

**CENTRELINK FRAUD INVESTIGATION STRATEGY
2008-09**

**'BLUEPRINT FOR MANAGING OUR CURRENT PROGRAM OF ACTIVITY MORE
EFFECTIVELY'**

PURPOSE

1. To develop a sustainable fraud model that delivers on the expectations of government, provides the correct level of intervention for customers and promotes compliance with legislative requirements.
2. Given the low impact of the 2007-08 Federal Budget on fraud, the new financial year presents as an opportunity to examine our current program of fraud activity and implement sustainable changes. Whilst performance against previous fraud budget measures will continue to be scrutinised by DHS and the Policy departments, the new financial year will be the first opportunity we have had in a number of years to make the required changes across the program of fraud activity.

SCOPE

3. This strategy looks at the current program of fraud activity. This strategy does not consider governance arrangements within the Business Integrity Network, nor does it explore KPIs that may need to be renegotiated. However, information contained in this strategy may inform future BPA negotiations.
4. In developing future strategies there are a number of guiding principles that have been considered. These principles form the basis for the proposed changes to the fraud program detailed in this document.
 - **Consolidation** – given the vast program of work currently being undertaken by the Fraud Investigation Network there are opportunities to consolidate functions.
 - **Sustainability** – rather than looking for 'short term' fixes, we need to put in place a sustainable model for the future with a focus on performance, skills, and people.
 - **Resource to risk** – ensure fraud resources are geographically aligned with fraud risk and / or performance expectations.
 - **Removing Area boundaries** – in line with 'Consolidation', the removal of historical Area boundaries present opportunities to work differently.
 - **Fraud Response** – ensure appropriate response to customer behaviour in line with the compliance pyramid discussed later in the document.
 - **Consistency** – ensure the model promotes consistency across the Fraud Network.
 - **Efficiencies** – create / identify / utilise efficiencies in current work practices and structure.
 - **Positive workflows** – promote greater alignment between Fraud and Compliance with the establishment of positive workflows.

BACKGROUND

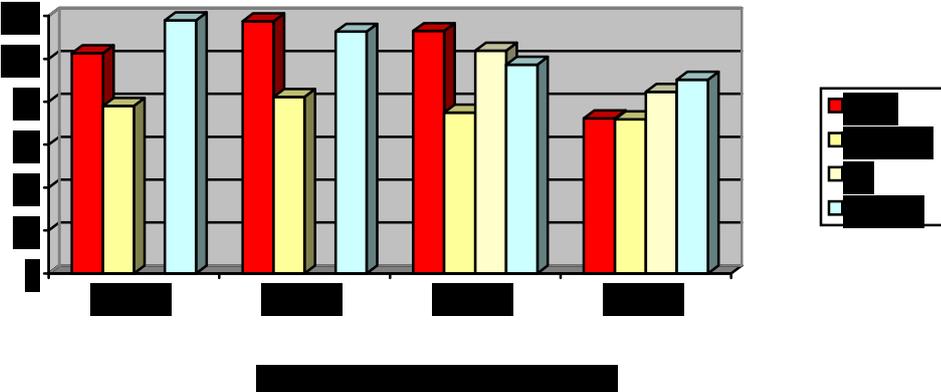
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COMPLIANCE MODEL

9. The following diagram is an example of an enforcement pyramid approach to regulation that is used by the Australian Taxation Office. This model is based on the premise that the ATO can influence taxpayer behaviour through their responses and interventions.



Diagram 2 - ATO Compliance Enforcement Pyramid

10. The enforcement pyramid is relevant to Centrelink as our level of customer intervention should be aligned with customer behaviour. In the purest sense, this is how Fraud contributes to the key objectives of the organisation in terms of customer service. For example, fraud investigations are (or should be) targeted to the top of the enforcement pyramid where customers are intentionally not compliant compared to a lower level of intervention designed to assist customers comply.

11. The diagram below illustrates how the enforcement pyramid, at an operational level, can be applied to Business Integrity.

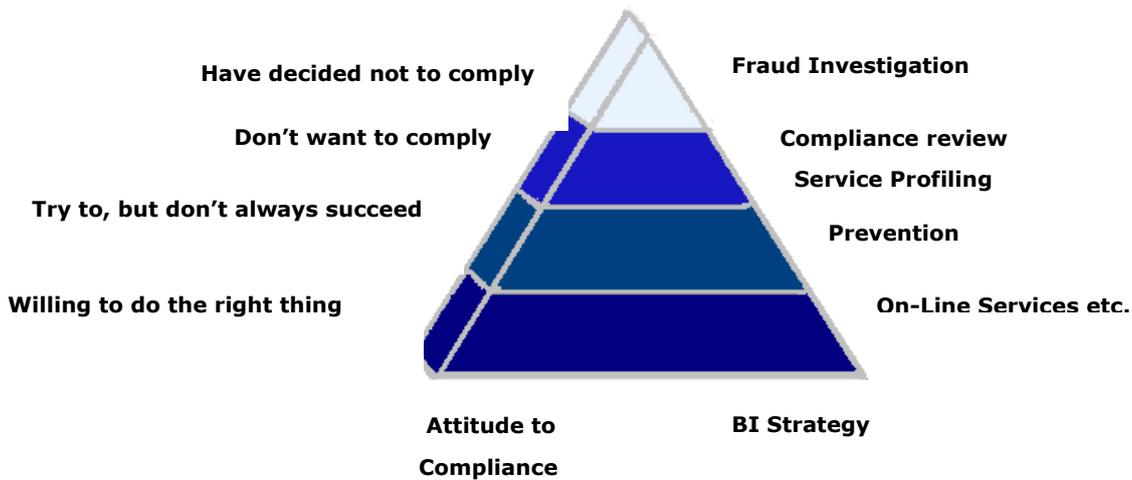


Diagram 3 – Centrelink Compliance Enforcement Pyramid

12. The proposed changes to the current fraud framework discussed in this document attempts to align the current fraud program of work with the compliance enforcement pyramid.

CURRENT FRAUD PROGRAM

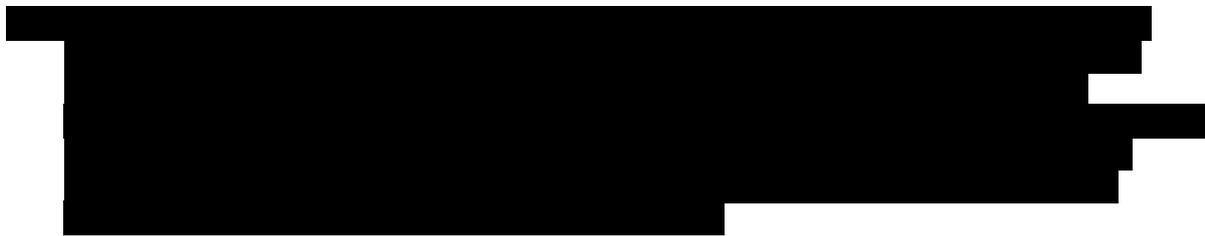
13. In 2007-08, the Fraud Program involves completing approximately 38,000 investigations, returns to program outlays exceeding \$165 million, and referral of 5,275 cases to the CDPP. The table below provides details of Centrelink’s current program of fraud activity and the associated Key Performance Indicators.

Fraud Project	Key Performance Indicator			Origin		
	Savings	Invest / Ref No.	Quality	BPA	Budget	Internal
Cash Economy	X	X		X	X	
Serious Fraud ¹	X	X		X	X	
Identity Fraud	X	X		X	X	
Optical Surveillance	X	X	X	X		
Fraud Tip Offs	X	X				X
Legal Action on Serious Fraud		X	X		X	
Base CDPP Referrals		X	X			X
Identity Fraud CDPP Referrals		X	X		X	
Cash Economy CDPP Referrals		X	X		X	
DEST Referrals		X	X			X



FRAUD INVESTIGATION MANUAL

14. The recently developed and implemented Fraud Investigation Manual (FIM) provides detailed procedures and fraud related policy to ensure compliance with the mandatory and best practice guidelines contained in the Commonwealth Fraud Control Guidelines and Australian Government Investigation Standards.

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16. In addition to the increased level of investigative steps required under AGIS and now incorporated in the FIM, the content and evidence collection requirements for the standard brief of evidence has increased substantially over a number of years. This has occurred for a number of reasons including additional requirements of the CDPD and the Courts, legislative changes to evidence disclosure rules and IT changes linked to the introduction of enhanced Centrelink customer on line and web based reporting channels.



INTELLIGENCE LED INVESTIGATIONS

19. Centrelink's fraud intelligence capability has developed over the last 18 months following the provision of dedicated resources through the Enhanced Focus on Serious Social Security Fraud budget measure. A key element of this measure directed Centrelink to establish and implement a fraud intelligence capability.
20. The capability that has been developed has built on the existing infrastructure that supported Identity Fraud activities and has adopted concepts established in 'intelligence led' policing and recommended by Ernst & Young in their assessment of Centrelink's intelligence capability conducted in 2006.
21. Intelligence is fundamentally about information acquisition, processing and dissemination. Centrelink's fraud intelligence model provides the capability to strategically, operationally and tactically analyse information to identify cases for investigation and provide advice to policy makers on risks and threats.
22. Centrelink's Intelligence Model has been developed in line with the National Intelligence Model (NIM). The NIM is a business model that takes an intelligence-led approach to policing and was originally designed for United Kingdom law enforcement. It became the policy of the Association of Chief Police Officers in 2000, and is internationally recognised as the premier intelligence model that provides for a true intelligence-led capability. The diagram below illustrates Centrelink's Fraud Intelligence Model.

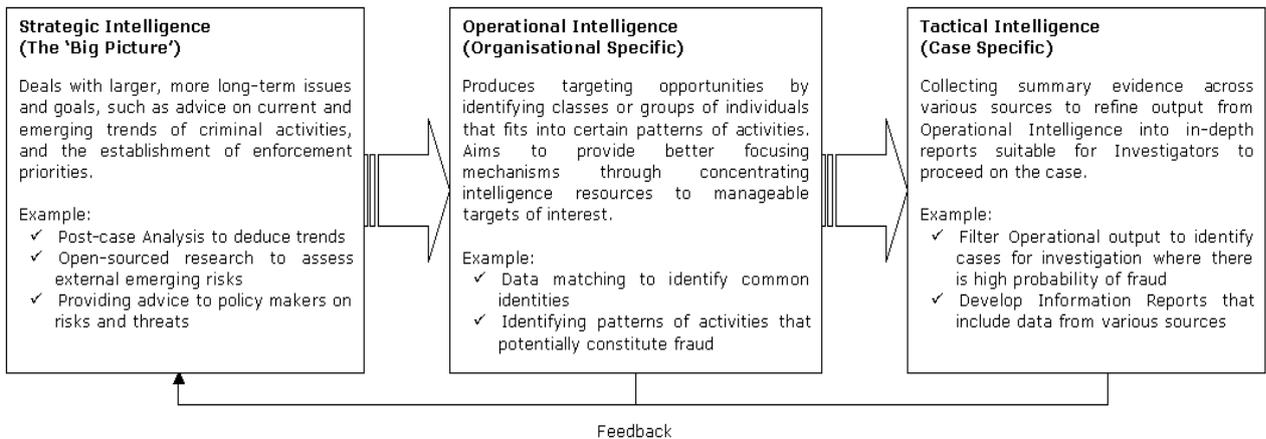


Diagram 4 – Centrelink’s Intelligence Model

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CASE PRIORITISATION FRAMEWORK

26. Centrelink’s Case Prioritisation Framework (CCPF) has been developed to enable the assessment of the relative seriousness and priority of Centrelink fraud investigations. The CCPF describes major considerations in determining the priority of matters that will be selected for investigation.
27. Basically, cases are no longer selected for investigation purely on the basis of the value of the alleged offence. Other considerations such as impact on the organization and the nature of the offence are as important as the value of the alleged offence. (Attachment A – Centrelink’s Case Prioritisation Framework).
28. The CCPF supports the compliance enforcement pyramid approach to regulation and is generally applied at the tactical intelligence stage of the investigation process. The CCPF is currently applied to Identity Fraud and Serious Fraud activity. The expansion of the Intelligence Model to all investigation activity and decisions on prosecution referrals would enable a consistent application of the CCPF across all fraud related activity.

TIP-OFF STRATEGY

[REDACTED]

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75. There are two streams of cases that could potentially be referred to the CDPP:

- 'Generic Referrals' – these are sourced from compliance review activity, for example TDF, DMP and Tip-off reviews. Approximately 70-80% of referred cases are currently 'Generic Referrals'.
- 'Investigation Referrals' – these are generated through fraud investigations and are referred to CDPP in line with the end-to-end investigation model. Approximately 20-30% of referred cases are 'Investigation Referrals'.

76. Regardless of the source of the case, staff attached to the FITs nationally conducts the preparation of the BOEs. All potential CDPP referrals must be assessed against the National Case Selection Guidelines (NCSG). This guideline recognises resources are finite and should be targeted at the most appropriate cases.

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