting in greater control of the activities and additional revenue in fees. This demonstrates the success of the Regulation Unit's approach.

Land and Property Services (LPS) – Benefit Fraud

5.25 LPS administer Housing Benefit for rates support for owner occupiers. The Housing Benefit scheme is a means tested benefit that provides assistance for rates to approximately 60,000 ratepayers at a total cost of approximately £40 million per year. The benefit is given to claimants by means of a non-cash credit which is applied against their rate debt – no actual money is paid out.

5.26 LPS take a zero tolerance approach to fraud and will report instances of fraud to the PSNI if necessary. LPS also participates fully in the NFI by investigating matches in relation to payroll, pension, trade creditors, rates and housing benefit data. The data matching involves comparing sets of data which allows potentially fraudulent claims and payments to be identified. Where no match is found, the data matching will have no material impact on those concerned. Where a match is found it indicates that there may be an inconsistency that requires further investigation. A designated team was created to action the 10,000 cases identified by the NFI, mainly where housing benefit has been paid by both NIHE and LPS, or where there is an income strand that LPS was not aware of. The outcomes resulted in 252 cases of fraud and error with a value of over £130,000.

5.27 A quarterly Standard Assurance Unit (SAU) report on housing benefit fraud and error is a standing item at the LPS Audit Risk Committee. As at 31 March 2016, SAU detected suspected customer fraud on 5.1% of the cases monitored. SAU have reported that the majority of this customer fraud relates to income. LPS has started a review of existing housing benefit claims to ensure continued entitlement remains applicable.

Legal Services Agency Northern Ireland – Legal Aid

5.28 In 2015/16 the Legal Services Agency (referred to as the 'Agency') was responsible for legal aid expenditure of approximately £91 million. The Agency had in place a counter fraud and error strategy which focused on the prevention, detection and investigation of persons who defrauded or attempted to defraud the Legal Aid Fund. The Agency considered it important that any suspected or reported cases of legal aid fraud were rigorously pursued.

Investigations and Sanctions

5.29 The Agency's Counter Fraud Unit undertook the investigation of all suspected fraud against the Legal Aid Fund. Frauds perpetrated included both applicant and supplier fraud. Applicants are members of the public who applied for legal aid whilst suppliers are members of the legal profession – solicitors and barristers. Primary sanctions used by the Agency included the revocation of an applicant's Legal Aid Certificate or seeking to withdraw Legal Aid assistance, which may leave the applicant responsible for payment of legal fees. In other instances cases were referred to the PSNI and, in these circumstances, an evidential package was prepared for potential prosecution. Members of the legal profession could also be referred to their respective regulatory bodies.

5.30 Between 1 April 2015 and 31 March 2016 the Legal Aid Counter Fraud Unit received 512 allegations of fraud of which, following assessment, 200 were registered for further investigation. In the same period the Unit revoked the Legal Aid certificates of 18 applicants and sought the withdrawal of Legal Aid assistance in 25 other cases.

Counter Fraud Strategy

5.31 Reducing fraud and error was a key priority for the Agency. The Agency used the investigative and legislative powers it had at its disposal to fully investigate those cases that might be fraudulent. The Counter Fraud Unit regularly conducted risk assessments of all operational areas and measured the extent

of fraud and error annually, to help direct the focus into those areas considered to be of greatest risk of abuse. A range of initiatives overseen by the Counter Fraud Strategy Group were also undertaken within the Agency to help identify suspected fraud cases and/or error to further enhance well established procedures in these areas.

Data sharing and co-operation

5.32 The Agency worked closely with a number of government departments including the Legal Aid Assessment Office of the SSA which assesses the financial eligibility of each applicant for legal aid. The Agency also has a Memorandum of Understanding with PSNI for the referral of cases for potential prosecution which has been in place for 12 years.

NI Housing Executive (NIHE) - Tenancy Fraud

5.33 Staff within the Housing Executive's network of local offices provide the first line of response to instances of suspected tenancy fraud. Local housing managers/officers investigate all such suspicions and where possible use statutory measures to recover properties subject to abandonment or non-occupation (the largest category of tenancy fraud in NI). However in some instances the complexity of the case necessitates referral to the NIHE's Tenancy Fraud Unit.

5.34 The Tenancy Fraud Unit of the NIHE is a sub unit of the Counter Fraud and Security Unit under the control of the Counter Fraud and Security Advisor. The Tenancy Fraud Unit began operating on the 1 August 2014 following a NIAO report titled 'Tackling Social Housing Tenancy Fraud in Northern Ireland'. The unit expanded in size in 2015/16 and now has four members of staff working full time carrying out investigations into allegations of tenancy fraud.

5.35 Tenancy fraud is classified as: - abandonment and non-occupation with or without associated housing benefit fraud; sub-letting; false succession/ unlawful assignment/joint tenancies; giving false information in a housing application; and fraudulent Right to Buy Applications. One case can involve one or more of the above.

5.36 The recovery of social housing subject to fraud/misuse for re-allocation within the community and the prosecution of those who criminally abuse the system for their own benefit are key priorities for NIHE. During the period 1 April 2015 to 31 March 2016 the Housing Executive, predominantly through routine housing management activities, investigated 2,182 cases of suspected tenancy fraud, of which specialist expertise from the Tenancy Fraud Unit was required in 132 cases.

5.37 The case load within the unit emanates from a number of sources. A total of 19 cases were as a result of whistle-blowing within the community; a further 108 cases were as the result of general housing management activity; 2 cases were referred from the Housing Benefit Unit; 2 cases were referred from the SSA and 1 case was referred from the PSNI.

5.38 Of the total of 132 cases, 92 were in respect of alleged non-occupation and 25 were alleged to be sub-let for profit. Almost all had an alleged housing benefit fraud associated with the non-occupation and were referred to the relevant SSA Single Investigation Service team for their consideration. 9 cases related to alleged false assignment/joint tenancy/succession requests and 6 for alleged false housing applications.

5.39 As a result of investigations carried out by the Tenancy Fraud Unit, three fraudulent housing applications were withdrawn. This ensured that eligible families in need were able to be housed in the available accommodation.

5.40 As a result of investigations carried out by the Tenancy Fraud Unit a total of 32 properties were recovered (this is in addition to the 318 properties recovered through general housing management activities). These properties became available for re-allocation to those next on the housing waiting list. These successful Tenancy Fraud Unit investigations equated to a 'recovered property benefit' of £256k.

5.41 The success of the unit, the recovery of properties for re-allocation and the benefit to the local communities should enable the development of greater community cohesion and cooperation in future years. Without the

investigations carried out by the Tenancy Fraud Unit, these social homes would have remained unavailable for allocation to those in housing need.

NI Water - Water Connections

5.42 A total of 47 cases of unauthorised connections and meter tampering were considered/investigated by NI Water during 2015/16. This is a slight increase since 2014/15 when 39 cases were reported.

5.43 In order to investigate suspected unauthorised connections and meter tampering NI Water established a Compliance Investigation Team (CIT) as part of the Metering and Billing team on the 1 January 2016. The team consists of three staff. The primary function of the CIT is to provide assurance of compliance with NI Water legislation by conducting investigations into cases of suspected unauthorised connections perpetrated against NI Water works and meter tampering.

5.44 The CIT is managed by an experienced investigator who was appointed during the course of the 2015/16 year. This officer is responsible for developing policies and procedures for the conduct of investigations to ensure that they are compatible with the legislation and procedures relevant to undertaking criminal investigations. This includes protocols for evidence gathering under the Police and Criminal Evidence (NI) Order 1989.

5.45 The team handles investigations on a case by case basis and in accordance with the NI Water's enforcement and prosecution policy.

5.46 A range of enforcement options are used to seek customer compliance. These include verbal encouragement, issuing advisory/warning letters and, where there is sufficient, admissible and reliable evidence of wrongdoing, the issue of a 'Court Summons'.

5.47 The CIT have made good progress to date in resolving both historical and new cases of non-compliance. This has resulted in a number of successful

outcomes, including the amicable resolution with customers which have led to the establishment of billing arrangements.

Health Sector – Business Services Organisation Counter Fraud Activity

Counter Fraud and Probity Services (CFPS)

5.48 Counter Fraud Services provide a range of specialist counter fraud services to Health and Social Care (HSC) organisations and the Department of Health (DoH). The Unit focuses on 5 strands of operation: fraud prevention, fraud investigation, fraud detection, data analytics and probity services.

5.49 The Department has extended the remit of the Unit to include taking, all appropriate action to investigate fraud or corruption against persons receiving services, including residential or other accommodation, provided or secured by an HSC body. Throughout 2015/16 CFPS has been working closely with the HSCB and HSC Trust Safeguarding Leads to promote this extended role and develop links to ensure a closer working partnership within the social care setting relating to matters of financial abuse.

Fraud prevention

5.50 During 2015/16 CFPS continued to deliver a range of activities aimed at increasing the level of fraud awareness of staff across the health and social care sector, including –

- Fraud awareness events throughout the HSC attended by 3,600 staff;
- Publicised fraud news on Counter Fraud website and social media platforms which attracted some 54,000 views;
- Issued 21 Fraud Alert highlighting a range of scams;
- Processed 320 fraud reports;
- Participated in International Fraud Awareness week by hosting 12 roadshows at key HSC sites, in addition desk alerts and promotional literature were issued; and
- Produced and circulated a fraud awareness survey across HSC organisations which obtained 782 responses.

Fraud investigation

5.51 The CFPS Team investigators deal with a range of cases from straightforward to highly complex. In 2015/16 a total of 109 new cases were referred for investigation. This added to the 105 investigations ongoing from the previous year kept the team very busy throughout the year. In addition the team dealt with 93 incidents of fraudulent medication reports.

5.52 There were 21 sanctions applied during 2015/16 ranging from custodial sentences, adult or discretionary cautions, financial recoveries, probation orders, and removals from GP registration lists.

Fraud detection

5.53 The team carried out a number of proactive projects in 2015/16 to detect potentially fraudulent activity. A new project involving an electronic screening process was introduced and these projects resulted in 254 individuals being referred for removal from the NI GP register. Savings to the HSC are estimated to be in the region of £535,600.[2]

5.54 The team undertook collaborative work with two Trusts in conducting pilots to identify chargeable patients using electronic data matching. Estimated savings/income were identified of almost £250k for a six month period. The team continue to work with Trusts to expand pilot areas and hope to extend these processes to other Trusts.

5.55 The specialist advice and guidance service to HSC staff saw the number of complex queries rise from 160 in 2014/15 year to 357 in the 2015/16 year – a notable 123% increase. It is believed that this increase is due in part to greater awareness of patient entitlement to health care services.

[2] Figures calculated using the NIAO figure of £2,109 per person per annum for health care costs in NI.

Forensic Data Analytic Service

5.56 This new service was introduced in 2015 and uses fraud indicators, data mining and analysis techniques to identify potential fraudulent activity across HSC organisations. To date this service has been used to:-

- Identify and screen High Risk areas to detect potentially fraudulent patient registrations. From January 2016 to date approximately 50,000 patients have been screened with around 16,000 being referred for further enquiries.
- Identify potential fraud and discrepancies in supplier invoicing and undertake in depth reviews to recover funds. From April 2016 to date, 8 supplier reviews have been undertaken with £10,447 recovered via credit notes.
- Provide on-going monthly screening of around 129,000 supplier banking details which provides a second line of defence against fraudsters changing bank account details and re-routing high value payments.
- Provide on-going ad hoc analytical and data mining support to CFPS investigations, which assists the investigation team to produce detailed and high quality evidence.

Probity Services

5.57 **Patient Exemption Claims to Ophthalmic and Dental Charges.** The probity team carry out a range of both random and targeted checks where exemption from Health Service dental and/or ophthalmic charges has been claimed. Where patients have inappropriately claimed exemption from charges, the sums are required to be repaid and, where applicable fixed penalty and surcharges are applied.

5.58 A total of 26,658 dental and ophthalmic claims were selected for verification this year, resulting in 6,700 cases requiring further examination. Around £70k has been recovered directly by CFPS with a further £7k recovered via civil action.

5.59 A regional campaign was undertaken in June 2015 aimed at reducing losses to patient fraud and error. A range of materials were produced and issued to all dental and ophthalmic practitioners.

5.60 **Post Payment verification exercises**. The probity team also undertake verification of payments made to primary care practitioners as a contribution to the overall assurance framework. The team undertook 409 post payment exercises and secured recoveries of £112k.