

New performance indicators to better show overall value of operational achievements

By Federal Agent Ally Mercer

The AFP investigates serious crime affecting Commonwealth interests with particular priority on serious high-level fraud, major and organised crime (including international drug trafficking), and special tasks including protection of important people and responding to the government's specific and immediate law enforcement priorities.

Developing an accurate and comprehensive method of measuring performance levels is one of the difficulties faced by such a complex organisation as is the AFP, particularly since any 'body count' of arrests does not present an accurate picture of the value of the AFP's operational effectiveness. The challenge then, is what are appropriate performance indicators?

Previous AFP internal reporting systems focused on workload efficiency, and the achievement of operational objectives by individual work units rather than on outcomes achieved by the AFP as a whole. The current approach is to develop appropriate indicators of organisational performance against which the effectiveness of the AFP in achieving its corporate objectives can be measured.

These corporate performance indicators will provide a valuable resource for the effective operation of the organisation.

Performance indicators are tools which help organisations to monitor and improve their service or program. They are pointers towards, or signs of, organisational health and achievement against a mission or objective. Organisations use them regularly to assess relative success in achieving their goals. Such performance information can be used to enhance decision making and identify areas which are doing very well or require further attention. It is difficult to make an informed decision to change something about which there is no reliable information.

Performance indicators need to be meaningful and should focus on the aspects of organisational performance that are critical for current and future successes. The information provided need not be

numerical (quantitative) to be useful; some of the most valuable information available to managers is descriptive (qualitative). Indeed, both types of indicator have a necessary place in providing a balanced perspective.

Bearing this in mind, statistically it is difficult to demonstrate fully the value to the Commonwealth of the AFP's work in relation, for instance, to serious and high level fraud, major and organised crime (including international drug trafficking), and special tasks including protection of important people and responding to the government's specific and immediate law enforcement priorities, particularly as no reliable estimates of the extent of these types of crime exist. It has not been accurately estimated and characteristically assessments are based on various assumptions. The AFP does not currently collect statistics on recoveries made from investigations. In most instances, recovery actions resulting from AFP investigations, in particular fraud, are completed by the referring agency or by the DPP on behalf of the referring agency.

In considering the effectiveness of operational activity, the total impact of that operation should be examined. One factor inadequately assessed at the moment is the return of money to government. For instance, while the AFP can refer to the value of the proceeds of crime restrained as a result of its activities, there is no current means of assessing the extended value of monetary returns, including taxation collections which result from operations.

One of the initial steps in overcoming the void in collecting data was the implementation of the Commonwealth Fraud Information Database (CFID) in 1995, following acceptance of the recommendations of a report on fraud against the Commonwealth by the House of Representatives Standing Committee on Banking, Finance and Public Administration.

For the 1995-96 financial year 5476 reports of fraud from 15 agencies with an estimated total value of \$60,897,332 were entered on the CFID. Information reported to the AFP so far indicates that the extent of reported fraud against Commonwealth agencies is about \$445m for 1995-96.

The evaluation of fraud investigations may be broken into two parts: the recovery of revenue and

Photo: Courtesy The Geraldton News, Geraldton



Some documents seized in the joint AFP/ATO investigation which began in late 1991 and showed significant discrepancies between the income declared on tax returns by crayfishing workers, and the total catch in kilograms of crayfish declared to the WA State Department of Fisheries.

the prevention of ongoing loss of revenue. In the first instance the AFP might jointly investigate a referral on an alleged tax avoidance scheme operating in one state which shows the company is not declaring its total revenue. The outcome might be that charges and arrests are made, followed by recovery action to obtain the evaded revenue. The investigation might also identify trends in other states and territories which could prevent further evasion, and therefore avoid more lost revenue. In such an instance publicity of a successful outcome might also provide awareness and therefore increase compliance from people with their tax assessments showing full earnings.

A joint AFP/ATO investigation which began in late 1991 showed significant discrepancies between the income declared on tax returns by crayfishing workers, and the total catch in kilograms of crayfish declared to the WA State Department of Fisheries. The ATO research indicated that the discrepancy in the 1987 to 1989 financial years was approximately \$47 million.

The operation resulted in an increased declared income for the industry of \$167 million in the following year. The investigation continued for some years and was the subject of a High Court decision relating to the issue of search warrants on government departments. Another positive outcome was that the ATO is now permitted to conduct audits of industry records relating to the investigation and further recovery of revenue is expected.

A number of people were charged and successfully convicted, and the ATO audited and amended income tax returns for several others.

From ATO records the gross income figures for the relevant years were: 1987: \$127m, 1988: \$167m, 1989: \$171m, 1990: \$220m, 1991: \$unknown, 1992: \$380m.

A statement made by the ATO at the completion of the investigation said: "By any measure this office is satisfied that the improvement in voluntary compliance was a direct result of the actions and strategies adopted by the joint operation".

In another case an AFP investigation referral from the ATO identified 40 agents and promoters engaged in an alleged 'cheque laundering' tax fraud. It was revealed that each of the agents had a minimum of 20 companies using their cheque laundering accounts, and each company had four directors. This amounted to about 3200 suspects. The AFP has so far investigated 12 of the 40 groups involved in the activity. To date, \$799,500 has been ordered in reparation, around 60 briefs of evidence have been prepared, with an anticipated minimum of a further 45 briefs being submitted. Each investigation is protracted (12-18 months) and resource intensive.

The results of these investigations are singularly impressive, but when looking further into the referral it was revealed that the investigation contributed to stopping a clothing manufacturing scam which had caused a loss in taxation revenue of approximately \$100 million over three years and which had contributed to forcing legitimate manufacturers out of business. It was also suspected of having involved the receipt by outworkers of DSS benefits as well as them having earned undeclared income, and the

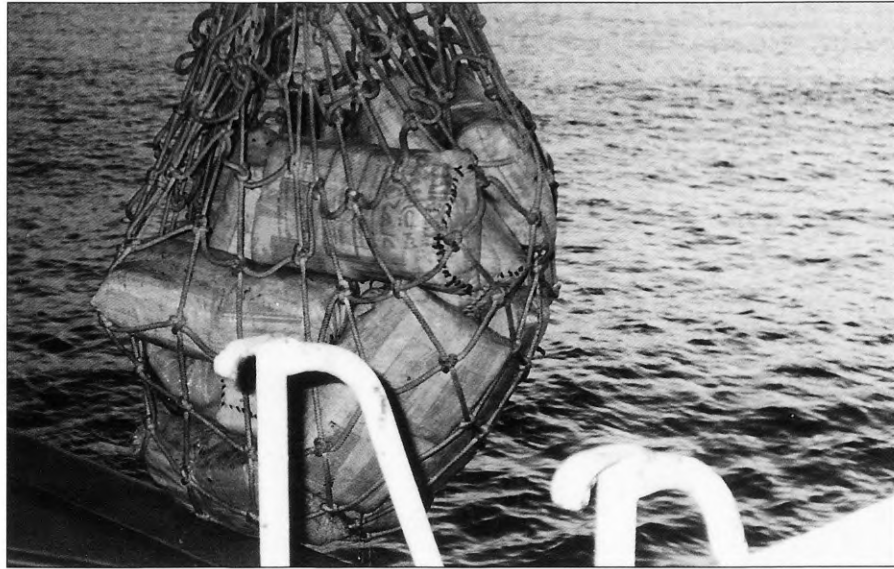
movement of large amounts of money (possibly as much as \$AUD50 million) offshore.

As well as enforcing the criminal law, the AFP assists the Commonwealth in the following ways to recoup fraudulently obtained money and assets, and undeclared tax: by the initial detection of fraud through proactive intelligence or as a result of investigations into other matters; by the identification of the extent of the fraud – this knowledge is essential to take appropriate recovery action; by the identification of the assets of the offending person or entity – this knowledge is also essential to ensure that recovery action is effective; by stopping the particular fraud through charging the perpetrators; by the determination of the method of operation of the fraud – this knowledge underpins the improvement of procedures to avoid further instances of fraud.

Services provided by the AFP are not measured as easily as many other government services. The true benefits to Australian society cannot be measured by the number or size of drug seizures or people arrested. They include, a wide range of benefits such as, dismantling of criminal enterprises which, if allowed to continue could undermine government and other social systems, the return of revenue and ultimately the protection of the integrity of the systems within which we live (political, judicial, social and financial).

The disruption of criminal associations and their activities is at least as important an indicator of the success of law enforcement as arrests and seizure statistics. For example, Operation Caribou saw the dismantling of a sophisticated and highly organised criminal syndicate; the arrest and conviction of most of the principal members of the syndicate; the seizure of property believed to be acquired from the proceeds of crime; and the confiscation of almost 15 tonnes of compressed cannabis.

Operation Seaking in 1995 uncovered the activities of the Japanese Aum Sect in Australia which would have had serious implications for Japanese tourism to Australia and our



Ten tonnes of cannabis resin was seized by French authorities in waters off Chesterfield Reef half way between Cairns and Noumea during Operation Caribou which saw the dismantling of a sophisticated and highly organised criminal syndicate.

international relations. AFP action disrupted the sect's activities in Australia and provided a basis for other international law-enforcement agencies to counter the sect's international terrorist activities.

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The underlying difficulty will be how to put a value on deterrence, and how to measure compliance for fear of detection and prosecution, or drugs that don't make it onto the streets through either the AFP's efforts or the combination of Commonwealth law enforcement efforts.

Quantitative measures for other forms of investigations (excluding fraud) conducted by the AFP are not so clear cut. What value can be accorded to dismantling or seriously disrupting major national and international criminal enterprises?

Assessing the effectiveness of AFP operations is a complicated matter and new performance indicators for the organisation in respect of most of its operational activity have been developed.

Further work is now underway to determine the detailed performance measures which will give flesh to those indicators. This task will ultimately result in the collection and use of performance information which addresses the quality of operational outcomes.