

**Economic and Social Council**Distr.: General
14 April 2011

Original: English

Economic Commission for Europe

Committee on Housing and Land Management

Working Party on Land Administration**Seventh session**

Geneva, 30 June to 1 July 2011

Item 4 of the provisional agenda

Study on the challenges of fraud to land administration institutions**Note by the secretariat***Summary*

At its sixth session (Geneva, 18-19 June 2009), the Working Party on Land Administration discussed the issue of fraudulent use of electronic land-registration data and related incidents of identity theft. The Working Party then decided to prepare a study containing policy recommendations on this subject. This study is based on the analysis of surveys on online access to land-registration information that were distributed among UNECE member States after the sixth session.

The objectives of the study are to identify good practice in detecting and preventing fraud in land-registration systems as they relate to the public electronic availability of land and real estate objects (and related ownership) information. It elaborates on the questionnaire's findings in three main areas: accessibility of systems, experience of fraud, and counter-measures.

It argues that to detect, prevent and deter fraud, internal controls and checks should be strengthened and sanctions imposed. It emphasizes the need to create awareness in both public and staff to create an anti-fraud culture.

Almost all respondents agreed that sharing intelligence with other jurisdictions would help to identify common threats and compare best practices for detecting and preventing fraud.

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Introduction¹

1. The use of electronic technology to store and process land-registration data is the norm throughout the UNECE region. Many, if not most, land registration and cadastral authorities now use online systems to provide easy access to land information for the general public.
2. There appears to be little solid statistical evidence to show that fraud in land-registration systems has increased since these online services were introduced. However, fraud and forgery exist wherever there is commercial activity, and law-enforcement agencies consider ease of access to be a factor in the vulnerability of registration systems.
3. Delegations to the Working Party on Land Administration agree on the need to have strategies in place to guard against the risk of fraud and to maintain the confidence of stakeholders in the data held by authorities. It is widely accepted that, for land and real property markets to function properly, people must be able to trust land-administration systems. Guarding against fraud is one of the measures that can be taken to enhance that trust. The Working Party therefore decided that the problem of fraud was something that it wished to explore as part of its programme of work.
4. In 2007, Her Majesty's Land Registry of the United Kingdom of Great Britain and Northern Ireland conducted a preliminary survey. The survey sought information on countries' experience of fraud with their online land-information systems.² The results, however, were inconclusive, and suggested that more work needed to be done to obtain relevant information about current trends in the UNECE region. Almost all respondents agreed that sharing intelligence with other jurisdictions would be helpful, at least to compare best practice for detecting and preventing fraud.
5. During the sixth session of the Working Party, the United Kingdom offered to act as the lead country in undertaking a more comprehensive survey to bring the information up to date. It would present the results to the Bureau of the Working Party, which would then discuss the outcomes and prepare a study on the subject. The present report is the result of the conclusions drawn from responses to that survey and subsequent analysis undertaken by the Bureau.
6. The purpose of the study is to identify good practice in detecting and preventing fraud in land-registration systems in UNECE countries. In particular, it seeks to provide policy advice for protecting information against misuse by fraudsters due to the public electronic availability of land and owner information.

I. Definition of fraud

7. The term "fraud" commonly refers to activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion. Although legal definitions vary

¹ The study was prepared by Her Majesty's Land Registry of the United Kingdom of Great Britain and Northern Ireland, under the guidance of and with contributions from members of the Bureau of the Working Party on Land Administration. The Bureau of the Working Party gratefully acknowledges the input of all survey participants as well as all the assistance and advice from Working Party colleagues and the UNECE secretariat.

² The preliminary report on the results of the questionnaire on online access to land registration information was prepared by Her Majesty's Land Registry (delegation of the United Kingdom) following the Working Party's fifth session

from country to country, fraud essentially involves using deception to make a dishonest personal gain for oneself or to create a loss for another.

8. Registration fraud, as understood in this study, occurs when a fraudster attempts to or succeeds in inserting changes in the land register through fraudulent activity, with the goal of making some financial gain through criminally acquired property or interest in property. This study deals with registration fraud, including mortgage fraud and other fraud involving the misuse of land registration or cadastral data. In view of an increasing tendency for land-registration information to be made available online, the study focuses in particular on fraud arising from the misuse by external fraudsters of information obtained from online land registers and cadastres.

9. This study does not deal with cases of corruption of land-administration authorities; such as extortion, accepting bribes for expediting cases or falsifying records, thefts of cash, assets or intellectual property or false accounting.

II. Survey results

A. Methodology

10. To obtain an up-to-date picture of the external fraud issue in the region, and to identify good practice, a questionnaire was sent out to government authorities. Replies were obtained from 30 countries of the UNECE region.

11. The survey looked at three main areas – accessibility of systems, experience of fraud, and countermeasures. Where appropriate, respondents were asked to provide factual information about their systems and experiences. Where opinions were sought, respondents were asked to provide explanations and examples. Information was sought on the understanding that, due to its potentially sensitive nature, the secretariat guaranteed that submissions would be anonymous for the purpose of the report (i.e. no individual country or jurisdiction would be identified). The only exceptions relate to information that is already in the public domain.

12. Thirty countries replied to the questionnaire. Separate responses were received from each of the three authorities of the United Kingdom, making 32 responses overall. Analysis of these responses, together with the guidance contained in policy statements and other material published by participating authorities,³ as well as the subsequent consideration and review by the Bureau, has led to the good practice recommendations described in the final section of this report.

B. Accessibility of land-title information

13. The authorities of each country were asked if they held land-title information in electronic format, the extent to which it was open to public inspection and what limits existed on its accessibility. They were also asked about the eligibility of ordinary citizens to apply for information as well as the extent to which the information was made available online, and the controls and restrictions put in place to prevent abuse.

³ See the bibliography at the end of this report.

14. **Openness to inspection.** All of the authorities that responded to the questionnaire hold land-title registration information in electronic form and they all make some or all of this information open to public inspection.

15. At one end of the scale, there are jurisdictions where the entire register is open to public inspection. Examples include Denmark, Greece, Sweden and the United Kingdom. The only restrictions in these cases tend to be those designed to protect personal data, such as searches to find properties owned by named individuals.

16. **Limits on what is publicly available.** In most other countries, there are limits on what information is made publicly available. Measures are normally set to protect personal data and, while cadastral data and excerpts from the register concerning the land parcel itself are normally freely available, access to documents and deeds referred to in the register is often restricted. In Croatia, for example, the transfer documents that provide the basis for registration (such as contract and inheritance documents) are not available for public inspection. In other countries, price paid information and documents and deeds supporting the registration are not made publicly available either.

17. **Limits on who can access the information.** In most jurisdictions, there is no restriction on who may apply for land information and it is usual for the right of access to be enshrined in law. In Greece, for example, the right of access is specified in the Civil Code. In Sweden, the public have a constitutional right to inspect the registers.

18. Very few authorities restrict access to applicants who can prove they have a specific interest in the registered title. These could be landowners themselves and mortgage lenders, or persons acting in an approved professional capacity such as conveyancing lawyers and notaries. Landowners can generally access the information about their own land holdings. In these cases, applicants can get information from the database without any restrictions if they have knowledge of the appropriate technical or administrative information to identify the property. Similarly, a landowner or other person with an interest in the land can access all the information, including the documents and deeds supporting the registration.

19. **Customer segmentation.** Most authorities have different methods of application available to different customer types. Generally, methods of application are more restricted for private individuals and companies than for official bodies such as courts, or for professional users such as public notaries and real-estate agents. Most authorities offer some sort of account facility for professional users, together with a range of services tailored to their needs, rather than to the needs of less frequent users.

20. Some authorities provide limited methods of cross-border access. Barriers to cross-border access include language and lack of knowledge of laws and procedures. Methods of payment can also be a barrier, even when payment cards are accepted. For example, although the United Kingdom's Land Registry's "Find a property" service is theoretically open to all, some foreign credit cards are not accepted.

21. **Public online access.** Most authorities make public information available online via the Internet. This includes information such as parcel numbers, area, boundary information, coordinates, and owners' names and addresses. Many provide comprehensive information such as copies of complete register entries. Some provide price information and date of purchase of dwellings. In a few jurisdictions, information is not available online and applicants must go with identification papers to land-registration offices to obtain any precise information.

22. However, most authorities also limit the amount of information available online. In England and Wales for example, while copies of registers and title plans are available online to the general public, copies of documents and deeds referred to in the register are not.

23. Anonymous online access to some sort of information is possible in most jurisdictions. However, anonymous customers are restricted in the information they can access. Anonymous applicants can usually access only information already in the public domain. In Scotland, for example, anonymous online access is only available for house-price information.

24. However, there are exceptions. In Sweden, the constitutional right to inspect public registers means that persons do not have to identify themselves when doing so. Identical information is also available to anonymous online users as to identifiable users in some cases.

Table 1
Survey results – Accessibility of land title information

<i>Access to information</i>	<i>Percentage of authorities</i>
Hold land- title registration information in computerized/electronic format and make some or all of it open to public inspection	100%
Place limits on what information they make available	63%
Place limits on the eligibility of ordinary citizens to apply for information	44%
Make different methods of application available to distinct groups of customers	69%
Make public information available to the general public online via the Internet	66%
Require online applicants to register their details before supplying the information	47%
Have an alternative method of identifying online applicants	13%
Make identical information available to anonymous online applicants as to identifiable users of their other paper/electronic services	16%
Asked specifically what information is not made available to anonymous online applicants, authorities gave the following details:	
Details of proprietors' names and addresses	41%
Price paid information	25%
Details of mortgages	22%
Details of amount secured	31%
Copies of transfer documents	31%
Copies of mortgage	11%
Documents	9%
Copies of any signed documents	9%
Other information	5%
Authorities limiting the information available to anonymous online applicants by editing the documents to remove sensitive information/ signatures	9%

25. Most authorities require applicants for information to register or otherwise identify themselves in some way. Verifiable registration helps to prevent fraud. Examples of

different methods of identification include Denmark, where online applicants identify themselves with their digital signature.

26. Countries vary in the type of information they provide to anonymous users. In general, authorities will not give them:

- Details of amount secured by mortgage
- Copies of transfer documents
- Copies of mortgage documents
- Copies of any signed documents.

27. Some authorities do not supply property owners' name and address information, nor do they provide access to prices paid for properties. Anonymous applicants can generally only access very limited types of information.

C. Experiences with fraud

28. Authorities were asked about whether fraud rates were increasing, decreasing or remaining steady. They were also asked about the extent to which they attempted to record fraud, to monitor trends and to identify the impact of new services.

29. Most indicated that land-registration fraud was not a problem in their countries. However, only 28% of the authorities surveyed mentioned that they take measures to identify fraudulent registrations in order to monitor trends.

Table 2

Survey results – Experience of fraud

	<i>Percentage of authorities</i>
<i>Perception of overall fraud activities</i>	
Increasing	3%
Steady	72%
Decreasing	9%
<i>Monitoring of trends in fraud</i>	
Attempted fraudulent registrations, and monitoring these trends	28%
Identified some significant correlation between fraudulent activity and the introduction of new electronic services	9%
Identified some clear links in fraudulent activity to the introduction of new electronic services	3%

30. A minority, 9%, of authorities said that they had identified some significant trends in fraudulent activities, which coincided with the introduction of new electronic services. Only one authority identified a clear link between fraudulent activity and the introduction of new electronic services.

D. Measures to counteract fraud

31. **National strategies.** A range of fraud-detection and fraud-prevention measures of different types exist in the countries covered by the survey.

32. Most authorities make use of procedural checks and controls to prevent fraud. The Government of Sweden, for example, has recently decided that registered owners should be informed after a change is made on a title. Additional checks are made on applications lodged by private individuals in jurisdictions where private applications can be made. The notarial system used in many countries provides other checks. In these countries, a notary is typically required to check the identity of both parties to a transaction, to check that the contract is legal, to witness its signing by both parties and to complete the land-registration process. Countries where notaries are not used have trained staff within the authority to identify and counter fraud.

33. A number of authorities actively identify and record cases of fraud, analyse them, evaluate risks and develop and implement measures to counter the evolving threat of fraud. Some of them screen applications for suspicious activity patterns and take further action according to initial risk scores.

34. Technological security measures are important tools for many authorities. They include the following:

- Network protection using firewall systems that filter and check connections and protect systems from external attack.
- Access control with user authentication, tracing and monitoring network activity.
- Electronic signatures to authenticate documents and prevent their unauthorised amendment.
- Encrypted communications and network connections.

35. A number of authorities reported that they had recently introduced new fraud prevention measures but none could demonstrate any clear reduction in fraud resulting from this.

36. Some authorities described how they systematically reviewed, evaluated and improved measures to counteract fraud. Examples include:

- Annual updating of the organization's security strategy.
- Assessments of progress made on a counter-fraud strategy on a bi-weekly basis at board level.
- Training of dedicated counter-fraud staff who continuously monitor and report on fraud and measures taken to counteract it.

37. Most land-administration authorities seem to have evaluation and monitoring reviews in place within their own legal or registration frameworks. Some authorities work as part of a larger inter-governmental system, with various parts of government liaising together, including justice ministries and the police. Other land-administration authorities are now drawing up memoranda of understanding with a number of national counter-fraud organizations, law-enforcement agencies, counter-fraud arms of other government agencies and regulators of the financial industry and legal professions. All seem to be aware of the need to protect against possible fraud.

Table 3
Survey results – Fraud detection and prevention

	<i>Percentage of authorities</i>
<i>Measures for fraud detection and prevention</i>	
Have identified methods of detecting/preventing potential fraudulent activities	47%
Say such measures have been successful	38%
Systematically review, evaluate and improve these measures	41%
<i>Contact with other organizations</i>	
Have a network of contacts in key organizations/agencies in their own jurisdiction, which coordinates efforts to combat fraud	47%
<i>Sharing intelligence</i>	
Believe that sharing intelligence between organizations in different jurisdictions across the UNECE region would be helpful in combating fraud	84%

38. Nearly every authority surveyed believes that sharing intelligence between organizations in different jurisdictions across the UNECE region would be helpful in combating fraud. For some, this thought may not be totally effective as each organisation has a different way of registering land. While not being seen as critical to countries that have no problem with fraud, it is generally accepted that sharing information across borders is of great assistance in combating fraud. Sharing intelligence would assist in developing early warning systems to combat fraud. Cooperation could also extend to evaluating mechanisms and procedures for risks. In addition, the integration of different systems could increase the level of data accuracy; which could lead to an increased level of final customer satisfaction and confidence of existing systems. Finally, identifying trends is an essential element in combating registration fraud. Fraud rings have been shown to have links to other European countries through the addresses they use, the banks where they hold their money and the identity documents they produce.

39. **Compensation schemes and debt recovery.** Most authorities operate some form of compensation to cover losses from registration fraud, although this is not always paid by the authorities themselves. In some cases, compensation is awarded by the law courts on condition that the person who has suffered the loss has acted in good faith and all provisions in law have been met.

40. Compensation claims normally follow some months after the frauds are committed and as such have limited value at the tactical counter-fraud level. However, keeping and monitoring records of compensation payments can help maintain the integrity of and confidence in the registration system.

41. Nearly half of the authorities surveyed are able to pursue fraudsters for reimbursement of sums of money paid out in compensation, having legal recompense available to use if needed.

Table 4
Survey results – Compensation schemes and debt recovery

<i>Compensation payments</i>	<i>Percentage of authorities</i>
Pay compensation if someone suffers a loss due to registration fraud	47%
Keep a record of how much is paid and in what circumstances	31%
Use that information to help with their anti-fraud strategy	19%
Able within their jurisdiction to pursue fraudsters for reimbursement of any sums of money paid out in compensation	44%
Are successful in recovering some or all of the money	19%
Believe that a cohesive region-wide strategy to combat land-registration fraud would be more successful	69%

42. Authorities that are able to pursue fraudsters for reimbursement indicate that recovery tends to be difficult and they report limited success. Six respondents replied that recovery was not applicable as it was not monitored, or was not necessary because there had not been any cases of fraud. A number of authorities reported limited success in recovering losses from fraudsters as a result of the difficulties in tracing fraudsters' whereabouts, or alleged fraudsters having moved to another country, or having become insolvent.

43. **International collaboration.** Generally, most authorities thought that a cohesive region-wide strategy to combat land-registration fraud would prove to be more successful. Some said that, in the absence of harmonized land-registration systems, it might be difficult to fully align anti-fraud strategies. Authorities who thought that there was little or no fraud within their systems expressed doubts about the viability of a region-wide strategy to counteract it. In general, however, the spread of good practice and cross-border assistance in combating land-registration fraud was perceived to be a desirable move.

44. **Notaries.** Half of the authorities surveyed have a notarial system in their jurisdiction. Such systems typically have the following features:

- Notaries who are impartial public officials have the authority to validate contracts transferring the ownership of a property in accordance with national laws.
- Notaries are also normally charged with paying all land-registration fees and cadastral taxes and carrying out the relevant searches on the property.
- Deeds of transfer are normally drafted by the notaries in their offices, in compliance with preliminary contracts.
- Notaries will read and explain the contract to the parties.

45. Authorities operating in jurisdictions with notarial systems generally thought that notaries reduce the likelihood of fraud by undertaking legal cross-checks and by taking other proactive measures to keep transactions secure. Notary work would seem to cover a wide range of legal procedures apart from land registration, and therefore appears to provide a strong legal protection against fraud.

46. Most authorities maintained that notaries checking applications and identification actively reduced the likelihood of fraud. This is because nearly all applications are prepared by well trained and well informed specialists, thereby minimizing the possibility of fraud. Notaries, apart from identifying people, also guarantee contract contents – meaning that the property registration will be undisputed.

47. **Staff training.** About half of the authorities surveyed have formal training for technical and administrative staff to help in detecting fraud. In some jurisdictions, staff training depends on the type of work on which they are employed. Validation of employees' qualifications takes place every five years in some countries and more regularly in others. Some form of training in awareness exists in every country.

Table 5
Survey results – Notaries and staff training

	<i>Percentage of authorities</i>
<i>Notaries</i>	
have a notarial system in their jurisdiction.	53%
believe that the participation of notaries reduces the likelihood of registration fraud	56%
<i>Staff training</i>	
have formal training for technical staff to assist in detecting fraud	34%

III. Good practice

48. This section describes the good practice identified in the responses obtained. It is based on policy advice, statements and other material published by the participating jurisdictions⁴. With jurisdictions generally providing increasing online access to land information and registration services, there is a corresponding need to:

- Understand and manage the risk of external fraud.
- Deter and prevent external fraud.
- Detect and investigate external fraud and impose sanctions.

A. Understanding and managing the risks of fraud

49. **Taking a strategic approach to tackling all external fraud.** Some authorities have taken a strategic approach to understanding and managing the risks of fraud in general, including fraud in online land registers. This approach is beneficial in that it:

⁴ See for instance, *Tackling External Fraud, a Good Practice Guide* 2008. United Kingdom National Audit Office. The comprehensive framework and analysis provided in this guide has been used in this report, adapted as appropriate to meet the needs of this study.

- Fits in with good corporate governance, enabling fraud risk to be managed in the same way as any other business risk, systematically at both the organizational and operational level.
- Can help with developing a range of measures, which apply proportionate and well-targeted pressure at all levels of the problem.
- Enables a cost-effective approach to tackling fraud by focusing on areas of greatest impact.
- Can be a helpful way of communicating to staff what the authority seeks to achieve and what is expected from them.

50. **Assessing the scale of the threat.** Assessing the scale of the loss from fraud is an important first step in developing a strategy for tackling it. Estimates of fraud of different types can highlight the scope for potential savings, which can then help to determine the relative priority that should be given to tackling fraud in online land registers in the context of all other calls on an authority's resources.

51. A number of authorities actively identify and record cases of fraud, analyse them, evaluate risks and develop and implement measures to counter the evolving threat of fraud. Some screen applications for suspicious activity patterns and take further action according to initial risk scores (see paragraphs 33-38).

52. **Understanding the types of fraud risks.** An authority will be unable to develop an appropriate response based only on the estimates of fraud. They also ideally need to know the following:

- Types of fraud perpetrated against them, for how long, and the financial losses involved.
- Fraudsters' background, their characteristics and behaviours, how often they carry out the frauds, which types of frauds they commit, how they do it, and whether they are opportunistic or organized.

53. Examination of detected fraud cases can give an insight into these matters. Some authorities carry out regular analysis of all fraud cases. Checking a sample of cases or carrying out research into the possible threats will help confirm whether the risks from fraud are high or low.

54. Some authorities publicise the types of fraud risk and groups that have a higher potential to face this risk.

55. **Focusing resources on the most effective anti-fraud measures.** There is no single package of measures that can be applied universally by authorities to tackle external fraud. Measures need to be tailored to the type and size of threat faced. To decide which measures to use and the extent to which to use them, authorities can assess the savings that could be made by targeting their resources in different ways. The savings could be made in three ways:

- The preventive effect, through reduced future incidence of fraud of types previously detected, reducing the cost of authorities' indemnity payments to those defrauded.
- The direct effects from recovering amounts defrauded – although there was not much evidence from the study that authorities have to date had much success in this regard.
- The deterrent effects on potential fraudsters as they become aware of the greater efforts being made to crack down on fraud.

Box 1: Extract from an anti-fraud public leaflet by HM Land Registry⁵**How can property fraud happen?**

Property fraud can happen in many ways. Fraudsters may attempt to acquire ‘title’ or ownership to a property either by using a forged document to transfer it into their own name, or by impersonating the registered owner. Once they have raised money by mortgaging the property without the owner’s knowledge, they disappear without making repayments leaving the owner to deal with the consequences.

Who is at risk?

In particular, fraudsters may target properties:

- Owned by a landlord, such as a buy-to-let owner or property developer.
- Where the owner lives somewhere else for all or part of the year.
- Where the owner is in temporary or long-term residential care.
- Where the owner has died.

56. Some authorities carry out a continual review and evaluation of anti-fraud measures. Many focus on the issue particularly when new or revised registration processes are introduced (see paragraph 37).

57. **Setting targets and monitoring performance.** Some authorities have set targets to stabilize or reduce fraud over a period of time. Focusing targets on the overall level of fraud loss is a good way of assessing performance, and generally a better measure than the amount of fraud incidents detected. The latter is difficult to interpret if the full scale of fraud or loss is not known. Other measures of performance are useful complements to estimates of total fraud loss, such as changes in regional levels of loss, the cost of tackling fraud compared to the return obtained and the rate of recovery of detected incidents of fraud. Fraud and attempted fraud should be recorded and monitored.

58. **Responsible units for tackling fraud.** Some authorities have set up central units with responsibility for tackling fraud. These have coordinated work on developing the authority’s strategies, ensuring their implementation, monitoring results and providing advice and guidance.

B. Deterring and preventing online fraud

59. Changing public attitudes to fraud. Some authorities publicise the risk of property fraud and inform property owners about what they can do to minimize this risk. HM Land Registry does this on its website, with a public guide and a public leaflet. It also

⁵ See a public leaflet published by HM Land Registry “Help protect your property – keep your contact details up to date” available at:
http://www1.landregistry.gov.uk/assets/library/documents/protect_your_property_leaflet.pdf

encourages property owners to keep their contact details up-to-date and notifies them when it receives an application regarding the property.

60. **Changing staff attitudes to create an anti-fraud culture.** Creating an anti-fraud culture, in which all staff understands the standards of conduct required as well as their personal responsibility in preventing fraud (and the importance of controls) is vital in the combat of external fraud. Publicising internally the authority's strategic approach to tackling fraud and what it is trying to achieve can be a good way of reinforcing the anti-fraud culture.

Box 2: Extract from an anti-fraud publicity leaflet by HM Land Registry

What can you do to help protect the ownership of your property?

The key measure is to make sure that Land Registry can contact you wherever you live. This means giving us your up-to-date contact address (what we call your 'address for service') and ensuring that you let us know whenever it changes.

We may need to write to you when we receive an application regarding your property. If we don't have an up-to-date contact address for you, you may not receive this important information from us.

For added peace of mind, we can hold up to three contact addresses for you, including an email address and an address abroad.

Updating your contact details is free.

61. Employees may be educated through a number of ways, such as formal training sessions, group meetings, posters, employee newsletters, payroll bulletins or awareness pages on internal websites. Communication should be ongoing and a combination of methods is usually most successful. Some methods authorities have used to raise awareness include (see paragraph 48):

- Training in the detection and prevention of fraud for all personnel involved in the registration process.
- Formal training for technical and administrative staff, tailored to the type of work on which they are employed.
- Regular validation of employees' qualifications.
- Some awareness training for all staff.

62. **Controls to prevent fraud.** There is a wide range of possible controls that address risks, including external fraud against online land registers. Authorities need to consider which controls are most appropriate in their particular circumstances. Examples include:

- Online security – Secure connection technology between users and online land register is used, including encryption and strong authentication.

- Electronic signatures are used for e-registration services and any other service where authentication by named individuals, which cannot be repudiated, is essential.
- “Know your customer” – Users are required to open an account or register their details before they are allowed to use online services. Initial registration is done in person, with several forms of identification required.
- Online services are tailored to the needs of different groups of online users. For example, one service is provided for the general public and another for specific professional groups, such as real-estate agents or notaries or professional conveyancers. There are different levels of security, appropriate for each professional group.
- Limits for anonymous users – Information made available to anonymous users is limited to the most basic type, and no documents including a hand-written signature are provided.
- Special care is taken when processing registrations by lay persons. This can include identity checks and checks with lenders to verify authenticity when applications for mortgage discharge are lodged by lay people.
- Audit trails are provided from each transaction processed in the registration system back to all personnel involved at each stage of processing, as well as to the external applicant or user.

63. **Strengthening internal controls and checks.** Overall responsibility for the authority’s system of internal control normally lies with its board of directors, or equivalent governing group. It is important that the effectiveness of controls is continually reviewed. The board should maintain a sound system of internal control to safeguard stakeholders’ interests in property and the authority’s assets. This should include procedures designed to minimise the risk of fraud. The board should satisfy itself that the system is effective and report that it has undertaken such a review to its stakeholders.

64. Controls that have traditionally worked well in countering fraud may no longer be effective as technologies improve and conditions change. Detected cases of fraud may show that fraudsters are using new methods to circumvent controls indicating that these need to be strengthened. Developing new online services⁶ provides an opportunity to strengthen internal controls and checks, as well as to address risks inherent in traditional systems. New legislation may be needed to enable, for example, the use of new technologies or the admission of electronic documents in court. Internal audit work may also identify system weaknesses that could lead to fraud.

C. Detecting and investigating online fraud and imposing sanctions

65. **Detecting fraud.** Registration fraud is often not detected until some time after the event, when notified by an innocent party who has been defrauded. However, frauds can also be detected in a number of ways before they have been completed. Referrals may come from staff members who suspect a fraud. Members of the public may contact authorities about their suspicions. Authorities may also use a range of techniques and technologies to identify suspicious activity for further investigation. They may also carry out special proactive exercises to detect fraud in high risk areas. Fraud investigators may

⁶ Coffin, M. and Saunders, N. (September 2007). *E-Submission of Land Documents in Nova Scotia: The Government Perspective*. (Dublin Conference paper).

develop their own intelligence by following leads on existing cases where there may be links to other frauds.

66. **Investigating cases of fraud.** Nearly half of the authorities surveyed have the legal power to pursue fraudsters through the courts and recover money defrauded (see paragraph 42). Where fraud has occurred, the authority should consider:

- Stopping the fraud at the earliest opportunity and looking at whether weak controls have been exploited which need to be tightened up.
- Referring the case for criminal prosecution.
- Imposing any sanctions available, recovering any compensation losses suffered and working with others (a) to recover any proceeds of crime to ensure that the economics of the crime are undermined and (b) to deter others.

67. **Imposing sanctions.** Where investigations find evidence of fraud, authorities will usually seek to impose some form of sanction. The purpose is to deter others from carrying out similar types of fraud, recover the money defrauded (especially where the authority operates a compensation scheme) and punish the fraudster by prosecuting them criminally in the courts. Some authorities have published their approach to deter potential fraudsters and ensure that a consistent approach is taken. For instance, HM Land Registry, the authority for England and Wales, publishes the fact that it has an anti-fraud strategy and that it works closely with the police and other agencies to reduce the risk of property fraud. Authorities need to consider whether the level and range of sanctions imposed on fraudsters provide a sufficient deterrent.

68. **The recovery of money defrauded.** Many authorities operate compensation schemes and have the legal power to pursue fraudsters through the courts and to recover money defrauded. Asset recovery prevents criminal proceeds being reinvested in other forms of crime. By reducing the rewards of crime, the balance of risk and reward is affected and the prospect of losing assets may deter some from crime. Fundamentally, it serves justice, in that nobody should be allowed to continue to profit from crime.

Box 3: Extract from an anti-fraud publicity leaflet by HM Land Registry, UK

What is Land Registry doing to reduce the risk of property fraud?

As part of our broad anti-fraud strategy, we have put measures in place to reduce the risk of property fraud. These measures are kept confidential to ensure security and are continuously reviewed. From time to time, we may introduce additional checks to provide added security. We work closely with the police and other agencies to reduce the risk of property fraud.

69. **Evaluating the effectiveness of sanctions.** Evaluating the effectiveness of sanctions is not straightforward, mainly because of the difficulties in assessing the deterrent effect. The deterrent effect of sanctions will be broadly reflected by the extent to which fraud is minimised, although it is hard to distinguish the effects of sanctions from other action to reduce fraud, as well as wider economic effects. Monitoring trends in a range of indicators can help to determine whether the level of activity may have the desirable effect. Examples of indicators to monitor include:

- Number of frauds identified.
- Number of identified frauds with no sanction imposed.
- Number of cases recommended for criminal prosecution.
- Number of convictions achieved.
- Amount of financial loss due to fraud and amount recovered.

70. **Working with others in tackling fraud.** Authorities can co-operate both nationally and internationally to combat registration fraud. Within a jurisdiction, individuals and businesses may be committing frauds against more than one government authority and against lenders. Joint working enables authorities to identify common threats and to pool their knowledge and expertise to investigate fraudsters. Lending institutions have an interest in working with land registration authorities to reduce mortgage fraud.

71. Other benefits of working together to tackle fraud are:

- Sharing good practice with other jurisdictions and across government organizations in the same jurisdiction.
- More efficient exchange of information.
- Developing skills, informal systems and culture across participating authorities.
- Developing a more consistent approach among the different organizations involved nationally.
- Building trust and understanding with lenders and investigative authorities.

72. Authorities can set up joint working arrangements to share information and data, discuss issues of common interest and carry out research. Such arrangements can be covered by a Memorandum of Understanding with the other organizations, setting out for example the arrangements for sharing data and carrying out matching and profiling with their data to assist in fraud detection and prevention. Data sharing may be facilitated through data warehouses accessible to the organizations involved. The data warehouse can include data from each organization and from external sources such as national identity cards, driving licences, passports and electoral rolls.

Box 4: Example of data sharing from HM Land Registry, United Kingdom.

Fair Processing Notice

We are required by law to protect the public funds we administer. In order to prevent and detect fraud we may share information provided to us with other bodies responsible for auditing or administering public funds.

The Audit Commission is responsible for carrying out data matching exercises. Data matching involves comparing computer records held by one organisation against other computer records held by the same or another organisation to see how far they match. Data usually concerns personal information.

Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found, it is an indication that there is an inconsistency that requires further investigation. We cannot assume that the inconsistency is as a result of fraud, error or other explanation until an investigation is carried out.

We are participating in a data matching exercise to assist in the prevention and detection of fraud and are providing data to the Audit Commission for matching with data held by other organisations. The types of data the Audit Commission requires to complete a data matching exercise are set out in their guidance, which can be found at www.auditcommission.gov.uk/nfi.

The Audit Commission carries out computer data matching exercises under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

Data matching by the Audit Commission is subject to a Code of Practice. This can be found at www.audit-commission.gov.uk/nfi/codeofdmp.asp.

For further information on the Audit Commission's legal powers and the reasons why it matches particular information, consult www.audit-commission.gov.uk/nfi/fptext.asp.

For further information on data matching at Land Registry please check the FAQs or contact our Data Protection Officer.

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