

ANNUAL THEFT & FRAUD REPORT

2016/17

Compiled by the Department of Finance



THEFT & FRAUD REPORT 2016/17

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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 2016/17 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 2016/17 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 2016/17 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 271 for 2016/17.
- This is a decline of 39 cases from the previous year (310 cases).
- Of these 271 cases, 113 were reported as 'actual' cases, 86 as 'suspected' cases and 72 were in the 'attempted but prevented' category.
- The value of the cases reported amount to £672k¹ approximately. This total value includes cases where values were reported as actual amounts or where estimates were provided.
- This is a decline in the overall value reported from the previous year (£1,080k).
- The majority of this value total was in respect of 'suspected' cases (£401k).
- £137k related to 'actual' cases and £134k related to 'attempted but prevented' cases (i.e. where there was no loss to the public sector.)
- In 117 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.

The categories that the 271 cases fell into are set out next in Figure A.

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

Figure A

Number of frauds reported by category					
Category of Fraud	Total number of cases	Percentage of cases reported	Categorisation of cases reported		
			Actual	Attempted but Prevented	Suspected
Theft of assets	52	19%	41	0	11
Payment process related	47	17%	10	34	3
Other	41	15%	17	15	9
Health Service specific	32	12%	14	17	1
Grant related	31	11%	6	6	19
Pay or pay related allowances	23	9%	10	0	13
Abuse of position / assets / exploitation of information	20	8%	5	0	15
Income related	9	3%	6	0	3
Contractor fraud	8	3%	1	0	7
Travel and subsistence	4	2%	2	0	2
Agricultural specific	2	1%	0	0	2
Procurement fraud	1	0%	0	0	1
NIHE specific	1	0%	1	0	0
Total	271	100%	113	72	86

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

Figure B

Value of cases reported by 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	20	11	9	£413	£200,741	£201,154	30%
Grant related	31	16	15	£13,099	£140,550	£153,649	23%
Payment process related	47	41	6	£122,811	£0	£122,811	18%
Theft of assets	52	41	11	£31,213	£54,745	£85,958	13%
Other	41	19	22	£4,309	£40,000	£44,309	7%
Pay or pay related allowances	23	10	13	£828	£31,505	£32,333	5%
Contractor fraud	8	2	6	£20,600	£0	£20,600	3%
Agricultural specific	2	2	0	£5,530	£0	£5,530	1%
Travel and subsistence	4	3	1	£1,636	£800	£2,436	0%
Income related	9	8	1	£2,335	£0	£2,335	0%
NIHE specific	1	1	0	£738	£0	£738	0%
Procurement fraud	1	0	1	£0	£0	£0	0%
Health Service specific	32	0	32	£0	£0	£0	0%
Total	271	154	117	£203,513	£468,341	£671,854	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). This is a UK-wide data matching exercise run every two years by the Cabinet Office.
- 2.2 Around 80 Northern Ireland public sector bodies continue to participate in the NFI. This is fewer than in previous NFI exercises because of the reorganisation of departments and local councils in the last two years.
- 2.3 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 by the Local Government Auditor may be required to submit their data for matching.
- 2.4 In June 2016 the C&AG published his report on the fourth NFI exercise in Northern Ireland. Outcomes to date in Northern Ireland are around £33 million, principally in the areas of pensions, rates and housing benefit.
- 2.5 The fifth NFI exercise in Northern Ireland is currently underway. Data matches released in early 2017 are being reviewed and investigated by participating organisations in line with their own fraud risk assessments. The C&AG will report on the current exercise in June 2018.
- 2.6 In addition, some organisations are trialling the use of AppCheck, an NFI product which facilitates real time data matching and which can prevent fraud entering the system.

NICS Fraud Forum

- 2.7 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; and the Public Prosecution Service. Representatives from the Business Services Organisation (Health Sector) and NI Housing Executive also attend the Forum.

2.8 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 2016/17 the Forum met twice. These meetings included:-

- receiving a presentation on Accounts Payable Forensics by Account NI;
- updates on the progress and outcomes of the National Fraud Initiative exercises;
- updates from the Group Fraud Investigation Service for the NICS;
- updates on the Digital Economy Bill, including progress in relation to the proposed data matching powers for the prevention and detection of fraud;
- considering/reviewing anti-fraud related training opportunities; and
- review of the previous year's Annual Theft and Fraud Reports.

Organised Crime Task Force

2.9 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.

2.10 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.

2.11 The Annual Report and Threat Assessment for the OCTF for 2016 can be accessed through the following link:

[Annual Report and Threat Assessment 2016 - OCTF](#)

SECTION 3

An analysis of actual, suspected and attempted fraud as reported to DoF through the 2016/17 Annual Fraud Return exercise.

Information in relation to the number and value of cases reported in 2016/17 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 271 cases reported most (97 cases, 36%) were reported by Core departments. This is explained by a number of cases reported by departments which included cases where grants and payments were being made by departments (including cases related to the Renewable Heat Incentive Scheme); cases related to attempts to elicit payments from departments; misuse of the blue badge scheme; individuals presenting false information; and theft of assets. A further 75 (28%) were reported by Health Service Boards and Trusts and 63 (23%) by Non Departmental Public Bodies.

Cases reported by body		
Body where case occurred	Number of cases	Percentage of cases reported
Core Department	97	36%
Health Service Boards & Trusts	75	28%
NDPBs	63	23%
Other - Public Corporation	14	5%
Other - North South Body	12	4%
Agency	7	3%
HE Institute	3	1%
Total	271	100%

Perpetrators

3.2 In the majority of cases (96 cases, 35%) bodies advised that the perpetrator was 'unknown'. This was frequently stated in relation to 'theft of asset' cases. In 73 cases (27%) a third party was considered to be the perpetrator, while in 61 cases (23%) an internal member of staff was considered to be the perpetrator.

Reported by perpetrators		
Perpetrators	Number of cases	Percentage of cases reported
Unknown	96	35%
Other 3rd Party	73	27%
Internal Member of Staff	61	23%
Funded Body / Grant Applicant	30	11%
Contractor	10	4%
Collusion between internal and external parties	1	0%
Total	271	100%

Causation

3.3 In 69% of cases (188 cases) it was considered the case was opportunistic in nature. In 10% of cases (27 cases) it was considered inadequate controls were in place; and in 7% (19 cases) it was failure to apply existing controls was given as the casual factor.

Causation		
Causation	Number of cases	Percentage of cases reported
Opportunistic (i.e. controls were appropriate for the risk faced)	188	69%
Inadequate controls in place	27	10%
Currently unknown how fraud was perpetrated	22	8%
Failure to apply existing controls	19	7%
Not Applicable - the case reported was an attempted fraud only and was detected by existing controls	15	6%
Total	271	100%

Method of Discovery

3.4 Almost half (48% - 130 cases) were discovered by the operation of normal control procedures, while almost a quarter (23% - 62 cases) were reported by an internal member of staff; and almost a fifth (19% - 52 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)	130	48%
Reported by an internal member of staff	62	23%
Reported by an external third party	52	19%
Other means	20	7%
By chance	5	2%
Through the completion of a special exercise / Internal Audit	2	1%
Total	271	100%

- 3.5 Other means, which account for 20 cases (7%), included CCTV footage; incident reported by PSNI; anonymous telephone calls; and reconciliation exercises.

Whistleblowing

- 3.6 In 49 of the cases (18%) it was advised that cases were raised/notified through established whistle blowing procedures. The number of cases coming to attention through this mechanism has increased from the previous reporting period (26 cases, 8%). This highlights the need for organisations to continue to actively promote and support whistle blowing policies and procedures. The types of cases raised through this mechanism include cases notified under the Renewable Heat Incentive scheme; false injury claims; allegations that employees were not working contracted hours and financial abuse by employees.

Actions to Improve Controls

- 3.7 In 120 cases (44%) 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.
- 3.8 In 98 cases (36%) 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	120	44%
Controls improvements still under consideration	98	36%
Controls Improved	53	20%
Total	271	100%

SECTION 4

An analysis of the main categories of cases reported.

Theft of Assets

- 4.1 'Theft of assets' accounted for the 19% of the overall number of cases reported in the 2016/17 year. Of these cases 41 cases were deemed to be 'actual cases' and 11 'suspected cases.'
- 4.2 The overall value in 'theft assets' category was approximately £86k.
- 4.3 The type of cases reported under this category range from laptops, cameras, electric tools, machinery, prescription drugs and cash.
- 4.4 There were two cases reported in relation to the theft of fuel/heating oil. A further two cases related to the theft of lead/metal thefts. This is a similar low level to the levels reported in these areas in the previous year which recorded four cases of theft of fuel/heating oil and four cases of metal theft in 2015/16.
- 4.5 Actions taken to improve the security around the theft of assets include storing assets in a secure location; revised cash handling procedures; fitting wheel clamps to trailers when not in use; and the tightening of controls around the administering and safe-keeping of drugs. However it must be noted that on some occasions no additional controls are needed as it has been assessed that existing controls are satisfactory given the overall risks faced.

Payment process related

- 4.6 47 cases were reported in this category i.e. 17% of the overall number of cases reported. The percentage value of cases reported in this category was 18% (£123k approximately). Of the 47 cases reported it should be noted that 34 were categorised as 'attempted but prevented', this means that no loss was incurred by the public sector organisation concerned.

4.7 These cases relate to scam emails purporting to be from Chief Executives requesting money be transferred to them; change of bank detail requests for suppliers; fraudulent cheques being cashed; and attempts to set up false direct debits. These cases highlight the need for ongoing vigilance and controls such as identifying altered cheque amounts via bank and reconciliations carried out by the organisation; ensuring requests to change suppliers payment details are independently verified; and the need to have robust IT controls which block scam emails.

Other

4.8 41 cases fell into the category of 'other'. The overall value reported in these cases was £44k – 7% of the overall total.

4.9 The cases recorded under this category are diverse in nature and include cases of blue badge fraud, fraudulent compensation claims and attempts to take prohibited items into an examination room when sitting a driving theory test etc.

4.10 Due to the diverse nature of these cases staff in these specific areas need to consider the specific risks faced in the business area and take appropriate actions.

Health Service Specific

4.11 There were 32 cases recorded under the Health Service specific category. These generally relate to where individuals attempted or obtained prescription medication fraudulently. Cases are generally opportunistic in nature and perpetrated by members of the public.

4.12 The Counter Fraud and Probity Services (CFPS) within Business Services Organisation (BSO) continues to target these areas as part of their ongoing work.

Grant Related

- 4.13 Among the 31 cases reported under this category are 14 cases which relate to reported 'suspected' relating to the Renewable Heat Incentive Scheme. Other cases include where grant claimants (individuals or organisations) did not have a legitimate entitlement to grant funding or payments were made where incorrect information/evidence was provided to support a claim/grant. At the time of reporting many of the cases were reported as 'suspected' cases and were still under investigation.
- 4.14 The overall value of the cases in the category was £154k. This is 23% of the overall value of cases reported.
- 4.15 Cases of this nature highlight the need for robust checking systems being in place prior to grant payments being made both to confirm initial and ongoing eligibility. The need for physical checking/verification was also highlighted by these cases. It also highlights the need to "fraud proof" new projects or initiatives at the time of development.

Pay or Pay Related Allowances

- 4.16 There were 23 cases in this category (9% of all cases) – representing £32k (5%) of the overall value reported.
- 4.17 The types of cases in this category include where flexi systems are abused, false timesheets/overtime claims are submitted and where employees claim sick leave and pay when carrying out employment elsewhere.
- 4.18 Once again these cases highlight the need for vigilance from managers when checking or countersigning claims and for organisations to have clear policies on HR and pay related matters.

Abuse of Position/Assets/Exploitation of Information

- 4.19 There were 20 cases recorded under this category which included cases of: misuse of car parking entitlements, misappropriation of funding (in schools and

in relation to service users' finances), amendment of organisational records and potential misuse of information obtained in official capacity. The majority of the cases were 'suspected' cases only at the time of reporting. However the overall value recorded in this category was £200k, 30% of the overall value reported. This can be attributed to a high value case with a value of £115k involving false information being provided during a financial assessment carried out in the health sector. Another case of £50k was recorded involving an individual who amended documentation to obtain pay awards and to obtain additional funding.

- 4.20 General lessons learned from such cases relate the need for organisations to have a strong ethical culture in place, supported by governance and HR policies which highlight the need for ethical behaviour at all levels. The promotion and operation of Whistleblowing policies and procedures through which concerns can be raised and investigated is also key.

Income Related

- 4.21 There were nine cases reported in this category for 2016/2017. The overall value of cases was £2k approximately. Cases relate to instances where there was a shortage in bank lodgements and fares being charged but no tickets issued by the operators.

- 4.22 Controls which need to be operated in this area include established cash handling procedures; segregation of duties; routine and ad hoc/random checking by managers and supervisors of cash processes and amounts.

Contractor Fraud

- 4.23 There were eight cases reported under this category, accounting for £21k of the overall value (3%). Cases related to charging for services/goods not provided, contractors submitting false or amended invoices and potential abuse of a cycle to work scheme.

- 4.24 Most of the cases fell into the suspected category at time of reporting but did highlight the need for vigilance and robust scrutiny when an invoice is

submitted for payment. The importance of obtaining confirmation that goods/services were provided before an invoice is paid is recognised.

Travel and Subsistence

- 4.25 Four cases were reported in this category with a value of £2k recorded against them. Most cases related to where false claims were made for journeys not taken.
- 4.26 As ever this category highlights the need for authorising managers to display vigilance when signing off on travel claims and highlights that appropriate levels of scrutiny/challenge should be applied.

Agriculture Specific

- 4.27 The two cases reported under this heading related to a case involving possible Tuberculosis scheme compensation fraud and to where an individual provided amended data relating to cattle when selling them. Both were suspected only at the time of reporting.

Procurement Fraud

- 4.28 One case was reported under this category. The case was reported as a suspected case and relates to a complaint submitted by an unsuccessful bidder claiming that there is a conflict of interest involved in the awarding of a contract. This case highlights the importance of ensuring that the procurement and tendering processes are followed and that staff, especially those involved in the tender process/evaluation are aware of the need to guard against conflicts of interest (either real or perceived) arising.

NIHE Specific

- 4.29 There was only one case reported under this category and it related to a case where a landlord and housing benefit claimant conspired to contrive a tenancy in order to obtain a fraudulent housing benefit claim.

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 2016/17 year.

Department for Communities – Benefit Fraud

5.3 DfC is responsible for social security benefit expenditure of almost £5.2 billion each year. The Department 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. This Department 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 Department. Wide ranging powers combined with an improved IT support system means that the Department 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 Department also measures the extent of fraud and error annually to help direct its focus to areas of greatest

risk.

5.5 The Department introduced its Single Investigation Service in April 2013. Fraud investigation, customer compliance and case intervention functions are now fully integrated, effectively managing all customer behaviour by organising customer fraud and error activity within one cohesive structure. The organisation now 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 Department's counter fraud and error capabilities are being taken forward by a dedicated project team within the Department. 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 – legislative proposals were contained 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 2016 figure for social security benefit fraud loss (excluding Housing Benefit) is £29.1 million, or 0.6% of expenditure: identical to the 2015 position.

Investigations, Penalties and Convictions

5.9 The Single Investigation Service (SIS) focus remains the prevention, detection and investigation of benefit fraud and error. In 2016/17 counter fraud activity led to a total of 853 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 2016/17 year the Unit's intervention brought about the recovery of £406k of assets criminally obtained. This figure included confiscation orders to the value of £211k and voluntary payments to the value of £196k.

Customer Compliance

5.11 Customer compliance interviews have continued to generate very positive outcomes in correction and prevention of customer error. In the past year (2016/17) Customer Compliance Officers within SIS carried out 3,749 compliance interviews that resulted in changes in 28% of cases and led to over £5.0 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 2016/17 the Organised Fraud Unit completed investigations on 177 potentially serious and complex fraud allegations and raised overpayments totalling £404k.

Data sharing and international co-operation

- 5.13 DfC 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 2016/17 the department investigated a total of 26 cases with an element of cross border fraud, uncovering overpayments amounting to £131k.
- 5.14 DfC 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 Department'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

- 5.15 In 2016/17 year the Northern Ireland Environment Agency's (NIEA's) Environmental Crime Section (ECS) has continued its efforts to deter, disrupt and serious and organised waste crime in Northern Ireland.
- 5.16 The primary 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 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. In many instances offenders may operate under a veneer of legitimacy using some form of formal waste management authorisation.
- 5.18 The avoidance of landfill tax, gate fees and VAT may constitute fraud as defined in the Fraud Act 2006 and also 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 fraud which is also the value of benefit from criminal conduct and impose confiscation orders.

- 5.19 Where there have been significant financial gains, ECS 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 2016/2017 financial year, ECS secured four confiscation orders to the value of £385k approximately. In the same period, ECU secured 26 criminal convictions generating £32k approximately 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 waste crime strategy, ECS 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 in order to prevent, deter, disrupt and detect serious waste offending and to mitigate the serious environmental harms that may arise from serious waste offending.

Waste Licensing

- 5.23 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. In the 2016/17 financial year 60 fixed penalty notices were issued for waste offences, totalling £18,600. Further to this function, the Agency submitted two cases to the Public Prosecution Service, with the cases resulting in convictions for waste offences and fines of £500 and £600, respectively. 567 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

- 5.24 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.
- 5.25 LPS take a zero tolerance approach to fraud and will report instances of fraud to the PSNI where appropriate. 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 continues to review and take action on the cases matched by the NFI and of the 8,636 cases identified in the 2016/17 exercise, 5,724 have been reviewed with no fraud detected. 40 cases with errors were identified and corrected mainly where housing benefit has been paid by both NIHE and LPS.
- 5.26 Reporting and monitoring levels of Housing Benefit fraud and error is a standing item on the LPS Audit and Risk Committee agenda. As at 30 March 2017, DfC's Standards Assurance Unit (SAU) carried out reviews on a sample of 514 active Housing Benefit claims within the LPS caseload. The published report indicated that 39 cases of customer fraud were detected. Of these 16 cases related to undeclared income, 6 cases identified that the claimant no longer held ownership of the property and were not entitled to Housing Benefit rates assistance from LPS. 5 cases of undeclared capital were also detected. SAU reported an estimated level of customer fraud to be 6.4% of the LPS caseload. LPS identified opportunities to reduce levels of undeclared income by engagement with DfC on the Wider User of Real Time Information offered by DWP to assist early detection of changes in claimant earnings. To address

property ownership changes, LPS are collaborating with internal data spine partners to develop a Housing Benefit property report. To address undeclared capital and other fraud related cases, LPS continue to case review active claims throughout the rating year.

Legal Services Agency Northern Ireland – Legal Aid

5.27 In 2016/17 the Legal Services Agency (referred to as the ‘Agency’) was responsible for legal aid expenditure of approximately £82 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

5.28 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.

5.29 Between 1 April 2016 and 31 March 2017 the Legal Aid Counter Fraud Unit received 521 allegations of fraud of which, following assessment, 237 were registered for further investigation. In the same period the Unit revoked the Legal Aid certificates of 26 applicants and sought the withdrawal of Legal Aid assistance in 8 other cases.

Counter Fraud Strategy

5.30 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

5.31 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

5.32 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.

5.33 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 2016/17 and now has five members of staff working

full time carrying out investigations into allegations of tenancy fraud.

- 5.34 Tenancy fraud is classified as: “the 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.
- 5.35 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 2016 to 31 March 2017 the Housing Executive, predominantly through routine housing management activities, investigated 1,367 cases of suspected tenancy fraud, of which specialist expertise from the Tenancy Fraud Unit was required in 219 cases.
- 5.36 The caseload within the unit emanates from a number of sources. A total of 56 were from anonymous sources within the community; a further 147 cases were as the result of general housing management activity; 14 cases were referred from the Housing Benefit Unit; 1 case was referred from the DfC and 1 case was referred from the PSNI.
- 5.37 Of the total of 219 cases, 155 were in respect of alleged non-occupation by the tenant, with some of these properties allegedly being occupied by subtenants or unauthorised occupant. Two of the tenants allegedly not in occupation had active Right to Buy applications under consideration at the date of the referral. Almost all had an alleged housing benefit fraud associated with the non-occupation and were referred to the relevant DfC Single Investigation Service team for their consideration. 43 cases related to alleged false assignment/succession requests, 16 related to false joint tenancy requests and 6 related alleged false housing applications.
- 5.38 As a result of investigations carried out by the Tenancy Fraud Unit, 6 fraudulent housing applications were withdrawn. This ensured that eligible families in need were able to be housed in the available accommodation.

- 5.39 As a result of investigations carried out by the Tenancy Fraud Unit a total of 51 properties were recovered (this is in addition to the 253 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 £408k.
- 5.40 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

- 5.41 A total of 89 cases of unauthorised connections and meter tampering were considered/investigated by NI Water in 2016/17. This is an increase from the 47 cases considered/investigated in 2015/16.
- 5.42 NI Water's Compliance Investigation Team was established 2016 to help secure more successful outcomes in cases of suspected unauthorised connections and meter tampering and have made significant progress in addressing the historical backlog cases.
- 5.43 The investigative work undertaken by the compliance team raised revenue of £23.7k in 2016/17 and the potential to secure a further £96.7k.
- 5.44 Several of the cases investigated merited enforcement action and three were successfully prosecuted with fines ranging from £250 - £800 per offence. In two of the cases defendants were ordered to pay NI Water's legal costs (£900) and one case in which the defendant was ordered to pay compensation amounting to £12.8k was highlighted in a Water Press Statement in January 2017.

Counter Fraud and Probity Services (CFPS)

- 5.45 Counter Fraud and Probity 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.
- 5.46 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 2016/17 CFPS has continued to work closely with the HSC Board 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

- 5.47 During 2016/17 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 –
- 26 fraud awareness events throughout the HSC attended by 1,500 staff;
 - publicised fraud news on Counter Fraud website and social media platforms which attracted some 54,000 views;
 - issued 15 Fraud Alerts highlighting a range of scams;
 - processed 137 fraud reports;
 - participated in International Fraud Awareness Week. Activities included relaunching the CFPS website, a social media campaign, new promotional materials including awareness videos, newsletters and factsheets were issued; and
 - produced and circulated a fraud awareness survey across HSC organisations which obtained 412 responses.

Fraud Investigation

5.48 The CFPS team investigators deal with a range of cases from straightforward to highly complex. In 2016/17 a total of 76 new cases were referred for investigation. This added to the 96 investigations ongoing from previous years ensured a busy year for the team. The team also dealt with 60 incidents of fraudulent medication reports.

5.49 There were 25 sanctions applied during 2016/17 ranging from disciplinary action to custodial sentences as well as a number of financial recoveries.

Fraud detection

5.50 The team use fraud indicators, data mining and analysis techniques to identify potentially fraudulent activity across HSC organisations. During the year the team has successfully:

- conducted monthly screening exercises of around 169,274 suppliers banking details which provides a second line of defence against fraudsters changing bank account details and re-routing high value payments.
- conducted screening exercises on approximately 100,000 patients registered with a GP in NI, which is the main route to accessing health and social care in Northern Ireland. This resulted in 7361 patients being contacted directly during the year to confirm their entitlement to publically funded healthcare in Northern Ireland and 642 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 Northern Ireland, the estimated cost avoidance to HSC is £1,353,978².
- produced detailed and high quality evidence for four CFPS criminal investigations.

Probity Services

Patient Exemption Claims to Ophthalmic and Dental Charges.

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

- 5.51 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.
- 5.52 A total of 51,014 dental and ophthalmic claims were selected for verification this year, resulting in some 7210 cases requiring further examination. Around £130k has been recovered directly by CFPS with a further £3k recovered via civil action.
- 5.53 A new promotion video was produced to raise public awareness of the Fixed Penalty Scheme and the importance of checking entitlement before claiming help with HSC dental and ophthalmic charges. Updated guidance materials were produced and issued to all dental and ophthalmic practitioners and the Probity team began a series of presentations to dental and ophthalmic practices.

Post payment verification exercises.

- 5.54 The probity team also undertake verification of payments made to primary care practitioners as a contribution to the overall assurance framework. The team undertook 475 post payment exercises and secured recoveries of £100k.

NICS Group Fraud Investigation Service

- 5.55 Now in its second 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.
- 5.56 During 2016/17 the Service carried out 32 fraud investigations. Similar to last year, the most common type of potential fraud investigated was grant related cases followed by cases involving invoicing / payment related cases.

5.57 In 2016/17 the most significant outcome from a previously notified fraud (valued at approximately £130,000) resulted in the perpetrator receiving a sentence of two and a half years (suspended for two years). This related to a fraud committed by a Civil Servant who used his position within the Land and Property Services to issue fictitious rate refunds and divert the payments to bank accounts under his control. As part of the criminal proceedings, an order to recover assets to recoup the amount stolen was obtained.