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Ref: M/0048/0010

23 May 1997

Mr Sweeney

*I would welcome a chat
before this meeting (for 10 mins)*

Dear Nigel

MA

FRAUD FORUM MEETING 6 JUNE 1997

You may recall that departments agreed to the establishment of a two tier Fraud Forum last year in order to improve co-operation in the fight against public sector fraud.

27/5

Several meetings of the working level group have taken place over the past year with issues of mutual interest and concern being discussed. It was envisaged that the senior level group would only need to meet occasionally to address the more fundamental policy issues which might arise from time to time.

The purpose of this letter is to invite senior Forum members to discuss issues of concern which have arisen in the administration of grants and especially those within the EC Special Programme on Peace and Reconciliation (P&R) sphere and to consider what action can be taken to guard against the identified risk to public funds.

The main concerns which FCSU has, and which seem to be shared by some officials directly involved in the P&R programme, include:-

- (a) an apparent lack of co-ordination across the spectrum of grant makers. For example, the number of grant making bodies (around 37 in the case of the P&R Programme alone many of them at distance from central government) and the various types of grant available including, traditional grant aided activities, IFI, Lottery and the wider EC dimension adds to the potential for duplication of grant; the advent later this year of an enhanced database of P&R applications/grant payments will help reduce the risk of

*D.F.P here
not yet
Review re
central
data-base*

*There is initiative sporn, but
need strategic plan &
coordination.*

*(DOE only
Sub-lyg 2a
& 6)*



fraud but it will only embrace one element of the total grant making scene. Simply identifying instances in which an organisation is being grant aided from a number of sources in itself does nothing to reduce the risk of abuse. The meeting will wish to consider what follow up action should be taken in such cases. FCSU stands ready to advise Forum members on the likely efficacy of their proposed control systems.

(b) a lack of post payment monitoring to ensure proper accountability of payments made. While groups which apply for funding may fulfill the criteria set for grant aid there does not appear to be adequate controls to ensure that grants are used exclusively for the purposes intended or that a portion of monies are not siphoned off for other purposes. Indeed in the case of P&R grants there seems to be some confusion over who has direct responsibility for monitoring payments (funding body or department). The fact that in the P&R sphere grants tend to take the form of a significant number of lower value payments clearly has implications for the type and extent of the monitoring arrangements that will be deemed appropriate. Scarce resources will obviously need to be used sensibly and this will mean that not all payments can be followed up in a comprehensive way. It will be important therefore to concentrate monitoring resources on those recipients of grant where the possibility of abuse is more likely to be found. FCSU can assist in identifying such recipients and will bring these to the attention of departments from time to time on the basis of intelligence which becomes available but clearly this will not represent an exhaustive list of organisations which might pose a risk.

Another aspect is the procedures which should be used as part of the monitoring process. Some of those involved in abuse of the grants system have many years of experience in concealing their diverse financial malpractice. FCSU, which has experience in tackling such problems, is willing to assist departments in devising the most appropriate methods given the various types of project being funded.

Senior colleagues would probably find it useful to discuss the issues raised in this letter and to that end a meeting has been arranged for 10 am on [1] May - 1997 in the Conference Room, Financial Crime Services Unit, Unit 1, Walled Garden, Stormont. I regret that car parking is not available within the Walled Garden but facilities are available on 'the Mile'.

Journal's been done by DPP
 POC has full-time Catherine O'Neil to check books.
 Little Peter mostly spent or yet
 Is anyone on top of monitoring & verification checks
 Eastern Summit of Ministers coming on 13th June
 Address to fundaments

6 June

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A suggested agenda is set out below and includes some other items which FCSU would like to raise with departments. If there are other issues which you would wish to include please let me know.

1. Apologies
2. Preventing abuse in public sector grants.
3. Data Matching by departments - legal advice.
4. Annotating claim forms with a fraud warning.
5. Any Other Business.

I should be grateful if you could confirm your attendance at the proposed meeting by contacting my office on 563100.

A handwritten signature in black ink, appearing to read 'D K BAIN', written in a cursive style.

D K BAIN
Director FCSU