

ATTACHMENT A

Fraud Related Activities Report

(Paper distributed to Audit Committee members and ANAO only)

DEPARTMENT OF THE TREASURY

AUDIT COMMITTEE MEETING 14 September 2007

REPORT ON FRAUD-RELATED ACTIVITIES

The current status of fraud-related activities has been updated from previous meeting. There are no new cases of reported incidents of possible fraud.

FINANCIAL AND FACILITIES MANAGEMENT UNIT – PETTY CASH THEFT

At the March Audit Committee meeting it was reported that an amount of \$500 from the main petty cash float had gone missing and that the Australian Federal Police (AFP) and a KPMG forensic investigator were being engaged to investigate.

The AFP conducted its investigation and concluded that there was opportunity for more than one person to have taken the cash and therefore a prosecution would likely be unsuccessful. No further action will be taken by the AFP.

KPMG concluded in its draft report that it appeared that \$500 had gone missing from the main petty cash float. However, based on the work it conducted and the circumstances surrounding the discrepancy, it could not determine the reason for the missing funds. KPMG also provided some recommendations to improve the control over petty cash monies.

Accordingly, FFMU has revised and tightened petty cash procedures, installed security cameras in the petty cash office and implemented electronic access control measures to safe keys.

Current status:

A Code of Conduct investigation was conducted by the ATO on 10 May 2007 and the report was issued 4 June 2007. The report concluded that there was insufficient evidence to issue a Notice of Suspected Breach of the APS Code of Conduct on the question of the person's conduct in ignoring and/or circumventing Treasury's CEIs. No further action will be taken.

UNAUTHORISED ACCESS TO TREASURY'S VOICE COMMUNICATION SYSTEM

On Tuesday, 20 March 2007 the Voice Communications Unit (VCU) of Treasury identified a number of suspicious overseas phone calls made from a Treasury officer's work phone.

The calls were made over a period of four weeks dating from 19 February to 21 March 2007, mostly in the early hours of the morning. As the Treasury officer's phone extension did not have access to overseas dialling it was concluded that the system had been accessed from an external source in order to obtain overseas dialling via a loophole in the voicemail system.

The approximate cost of the phone calls is \$900.00.

VCU has closed the system loophole through which the overseas phone calls had been made and is monitoring of the system for further attempts of unauthorised access.

System reports dating from 12 January 2007 onwards reveal no attempts on any of Treasury other extension numbers.

The matter was referred to the Australian Federal Police (AFP) for consideration as to whether the situation warrants further investigation.

Current status:

The AFP declined to investigate the incident citing:

- the measures Treasury had taken to rectify the problem that allowed the initial unauthorised access to occur; and
- as no further losses were incurred.

[Section 47f]

On the 29 October 2004, the Manager Insurance Programs Unit advised CAFMU of an alleged fraudulent completion of a statutory declaration supplied by [Section 47f] on behalf [Section 47f] trading as [Section 47f]. As a result of the representations contained in the statutory declaration and other information, the administrators of the HIH Claims Support Scheme (Scheme):

- Granted [Section 47f] eligibility for assistance under the Scheme; and
- Passed the claim to QBE Management Services for management in accordance with the Scheme requirements, which in turn took over the defence of a claim against [Section 47f] - the settlement of which involved payment of \$88,200 to the plaintiff.

As requested, the matter was reported to the AFP on 2 November 2004 for review.

Current status

- The matter was referred to the AFP on 2 November 2004 to determine if further action was warranted.
- The AFP advised on 2 February 2005 that it would not assign investigative resources to this matter. In making the assessment, the AFP considered the nature of the reported crime and its impact.
- The AFP subsequently advised (17 February 2005) that the matter had been passed to another unit in the AFP (Economics and Special Operations) for reconsideration.

At a meeting on 14 April 2005 the AFP confirmed that the case did not meet the criteria of its Case Categorisation and Prioritisation Model and no investigation would be undertaken.

- Following the decision by the AFP not to investigate this case, HIH Claims Support Limited (HCSL) was advised that payments amounting to \$88,200 made in relation to the claim by [Section 47f] should be recovered. Attempts were made to locate [Section 47f], the director

who made the claim on behalf of [Section 47f] , however it was not possible to locate her and since the company has ceased to exist a decision was made to retain the rights in the liquidation of the HIH Group of Companies assigned to HCSL under the scheme application to recover as much as possible of payments made by the scheme.

- The costs associated with locating [Section 47f] and then retrieving the outstanding debt is not worth pursuing and, as such, a request will be put to the HCSL board to write off the amount as a bad debt.

[SECTION 47F]

The [Section 47f] has repaid all money owed and the policyholder rights have been re-assigned from the HCSL to the Cooperative.

[SECTION 47F]

On the 12 January 2005, the Acting Manager Insurance Programs Unit advised CAFMU of an apparent fraudulent completion of a statutory declaration supplied by [Section 47f] on behalf of [Section 47f]. As a result of the representations contained in the statutory declaration and other information, HIH Claims Support Limited (HCSL) granted eligibility [Section 47f] and incurred costs of approximately \$11,448 in managing the claim up to the point where eligibility was withdrawn. The matter was reported to the Australian Federal Police (AFP) on 12 January 2005 for review and to the Australian Taxation Office on 12 January 2005 for possible tax evasion implications.

Current status

- The matter was referred to the AFP on 12 January 2005 to determine if further action was warranted.
- The AFP advised on the 2 February 2005 that it would not assign investigative resources to this matter. In making the assessment, the AFP considered the nature of the reported crime and its impact.
- The AFP subsequently advised (17 February 2005) that the matter had been passed to another unit in the AFP (Economics and Special Operations) for reconsideration.
- At a meeting on 14 April 2005 the AFP confirmed that the case did not meet the criteria of its Case Categorisation and Prioritisation Model and no investigation would be undertaken.
- HCSL was advised of the decision and asked to pursue recovery of approximately \$11,448 incurred in managing the claim up to the point where eligibility was withdrawn. The applicant was contacted however no progress has been made in recovering the costs incurred. Until the money is recovered the rights in the liquidation of the HIH Group of Companies assigned to HCSL under the scheme application will continue to be held by HCSL.

Team Leader
Security