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To: Members of the Senior Fraud Forum

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10 June 1997

EC PEACE & RECONCILIATION PROGRAMME

I attach a draft copy of a note of the Senior Fraud Forum meeting held on 6 June and should be grateful if you could let me have any comments or amendments before Friday 13 June.

In addition I have attached, as agreed at the meeting, a draft letter to DFP which hopefully makes the point that departments would wish to see DFP take the lead in ensuring uniformity of approach in relation to various aspects of the administration of the EC Peace & Reconciliation Programme. I should be grateful for views on whether this draft adequately covers the areas which departments wished to have registered with DFP. While it was agreed that departments would pass details of their current monitoring arrangements to FCSU I am not sure that this information needs to be reflected in any detail in the draft letter to DFP.

You may wish to fax responses to me on 768453 in order that a final draft can be agreed and passed to DFP as quickly as possible.

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**NOTE OF THE MAIN ISSUES DISCUSSED AT A MEETING OF THE
FRAUD FORUM ON 6 JUNE 1997**

Present: Mr N Hamilton, DOE
Mr C Radcliffe, DHSS
Mr M Daly, DHSS
Mr N Cornick, DANI
Dr A McCormick, DENI
Ms K White, DFP
Mr A Magee, DED
Mr D Bain, FCSU
Mr R Megahey, FCSU

Mr Bain opened the meeting by explaining that the concerns expressed in his letter of 22 May to departments should be seen against the background of RUC intelligence which confirmed that known criminals and terrorists were involved in making applications for EC Peace & Reconciliation monies. He went on to refer to two main areas of concern which the RUC had identified in relation to the administration of the EC Special Programme for Peace and Reconciliation. The first related to the need for greater co-ordination in the administration of grant applications to reduce the potential for duplication while the second concerned the need for effective post payment monitoring to ensure that grant monies were used for the purposes for which they were intended. Although these concerns related to Peace and Reconciliation monies the same problems undoubtedly existed across the whole grant making field.

It was accepted that in the absence of the Hurd Policy departments and their IFB's were reliant on having systems in place which reduced the possibility of fraud. It was recognised that the proposed DFP database would play an essential part in reducing the possibility of duplication in the processing of Peace and Reconciliation grant applications but departments were unsighted as to whether or not they had been fully consulted about the design of the proposed database. It was agreed that FCSU should write to DFP pointing

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out that departments were fully committed to their monitoring responsibilities but were concerned that the proposed database should reflect the needs of all departments and should be implemented quickly.

Discussion then turned to the question of whether the proposed database should also embrace other types of grant payments including mainstream grant in aid monies, IFI and Lottery grants. While it was agreed that this might be a useful longer term goal it was decided that nothing should be done at this time to delay the implementation of the proposed P&R database. FCSU would consult departments again on the suitability of more far reaching database once the effectiveness of the proposed Peace and Reconciliation database has been assessed.

Departmental representatives took the view that there was a need for more uniformity in the area of monitoring and that DFP needed to look again at the respective roles and responsibilities of departments and IFB's in this matter in order to remove the apparent confusion which seemed to exist.

As regards post payment monitoring the need for proportionality was recognised, lack of resources in Departments meant that an intelligence led approach was required. Whilst the RUC would alert departments to any perceived threat to monies for which they were responsible it was stressed that it was most unlikely that such intelligence would be available in more than a very small percentage of cases of abuse. It was therefore for departments to consider how else they could gather information which would enable them to deploy their scarce resources. Possibilities identified included the publication of grant payment information in order that members of the public could monitor the use of the monies flowing to their local community groups and asking staff who deal with grant applications to report any suspicions they have about the authenticity of an application. In addition FCSU will write to departments with generic advice on the type of issues which should be examined as part of any audit of suspect cases of potential

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fraud. The need for a common approach by departments was universally acknowledged.

Departments were informed that legal advice suggested that computerised data matching for the purposes of detecting fraud could only be carried out through departments taking specific powers (as recently exercised by DHSS in the Fraud Order for social security fraud purposes). However, this did not prevent departments from exchanging information on a case by case basis where there were suspicions about a particular claim. It was agreed that it was in principle desirable for departments to annotate all grant application with a warning that information provided by claimants may be made available to others in the public sector to detect/prevent fraud in much the same way as insurance companies operate. FCSU would clear a form of words with the Data Protection Registrar and write to departments.

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June 1997

EC SPECIAL PROGRAMME FOR PEACE & RECONCILIATION

At a recent meeting of the senior group of Northern Ireland Fraud Forum I was asked to write to you to bring to your attention the concern of members in relation to aspects of the EC Special Programme for Peace and Reconciliation.

Against a background of intelligence which confirmed that known criminals and terrorists were involved in making applications for P&R monies the meeting considered that in the absence of the Hurd policy applications for P&R monies would have to be approved if they met the required criteria. However, it was considered that there were two areas where action could be taken to reduce the risk of the Programme being exploited. These were:

- (a) the establishment of a meaningful departmentally accessible database to reduce the possibility of duplication in applications received by the various grant making bodies including IFB's; and
- (b) the introduction of effective post payment monitoring arrangements to ensure that grant monies were used for the purposes of which they were intended.

Those senior officials who attended the meeting were aware in general terms of the proposed database of applications which it was felt would go some way to prevent duplicate applications. But some reservations were expressed regarding the comprehensiveness of the information it would hold and the timing of its implementation. There was concern that existing arrangements whereby IFBs used their own application forms and recorded disparate information would, if allowed to continue, undermine the effectiveness of the proposed new system. The consensus view was that there should be uniformity of approach across the whole information gathering process in order that the anti-fraud benefits of the proposed database could be realised as quickly as possible. And there was grave concern that

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although the Programme has been in existence since 1995 and the threat posed by duplicate applications had been identified the enhanced database was unlikely to be implemented before the Autumn.

The meeting also discussed the possibility of the database being expanded to embrace a number of other relevant grants outside, but close to, the P&R sphere. Plainly there was a risk of duplication with one application under the P&R Programme and one outside it. Only the former would be caught by the proposed database. But it was decided that while this should be explored further it was important not to delay the introduction of the proposed new database.

As regards monitoring of payments it was confirmed that departments already had in place their own robust preventative measures. But it was recognised that the disparate approach which existed might itself be seen as a weakness and that consideration should be given to greater uniformity across all departments involved in the Programme.

It was recognised by all present that lack of resources meant that only an 'intelligence' led approach was practicable. Intelligence would allow the limited resources to be deployed so as to achieve greatest results. The offer of the RUC to advise departments of identified threats to grant monies was widely welcomed but it was accepted that such warnings were likely to identify only a small proportion of cases of abuse. Other sources of 'intelligence' were considered.

The proposed database should throw up instances of multiple application by the same group or organisation. Whilst not all such instances would be fraudulent they would, it was felt, at least merit further consideration.

Another possible source was the public who it was thought might 'whistle blow' if they could not see evidence of grant monies being properly spent. It was recognised that this could not happen unless means were found to inform the local community of grants made in their area.

Some present at the meeting considered that staff handling grant applications might identify some about which they were 'uneasy'. Provided a suitable mechanism was in place this might prove another source of 'intelligence'. The difficulties for staff in this area were, however, recognised.

The universal view of the meeting was that all departments needed to adopt common criteria for deciding which cases to follow up and that a common procedure to follow up the selected cases was highly desirable. It was considered that DFP should take the lead in these matters.

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Concern was also expressed about the respective responsibilities of departments and IFBs for monitoring. Although it appeared that primary responsibility lay with the IFB's it was far from clear that all of them had the necessary resources or expertise. Some present were unclear as to the extent that departments were ensuring the adequacy of monitoring carried out by IFB's. In all these areas the meeting considered that there was a need for a uniform approach without which Accounting Officers might be open to criticism.

I have written this letter with my Fraud Forum Secretariat rather than RUC hat on. Whilst I am, of course, happy to discuss these interesting problems with you, I suspect that you will share my view that they are essentially matters for the Civil Service rather than the RUC, and I am sure that PFO's, to whom I am copying this letter, will wish to be kept informed of developments.

Your sincerely

D K BAIN

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