

Performance Audit Report

NSW Police Service

Police Response to Fraud

State Library of New South Wales cataloguing-in publication data

New South Wales. Audit Office.

Performance audit report :NSW Police Service: police response to fraud / The Audit Office of New South Wales.

ISBN 0731389050

1. Fraud investigation - New South Wales - Auditing. 2. Police - Response time - New South Wales - Auditing. 3. New South Wales. Police Service - Management - Auditing. I. Title: NSW Police Service: police response to fraud. II. Title: New South Wales Police Service: police response to fraud. III. Title: Police response to fraud.

363.2596309944

© Copyright reserved by The Audit Office of New South Wales 1998. All rights reserved. No part of this publication may be reproduced without prior consent of The Audit Office of New South Wales.

CONTENTS

Executive Summary	1
Recommendations	5
1 Introduction	9
1.1 Background to the Audit	10
1.2 Audit Objectives and Criteria	11
1.3 Audit Cost	11
1.4 Acknowledgement	11
2 Response Standards and Resources	13
2.1 Police Response to Fraud	14
2.2 Standards and Resource Levels	16
2.3 Available Skills	18
3 Working with Victims	23
3.1 Substantiating Fraud Complaints	24
3.2 Joint Investigations	27
4 Case Management Issues	29
4.1 Fraud Recording	30
4.2 Internal Case Allocation and Case Delays	31
4.3 External Allocation and Liaison	35
5 Management Information	37
5.1 Information for Operational Managers	39
5.2 Information for Tactical Managers	40
5.3 Strategic Information	42
Appendix	43
Response to the report from NSW Police Service	44
Response from NSW Police Service to Individual Recommendations	46
Attachment A	57
Attachment B	59

Executive Summary

Executive Summary

Fraud is a small proportion (less than 3%) of the total crime reported in NSW, but its financial impact is significant, representing over half of the financial cost of all crime. National surveys suggest the annual loss in NSW may be as much as \$4 billion per annum.

The Police Service has a pivotal role in fraud investigation - it is the agency to which most frauds are reported and through which they are prosecuted. The effectiveness of the Police effort therefore has a major influence on fraud control in the community at large.

This audit was initiated following concerns expressed by the Department of Agriculture about the Police's handling of a suspected fraud that it had first reported in 1996. The Department's main concern related to the long delays before a full Police investigation took place.

The Audit Office had also received other comments regarding the Police response to fraud from other public sector organisations in NSW. In general, they suggest that in the past the Police Service was not in a position to investigate fraud quickly unless the sums involved were substantial and the victims themselves assembled the evidence.

In the light of these concerns, and with the support of the Commissioner of Police, The Audit Office began a review of the Police response to fraud generally.

However, soon after commencing the audit, The Audit Office recognised that the Police Service had introduced new organisational structures and operating frameworks to improve the response to fraud.

Some of these changes were:

- a new organisational structure with greater resources provided to and greater accountability expected of Local Area Commands (LACs)
- a new central unit responsible for serious fraud - the Commercial Crime Agency (CCA)
- new fraud assessment procedures in CCA
- development of closer working relations between CCA, LACs and other investigating agencies
- more emphasis on fraud prevention work.

The scale of the organisational changes made in 1997 to deal with fraud, and for the Police Service as a whole, means that full 'bedding down' of the changes will take some years. As a consequence, the audit has been scaled down and much of it has been deferred.

Nevertheless, the current review highlighted a number of areas that, in the opinion of The Audit Office, require closer examination and resolution by the Police Service in implementing their changes. This report highlights those areas and provides recommendations for the Police to consider in its implementation of its reforms.

Key areas requiring attention:

- **service standards are not clearly defined** for the police response to fraud, without which it is difficult to ensure that police objectives and public expectations are met
- **restrictive employment arrangements** which limit management's ability to obtain the appropriate mix of people with skills to investigate fraud
- **inadequate information systems** to support operational, tactical and strategic decision-making.

By introducing the changes outlined earlier, the Police Service has already recognised the need for a robust framework to handle fraud.

The Audit Office suggests that the Police Service would need to consider the following major elements in developing its framework to deal with fraud:

- **clearly defined service standards**, for the police response to fraud, both overall and for specific stages/types of fraud. This also means defining more clearly the roles and responsibilities of police in respect of fraud, in conjunction with external agencies and victims/business
- **skill mix** required to meet those responsibilities effectively
- **working with victims** to develop effective working relationship between Police and victims
- **fraud prevention and education strategies** to manage the incidence of fraud and address the high proportion of fraud that goes unreported to police
- **good case management practices** with performance targets and monitoring to ensure the response framework is delivering what is expected
- **information** on the nature and scale of the fraud problem and on public expectations, to inform police priorities.

Such a framework should be based on a continuous process of adjustment as competing demands and resource availability change.

The CCA has advised that many of the issues raised in relation to fraud response also affect police response in other areas of crime not reviewed as part of this audit. The Audit Office also recognises that addressing many of these issues requires a service-wide approach. The report makes recommendations with this wider audience in mind.

Recommendations

Setting Service Standards

The Police Service should develop service standards for fraud investigation, and other specialist services, that translate current broad objectives into realistic, measurable, performance targets and resource requirements.

The Audit Office considers that the Police Service should seek more specific feedback from victims on the fraud service it currently provides, to assist in setting and promulgating realistic service standards.

Increasing Resource Flexibility

The Police Service should seek Government agreement to increase the resource flexibility of managers in CCA and other units, including the mix of police and civilian staff, to maximise operational efficiency and effectiveness.

Working with Victims

The Police Service should:

- develop a charter of victim (and police) responsibilities in relation to fraud investigations
- develop and disseminate to businesses at risk, best practice standards for investigation of fraud
- monitor victim participation in police investigations against standards, to ensure quality and an appropriate level of police involvement is maintained.

It should seek the support of peak business and professional bodies in developing and promoting these initiatives.

**Improving
Case
Management**

The Police Service, perhaps using an external statistical body, should establish the scale of the under-recording on its computerised case management system (known as COPS) of fraud allegations reported to the police across the State (and of crime allegations generally).

It should also strengthen the monitoring of data quality in COPS. Local supervisors, supported by Operational Audit, need to:

- ensure that users are complying with standards for complete, accurate and timely data entry in COPS, including crime classification
- contribute to improvements in COPS usage through suggestions for training and design modifications.

**Improving
Performance
Monitoring**

The Police Services needs to establish more clearly for fraud, (and perhaps for other crimes):

- performance standards for assessment and investigation, including time to complete key stages
- the extent of delays and other shortfalls where performance does not meet these standards
- responsibilities for monitoring performance against these standards.

Where performance against standards for fraud is poor, and the number of cases is substantial, LAC Commanders should be encouraged to consider alternative mechanisms (including pooling resources, as in Central Sydney LACs).

**Working with
External
Agencies**

If current liaison arrangements with other investigative fail to deliver effective joint working, CCA should consider establishing formal agreements: with external agencies with fraud investigation roles defining boundaries, responsibilities and area of specialism more explicitly, to ensure that:

- there is no duplication of effort on specific cases
- each type of fraud is investigated by the agency that can do it most efficiently
- opportunities for resource and information sharing are fully exploited.

**Improving
Management
Information**

The CCA should consider including information in its monthly management report which:

- measures performance against CCA objectives
- measures CCA performance against service standards, including but not limited to, Crime Agencies business plan targets.

The State Intelligence Group should be asked to generate comparative information on the police response to fraud service-wide. CCA should be involved with LAC and Regional Commanders in specifying key performance measures and standards for this purpose.

Future strategic reviews of the police response to fraud - it's standards and resource requirements - should seek to build on the improvements in tactical management information recommended above, supported by improved client feedback.

***Response from the NSW Police Service
The response is included in full in an
Appendix to this report.***

1 Introduction

1.1 Background to the Audit

Fraud is a small proportion (less than 3%) of the total crime reported in NSW, but its financial impact is significant, representing over half of the financial cost of all crime. National surveys suggest the annual loss in NSW may be as much as \$4 billion per annum.

The Police Service has a pivotal role in fraud investigation - it is the agency to which most frauds are reported and through which they are prosecuted. The effectiveness of the Police effort therefore has a major influence on fraud control in the community at large.

This audit was initiated following concerns expressed by the Department of Agriculture about the Police's handling of a suspected fraud that it had first reported in 1996. The Department's main concern related to the long delays before a full Police investigation took place.

The Audit Office had also received other comments regarding the Police response to fraud from other public sector organisations in NSW. In general, they suggest that in the past the Police Service was not in a position to investigate fraud quickly unless the sums involved were substantial and the victims themselves assembled the evidence.

In the light of these concerns, and with the support of the Commissioner of Police, The Audit Office began a review of the Police response to fraud generally.

However, soon after commencing the audit, The Audit Office recognised that the Police Service had introduced new organisational structures and operating frameworks to improve the response to fraud.

Some of these changes were:

- a new organisational structure with greater resources provided to and greater accountability expected of Local Area Commands (LACs)
- a new central unit responsible for serious fraud - the Commercial Crime Agency (CCA)
- new fraud assessment procedures in CCA
- development of closer working relations between CCA, LACs and other investigating agencies
- more emphasis on fraud prevention work.

The scale of the organisational changes made in 1997 to deal with fraud, and for the Police Service as a whole, means that full 'bedding down' of the changes will take some years. As a consequence, the audit has been scaled down and much of it has been deferred.

1.2 Audit Objectives and Criteria

The objective of this scaled-down audit was to assess the potential of the initiatives taken to improve the police response to fraud. Specific criteria were:

- resource levels should be based on explicit service standards and priorities
- responsibilities of all involved should be clearly defined and communicated; and conducive to efficient and effective operations
- information and information systems should support efficient and effective operations.

1.3 Audit Cost

The total cost of the audit was \$78,000 comprising:

	\$
Direct salaries cost	48,300
Overheads charged on staff time	20,700
Value of unpaid staff time (at standard rates only)	5,000
Printing	4,000
TOTAL COST	78,000

1.4 Acknowledgement

The assistance of the NSW Police Service generally, and the staff of the CCA in particular, is gratefully acknowledged.

2 Response Standards and Resources

2.1 Police Response to Fraud

Organisational Structure

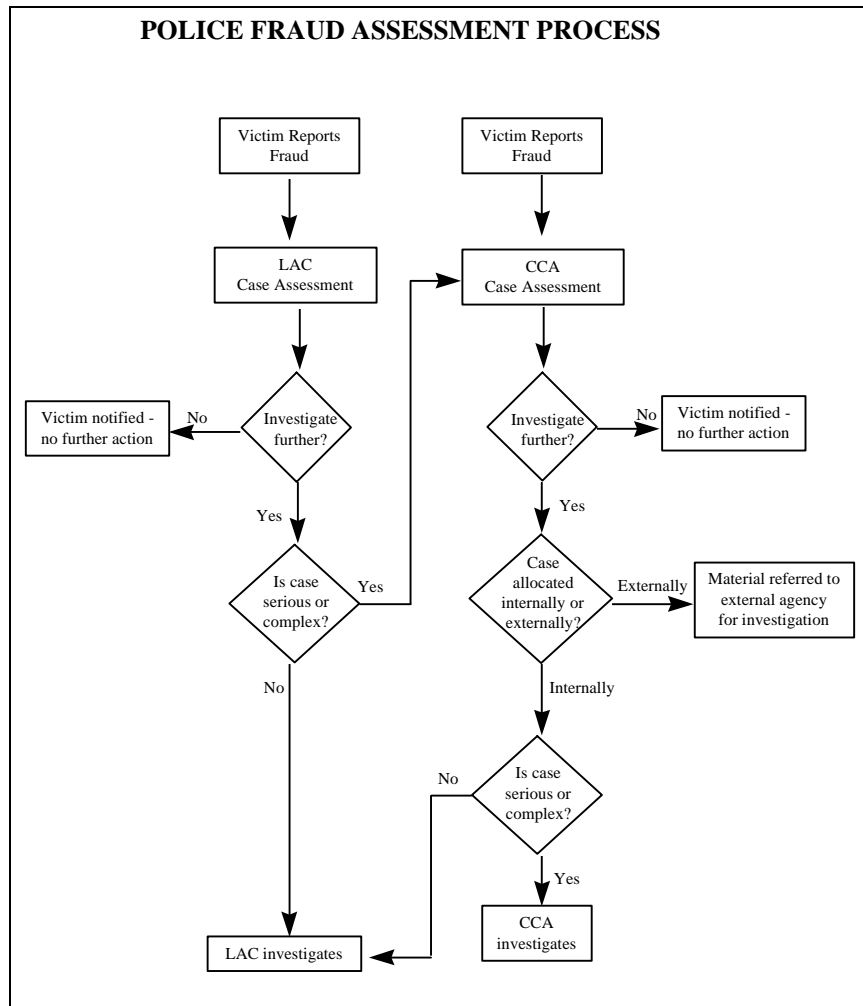
The police response to fraud, like other specialist crimes, involves a local and a service-wide component. The Local Area Commands (LACs) have primary responsibility for dealing with all crime occurring in their area. The Commercial Crime Agency (CCA) acts in support of the LACs under the new structure, giving specialist fraud advice and undertaking complex investigations where requested.

In the 1997 reorganisation, the NSW Police Service sought to push responsibility and resources down the organisation, making LACs the primary points of client service and crime (including fraud) investigation, and providing them with extra resources. The resources put into fraud at each LAC should reflect that area's crime workload and operational priorities.

The 1997 reorganisation also sought to keep the resources in central squads to a minimum. CCA became part of a smaller Crime Agencies Branch which aimed to provide specialist, but flexible, resources to support LACs on enquiries ranging from murder, to child abuse, to fraud. The authorised strength of the specialist fraud response (CCA) remained unchanged.

Local Area Commands

Of the 19,000 or so frauds reported to the police each year, more than 95% are handled initially by LACs. When they are, the LAC crime managers make an initial assessment (as they do for all crime) and, where further investigation is warranted, allocate the case accordingly. Where an allegation is more serious or complex than the LAC can deal with, it is referred to the CCA. (Before July 1997, these cases were often referred to police regional crime squads for investigation, but such squads have largely been eliminated in the new structure.) The flow chart below summarises the case assessment and referral process.



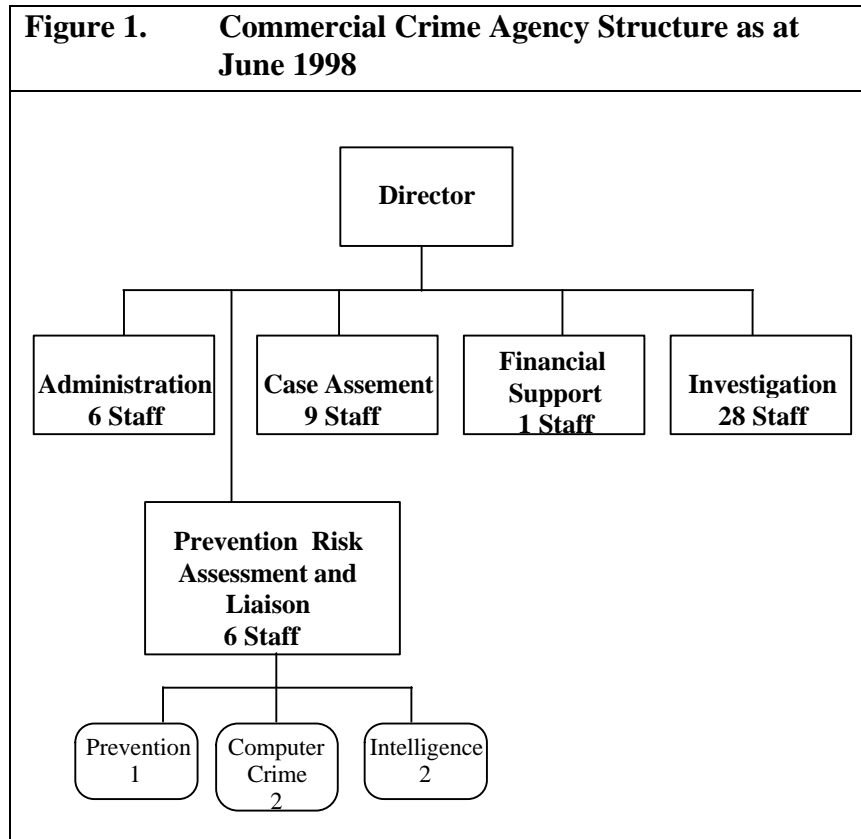
Commercial Crime Agency

CCA deal with only the most complex fraud complaints. In 1997 it received 342 cases for assessment and investigated 62 of them. Others were referred or filed as the following table illustrates.

Referred to External Agency	11%
Referred to Patrols/LACs	24%
CCA investigated	18%
CCA filed/intelligence	39%
Other crime agencies	4%
No crime	4%
TOTAL	100%

Most of the resources in CCA are devoted to investigation and assessment of these fraud complaints.

The actual allocation of staff as at 30 June 1998 is illustrated below.



2.2 Standards and Resource Levels

Observations

CCA objectives are:

to facilitate and coordinate fraud prevention ... and investigation ...

and

maintain the highest standards of best practice operation through investigation and prevention practices ...

and

provide a high level of customer service to its internal and external clients.

Standards of Service

However, these broad responsibilities are not translated into service goals that can be measured and monitored by CCA itself and by its supervisors and its customers. There are also no objectives or standards for the servicewide response to fraud, as distinct from those few complex frauds that CCA deals with.

Resource Levels In LACs, no posts are specifically authorised for fraud work. Fraud investigations are resourced from the general detective strength, although LACs may establish dedicated fraud teams where workloads warrant, as occurred in the Sydney central business district recently.

The CCA has the largest concentration of resources dedicated to fraud work. It has an authorised strength of 56 police posts along with 4 civilian specialists in financial support and intelligence and 6 more in administration.

Other specialist posts (legal adviser, intelligence analysts etc) have been established within the wider Crime Agencies (CA) Branch to be shared among all its services, including CCA. There are no funds specifically authorised for CCA or CA to employ other (external) resources to assist police officers with fraud cases.

Actual police strengths in these posts at CCA have not reached authorised levels in recent times. In January 1998, actual strength stood at 32. In June 1998, after an internal advertising campaign, actual strength rose to 51 compared to total authorised establishment of 66 staff.

This suggests that, in the current budgetary environment where funds for authorised strength are to be expended on salaries of sworn officers, the availability of suitable police officers is the restraining factor in CCA's resourcing.

How the authorised strength itself has been determined is also unclear. It is not based on any explicit assessment of the demand for specialist fraud work, or the standards of service to be achieved.

There is considerable difference of opinion both inside and outside the Police Service about what the appropriate level of resourcing for fraud should be. In part this reflects differences in philosophy and priorities - about the seriousness of fraud and the role of police in dealing with it.

Those who advocate greater police resources to fraud point to:

- the substantial financial losses involved
- the increasing risk as computer technology increases
- the mainly reactive role that the police currently plays
- the low reporting rates for fraud
- the limited number of investigations currently undertaken by the police.

Against this, there are competing priorities for police resources:

- crimes which have higher public and hence police priority because they affect personal safety more directly
- crimes where victims may be less able to help themselves
- no definitive evidence to suggest police workloads and client service are more stretched in fraud than elsewhere.

The Audit Office considers that, without more explicit standards, there is the risk of unrealistic expectations of what the police response to fraud can be, both inside and outside the Police Service. It also makes it difficult to determine what would be an appropriate level of resources to combat fraud.

Recommendation **The Police Service should develop service standards for fraud investigation, and other specialist services, that translate current broad objectives into realistic measurable performance targets and resource requirements.**

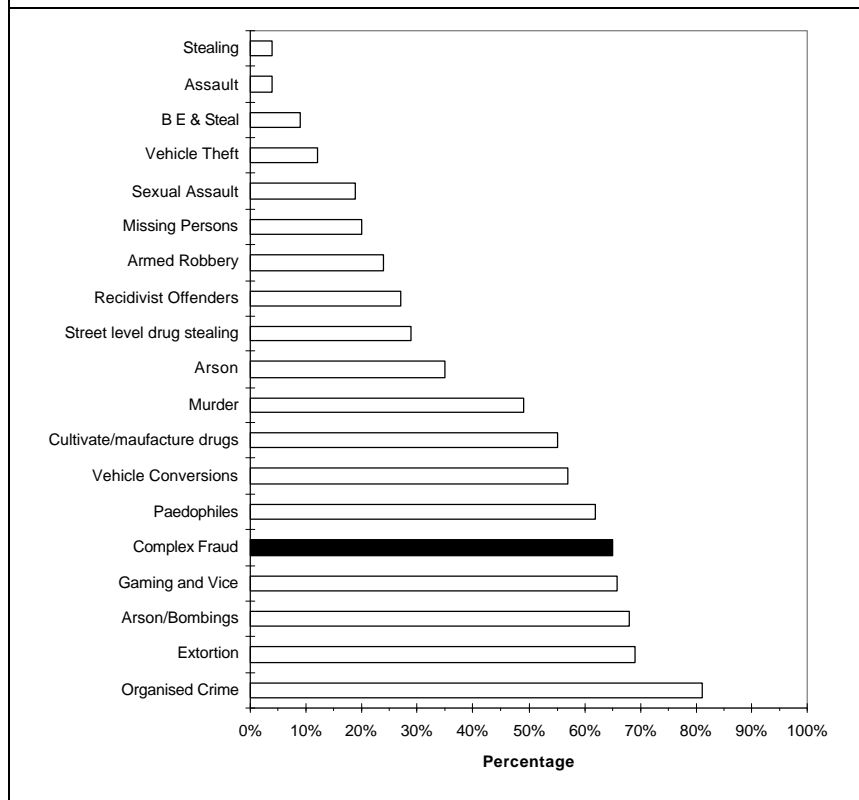
2.3 Available Skills

Observations According to CCA, an effective response to fraud requires a mix of skills and experience broader than many other types of crime work. Investigation skills are important but so too are financial analysis skills, computer skills and specialist legal knowledge. And project management experience is needed for those many fraud cases which are long and complex.

Skills Available to CCA These attributes do not seem to be commonly available amongst police officers in NSW and officers transferred to CCA require substantial training and experience at CCA before they are fully effective. CCA says that a posting of 5 years is an optimal period for its officers. In practice the average turnover is about 3 years, placing pressure on those experienced staff that remain.

Skills Available to LACs At the lower level, police officers have also indicated that the local capability to investigate complex fraud has been lacking. The following is from a 1997 survey.

Figure 2. % who believe crimes mostly beyond Patrol Resources to investigate effectively



Source: *Criminal Investigation Review*, SPSS Consulting, April 1997, p.11.

The case backlogs and inappropriate assessments for fraud cases in some LACs lend support to these comments.

Certainly, CCA perceives a need for improving fraud investigation expertise at LACs and has developed training programs, an investigators' handbook and university courses for LAC staff, as well as holding fraud discussion groups .

Civilian Specialists

There is no legal or operational impediment to using more civilians for most fraud work. Civilians in the private sector already conduct large parts of fraud investigations, either as investigators, analysts or legal advisers. Certain policing functions do require sworn officers, such as obtaining and carrying out search warrants but, as a number of joint operations with banks and other large organisations have shown, these are a relatively small part of the total investigative effort.

However, there are budgetary and employment restrictions affecting the recruitment of civilian staff which may mean that the final staffing mix is not as effective or efficient as it could be, even if employing civilian specialists in place of police officers may not always offer financial savings.

The number of sworn police officers is controlled by the “authorised strength”. This sets down the total number of officers that will be employed, both overall and in specific units. The salary budget in support of this number of officers is a protected item. This money cannot be transferred by the Police Service for other purposes, thus ensuring that the number of sworn police officers is maintained.

This seems to reflect the view that a head count of sworn officers is an important measure of effective policing and that any diminution of sworn police numbers - even when offset by increased civilian expertise - diminishes the effectiveness of policing. This view is not always correct and in many circumstances it is incorrect. Adherence to it can lead to inferior policing.

The effect of such restrictive employment practices has been observed within CCA. CCA cannot substitute civilian investigators for police investigators, even if there are not enough suitable police officers available to fill all the authorised posts. Nor can the CCA employ additional civilian specialists, such as those with legal expertise, at the expense of police officers, even if it considers that it would be more efficient and effective to do so.

The Case for Legal Advice
Fraud investigators need experienced legal advice during the course of an investigation to help focus efforts on the key evidence necessary to secure appropriate prosecutions in the shortest possible time. In CCA’s view, the lack of such advice has lead to police officer resources in some cases pursuing unproductive lines of enquiry and unimportant charges.

Managing Use of Shared Resources The new police organisation structure establishes clearer accountabilities between central and local units. It also encourages a greater sharing of resources:

- between CCA and LACs on joint investigations
- between CCA and other units in Crime Agencies for specialist services.

There are now investigation agreements established between the LACs and CCA when each joint investigation commences. But there is no recharging either internally or externally; and there is no time recording system in CCA or Crime Agencies to monitor generally the resources used in this way.

Police managers, unlike their counterparts in the rest of the public service, would seem to lack the freedom to select the mix of (police and civilian) staff that they think most efficient and effective, within a given budget. This contrasts with the considerable freedom they enjoy in deciding which cases to investigate, and what leads to pursue.

This lack of balance between financial and operational discretion can be a deterrent to effective management, in The Audit Office's view.

Recommendation The Police Service should seek Government agreement to increase the resource flexibility of managers in CCA and other units, including the mix of police and civilian staff, to maximise operational efficiency and effectiveness.

3 Working with Victims

In combating fraud, successful outcomes depend on an effective partnership between the police and crime victims, both to identify fraud initially and then to collect evidence necessary for prosecution. This chapter outlines the issues impacting on effective working relations between the police and fraud victims in relation to:

- substantiating fraud complaints
- joint investigations.

3.1 Substantiating Fraud Complaints

Observations

When fraud complaints are received by the police they need firstly to be substantiated with sufficient evidence to confirm that a crime has occurred. They are then assessed by LACs or CCA in order to determine whether further police investigation is warranted, and prioritised.

Even with low reporting rates, there are still nearly 20,000 suspected frauds reported to police annually in New South Wales. For the police to substantiate (and investigate) all of these frauds would require a significant commitment of resources. Complex audits may be needed in order to identify hidden fraudulent transactions.

Because of this, the police rely in large measure on the victim's own efforts to substantiate the allegations initially. The results of those efforts are then considered by police in assessing whether further police action is worthwhile

Police Expectations

The CCA assessment division has advised that it has the general expectation that a victim, in making a fraud complaint, would be in a position to have evidence which would reasonably indicate that a fraud has occurred.

The following example illustrates the approach.

Substantiating Cheque Frauds

A company provides a cheque payment guarantee to subscribers for the payment of a premium. If the cheque is later dishonoured and fraud is suspected, the incident is reported to police for investigation.

... it has been agreed, in line with credit card, banking and insurance fraud, that the company will now provide the following to LACs:

- a) the company investigator's statement*
- b) statements from victims and witnesses in proper format*
- c) relevant documentary evidence.*

If these procedures are followed, police investigators might only need to make banking enquiries and interview the suspect to establish if a fraud has been committed.

Source: Police Service Notice 98/46, page 26.

The above expectation of the role of victims also appears to be shared by the LACs. Some LACs ask people reporting frauds to complete an assessment form before police officers consider the case. This form outlines the evidence the victim needs to collect to substantiate an allegation. If the victim does not come back with sufficient evidence the police will not normally pursue the case and might not even record the fraud complaint.

Client expectations

Whilst many victims are willing to assist the police in this way, others are unable or unwilling to do so, and some resent being asked, believing that this is the police's job. A recent business survey showed the range of victim reactions to the police response to fraud they reported.

Clients Perception of the Police Response to Fraud Reported

53% of respondents were satisfied with the level of resources allocated by police to the cases they reported. The following comments give a view of the range of victim reactions.

"... Good. Employee was tried, found guilty and gaoled..."

"... Very helpful, but we had to provide the evidence 'on a plate' ..."

"... Long delays in arriving at a conclusion..."

"... Generally under-resourced to investigate fraud. It has to be major to attract attention..."

"... If the police are provided with substantive evidence, they will act promptly..."

Source: KPMG Australian Fraud survey; 1997

Anecdotal evidence from government agencies show a similar range of experience:

- most praised the police's work when investigations occurred
- some felt police were requesting agencies to perform investigative work that should have been done by police
- one felt this could have placed agency staff in physical danger from a suspected offender
- others still believed that the police would not investigate unless the sums involved exceeded \$1m.

Risk Management The Audit Office accepts that active participation by victims can be a major contributor to the substantiation of fraud cases, and their subsequent investigation. Such participation also serves as a useful hurdle which might reduce reporting of trivial allegations, and encourage victims to take responsibility for effective fraud control measures.

Without such assistance from victims, police fraud workloads would increase, leading to delays and to a focus only on higher priority cases. So the police service is right to foster it.

However there are risks in depending on victims to gather evidence to substantiate their own fraud complaints. They include

- key evidence may be overlooked or collected improperly because of victims' lack of investigative skills
- assessments and investigations may be delayed or abandoned because victims are unable or unwilling to help or have failed to adequately substantiate their complaints due to inadequate investigation
- victims may become disaffected and discouraged from reporting crimes in future.

These risks increase as the pressure on police resources increases. So the issue for police managers at LACs and CCA is how best to make use of the finite resources available, including those of the victim, whilst minimising risks adverse to fraud reduction.

Dealing with this issue is partly about the good judgement of police managers on the potential for a successful outcome from individual cases and the capabilities of all those involved. But it also requires clear priorities and communicating these priorities to victims and police, at LACs as well as at CCA.

Such communication does not appear to have been effective on all cases in the past and there still appears to be a mismatch between what at least some police expect from victims and what at least some victims expect from the police. Developing a realistic understanding of obligations and expectations on both sides should be a priority. Recent initiatives by CCA to improve client liaison are an important step in this direction..

Improvements in case management systems would also help the police to keep victims informed. Currently there is no information automatically generated for victims when they report a crime initially, or later to inform them of progress on assessment and investigation. The COPS system does not yet produce such letters, although they are planned for later releases of COPS.

Recommendation **The Audit Office considers that the Police Service should seek more specific feedback from victims on the fraud service it currently provides, to assist in setting and promulgating realistic service standards and client expectations, at both LACs and CCA.**

3.2 Joint Investigations

Observations Support from victims is important too once a fraud is substantiated and the police decide a full investigation is necessary. However, the complexity of rules of evidence and the range of victim's experience with fraud cases mean that joint investigations with victims need to be carefully managed by the police, if a successful outcome is to be achieved.

Many larger organisations with fraud risk have investigation units. They have access to specialist expertise such as accounting, legal and computer skills to support complex investigations, skills which may not be readily available even to police. Where fraud occur in these organisations, the police commonly leave the majority of the investigation work to them, performing only those tasks where official police powers are required (such as the conduct of searches and prosecutions).

The CCA has advised that, other things being equal, frauds in organisations that are unwilling or unable to support investigations, are less likely to be investigated or are more likely to take longer. This is not made explicit in the material provided by the Police Service to the public in general and to businesses at risk in particular. There is no charter specifying victim's responsibilities in relation to fraud.

The Australian Federal Police (AFP) has established a more explicit framework. Recognising its resources are limited, it relies more on Commonwealth agencies to conduct their own investigations, providing they follow investigative standards developed by the AFP. The AFP does outpost its own investigators to agencies sometimes, but mostly it concentrates on training agency investigators in the application of these standards, and on undertaking reviews on completed investigations to ensure procedures are followed and quality maintained.

Recommendation The Police Service should:

- **develop a charter of victim (and police) responsibilities in relation to fraud investigations**
- **develop and disseminate to businesses at risk best practice standards for investigation of fraud**
- **monitor victim participation in police investigations against standards to ensure quality and an appropriate level of police involvement is maintained.**

It should seek the support of peak business and professional bodies in developing and promoting these initiatives.

4 Case Management Issues

Given the, complex and often costly nature of fraud investigations, proper management of fraud cases is essential for maintaining efficiency and effectiveness. There are management issues relating to:

- fraud recording
- allocation of cases within the Police Service
- allocation of cases to other investigative agencies.

4.1 Fraud Recording

Observations

The Police Service has a computerised case management system (COPS) for all reported crime. It allows officers at all levels to record and monitor progress on individual cases, including those on fraud. It can also provide summary information on workloads and reported crime trends for management.

For the COPS system to be effective as a management tool, it needs to contain a complete and accurate record of all key events and evidence, and to be promptly updated.

There is evidence that this is not always the case, at least in relation to fraud reported to LACs. CCA has recently identified an entry backlog of approximately 220 reported fraud cases in the Sydney central business district.

At least three explanations have been put forward for this:

- police officers have little time to record frauds and have more important crime priorities (eg crimes where public safety is at risk)
- COPS data entry is time-consuming and user-unfriendly, especially for fraud
- officers are delaying fraud entries until they receive sufficient evidence from the victim to substantiate that a crime has been committed.

There is no information on backlogs in other regions. But if they exist to the same extent, then the Police Service may be significantly under-recording fraud allegations generally, and possibly other crimes as well.

Even if it is not, the fact that one backlog of such a size can develop suggests some weaknesses in crime management controls in LACs, and in usage of the COPS system.

There are also concerns that, when COPS entries are made, they are not always complete or accurate. Crimes of this type are often hard to classify - one officer's theft is another's fraud. Such inconsistencies limit the accuracy of statistical information collated by COPS.

There appears to be little audit of the quality and completeness of COPS data entry, beyond the monitoring provided by line supervisors. The backlog on fraud cases was identified only after a specific request to CCA for assistance. CCA has no formal remit to monitor fraud investigations service-wide.

Recommendation **The Police Service should establish the scale of the under-recording on COPS of fraud allegations reported to the police across the State (and of crime allegations generally).**

It should also strengthen the monitoring of data quality in COPS. Local supervisors, supported by Operational Audit, need to:

- **ensure that users are complying with standards for complete, accurate and timely data entry in COPS, including crime classification**
- **contribute to improvements in COPS usage through suggestions for training and design modifications.**

4.2 Internal Case Allocation and Case Delays

Observations

Until the 1997 reorganisation, fraud cases were allocated to one of three levels within the Police Service: local patrols, regional crime squads and the central Fraud Enforcement Agency (FEA). They dealt respectively with "low", "medium" and "high" complexity fraud cases. These definitions were not always interpreted consistently; local priorities and workloads differed between regions. There was confusion and delay in the treatment of some fraud cases, as the following example illustrates from the Department of Agriculture in 1996/7.

A 1997 Case Study of Delay in Investigating Fraud

- *At the beginning of August 1996, a regional office of the Department of Agriculture reported to its local police a suspected fraud by one of its ex-employees estimated to be worth over \$50,000.*
- *On 8 August 1996, Agriculture staff met with local detectives. At that meeting the police encouraged the Department to go ahead with its own investigations to substantiate the case, given the limited police resources available. The Department employed a firm of chartered accountants to gather evidence for this purpose.*
- *On 3 December 1996, the Department presented local detectives with a report which provided substantial evidence of fraud and the identity of the suspected offender.*
- *On 11 December 1996, the then Fraud Enforcement Agency (FEA) contacted the Department informing it that the local police had referred the matter to FEA for investigation.*
- *On 3 March 1997, the Department sought a progress report and was told by FEA that the matter had now been referred to a Major Crime Squad (MCS) for investigation.*
- *On 18 March 1997, the Department complained about the lack of progress to the Commissioner of Police.*
- *On 30 April 1997, the Police Commissioner responded.*
- *On 5 May 1997 the Department sought an update from the MCS and was told that FEA had now been given responsibility for the case. When approached, FEA stated that the matter was being assessed to determine how the investigation would be resourced.*
- *On 6 May 1997, FEA contacted the Department and advised that on the present CCA work load, it would be 12 months before the case would be investigated.*
- *On 18 August 1997, the Minister for Agriculture wrote to the Minister for Police seeking his assistance on the matter.*
- *On 15 September 1997 the Minister for Police responded that FEA had commenced an investigation.*
- *On 27 October 1997 (within one month of commencing the investigation but over one year since the matter was first reported to police), the original suspect was charged.*

In April 1998, after further investigations, the suspect was arrested and charged with 35 counts of embezzlement and other offences with a value of over \$200,000.

One of the aims of the 1997 restructure of the NSW Police Service was to remove tiers of management and establish clearer responsibilities for action. The current two-tiered structure gives LACs unambiguous responsibility for all fraud (indeed all crime) occurring in their areas, but with the option to pass that responsibility to the central CCA on more complex cases. The risk of “the runaround” exhibited in the example, has been reduced.

But because the definition of “complex” is in practice determined by what an LAC cannot handle, and this differs across the service, the risk of “runaround” has not been eliminated. CCA has advised that there are still cases reported to LACs, classified there as complex, referred to CCA, reassessed as less complex and referred back to LACs.

There is also some evidence of delays continuing. CCA recently found 18 month old cases in some LACs which were still to be properly assessed and investigated. A number of those cases were complex and should have been referred to CCA, whilst others involved civil rather than criminal matters and should have been referred back to the organisation reporting it, and police action closed.

A number of explanations have been offered for such delays:

- *limited resources within LAC means that fraud in general receives lower priority compared to those other crimes where public safety is an issue*
- *lack of expertise at LACs to assess and investigate*
- *temporary workload peaks associated with transition to the new structure*
- *legitimate delays, like waiting for witnesses to return from overseas.*

The LACs concerned have responded by pooling resources to establish a dedicated fraud team locally, with CCA leadership, to eliminate the backlogs and reduce delays.

The extent of such allocation and investigation delays in other LACs is unknown. If they are widespread and substantial, they risk undermining the credibility of the police response to fraud generally.

The longer a case is delayed the more difficult the process of investigation becomes and the less likely it will result in a successful prosecution. Over time evidence becomes more difficult to collect as key documentation is lost or destroyed; witnesses and offenders become more difficult to locate; and memories of detailed events fade.

Even if a case cannot be investigated immediately and this is likely given competing police priorities, a prompt assessment by police (collecting evidence, documentation and details available at the time a victim reports a fraud) will assist in later investigation and minimise the adverse impact of case delays.

The pooling of local resources into a dedicated fraud team, covering more than one LAC, appears to be an effective response to backlogs and delays. With some specialist input from CCA, it has developed and shared expertise to achieve economies of scale where fraud problems are significant.

Recommendation **The Police Service needs to establish more clearly for fraud, (and perhaps for other crimes):**

- **standards for assessment and investigation, including time to complete key stages**
- **the extent of delays and other shortfalls where performance does not meet these standards**
- **responsibilities for monitoring performance against these standards.**

Where performance against standards for fraud is poor, and the number of cases is substantial, LAC Commanders should be encouraged to consider alternative mechanisms (including pooling resources, as in Central Sydney).

4.3 External Allocation and Liaison

Observations

The basis for the majority of statutory fraud offences outlined under the *NSW Crimes Act* is the common law offence of larceny or embezzlement.

Fraud crimes falling under the *NSW Crimes Act* may also represent criminal offences under a number of other statutes (Commonwealth and State) including the Corporations Law, Legal Profession Act and Fair Trading Act. Accordingly, other investigatory bodies like the Australian Securities Commission, Australian Federal Police, ICAC and the Dept of Fair Trading, may also investigate fraud offences.

Overlapping Jurisdictions on Fraud

A Director of a company who has committed a fraud in breach of the Corporations Law may be investigated by the ASC which has similar investigative powers to those of police. If the ASC chooses not to investigate, the Federal Police may investigate the crime as a Commonwealth Offence. Alternatively, if the crime occurred in NSW and the matter is not investigated by the Federal Police, it is likely to fall under the Crimes Act in which case NSW police would have responsibility to investigate.

CCA has suggested that it is often forced to act as “the investigator of last resort” in cases which might be handled more effectively by other agencies. There is some overlap between the responsibilities of the police and these other investigative agencies on particular types of fraud cases.

CCA has indicated that many cases currently investigated by CCA, could potentially be investigated by the Australian Securities and Investment Commission. Similarly the Department of Agriculture case arguably could have fallen under the jurisdiction of ICAC, although it is not a substitute for the Police Service. Indeed the Department referred the matter there, however, ICAC declined to investigate.

The Audit Office is not in a position to reach a conclusion on whether there is an appropriate balance of effort on fraud between the NSW Police Service and other investigatory agencies. However, there are clearly benefits for NSW Police in establishing effective working relationships with these organisations, to minimise the risk of duplication of effort and to maximise effort. This applies not only in investigations but also in intelligence gathering, fraud prevention and education.

Recommendation The Audit Office notes that CCA representatives now meet regularly with other investigative agencies to share information and clarify boundary responsibilities. For example, the CCA is a member of the Fraud Coordination Group with the Australian Federal Police and the Australian Securities and Investment Commission. The CCA also chairs an expanded Fraud Prevention Committee and participates in the Interagency Fraud Committee.

If such liaison arrangements fail to deliver effective joint working, **CCA should consider establishing formal agreements: defining boundaries, responsibilities and area of specialism more explicitly, to ensure that:**

- **there is no duplication of effort on specific cases**
- **each type of fraud is investigated by the agency that can do it most efficiently**
- **opportunities for resource and information sharing are fully exploited.**

5 Management Information

An effective police response to fraud requires management information (and managers to use that information) at three levels:

- operational
- tactical
- strategic

By **operational** information, we mean information for line supervisors to manage individual cases or individual staff. It generally has a weekly/monthly timeframe.

By **tactical** information, we mean information for section and agency heads, like CCA and Regional or Local Area Commanders, to manage performance on a monthly/yearly time frame against service standards.

By **strategic** information, we mean information to manage the police response (to fraud generally) across sections or agencies, and over more than one year. This information helps to set service standards, and the level of resources needed to deliver service to those standards. It is likely to include a greater proportion of external information than the other two levels: about other agencies, reporting rates, client satisfaction, benchmarks etc. Its audience is the senior management of the service.

The audit recognises that the reorganisation of the Police Service and many of its functions in 1997, changed the information needs of roles at different levels. Existing systems will take time to adjust to the new demands. This chapter comments on the current availability and use of such information in fraud, and offers some pointers for further attention.

5.1 Information for Operational Managers

Observations

COPS provides a common system for supervisors to manage progress on individual crimes and workloads of investigating officers. It is used by officers investigating fraud at LACs and at CCA, and by their managers.

The system at its current stage of development has some limitations, which have been referred to earlier in this report:

- it lacks some client service features, like automatic letter generation, to meet the new emphasis here
- its emphasis on security of usage and access can make it user-unfriendly
- it is not well-suited to the management of the most complex fraud cases.

However, these are relatively minor drawbacks for a system that offers a comprehensive operational management framework for crime across the Police Service as a whole. System developments planned, in conjunction with users in CCA and elsewhere, are intended to address many of its current limitations.

There is some evidence that its potential as a management system at LACs has not been fully realised on frauds particularly, because of delayed and inaccurate data entry. Management information for Crime Agencies and CCA also appears limited.

Operational Managers have, in COPS, a system with the potential to provide the information they need. The emphasis now should be on ensuring that information is accurate and fully exploited. Earlier recommendations for closer operational audit attention and continued training of new supervisors, are intended to address this.

5.2 Information for Tactical Managers

Observations

Information Available to CCA

The tactical information needed for a central agency such as the CCA, has been outlined, in general terms, in the business plan for Crime Agency. Those elements relevant to the investigation of fraud are listed below, along with the information currently provided regularly to CCA managers, via the monthly management reports and annual statistical reports.

Table 2. Performance Measures For Crime Agencies And Current CCA Coverage	
Performance Measures	Available for CCA
1. Investigations	
Service Agreements for all investigations	Part
Investigations as % of those requested	Part
Investigations by Management Type	Part
Arrests as % of investigations	Part
Convictions as % arrests/investigations	Part
\$ costs per investigation	Under Consideration
Feedback from LAC, Courts, DPP, et al	Informal only
\$ value of offence	Yes
Respect for victims, witnesses, et al	Under Consideration
Cooperation from victims, other agencies	Under Consideration
Comprehensive recording & preservation of information and evidence	Informal only
Assessments and referrals	Yes
2. Conduct (Client Service)	
Complaints by type, by source	Yes
% complaints sustained	Yes
Compliance with standards (<i>time, etc</i>)	Yes
Random case reviews	Under Consideration
Successful investigations	Part
Client surveys	Under Consideration
Feedback measures from clients/partners (DPP, Courts, other investigation agency)	Informal only
3. Education (Prevention)	
Seminars/workshops participated in	Yes
Presentations given	Yes

Source: based on NSW Police Crime Agencies draft Business Plan 1997-98, p1,3,4.

Note: For a number of measures there appears to be data available but not assembled regularly in a form most useful to managers, hence the “part” entries.

For CCA, the monthly management reports produced by CCA contain latest information on assessments and referral; arrests and charges. However there are few trend or composite measures, like those recommended in the business plan, and no targets to allow CCA managers, or their superiors, to monitor current performance of the agency, or its major sections.

*Service-wide
Information*

More generally, on the police response to fraud across the service as a whole, there is little information reported regularly to management in LACs¹. Regions, or CCA on such measures as:

- investigation effort (resources used)
- success rates
- client service.

Although many of the data necessary (including time to complete key stages of an investigation) could be drawn from COPS, this does not appear to have been a priority for the State Intelligence Group, or line managers themselves. To generate such service-wide information seems particularly important on functions, such as fraud, where police performance overall depends on effective working arrangements between central and local units, and a consistent approach to the business community at large.

Recommendation

The CCA should consider including information in its monthly management report which:

- **measures performance against CCA objectives directly**
- **measures CCA performance against service standards, including but not limited to Crime Agencies business plan targets.**

The State Intelligence Group should be asked to generate comparative information on the police response to fraud service-wide. CCA should be involved with LAC and Regional Commanders in specifying key performance measures and standards for this purpose.

¹ Note: The audit has not examined the management information on fraud reported to managers at LAC or Region. Such information is not reported automatically, except as part of overall crime analysis, and so depends on individual requests for such information.

5.3 Strategic Information

Observations Strategic decision-making on fraud in the past has been characterised by one-off major reviews such as that conducted in 1993. The information to support them has been limited, and their impact weakened as a result.

The strategic decision-making framework for managing the police response to fraud in future requires more regular information on:

- the **need** - the extent of fraud; and its priority
- the **standards** of police response sought
- the **impact** - the cost-effectiveness of alternative police responses
- the **supply** - the number and skills of police resources.

On some of these, meaningful information for the Police Service as a whole is limited. On the nature and extent of fraud, for example, the low reporting rates have lead commentators to place little faith in recorded fraud figures:

Fraud is an offence for which the recorded rate is strongly influenced by variations in both police ability to detect incidents and public willingness to report incidents. Thus it is difficult to detect true changes in the rate of fraud.

Source: NSW Recorded Crime Statistics, NSW Bureau of Crime Statistics and Research 1995, p11

Recommendation **Future strategic reviews of the police response to fraud - it's standards and resource requirements - should seek to build on the improvements in tactical management information recommended above, supported by client feedback as recommended earlier.**

Appendix

Response to the report from NSW Police Service

In January 1998, The Audit Office of New South Wales corresponded with the Director, Commercial Crime Agency in respect of an intended “Review of the NSW Police Commercial Crime Agency”. The correspondence outlined the initial interest of The Audit Office as being:

- Police structure and resources for dealing with commercial fraud, and their recent history, including other reviews*
- Process for initial assessment of fraud complaints and the criteria used to determine whether police (and which police) will investigate a complaint*
- Skills and experience required of the different roles involved in dealing with commercial fraud*
- How NSW Police compares with other jurisdictions in terms of commercial fraud levels, response, structure and operations.*

The audit commenced with a meeting of the auditors and Commercial Crime Agency (CCA) management on 13 February 1998. A number of subsequent meetings and interviews were conducted during the following weeks with the CCA Management Team and individual members of the team. The focus of the audit expanded during its course from one solely devoted to the operations of the CCA to the response of the New South Wales Police Service to fraud as a whole.

The Audit Office has issued a “28 day” Report in respect of its findings and makes 9 recommendations. The report, although aimed at the Police Service as a whole, largely focuses on the operations of the Commercial Crime Agency. This response, accordingly, follows the same focus.

The report is narrow in that it deals specifically with the assessment and investigation of fraud complaints. The report did not, as it intended, compare the NSW Police response to fraud with other enforcement jurisdictions. It does not deal in any depth with other client services delivered by the CCA including:

- risk assessment of investigations and prevention advice arising therefrom;*
- the development and delivery of fraud prevention presentations, or*
- the development of educational and awareness material, including “Fraud Alert Warnings” to the financial and business community, “The Fraud Investigators Handbook”, “Fraud Prevention Guidelines” booklets and brochures, or the “Community Fraud Prevention Manual” that has been adopted by the Olympic Security Group as the primary fraud prevention resource for the 2000 Olympic Games.*

Such CCA activities are extremely important as fraud, unlike many other criminal activities, is not overt in its nature and is often detected through robust auditing practices.

It should also be mentioned that the Service is conducting a thorough review of crime investigation methods, techniques, training and forensic support. It is adopting world best practice methods and seeking benchmark opportunities to enable individual and corporate performance to be measured wherever appropriate.

The Police Service response to each of The Audit Office’s recommendations contained within the report follows.

Recommendation (Chapter 3) **The Audit Office considers that the Police Service should seek more specific feedback from victims on the fraud service it currently provides, to assist in setting and promulgating realistic service standards.**

Response *The CCA will conduct a survey to all victims and complainants through the dissemination of an evaluation form at appropriate stages of the investigation. Those clients whose complaints have been declined due the civil nature of their matter, or for any other reason, will receive those forms at a much earlier stage than those clients whose complaints proceed to full investigation. The survey will provide measurable qualitative feedback of client expectations that will lead to the establishment of service delivery standards. As the expectations of clients of the CCA differ from those in respect of a Local Area Command, the survey program will provided to Local Area Commands to modify for local use. The Police Service already has mechanisms in place to measure customer satisfaction, including ‘First Response Policing’ priorities.*

The NSW Police Service Corporate Plan 1998-2001 states at page 18;

“We will measure our progress by responsiveness to calls for service; proportion of resources at the front line; level of public satisfaction with service quality and availability; police visibility; and level of community confidence in police”.

This statement includes the Police Service response to fraud related crime.

The Commercial Crime Agency convenes, or is a member of a number of committees, including;

The Fraud Coordination Group - *Responsible for the development, coordination and promotion of an interagency focus on the enforcement of serious fraud on behalf on NSW based Commonwealth and State Agencies; to enhance relationships between the public and private sector; to allocate an intelligence resource within each member agency to coordinate the collection of information and data concerning serious fraud; to enhance understanding of serious fraud enforcement issues and assist in campaign target development and analyse, identify and coordinate the application of best practice.*

Interagency Committee and Fraud Prevention Committee;

It is responsible for the identification and prioritisation of key fraud enforcement and prevention issues relevant to member agencies and organisations; to participate in sub-working groups on specific issues; to promote identified issues and strategies at community, agency and Government levels; and enhance relationships between agencies and organisations in the public and private sector.

Intelligence Working Group; *Develops a charter for joint intelligence within legislative boundaries, information collection plans, communication network diagrams and intelligence participation.*

Feedback from stakeholders is a major function of those committees. The Agency will survey internal and external stakeholders and customers in respect of service delivery. It should be noted however, that victims of fraud related crime very often report fraud as a means of recovering financial losses. If those funds are not recovered through criminal compensation due to the funds being dissipated by the offender, the customer may well be dissatisfied, notwithstanding the offender was convicted. The implementation of Recommendation 1 will also address this issue at both the Commercial Crime Agency and Local Area Commands.

**Recommendation
(Chapter 3)**

The Police Service should:

- **develop a charter of victim (and police) responsibilities in relation to fraud investigations**
- **develop and disseminate to businesses at risk, best practice standards for investigation of fraud**
- **monitor victim participation in police investigations against standards, to ensure quality and an appropriate level of police involvement is maintained.**

It should seek the support of peak business and professional bodies in developing and promoting these initiatives.

Response

The victims of fraud, like any offence, are as diverse as the crimes themselves. They may range from the elderly person who could not be expected to assist with a complicated fraud investigation, to an international company or public sector organisation with an investigative capability rivalling the Police Service itself. A charter of victim responsibilities capable of canvassing every category of victim would be either so detailed and voluminous, or so generic, as to render it incapable of meeting the objectives of recommendation 4.

In formal terms, the victim of a crime has only one

responsibility; to abide by the provisions of Section 316 of the Crimes Act, 1900. The Police Service cannot stipulate anything more from a victim than that. The capabilities of individual victims to assist the investigation however, are fully evaluated by assessing officers and requests can be made to assist with the investigation in accordance with that evaluation.

The NSW Police Service, including the Commercial Crime Agency and Local Area Commands, acts in accordance with the Charter of Victims Rights in its dealings with complainants. The Commercial Crime Agency is exploring strategies to standardise victims responsibilities Statewide. These strategies will be promoted through education for adoption by Local Area Commands. The Agency currently provides written information to all victims describing the assessment and investigation process and information they should provide to expedite those processes.

Collaborative partnerships have and are being developed with the business segment of the Agency's customer base. These partnerships are promoted through a number of diverse committees and formal networks. These committees include the Fraud Coordination Group, Fraud Prevention Committee, Intelligence Working Group and Interagency Committee. Police and victim responsibilities are developed on an individual agreement basis and on the basis of each individual investigation.

'Best practice standards for investigation of fraud' have been developed and are being disseminated to businesses at risk through numerous presentations delivered to diverse business groups, such as the State Chamber of Commerce, Institute of Chartered Accountants and the Public Sector Corruption Prevention Forums and Committee. These standards will be further improved and disseminated to a wider target group through the development by the CCA of the "Fraud Investigators Handbook", in collaboration with The Charles Sturt University, the participants of which will come from within the Police Service and from client organisations. The handbook will also be disseminated to all Local Area Commands to standardise procedures in fraud assessment and investigation.

These initiatives have been widely promoted to and are fully supported by peak business and professional bodies including Associations including the Australian Bankers Association, State Chamber of Commerce etc.

Recommendation (Chapter 4) The Police Service should establish the scale of the under-recording on COPS of fraud allegations reported to the

police across the State (and of crime allegations generally).

It should also strengthen the monitoring of data quality in COPS. Local supervisors, supported by Operational Audit, need to:

- **ensure that users are complying with standards for complete, accurate and timely data entry in COPS, including crime classification**
- **contribute to improvements in COPS usage through suggestions for training and design modifications.**

Response

The term “under-recording” of fraud allegations could mean:

- *Victims not reporting fraud to the police and these incidents not being reported on COPS.*
- *Police are partially reporting fraudulent acts, for example only recording matters which can be prosecuted, or recording a series of fraudulent offences as one incident.*
- *Matters are rejected due to lack of criminality and are not being recorded on COPS.*

Quantifying unreported fraud within the community has been the subject of debate by academic researchers, Government Statisticians and other interested groups for many years. Research on a national level with different fraud offence categories within each State and Territory would be a major project. The development of National Fraud Crime Statistics has been the subject of discussions at meetings of the Australasian Heads of Conference, Australasian Crime Conference and Seminar and is further being considered within that forum in consultation with the Australian Institute of Criminology and other Australian Fraud Enforcement Agencies. One solution to the different fraud offence categories may be the introduction of a National Crime Code for all fraud offences. Further research in NSW could be conducted by the Bureau of Crime Statistics and Research or the Australian Institute of Criminology. The project would require careful planning, funding and a clearly defined time frame.

The remaining issues of whether police under record incidents on receipt of a crime report requires supervision and education at workplace level. The Police Service has conducted mandatory training for all members of the Service in the use of COPS, including detailed instruction in the quality of data entry required. Regular updates on system enhancements are circulated via the Police Service Weekly and where required, further mandatory training is conducted. This training canvasses not only the quality of data entry, but also supervisory responsibilities in respect of quality control.

The Operational Crime Review (OCR) process conducted by the Reform Coordination Unit has initiated movement to improve data quality. This has resulted in increased awareness by supervisors and managers within Local Area Commands of the need to maintain accurate and high data quality standards.

The COPS Management Team under the corporate direction of the Director, Information Technology Service, has responsibilities including; system enhancements; data entry standards; and training. Numerous working groups have been formed with references pertaining to these issues.

The Commercial Crime Agency, in conjunction with Crime Agencies, is currently acting as a catalyst to improve certain areas within COPS, in particular the Case Management System. It is anticipated that a COPS Case Management improvements project will be initiated in the near future by the Information Technology Service.

In addition to all of the above, a constant dialogue exists with the NSW Bureau of Crime Statistics, on crime reporting/recording methods and analysis, including comparisons between the crime victim survey and police recorded statistics.

Recommendation (Chapter 4) The Police Services needs to establish more clearly for fraud, (and perhaps for other crimes):

- **performance standards for assessment and investigation, including time to complete key stages**
- **the extent of delays and other shortfalls where performance does not meet these standards**
- **responsibilities for monitoring performance against these standards.**

Where performance against standards for fraud is poor, and the number of cases is substantial, LAC Commanders should be encouraged to consider alternative mechanisms (including pooling resources, as in Central Sydney LACs).

Response

The Commercial Crime Agency has Standard Operating Procedures (SOPs) for assessment and investigation. They are included in training courses being conducted by the NSW Police Academy and the Charles Sturt University. Time standards for key stages of assessment and investigations have been benchmarked and monitored through the use of Investigation Matrices that adopt a project management approach to investigation. These standards will form the basis for evaluation of performance in this area for the purpose of managing the investigation of fraud more effectively.

The Commercial Crime Agency, in conjunction with Crime Agencies, is currently drafting performance standards for the Agency and individual staff members. The standards will enable measurement of achievements against objectives, in terms of quality and quantity, measuring customer satisfaction, outputs and time. These will be disseminated to Local Area Commands as outlined in the response to Recommendation 1.

Local Area Commands are pooling investigative resources in regard to crimes which transcend their boundaries under local Command and Region arrangements. Crime Agencies, including CCA, is supporting LACs and Region Commands through advice, specialist investigative assistance and support or active involvement in the investigation of serious criminal offences including fraud, based on community priority, urgency, complexity and risk.

Recommendation (Chapter 4) **If current liaison arrangements with other investigative fail to deliver effective joint working, CCA should consider establishing formal agreements: defining boundaries, responsibilities and area of specialism more explicitly, to ensure that:**

- **there is no duplication of effort on specific cases**
- **each type of fraud is investigated by the agency that can do it most efficiently**
- **opportunities for resource and information sharing are fully exploited.**

Response

As previously mentioned, fraud related crime is so diverse that it would be difficult to establish formal agreements, in many instances, with external stakeholders. In addition, most CCA stakeholders are reluctant establish formal agreements because of perceptions that may be held by others. Notwithstanding this, the CCA is currently developing a Memorandum of Understanding with the Department of Fair Trading. It should also be noted that Memorandums of Understanding have already been established at a Police Service level with many organisations, such as AUSTRAC.

Jurisdiction is often blurred when assessing the most appropriate investigative agency to take carriage of particular investigation. In some instances, particular circumstances could be offences under both the NSW Crimes Act and other Acts, such as Corporations Law agency including the Australian Federal Police. Partnerships have established an environment of cooperation, assistance and resource-sharing where appropriate. The Fraud Coordination Group, Fraud Prevention Committee and Interagency Committee provide forums in which investigative boundaries and responsibilities are discussed and agreed. In addition, the assessment process within the Commercial Crime Agency provides an opportunity to make formal investigative arrangements with stakeholder agencies in respect of complaints where appropriate, and each investigation considered in regard to its own unique requirements.

These arrangements have resulted in many successful past investigations in partnership with the NSW Crime Commission, Office of the Director of State Revenue, the Australian Federal Police and Customs. In fact, historically, joint investigations have been conducted at least once with almost all members of the committees mentioned. These partnerships have included members of the private sector, including insurance companies and banks. Current joint investigations include collaboration with the Australian Securities and Investment Commission and the Department of Fair Trading. No conflict has been experienced under current arrangements.

Recommendation (Chapter 5) **The CCA should consider including information in its monthly management report which:**

- **measures performance against CCA objectives**
- **measures CCA performance against service standards, including but not limited to, Crime Agencies business plan targets.**

The State Intelligence Group should be asked to generate comparative information on the police response to fraud service-wide. CCA should be involved with LAC and Regional Commanders in specifying key performance measures and standards for this purpose.

Response

As outlined in the response to Recommendation 1, the Commercial Crime Agency is developing investigation standards that measure performance against Commercial Crime Agency and Crime Agencies objectives. Comparative information is available via the Computerised Operational Policing System (COPS). The CCA has fully adopted the use of COPS and in effect, operates as a Local Area Command which investigates major fraud. These performance standards and measures may be evaluated by the Operations Review Committee in assessing the performance Crime Agencies and in OCR process at CCA, LAC and Statewide levels, with input by the State Intelligence Group.

Recommendation (Chapter 5) **Future strategic reviews of the police response to fraud - it's standards and resource requirements - should seek to build on the improvements in tactical management information recommended above, supported by improved client feedback.**

Response *The Police Service including the Commercial Crime Agency is engaged in developing an awareness of emerging forms of criminal threats and enterprises which include, computer crime, electronic fraud, international and transnational corporate crime and other forms of organised criminal activity. The development and implementation of initiatives by the Commercial Crime Agency over the past nine months is indicative of the process of continuous improvement and best practice. These initiatives include:*

- *the regular dissemination of 'fraud alerts' to stakeholders in respect of financial risks to their organisations*
- *the formation of the Computer Crime Investigation Unit and in furtherance of that, the 'Computer Crime Committee' and its future strategies, including the formation of a 'Computer Crime Prevention Sub-committee' and the development of strategic partnerships with computer related organisations*
- *building upon those contributions already made, the continued involvement of the CCA in the development of strategies to reduce the opportunity for fraud leading up to and during the 2000 Olympics*
- *expanded risk assessment and prevention advice services*
- *expanded advice to Local Area Commands on fraud assessment, investigation and best practice*
- *continued involvement in the development of and future involvement in the delivery of fraud investigation courses conducted by the Charles Stuart University and NSW Police Academy*
- *continued development of strategic partnerships with external stakeholders, State, National and International Enforcement Agencies.*

The Police Service, including Crime Agencies and LACs are now process focused with flexibility in management to meet changing crime trends and customer demands. This has resulted in a much more customer oriented service which is responsive to business and community needs.

Additional Observations from the NSW Police Service

The following relate to specific comments contained with the Audit Office report:

Acceptance criteria for fraud investigation

Paragraph 4 of the first page of the Executive Summary of the Report refers to the criteria previously used by the Service in investigating fraud. The Fraud Enforcement/Commercial Crime Agency has not applied a dollar value as part of its acceptance criteria since 1994. Since that time the criteria has been based on criminality, risk, complexity and level of resources required.

Outcome of Commercial Crime Agency Assessment (CCA) 1997

Within section 2.1, Table 1, provides a percentage breakdown of matters assessed by the CCA in 1997. The percentage under “CA filed/intelligence” represents matters that were of a civil nature or not having sufficient evidence to disclose a criminal offence. The “No crime” percentage were matters rejected as clearly not being suspicious in nature.

Substantiating Fraud Complaints

Section 3.1 of the report deals with both the police and client expectation of substantiating fraud complaints and the collection of evidence by the victim. The Commercial Crime Agency does not ask victims to gather evidence beyond their capabilities. The evidence they gather is evidence they would be producing to the court by way of their statement as a witness. The added advantage is the process better prepares the complainant as a witness for court. The process is hastened to the stage of assessment and eliminates legal process in obtaining documents protected by privacy laws and business policy. Should the complainant not return, an Information Report will be entered on COPS for substantial purposes. A copy of the standard letter sent to complainants (A), together with the ‘assessment form’ (B) are attached.

Attachment A



NSW POLICE SERVICE

CRIME AGENCIES

COMMERCIAL CRIME AGENCY

Level 4
Prince Alfred Park Building
219-241 Cleveland Street
Strawberry Hills NSW 2012

Tel: (02) 9384 5850 / 46850
Fax: (02) 9384 6956 / 46956

Ref:
TRIM:
CAC No:

(Complainant's address goes here)

10 September 1998

Dear Sir/Madam:

Re: Your fraud complaint concerning _____ - Your Ref:

The Director, Commercial Crime Agency, has asked me to acknowledge receipt of your complaint on 21 August 1998.

The matters you have raised are now pending assessment and will be processed as soon as possible.

The assessment process involves a determination in relation to, among other things, the following aspects:

- Is a criminal offence disclosed, as opposed to a breach of contract, breach of fiduciary duties or some other breach of the civil laws?
- Does it appear that there will be sufficient evidence to establish such criminal offence beyond reasonable doubt?
- Is it more appropriate that the matter be investigated by another agency, such as the Australian Securities and Investment Commission?
- If a criminal offence is disclosed, whether the offence should be investigated by the Commercial Crime Agency, of carriage of the investigation referred to a Local Area Command or some other unit within the Police Service?

Your matter will be assessed upon the documents you have provided, however, assessment officers may contact you to request further information or documents.

The assessment officers may have already contacted you to discuss the matter. If they have requested additional information or documents, please promptly attend to these requests.

Once the assessment process has been completed, you will be notified of the result. In the meantime, if you have any queries or further comments, please contact the writer on (02) 9384 6919.

I trust that I have been of assistance.

Yours faithfully

P Kaufman
Detective Sergeant
Leader Assessment & Response Unit

Attachment B



NSW POLICE SERVICE

CRIME AGENCIES

**COMMERCIAL CRIME AGENCY
ASSESSMENT ADVICE SHEET**

COMMERCIAL CRIME AGENCY

Level 4
Prince Alfred Park Building
219-241 Cleveland Street
Strawberry Hills NSW 2012

Tel: (02) 9384 5850 / 46850

Fax: (02) 9384 6956 / 46956

Ref:

PLEASE SUPPLY THE FOLLOWING INFORMATION AND DOCUMENTATION TO ASSIST THE COMMERCIAL CRIME AGENCY WITH THE ASSESSMENT OF YOUR MATTER

(Note: If you have consulted a legal practitioner regarding this matter, their assistance may be invaluable in preparing the information requested.)

SUMMARY OF ALLEGATION:

Prepare a summary in chronological order of those events that form the basis of your allegations and include the time, date, place and conversations with the suspect about the issue(s) raised.

SUSPECT/OFFENDER:

Supply all known details of the suspect including: full name, date of birth, address, telephone numbers and passport details.

INDICATE WHAT CRIMINAL OFFENCE HAS BEEN COMMITTED IN YOUR OPINION:**EVIDENCE:**

Indicate the evidence to support your allegations: eg witnesses to conversations or actions complained of, banking details, company or other business records.

DOCUMENTS:

Provide quality copies of documents that support your allegation and keep the originals in your custody in a safe place. Indicate locations of documents not in your possession that will support your allegation.

WITNESSES:

Supply contact details of all witnesses.

ACTION AGAINST SUSPECT:

Give details of disciplinary or civil litigation against suspect, (pending or otherwise) and/or Government Agency regulating body reporting to.

CONTACT THE CCA FOR FURTHER INFORMATION OR ASSISTANCE

Performance Audit Reports

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
Fraud Control	<i>Fraud Control: Developing an Effective Strategy (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)</i>	30 March 1994
Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)</i>	17 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995
Joint Operations in the	<i>A Review of Establishment, Management</i>	13 September 1995

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Education Sector	<i>and Effectiveness Issues (including a Guide to Better Practice)</i>	
Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
Luna Park	<i>Luna Park</i>	12 October 1995
Government Advertising	<i>Government Advertising</i>	23 November 1995
Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
Department of Health	<i>Same Day Admissions</i>	12 December 1995
Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
Corporate Credit Cards	<i>The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card)</i>	23 January 1997
NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997
Redundancy Arrangements	<i>Redundancy Arrangements</i>	17 April 1997
NSW Health Department	<i>Immunisation in New South Wales</i>	12 June 1997

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Corporate Governance	<i>Corporate Governance Volume 1 : In Principle Volume 2 : In Practice</i>	17 June 1997
Department of Community Services and Ageing and Disability Department	<i>Large Residential Centres for People with a Disability in New South Wales</i>	26 June 1997
The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner	<i>A Review of Activities Funded by the Statutory Interest Account</i>	30 June 1997
Roads and Traffic Authority	<i>Review of Eastern Distributor</i>	31 July 1997
Department of Public Works and Services	<i>1999-2000 Millennium Date Rollover: Preparedness of the NSW Public Sector</i>	8 December 1997
Sydney Showground, Moore Park Trust	<i>Lease to Fox Studios Australia</i>	8 December 1997
Department of Public Works and Services	<i>Government Office Accommodation</i>	11 December 1997
Department of Housing	<i>Redevelopment Proposal for East Fairfield (Villawood) Estate</i>	29 January 1998
NSW Police Service	<i>Police Response to Calls for Assistance</i>	10 March 1998
Fraud Control	<i>Status Report on the Implementation of Fraud Control Strategies</i>	25 March 1998
Corporate Governance	<i>On Board: guide to better practice for public sector governing and advisory boards (jointly published with Premier's Department)</i>	7 April 1998
Casino Surveillance	<i>Casino Surveillance as undertaken by the Director of Casino Surveillance and the Casino Control Authority</i>	10 June 1998
Office of State Revenue	<i>The Levying and Collection of Land Tax</i>	5 August 1998
NSW Public Sector	<i>Management of Sickness Absence NSW Public Sector Volume 1: Executive Briefing Volume 2: The Survey - Detailed Findings</i>	27 August 1998
NSW Police Service	<i>Police Response to Fraud</i>	October 1998



NSW Government



THE AUDIT OFFICE MISSION

Auditing in the State's Interest

For further information please contact:

The Audit Office of New South Wales

Street Address

Level 11
234 Sussex Street
SYDNEY NSW 2000
Australia

Postal Address

GPO Box 12
SYDNEY NSW 2001
Australia

Telephone (02) 9285 0155
Facsimile (02) 9285 0100
Internet <http://www.audit.nsw.gov.au>
e-mail mail@audit.nsw.gov.au

Office Hours: 9.00am - 5.00pm Monday to Friday

Contact Officer: Rob Mathie
Principal Auditor
+612 9285 0080

To purchase this Report please contact:

The NSW Government Information Service

Retail Shops

Sydney CBD

Ground Floor
Goodsell Building
Chifley Square
Cnr Elizabeth & Hunter Sts
SYDNEY NSW 2000

Parramatta CBD

Ground Floor
Ferguson Centre
130 George Street
PARRAMATTA NSW 2150

Telephone and Facsimile Orders

Telephone

Callers from Sydney metropolitan area 9743 7200
Callers from other locations within NSW 1800 46 3955
Callers from interstate (02) 9743 7200

Facsimile (02) 9743 7124