



Department of

Finance

An Roinn

Airgeadais

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ANNUAL THEFT & FRAUD REPORT 2019-20

Compiled by the Department of Finance



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BACKGROUND

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

- i. to highlight to the NI public sector the common types of theft and fraud cases which are being perpetrated; and
- ii. to identify measures which will help public sector bodies prevent and detect fraud and theft in the future.

Defining Theft and Fraud

1.3

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” including:

false accounting, bribery and corruption, misappropriation, forgery, abuse of position and straightforward theft.

1.4

The cases included in this report include not only ‘actual’ cases but ‘suspected’ and also ‘attempted but prevented’ cases reported by departments for the 2019-20 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

Statistics on key fraud risk areas listed below are provided in the Summary Reports section. To enable meaningful trend analysis this information is not included in the results presented on pages 3-7. It is recognised that these areas are so significant due to their value/nature that they should be reported separately. More information on each of these is available from the respective departments.

These include the areas of:-

**Department for Communities
Benefit Fraud**

**Department of Health Business Services
Organisation (BSO)
Health Service Fraud**

**Northern Ireland Environment Agency
Environmental Crime**

**Northern Ireland Water
Unauthorised Connections / Meter Tampering**

**Land and Property Services
Housing Benefit Fraud**

**Northern Ireland Housing Executive
Tenancy Fraud**

**Legal Services Agency Northern Ireland
Legal Aid Fraud**

**Department of Finance
Group Fraud Investigation Service**

¹Information has been gathered at a point in time and should not be taken as a complete record of all cases of fraud perpetrated in the 19-20 year. Nor does it include ‘suspected’ cases which have subsequently been determined as not fraudulent.

HIGHLIGHTS

224

cases reported for 2019-20.



Increase of 5

cases from the previous year (219 cases).



Of the 224 reported,

70 actual - 121 suspected - 33 attempted



Value of fraud reported

£3,129k²



This is an increase of

£2,620k

from the previous year (£509k).



59%

of the total value was in respect of 'actual' cases (£1,833k).



£1,285k

related to 'suspected' cases.

3 ² There may be a slight discrepancy in the exact values or percentages quoted in the report due to the rounding of figures.

KEY FINDINGS

The number and value of frauds which have taken place over the past 5 years are detailed below.

Value of Cases

Figure A

| 15-16 | 16-17 | 17-18 | 18-19 | 19-20 |
|---------|-------|-------|-------|---------|
| £1,080k | £672k | £787k | £509k | £3,129k |

Number of Cases

Figure B

| 15-16 | 16-17 | 17-18 | 18-19 | 19-20 |
|-------|-------|-------|-------|-------|
| 310 | 271 | 236 | 219 | 224 |



There were a number of high value frauds reported in the 2019-20 year, leading to the increase in overall value.

The Education Authority reported 4 actual frauds in relation to Voluntary Exit Scheme applications and payments within the Voluntary Grammar School Sector, which were not compliant with the scheme requirements (abuse of position), amounting to an estimated value of £1,293k.

NIHE reported a suspected fraud in relation to substantial ‘losses’ against Supporting People funding for various charities (grant related), amounting to an estimated value of £581k.

DfE also reported suspected inflated claims from a grant funded organisation (grant related), amounting to an estimated value of £361k.

Business Services Organisation reported an actual fraud amounting to £135k, LPS reported an actual fraud with a value of £125k, Ulster University reported an actual fraud with a value of £87k, and Southern Trust reported an actual fraud with a value of £81k, all four in relation to payment processes.

Type of Fraud Comparison

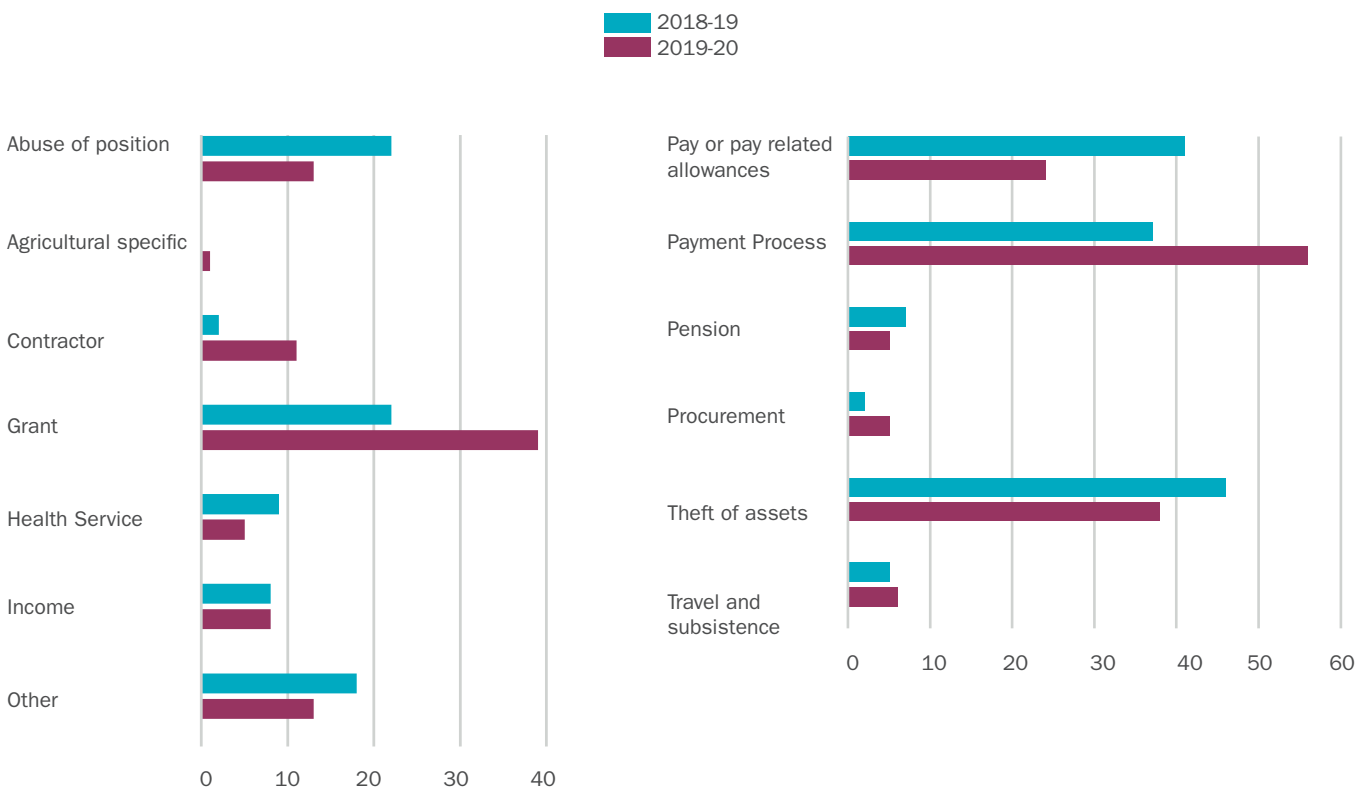
The table below compares the values and numbers of each type of fraud between 2018-19 and 2019-20. Payment process-related frauds were the most prevalent type of fraud in 2019-20, whilst Abuse of position remained the type of fraud with the highest total value.

Figure C

| | Value £ | | Number | |
|-------------------------------|------------------|----------------|------------|------------|
| | 19-20 | 18-19 | 19-20 | 18-19 |
| Abuse of position | 1,293,278 | 131,738 | 13 | 22 |
| Agricultural specific | - | - | 1 | 0 |
| Contractor | 4,000 | 500 | 11 | 2 |
| Grant | 1,087,466 | 78,707 | 39 | 22 |
| Health Service | - | 1 | 5 | 9 |
| Income | 14,713 | 1,275 | 8 | 8 |
| Other | 6,441 | 807 | 13 | 18 |
| Pay or pay related allowances | 44,965 | 129,580 | 24 | 41 |
| Payment process | 533,387 | 46,645 | 56 | 37 |
| Pension | 6,994 | 30,315 | 5 | 7 |
| Procurement | 16,185 | 2,395 | 5 | 2 |
| Theft of assets | 116,655 | 79,892 | 38 | 46 |
| Travel and subsistence | 4,518 | 7,338 | 6 | 5 |
| TOTAL | 3,128,602 | 509,192 | 224 | 219 |

Illustrated below is the movement in numbers of each type of fraud from 2018-19 to 2019-20.

Figure D



The biggest increase by 'type of fraud' was in grant-related frauds, which increased from



from 22 instances in 2018-19 to 39 instances in 2019-20.

Payment process-related fraud also increased significantly from



from 37 instances in 2018-19 to 56 instances in 2019-20.

The largest decrease was in pay-related frauds, from

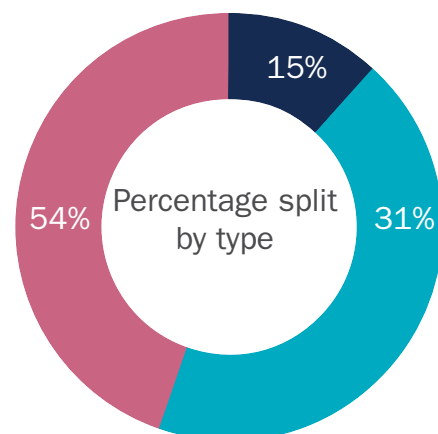
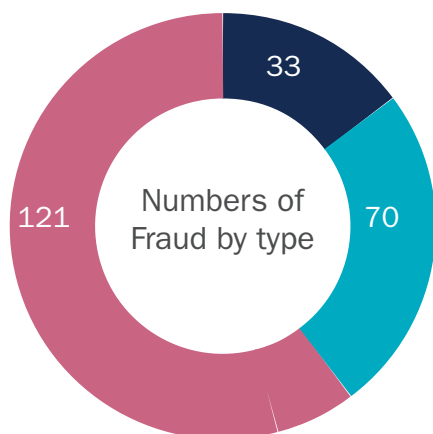


from 41 instances in 2018-19 to 24 instances in 2019-20.

Actual, Prevented and Suspected Fraud

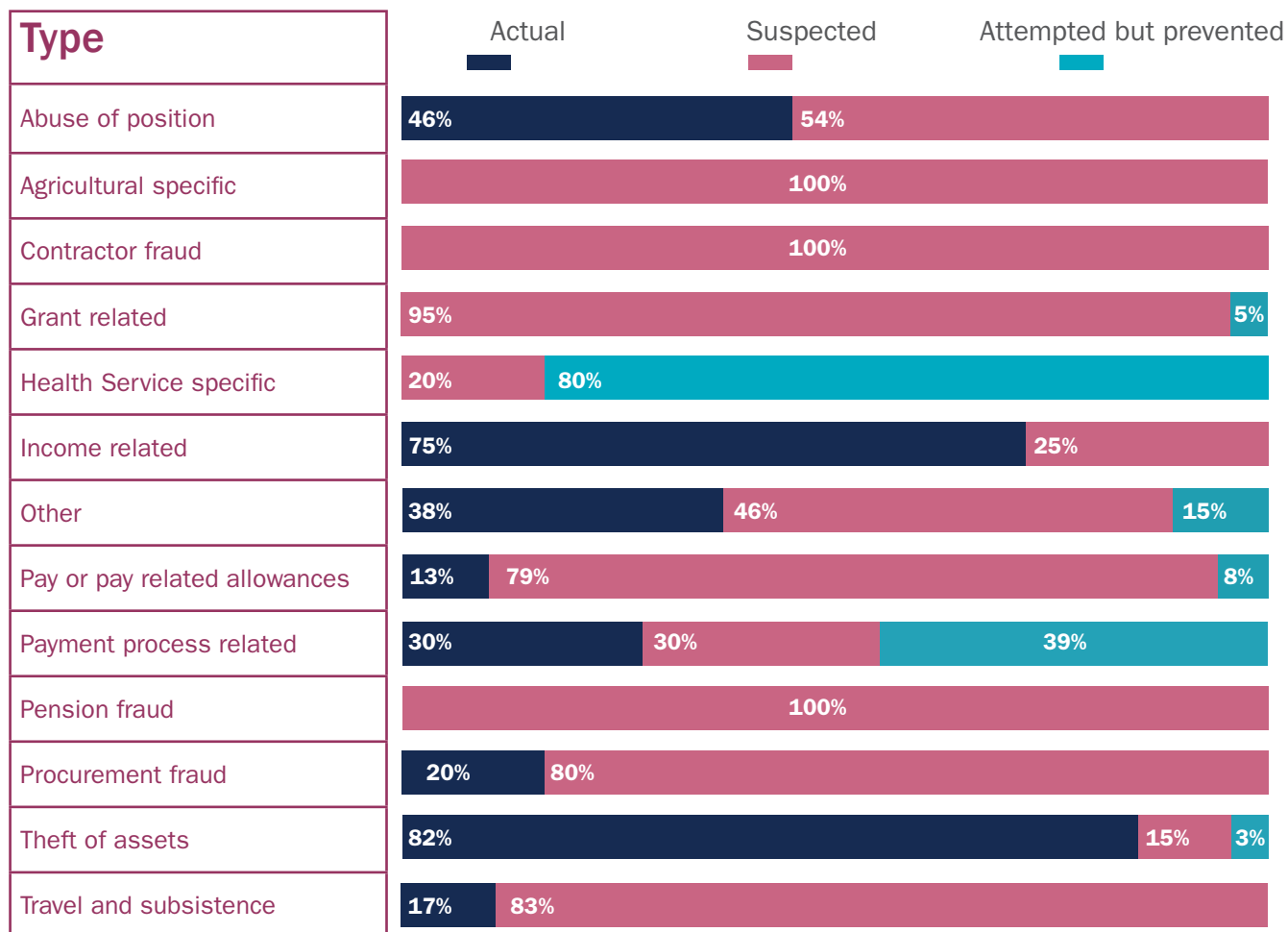
Figure E

| Type | Actual | Attempted but prevented | Suspected | Grand Total |
|------------|--------|-------------------------|-----------|-------------|
| Number | 70 | 33 | 121 | 224 |
| Percentage | 31% | 15% | 54% | 100% |



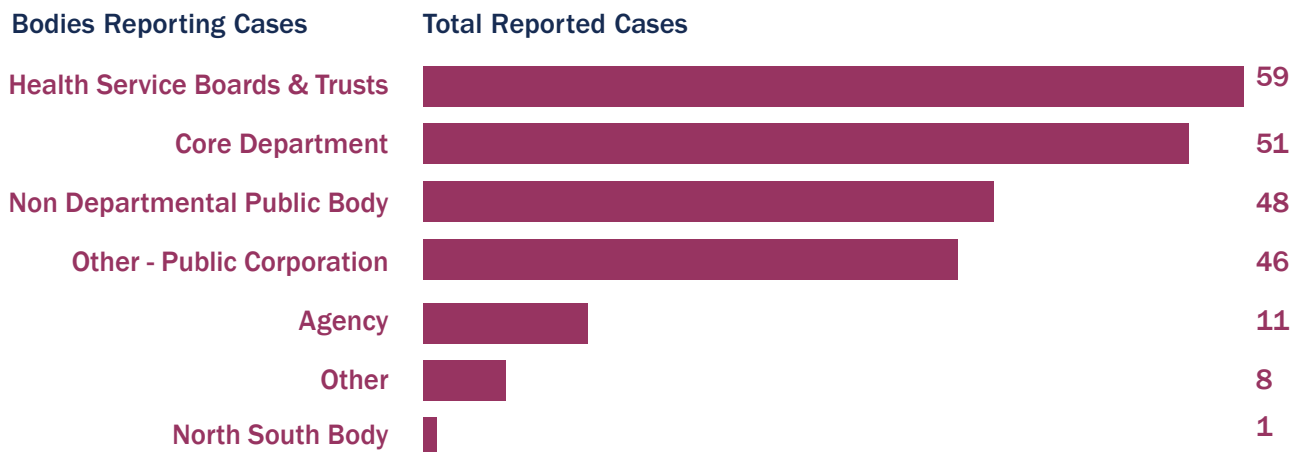
Split between actual, attempted and suspected

Figure F



Reported Fraud by Organisation

Figure G



SPECIFIC FRAUD RISK AREAS - SUMMARY REPORTS



**Department for Communities
Benefit Fraud**

- Total value £65.2m, 1.0% of total expenditure (2018-19 £56.2m, 0.9%)
- 2400 investigations (2018-19 3000)
- 373 administrative penalties, formal cautions or convictions (2018-19 383)
- Recovery of £163k of assets criminally obtained (2018-19 £371k)
- 3353 compliance interviews completed, leading to £7.4m benefit adjustments



**Department of Health - BSO
Health Service Fraud**

- 92 new cases, 65 of which included in annual fraud return (2018-19 105)
- Actual or estimated value £477k (2018-19 £180k)
- 7 cases criminal sanction (2018-19 2)
- 21 cases disciplinary/financial recovery/referral to professional/regulatory body (2018-19 11)
- 469 post payment exercises primary care expenditure (2018-19 502)
- £124k of recoveries in relation to primary care expenditure (2018-19 £93k)
- £321k of recoveries in relation to evasion of health service, dental and ophthalmic charges (2018-19 £340k)



**Northern Ireland Environment Agency
Environmental Crime**

- 835 incidents of reported environmental crime (2018-19 1043)
- 8 convictions
- 3 confiscation orders £40k (2018-19 4 £115k)
- fines totalling £57k
- 150 hours of community service
- 24 Fixed Penalty Notices £8k (2018-19 10 £4k)
- 25 cases referred to HMRC for avoidance of environmental taxes (2018-19 12)



**NI Water - Unauthorised Connections
/Meter Tampering**

- 143 cases investigated (2018-19 163)
- Illegal activities including unauthorised connections to public water main and meter tampering
- One conviction
- 21 cautions
- 54 warnings
- Approximately £173k has been or is due to be recovered



Land & Property Services Housing Benefit Fraud

- £2.4m overpayments -customer fraud (calendar year to 31/12/19)
- 2019 NFI identified 5,416 (2019 5,396) cases for review
- 1,722 completed
- overpayments over £9k identified
- identified 52 cases of addresses with individuals registered to vote but no rate account associated with the property, resulted in £318k rating assessments being issued.



Northern Ireland Housing Executive Tenancy Fraud

- 248 cases investigated (2018-19 285 cases)
- 48 properties recovered (£864k)
- 14 Fraudulent Applications Withdrawn (£252k)
- 11 Fraudulent Successions prevented (£198k)
- 2 Fraudulent Right to Buy applications withdrawn (£36k)



Legal Services Agency Legal Aid Fraud

- 364 referrals (2018-19 337)
- 333 registered for further investigation (2018-19 264)
- applicant fraud and supplier (members of legal profession) fraud
- 4 Revocation of legal aid certificate
- £24k to be recovered through LSA debt recovery process
- 1 application withdrawn
- 4 cases Referred to PSNI



Department of Finance Group Fraud Investigation Service

- 38 referrals received and investigated (2018-19 333)
- Main areas covering fraud referrals:
 - Grant funding;
 - Procurement;
 - Invoicing;
 - Contract Management;
 - Occupational Pension; and
 - Travel and subsistence / overtime claims.
- Work closely with PSNI

COVID-19 RELATED FRAUD (2019-20 AND THE FIRST QUARTER OF 2020-21)

Emerging trends & high risk areas



DfC

IT systems, particularly remote email communications; finance payments; grants; procurement; fraudulent social security benefits claims.



DfE

Covid Small Business Rates Relief Grant Scheme, and NI Micro-Business Hardship Fund, both the subject of a Ministerial Direction on grounds which included the risk of fraud.



DoH

Mandate fraud; suspected theft of PPE equipment; increase in staff cases involving pay or pay related allowances.



DoJ

Interim Payment Scheme for legal aid practitioners; potential for double payments to firms who furloughed staff.

Counter measures/post event assurance activities

- Horizon scanning and increased staff awareness of existing guidance.
- Additional assurances sought through stewardship reporting exercises.
- Updating of business areas fraud risk assessments to specifically consider Covid 19 risks.
- Increased reviewing of guidance and checking of claims.

CYBER CRIME

(2019-20 AND THE FIRST QUARTER OF 2020-21)

DfI – High level of cyber-enabled crime:

244 cases altogether, approximate value of £12.7k, discovered through control procedures. Includes:

- 228 cases, value £7k, fraudulent use of credit cards to book MOT tests or buy travel tickets online
- 15 cases, £5.6k, emails requesting changes to employee bank details

Other departments:

- DfC, DfE, DE & TEO together reported:
 - **total of 12 cases**
 - **total value £311k, ranging from £0 up to £140k**
 - **primarily phishing emails**
 - **discovered through control procedures, or reported by external 3rd parties or internal staff.**
- DoF procured a Security Information and Event Management (SIEM) service to report on potential cyber incidents in 2021. New cyber security training for staff
- Health and Social Care (HSC) Cyber Security Programme launched their joint Cyber Security Incident Response Action Plan in March 2020

FRAUD PREVENTION ACTIVITIES & LESSONS LEARNED

In order to promote greater awareness amongst staff and the public of the impact and consequences of taking part in fraudulent activities, public sector bodies continue to carry out the fraud prevention activities listed below across the key fraud risk areas. These activities are also enabling improved visibility in terms of reporting and greater data analysis of trends, patterns and behaviours. These activities are also enabling improved visibility in terms of reporting and greater data analysis of trends, patterns and behaviours.



Fraud Prevention Activities

- Staff awareness sessions
- Counter Fraud training
- Targeted checks of data
- Use of data analytics to target inspections
- Use of IT to combat cyber fraud
- Legislation e.g. Proceeds of Crime Act
- Publicity campaigns
- Customer compliance interviews
- Collaboration across the public sector
- Multi agency joint operations and investigations
- Joint operations with partner law enforcement organisations
- Cross Border collaboration
- Participation in National Fraud Initiative
- Increased data sharing
- Cyber Security Centre



Lessons Learned

Lesson 1

Robust controls must be established and applied consistently to act as a deterrent and enable fraudulent activity to be identified.

Lesson 2

Staff need to be aware of their responsibilities if fraud is suspected.

Lesson 3

Clear channels for reporting fraud must be established and communicated.

Lesson 4

Conflicts of interest need to be properly documented and managed.

Lesson 5

Early intervention is key to stopping and reducing the impact of fraud.

OTHER PUBLIC SECTOR FRAUD REPORTING MECHANISMS

National Fraud Initiative (NFI)

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.

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.

In six exercises to date in Northern Ireland, outcomes total almost £40 million, principally in the areas of pensions, rates and housing benefit.

The seventh NFI exercise in Northern Ireland is currently underway. Data matches were released in January 2021 and investigations are ongoing. Outcomes for this exercise will be collated at the end of March 2022, with the C&AG reporting on the exercise in June 2022.

NICS Fraud Forum

The NICS fraud forum is a best practice advisory group made up of departmental representatives.

The forum meets twice a year to discuss key topics/areas of interest.

In 2019-20, these topics included;

- a review of Whistleblowing arrangements,
- an overview of bribery & corruption guidance,
- update on the NFI,
- review of Counter Fraud Standards and possibility of adopting in NI.

Organised Crime Task Force

The Organised Crime Task Force (OCTF) comes under the auspices of the Department of Justice (DoJ), providing a strategic multi-agency forum to tackle organised crime and reduce the harm it causes to communities, individuals and businesses in Northern Ireland.

The Taskforce does not have an operational responsibility for tackling organised crime – this remains the focus of the relevant agencies.

A representative from the NICS Fraud Forum attends the Criminal Finances Sub Group ensuring there is an appropriate link between the work of the OCTF and the NICS Fraud Forum. The Annual Report and Threat Assessment for the OCTF for 2019 can be accessed through the following link:

[Annual Report and Threat Assessment 2019 - OCTF](#)



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