

Department of Agriculture and Rural Development

Counter Fraud and Enforcement Activities

Annual Report  
2004/2005



Department of  
**Agriculture and  
Rural Development**

[www.dardni.gov.uk](http://www.dardni.gov.uk)



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## Foreword



It is a great pleasure to publish this fourth annual report on DARD's Counter Fraud and Enforcement Activities.

It is evident the combined effect of the work of the Department's Counter Fraud Activities and its staff has continued with vigour during 2004/2005. The Department has made considerable efforts this year to take a more proactive approach to preventing, deterring and detecting fraud. The use of IT and trend analysis has enabled us to identify and target high risk areas such as disease compensation fraud and take appropriate action to minimise the risk and its cost to the Department.

Another important development has been the Department's inclusion as one of the non-law enforcement agencies that can carry out financial investigations under the Proceeds of Crime Act 2002. In order to use the powers, DARD fraud investigation staff will have to be accredited by the Asset Recovery Agency. Once trained they will have the opportunity to pursue through the Courts, where appropriate, the confiscation of assets, which have accrued as a result of criminal activity.

The Department is also represented on the new NICS Fraud Forum, established to coordinate the work being done in Departments on tackling fraud and to provide a forum for the exchange of information/sharing of experience for mutual benefit. This positive development will undoubtedly benefit all involved.

Those who defraud DARD are effectively reducing the amount of money, which we can spend on the agricultural industry and the development of the N. Ireland countryside. Fraud perpetrated against DARD is unacceptable and this Department will not tolerate fraudsters of any kind, whether they are DARD employees, farmers or members of the Rural Community.



Jeff Rooker



## Background

The Department launched its Counter Fraud Strategy in March 2002. This strategy brings together the varying components of the Department's counter fraud activities with the consequent aim of combating fraud in a cost-effective manner.

DARD is committed through one of its Counter Fraud Strategy targets to publishing an annual report of counter fraud and enforcement activities and this 2004/2005 report, which has received ministerial and DARD Counter Fraud Forum approval, has been developed to meet this target.



## Introduction

The Department of Agriculture and Rural Development has a statutory responsibility for the regulation of significant areas of Agri-food industry within Northern Ireland and in particular for the implementation of a large number of related European Union Directives. It has committed itself to promoting sustainable economic growth in the countryside and to assisting the competitive development of the agri-food, fishing and forestry sectors. In pursuing this aim, the Department takes account of the needs of consumers for safe and wholesome food, the welfare of animals and the maintenance of Northern Ireland's high animal health status.

We recognise that the vast majority of our customers are honest and law abiding and would never commit fraud. Nonetheless others may if they think they can get away with it. The deliberate nature of fraud can make it difficult to detect and deter and like other large government departments we face a wide range of opportunities for both internal and external fraud. We have always taken this risk seriously and have many structures and procedures in place to counter fraud. Administration checks, inspections, investigations, enforcement activity and veterinary checks all play a vital role in the prevention and detection of fraud:

- **Central Investigation Service (CIS)** – a central unit of experienced staff who investigate suspected cases of fraud and irregularity. All investigations conducted by the CIS are carried out in strict compliance with relevant criminal law and procedure. The Service also has a key role in promoting fraud awareness throughout the Department and co-ordinating the effective implementation of the Department's Counter Fraud Strategy.
- **Veterinary Service Enforcement Branch** – trained and experienced enforcement staff in local offices who investigate breaches of Animal Health and Welfare legislation and enforce the relevant penalty/prosecution action. All cases of suspected fraud arising from enforcement activity are referred to the CIS for investigation.



## Introduction

- **Grant & Subsidy Inspection Branch** – 60 Livestock Inspection Team (LIT) staff ensure that scheme/regulatory requirements are complied with. All cases of suspected fraud arising from inspections are referred to the CIS for investigation.
- **Quality Assurance Branch** – specialist teams of professional staff with expertise in food technology, agriculture and horticulture and are responsible for implementing wide range of Agri-Food legislation. All cases of suspected fraud arising from enforcement activity are referred to the CIS for investigation.
- **Rural Development Division** – a team of 8 trained Monitoring / Validation Officers audit the activities of the various Implementing Bodies and Departmental offices to ensure compliance with documented procedures. In addition there is an ongoing programme to conduct on site visits to all projects supported to verify the delivery of the products and services funded. The selection of the projects is based on a risk analysis. All cases of suspected fraud detected by any RDD or Implementing Body staff are referred to CIS for investigation.
- **Verification Unit** – contributes towards the assurance required by the European Commission by carrying out sample checks on projects co-financed by the Structural Funds in accordance with Articles 10 to 12 of Commission Regulation (EC) 438/2001. All cases of suspected fraud are referred to the CIS for investigation.
- **Internal Audit Branch (IAB)** – Internal Audit fulfils its terms of reference by systematic review and evaluation of risk management, control and governance, which amongst other issues comprises the policies, procedures and operations in place to:
  - Ensure the economical, effective and efficient use of resources
  - Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations
  - Safeguard the Department's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption



## Introduction

- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes
- Internal Audit will also assist Personnel Branch, on request, in the preliminary investigation of suspected cases of internal fraud.
- **Personnel Management Branch (PMB)** – All suspected cases of internal fraud or irregularity are reported to the DARD Personnel Officer. The Personnel Officer makes the appropriate arrangements for an investigation to be conducted and, if fraud, misconduct or a criminal offence has occurred, would consider the disciplinary aspect of the case and if relevant the requirement for police involvement.

This 2004/2005 annual report provides a summary of the Department's counter fraud and enforcement activities:

**Section 1** - relates to the Department's Central Investigation Service and summarises cases of suspected fraud referred for investigation and where applicable their outcomes. In addition this section also provides details of performance against the Department's Counter Fraud Strategy years 1-4 targets.

**Section 2** - summarises the Department's various Enforcement and Inspection activities, including details of non-compliance with scheme conditions and regulations; number of inspections performed and where appropriate, the penalties applied with resulting savings and prosecutions.

**Section 3** - relates to the Department's Internal Audit and Personnel Management branches' role in investigating internal fraud perpetrated against the Department.

**Section 4** - relates to the Department's Rural Development Division and its role in monitoring and validating the activities of the various Implementing Bodies and conducting on site visits to all projects to verify the delivery of the products and services funded. It also introduces the Verification Unit.

## Section

## 1

## Central Investigation Service

This section of the report provides a background to the Department's Central Investigation Service, their policy on prosecution and the implementation of Service Level Agreements with key business areas. It summarises certain categories of external and internal fraud and irregularity attempted or perpetrated against the Department and where appropriate the outcome of these investigations. Cases which are still under investigation or which are subject to legal proceedings are described in outline only. It also provides an update on progress against the Counter Fraud Strategy's year 4 targets and introduces year - 5 targets. Appendix 2 provides an update on 2003/2004 investigations carried forward to 2004/2005.

During 2004/2005 163 cases of suspected external fraud and irregularity were referred for investigation. The estimated value of fraud - **£1.3m**. Table 1 provides a breakdown of external fraud and irregularity referrals received.

Four cases of suspected internal fraud were also referred for investigation. The estimated value of fraud - **£8.5k**. Their progress and/or outcome are detailed in section 3 of this report.

**Table 1**

Type of suspected fraud/Irregularity	Number of cases
Livestock subsidy and related cases	128
Disease Compensation Payment	12
Pig Outgoers	1
Peace II	1
Notification Offences	9
Ear Tags	1
Tuberculin Testing	1
Fraud Irregularities	5
Cattle Laundering	1
QAB Cases (3 potatoes + 1 animal feeds)	4



Section

1

## Central Investigation Service

### Central Investigation Service

The CIS provides the Department, its Agencies and NDPBs with investigative services on a wide range of programmes. The Service has three main functions:

1. It provides a specialist investigative services to the Department for the investigation of cases of suspected internal and external fraud. All investigations conducted by the CIS are carried out in strict compliance with relevant law and procedure. The team of experience staff are fully trained to conduct investigations so that they act as a deterrent and prevent others from committing fraud by uncovering quality evidence that will ensure that legal proceedings can be taken, resulting in more certain and severe penalties.
2. The Central Investigation Service has responsibility for co-ordinating the effective delivery of the DARD Counter Fraud Strategy and is responsible for implementing many of the targets contained within the Strategy. The Service is also represented and responsible for coordinating the work of Department's Counter Fraud Strategy Working Group, a sub group of the Counter fraud Forum, set up to develop new Counter Fraud Strategy targets to combat fraud and irregularity.
3. The Service also has a vital role in deterring and preventing fraud by enhancing fraud awareness and promoting a culture of anti-fraud consciousness across the Department, its Agencies and NDPBs. The Service has developed and delivers a range of fraud awareness training programmes, publicity campaigns and other promotional activity.

## Section

## 1

## Central Investigation Service

### Central Investigation Service Investigations 2004/2005

#### The CIS Prosecutions Policy

All suspected cases of fraud referred to the CIS are assessed against prescribed criteria and where there are reasonable grounds for suspicion of irregularities or that a fraud has been committed the case is investigated with vigour. If, after investigation, there is sufficient evidence to proceed with legal action, cases are referred to the Public Prosecution Service (PPS).

The use of the criminal process to institute legal proceedings is an important part of the Department's approach to combating fraud and irregularity. It aims to punish wrongdoing, to avoid a recurrence and to act as a deterrent to others.

The CIS were committed through one of the year 2 Counter Fraud Strategy targets to develop a prosecutions policy to ensure fairness, consistency and to assist fraud investigation staff make informed decisions before referring cases to the PPS for direction.

This CIS prosecutions policy sets out the guidelines, which the CIS observe when conducting investigations with a view to recommending prosecution to the Public Prosecution Service.

The principles of this policy are applied consistently throughout the Department. The document is available on the DARD website. ([www.dardni.gov.uk/investigations](http://www.dardni.gov.uk/investigations))

## Section

## 1

**Central Investigation Service****Service Level Agreements (SLA)**

The CIS were committed through one of the Counter Fraud Strategy's targets to establishing with key business areas, formal protocols to ensure that there is consistent, timely and effective reporting and investigation of all suspected fraud and irregularities. The CIS liaised with a number of key business areas to develop appropriate protocols. This included Rural Payment Inspection Division (RPID), Veterinary Service, Rural Development and the Verification Unit.

SLAs set the basis on which the CIS will deliver an investigation service to key business areas. It specifies the nature, required outputs and monitoring arrangements for the Service to be provided. It also outlines the responsibilities of key business areas with regard to the provision of information and compliance with procedures in order for the CIS to deliver an efficient investigation service.

Table 2

Business Area	Formal Agreement Date	Review Date	Comments
Rural Payment Inspection Division	July 2003	December 2004	SLA amended to reflect the provisions of the new Single Farm Payment scheme.
Veterinary Service	May 2004	May 2005	Review will be reported in the 2005/2006 report
Rural Development Division	October 2004	October 2005	Review will be reported in the 2005/2006 report
Verification Unit	Scheduled for May 2005	May 2006	Review will be reported in the 2005/2006 report

## Section

## 1

## Central Investigation Service

### Grants and Subsidy Fraud Investigations

The Department has a responsibility to protect public funds and therefore has an obligation to ensure that all grants and subsidies, including payment of EU livestock subsidies, have been claimed in accordance with the terms and conditions of the schemes and the EU regulations pertaining to the Schemes.

Subsidy payments under the Common Agricultural Policy of the European Union are worth in the region of £200 million a year to Northern Ireland farmers and are a major element of their incomes.

Rural Payment Inspection Division is responsible for the administration of farm subsidies under the EU's Common Agricultural Policy (CAP) through various schemes including:

- Beef Special Premium,
- Slaughter Premium,
- Extensification Premium,
- Suckler Cow Premium,
- Sheep Annual Premium and
- Arable Aid Premium.
- Less Favoured Areas Compensatory Allowances Scheme.

All claims for subsidies are subject to initial administrative validation checks undertaken by Grants and Subsidies Payments Branch including checks against Grants and Subsidies and Animal Public Health Information System (APHIS) databases. In addition at least 5% - 10% of all scheme applicants are visited and claims are checked on the ground by physical inspection. All cases of suspected fraud i.e. as defined in the CIS/RPID SLA are referred for investigation.

## Section

## 1

## Central Investigation Service

Grants and Subsidies Division referred 128 cases of suspected livestock subsidy and other scheme frauds for investigation. Table 3 below provides a breakdown of the referrals:

Table 3

Scheme	Number of GSD referrals
Sheep Annual Premium 2004 scheme	40
Beef Special Premium	68
Arable Area Payments	5
Integrated Agricultural Control System	3
Cattle Identification Inspections	11
Suckler Cow Premium	1
<b>Total</b>	<b>128</b>

## Section

## 1

## Central Investigation Service

### Sheep Annual Premium 2004 Scheme (SAPS) Investigations

#### BACKGROUND

The purpose of the Sheep Annual Premium Scheme is to provide compensation if the average market price of sheep meat falls below a basic price agreed by the EC. The subsidy is paid annually to applicants on eligible breeding ewes.

The application period for the Sheep Annual Premium Scheme 2004 opened on 1 December 2003 and closed on 6 January 2004. In order to claim Sheep Annual Premium an applicant must own or lease the sheep for which they are claiming and must assume on a permanent basis the risks and/or organise the rearing of a minimum of 10 eligible ewes. Premium is payable on female sheep that by the end of the retention period will have either given birth to a lamb or reached the age of 12 months.

A requirement of the scheme is that eligible sheep are maintained for a period of 100 days (known as the retention period). The retention period for 2004 claims was between midnight on 6 January 2003 and midnight on 15 April 2004. It is the responsibility of the producer to notify the Department in writing prior to the movement of sheep to an un-notified location. It is an offence if a producer fails to notify the Department in writing of a change in a material fact within 10 working days of that change. **(Appendix 3)**

By virtue of the Animals (Records) Order (NI) 1997 the onus was also placed on producers to keep records in accordance with this legislation. An integral part of the SAPS is the keeping and maintaining of a continuous Flock record by the applicant. This flock record is designed to assist in providing the information required for the checking of claims for SAPS and also to meet the requirements for sheep as laid down in Animal Health legislation. In December 2000, the Department issued a standardised Flock Record book to all sheep producers to enable them to meet their obligations under both the Animals (Records) Order (NI) 1997 and for Sheep Annual Premium purposes. It is an offence not to maintain records in accordance with the legislation. **(Appendix 3)**

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## Central Investigation Service

As a result of 2004 scheme year flock inspections, <sup>1</sup>51 cases were referred to the CIS for investigation, estimated value of the fraud £135.5k.

All SAPS referrals were fully investigated by the CIS. Where the applicants presented themselves for interview these were conducted in accordance with Police and Criminal Evidence (P.A.C.E) (N.I.) order 1989 and codes of practice. In circumstances where applicants failed to attend for an interview the evidence was considered against the evidential tests for prosecution (as detailed in the CIS Prosecutions Policy) and where appropriate, a file was prepared for PPS direction.

Where the evidence did not meet the evidential tests for prosecution or where prosecution was unlikely to succeed the investigation was closed by the CIS and returned to Grants & Subsidies Payment Branch for scheme penalty consideration. **(Appendices 4&5 provide details of SAP closure categories.)**

The CIS referred 24 2004 SAPS cases to the PPS for direction. The PPS directed no prosecution on one of these cases. In the remaining 23 cases, the PPS directed prosecution under both the Sheep Annual Premium Regulations and/or the Diseases of Animals Order 1981 as detailed below:

The PPS directed prosecution on 3 cases under the **Sheep Annual Premium Regulations** only.

Table 4

Legislation	Number of cases
SAPS Regulation 9(2)(c)	3
<b>Total</b>	<b>3</b>

<sup>1</sup> 11 cases referred pre 31/3/04

## Section

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## Central Investigation Service

The PPS directed prosecution on 20 cases under both the **Sheep Annual Premium Regulations and the Diseases of Animals Order 1981**.

Table 5

Legislation	Number of cases
SAPS Regulation 9(2)(a), 9(2)(b) and 9(2)(c) and the Diseases of Animals Order	3
SAPS Regulation 9(2)(c) and the Diseases of Animals Order	5
SAPS Regulation 9(2)(b) and 9(2)(c) and the Diseases of Animals Order	12
<b>Total</b>	<b>20</b>

The CIS did not refer any cases to the PPS solely for breaches under The Diseases of Animals (Northern Ireland) Order 1981 and none of the cases satisfied the criteria meriting a Formal Caution.

The outcome of the 2004 SAPs investigations is summarised at **Appendix 6**. The summary also provides an update on 2003 SAPS cases referred to the DPP for direction during 03/04 and which eventually came before the courts during 2004/2005.



Section

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## Central Investigation Service

### Beef Special Premium Scheme (BSPS)

Beef Special Premium Scheme is a headage payment scheme designed to provide direct support to beef producers. Beef Special Premium is payable on up to two occasions for steers but is restricted to one premium only for bulls.

Animals on which premium is claimed must be kept on the holding for a retention period of 2 months. The retention period starts on the day after the Department receives the application.

### Beef Special Premium Scheme Investigations

Grants & Subsidies Inspection Branch (GSIB) referred 68 BSP cases for investigation. There were suspicions about animal movements (i.e. BSP claimed animals disappearing from markets and large number of deaths following the end of their respective retention period. Inspectors were not satisfied that the animals were eligible for BSP. The estimated value of the suspected fraud **£227.5k**

Following investigation 58 of these cases were closed by the CIS. Details of the closure categories can be found at Appendix 5. The remaining cases are currently under investigation. Their outcome will be reported on in 2005/2006.

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## 1

## Central Investigation Service

**Cattle Identification Inspections**

Cattle Identification Inspections involve a detailed physical check of all cattle on a farm including breed, sex, colour and date of birth, which must correspond with the farmer's herd book records and details held on APHIS. The information is also used to validate any bovine claims including Beef Special Premium or Suckler Cow Premium.

Inspection staff referred 11 cases for investigation. The estimated value of fraud - £36k. Table 6 summarises the current position and/or outcome of investigations.

**Table 6 CII current position/outcome of investigations**

No. of cases	Current Position
7	PPS directed prosecution, court cases pending.
3	Investigations were closed by the CIS under the following categories:- <ul style="list-style-type: none"> <li>• Not in the public interest to recommend prosecution.</li> <li>• No evidence of fraud.</li> <li>• The court is likely to impose a very small or nominal penalty on conviction – a minor offence. (Penalties recommended)</li> </ul>
1	Investigation on going.

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**Central Investigation Service****Arable Area Payments Scheme (AAPS) 2003**

Applications for payments under AAPS must be made annually under the Integrated Administration and Control System (IACS). In order to claim under the AAPS the land must be regarded as eligible arable area and must be registered as such with the Department of Agriculture and Rural Development. Eligible arable area is land that was already in arable use at 31/12/1991, or at least that had been cultivated for something other than grass in one or more of the five years from 1/1/1997. To claim under AAPS all crops must be sown by 17th May 2004.

**Arable Area Payments Scheme (AAPS) 2003 Investigations**

Following inspection of notified lands GSIB staff referred 5 cases for investigation. The estimated value of the suspected fraud **£13k**. Table 7 summarises current position.

Table 7

No of Cases	Current position
1	PPS directed prosecution under: Section 1 of the Theft Act
2	IACs Regs 1993, 8(3)(a) & (b) – court cases pending.
2	Investigation closed by CIS – <ul style="list-style-type: none"> <li>• C3 – The Investigation established no evidence of fraud.</li> </ul>

## Section

## 1

## Central Investigation Service

### Integrated Agricultural Control System (IACS)

Integrated Agricultural Control System is an important part of the European Commission's Common Agricultural Policy (CAP) reform measures agreed in 1992 and revised in 1999. Its purpose is to establish a system of control and to combat fraud in the CAP arable and livestock schemes. The EC Regulations require farmers to provide accurate information on the use of their land. It applies to all farmers who claim premium under the various schemes.

- The Department received anonymous information that two farmers in the Tyrone area were submitting false claims for land on their IACs application form. Subsequent CIS investigations established there was no fraud in one case.
- In the other, the CIS established that the evidence was insufficient to prove beyond all reasonable doubt that an offence had been committed. However it was sufficient to justify the application of penalties.
- GSIB staff carried out an inspection of notified land as stated on an applicant's claim form. The inspection raised concern that there may be an over claim of land and subsidies involving two members of the same family. The case is currently under investigation.
- The estimated value of the suspected frauds **£65k**

## Section

## 1

## Central Investigation Service

### Veterinary Service Fraud Investigations

#### Tuberculosis Compensation Fraud Investigations

Tuberculosis (TB) has affected human beings and animals throughout history. TB in cattle can spread to humans, by close contact and via unpasteurised milk. Tuberculosis is a notifiable disease and is usually chronic, with reduced herd productivity and fertility. TB fraud is motivated by low, post-BSE, cattle prices and the resulting financial difficulties, in which some farmers find themselves. The full market value compensation payable for TB reactors offers an attractive solution to a farmer in financial difficulty.

TB fraud takes a number of forms. The most significant at present is interference with an official test to create false reactors. Through routine TB testing three cases of suspected deliberate interference with an official test were referred for investigation. After extensive investigations all three cases were referred to the PPS for direction. The PPS directed prosecution and compensation was withheld. Estimated value of the suspected fraud - **£770k**. The outcome of these investigations will be reported in 2005/2006 annual report.

#### Breaches of Segregation Notices

Veterinary Service Central Enforcement Team initiated a pro-active exercise into alleged Tuberculosis compensation fraud. The initiative identified a number of reactor animals. For animal health reasons reactor animals must be segregated from the rest of the herd to prevent the spread of further disease. The Department's Veterinary Officers served segregation notices on the holdings to isolate the animals.

Inspectors from the Central Enforcement Team (CET) visited each of the herds with the task of seizing the reactor cattle for slaughter. Upon arrival at nine of these premises the CET found reactor cattle had not been isolated as required but were mixed with other cattle. These cases were referred to the CIS and are currently under investigation. Compensation withheld- **£6k**.

## Section

## 1

## Central Investigation Service

**Notification/Ear Tag offences**

As a consequence of a Veterinary Service Central Enforcement Team and PSNI investigation of a Co Tyrone Farmer a substantial amount of used ear tags were found hidden on the farm and were seized. CIS research and analysis of APHIS raised suspicion on a number of these tags in that the animals were being moved illegally contrary to Cattle Identification Regulations. The estimated value of the fraud - **£1.6k**

The outcome of the subsequent CIS investigations (10 cases) is detailed below.

Table 8

No of Cases	Outcome
1	PPS directed prosecution. Farmer Convicted
1	PPS directed no prosecution
5	Closed due to technicalities. Closure category C2a – The evidence was considered to be insufficient to justify proceedings
2	C1a – The court was likely to impose a very small or nominal penalty on conviction – a minor offence.
1	C1d – Not in the public interest defendant elderly at time of offence.

## Section

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## Central Investigation Service

**Suspected Fraud Irregularities**

The CIS investigated a range of other suspected cases of fraud. The estimated value of fraud - £15k. The outcome of these investigations is detailed below.

Table 8

Category of suspected fraud/irregularity	Current Position/Outcome
False subsidy claims using a deceased farmer's name	<ul style="list-style-type: none"> <li>Investigations established there was no fraud involved.</li> </ul>
False subsidy claims – suspected impersonation	<ul style="list-style-type: none"> <li>The case is currently under investigation and its outcome will be reported in the 2005/2006 annual report.</li> </ul>
Subsidies being paid to deceased applicants	<ul style="list-style-type: none"> <li>The case is currently under investigation and its outcome will be reported in the 2005/2006 annual report.</li> </ul>
Cattle Laundering – ghost herds	<ul style="list-style-type: none"> <li>The case is currently under investigation and its outcome will be reported in the 2005/2006 annual report.</li> </ul>
Trading patterns	<ul style="list-style-type: none"> <li>No evidence of fraud or irregularity</li> </ul>

## Section

## 1

## Central Investigation Service

### Counter Fraud Strategy

#### Background

The Department's Counter Fraud Strategy resulted from an internal review of the Department's counter fraud measures and was subject to a full consultation process with stakeholders, including the Assembly's Agriculture Committee. The strategy is intended to provide a comprehensive approach to countering fraud by systematically and proactively addressing all aspects of fraud within the agriculture sector.

The Strategy is designed to demonstrate clearly that DARD is totally committed to making sure that the opportunity for fraud is reduced to the lowest possible risk. Whilst the emphasis is necessarily on prevention and deterrence, the Department will not tolerate fraud of any kind. The aim of the Strategy is not only to minimise the risk of fraud but also to protect our customers' rights. It will therefore not apply to genuine cases of error or omission.

The Department Counter Fraud Strategy was effectively put in place in 2001 and was officially launched by the then Minister in March 2002. The Strategy brings together the varying components of the Department's counter fraud activities with the consequent aim of combating fraud in a cost-effective manner. The first three years of the Counter Fraud Strategy concluded March 2004.

The Department's Counter Fraud Forum, established to oversee the Strategy's implementation, decided that the Department should continue to demonstrate its commitment to ensure that the risk of fraud is reduced to the lowest possible level. The Forum recommended that it would be in the Department's interest to continue with the existing Counter Fraud Strategy and develop new targets for subsequent years.



Section

1

## Central Investigation Service

To take this forward a working group was established made up of representatives from key business areas. The working group's terms of reference:

To develop new Counter Fraud Strategy targets to combat fraud and irregularity taking account of:

- » Lessons learned from the practical implementation of the preceding Counter Fraud Strategy targets,
- » Emerging and related developments and
- » The Fraud Risk Management process
- » Assign responsibility for achievement of targets to relevant business areas.

The working group is a sub group of the Counter Fraud Forum and reports directly to the Director of Finance.

**Annexe 1** – provides a summary of year 2004/2005 targets and details of year 2005/2006 targets. Progress against performance will be reported in the 2005/2006 annual report.

## Annexe

## 1

## Targets

## Anti fraud Culture 2004/2005 Targets

Target	Responsibility	Comments
1.23 Continuance of Fraud Awareness training focusing on Grants and Subsidies and Veterinary Service Staff.	Central Investigation Service	<b>Target Achieved –</b> A rolling programme of fraud awareness training is on going. During 2004/2005 training was delivered to 100 staff. To date over 400 staff have received fraud awareness training. This target has now been incorporated into year 5 target –1.25
1.24 Develop promotional activities to reinforce the anti fraud culture message for all Departmental, Agency and NDPB staff.	Central Investigation Service	<b>Target Achieved –</b> The CIS are currently developing fraud awareness “road shows”. This will include a range of promotional activities and paraphernalia to complement on going fraud awareness training. <b>Target date June 2005.</b> This target has now been incorporated into year 5 target –1.26

## Annexe

## Targets

## Deterrence of fraud 2004/2005 Targets

Target	Responsibility	Comments
2.14 Establish a working group to review procedures for Enforcement of Regulations at Marts	FFEPG	<b>Target Achieved –</b> A working group was established in April 2004 to review the policy and legislative frame work in relation to marts and operational issues associated with enforcement policies and regulations. The group met on a monthly basis until it was dissolved in February 2005. A new Steering group chaired by Veterinary Service will progress outstanding issues. The Group will be supported by 3 projects to take these outstanding issues forward (i) on going enforcement (ii) biosecurity (iii) removal of staff at markets and meat plants.
2.15 Review the Sales Markets and Lairs Order	Animal Health Legislation Branch	<b>Target Achieved</b> Review completed and a new Order was made in December 2004.
2.16 Review the feasibility of a continued Veterinary role at cattle markets.	Veterinary Service	<b>Target Not Yet Achieved</b> A review of the current administrative position at markets, including the role of DARD staff and the associated difficulties for enforcement action and necessary remedial action to secure market compliance completed. A project plan for VS staff removal has been put in place. Target date for completion December 2005
2.17 Review the current ear tag system to consider tamperproofness, authorisation and supply procedures for replacement tags	Veterinary Service	<b>Target Not Yet Achieved</b> Review on ear tag systems delayed until July 2005, pending outcome of Sheep ID systems review. DARD will raise the issue with DEFRA and initiate detailed discussions before December 2005. Further Action will then be taken on a UK-wide basis.
2.18 Set up a project management team to consider the potential use of Biometric identification methods for combating Fraud and disease control	Vision Research Project	<b>Target Achieved</b> Work on developing DNA profiling and retinal imaging at advanced stage - final report due 31/3/ 2006. This target has now been incorporated into year 5 target – 2.19.

## Annexe

## 1

## Targets

## Prevention of Fraud Targets 2004/2005

Target	Responsibility	Comments
3.20 Perform Fraud Risk Assessment, for Counter Fraud Forum Endorsement, prior to the introduction of Decoupling (include legislation).	Decoupling implementation team, Internal Audit and Financial Policy/Investigation Br. Counter Fraud Forum	<b>Target Achieved</b> Fraud Risk Assessment of the Single Farm Payment scheme (including legislation) completed January 2005
3.21 Perform Fraud Risk Assessments for Counter Fraud Forum endorsement of all new financial schemes.	All relevant business areas/ Financial Policy/Investigation Br. Counter Fraud Forum	<b>Target Achieved</b> Fraud Risk assessment of The Farm Nutrient Management Scheme in progress. Target date for completion and Forum endorsement 30 June 2005. This target has now been incorporated into year 5 target 3.24.
3.22 By December 2004 review policy on secure payments for Counter Fraud Forum Endorsement	Finance Systems	<b>Target Not Yet Achieved</b> For the period January to March 2005 DARD payments of 53% totalling 59% of expenditure were processed electronically by BACS. Further action is planned to increase these figures in 2005/06. The policy regarding secure payments will be part of the Accounting Services Programme (ASP).
3.23 All new entitlements arising after January 2005 to be paid by BACs.	Finance systems/	<b>Target Not Yet Achieved</b> Good progress has been made on this (see 3.22). Mailshots have been used successfully to move existing payees (incl. staff & suppliers) to electronic payment. All new staff expense claimants are paid by BACS and scheme claimants have been requested to provide BACS details for future payments. One of the main outcomes of ASP will be to make all payments electronically.

## Detection of Fraud Targets 2004/2005

Target	Responsibility	Comments
4.11 As per PAC recommendations (report July 2003) establish the quantum fraud perpetrated against the Department by December 2004	RPID/Counter Fraud Forum	<b>Target Achieved</b> G&S have developed a methodology based on inspection checks. The estimated quantum of subsidy fraud - £2.6million. Disease compensation quantum is estimated at £2.28million.

## Annexe

## 1

## Targets

## Professional Investigation Targets 2004/2005

Target	Responsibility	Comments
5.17 Review protocols, structures and responsibilities for conducting internal fraud investigations.	Personnel Management/Internal Audit/Central Investigation Service/Central Enforcement Team	<b>Target Achieved</b> The CIS involvement in internal investigations has significantly increased as more suspected cases of internal fraud are being channelled from the Personnel Officer to the Central Investigation Service for investigation. The review outcome - to develop a definitive policy on internal fraud underlined by a statement of process. A year 5 target will be developed to take this recommendation forward.
5.18 Secure access to appropriate powers under the Proceeds of Crime Bill 2002.	Central Investigation Service	<b>Target Achieved</b> CIS investigators have been nominated to conduct financial investigations under the appropriate powers of Proceeds of Crime Bill 2002 (References to Financial Investigators) (Amendment) Order 2005. The Minister signed the Order in March 2005 and the legislation came into effect 1 April 2005.
5.19 Secure appropriate accredited financial investigation training for CIS investigation staff	Central Investigation service	<b>Target Achieved</b> Accredited financial investigation training for CIS investigators is scheduled for delivery in <b>November 2005</b> . This target has now been incorporated into year 2005/2006 target – 5.22.
5.20 Consider the feasibility of establishing an Intelligence structure to ensure that resources in the field are effectively deployed through proper targeting of those suspected of fraud	FFEPG/Central Investigation service/Central Enforcement Team	<b>Target Achieved</b> Establishing an “intelligence structure” is not considered to be feasible at this time. Although accepted in principle further deliberation is necessary to consider its merits against the existing arrangement for gathering intelligence. The CIS, CET and inspectorate staff work closely together and the existing system of intelligence gathering i.e. networking, sharing of information “Hotline” calls and APHIS data interrogation is deemed to be adequate. Intelligence gathered from these sources is transformed into information used to target resources and manpower at areas of risk. For example the current “Tuberculosis Fraud initiative” is aimed at farmers suspected of perpetrating TB compensation fraud. Other “intelligence led” initiatives include plans to target “ghost herds”.

## Annexe

## 1

## Targets

## Effective Sanction And Redress 2004/2005

Target	Responsibility	Comments
No targets developed		

## Annexe

## 1

## Targets

## Anti fraud Culture Targets 2005/06

Target	Responsibility	Comments
1.25 Deliver Fraud Awareness training to 250 Grants and Subsidies and Veterinary Service staff by 31/03/06.	Central Investigation Service	Progress against performance will be reported in the 2005/2006 annual report.
1.26 Develop a fraud awareness "roadshow" to reinforce the anti fraud culture message for all Departmental Agency and NDPB staff by 30/09/05.	Central Investigation Service	Progress against performance will be reported in the 2005/2006 annual report.
1.27 Review the Department's Counter Fraud activities by 31/10/2005	Internal Audit	Progress against performance will be reported in the 2005/2006 annual report.

## Deterrence of Fraud Targets 2005/06

Target	Responsibility	Comments
2.16 Review the feasibility of a continued Veterinary role at cattle markets.	Veterinary Service	Progress against performance will be reported in the 2005/2006 annual report.
2.17 Review the current ear tag system to consider tamperproofness, authorisation and supply procedures for replacement tags	Veterinary Service	Progress against performance will be reported in the 2005/2006 annual report.
2.19 Prepare a report on the potential use of Biometric identification methods for disease control and combating Fraud by 31/3/2006	Vision Research Project	Progress against performance will be reported in the 2005/2006 annual report.

## Annexe

## 1

## Targets

## Prevention of Fraud Targets 2005/06

Target	Responsibility	Comments
3.22 By December 2004 review policy on secure payments for Counter Fraud Forum Endorsement	Finance Systems	<b>Target Not Yet Achieved Carried forward from 2004/2005</b> Progress against performance will be reported in the 2004/2005 annual report.
3.23 All new entitlements arising after January 2005 to be paid by BACs.	Finance systems/	<b>Target Not Yet Achieved Carried forward from 2004/2005</b> Progress against performance will be reported in the 2005/2006 annual report.
3.24 To undertake Fraud Risk Assessments for relevant new schemes before implementation for Counter Fraud Forum endorsement	All relevant business areas	Progress against performance will be reported in the 2005/2006 annual report.
3.25 Fraud Risk Assessments to be referred to the Head of CIS for quality assurance and planning information purposes.	All business areas	Progress against performance will be reported in the 2005/2006 annual report.

## Detection of Fraud Targets 2005/06

Target	Responsibility	Comments
4.12 To establish a baseline on the estimated quantum of fraud perpetrated against the Department by 31/3/06	Counter Fraud Forum/CIS	Progress against performance will be reported in the 2005/2005 annual report.
4.13 To conduct audits on 340 projects receiving financial support in compliance with Article 4 of EU Regulation 438/2001. Project selection to be determined by a risk analysis and visits to be completed by 31/3/06.	RDD	Progress against performance will be reported in the 2005/2006 annual report.
4.14 To check and verify at least 5% of all relevant expenditure declared to the European Commission for the period January 2000 to December 2004 by March 2006.	EU verification Unit	Progress against performance will be reported in the 2005/2006 annual report.



## Annexe

## 1

## Targets

## Professional Investigation Targets 2005/06

Target	Responsibility	Comments
5.21. To develop a definitive policy on internal fraud underlined by a statement of process by 31/03/06.	Personnel Management/Internal Audit/Central Investigation Service	Progress against performance will be reported in the 2005/2006 annual report.
5.22 To arrange accredited financial investigation training for four CIS investigation staff by November 2005.	Central Investigation service	Progress against performance will be reported in the 2005/2006 annual report.

## Effective Sanction And Redress 2005/06

Target	Responsibility	Comments
No targets developed		

## Section

## 2

## Enforcement and Inspection Activity

### Introduction

Fraud and illegal activity poses a serious threat to public and animal health and as a consequence to the economic sustainability of the agricultural industry. Enforcement and inspectorate activity, which is aimed primarily at achieving compliance with the appropriate legislation and scheme conditions, also plays a vital role in the prevention and detection of fraud.

This section of the report summarises the Department's Enforcement and Inspection activities including details of non-compliance with scheme conditions and regulations; number of inspections performed and where appropriate, the penalties applied with resulting savings and prosecutions.

Section

2

## Enforcement and Inspection Activity

### Veterinary Service Enforcement

#### Introduction

The Veterinary Service is responsible for enforcing legislation relating to its three key work areas protecting Animal Health, Animal Welfare and Public Health.

#### Objectives

Although the principal objective of Veterinary Service Enforcement is to achieve compliance with statutory requirements e.g. TB testing, animal welfare obligations and food safety, Veterinary Service will prosecute serious or persistent offenders in accordance with a clearly documented Enforcement Prosecution Policy, which may be viewed on the DARD Internet site at:

(<http://www.dardni.gov.uk/vetservice/enforcement/index.htm>).

#### Personnel

There are three distinct groups of staff from Veterinary Service involved in enforcement duties.

#### Veterinary Service Enforcement Branch

This branch is headquartered in Dundonald House and led by the Divisional Veterinary Officer, Enforcement. Their main duties are:

- Developing enforcement strategy with senior management
- Implementing Veterinary Service enforcement policies
- Organising and monitoring field enforcement actions
- Training staff
- Managing the Central Enforcement Team
- Assembling and auditing prosecution files
- Liasing with operational partners
- Organising court witnesses and advising Crown Prosecution lawyers

## Section

## 2

## Enforcement and Inspection Activity

### Field Enforcement Teams

These enforcement-trained staff undertake enforcement activities, in addition to their normal day-to-day duties as Veterinary Officers, Animal Health & Welfare Inspectors or Administrative staff. Such staff are mainly present in the ten Divisional Veterinary Offices (approximately three per DVO) but also includes some Meat Plant and Portal staff. Their main enforcement duties are:

- Delivering Veterinary Service enforcement policies
- Conducting straightforward investigations
- Preparing prosecution files

### The Central Enforcement Team (CET)

The CET was established in 2003 to handle more complex investigations and prosecutions, and to respond to the increased demands and expectations. The formation of the team was part of the Departmental response to the Vision Report, which recommended a “more proactive and higher profile approach to the prevention, detection and punishment of illegal activities in relation to animal health and animal movement violations”, and the PricewaterhouseCoopers ‘Independent Review of Foot and Mouth Disease in Northern Ireland’ which recommended that the “Veterinary Service Enforcement Unit should be strengthened”.

The team is headquartered centrally in mid-Ulster and currently consists of one Group IV Supervisor and six Group II Enforcement Inspectors (50% of anticipated size). The team is directed by the Enforcement Branch and is deployed full-time on enforcement duties, in particular conducting investigations and field operations in the areas of:

- Animal identification and movement irregularities
- Illegal cross-border activities
- Illegal livestock movement to Great Britain
- Illegal use of growth promoters in cattle
- Enforcement of biosecurity, identification and movement controls in livestock markets

## Section

## 2

## Enforcement and Inspection Activity

### Operational Partners – Internal DARD

As many of the animal health regulations, enforced by Veterinary Service, are breached as part of wider fraudulent activities by the perpetrators, Veterinary Service Enforcement works in close co-operation with the Department's Grants & Subsidy Inspection Branch (GSIB) and the Central Investigation Service (CIS). The partnership with the GSIB is effected through the sharing of information and through joint investigations and operations.

The partnership with the CIS is effected through a Service Level Agreement, signed in May 2003, between Veterinary Service and the CIS. Through this agreement further investigations of all suspected cases of fraud (for example Tuberculosis and Brucellosis compensation fraud) are referred to the Head of the CIS.

### Operational Partners - External

Veterinary Service Enforcement staff work and co-operate closely with a number of external agencies and organisations, giving, and receiving, expertise and assistance. The following list includes some of these agencies and organisations:

- Public Prosecutions Service (PPS)
- Police Service of Northern Ireland (PSNI)
- Department of Agriculture & Food, Special Investigations Unit (DAF, Republic of Ireland)
- Department of the Environment, Food & Rural Affairs (DEFRA, Great Britain)
- Food Standards Agency (FSA)
- Ulster Society for Prevention of Cruelty to Animals (USPCA)
- Local Council Environmental Health Services (EHS)
- Royal College of Veterinary Surgeons (RCVS)

## Section

## 2

## Enforcement and Inspection Activity

### Activities

Veterinary Service Enforcement has enjoyed many successes in the reporting year including uncovering, disrupting and prosecuting major animal health criminality involving illegal growth promoters and illegal animal movements. An enforcement initiative concerning irregular cattle movements from markets was undertaken and another initiative into alleged Tuberculosis compensation fraud was launched.

Furthermore cattle of unknown identity and origin, posing a threat to both animal and public health, have been seized and destroyed. Enforcement initiatives to improve compliance with the Tuberculosis and Brucellosis testing programmes have shown encouraging results.

Enhanced co-operation with partners, both within the Department and externally, in a co-ordinated and complementary fashion, is increasingly maximising the effect of our initiatives and is helping Enforcement Branch to further prioritise its activities and target its resources.

Section

2

## Enforcement and Inspection Activity

### Veterinary Service Investigation Database (VSID)

#### Investigations Opened

In the reporting year 243 case files were opened on VSID, for 303 investigations into alleged offences under nine separate Veterinary Service work areas. Progress with these investigations is summarised at appendix 13.

#### Investigations Closed

In the reporting year 168 case files were closed on VSID, for 203 investigations into alleged offences under nine separate Veterinary Service work areas. The outcome of these investigations is summarised at appendix 14.

### Prosecutions and Convictions

#### Prosecutions

In the reporting year 39 case files were sent to the Public Prosecution Service (PPS). The progress with these prosecutions is summarised at appendix 15.

#### Convictions

In the reporting year 14 persons were convicted in court, closing 14 case files (covering 32 investigations). A list of those convicted, their offences and the penalties imposed is summarised in Appendix 7.

## Enforcement and Inspection Activity

### Grants and Subsidy Inspection Branch

Rural Payment and Inspection Division pay out £200 million annually to Northern Ireland farmers by way of subsidies through various schemes including:

- » Beef Special Premium,
- » Slaughter Premium,
- » Extensification Premium,
- » Suckler Cow Premium,
- » Sheep Annual Premium and
- » Arable Aid Premium.

Grants and Subsidy Inspection Branch (GSIB) is one of three Branches within Rural Payments and Inspection Division that collectively are responsible for ensuring that the schemes are operated in compliance with the various EC regulations that govern them.

GSIB headquarters are in Ballymena Co. Antrim. However the business is delivered from six county offices covering three regions:

- » Northern region-counties Antrim and Derry/Londonderry
- » Eastern region - counties Armagh and Down; and
- » Western region - counties Tyrone and Fermanagh.

Each region has an Inspection Team consisting of 17 inspectors with administrative support. They are responsible for:

- Carrying out all inspections in accordance with EU requirements.
- Maintaining databases of clients and land.
- Providing an information service.
- Providing a consultation service for DOE Planners in relation to buildings in the countryside.



## Section

## 2

## Enforcement and Inspection Activity

All claims for grants and subsidies are subject to initial administrative validation checks undertaken by Grants and Subsidies Payments Branch including checks against Grants and Subsidies and APHIS databases. In addition at least 5% of all scheme applicants are visited and claims are checked on the ground by physical inspection.

In September 2002, Grants and Subsidies Inspection Branch took responsibility for Cattle Identification Inspections from Veterinary Service Enforcement Branch. These inspections involve a detailed physical check of all cattle on a farm including breed, sex, colour and date of birth, which must correspond with the farmer's herd book records and details held on APHIS. The information is also used to validate any bovine claims including Beef Special Premium or Suckler Cow Premium. If there are any issues of serious non-compliance with scheme rules or a fraud is suspected these are immediately referred to Central Investigation Service.

**Appendix 8 -** Summary of Integrated Agricultural Control system (IACS) scheme, Sheep Annual Premium Scheme inspection and administrative penalties applied with savings for 2004.

**Appendix 9 -** Summary of Beef Special Premium Scheme inspections and administrative penalties applied with savings for 2004.

**Appendix 10 -** Summary of Slaughter Premium Scheme inspection/administrative and Less Favoured Area Compensatory Allowance penalties applied with savings.

**Appendix 11 -** Summary of the Extensification 2004 Scheme Inspection/administrative and Agri-Environment Scheme penalties applied with savings.

**Appendix 12 -** Summary of Suckler Cow Premium Scheme (SCPS) inspection and administrative penalties applied with savings.

## Section

## 2

## Enforcement and Inspection Activity

### Quality Assurance Branch

Quality Assurance Branch (QAB) is part of the Service Delivery Group of DARD and is responsible for enforcing wide range of Agri-Food legislation.

QAB consists of a number of specialist teams of professional staff with expertise in food technology, agriculture and horticulture. Staff are based at a number of centres throughout the Province and headquarters is in Dundonald House.

The Branch enforces legislation relating to: -

- Milk hygiene
- Meat, Sheep & Pig classification & beef labeling
- Eggs & Poultry Meat Marketing Standards
- Plant Health
- Crop certification including seed potatoes and cereal seeds
- Horticulture Marketing Standards
- Noxious Weeds
- Bee Health
- Animal Feedstuffs
- Fertilisers
- Seeds
- Agricultural Wages

In addition to these areas the Branch also undertakes work on behalf of the Rural Payments Agency (RPA).

Legislation is based on EU directives and regulations and QAB is ultimately accountable to the EU for implementation of that legislation. The Branch is also accountable to the Food Standards Agency for certain aspects of legislation relating to Milk Hygiene, Egg Marketing Standards and Animal Feedstuffs.

## Section

## 2

**Enforcement and Inspection Activity****Branch Aims:**

1. To implement UK and EU legislation relating to food safety, plant health, marketing standards, product certification and industry support and ensure that standards meet or exceed legal requirements
2. To provide guidance to industry on the legislation
3. To provide the technical back-up necessary for the Department to act as agents for the Rural Payments Agency (RPA).

In 2004/2005 QAB carried out a total of **25,325** inspections and obtained **20,898** samples for checking compliance with standards across the various legislative areas. The nature and complexity of inspections vary widely depending on the legislation. Each inspection generates a report and may result in informal or formal enforcement action. The formal enforcement action varies depending on the powers available under the legislation

**Table 9 - QAD Formal Enforcement Action (2004-2005)**

Action	Legislation	Number
Confirmatory Letters	Milk Hygiene (862), Horticultural Marketing Standards (80)	942
Warning Letters	Animal Feeds & Fertilisers (8), Beef Carcase Classification (1), Deadweight Cattle Price Reporting (1), OTMS Verification (1), Egg Marketing (8), Milk Hygiene (139), Noxious Weeds (8), Plant Health (17)	183
Various Enforcement Notices	Plant Health (79), Egg Marketing (84), OTMS (1)	164
Downgrading	Egg Marketing (21), Seed Potato (23)	44
License revocations	Milk Hygiene	5
Court Action		0

## Section

## 2

## Enforcement and Inspection Activity

### Quality Assurance Branch Non-Compliance Referrals

Quality Assurance Branch referred 4 cases of non-compliance to the Central Investigation Service (CIS) during 2004/2005. Three of these, all relating to Plant Health, were then referred to the PPS for direction. The PPS directed no prosecution. The fourth case, which related to Animal Feeds was not progressed, after consideration.

## Section

## 3

## Internal Audit and Personnel Management Branches

Internal Audit Branch provides an independent and objective opinion on risk management, control and governance by measuring and evaluating its effectiveness in achieving Departmental and business objectives and also provides an objective consulting service to support management in adding value and improving the Department's risk management, control and governance. Internal Audit's primary responsibilities in relation to fraud are: -

- To review procedures to safeguard assets so as to ensure that cost effective measures are in place to prevent, detect or defer fraud;
- To ensure that the prevention, detection and deterrence of fraud are also taken into account when new systems are designed or changes made to existing systems;
- To provide assistance, where required by management, in the investigation of fraud.

The results of audit reviews of counter fraud controls are used to support the Head of Internal Audit's assurance statements in bi-annual reports to the Departmental Corporate Governance and Audit Committee.

All suspected cases of internal fraud or irregularity are reported to the DARD Personnel Officer. The Personnel Officer makes the appropriate arrangements for an investigation to be conducted and, if fraud, misconduct or a criminal offence has occurred would consider the disciplinary aspect of the case. In instances that have financial implications Internal Audit would either take the lead or provide assistance to management. If there is sufficient evidence that a criminal offence has been committed cases would be referred to the Central Investigation Service in the first instance and if appropriate to the police for criminal investigation.

## Section

## 3

## Internal Audit and Personnel Management Branches

The DARD Personnel Officer referred 4 cases of suspected fraud and irregularity to the CIS for investigation during 2004/2005. The table below details the category of the allegations and their current position. Estimated Value of the Fraud £8.5k.

Category	Current Position
Conflict of interest – backdating claim form to meet scheme deadline. Estimated Value of suspected fraud <b>£1k</b>	No evidence of Fraud proven – Serious misconduct charges - the outcome-member of staff was downgraded.
Allegation of bribery to influence the performance of an officer's official duties. Estimated Value of suspected fraud <b>£500</b>	No evidence of fraud proven. Serious misconduct charges under consideration
Staff collusion suspected of defrauding performance pay scheme. Estimated Value of suspected fraud <b>£7k</b>	Investigation on going
Working while off on sick leave	No fraud proven.

## Section

## 4

## Rural Development

The Rural Development Programme (RDP) aims to promote a comprehensive integrated action towards the sustainable and equitable development of rural areas. The programme is a composite of several EU programmes and initiatives

- Building Sustainable Prosperity (BSP)
- Natural Resource Rural Tourism (NRRT)
- LEADER+
- INTERREG IIIA

In addition support is specifically targeted on farmers and members of farming families within the PEACE II programme. The value of grant aid over the course of the programme (2001 – 2006) is approximately £100 million and is delivered through a range of intermediary bodies. Applications for funding can also be made directly to the Department for area based, sectoral or profit taking activities. The range of activities supported include

- Strengthening rural communities through the provision of advice and financial assistance.
- Providing the resources required for rural people to implement plans for economic, environmental, social and cultural improvements.
- Providing support for regionally based programmes and projects.
- Enabling 5 designated disadvantaged rural areas to take advantage of tourism opportunities.
- Maximising the economic potential of small rural businesses.
- Encouraging development of cross border rural businesses and communities.

## Section

## 4

## Rural Development

Within Rural Development Division a team of 8 trained Monitoring / Validation Officers audit the activities of the various Implementing Bodies and Departmental offices to ensure compliance with documented procedures. In addition there is an ongoing programme to conduct on site visits to all projects supported to verify the delivery of the products and services funded. The selection of the projects is based on a risk analysis. All cases of suspected fraud detected by any RDD or Implementing Body staff are referred to CIS for investigation. Two cases of suspected fraud were referred for investigation.

- Rural Development Division referred a case of suspected irregularity for Grant aid under the Peace II/Natural Resource Rural Tourism Initiative. There was concern with the applicant's non-compliance with procurement procedures. The information provided in support of the claim was doubtful and although it was considered to be false and misleading there was insufficient evidence to refer the matter to the PPS for direction. However on the balance of probability the CIS were satisfied there was sufficient evidence to withhold grant aid payment of **£15k**.
- The Central Investigation Service (CIS) received a referral in connection with a claim made for funding assistance under the North Sperrins Areas Based Strategy (NSAS) under the Sub Programme for Agriculture and Rural Development (SPARD). The applicant submitted an application for funding assistance to construct a workshop. The aid was granted. The Department performed a routine Post Project Evaluation (PPE) at the applicant's premises to verify that the workshop had been constructed. However it was not. The case is currently under investigation. The estimated value of the fraud - **£3k**.
- Rural Development sought advice on 5 other cases of irregularity. After thorough evaluation the CIS were satisfied that there was no evidence of fraud.



Section

4

## Rural Development

### The Verification Unit

The Unit, as a functionally independent body, contributes towards the assurance required by the European Commission by carrying out sample checks on projects co-financed by the Structural Funds in accordance with Articles 10 to 12 of Commission Regulation (EC) 438/2001 (copy attached).

Checks are generally carried out at the project's premises where the officers conducting the visit will work through a standard checklist (adapted as necessary) designed to ensure the objectives of the check are met. The project manager and/or other key members of staff will be questioned on various aspects of the project as required.

A key part of the check involves ensuring that projects maintain a sufficient audit trail as defined by Annex I of Commission Regulation (EC) 438/2001 (see attachment). As a rule the verification officers will require the project to produce original documentation to verify compliance with this requirement however photocopies certified as true copies of the originals are also acceptable.

The checks must also cover the execution of the operation (verifying the actual delivery of goods and services paid for), reconciliation between the expenditure claimed and the supporting documents, the eligibility of the expenditure both under the terms of the programme concerned and the general eligibility rules, the provision of national co-financing, compliance with relevant EU and national legislation including public procurement, state aid and the environment, and avoidance of common errors.

## Appendix

## 1

## Summary of Cases CIS Investigation Workload 2004/2005

Referrals B/F from 2003/2004	31
Referrals (External)	163
Investigation Closure	118
PPS Direction Pending	2
Prosecution Not Directed	0
Convictions @ 31/03/05 (incl. 03/04)	8
Court Pending	29
PPS withdrawn	2
Magistrate dismissed charges	1
Referred to PSNI	0
Referrals C/F to 2005/2006	34

<b>Referrals B/F</b>	The number of on going investigations brought forward from previous year (2003/2004)
<b>Referral external</b>	The number of suspected cases of external fraud referred to the CIS for investigation 2004/2005.
<b>Investigation Closure</b>	The number of referrals scrutinised or investigated that either No Further Action was required or with recommendations made to the appropriate scheme as to whether or not subsidy payments or other should be withheld.
<b>PPS Direction Pending</b>	Number of cases referred to the PPS pending direction
<b>Prosecution Not Directed</b>	The number of cases referred to PPS for prosecution and prosecution not directed
<b>Convictions</b>	Number of cases prosecuted. (This figure includes convictions pending in 2003/2004 – 2 cases in total)
<b>Court Pending</b>	The number of cases that the PPS directed on and awaiting court listing
<b>PPS Withdrawn</b>	The number of cases withdrawn by the PPS
<b>Magistrate Dismissed Charges</b>	The number of cases dismissed by a magistrate following a hearing
<b>Referred to PSNI</b>	The number of cases referred to the Police Service NI for investigation
<b>Carried Forward</b>	The number of on-going investigations @ 31st March 2005 carried forward

## Appendix

## 2

**2003/2004 Investigations  
Carried Forward**

The CIS carried forward 31 on going investigations at 31/3/2004. Investigations continued during 2004 and their progress/outcome is detailed below:

Category of Case Carried Forward	Outcome
Beef Special Premium Scheme - 7 Investigations	1 case - Prosecution pending 1 case was contested - the Magistrate dismissed the charges. 5 cases were closed by the CIS (Scheme penalties were recommended)
Cattle Identification Inspections – 8 investigations	4 cases - Prosecution pending 4 cases were closed by the CIS (Scheme penalties were recommended)
Sheep Annual Premium 2004 Scheme - 11 investigations	1 Conviction (appendix 6) 6 - cases prosecution is still pending 4 cases were closed by the CIS (Scheme penalties were recommended)
Integrated Agricultural System (IACS)	Case closed by CIS (Scheme penalties were recommended)
Sheep Quota	Case closed by CIS
Ear Tag Fraud	Conviction
Illegal Hormones + ID irregularities	Prosecution Pending - Investigation led by Veterinary Enforcement
Fraud Irregularity	Case closed by CIS

## Legislation

Under the Sheep Annual Premium Regulations (NI) 1992 and the Sheep Annual Premium (Amendment) Regulations (NI) 2001, there are three offences under which any person who for the purpose of obtaining the whole or any part of a premium can be prosecuted:

### Regulation

9(2)(a) – where he/she furnishes information which he/she knows to be false or misleading in a material particular

9(2)(b) – where he/she recklessly furnishes information which is false or misleading in a material particular

9(2)(c) – where he/she fails to notify the competent authority in writing of a change in a material particular within 10 working days of that change.

Under Article 7 of the Animals (Records) Order (Northern Ireland) 1997 and The Animals (Records) Order (Northern Ireland) 2000, producers are required to keep flock records in a specified format. They are also required to produce these records, on demand, to an inspector who is entitled to inspect that record and take extracts there from. Any breaches of this legislation leads to prosecution under Section 52(1) (a) the Diseases of Animals (Northern Ireland) Order 1981.

Appendix

4

## The CIS Investigation Closure Policy

The CIS were committed through one of the Counter Fraud Strategy year 2 targets to develop and implement an Investigation Closure policy.

The CIS Investigation Closure policy is not a definitive guidance stating when an investigation must be recommended for closure. Rather, it sets out the criteria which Central Investigation Service will follow when conducting investigations and it has been established that there is no evidence of fraud/irregularity or fraud is established but prosecution/formal caution is not appropriate.

The Central Investigation Service observes four criteria if investigation closure is considered appropriate:

- Closure 1 (C1) - Public Interest Factors
- Closure 2 (C2) - Technical Factors
- Closure 3 (C3) - No evidence of fraud or irregularity
- Closure 4 (C4) - Director of Public Prosecutions (DPP) Direction

This policy does not prejudice any decision to withhold compensation payments or to apply penalties under various scheme rules.

## Closure Categories

### Closure 1 (C1) – Public Interest Factors

#### Cases B/F from 03/04 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	1

#### Cases from 04/05 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	22
Sheep Annual Premium (SAP)	16
Cattle Identification Inspections (CII)	2
Notification Offences	2
Integrated Administration & Control System (IACS)	1
Notification Offences	1

### Closure 2 (C2) – Technical Factors

#### Cases B/F from 03/04 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	1
Cattle Identification Inspections (CII)	3
Beef Special Premium (BSP)	2
Multiple Identity (MI)	1
Sheep Annual Premium (SAP)	1

#### Cases from 04/05 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	14
Sheep Annual Premium (SAP)	7
Cattle Identification Inspections (CII)	1
Notification Offences	5
Others	1
Sheep Annual Premium (SAP)	1
Fraud irregularities	1

## Appendix

## 5

## Closure Categories

## Closure 3 (C3) – No evidence of Fraud or Irregularity

## Cases B/F from 03/04 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	1
Sheep Annual Premium (SAP)	2
Cattle Identification Inspections (CII)	1
Integrated Administration & Control System (IACS)	1

## Cases from 04/05 Year

Case Category	Number of Cases
Beef Special Premium (BSP)	22
Sheep Annual Premium (SAP)	1
Integrated Administration & Control System (IACS)	1
Fraud irregularities	1
Rural Development Division (RDD)	1

## Closure 4 (C4) – Director of Public Prosecutions (DPP) Direction

## Cases B/F from 03/04 Year

Case Category	Number of Cases
Sheep Annual Premium (SAP)	1

## Cases from 04/05 Year

Case Category	Number of Cases
Notification Offences	1
Others	2

## Outcome of Investigations @ 31 March 2005

### CIS – Outcome of Sheep Annual Premium (2003) Scheme Investigations @ 31 March 2005

#### Convictions

Name & Address	Outcome
Michael McCartney 22 Hall Road Lislea, Newry	Fined £250 + £7 costs.
Edward Markey 38 Carrivekeeney Road Bessbrook, Newry	Fined £150 + £46 costs.
John F Lennon 41 Carrickrovaddy Road Cullyhanna, Newry	Fined £100 + £67 costs.
Francis Murphy 1 Carrickrovaddy Road Belleeks, Newry	Fined £200 + £7 costs.
Glen Foster 6 Cormeen Road Killylea, Armagh	Fined £200 + £7 costs.
Michael Rice 25 Forkhill Road, Newry	Fined £250 + £61 costs.
Patrick J McCullagh 25 Coolnasillagh Road, Maghera	Fined £750 + £49 costs.
George Carson Frevagh Scribbagh, Enniskillen	Fined £1,500 No costs.



## Appendix

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**Outcome of Investigations  
@ 31 March 2005****Convictions 2003 (continued)**

<b>Name &amp; Address</b>	<b>Outcome</b>
Gerald McGreevey 18 Letteran Road Churchtown, Cookstown	Fined £750 + £58 costs.
Michael Donaghy 134 Termon Road Carrickmore, Omagh	Fined £250 + £39 costs.
Andrew Smyth 45 Crew Road, Maghera	Fined £450 + £49 costs.
Clifford Ferry 40 Annaghmakeown Road Castlecaulfield, Dungannon	Fined £150 + £76 costs.
Gerard Cullinan 41 Brackaghlistlea Road Draperstown, Magherafelt	Fined £200 + £64 costs.
Alan Stewart (Hubert Stewart & Sons) 50 Lower Ballyboley Road, Ballyclare	Fined £1,500 + £22 costs.

## Outcome of Investigations @ 31 March 2005

Update on miscellaneous (CIS) convictions referred to the PPS for direction during 2002/2003 & 2003/2004 and which eventually came before the courts during 01 April 2004 – 31 March 2005

### 2002 cases

Name	Offence	Outcome
William McConaghy 27 Harbour Rd Ballintoy Ballycastle	SCPS	Fined £2000
Patrick Finnegan Rantony Farm Tullybroom Rd Clogher	Cattle Identification Inspection Irregularities	Fined £1000 + £32 costs

### 2003 cases

Patrick Loughran 65 Loughbracken Rd Pomeroy Dungannon	Cattle Identification Inspection Irregularities	Fined £1050 + £31 costs
Patrick H O'Brien 169 Ballymaguire Rd Elagh Stewartstown Dungannon	Cattle Identification Inspection Irregularities/ BSPS	Fined £630 + £46 costs
Patrick Gormley 19 Altahoney Rd Claudy	Financial Irregularities	Fined £400 + £55 costs
Nicholas Branniff 19 Loughkeeland Rd Downpatrick	IACS	Fined £1000 + £61 costs

## Appendix

## 6

**Outcome of Investigations  
@ 31 March 2005****2003 cases continued**

Samuel G Smith 30 Derryane Rd Dungannon	Brucellosis	Fined £550 + £32 costs
John McMonagle 39 Windyhill Rd Limavady	IACS	Fined £500 + £43 costs
John McAlernon 109 Cornakinegar Rd Lurgan Craigavon	IACS	Fined £400 + £10 costs
Nigel McKenzie Drumderg Moy Dungannon	Cattle Identification Inspection Irregularities/ BSPS	Fined £1350 + £43 costs

## Veterinary Enforcement Convictions Summary 01/04/04-31/03/05

- » Melvyn McAteer, Derrylileagh Road, Portadown pleaded guilty to moving 5 pigs from a holding that were not identified in accordance with the Aujeszky's Disease Order, and was fined £400.
- » William McCracken, 65 Drumilly Road, Armagh, pleaded guilty to 4 charges relating to welfare of livestock, failure to keep records, illegal movement and trade. Mr McCracken was fined a total of £1061 (including costs).
- » Desmond Robinson, 48 Golland Road, Armagh, pleaded guilty to 2 charges relating to failure to keep records and illegal movement and he was fined a total of £367 (including costs).
- » Hugh Glass, 124 Causeway Road, Carrowreagh, Bushmills pleaded guilty to a total of 12 charges relating to failure to present all animals for tuberculosis testing, failure to keep a herd register, failure to notify cattle movements from his herd and failure to notify cattle deaths. Mr Glass was fined a total of £1039 (including costs).
- » John Clarke White, 50 Crewe Road, Maghera pleaded guilty to 12 charges of transporting animals which were unfit for the journey intended and 1 charge of causing unnecessary suffering to 12 sheep. He was fined £100 for each of the 12 charges of transporting animals which were unfit for the journey and £500 for the charge of causing unnecessary suffering to 12 sheep. In addition, Mr. Clark was ordered to pay £1690.56 costs
- » Keith Thomas Lindsay, Oakfield, Culkey, Enniskillen was convicted of 1 charge of failure to isolate 5 bovine animals as required by the said notice and was fined £500 plus £37 court costs.
- » Christopher Loy, 11 Corrycroar Road, Pomeroy, Co Tyrone was convicted of causing unnecessary suffering to cattle, failure to comply with rectification notices, failure to dispose of carcasses, failure to keep medicine records, killing a calf other than in accordance with the requirements, failure to notify the change of an ear tag number and failure to notify births, deaths and movements of cattle, and was fined £1800.

Appendix

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## Veterinary Enforcement Convictions Summary 01/04/04-31/03/05

- » John Corcoran, 74b Farmhill Road, Omagh, Co Tyrone was convicted of failure to detain carcasses of over 24 month cattle for BSE sampling and failure to keep medicine records, and was fined £300 plus £7 costs.
- » Thomas Rafferty, 3 Shanroy Park, Pomeroy, Co Tyrone was convicted of with holding animals from tuberculosis and brucellosis tests, failure to give assistance, failure to produce herd and medicine records and failure to notify cattle movements, and received a conditional discharge for 2 years plus £79 costs.
- » Neil Patrick Clarke, 51 Cushendall Road, Ballymena pleaded guilty to moving animals within a controlled area other than under the authority of and in accordance with the conditions of a licence issued by the Department and was fined £150 plus £79 costs.
- » Wilson Dickey, 10 Ballyalbanagh Road, Ballyeaston, Ballyclare, Co Antrim was convicted of failure to present animals for tuberculosis testing, and was fined £200.
- » Seamus Kerr, Aughiogan, Carrickmore, Co Tyrone was found guilty on charges of failure to present all animals for a TB test, failure to present all animals for BR testing, not presenting medicine records and failure to give assistance to an official of the Department. Mr. Kerr was fined £1000 for each charge plus £92 costs.
- » Jonathon Sawyers, 48 Altamuskin Road, Sixmilecross, pleaded guilty to supplying for slaughter for human consumption animals which contained an authorized substance at a concentration exceeding the relevant maximum residue limit and was fined £150 plus £115 costs
- » Cyril Henry Beatty, Tullyrain, Ballinamallard, Enniskillen pleaded guilty to failure to stain SRM as soon as practicable after death, longitudinally splitting the vertebral column of a bovine animal aged 6 months or over and failed to keep records of consignments of SRM and was fined £500 plus £40 costs and received a conditional discharge for 12 months.

## Inspections, Penalties and Savings

### Integrated Agricultural Control Scheme Administration Controls and Inspections

2004

	No. of Admin Controls	No. of Inspections
Duplicate area claimed	336	11
Over Claimed Area not Found	166	337
Not a forage Area	728	530

### Sheep Annual Premium Scheme Inspections - 2004

SAPS Inspections	Penalised/ Rejected	Savings
1558	221	£310.95k

### Sheep Annual Premium Scheme Administrative Penalties - 2004

Eligible Claims	Penalised	Savings
8607	24	£14.07k

## Appendix

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## Inspections, Penalties and Savings

**Beef Special Premium Scheme  
Inspections 2004**

No. of Businesses Inspected	No. of Businesses Penalised/Rejected	No. of Inspections
2,046	81	£22.9k

**Beef Special Premium Scheme  
Administrative Penalties 2004**

No. of Claims	No. of Businesses Penalised/Rejected	Savings
81,843	742	£163k

## Inspections, Penalties and Savings

### Slaughter Premium Scheme (Claimed Animals) Inspections 2004

No. of Businesses Inspected	No. of Businesses Penalised/Rejected	Savings
1,082	0	£0K

### Slaughter Premium Scheme Administrative Penalties 2004

No. of Claims	No. of Businesses Penalised/Rejected	Savings
39,366	60	£7.7K

### Less Favoured Area Compensatory Allowance Scheme 2004

No. of Producers	Penalties	Savings
1,105	<3%	£15,484.40k
313	3%-20%	£51,383.60k
50	>20%	£29,866.00k



## Appendix

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## Inspections, Penalties and Savings

## Extensification Scheme Inspections 2004

No. of Claims	Penalties Applied	% Penalty Applied
1648	103	6.25%

## Extensification Scheme Administrative Checks 2004

No. of Claims	Claims Rejected (Outright or Partially)	% Rejected
20,816	4,401	21.14%

## Agri Environment Scheme 2004

No. of Inspections	Penalties applied	Savings
924	26 (plus 14 warning letters)	£12.8k

## Inspections, Penalties and Savings

### Suckler Cow Premium Scheme Inspections 2004

No. of Inspections	Penalties Applied	Savings
972	40 claims 81 animals	£14k

### Suckler Cow Premium Scheme Administrative Penalties - 2004

No. of Claims	Claims Rejected (Outright or Partially)	Savings
12,995	229 claims 526 animals	£88k

## Appendix

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Veterinary Service Enforcement  
Investigations Opened  
01/04/04-31/03/05

## Progress Summary

Work Programme	Under Investigation	Interview Arranged	File being Prepared	File passed to HQ Enforcement Branch	File passed to Public Prosecution Service	Case Closed	Total
Animal By-Products			1	2	8	4	15
Biosecurity	1			1		25	27
Brucellosis		4			7	62	73
Identification, Registration & Movement	15	1		2	13	37	68
Trade of Animals & Animal Products	1		1	1	3	5	11
Transmissible Spongiform Encephalopathies	1				1	3	5
Tuberculosis	10				8	34	52
Veterinary Public Health & Food Safety	7	1			8	6	22
Welfare of Animals	3	1	2		8	16	30
<b>Total Investigations (Case Files)</b>	<b>38 (33)</b>	<b>7 (5)</b>	<b>4 (4)</b>	<b>6 (2)</b>	<b>56 (26)</b>	<b>192 (173)</b>	<b>303 (243)</b>

## Appendix

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## Veterinary Service Enforcement Investigations Closed 01/04/04-31/03/05

### Summary of Outcomes

Work Programme	Case Dropped	Compliance Achieved	Warning Letter Issued	Cattle Slaughtered	Formal Caution Delivered	Convicted in Court	Referred to other Agency	Total
Animal By-Products	1		1			1		3
Biosecurity		25						25
Brucellosis	6	21	6			3	4	40
Identification, Registration & Movement	11		5	8*	1	11	1	37
Trade of Animals & Animal Products	3	1					4	
Transmissible Spongiform Encephalopathies	3				2	3		8
Tuberculosis	2	38	1			3	14	58
Veterinary Public Health & Food Safety	4		1		1	5		11
Welfare of Animals	5	3	3			6		17
<b>Total Investigations (Case Files)</b>	<b>32 (24)</b>	<b>90 (86)</b>	<b>18 (15)</b>	<b>8 (8)</b>	<b>4 (3)</b>	<b>32 (14)</b>	<b>19 (18)</b>	<b>203 (168)</b>

## Appendix

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Case Files Passed to the Public  
Prosecution Service (PPS)

01/04/04-31/03/05

## Progress Summary

Public Prosecution Service (PPS)	Awaiting PPS Decision on Direction	Not Directed for Prosecution	Directed for Prosecution (Case Pending)	Directed for Prosecution (Convicted)	Directed for Prosecution and not Convicted	Total sent to PPS
Case Files	3	8	14	11	0	36

ISBN 1 85527 825 1



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**Talmhaíochta agus  
Forbartha Tuaithe**

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MÁNNYSTRIE O  
**Fairms an  
Kintra Fordèrin**

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