

THE STATE AUDIT OFFICE'S POSITIONS

The audit's main objective was to determine how public authorities go about combating the underground economy and financial crime.

The state has placed significant emphasis on combating the underground economy and financial crime by conducting three special programmes in this area since 1996. In spite of this, problems caused by the underground economy and financial crime have not been reduced. According to information collected by the police, development has been in the opposite direction.

Significant positive results have been achieved in combating financial crime, all the same. Cooperation among authorities has been stepped up and legislation has been amended to thwart fraudulent activities. The audit nevertheless indicated several factors that make it more difficult for authorities to combat the underground economy and financial crime and also delay projects in special programmes.

The sectorized nature of administration makes it difficult for authorities to share information, among other things. Numerous authorities are responsible for combating the underground economy and financial crime, and they all operate within their own legislative framework. Striving towards a common goal is hampered by the fact that each authority works mainly according to its own result objectives and the interests of its own administrative sector.

Fragmentation also makes it more difficult to combat the underground economy and financial crime. In addition to the sectorized nature of administration and the large number of authorities that are responsible for activities, fragmentation is increased by regional and operational divisions. As a result of fragmentation the overall picture of the underground economy, financial crime, the present situation and the effectiveness of activities is incomplete. The VIRKE project has helped resolve this problem in many respects. (See section 3.1.4.)

In combating the underground economy and financial crime there is no clear strategy uniting all authorities that would be reflected in each authority's own operational and financial plans and result objectives as well as practical measures on the operational level.

A significant shortcoming is the lack of clear overall responsibility and coordination in combating the underground economy and financial crime. This shortcoming is visible most clearly in projects that involve numerous authorities. Projects included in programmes have not been prioritized, nor have timetables been set for their completion. Reasons why projects have been delayed or cancelled have not been studied. The management group appointed by the Ministry of the Interior and the VIRKE project do not have a legal basis to issue orders to authorities or direct projects under their control. (See 3.1.4.) As a rule responsibility for conducting projects is consequently in the hands of individual authorities.

Recommendation 1.

In combating the underground economy and financial crime an operational strategy uniting all authorities should be created.

Recommendation 2.

Overall responsibility and coordination should be clarified in combating the underground economy and financial crime.

Recommendation 3.

Cooperation among authorities should be developed and obstacles to cooperation should be eliminated in combating the underground economy and financial crime.

In addition to the traditional activities, new forms of the underground economy, tax evasion and financial crime are constantly coming to light, along with new actors. One can

justifiably ask whether the expression of will on the part of society and the political leadership is sufficiently strong to prevent the underground economy and financial crime. Public interest has shifted from financial crime to drug crime, among other things.

Financial crime matters have expanded and become more difficult and the time required for investigations has increased. New cases constantly come to light and create a backlog for investigators. A survey conducted during the audit clearly indicated that authorities and individual officials are suffering from fatigue in this area. In the opinion of the State Audit Office, it is especially alarming that those authorities that are in a key position in combating the underground economy and financial crime are suffering from fatigue. For instance, the number of tax audits pertaining to the underground economy as well as charges and revealed amounts of money in the underground economy have declined sharply. A big problem is the ageing and occupational health of financial crime investigators and the need to ensure continuity. Recruiting competent and motivated investigators and prosecutors has been difficult because of low pay and the nature of work, among other things.

Growth in the underground economy and financial crime together with new forms of underground activities and financial crime require a clearer commitment to programmes and projects on the part of different authorities. Activities cannot be left up to the VIRKE project alone. People involved in the underground economy and financial crime should not receive signs that authorities are suffering from fatigue.

Recommendation 4.

Special attention should be focused on continuity in combating the underground economy and financial crime, and factors and problems that contribute to fatigue on the part of authorities and individual officials should be eliminated.

The effect of programmes aimed at combating the underground economy and financial crime, the organization of activities and cooperation among authorities have not

been studied thoroughly. If the VIRKE project continues after 2005, its position and tasks should be redefined. The position and role of the management group appointed by the Ministry of the Interior should also be strengthened considerably to ensure that programmes and projects are carried out.

Recommendation 5.

Well before the end of the third programme to combat financial crime, a thorough study should be conducted with regard to combating the underground economy and financial crime and the organization of activities.