

ANNUAL THEFT & FRAUD REPORT

2017/18

Compiled by the Department of Finance



THEFT & FRAUD REPORT 2017/18

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SECTION 1

Introduction

Background

- 1.1 Under Managing Public Money NI (MPMNI) departments are required to report to the Department of Finance (DoF) annually on all actual, suspected and attempted frauds which involve public money. This 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 DoF uses this information to highlight to the NI public sector the common types of theft and fraud cases which are being perpetrated against the public sector in order that departments etc can use this to identify measures which will help them prevent and detect fraud and theft in the future.
- 1.3 The information contained within this report relates to information provided by departments as part of the 2017/18 Annual Theft and Fraud Return exercise.

Defining Theft and Fraud

- 1.4 In terms of the information included within this report it should be noted that it covers a wide range of cases of theft and fraud. Under the Fraud Act 2006 there is a legal definition of what constitutes “fraud”. However the annual reporting exercise and this report includes cases which would come under the wider more generally understood use of the term “fraud”. These include cases which could be categorised as false accounting,

bribery and corruption, misappropriation, forgery, abuse of position etc. It also includes cases of straightforward theft. The cases included in this report include not only 'actual' cases but 'suspected' and also 'attempted but prevented' cases reported by departments for the 2017/18 year.

Scope of Report

- 1.5 The report covers cases reported by departments, their agencies, NDPBs and other sponsored bodies.
- 1.6 It does not include any cases which may have occurred in the NI Assembly; the NI Audit Office; or the NI District Councils. If required information on actual, suspected or attempted fraud in these organisations should be sought directly from the relevant organisation(s).
- 1.7 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:-
 - Department for Communities – Benefit Fraud;
 - Northern Ireland Environment Agency – Environmental Crime;
 - Land and Property Services – Benefit Fraud;
 - Legal Services Agency NI – Legal Aid Fraud;
 - NI Housing Executive – Tenancy Fraud; and
 - NI Water – Unauthorised Connections / Meter Tampering.
- 1.8 Section 5 also contains a summary of the counter fraud work undertaken by Business Services Organisation (BSO) within the Health Sector and the Group Fraud Investigation Service within the NI Civil Service (NICS).

- 1.9 It is recognised that the report is compiled on the information provided by departments at a particular point in time. It should therefore not be taken as a complete/absolute record of all cases of theft/fraud perpetrated against the NI public sector during the 2017/18 year. This is because there will always be cases of fraud/theft which go on undiscovered and therefore unreported. It also does not include cases which may have been 'suspected' during the course of the year but subsequently determined not to be fraudulent in nature.
- 1.10 Nonetheless it is still considered that the production of this report is useful in gauging the overall level of cases being identified/detected and the nature of these cases. This is important in order that public sector bodies can consider the fraud risk areas within their own organisations, and where required, take appropriate additional actions to address these risks.

SECTION 2

General Fraud Issues Update

Key Information

- The number of cases reported was 236 for 2017/18.
- This is a decline of 35 cases from the previous year (271 cases).
- Of these 236 cases, 105 were reported as 'actual' cases, 88 as 'suspected' cases and 43 were in the 'attempted but prevented' category.
- The value of the cases reported amount to £787k¹ approximately. This total value includes cases where values were reported as actual amounts or where estimates were provided.
- This is an increase in the overall value reported from the previous year (£672k).
- The majority of this value total was in respect of 'actual' cases (£496k).
- £206k related to 'suspected' cases and £85k related to 'attempted but prevented' cases (i.e. where there was no loss to the public sector).
- In 88 of the cases reported no values were given. This is often due to the early stage of investigation in these cases or in some cases as the fraud may not lead to a loss for the public sector directly.

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

The categories that the 236 cases fell into are set out next in Figure A.

Figure A

Number of frauds reported by category					
Category of Fraud	Total Number of cases	Percentage of cases reported	Actual	Attempted but Prevented	Suspected
Theft of assets	66	28%	54	4	8
Payment process related	33	14%	11	19	3
Grant related	26	11%	3	2	21
Health Service specific	26	11%	4	15	7
Abuse of position / assets / exploitation of information	19	8%	9	0	10
Pay or pay related allowances	18	8%	5	1	12
Income related	17	7%	7	0	10
Other	13	6%	9	2	2
Contractor fraud	12	5%	1	0	11
Pension fraud	2	1%	1	0	1
Procurement fraud	2	1%	0	0	2
Travel and subsistence	1	0%	1	0	0
NIHE specific	1	0%	0	0	1
Total	236	100%	105	43	88

The value of the cases reported by category are set out below in Figure B.

Figure B

Value of cases reported by value							
Category	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
Abuse of position / assets / exploitation of information	19	9	10	£3,305	£224,000	£227,305	29%
Payment process related	33	30	3	£182,485	£0	£182,485	23%
Grant related	26	17	9	£109,823	£30,625	£140,448	18%
Theft of assets	66	56	10	£8,285	£95,015	£103,300	13%
Contractor fraud	12	5	7	£5,194	£35,700	£40,894	5%
Income related	17	15	2	£11,178	£22,596	£33,774	4%
Pay or pay related allowances	18	9	9	£3,341	£26,850	£30,191	4%
Pension fraud	2	2	0	£28,000	£901	£28,901	4%
Other	13	5	8	£60	£0	£60	0%
Travel and subsistence	1	0	1	£0	£0	£0	0%
Health Service specific	26	0	26	£0	£0	£0	0%
NIHE specific	1	0	1	£0	£0	£0	0%
Procurement fraud	2	0	2	£0	£0	£0	0%
Total	236	148	88	£351,672	£435,686	£787,359	100%

National Fraud Initiative in Northern Ireland - Data Matching

2.1 One of the key mechanisms used by NI public sector bodies to prevent and detect fraud is the National Fraud Initiative (NFI), a UK-wide data matching exercise run every two years by the Cabinet Office. Around 80 Northern Ireland public sector bodies, including departments, non-departmental public bodies, health bodies and local councils, participate in the NFI.

- 2.2 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 a local government auditor may be required to submit their data for matching.
- 2.3 In June 2018 the C&AG published his report on the fifth NFI exercise in Northern Ireland. Outcomes to date in Northern Ireland across the five exercises are almost £35 million, principally in the areas of pensions, rates and housing benefit.
- 2.4 The sixth NFI exercise in Northern Ireland is currently underway. Data was uploaded by participating organisations in October 2018 and initial matches were released in January 2019. Organisations have 12 months to review their matches and investigate as appropriate, in line with their own fraud risk assessments.

NICS Fraud Forum

- 2.5 The NICS Fraud Forum is a best practice advisory group. It consists of representatives from Northern Ireland Civil Service departments along with members from the Police Service of Northern Ireland; the Northern Ireland Audit Office; the Public Prosecution Service; and most recently the Charities Commission for Northern Ireland. Representatives from the Business Services Organisation (Health Sector) and NI Housing Executive also attend the Forum.
- 2.6 The Forum has been in existence since 2005 and meets 2-3 times per year under the chairmanship of the DoF Treasury Officer of Accounts. In 2017/18 the Forum met twice. These meetings included:-
- receiving a presentation from the Charities Commission for NI;
 - National Fraud Initiative updates on the progress and outcomes of the exercises;
 - updates from the Group Fraud Investigation Service for the NICS;

- updates on the Digital Economy Bill/Act;
- considering/reviewing guidance on the issues of both bribery and corruption and fraud proofing; and
- review of the previous year's Annual Theft and Fraud Report.

Organised Crime Task Force

2.7 The Organised Crime Task Force (OCTF) comes under the auspices of the Department of Justice (DoJ). The Taskforce brings together a range of agencies to set priorities for tackling organised crime in Northern Ireland. The Taskforce does not have an operational responsibility for tackling organised crime – this remains the focus of the relevant agencies.

2.8 A representative of the NICS Fraud Forum attends the Criminal Finances Sub Group, so ensuring there is an appropriate link between the work of the OCTF and the NICS Fraud Forum.

2.9 The Annual Report and Threat Assessment for the OCTF for 2017 can be accessed through the following link:

[Annual Report and Threat Assessment 2017 - OCTF](#)

SECTION 3

An analysis of actual, suspected and attempted fraud as reported to DoF through the 2017/18 Annual Fraud Return exercise.

Information in relation to the number and value of cases reported in 2017/18 are provided in Section 2 Figures A and B refer. However further analysis of the information provided by departments is analysed in the following paragraphs.

Bodies Reporting Cases

3.1 Of the 236 cases reported most (69 cases, 29%) were reported by Core departments. A number of cases reported by core departments included cases of 'theft', 'grant' related fraud and cases of fraud classed as 'other', which includes cases of the misuse of the blue badge scheme. A further 63 (27%) were reported by Health Service Boards and Trusts and 52 (22%) by Non Departmental Public Bodies.

Cases reported by body		
Body where case occurred	Number of cases	Percentage of cases reported
Core Department	69	29%
Health Service Boards & Trusts	63	27%
NDPBs	52	22%
Other - Public Corporation	25	11%
Agency	17	7%
Other - North South Body	9	4%
HE Institute	1	0%
Total	236	100%

Perpetrators

3.2 In 91 (39%) of the cases reported, bodies advised that the perpetrator was 'unknown' and over half of these 'unknown' perpetrator cases were reported as 'theft of assets' cases. In a further 56 cases (24%) an internal member of staff was considered to be the perpetrator, while in 52 cases (22%) a third party was believed to be the perpetrator.

Reported by perpetrators		
Perpetrators	Number of cases	Percentage of cases reported
Unknown	91	39%
Internal Member of Staff	56	24%
Other 3rd Party	52	22%
Funded Body / Grant Applicant	24	10%
Contractor	12	5%
Collusion between internal and external parties	1	0%
Total	236	100%

Causation

3.3 In 66% of cases (157 cases) it was considered the case was opportunistic in nature. In 35 cases (15%) it was considered that failure to apply existing controls was the cause while in 11% (26 cases) it was stated that it was currently unknown how the fraud was perpetrated.

Causation		
Causation	Number of cases	Percentage of cases reported
Opportunistic	157	66%
Failure to apply existing controls	35	15%
Currently unknown how fraud was perpetrated	26	11%
Inadequate controls in place	12	5%
Not Applicable - the case reported was an attempted fraud only and was detected by existing controls	6	3%
Total	236	100%

Method of Discovery

3.4 As in previous years almost half (45% - 106 cases) were discovered by the operation of normal control procedures, while almost a fifth (19% - 45 cases) were reported by an internal member of staff; and a sixth (16% - 39 cases) by an external third party.

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)	106	45%
Reported by an internal member of staff	45	19%
Reported by an external third party	39	16%
Other means	21	9%
By Internal Audit	12	5%
Through the completion of a special exercise	6	3%
By chance	6	3%
Through NFI Exercise / Computer Analysis	1	0%
Total	236	100%

Whistleblowing

3.5 In 36 of the cases (15%) it was advised that cases were raised/notified through established whistleblowing procedures. The number of cases coming to attention through this mechanism has decreased from the previous reporting period (49 cases, 18% of total for 2016/17). The types of cases reported through whistleblowing channels were allegations of dishonest information being provided on grant applications, staff members submitting false timesheets, contractors claiming for work not provided and misuse of departmental assets.

Actions to Improve Controls

3.6 In 96 cases (41%) no action was considered necessary. In many of these cases this was due to the controls already being considered to be proportionate to the risk faced, and that to implement additional preventative controls would not be cost effective or practical.

3.7 In 91 cases (38%) it was advised that control improvements were still under consideration. Many of these cases were suspected only at the time of reporting and so further investigation may be required before it can be determined if additional control measures are needed or not.

Action Taken		
Action Taken	Number of cases	Percentage of cases
No action considered necessary	96	41%
Controls improvements still under consideration	91	38%
Controls Improved	47	20%
No answer provided	2	1%
Total	236	100%

SECTION 4

An analysis of the main categories of cases reported.

Theft of Assets

- 4.1 'Theft of assets' accounted for 28% of the overall number of cases reported in the 2017/18 year. Of these cases, 54 cases were deemed to be 'actual' cases and 8 'suspected' cases.
- 4.2 The overall value recorded in the 'theft of assets' category was approximately £103k.
- 4.3 The type of assets reported stolen under this category included iPad's, Apple TV's, cash, machinery, medication, badger traps and bus tickets.
- 4.4 There were eleven cases reported in relation to the theft of fuel/heating oil, an increase to the levels reported in the previous year of 2 cases. A further two cases reported in this category related to the theft of lead/metal. The number of lead/metal cases recorded remains consistent with the level recorded in 2016/17.
- 4.5 Actions taken to improve the security around the theft of assets include robust monitoring of the administration and safe-keeping of medication; applying more stringent security when storing assets when not in use; installation of CCTV cameras; and the circulation of revised cash handling procedures and periodic spot checks of cash floats. However it must be noted that on some occasions no additional controls are required as it has been assessed that existing controls are satisfactory given the overall risks faced.

Payment process related

- 4.6 33 cases were reported in this category i.e. 14% of the overall number of cases reported. The percentage value of cases reported in this category was

23% (£182k approximately). Of the 33 cases reported it should be noted that 19 were categorised as 'attempted but prevented', this meaning no loss was incurred by the public sector organisation concerned in over half the cases recorded.

- 4.7 The majority of cases recorded under this category fell under the remit of unauthorised false direct debits being set up. Other cases included scam emails, some of which claiming to have originated from the Chief Executive asking for a money transfer and also incidents where a departmental credit card was cloned and used to purchase items online. This highlights the need for ongoing vigilance by staff when banking reconciliation is being completed.

Grant Related

- 4.8 There were 26 cases of 'grant' related fraud reported, a decrease on the level reported in 2016/17 (31 cases). A value of £140k was recorded for 2017/18, 18% of the total value.
- 4.9 Cases in this category ranged from frauds involving Single Farm Payments and entitlements; false information being submitted for replacement grants; 3 cases in relation to the Renewable Heat Incentive scheme; false student and childcare claims; to instances where an item was procured before approval granted.
- 4.10 21 cases were recorded as 'suspected' cases while a further 3 were classed as 'actual' and the 2 remaining cases were 'attempted but prevented'.

Health Service Specific

- 4.11 26 cases were reported under the 'Health Service specific' category for 2017/18 (11% of total cases reported). As in previous years it recorded cases where individuals attempted to obtain prescription medication fraudulently. Other cases contained within the parameters of Health Service Specific cases are those individuals who abuse health service schemes.

4.12 The value recorded for the Health Service Specific category was nil. Unfortunately for specialised cases such as these, it is very difficult to quantify a value and therefore all cases were recorded as 'value cannot be estimated'.

Abuse of Position/Assets/Exploitation of Information

4.13 A total of 19 cases were reported under this category (8% of total cases recorded). Over half of the cases were classed as 'suspected' frauds while the remaining cases were considered 'actual' frauds at the time of reporting.

4.14 This category recorded the highest value of fraud at £227k, 29% of the overall total value recorded. This could be attributed to a single case of fraud with an estimated value of £205k where schools funds were exploited.

4.15 Other cases submitted under this category included abuse of a payroll system; misuse of departmental IT resources; suspected misappropriation of funding in relation to service users' finances; undercharging of car park fees; and two cases of abuse of position citing bullying and harassment allegations.

Pay or Pay Related Allowances

4.16 There were 18 cases recorded for 'pay or pay related allowances' which accounted for 8% of the overall total of frauds, a decrease on the number recorded in 2016/17 (23 cases).

4.17 12 of the cases were classed as 'suspected' at the time of reporting and included allegations of staff not working their full shifts while claiming overtime; suspicions of staff either abusing departmental sick guidelines or working elsewhere during a period of claimed paid sick leave; and submission of false timesheets.

4.18 The value of £30k for this category has remained consistent with the value recorded in the previous year (£32k).

Income Related

- 4.19 17 cases fell into the category of 'income' related, 7% of the total number of cases recorded. The value for these cases accounted for 4% of the total value of frauds at £34k.
- 4.20 The types of cases in this category included occasions where school meals income was diverted from school accounts; a shortage in bank lodgements; and tickets not being issued when fares have been paid by the public.

Other

- 4.21 13 cases fell into the category of 'other', a decrease of 28 cases from the 41 cases reported in the previous year. The overall value reported in these cases was minimal with a small total of £60, a significant decrease from £44k in 2016/17.
- 4.22 Just under half of the cases reported in this category was attributed to cases of blue badge fraud. The remaining cases included fraudulent compensation claims and a small number of miscellaneous frauds such as forged signatures and falsified property certificates/bond.

Contractor Fraud

- 4.23 There were only 12 cases of 'contractor' fraud reported, a slight increase on the level reported in 2016/17 (8 cases). It also accounted for £40k of the overall total of frauds (5%).
- 4.24 All but one of the 12 cases fell into the 'suspected' category and included claims for work/services not provided, allegations of false training certificates being issued and also money paid for educational gain.

Pension Fraud

- 4.25 2 cases of 'pension' fraud were submitted with a total value of £29k, one of the cases was noted as an 'actual' case with a total of £28k. This case was discovered through NFI / Computer Analysis.

4.26 This highlights the importance of the NFI and computer analysis exercises and the need for accurate details being submitted.

Procurement Fraud

4.27 A zero value was recorded for the 2 cases of 'procurement' fraud as the value could not be estimated in either case. Both cases were only 'suspected' at the time of reporting and were reported through established whistleblowing channels.

Travel and Subsistence

4.28 One case with a value that could not be estimated was reported for 'travel and subsistence'. False travel claims were submitted for payment but the fraud was discovered through the operation of normal control procedures and the individual was subsequently dismissed.

NIHE specific

4.29 There was only one case reported for 'NIHE specific' frauds and involves an allegation of abuse of housing selection scheme by a NIHE staff member of staff. The value of the fraud could not be estimated at the time of reporting.

SECTION 5

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

- Department for Communities – Benefit Fraud
- Northern Ireland Environment Agency – Environmental Crime
- Land and Property Services – Benefit Fraud
- Legal Services Agency NI – Legal Aid Fraud
- NI Housing Executive – Tenancy Fraud
- NI Water – Unauthorised Connections / Meter Tampering
- Health Sector – Counter Fraud Services
- Group Fraud Investigation Service

5.2 The relevant organisations have provided the summaries included below to DoF in respect of the 2017/18 year.

Department for Communities – Benefit Fraud

5.3 DfC is responsible for social security benefit expenditure of almost £5.9 billion each year. The Department has a robust approach for tackling fraud and error when it occurs in the social security system. The approach focuses on the prevention, detection, investigation, sanctioning of benefit offenders, and instigating legal proceedings against offenders when appropriate. The Department considers it important that any losses associated with benefit crime are rigorously pursued.

5.4 In 2017, the loss from customer fraud for social security benefits (including Housing Benefit) was £55.1 million, or 0.9% of expenditure. Reducing this figure continues to be a key priority of the Department. To achieve this, the Department continues to explore new initiatives to strengthen counter fraud and error activities, and maintain readiness for future risks. These include:

- **Joined up working** – The Department remains vigilant to the threat of organised attempts to defraud the benefit system and takes proactive steps to prevent same. The Department’s Benefit Security Division is working towards a more joined up approach with other public sector bodies and has close working relationships with other organisations such as HM Revenue & Customs, Home Office, National Crime Agency, Gangmasters & Labour Abuse Authority, Criminal Assets Bureau, Border Force and the PSNI.
- **Cyber Fraud** – The introduction of Universal Credit as an online benefit brings new risks from cyber fraud. The Department worked closely with Cabinet Office to introduce an Identity Assurance solution to secure the gateway to benefits. Verify.gov.uk uses independent certified companies to build a profile to provide assurance that users are who they say they are and is vital in preventing identity theft and benefit fraud.
- **Collaborating and Partnering** – The Department recognises there are significant opportunities for collaboration between public sector authorities such as Legal Services Agency, NI Housing Executive, and Health & Social Care Business Services Organisation in the fight against customer fraud and error. These partnerships enable other organisations to benefit from expertise and experience within Benefit Security Division and promote a fairer society where public sector fraud, including benefit fraud, is not tolerated.
- **Communication** – continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud.

5.5 In April 2018, an organisation restructure resulted in Single Investigation Service (SIS) being renamed Benefit Security Fraud & Compliance Operations and being subsumed into a wider Benefit Security Division.

Investigations, Penalties and Convictions

5.6 Benefit Security Division continues to focus on the prevention, detection and investigation of benefit fraud and error. In 2017-18 counter fraud activity led to a total of 681 administrative penalties, formal cautions, and convictions being imposed.

Financial Recoveries

5.7 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 2017-18 year the Unit's intervention brought about the recovery of £489k of assets criminally obtained. This figure included confiscation orders to the value of £350k, and voluntary payments to the value of £140k.

Customer Compliance

5.8 Customer Compliance interviews have continued to generate very positive outcomes in correction and prevention of customer error. In the past year (2017-18) Customer Compliance Officers within SIS carried out 3,954 compliance interviews that resulted in changes in 26% of cases and led to £6.3 million in benefit adjustments. This in turn freed up investigators to focus on higher risk fraud cases and to maximise results from criminal investigations.

Organised Crime

5.9 During 2017-18 the Organised Fraud Unit completed investigations on 175 potentially serious and complex fraud allegations and identified fraud of almost £1.2m.

Data sharing and international co-operation

5.10 The Department continues to work closely with the Department for Work & Pensions and Department of Employment Affairs and Social Protection through the Cross Border Operational Forum and the higher level Memorandum of Understanding Committee. During 2017-18, the Department investigated a total of 16 cases with an element of cross border fraud,

uncovering overpayments amounting to £193k.

- 5.11 The UK Government has authority in matters of international relations, including relations with the European Communities. In that role DWP facilitates the Department for Communities' co-operation with social welfare providers abroad to develop international agreements for protection of their social security programmes. The agreements provide for exchange of information to prevent double provision and avoidance of payments continuing after the death of a claimant. The agreements are concerned principally with protection of state pensions and defining liaison arrangements on fraud outcomes. The International Pensions Centre in DWP handles the data transfers using encryption and applies rigorous data protection principles and obtains similar commitment from the participating agency abroad.

Northern Ireland Environment Agency (NIEA) – Environmental Crime

The threat

- 5.12 The threat posed by illegal waste activity was reported in the 2017 Organised Crime Task Force (OCTF) Annual Report and Threat Assessment which may be found at:
<https://www.octf.gov.uk/Publications/OCTF-Annual-Report-And-Threat-Assessment/OCTF-Annual-Report-Threat-Assessment-2017> (pages 34-35).

- 5.13 Waste crime is nothing new. Those who engage in industrial or commercial illegal waste activity show no inclination to scale back such operations. What is new is the realisation as to the extent of harm caused by such activity to our environment, to human health and of the costs to the public purse in repatriating or removing illegally deposited waste.

Confronting the threat: NIEA enforcement branch results

- 5.14 NIEA cannot tackle waste crime and the issues surrounding it in isolation. The key to success in tackling the problem is engagement with the industry, OCTF partners, other environment agencies and planning authorities. NIEA participates in the 'Five Nations Forum', (in which the Republic of Ireland joins England, Scotland, Wales and Northern Ireland agencies) in order to share information, resources and spread good practice. There is also significant

ongoing work between Central and Local Government with the aim of managing municipal waste.

5.15 Between 1 April 2017 and 31 March 2018, NIEA secured 27 convictions against individuals and businesses carrying out significant illegal waste activities. Sentencing outcomes produced fines totalling £52,000 with a range imposed between £500 and £6,500 and suspended terms of imprisonment. This compares to 26 convictions secured in the previous reporting year producing fines totalling £32,700.

5.16 In addition in this reporting period NIEA secured one confiscation order in the sum of £15,571. This sum represents avoidance by the defendant of payment of gate fee at licensed waste facility, landfill tax and VAT (a loss both to the revenue and to legitimate licensed waste facilities). The reduction in the number and value of confiscation orders in this reporting year is explained by:

(a) the earlier adoption of confiscation investigations at outset of criminal investigations and also by the time taken to progress cases through the criminal justice process;

(b) a number of cases where defendants have minimal assets or where defendants have presented themselves as bankrupt prior to conclusion of criminal proceedings and where to pursue confiscation proceedings would be a nugatory exercise;

(c) the courts have adopted an approach in encouraging defendants to clean up illegal waste sites. Where such encouragement has produced positive outcomes, confiscation proceedings are abandoned as a consequence of the case of *R v Waya* [2012] UKSC 51 which may be found at:

<http://www.bailii.org/uk/cases/UKSC/2012/51.html> (paragraph 28)

Forward look

5.17 Where defendants do embark on remediation/clear up of illegal waste sites and whilst *Waya* remains the applicable law, the benefits to the environment are obvious. However where this is not the case or where sites have been cleared and yet no evidence produced of removal of waste to licensed waste

facilities (to which gate fee, landfill tax and VAT must be paid, in addition to costs associated with removal), confiscation proceedings will continue to be rigorously pursued.

- 5.18 NIEA are proactively liaising with HMRC in respect of referrals or potential referrals to HMRC for consideration of civil actions against unlicensed landfill operators where it appears that the imposition of civil penalties may have a more positive outcome than that which might be true of the criminal justice regime.

Fraud Background

- 5.19 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.

Land and Property Services (LPS) – Benefit Fraud

- 5.20 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 55,000 ratepayers at a total cost of approximately £36 million per year. The benefit is given to claimants by means of a non-cash credit applied against their rate liability – no actual money is paid out.
- 5.21 LPS take a zero tolerance approach to fraud and report all suspected fraud to Department for Communities Single Investigation Service. LPS will also report instances of fraud to the PSNI where appropriate. LPS fully participates in the NFI, investigating data matches in relation to payroll, pension, trade creditors, Rates and Housing Benefit data sets. The NFI for 2016/17 identified 8,636 cases, 8,636 were reviewed with no fraud detected. 57 cases with errors (amounting to 24,681.23 of overpayments) were identified and corrected. These errors occurred where the claimant failed to provide LPS with updated income for themselves or Non-Dependants living in the property, other errors included Housing Benefit paid by both Northern Ireland Housing Executive and LPS.

5.22 As at 30 March 2018, DfC's Standards Assurance Unit (SAU) carried out reviews on a sample of 263 active Housing Benefit claims within the LPS caseload. The published report indicated that 18 cases of customer fraud were detected. The instances reported consisted of 6 cases relating to undeclared income, 3 cases where the claimant had no liability, 8 cases of undeclared capital and 1 case where the claimant failed to declare a non dependant in the household. SAU reported an estimated level of customer fraud to be 5.0% of the LPS caseload. LPS are continuing to identify fraud through on-going case reviews throughout the rating year and have introduced procedures to gain real time information on earnings through DWP's Verify Earnings and Pensions (VEP) Alerts.

Legal Services Agency Northern Ireland – Legal Aid

5.23 In 2017/18 the Legal Services Agency (referred to as the 'Agency') was responsible for legal aid expenditure of approximately £79 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

5.24 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.

5.25 Between 1 April 2017 and 31 March 2018 the Legal Aid Counter Fraud Unit received 468 allegations of fraud of which, following assessment, 216 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 2 other cases.

Counter Fraud Strategy

5.26 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 made best use of management information within all operational areas as well as other internal and externally provided intelligence to help direct the focus of investigations into those areas considered to be of greatest risk of fraud. A range of initiatives were also undertaken within the Agency to help identify ways of strengthening investigative proactivity with the development of a shared service with the Benefit Security Division of the Department for Communities (DfC) as well as working with the National Fraud Initiative and Cabinet Office to establish a data matching arrangement and framework with HMRC to tackle applicant fraud.

Data Sharing and co-operation

5.27 The Agency worked closely with a number of government departments including the Legal Aid Assessment Office of the DfC 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.

NI Housing Executive (NIHE) - Tenancy Fraud

5.28 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.

- 5.29 Tenancy fraud is classified as:- abandonment with associated housing benefit; sub-letting; false succession/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.
- 5.30 The recovery of social housing for re-allocation within the community and the prosecution of those who criminally abuse the system for their own benefit are the key priorities for NIHE. During the period 01st April 2017 to 31st March 2018 the tenancy fraud unit had a total of 300 referred cases of suspected tenancy fraud.
- 5.31 The case load within the unit emanates from a number of sources. A total of 126 cases were as a result of whistleblowing within the community; a further 118 cases were as the result of general housing management activity; 17 cases were referred from the Housing Benefit unit; 31 cases were referred from a neighbour, 4 were from NFI (National Fraud Initiative) and 4 cases were referred from the Police Service of Northern Ireland.
- 5.32 Of the total of 300 cases, 191 were in respect of alleged non-occupation and 46 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. 29 cases related to alleged false assignment/joint tenancy/succession requests, 27 for alleged false housing applications, 2 relate to an alleged fraudulent Right to Buy and 5 relate to alleged tenancies obtained by deception.
- 5.33 As a result of investigations carried out by the Tenancy Fraud Unit, 10 fraudulent housing applications were withdrawn. This ensured that eligible families in need were able to be housed in the available accommodation.
- 5.34 In total, 59 properties were recovered as a result of investigations carried out by the Tenancy Fraud Unit. These properties became available for re-

allocation to those next on the housing waiting list. These successful investigations equated to a 'recovered property benefit' of £1,062,000.

- 5.35 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 - Unauthorised Connections / Meter Tampering

- 5.36 A total of 115 cases of unauthorised connections and meter tampering were considered/investigated by NI Water in 2017/18, an increase from the 89 cases in 2016/17. Cases are managed and investigated by NI Water's Compliance Investigation Team and in February 2018 the team's responsibilities was extended to cover all areas of NI Water enforcement.

- 5.37 As a result CIT now forms part of Claims and Compliance Unit (CCU) and arrangements are well advanced to increase staffing levels from three to six.

- 5.38 The primary function of CIT is to provide assurance of compliance with NI Water legislation by investigating actual/suspected unauthorised connections perpetrated against the company's water and sewerage infrastructure - and associated meter tampering. During 2017-18 the investigative work produced successful outcomes, including cautions and 40 warnings. In addition, legal proceedings has commenced in one case and is being considered for another two cases. These cases are expected to provide revenue costs of approximately £120k.

Health Sector – Business Services Organisation Counter Fraud Activity

Counter Fraud Services (CFS)

- 5.39 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 four strands of operation: fraud prevention, fraud investigation, fraud detection and probity services.

5.40 The Department 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.

5.41 Throughout 2017/18 CFS further consolidated partnership working with HSC organisations through the establishment of secondary and social care groups.

Fraud Prevention

5.42 During 2017/18 CFS 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 –

- 31 fraud awareness events across HSC organisations attended by 2,485 staff;
- publicised fraud news on Counter Fraud website and social media platforms which attracted some 54,000 views;
- issued 12 Fraud Alerts highlighting a range of scams;
- processed 120 fraud reports; and
- CFS led a number of regional events as part of International Fraud Awareness Week. Activities included, a new poster campaign, a new social media campaign, new promotional materials including Fraud Matters newsletter circulated to all HSC staff.

Fraud Investigations

5.43 The CFS investigators deal with a range of cases from straightforward to highly complex. In 2017/18 a total of 55 new cases were referred for investigation. This, added to the 75 investigations ongoing from previous years ensured another busy year for the team. The team also dealt with 43 incidents of fraudulent medication reports.

5.44 There were 26 sanctions applied during 2017/18 ranging from disciplinary action to custodial sentences as well as a number of financial recoveries.

Fraud detection

5.45 The Fraud Detection Team conducted screening exercises on over 100,000 patients registered with a GP in Northern Ireland (NI), which is the main route to accessing health and social care in NI. This resulted in 1072 persons being referred for removal from the NI GP register. By preventing these individuals who have no entitlement to free health services from using this route to gain entry to the healthcare system in NI, the estimated cost avoidance to HSC is £2,260,848.

Probity Services

Patient Exemption Claims to Ophthalmic and Dental Charges

5.46 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.

5.47 A total of 48,065 dental and ophthalmic claims were selected for verification this year, resulting in some 6791 cases requiring further examination. Over £338k has been recovered directly by CFS compared to £132k during 2016/17, an increase of over £200k.

5.48 Throughout the year the team have carried out a review of their processes and have been working closely with checking agencies to deliver further improvement in the service delivery.

Post payment verification exercises

5.49 The Probity Team also undertake verification of payments made to primary care practitioners as a contribution to the overall assurance framework. The team undertook 501 post payment exercises and secured recoveries of almost

£115k.

NICS Group Fraud Investigation Service

- 5.50 Now in its third year of operation, the NICS Group Fraud investigation Service continues to be responsive to the needs of its clients, providing a professional fraud Investigation service to NICS departments and a range of Arm's Length Bodies.
- 5.51 During 2017/18, the Group Fraud Investigation Service received 43 fraud referrals, a number of which are on-going and are high value or of a sensitive nature. Similar to previous years, the most common type of potential fraud investigated was grant related followed by cases involving invoicing / payments. The Group Service provides valuable advice and support to clients when potential fraud is discovered along with advice on dealing with whistleblowing allegations and implementing system improvements.
- 5.52 The Group Fraud Investigation Service liaises closely with the PSNI to determine the most appropriate way forward in each case which may include, for example, criminal prosecution or internal disciplinary action. Where disciplinary action has been recommended, the Group Service liaises closely with NICS HR.