

# Agricultural fraud: The case of Joseph Bowden



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
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# executive summary

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## Overview

- 1 On 11 October 2000, a farmer, Joseph Bowden, was sentenced at Exeter Crown Court to 30 months imprisonment. He had pleaded guilty to nine criminal charges involving deception, attempted deception and false accounting. A further three charges were ordered to be left on the court's file and not guilty verdicts were directed by the judge to be entered for the remaining six charges. The charges related to claims under three European Union schemes, false insurance claims and arson. The amount of money involved in the charges to which Joseph Bowden pleaded guilty was £157,000, although had he succeeded in all of his activities under the three schemes he might have received some £415,000 of public monies. Joseph Bowden's case was one of the largest cases of fraud in the United Kingdom involving an individual claiming subsidy under Common Agricultural Policy schemes.



*Photograph: Linseed in flower*

- 2 Previous reports by the Committee of Public Accounts on Common Agricultural Policy schemes have emphasised the importance of rigorous action in the case of irregular and fraudulent activity. The purpose of our examination was therefore to identify the actions taken by those responsible for administration of the schemes to prosecute and to prevent recurrence of the irregularities. We found that the Ministry of Agriculture, Fisheries and Food and the Intervention Board<sup>1</sup> recognised the importance to be attributed to the case and the need for corrective action. When the full details came to light, they introduced improvements to their systems seeking to remove any weaknesses in control. Our report looks at the nature of the frauds and the lessons learned.

<sup>1</sup> Now overtaken by the Department for Environment, Food and Rural Affairs; and the Rural Payments Agency (see paragraph 12).

## Our detailed findings

### The offences

- 3 Most of the charges were in respect of claims between 1994 and 1996 under the Arable Area Payments Scheme, administered by the Ministry of Agriculture, Fisheries and Food (the Ministry); or the Fibre Flax Subsidy Scheme, administered by the Intervention Board Executive Agency (the Board). Joseph Bowden submitted claims or declarations under both schemes for harvested crops, which in part covered the same areas of land. In respect of fibre flax, he made declarations through different contractors covering areas of land that in part were the same. According to the grid references he included in his documentation, some of the areas of land claimed for were not on the UK mainland.
- 4 The Arable Area Payments scheme is the largest of the Common Agricultural Policy schemes operating in the United Kingdom. The total amount paid to around 40,000 farmers under the scheme in 2000-2001 was some £860 million. In any one year, the amount falsely claimed under the scheme by Mr Bowden amounted to some £40,000.
- 5 In addition the North Devon Swede Group, of which Joseph Bowden was the leading partner, submitted an ineligible claim for grant under a European Union structural funds programme, the Objective 5b scheme, for encouraging business in rural areas. The claim involved a grant for building new premises, which Joseph Bowden had already re-built using the proceeds of an insurance claim following the destruction of a barn by fire. This charge was one of the three which were ordered to lie on the Court's file.

### How the offences were identified and what action was taken

- 6 Joseph Bowden's activities started to come to light in May 1996 after a tip-off was received by police and passed to the Ministry. Whilst the tip-off was inaccurate, the field inspector sent to check the arable area claim was the same officer who the previous year had visited in connection with a fibre flax claim. He identified that Joseph Bowden might have been claiming for different crops on the same area of land and full investigations were begun. The frauds and attempted frauds were not identified earlier by routine checking because at that time:
  - Prior to 1996, no cross checks by the Ministry and the Board were carried out between Arable Area Payments and Fibre Flax Subsidy Schemes to identify if claims had been submitted for the same area of land. In 1996 manual cross-checks were introduced to detect possible duplicate claims on the same field. These checks used unique field identifiers from Ordnance Survey Maps.
  - Under the Arable Area Payments Scheme, map references identifying fields were required and these were all checked. Under the Fibre Flax Subsidy Scheme only 20 per cent of field identifiers were checked and unique field references were not required. Fields could be referred to by name, for example, top meadow or bottom pasture. So a grower could supply contracted processors with different names for the same field.
  - Inspections prior to 1996 did not adequately identify the crops being grown.



*Combine harvester at work in a flax field*

- 7 Following the on-farm inspection in May 1996, Joseph Bowden was investigated by the Board's Anti-Fraud Unit and payment on further crop claims was withheld while the investigation proceeded over the next two years. However, there was initially no wider checking across European grant schemes for possible claims by Joseph Bowden. In 1996 Joseph Bowden submitted an application under the Objective 5b scheme, which included the building of a new barn. This was approved, and was halted through the chance transfer of a member of the Ministry's staff in 1997 from the branch handling arable crop claims to the branch handling Objective 5b claims.
- 8 Investigations by the Board also identified that charges relating to arson or insurance claims might be appropriate. In due course Joseph Bowden was charged with 18 offences in October 1999. He was prosecuted jointly by the Crown Prosecution Service, the Ministry and the Board.
- 9 After the court proceedings, the Ministry and the Board sought to recover monies in respect of those offences to which Joseph Bowden had pleaded and been found guilty. As these mainly related to payments made under the Arable Area Payments Scheme of some £80,000 plus some £31,000 in accrued interest, the Board following legal advice, took the view that the scheme rules had not been breached in relation to fibre flax and did not seek to recover the monies Joseph Bowden had been paid under the Fibre Flax Scheme. A debt of almost £11,000, arising from duplicate claims under the Fibre Flax Subsidy Scheme for the same area of land, has been charged to the Exchequer following the Agency's view that it would not be in the public interest to seek recovery.
- 10 The Ministry did not immediately seek recovery of money paid to Joseph Bowden and planned to wait until investigations or court proceedings were complete. However, by 1998 he was on the verge of bankruptcy and a binding Individual Voluntary Arrangement was entered into with him by all his creditors, including the Ministry, in November 1998. By March 2000 only £1,325 had been recovered from him for the Ministry, under that arrangement. In January 2000 the Ministry introduced new procedures for the recovery of debts. These require recovery procedures to be instigated and where cases are with the department's legal division, the division should be advised of any changes to the value of the debt and of any future opportunities to recover money by intercepting other payments due from the Department.
- 11 The Ministry and the Board also introduced new financial controls over the operation of the Arable Area Payments and Fibre Flax Subsidy Schemes, to help prevent similar frauds in future. In particular, there is now a single system handling all grant claims which enables cross checks for duplicate claims to be carried out and followed up; the validity of map grid references is checked as a matter of routine; applicants under the Fibre Flax Subsidy Scheme are required to provide more information to support claims. Regulatory changes to provide for a processing requirement were introduced to check that fibre flax has been processed before a claim is paid. The Objective 5b scheme is now closed to applicants, but similar measures are offered through the England Rural Development Programme. As part of the technical assessment of applications there is a more rigorous examination of the financial viability of the applicant's business. Under the Programme, at the claim authorisation stage, cross-checks with other schemes have been introduced. For example, a land based scheme such as the Countryside Stewardship Scheme would be checked against all land based schemes including Arable Area Payments.



- 12 In June 2001, the Department for Environment, Food and Rural Affairs (the Department) took the place of the Ministry. In October 2001, the Rural Payments Agency, a newly created executive agency of the department, formally took over the responsibilities as a European Union Paying Agency<sup>2</sup> for all Common Agricultural Policy schemes in England, including those previously managed by the Ministry and by the Intervention Board. The Agency is responsible for the administration of all Common Agricultural Policy schemes including payments for these and Rural Development schemes, inspection of claims in office and on farms and accounting to Europe for Common Agricultural Policy expenditure. The Agency is also carrying out the task of modernising and centralising the administration of Common Agricultural Policy schemes in England, except for processing the England Rural Development Programme schemes, which will continue to be administered by the Rural Development Service on a regional basis under a service level agreement with the Rural Payments Agency. The changes will include significant new information technology systems at the Agency which, among other things, will increase the level and ease of automated checking of claims. It will be 2004 before all new systems and structures are expected to be in place. The Department is undertaking linked development of a new information technology system to support administration of the England Rural Development Programme. In the meantime existing ("legacy") systems will be maintained to provide appropriate checks.
- 13 The Ministry and the Board had already successfully investigated, and taken legal action against Joseph Bowden and amended their processes by the time we examined the case. For example, the need for joint working in this case has been addressed by the addition of the fibre flax scheme in 1999 to the schemes covered by the Integrated Administration and Control System for certain Common Agricultural Policy payments, and more fundamentally through the creation of the Rural Payments Agency. The Agency is also introducing a business registration system which should ensure that all European Union agriculture subsidies claimed by farmers and traders are readily identified.

## Recommendations

- 14 In the light of the seriousness and extent of the case, and the changes planned in responsibilities for scheme administration in England, we sought to identify general lessons. These are:
- i) Systems that permit cross-checking using data matching techniques and regular liaison between bodies create a sound control environment. The case covered by this report shows the need for joined-up working where more than one branch or agency of the same government body are paying subsidies and awarding grants to the same group of people on common criteria, for example land usage. The Department's agencies for paying European Union funds, the Rural Payments Agency and the Rural Development Service should use data matching techniques. The Department and its agencies should also, where appropriate, exchange experiences with other UK Paying Agencies.
  - ii) Once suspected fraudulent activity has been uncovered by one part or agency of the Department, consideration should be given to whether there are other schemes run by the department, its agencies or other UK Paying Agencies under which claims might have been submitted. Where sharing of information is within data protection and human rights laws, staff responsible for administering schemes in other parts of the Department, its agencies or other UK Paying Agencies should be notified at the earliest

<sup>2</sup> A Paying Agency is a body which makes payments to claimants of European Union Common Agricultural Policy subsidies.

opportunity of suspicions held. Cross checks should be carried out to identify whether the person has submitted suspect claims under these or related schemes. In the Department, for example, information on suspicious cases provided to the heads of relevant branches on a regular basis would probably help in this regard.

- iii) People wishing to commit fraud are likely to use different names or variations on the same name, and hence rigorous testing of other key grant criteria is essential. In the Joseph Bowden case, for example, had the map grid references been checked against the Department's Integrated Administration and Control System for duplication, and for validity in terms of being on the UK mainland, the frauds might have been prevented, or at least identified earlier.
- iv) The process of approving grants should, where possible, include adequate checks on applicants, for example on their financial background. The checks should include whether an applicant is under investigation, by other parts or agencies of the department, for fraudulent activities. If so, their application should be treated with caution, and be subject to the sort of cross checking described above.
- v) In the Joseph Bowden case use of different inspectors for each visit made it easier for him to claim that different crops were being grown in the same field. Where inspection is a key part of the control framework, a balance needs to be struck between experience of a particular farm and of a particular scheme or product type.
- vi) In order to be able to carry out their jobs effectively, and with minimum disruption to farmers, inspectors need complete and up to date information about the farms and claims they are inspecting. They should, for example, have reliable documentation, including maps and map references for fields showing their location and descriptions of crops grown, and information on livestock raised over a number of years on the premises. We consider that there are advantages in the allocation of a single inspector to monitor the activities of claimants across schemes. However, if this is not feasible the information described above is particularly important when, for reasons of guarding against collusion between inspectors and those being inspected, inspectors are periodically rotated.
- vii) In addition to detailed checks on individual claims, consideration should be given to introducing higher level reasonableness checks and exception reporting for the purposes of identifying potentially fraudulent claims, in this case for example, whether all claims made are reasonable in relation to farm area or types.
- viii) The Ministry did not seek recovery of monies already paid, planning to wait until after court proceedings. New recovery procedures were introduced in January 2000. It is incumbent on departments to recover monies overpaid at the earliest opportunity and to ensure guidance is clear on this point.

**BOX 1****Arable Area Payments Scheme:**

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The current scheme was introduced in 1993. Farmers may claim area-based payments for growing certain arable crops including cereals (wheat, rye, barley etc), oilseeds (soya beans, rapeseed and sunflower seed), proteins (peas, field beans and seed lupins) and linseed. At the time when Joseph Bowden was submitting false claims, payments under the scheme were made at different rates for different crop types. Most farmers were also at that time required to set-aside from production a proportion of their eligible land. Set-aside land could not be used for agricultural production or purposes that brought a return in cash or kind. The only exceptions, under very restricted conditions, were certain non-food crops such as industrial linseed, but not linseed grown for use as fibre flax.

The scheme required farmers to submit to the Ministry a large-scale map when they first registered. Revised maps were only required when land use changes were made. Supporting information should include map references, field sizes and the types of crops being grown in them. These requirements are designed to prevent and detect duplicate claims or claims in respect of non-existent or ineligible land, as well as to determine eligibility for payment.

**Fibre Flax Subsidy Scheme:**

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The scheme aims to pay a subsidy for flax grown for fibre to ensure that the European market prices are kept competitive with world market prices, whilst in turn stabilising the market and ensuring producers receive a fair income. Fibre flax is a linseed variety used for linen-based products; other uses include paper production and the manufacture of interior body panels for motor vehicles.

Payments are made per hectare of flax sown and harvested. A flax contractor (processor) contracts farmers (growers) to grow flax on their behalf. The flax contractor, rather than the grower, is the claimant under the scheme and after harvesting the crop is the property of the contractor. The subsidy is paid once a year to the contractor who then pays the farmers in accordance with the terms of the contract, following the submission of a sowing declaration and a harvesting declaration by the farmer. Normally, the grower is contracted to buy seed from the contractor and he may pay a fee for the contractor's administration costs. These activities and any commercial returns on the produce are how the contractor makes his money. In terms of scheme control, the involvement of both a contractor and a grower has some benefit. Whereas in schemes such as arable areas payments it is only the Department or Agency who has an interest in confirming that eligible crops are grown, in non food schemes such as for fibre flax, there is a self policing element to the extent that the contractors have an interest in what is grown.

The Scheme was managed by the Intervention Board, now the Rural Payments Agency. It required farmers to submit documentation showing the fields involved. Subsidy payment is only made on eligible seed varieties, which are set out in European Union regulations. Fibre flax was not eligible for aid under the Arable Area Payments Scheme and as indicated above could not be grown on set-aside land. With effect from 2001, fibre flax payments will be managed as part of the Arable Area Payments Scheme regime.

**BOX 2****European Structural funds: Objective 5b programme**

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European Union structural funds aim to support projects in the less well-developed regions of the Union. In the period 1994 to 1999 these funds included Objective 5b, which was targeted at rural areas. In simple terms it was a scheme where financial support could be obtained for projects in designated areas, which promoted agriculture and business development, including tourism, diversification and community regeneration. The South West of England, including Cornwall, parts of Devon and Somerset was a designated area.

Objective 5b projects were mostly approved, managed and monitored by the Ministry. Projects are co-funded by the European Union, and in this case, the Ministry. Scheme approvals started in 1994 and ended in 1999, although claims in respect of those approved projects could incur expenditure up to the end of 2001 with all claims to be paid by June 2002. The total amount of Ministry and European funds paid to applicants under the Objective 5b Scheme between 1994 and 2001 was £112 million. Funds were allocated to 369 projects, nearly half in the SouthWest.

Projects put forward were assessed against certain criteria, such as the potential for increasing or maintaining an area's economic activity and the potential for increasing or maintaining employment in the agricultural or ancillary industries. At that time the Farming and Rural Conservation Agency carried out technical assessments on applications for the Ministry.