



National Audit Office

NAO Good Practice - General lessons from a case of agricultural fraud

This article is taken from pages 14-15 of the NAO report [Agricultural fraud: The case of Joseph Bowden](#) (HC 615 2001-2002)

- 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 Agency² 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

² 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.