



Follow up of Asset Confiscation Scheme



VICTORIA

Victorian
Auditor-General

Follow up of Asset Confiscation Scheme

Ordered to be published

VICTORIAN
GOVERNMENT PRINTER
June 2016

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ISBN 978 1 925226 61 4

The Hon Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Telmo Languiller MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on the audit *Follow up of Asset Confiscation Scheme*.

Yours faithfully



Dr Peter Frost
Acting Auditor-General

8 June 2016

Contents

Auditor-General's comments	vii
Audit summary	ix
Conclusions	ix
Findings	x
Audit method and cost	xi
Submissions and comments received	xi
1. Asset Confiscation Scheme.....	1
1.1 Introduction	1
1.2 Scheme governance	3
1.3 Performance framework	4
1.4 Planning and resources	5
1.5 Investigations	8
1.6 Guidance and training	10
1.7 Data quality	10
1.8 Audit committee oversight.....	11
Appendix A. <i>Audit Act 1994</i> section 16—submissions and comments.....	13

Auditor-General's comments

This report is one of three follow-up audits I will table in 2015–16. It provides Parliament and the community with information about the improvements that the Department of Justice & Regulation, the Office of Public Prosecutions and Victoria Police have made in relation to the audit recommendations in my 2013 audit *Asset Confiscation Scheme*.

My 2013 audit found that the scheme was not operating as effectively or efficiently as it should. Its ability to deprive people of the proceeds of crime and to deter and disrupt further criminal activity was hampered largely by weaknesses in Victoria Police's approach to identifying assets as well as weaknesses in how the Asset Confiscation Scheme operated as a whole. The audit made 25 recommendations to improve the Asset Confiscation Scheme.

In response, the Department of Justice & Regulation appointed a consultant to develop and implement a strategic plan, an operational plan, a governance framework and a performance monitoring framework.

In this audit, I found that agencies were slow to address the 2013 recommendations. To some extent, they were hindered by leadership changes at two of the agencies, legislative reform and the inevitable challenges of seeking agreement across three independent organisations. There has been recent progress with the partner agencies agreeing to the governance framework and strategic plan, although further work is required on the operational plan and performance framework.

With new leadership appointments at Victoria Police and the Office of Public Prosecutions, there is an opportunity to ensure that various issues with the governance arrangements for the Asset Confiscation Scheme are addressed in a timely manner.

I wish to thank the staff at the agencies for their constructive engagement throughout the audit process.



Dr Peter Frost
Acting Auditor-General

June 2016

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Audit summary

Asset confiscation is a tool that Victoria's law enforcement and public prosecution agencies use in response to criminal activity. There are three key agencies that work together to achieve the objectives of the Asset Confiscation Scheme—Victoria Police, the Office of Public Prosecutions (OPP) and the Department of Justice & Regulation (DJR).

This follow-up audit examined the progress the three agencies have made in implementing actions to address the recommendations from our 2013 audit of the Asset Confiscation Scheme.

Conclusions

The 2013 audit made 25 recommendations directed at three agencies. While all the recommendations were accepted and action has been taken to address each of the recommendations, this has not necessarily translated into full implementation or business improvements. Implementation of some recommendations was slowed by leadership changes within partner agencies and major legislative reform.

Competing priorities in identifying and responding to asset confiscation cases across the three agencies have contributed to a lack of success in addressing past recommendations. However, new leadership at two of the three agencies provides an opportunity to address the current shortfalls in the Asset Confiscation Scheme.

The Asset Confiscation Scheme has had inadequate governance arrangements for over 10 years. Our 2013 audit made nine recommendations related to governance, directed at DJR as the overarching responsible body. Progress implementing these recommendations has not been satisfactory, however, action is occurring following the completion of a consultancy project in September 2015.

The 2013 audit directed 12 recommendations at Victoria Police. Victoria Police has addressed nine of these and made some progress in addressing the rest.

The Proceeds of Crime directorate of OPP has addressed each of its three recommendations. It has fully implemented two of the recommendations. Full implementation of the third recommendation is dependent on planning work undertaken by the Asset Confiscation Scheme and other Asset Confiscation Scheme agencies.

Findings

Since 2003, five reviews have found the Asset Confiscation Scheme to have inadequate governance arrangements. The nine recommendations relating to the governance from our 2013 audit are only now being addressed. The three agencies agreed to future governance arrangements and a strategic plan in late 2015.

The partner agencies are in the process of considering and agreeing to a new performance framework as part of a governance project. However, there are no time frames set for this work.

The 2013 audit found that effective planning for asset confiscation did not occur across the whole scheme and varied across the three agencies. Strategic and operational planning are part of the governance project.

There is no overarching risk management plan for the Asset Confiscation Scheme, although OPP has its own sound risk plan and Victoria Police integrates risk management into its broader business planning processes.

Despite extensive efforts to move victims' compensation cases from the Criminal Proceeds Squad of Victoria Police out to regional staff, regions have been slow to take on this work. There needs to be cultural change across Victoria Police, supported by strong leadership for this initiative to succeed.

Our 2013 audit found that there was inconsistent induction and training on the Asset Confiscation Scheme for new staff within the Criminal Proceeds Squad. The squad has improved its induction and training, however, the quality remains variable depending on who inducts the new employee. To help address this, sergeants now have coaching and mentoring responsibilities in their performance and development plans.

Our 2013 audit found weaknesses with the data and databases used to manage asset confiscation case information at both the Criminal Proceeds Squad and the Proceeds of Crime directorate. Improvements have been made to systems in both organisations and data management is now satisfactory.

All three agencies have systems and processes in place to monitor actions taken to implement audit recommendations. However, only OPP was able to clearly demonstrate that its audit committee had considered the outcomes of the agency's responses to the specific recommendations from our 2013 audit.

Audit committees should seek assurance from management that audit recommendations have not only been actioned, but that this has effectively addressed any underlying issues.

Audit method and cost

The audit was conducted under section 15 of the *Audit Act 1994*, and was performed in accordance with the Australian Auditing and Assurance Standards. Pursuant to section 20(3) of the *Audit Act 1994*, unless otherwise indicated, any persons named in this report are not the subject of adverse comment or opinion.

The total cost of the audit was \$130 000.

Submissions and comments received

We have professionally engaged with the Department of Justice & Regulation, the Office of Public Prosecutions and Victoria Police throughout the course of the audit. In accordance with section 16(3) of the *Audit Act 1994* we provided a copy of this report to those agencies and requested their submissions or comments.

We have considered those views in reaching our audit conclusions and have represented them to the extent relevant and warranted. Their full section 16(3) submissions and comments are included in Appendix A.

1 Asset Confiscation Scheme

1.1 Introduction

Asset confiscation is a tool that Victoria's law enforcement and public prosecution agencies use in response to criminal activity. The *Confiscation Act 1997* (the Act) and associated regulations enable the state to confiscate property in order to deprive people of the proceeds of certain offences, to disrupt further criminal activity by preventing the use of that property, and to deter others from engaging in criminal activity. The Act also enables the state to preserve assets for victims' compensation and restitution.

The Asset Confiscation Scheme was established in 1998. There are three key agencies that work together to achieve the objectives of the scheme—Victoria Police, the Office of Public Prosecutions (OPP) and the Department of Justice & Regulation (DJR) through the Asset Confiscation Operations unit. The scheme is supported by two committees: the Asset Confiscation Scheme Strategy Committee and the Asset Confiscation Scheme Operational Committee.

In September 2013, VAGO tabled an audit of the Asset Confiscation Scheme. The audit examined how effective, efficient and economical the scheme was in achieving the objectives of the Act. The audit assessed the arrangements in place to identify and restrain property, the arrangements in place to manage and dispose of forfeited property, and the scheme's governance arrangements.

Our 2013 audit concluded that the scheme was not operating as effectively or efficiently as it should. Its ability to deprive people of the proceeds of crime and to deter and disrupt further criminal activity was hampered by weaknesses in the way that assets were identified for confiscation and by how the scheme was governed.

The audit made 25 recommendations—12 aimed at Victoria Police, three aimed at OPP and 10 aimed at the Department of Justice. After machinery-of-government changes in January 2015, the Department of Justice became DJR.

This follow-up audit examined the progress the three agencies have made in implementing actions to address the recommendations from the 2013 audit. In doing so, we acknowledge the challenges of the operating environment, including the need to get agreement across three independent organisations. There has been major legislative change to introduce the 'serious drug offender' regime and the 'unexplained wealth' regime into the Act. There has also been a change in leadership at both Victoria Police and OPP, with a new Chief Commissioner and a new Solicitor for Public Prosecutions, respectively. These factors mean that implementation of some recommendations has been slower than expected.

Figure 1A summarises the 25 recommendations and provides their current status. It shows that agencies have completed 16 recommendations and commenced work on addressing the remaining nine recommendations.

Figure 1A
Implementation of recommendations

Summarised recommendation	Status
That the Department of Justice:	
1. develops a performance framework	✓
2. documents actions	✓✓
3. develops an implementation plan	✓
8. improves performance framework	✓
9. clarifies and confirms objectives	✓✓
10. updates terms of reference	✓✓
11. clarifies and confirms governance arrangements	✓✓
12. undertakes risk assessment	✓
13. develops strategic and operational plans	✓
25. reviews and updates procedures	✓✓
That Victoria Police:	
4. develops a performance framework	✓
5. implements quality assurance processes around data and databases	✓✓
14. develops strategic and operational plans	✓
15. undertakes risk assessment	✓
16. reviews resourcing model	✓✓
18. refocuses investigations on serious crime	✓✓
19. reallocates responsibility for victims of crime work	✓✓
20. redevelops practices to ensure investigative tools are used to their full potential	✓✓
21. develops a training strategy	✓✓
22. establishes processes for the review of guidance	✓✓
23. develops consistent use of case prioritisation and allocation procedures	✓✓
24. improves recording of prioritisation and allocation information	✓✓
That OPP:	
6. develops a performance framework	✓✓
7. implements quality assurance processes around data and databases	✓✓
17. develops strategic and operational plans	✓

Note: ✓ = commenced, ✓✓ = completed.

Source: Victorian Auditor-General's Office.

1.2 Scheme governance

Effective governance provides the foundation for effective performance. Governance arrangements should be clear and understood, particularly where multiple agencies are involved.

The 2013 audit found that, while the scheme had been operating for over 10 years, it continued to experience governance problems that were undermining its effectiveness and efficiency. These weaknesses included unclear objectives, unclear roles, inadequate oversight, lack of accountability, ineffective communication and no overall performance monitoring. Governance issues had been known since at least 2003 and were identified in 2008 and 2009 reviews and a 2012 evaluation. While efforts had been made to address them, these had not been effective.

The 2013 audit made nine recommendations related to governance as shown in Figure 1B. In response, DJR appointed a consultant to develop and implement a strategic plan, an operational plan, a governance framework and a performance framework. DJR and its stakeholder agencies have endorsed a final report of the Asset Confiscation Scheme governance project. The stakeholder agencies have agreed in principle on the governance framework, including terms of reference for the newly established Asset Confiscation Scheme Strategy Committee and Asset Confiscation Scheme Operational Committee. The strategic plan has also been endorsed. Further work and analysis by the partner agencies is required on the operational plan and performance framework.

Figure 1B
Governance-related recommendations

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Asset Confiscation Scheme Executive Management Group should:</p> <ol style="list-style-type: none"> 1. develop a performance framework linked to the objectives of the Asset Confiscation Scheme that includes relevant and appropriate indicators that enable reported performance to be a fair representation of actual performance 2. identify and document actions required to improve the effectiveness and efficiency of the Asset Confiscation Scheme, including previously identified issues 3. develop an implementation plan that details the actions, accountability, time frames, resources, implementation risks and monitoring arrangements for these actions. 9. clarify and confirm the objectives of the Asset Confiscation Scheme 10. update the terms of reference for the Asset Confiscation Scheme Executive Management Group and Confiscation Operations Committee, and schedule routine reviews so that they remain current 11. clarify and confirm the Asset Confiscation Scheme governance arrangements, including leadership, accountability, roles and responsibilities, and issue resolution mechanisms 12. undertake a risk assessment for the Asset Confiscation Scheme, including the risks associated with working in a joined-up arrangement 13. develop strategic and operational plans for the Asset Confiscation Scheme, linked to Asset Confiscation Scheme agency planning. <p>The Department of Justice should:</p> <ol style="list-style-type: none"> 8. improve the current performance framework of the Asset Confiscation Operations unit to better enable the Department of Justice's management to assess its performance. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Source: VAGO, *Asset Confiscation Scheme*, September 2013.

1.3 Performance framework

The 2013 audit found that the lack of an effective performance monitoring framework meant it was unclear how well the scheme was performing. Exacerbating this was the absence of effective performance frameworks within the individual agencies.

The lack of a performance framework has been a longstanding issue. The need for a performance framework to assess the effectiveness and efficiency of the scheme was first identified in VAGO's 2003 *Report on Public Sector Agencies*. Despite DJR's commitment over 10 years ago and efforts over time to develop overarching performance measures for the scheme, this has not yet occurred.

The scheme's partner agencies are in the process of considering and agreeing to a new performance framework, as part of the Asset Confiscation Scheme governance project. The new performance monitoring framework aims to provide insight into the performance of the scheme through more systematic data collection and consistent monitoring against specific measures. This will include:

- outcome measures monitoring the overall effectiveness of the scheme
- process measures monitoring the efficiency of activities and coordination across the whole Asset Confiscation Scheme.

There are no time frames set for the finalisation of the new performance framework.

As well as recommending a performance framework for the Asset Confiscation Scheme itself, the 2013 audit recommended that Victoria Police and OPP each develop a performance framework independent of the scheme, to enable management to assess the performance of the Criminal Proceeds Squad and the Proceeds of Crime directorate, respectively. While OPP's Proceeds of Crime directorate has produced a framework covering the period 2014–15 and 2015–16, Victoria Police's Criminal Proceeds Squad does not have all elements of an effective performance framework.

The Proceeds of Crime directorate's performance framework forms part of and informs the broader strategic and business planning cycle of OPP. On the basis of business and strategic priorities, the performance framework identifies relevant measures and indicators to assess the directorate's progress in meeting and achieving strategic and business objectives. Annual performance reporting will allow OPP to assess organisational and directorate progress in achieving strategic and business outcomes, as well as informing future organisational strategic and business planning. The performance framework includes a comprehensive range of performance measures, although some do not have associated targets. Some data were to be collected with the introduction of a new case management system which has been delayed. The Proceeds of Crime directorate intends to devise new processes for the capture of this data although it does not have clear implementation time frames.

The Criminal Proceeds Squad does not have a comprehensive performance framework for the Asset Confiscation Scheme, since it does not have clearly articulated objectives, outcomes and outputs or specific, measurable and achievable performance indicators. It does, however, have a monthly reporting framework which covers a range of outputs associated with the squad's performance.

1.4 Planning and resources

Sound planning is a key part of effective management. It enables agencies and their business units to define objectives and how these will be achieved. Typically, planning involves routine scanning of the operating environment to understand risks and opportunities, to identify strategic issues and gaps, and to identify service demands. Sound planning also involves identifying the tools, actions and resources needed to achieve the stated objectives, maximise opportunities, address issues and gaps, manage demand and mitigate risks.

1.4.1 Planning

Sound planning for the Asset Confiscation Scheme is needed, given the number of agencies involved, their differing roles and the need for integrated planning with partner agencies.

The 2013 audit found that effective planning for asset confiscation did not occur across the whole scheme and varied across the three agencies. The absence of effective planning remains, but it is now being addressed by the governance project. This work is critical, as the overall success of the scheme is highly dependent on how effectively Victoria Police's Criminal Proceeds Squad performs.

The 2013 audit made three complementary recommendations that the partner agencies should develop strategic and operational plans, linked to those of the Asset Confiscation Scheme and other Asset Confiscation Scheme agencies. Work to achieve this is currently underway.

The Proceeds of Crime directorate has developed a business plan linked to the OPP strategic plan. It contains the same four high-level goals and includes a selection of strategies outlined in the strategic plan, as shown in Figure 1C. It also includes key activities and key performance indicators. Although mostly output based, the performance indicators include measures of quality, timeliness and procedural compliance. Some measures assess the effectiveness of the Proceeds of Crime directorate's activities. As the Asset Confiscation Scheme partner agencies have only recently agreed on a strategic plan and are still working on operational plans, OPP cannot yet link its strategic and operational plans to those of the Asset Confiscation Scheme.

Figure 1C
Proceeds of Crime directorate strategies

- Ensure cases are prepared to a high standard of legal accuracy and procedural compliance with a focus on their early resolution.
- Enhance methods for accessing and sharing specialist legal knowledge.
- Provide accurate and timely advice to police and other agencies.
- Improve our ability to monitor and report on activities and outcomes.
- Enhance service delivery to victims and witnesses.
- Make submissions on policy and law reform issues.
- Implement new policy procedural and legislative reform.
- Pro-actively implement confiscation scheme reforms in collaboration with scheme partners.
- Manage strategic engagement activities and tools.
- Deliver the learning and development strategy and implement a leadership and management framework.
- Capture, analyse and report performance and financial data.
- Maintain a robust system of risk, oversight, business continuity, management and internal control.

Source: Office of Public Prosecutions, *Business Plan*, 2015–16.

Part of the Asset Confiscation Scheme governance project is the development of a strategic plan. A strategic plan has been endorsed by the three partner agencies. The plan sets out a clear vision, purpose, objectives, and strategic priorities and outcomes. Its strategic priorities are:

- implementing a new governance and planning framework
- delivering a new performance management framework
- strengthening Asset Confiscation Scheme partnerships
- increasing the use of asset confiscation tools in serious criminal offences
- enhancing specialist asset investigation skills to maximise capabilities.

If the strategic plan is implemented as intended, the actions of partner agencies should be aligned and produce improved outcomes for the Asset Confiscation Scheme.

1.4.2 Risk management

Effective risk management is fundamental to effective governance and planning. It enables entities and agencies to identify and manage risks and opportunities that may arise while performing their functions.

Risk management across the scheme and partner agencies is inconsistent and inadequate to properly manage risks associated with the Asset Confiscation Scheme.

DJR advised that the scheme has not yet undertaken a formal risk assessment in response to our 2013 recommendation. The overarching formal risk assessment was prioritised for a later stage of work, after completion of the Asset Confiscation Scheme strategic plan and operational plan which are intended to provide most of the treatments for known risks and issues. DJR reported, however, that the Asset Confiscation Scheme Strategy Committee has had regular discussions about risks and issues, including extensive discussion about the risks and issues of the agencies working together.

The Proceeds of Crime directorate has undertaken its own risk assessment which identifies 13 risks, ranks them and classifies them as reputational, financial, legal, quality or operational risks. It assesses the likelihood and consequence of each risk and identifies proposed risk treatment. The register of risks is reviewed quarterly.

The Criminal Proceeds Squad integrated risk management into divisional level business plans in 2014–15 but there is no up-to-date risk register detailing the extent and nature of risks and the mitigation strategies relating to the Asset Confiscation Scheme.

1.4.3 Resourcing model

Having sufficient and appropriate resources is essential if the Asset Confiscation Scheme is to achieve its objectives. The scheme itself does not have specific resources, so individual agencies are responsible for determining whether they have the resources they need.

The Criminal Proceeds Squad assesses its resourcing needs through annual work group reviews. These reviews provide an opportunity for managers to raise resourcing issues with senior management. The work group review conducted in March 2013, identified a range of issues related to the resourcing of the Criminal Proceeds Squad, particularly around the staff numbers, capability and capacity, oversight and the nature of the work.

Our 2013 audit questioned whether the resourcing model of the Criminal Proceeds Squad was the most economical. Many Criminal Proceeds Squad functions could be performed by unsworn staff at a significantly lower cost, while also freeing up sworn staff for other priorities. The audit recommended that Victoria Police review the resourcing model for the Criminal Proceeds Squad, including the cost-effectiveness of using Victorian public service staff.

The Criminal Proceeds Squad reviewed the resourcing model resulting in the employment of 10 unsworn staff, including analysts, forensic accountants, lawyers and data entry personnel. This is in line with our recommendation.

1.5 Investigations

Victoria Police is the driver of the Asset Confiscation Scheme, in terms of the number and type of cases referred to OPP and DJR. This is determined by the focus and prioritisation of investigations and how Victoria Police uses its investigative tools.

1.5.1 Job prioritisation

Victoria Police's accountability and resource model dictates who is responsible for investigating certain categories of crime. In essence, more significant crime is investigated by city-based specialist squads, such as the Criminal Proceeds Squad, while less significant crimes are investigated by regional staff.

The 2013 audit found that the prioritisation of cases was not effective. The audit recommended that Victoria Police develop, document and enforce the consistent use of case prioritisation and allocation procedures. It further recommended that Victoria Police improve the way that the Criminal Proceeds Squad records prioritisation and allocation information to enable better management reporting.

Since the 2013 audit, the accountability and resource model has been amended and an internal five-level Criminal Proceeds Squad case prioritisation framework has been developed—see Figure 1D.

Figure 1D
Criminal Proceeds Squad prioritisation framework

- **Priority 1: High community impact**—the crime causes or has the potential to cause substantial outrage in the community.
- **Priority 2: High victim impact**—a person who individually or collectively has suffered serious harm, including physical or mental injury, emotional suffering, economic loss or substantial impairment of their fundamental rights associated with a Category 2 investigation.
- **Priority 3: Complex evidentiary considerations**—the complexity of the investigation results in the high likelihood of deterioration, disposal or destruction of criminal proceeds that will impact upon the case, or judicial time constraints require a prioritised response.
- **Priority 4: Response to an identified organisational focus**—targeted investigations in accordance with contemporary Victoria Police Priorities (reducing and preventing crimes against the persons, fighting serious crime and organised crime and reducing and preventing property crime).
- **Priority 5: Otherwise routine investigation.**

Source: Victoria Police.

However, management advised that this framework is nearly redundant for two main reasons—first, because there is no longer the backlog of cases that existed in the past, due to the refocused prioritisation of cases, and second, because two new committee processes have been implemented which are more useful in prioritising workload:

- The Target Viability Assessment creates a pathway for the Criminal Proceeds Squad to identify and target persons of interest, and to develop and refine a proactive approach to investigations, utilising all available legislative provisions and tools.

- The multidisciplinary monthly case review committee reviews every case to determine what should be prioritised. The committee reviews the database to ensure teams are meeting time lines and benchmarks. The process involves a number of civilian experts including a lawyer, analysts and two forensic accountants.

1.5.2 Focus of investigations

The focus of the Asset Confiscation Scheme is on profit-motivated, serious and organised crime. Similarly, the Criminal Proceeds Squad focuses on the 'upper echelons of organised crime'. At the time of the 2013 audit, however, up to 60 per cent of its work related to victims of crime. While victims' compensation is a purpose of the Act, it was unclear why the Criminal Proceeds Squad was performing this function, at least to such a substantial extent. This work is time intensive and, anecdotally, results in few victims pursuing the offender in court.

The 2013 audit recommended that Victoria Police should refocus the Criminal Proceeds Squad's investigations onto profit-motivated, serious and organised crime. It also recommended that Victoria Police reallocate responsibility for assisting victims of crime in identifying and restraining assets.

The 2013 audit came at a time when the Criminal Proceeds Squad was already undergoing significant change in the way that it undertook its work, and this recommendation was already being actioned. The new Accountability and Resource Model—predominantly focusing the squad's investigations on profit-motivated, serious and organised crime—became effective in July 2014.

There is evidence that the Criminal Proceeds Squad has refocused its investigations, predominantly through an initiative to shift victims' compensation work to regional staff. Victims' compensation work has dropped to around 10.1 per cent of the squad's work for the 12 months to February 2016.

The initiative to shift victims' compensation work to regional staff has been supported by a major awareness-raising initiative, staff training, web resources and ongoing communications across Victoria Police. Despite this, uptake by the regional offices has been slow. One of the major problems is that the regions sit under a different command, with different business goals and competing priorities. The success of this initiative now depends on leadership and a business commitment across Victoria Police, which to date has been lacking.

1.5.3 Investigative tools

The Criminal Proceeds Squad has a number of investigative tools and sources of information available to it to identify assets for confiscation. The 2013 audit found that the Criminal Proceeds Squad was not making full use of its investigative tools and may therefore be missing important assets. While Victoria Police was made aware of this issue, specific details were excluded from our report due to operational sensitivities.

Following our 2013 audit the Criminal Proceeds Squad conducted a review of its use of relevant tools in order to address our concerns. It found that the squad's existing practice represented the best value for the time invested. The testing demonstrated that wider use of the relevant tools would almost certainly have no effect on the Criminal Proceeds Squad's intelligence.

1.6 Guidance and training

The 2013 audit found that there was inconsistent training on asset confiscation within the Criminal Proceeds Squad. There was no formal training program and, while an induction package existed, it was developed by one staff member within the squad and was used primarily for new staff allocated to that team rather than being used widely across the squad. There was no process to enable the sharing of this information and no requirement that it be used consistently across the squad. This ad hoc approach to training and induction had obvious capability risks.

The Criminal Proceeds Squad has subsequently reviewed its induction and training so that it is more structured and consistent. This includes a revised induction manual and online training modules. Training is primarily on-the-job and is therefore subject to the skills and attitudes of the staff member providing the training. Management advised that this is monitored to ensure new staff are given a quality introduction to the squad. Additionally, sergeants now have more requirements in their performance assessments for coaching and mentoring staff.

The 2013 audit found weaknesses in policies and guidance at both the Criminal Proceeds Squad and DJR's Asset Confiscation Office. It recommended that the guidelines be reviewed and republished. Both organisations have done this.

1.7 Data quality

The 2013 audit found weaknesses in the data and databases at both the Criminal Proceeds Squad and the Proceeds of Crime directorate. It recommended that they implement quality assurance processes around data and databases and improvements have been made to systems in both organisations.

The 2013 audit found that the Criminal Proceeds Squad's system did not have the ability to produce data on squad activity and performance, such as:

- the number of actioned files
- the type of referral
- the average time for allocation
- the average time for case completion by type
- the allocation and completion dates
- the time taken to serve restraining orders.

Now, all Criminal Proceeds Squad investigations are recorded on Interpose, a corporate Victoria Police database. While this is a positive move, Interpose is a dated system that has exceeded its functional capability. This means that the squad could not attain the full functionality they requested and that not all case material can be stored on a single database. To complement Interpose, the squad has introduced an additional database as a repository for the extensive working documents created throughout an investigation.

The 2013 audit also found weaknesses in the Proceeds of Crime directorate's data collection. First, it was manually collated, which increases the risk of error. Second, errors were evident, with duplicate entries, missing data and incorrect data. In response, directorate staff have created a spreadsheet containing the required performance information. Staff review and update databases weekly, and data is regularly cross-checked to ensure alignment and consistency. The reconciliation and quality assurance processes are documented, as is the workflow governing the management and reporting of Proceeds of Crime data. The Proceeds of Crime Performance Framework and the associated reporting template govern the use and reporting of data.

1.8 Audit committee oversight

Agency audit committees are required to monitor audit recommendations and enact planned responses through Standing Direction 2.6(f) under the *Financial Management Act 1994*. This includes requirements for audit committees to:

- recommend how the responsible body should act on advice received from external audit
- monitor actions taken by management to resolve issues raised by external audit
- monitor whether accepted recommendations of the external auditors are adopted and addressed by management on a timely basis
- review the impact of actions taken by management intended to resolve issues.

To enable audit committees to perform these functions, agencies should have systems and processes to allow senior management to monitor progress on implementation of accepted recommendations, to assess the impact of actions taken and report the outcomes of this to their audit committee.

All three agencies have systems and processes in place to monitor actions taken to implement audit recommendations. However, only OPP was able to clearly demonstrate that its audit committee had considered the outcomes of the agency's responses to the specific recommendations from the 2013 audit.

Audit committees should seek assurance from management that audit recommendations have not only been actioned, but that this has effectively addressed any underlying issues.

Appendix A.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994*, a copy of this report was provided to the Department of Justice & Regulation, the Office of Public Prosecutions and Victoria Police.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Department of Justice & Regulation.....	14
Office of Public Prosecutions	15
Victoria Police.....	16

RESPONSE provided by the Secretary, Department of Justice & Regulation



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27 MAY 2016



Our ref: CD/16/242617

Dr Peter Frost
Acting Auditor General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
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Dear Dr Frost

Thank you for your letter of 13 May 2016 enclosing the Proposed Audit Report (the report) of *Follow Up of Asset Confiscation Scheme*, and the invitation to provide a formal response.

The Department of Justice and Regulation (the department) accepts the report's findings that while action has been taken, this has not necessarily translated into full implementation or business improvements. The department recognises the need for efficient and effective processes to report on and monitor the implementation of audit recommendations and has recently strengthened its approach to doing so.

Completion of actions to address internal and external audit recommendations is actively monitored through the department's online Audit Tracking Register. This register is updated and attested to by Deputy Secretaries on a quarterly basis. The department's Audit and Risk Management Committee considers the progress of these actions as a standing agenda item and seeks assurance from management about the impact and effectiveness of critical actions.

Thank you again for the opportunity to comment on the report.

Yours sincerely

Greg Wilson
Secretary



RESPONSE provided by the Solicitor for Public Prosecutions, Office of Public Prosecutions



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30 May, 2016

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MELBOURNE VIC 3000



Dear Dr Frost

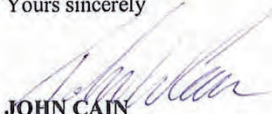
FOLLOW UP OF ASSET CONFISCATION SCHEME

Thank you for providing me with the report on the *Follow up of Asset Confiscation Scheme* audit.

I welcome the finding that the Office of Public Prosecutions' Proceeds of Crime directorate has addressed each of its three recommendations from the 2013 audit of the Asset Confiscation Scheme.

The report is a constructive contribution to the ongoing efforts of the OPP and its Asset Confiscation Scheme partners to combat serious and organised crime in Victoria by effectively targeting the proceeds and instruments of crime.

Yours sincerely


JOHN CAIN
Solicitor for Public Prosecutions

RESPONSE provided by the Chief Commissioner, Victoria Police



VICTORIA POLICE

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Chief Commissioner of Police

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Dr Peter Frost
Acting Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins St
MELBOURNE VIC 3000



Dear Dr Frost 

VAGO Proposed Performance Audit Report – Follow up of Asset Confiscation Scheme

Thank you for your letter dated 13 May 2016 enclosing the proposed report on *Follow up of Asset Confiscation Scheme*.

I note the report concluded three of the twelve recommendations targeting Victoria Police in the 2013 audit need to be further progressed. In light of this observation, Victoria Police will reassess the status of these recommendations with appropriate action taken to fully address these issues.

I confirm there is no information within this report that would prejudice a criminal investigation or proceeding known to Victoria Police.

I would also like to reiterate an observation made by Victoria Police in the course of the 2013 audit regarding Victim Compensation. Victoria Police sees an opportunity to improve service to victims in the longer term by developing a facility external to our agency to manage and perform the important service of property restraint for the purpose of victims' compensation/restitution.

Victoria Police looks forward to engaging with your staff in future audit engagements.

Yours sincerely



Graham Ashton AM
Chief Commissioner

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Auditor-General's reports

Reports tabled during 2015–16

Report title	Date tabled
Follow up of Collections Management in Cultural Agencies (2015–16:1)	August 2015
Follow up of Managing Major Project (2015–16:2)	August 2015
Follow up of Management of Staff Occupational Health and Safety in Public Schools (2015–16:3)	August 2015
Biosecurity: Livestock (2015–16:4)	August 2015
Applying the High Value High Risk Process to Unsolicited Proposals (2015–16:5)	August 2015
Unconventional Gas: Managing Risks and Impacts (2015–16:6)	August 2015
Regional Growth Fund: Outcomes and Learnings (2015–16:7)	September 2015
Realising the Benefits of Smart Meters (2015–16:8)	September 2015
Delivering Services to Citizens and Consumers via Devices of Personal Choice: Phase 2 (2015–16:9)	October 2015
Financial Systems Controls Report: Information Technology 2014–15 (2015–16:10)	October 2015
Department of Education and Training: Strategic Planning (2015–16:11)	October 2015
Public Hospitals: 2014–15 Audit Snapshot (2015–16:12)	November 2015
Auditor General's Report on the Annual Financial Report of the State of Victoria, 2014–15 (2015–16:13)	November 2015
Local Government: 2014–15 Audit Snapshot (2015–16:14)	November 2015
Responses to Performance Audit Recommendations 2012–13 and 2013–14 (2015–16:15)	December 2015
East West Link Project (2015–16:16)	December 2015
Portfolio Departments and Associated Entities: 2014–15 Audit Snapshot (2015–16:17)	December 2015
Water Entities: 2014–15 Audit Snapshot (2015–16:18)	December 2015
Implementing the Gifts, Benefits and Hospitality Framework (2015–16:19)	December 2015
Access to Public Sector Information (2015–16:20)	December 2015
Administration of Parole (2015–16:21)	February 2016
Hospital Performance: Length of Stay (2015–16:22)	February 2016
Public Safety on Victoria's Train System (2015–16:23)	February 2016

Victorian Electoral Commission (2015–16:24)	February 2016
Grants to Non-Government Schools (2015–16:25)	March 2016
Digital Dashboard: Status Review of ICT Projects and Initiatives – Phase 2 (2015–16:26)	March 2016
Patient Safety in Victorian Public Hospitals (2015–16: 27)	March 2016
Bullying and Harassment in the Health Sector (2015–16:28)	March 2016
Local Government Service Delivery: Recreational Facilities (2015–16:29)	March 2016
Managing and Reporting on the Performance and Cost of Capital Projects (2015–16:30)	May 2016
Monitoring Victoria's Water Resources (2015–16:31)	May 2016
Reducing the Burden of Red Tape (2015–16:32)	May 2016
Technical and Further Education Institutes: 2015 Audit Snapshot (2015–16:33)	May 2016
Universities: 2015 Audit Snapshot (2015–16:34)	May 2016
Follow up of Recreational Maritime Safety (2015–16:35)	June 2016

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