

FRAUD

ATTACK

A 'battle plan' to combat fraud has been issued by the Federal Government.

Called the 'Review of Systems for Dealing with Fraud on the Commonwealth', the report carries a total of 27 wide-ranging recommendations.

And the Government has announced the setting up of a Fraud Control Committee to monitor a move to fraud control mechanisms within Government agencies.

The Review's recommendations are:

1. The principal responsibility to prevent and detect fraud rest with the agencies against whose programmes fraud is attempted

2. All agencies accept responsibility for investigating routine instances of fraud against them. Instances of fraud referred to the Australian Federal Police should generally be those more complex or larger in scale than the most routine cases

3. All agencies be required to pursue a systematic and explicit approach to the control of fraud. Also, that they assess the risk of fraud against their programmes and report to their ministers within six months and that agencies with programmes subject to a significant fraud risk develop detailed plans for fraud control. Agencies at less risk should arrange for fraud control to be included in their internal management plans. The Review also says assessments of the risk of fraud and arrangements for fraud control be reviewed at intervals of no more than two years

4. Where new or altered arrangements for fraud control have implications for other agencies, the relevant minister tell his counterparts in those agencies.

5. Within six months all agencies which in the preceding three years have referred a total of more than 20 matters involving fraud (excluding cheque frauds) to the AFP or the Director of Public Prosecutions develop with those organisations

guidelines for future references

6. The DPP convene regular meetings at state and national levels involving the AFP, the Australian Government Solicitor and other agencies affected by or involved in dealing with fraud

7. Agencies consider administrative remedies for minor fraud and bring forward proposals for legislation

8. Records be maintained of the application and use of such remedies

9. All agencies maintain records to show the nature and outcome of activities to prevent and detect fraud, the allocation of resources to deal with fraud and the extent of reliance on services provided by other agencies in dealing with fraud. Details of the type and extent of such records are to be determined in negotiation between agencies and the Department of the Special Minister of State within six months

10. The results of the first year's records go to the Special Minister of State within three months of the end of financial year 1987/88 and that he determine in consultation with ministers whether further consideration by Cabinet is required

11. Agencies train staff to tackle fraud and liaise with the AFP, the DPP and the AGS on training

12. Agencies publicise the fact that information is matched between them and that this and other techniques are used to detect fraud

13. The Comptroller-General of Customs and the DPP consider the use of criminal sanctions in frauds on Customs programmes and prepare a report to the Attorney-General and the Minister for Industry, Technology and Commerce

14. The Attorney-General, at the next meeting of the Ministerial Council for Companies and Securities, urge all states and the Northern Territory to expedite

programmes to computerise corporate affairs records and develop an analytical capacity to facilitate data gathering and seek agreement that those resources be made available on line to the AFP, the DPP, the AGS, the Australian Taxation Office, the Australian Customs Service, the Official Trustee in Bankruptcy and other agencies where appropriate. Also, that the States and the Northern Territory bring forward proposals for any consequential amendments to legislation as soon as possible

15. The States and the Northern Territory be urged at the next meeting of the Standing Committee of Attorneys-General to computerise land titles records and data gathering for investigations and legal proceedings that information to be made available as outlined in Recommendation 14

16. Agencies consult where Budget bids involve significant changes in activities concerned with controlling fraud and that details be included in Budget Estimates explanations to the Department of Finance

17. The AFP's costs in retaining specialist services agreed by an agency for an investigation, be reimbursed by that agency

18. Within six months in consultation with the AFP, the DPP and the AGS agencies work out their requirements for training in pursuing fraud matters

19. Agencies which now make payments by cheque move to direct crediting

20. Finance Direction 10/28 be withdrawn and guidelines be drawn up to allow agencies to exercise some discretion on cheque cases referred to the AFP

21. The Attorney-General report to Cabinet within six months on attaching a charge to the real property of persons owing money to the Commonwealth

IN the early 1980's reports of various commissions of inquiry revealed major criminal activity in Australia. A burgeoning tax evasion industry, including 'bottom of the harbour' and other tax schemes, was highlighted by the 1982 McCabe-La Franchi Report and in a number of Costigan Royal Commission reports. Mr Costigan also suggested the involvement of the Federated Ship Painters and Dockers' Union in large-scale social security fraud.

In response, the Government moved in the taxation area and the Charter of the AFP was recast to make large scale fraud against the Commonwealth the third ranked priority after investigation of drug trafficking and organised crime.

Fraud and tax evasion were included in the National Crime Authority Act of 1984 as 'relevant offences' and so became subject to the NCA's special powers, and the office of the Department of Public Prosecutions was established.

Legislative responses have included the Crimes (Taxation Offences) Act of 1980 and the Taxation (Unpaid Company Tax) Assessment Act of 1982, which are directed at 'bottom of the harbour' schemes, and Part IV A of the Income Tax Assessment (Amendment) Act of 1981 which is aimed at avoidance schemes.

The Taxation Laws amendment Act was passed in October 1984 to strengthen mechanisms for tax collection and overhauling and updating the income tax penal and prosecution provisions.

The administration of expenditure programmes was also tightened, including the direct crediting of social security payments to bank accounts.

The Fraud Review Committee's terms of reference were approved by Cabinet on June 2, 1986. The committee started meeting in July 1986 and finished its deliberations in the first week of March this year.

22. The Attorney-General and the Minister for Finance report to Cabinet within six months on whether debts owed by a client in one area might be offset against money to be paid to the client in another

23. For a trial period of one year agencies which believe their efforts to recover money owed to the Commonwealth are hampered by a lack of access to information possessed by other agencies, collect details and provide them to the Department of Finance

24. Agencies co-operate in providing information to each other and where cost effective consider the matching of information relevant to identifying fraud

25. The Attorney-General bring forward as soon as possible a proposal for legislation to override secrecy provisions to give the AFP, the DDP and the National Crime Authority access to information relevant to fraud investigations. The public should be told as appropriate that information provided to the specified agencies may be made available to the AFP, the DPP and the NCA for law enforcement, prosecution and civil remedy purposes

26. The present review of secrecy provisions by the Attorney-General's Department be completed within 12 months and that it place particular emphasis on the removal of unnecessary constraints on the flow of information between agencies on fraud

27. The term 'agencies' means all Commonwealth Government departments, the Australian Customs Service, the Aus-

tralian Taxation Office and the Health Insurance Commission and other Commonwealth statutory authorities and other bodies as ministers may determine. Ministers are to advise the Special Minister of State within six months, giving reasons, if they think any statutory body or other body should not be so defined.

Committee Members

The Review's Steering Committee had the following members:

The Secretary of the Department of the Special Minister of State, Mr A.D. McGaurr (Chairman); The Chairman of the Public Service Board, Dr. P. Wilenski; the Secretary of the Department of Finance, Dr. M.S. Keating; the Secretary of the Department of Social Security, Mr. A.J. Ayers (until 24 October 1986), then Mr. N.J. Tanzer (acting until 15 November 1986), then Mr. D. Volker; the Secretary, Department of Health, Mr B. V. McKay; the Commissioner of Taxation, Mr. T.P.W. Boucher; the Comptroller-General of Customs, Mr. T.P. Hayes; the Director of Public Prosecutions, Mr. I.D. Temby, Q.C.; and the General Manager of the Health Insurance Commission, Mr. C.R. Wilcox.

At its meetings of 20 June 1986 and 6 January 1987, respectively, the Committee co-opted the Commissioner of the AFP, Major-General Grey, and the Secretary of the Attorney-General's Department, Mr. P. Brazil, to be members.

The Review states that the Working Party varied in strength up to a maximum, for a short period, of eight officers

drawn from the departments of the Special Minister of State (3), Attorney-General, Finance and Defence, the Public Service Board and the AFP (one each).

Ministerial Statement

Releasing the Review, the Attorney-General, Mr. Lionel Bowen, said the Government had accepted, or extended, all of the recommendations except those relating to changes to the existing secrecy provisions in legislation. [Recommendations 25 and 26]

'These will be further reviewed by the Government giving full consideration to civil liberties and privacy implications,' Mr Bowen said.

The members of the Fraud Control Committee will be the Associate Secretary of the Attorney-General's Department, Mr. Alan Rose; the Secretary of the Department of Finance, Dr. Michael Keating and the secretary of the Department of Social Security, Mr. Derek Volker.

'The heads of other agencies will be involved in the Committee's work as appropriate,' Mr. Bowen said.

He emphasised that the Committee was not a further review: 'In addition to monitoring and co-ordinating the Fraud Review's recommendations, the Committee will identify areas in which priority should be given to improved arrangements for dealing with fraud, and will assess the effectiveness of existing and proposed arrangements for fraud control.'

'The Committee's terms of reference will require it to provide the Government with a continuing assessment of the effectiveness of resource use in dealing with fraud.

'A principal role will be facilitation of the sharing of skills and knowledge between ... agencies with highly developed means of preventing and detecting fraud and ... agencies whose equivalent systems are less well developed.

'Implementing the Review's recommendations, and the Fraud Control Committee, will improve the Government's capacity to reduce the abuse of revenue and expenditure programmes and to deliver its benefits programmes... to those most in need.'

Mr Bowen said the Fraud Control Committee's terms of reference did not extend to the Australian Taxation Office which had independently established a comprehensive audit programme to deal with the tax fraud.

The programme was subject to external evaluation by the Australian Audit Office and it had already demonstrated considerable success.