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ANTI-RACKETEERING UNIT - NORTHERN IRELAND OFFICE

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OBJECTIVE

1. The objective of the Anti-Racketeering Unit (ARU) is to reduce and disrupt all sources of racketeering and terrorist finances.

GENERAL REMARKS

2. This paper has been drawn up after an extensive examination of files, detailed discussions with NIO Law and Order personnel and meetings with representatives of the RUC, Government departments and public bodies.

3. To ascertain what resources are required to achieve the ARU stated objective I have reviewed:

- i the paramilitary fund raising problem
- ii the existing RUC response
- iii the assistance provided by Government Departments and other public bodies
- iv the failed solutions; and
- v similar initiatives in other countries

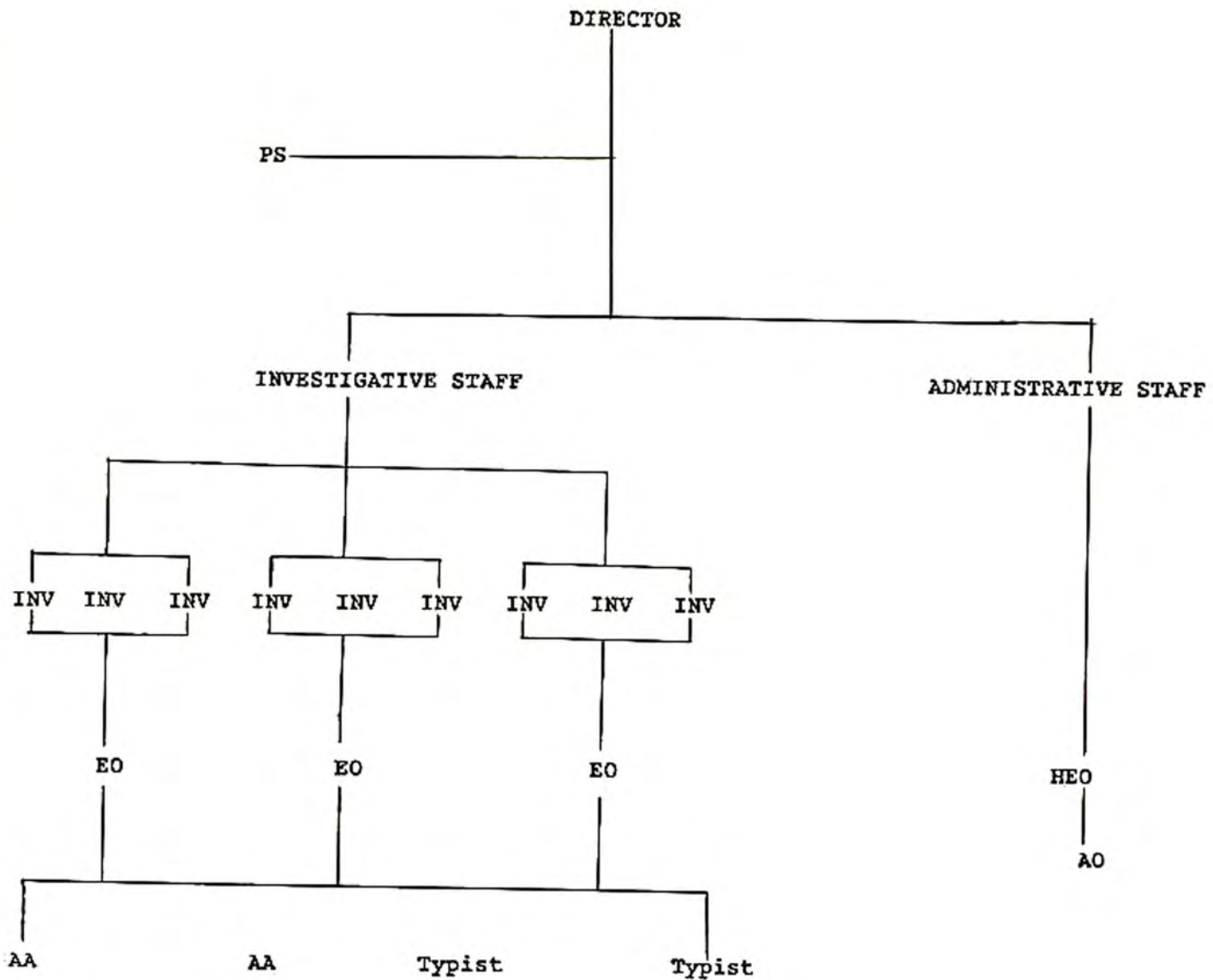
This review has benefitted from 18 years successful experience in directing and conducting detailed financial investigations into serious and complex frauds, often similar in nature to the Northern Ireland terrorist finances problem.

SUMMARY OF CONCLUSIONS

4. My conclusions are that:-

- (a) The nature of the problem is such that any sustained and meaningful reduction in racketeering and terrorist finances will take years not months of concentrated financial investigative expertise.
- (b) The efforts of the RUC and other public bodies by themselves will not resolve the problem. What is required is a purpose built task force - the ARU - providing advisory, legal, administrative and operational skills in all aspects of financial investigations.
- (c) The success of certain areas of the ARU initiative may involve difficult and contentious decisions and action on the part of Ministers and/or the RUC.
- (d) The bare minimum staffing for an effective and credible ARU should, by the end of the settling in period ie by 31 March 1989, be a Director and 9 investigators (at least two of whom should be lawyers or persons with legal experience) plus appropriate operational and administrative support staff. With regard to the target date of 31 March 1989 it has to be accepted that identifying and recruiting suitably qualified financial investigators - of whom there is a great and increasing shortage throughout UK Government Departments - could mean that the ARU may not be fully operational within this time scale.

(e) The outline structure of the ARU is as follows:-



(f) For security and operational reasons the ARU will have to be located in suitable secure permanent accommodation.

(g) The ARU must be given sufficient resources (manpower and money) to carry out its stated objective.

THE PARAMILITARY FUNDRAISING PROBLEM

5. There is in Northern Ireland a major and complex law and order problem arising from paramilitary racketeering and other terrorist financing activities. Its growth and penetration have significantly demoralised the community at large, whilst whole areas of business life have been seriously corrupted and disrupted.

6. For security reasons much of the information on this subject is secret. What can be said is that all the evidence points to increasing diversification into and reliance upon "legitimate" sources of income. A brief outline of the main organisations and their activities may help in assessing the nature and extent of the problem.

Provisional IRA/Sinn Fein (PIRA)

7. PIRA's annual running costs are estimated at between £4-5M. The main known source of PIRA funds is the running and control of social clubs (largely based in Belfast but with a small Londonderry element) including proceeds from drink and gaming machines. Many of these clubs have annual turnovers in excess of £150,000. For the financial year ended 31 December 1987 their total declared turnover (excluding gaming machines) exceeded £6M. The true annual turnover is much higher than the figure declared and is achieved by using two sets of books and records.

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8. The books and records of the Association of Clubs (ACL), the umbrella "front" organisation which controls and exploits PIRA social clubs in Belfast, are kept by sympathetic accountants. These accountants oversee and safeguard PIRA's other commercial enterprises including black taxis, shops and building sub-contractor tax frauds.

9. The known sources of direct PIRA income are as follows:

PIRA/Sinn Fein social clubs	£1.25M
Small scale extortion and protection rackets (other social clubs, construction industry, shops, pubs, garages and individuals etc)	£0.5M
Building sub-contractor tax frauds	£0.5M
Involvement in commercial enterprises (pubs, clubs, estate agents, amusement arcades, taxis, mobile shops etc)	£0.5M
Overseas	£0.25M

TOTAL	£3M

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10. Whether the quantum of known sources of PIRA income is correct and what other as yet unidentified sources of income are helping to finance terrorism and what can be done to reduce or disrupt the flow of money is part of the ARU remit.

Official IRA/Workers Party (OIRA)

11. Like other paramilitary groups OIRA puts a great deal of effort into its fund raising activities. There is substantial evidence that the Workers Party political activity is financed largely by OIRA. With less than 2% of the popular vote in Belfast, the WP runs five advice centres, whereas the SDLP can barely finance one whilst getting 20% of the vote. Illegal fund raising is concentrated on building sub-contractor tax frauds, small scale extortion and gaming machines and produces an annual income in excess of £2M. In addition a substantial but unquantifiable income is received from "legitimate" businesses such as social clubs, publishing and shops.

Irish National Liberation Army/Irish Republican Socialist Party (INLA)

12. INLA's arrangements for raising money are less formalised than those employed by PIRA and OIRA. There does not appear to be more than a token attempt at central direction of the organisation's finances and, despite recognition of the need for forward planning and more regular sources of income, INLA is almost constantly short of money. Detailed reliable reports on INLA's finances are rare, and no figures are available for total income and expenditure. Regular income is known to be derived from building sub-contractor tax frauds, small scale extortion, taxis and gaming machines.

Ulster Defence Association (UDA)

13. The UDA as a whole is a wealthy organisation with assets totalling several hundreds of thousands of pounds. Fund raising is an important, if not crucial, driving force in UDA activities. But to date it has not been possible to reliably assess UDA fund raising activities. The main sources of income are known to include extortion and protection rackets, ownership of several Belfast social clubs (overall turnover in excess of £1M), a controlling interest in a large number of pubs, clubs and bars and involvement in other commercial enterprises.

Ulster Volunteer Force (UVF)

14. The UVF is a proscribed organisation. Owing to its loose structure is not possible to assess the UVF's financial position with any accuracy. It raises its money in broadly similar ways to the UDA ie extortion and protection rackets, involvement in commercial organisations, black taxis, the running and control of social clubs, tote money and gaming and vending machines.

Overview

15. Any significant reduction in or disruption of the funding of paramilitary groups and individuals will make an important contribution to the battle against terrorism. Over the past 20 years the cost of repairing bomb damage alone (reimbursed by Government) has amounted to £650M. A substantial part of this sum is understood to have finished up in terrorist hands and is feeding the cycle of destruction.

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16. Paramilitary racketeering entails a double loss - not only are money and resources diverted from the common good but these funds are then used against the community to divide and destroy it. The Prime Minister, Secretary of State for Northern Ireland and other senior Ministers have pledged that there will be effective action to break this cycle. The problem will not be tackled by the cosmetic exercise of creating or shuffling paper but will require a substantial investment of skilled operational resources.

17. The provision by terrorist groups of social and economic facilities results in a "legitimate" source of income and the added bonus that members and supporters are provided with a vehicle for identifying with the organisation and its long-term aims. For example the setting up and running of social clubs satisfies three important aims - fund raising, a centre for culture, entertainment and politics and lastly employment (or more often illegal supplement of social security benefits) to members and supporters of the terrorist group. The result is the fostering of a "separate state mentality" with terrorist groups seeking to direct and control the environment, working practices and lifestyle of the willing and unwilling "citizens" within their "jurisdictions". It is essential that effective counter-measures be taken to check this insidious terrorist growth of influence.

EXISTING RUC RESPONSE

18. The RUC have and will continue to play the leading role in combatting all aspects of terrorism in Northern Ireland. In general

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policing is reactive rather than pro-active; that is police respond to complaints that criminal offences have been committed and regard their primary task as the apprehension and conviction of the criminal. There have been many complaints about racketeering but securing convictions has proved very difficult because witnesses have been intimidated and have declined to give evidence.

19. Since the traditional method of obtaining convictions for terrorist crimes is often ineffective an alternative stratagem is to embark on detailed financial investigations involving the assembly, collation, analysis and evaluation of business records, documents and other intelligence data. This information enables the preparation of financial profiles aimed at identifying and curbing sources of income, dissipating the racketeers' assets and wherever possible securing convictions. Effective law enforcement in this area would have a salutary discouraging effect on the terrorist racketeers from both Loyalist and Republican camps. The RUC efforts in financial targetting have been limited because they lack legal powers (which will be rectified in part at least by the provisions contained in the Prevention of Terrorism Bill) and most importantly financial investigations expertise.

20. In recent years the terrorists have diversified their fundraising activities and are now believed to be the beneficial owners of and reaping financial benefits from clubs, pubs, restaurants, video shops, estate agents, companies, properties etc. The prima facie legality of certain or in some instances all these

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activities would not normally provide justification for RUC investigation. Financial targetting of these "lawful" enterprises and other fund raising activities will be extremely time consuming and resource intensive due to the individuals, groups and organisations involved and the complexity and clandestine nature of their finances.

21. Work in the financial investigation field is never easy: indeed it is generally accepted to comprise the highest degree of difficulty and the lead times involved are substantial. The racketeers and terrorist groups, whose financial resources are to be attacked, are known already to have taken preventive steps to hide assets or transactions and to further diversify and re-structure their organisations. Current information confirms that all the terrorist organisations are unnerved and concerned at the prospect of detailed and expert financial investigations - spearheaded by the ARU - on the lines portrayed by the media. The conclusion is that the terrorists have a great deal to hide and hitherto have not had to devote skilled resources to protect their fund raising activities. The terrorist groups can be expected to resist strongly - physically as well as by making use of all legal processes eg judicial review - when the financial investigation powers begin to bite. Successful financial investigations will take far longer than would be expected in normal criminal investigations.

22. The RUC are tackling the criminal aspects of paramilitary racketeering vigorously and the past 18 months has seen a substantial increase in the establishment and overall efficiency of

the Anti-Rackets Squad (C1/3). The terrorists, however, are increasingly switching their efforts into "legitimate" and "semi-legitimate" enterprises to disguise their criminal activities and launder funds. Identifying and tackling these "scams" requires skilled financial investigation techniques and the harnessing of the resources and legal powers of various Government Departments. The RUC accept that on their own - just as the work of the Serious Fraud Office is beyond the capabilities of the Metropolitan Police - they do not possess the knowledge and expertise to carry out the detailed financial evaluation and investigation required if there is to be any meaningful reduction in racketeering and terrorist finances. In any event it might be considered inappropriate for the RUC to carry out some of the tasks to be undertaken by the ARU.

ASSISTANCE PROVIDED BY OTHER GOVERNMENT BODIES

23. I have spoken to senior and middle level staff in the Government Departments and Public Bodies in Northern Ireland most closely involved in paramilitary and terrorist finances countermeasures. Whilst welcoming the proposed ARU initiative there is a deep rooted suspicion that Ministers intend the ARU to be an under resourced "cheer leader" and that in reality they and their staff will be required to take the lead in combatting terrorist finances. All the participants made it equally clear they and their staff would refuse to do so.

24. All officials expressed their willingness to help and co-operate with the ARU on a non-attributable basis. This arose from an understandable reluctance to place themselves, their colleagues or families in physical danger on account of any perceived association, however tenuous, with the forces of law and order. For the same reason many departments are reluctant to have any direct contact with the RUC.

25. The discussions identified the absence of a central unit receiving information on terrorist finances or fund-raising activities and co-ordinating effective counter-measures. The view was repeatedly expressed that only a high powered and properly resourced task force could hope to provide a solution to the problem and that the creation of such a unit would be a clear signal that the Government meant business in the anti-terrorist finances initiative.

FAILED SOLUTIONS

26. In the past the emphasis has been to secure conviction of those involved in terrorist inspired racketeering or to tinker with statutes or regulations to curb or overcome specific problems. In the first instance, despite the problem of witness intimidation, the RUC have achieved some notable successes. There have, however, also been some notorious failures when racketeers have terrified witnesses into silence (eg Chief Constable v Craig and others 1985). In the legislative solutions area the success factor has been equally patchy. A simple example of the problems in this field

can be found in the Northern Ireland Emergency Provisions Act 1987 which included compulsory registration of private security firms - some of which were simply extortion gangs. The measure succeeded in that a number of suspect firms went out of business. The same persons then resurfaced "offering" businessmen various other site services and/or spurious consultancy arrangements.

27. Intelligence assessments confirm that occasional RUC successes and ad hoc legislative and administrative solutions have at best enabled racketeers and terrorists to demonstrate their resourcefulness and have not had any significant impact on funds raised. In this respect the RUC are no different from overseas police forces facing similar organised criminal gangs. The Australian Parliamentary Joint Committee (1988) On The Evaluation Of The National Crime Authority stated at page 9 of their report:

"The National Crime Authority had its genesis in the reports of the Williams, Stewart and Costigan Royal Commissions which pointed to the inability of existing Law Enforcement agencies to come to grips with a phenomenon which, for want of a better term, they called 'organised crime'".

28. To pass legislation attacking crime or criminals is never, of itself, a sufficient response. What must then be done is to take the necessary administrative and operational steps to enforce that legislation. It is the task of the ARU to spearhead the legislative, administrative and financial investigative initiative.

OVERSEAS INITIATIVES

29. Many countries have been faced with similar problems of organised crime. The only countries recording any success in combatting such activities have been those which have set up specialist task forces to target and investigate organised criminals and their organisations and to co-ordinate the activities of the police and public bodies. Wherever the organised crime phenomenon arises it has been found insufficient to rely on the police or legislative measures alone to counter the problem. In all cases the task force is comprised of senior and experienced staff possessing specialist investigation or other skills - legal, accountancy, revenue, customs, information technology etc - supported by appropriate operational and administrative staff.

30. It is informative to consider the task forces set up in the USA and Australia where organised crime and corruption have become endemic. These task forces (which are complemented by conventional police anti-rackets units) are substantial in size with large running costs as illustrated by the following table (comparative figures for the proposed initial ARU are shown).

COUNTRY	NO OF STAFF	RUNNING COSTS BUDGET IN £M
USA	550	33
Australia	250	9
ARU	20	0.75

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31. It should be noted that the initial task force complements were increased when the full measure of the organised crime problem became apparent.

RATIONALE FOR ARU AND GOVERNMENT COMMITMENT

32. In considering the nature, composition and likely effectiveness of any body charged with the task of co-ordinating the attack on terrorist finances it is highly instructive to look at experience in other countries where organised crime is endemic. The international experience, outlined in paragraphs 29 to 31, establishes the rationale for an ARU type task force.

33. The extent and severity of the Northern Ireland racketeering and terrorist finances problem has been well documented and preliminary consideration of the rationale and role of an ARU has already been the subject of correspondence between Ministers, NIO and Treasury (listed in Annex A). The conclusion was that there is a need for a full-time multi-disciplinary Unit designed to concentrate solely on preventing paramilitary and criminal groups from exploiting or flouting the law for financial gain through rackets, extortion or other such activities.

34. Arising from the predictable external pressure on government it is important to bear in mind the public pledge which has been repeatedly given that paramilitary racketeering and terrorist finances will be resolutely tackled. In Northern Ireland the

38. The ARU's aims are:-

- a. To advise Ministers on developments on racketeering and terrorist finances over the whole sphere of Government, Industrial and Commercial activities. Racketeering and terrorist finances will continue to be high on the Law and Order agenda over the next 3 years and beyond.
- b. To carry out and/or co-ordinate detailed investigations into the finances of racketeers and terrorist organisations.
- c. To provide, where appropriate, technical and professional expertise to the RUC in its struggle to obtain evidence for successful prosecutions or otherwise to break the stranglehold of paramilitary racketeering.
- d. To coordinate and develop the efforts of Government Departments and Public Bodies with those of the RUC in the overall anti-racketeering and terrorist finances initiative and build and extend the relationships established by those bodies over the past few years.
- e. To participate in reviewing the existing legislative and administrative response and identify whatever new enforcement measures are required.
- f. To establish the need for and nature of specific Northern Ireland Anti-Racketeering and Terrorist Finances Legislation.

in order -

- g. To reduce and disrupt all sources of racketeering and terrorist finances.

INTERFACE BETWEEN ARU AND OTHER PUBLIC BODIES

39. The interface between the ARU and other NIO divisions, Government Departments and public bodies will initially have to be clearly defined and thereafter constantly monitored. It might seem that the ARU will be undertaking work which is already being dealt with by other offices and/or investigation agencies. In reality there is little or no detailed investigation by Government Departments and public bodies of terrorist finances because of the physical risk to the staff of such agencies and the consequences for continuing investigation of non-terrorist frauds or even general operational activities. The serious disruption suffered by the Inland Revenue arising from extensive bomb damage to three offices in the past 3 months and sporadic but extensive strike action by DHSS staff as a means of demonstrating solidarity against threats to their colleagues graphically illustrates the dangers of merely irritating terrorist groups.

40. Despite these afflictions there have been continuing attempts - at great personal risk and threat - by courageous officials of public bodies to frustrate and check the efforts of terrorist groups seeking to exploit the fund raising possibilities provided by public expenditure on, for example, large scale building contracts. The

legislative and administrative procedures implemented have generally proved inadequate or lack sufficient effective enforcement powers to seriously interfere with the terrorists' aims. Analysis of the measures already adopted in this area does, however, provide support for the proposition that a co-ordinated, wide-ranging and sustained ARU style initiative - linked to an expanded and increased departmental commitment - could successfully reduce and disrupt terrorist finances.

41. Indirectly terrorist groups and particularly PIRA benefit from Government schemes and grants - usually ACE and LEDU schemes - which provide employment and income for PIRA members and supporters. Participation in such schemes reduces the burden on PIRA's own resources and directly or indirectly furthers the organisation's aims. It provides the opportunity to exert influence on the young people involved in schemes which are often, in themselves, very worthwhile activities. The extensive scrutiny and vetting of ACE and other grant applications - using the criteria established in a Parliamentary statement by the then Secretary of State, Rt Hon Douglas Hurd, on 27 June 1985 - is an encouraging example of a successful initiative to block a terrorist source of income and influence. Vetting is a laborious business but it shows what can be achieved and may have lessons for other public bodies. The day-to-day implementation of the vetting policy would not be appropriate to the ARU. The policy implications, specific problems and developments and the extension of the principle and application to other areas of public expenditure would be relevant and appropriate to ARU scrutiny.

42. Current political initiatives provide another potential problem area for terrorist finances countermeasures. All Government departments are tasked with maximising cost effectiveness and value for money. The spread of privatisation policies - for example the value of services to be contracted out by area health boards is some £57M - offers potential, in the first instance to the private sector, and ultimately to the paramilitaries. Great care will be required in establishing and policing an effective anti-terrorist finances programme. Failure to do so could result within 5/10 years time in a recurrence of the present entrenched and widespread building sub-contractor tax fraud and extortion depreations.

43. The contracts and grants issues outlined above demonstrate the scope and boundaries of the ARU initiative. There can be no question of duplication of or taking on work which is already being satisfactorily handled by other offices or agencies. There is the possibility that when the ARU starts operations other offices will seek to dump work on it by pretending a terrorist finances connection. Furthermore agencies, who at present are coping with terrorist finances problems, may be tempted to direct work to the ARU. Whilst it is essential that the ARU be kept fully informed of progress in specific areas and genuine terrorist finances developments there is no ARU resource to tackle anything other than essential ARU work. All submissions will be strictly scrutinised to ensure that there is no off-loading of work that can and should be dealt with by other offices and agencies. Close liaison will ensure that there is no duplication of work.

ARU MODUS OPERANDI

44. The nature and extent of the problem facing the RUC, ARU, Government Departments and other public bodies in tackling racketeering and terrorist finances can be gauged by the following extract from an informed article in the Irish Independent dated 21 September 1988.

"But those like the SDLP's Brian Feeney, who have been urging a more co-ordinated approach fear that the clamp down may be too little and too late. The IRA has had time to consolidate its hold on ghetto communities, providing basic amenities like a transport system, through the Black Taxis and entertainment, through legalised drinking clubs. Its aim has been to become the life and sole of the community identifying with all its needs and it has largely operated undisturbed. Now that it has branched out into legitimate business like hotels and property, with the best of professional advice from sympathetic lawyers and accountants, only the most draconian laws will be able to touch it. The Provisionals' activities in the North are run from a headquarters in West Belfast well known to the police and its meetings have been compared to the regional sales conferences of any big company. Managers are shifted around, to keep the organisation running at full stretch, and the Government's only defence has been to refuse grants to the headquarters building".

45. To achieve its stated objective the ARU will have to take simultaneous action on a number of different fronts; apply flexibility and lateral thinking and adopt novel investigative techniques. This will entail a mixture of research, analysis, investigation, evaluation, effective application of existing law and the identification and promotion of amending legislation. All of this requires a determined, measured and professional approach whilst at the same time exercising tact, sensitivity and prudence in an extremely volatile and contentious political situation.

46. The likely areas of work and lines of enquiry appropriate to a specialist task force with financial skills, experience and techniques not generally available to or adopted by the RUC include:-

- . Interviewing senior officials of Public Bodies, Banks, Financial Institutions and Public Companies in the UK and overseas.
- . Constructing individual, group and organisation financial profiles.
- . Establishing the viability of financial investigation projects by the application of street sense, scepticism and judgment.
- . Monitoring, screening and interpreting financial intelligence which will involve data extraction, relationship charts and diagrams etc.

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- . Researching the "laundering" of terrorist finances which may involve overseas financial institutions and enterprises.
- . Detailed examinations of terrorist business accounts and other business and private records.
- . Examining third party business accounts and records (to confirm the accuracy or otherwise of specific transactions by the terrorist or his business).
- . Detailed analysis of multi bank accounts and other financial records, possibly held in false names.
- . Ascertaining the true extent and beneficial ownership of UK and overseas assets etc.
- . Confirming the legality of specific transactions.
- . Examining the terms of contracts and rights and obligations under them.
- . Reviewing failed solutions, confirming the diagnosis, identifying administrative and/or legislative solutions and promoting same.

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- . Assessing and considering past and present overt and covert terrorist fund-raising activities in Northern Ireland and elsewhere with the aim of anticipating likely future fund-raising plans and where possible arranging appropriate preventive measures.

- . Encouraging public bodies to enforce compliance with the law.

- . Devising ways in which officials enforcing the law can be protected from intimidation eg using specially appointed officers from the UK to take nominal charge and responsibility for certain administrative functions and duties and thereafter if necessary to give evidence before Courts or Tribunals.

- . Establishing and developing reliable and useful sources of information in the UK and overseas.

- . Liaising with DPP, Crown Solicitor and Courts Service.

- . Liaising with overseas organised crime investigation bodies.

- . Liaising with UK and GB Government Departments to ensure an effective and uniform approach to common problems.

- . Liaising with Foreign and Commonwealth Office on Treaty arrangements to secure effective anti-terrorist financial restrictions.



- . In prosecution cases liaising with RUC and DPP on the preparation of simplified charts, schedules and visual displays to aid the presentation of financial evidence to the Court.

- . Briefing ministers on racketeering and terrorist finances.

- . Involvement in the legislative process.

- . Referring evidence of professional malpractice to the appropriate self-regulating body.

- . Referring evidence of fiscal malpractice to the appropriate Government Department.

- . Briefing security forces on the nature and value of documentary and other evidence germane to financial investigations.

- . Devising a misinformation strategy as to the true intentions of the RUC and ARU on for example investigations into particular persons or organisations etc.

47. An important element in a successful anti-terrorist finances drive will be the development of a long term and coherent investigation strategy utilising a comprehensive financial information data processing system. This will enable the collection, analysis and dissemination of financial intelligence to and/or from the RUC , Armed Forces, Government Departments, Public Bodies and other sources.

POLICY AND OPERATIONAL ACTIVITIES EVALUATION EXERCISE

48. Performance assessment in law enforcement agencies is difficult to measure. The ARU cannot be assessed according to its visibility for the obvious reason that the greater the profile the greater the danger to individual members of the ARU. The objective of the ARU is to reduce and disrupt all sources of racketeering and terrorist finances. The inherent difficulty in attempting to arrive at a set of performance measures or indicators against which to assess this objective is that it is impossible to quantify with any precision the size of the task faced by the ARU or to measure what, if any, progress will have been achieved in the first year or two of its operations. In this connection the Australian Parliamentary Joint Committee (1988) on the evaluation of the National Crime Authority stated at page 3:

"Unfortunately a lot of the impact of expenditure for organisations like the National Crime Authority is cumulative and so five, six and seven years down the track you are likely to find a larger impact than you find in the short term. It is almost impossible to effectively disrupt organised crime in one or two or three years".

49. The term "success" is a very difficult word to define and even more difficult to assess. Quantification of the extent by which terrorist finances are reduced and the number of persons arrested and convicted as a result of ARU inspired/involved investigations are obvious yardsticks by which the success of the ARU can be

measured. I do not consider either statistic by itself or both taken together would provide a satisfactory measurement of the ARU's overall performance.

50. For obvious reasons it will not be possible to make any meaningful calculation of the extent by which the proceeds of paramilitary racketeering and terrorist finances have been reduced but general indicators may be available from intelligence sources.

51. The yardstick of arrest and conviction is an easily quantifiable measurement and one that is readily understood. There is difficulty in measuring the worth of an arrest in this context. The arrest of an individual at the top of a criminal organisation for example may well be of far greater significance than the arrest of many lesser placed individuals. On this point the "Organised Crime conference papers (1983)" which preceded the creation of the Australian National Crime Commission in 1984 stated at page 60:

"The destruction of a criminal organisation, as one participant in organised crime, is not achieved by the conviction of a few of its members. The whole organisation must be tackled. Efforts must be made not only to punish its members, but to destroy its profitability and wealth. A piece-meal approach, the prosecution every now and then of some of its agents, with no attempt to apprehend the higher echelons, will have no tangible effect. Accordingly society should make possible a joint attack on the organisation. One prong should be directed at the liberty of its members. The other should be directed at the accumulated wealth".

And in discussing the impact RICO (USA Racketeer Influenced and Corrupt Organizations legislation enacted in 1970) had on organised crime observed at page 76:

"Making a case is complex and requires lengthy investigation by highly-skilled investigators, supported by skilful accountants and lawyers. Its operation demands abilities, particularly from the lawyers, encompassing far more than just the criminal law. They must be knowledgeable and have experience in commercial matters, particularly Company law and Trade Practice law. Its impact is not, in any event, to be measured by the gross number of cases brought. Plainly, one RICO case brought against a criminal organisation leading to the destruction of that organisation would outweigh a thousand substantive convictions of the agents of the organisation for the individual offences they committed".

It is clear that the effectiveness of the ARU cannot simply be measured by the number of successful prosecutions resulting from ARU inspired investigations.

52. I believe it would be a grave mistake to concentrate solely upon the relationship between costs and benefits and ignore consequences which undoubtedly flow but cannot be measured in money terms. The creation of an ARU will by itself have a deterrent effect and its very existence has already increased the fear of detection, conviction and financial loss in the minds of paramilitary racketeers and terrorist financeers. The increased resources provided to the forces of law and order by the

establishment of the ARU will send important messages to public bodies and the general public and will encourage them to assist in the initiative against terrorist finances.

53. It will, however, be possible to assess the effectiveness of the overall initiative, including the contribution of the ARU, but only at the end of a substantial running in period when the following criteria will be relevant:

- (a) the number of racketeers put out of "business";
- (b) the extent to which terrorist finances have been disrupted;
- (c) the extent to which terrorist fund raising activities have been curtailed;
- (d) the public perception of and support for the anti-terrorist finances drive;
- (e) the extent to which legislative and administrative loop holes have been plugged.

ARU - QUANTITY AND QUALITY OF STAFF

54. The setting up of the ARU has been welcomed by the RUC and senior members of Government Departments and Agencies. As stated in paragraphs 23 and 24 Civil Servants and other State employees are justifiably concerned that assistance provided to the ARU should not be highlighted in public statements because of the obvious threat to the personal safety of operational staff with a high community

profile. This is a very sensitive area. Co-operation with and the building of confidence in the ARU and its activities needs careful handling which can only be provided by the right number and quality of staff. The size, composition and effectiveness of the ARU will be closely observed by the RUC, Government Departments and Agencies. If the ARU is to establish itself as a credible task force it has to be seen to be capable of coping with and carrying out the job it was designed for. An under-staffed and under-resourced unit will not command the confidence of the professional and public bodies with which it will have to work in order to produce results. Any failure of confidence would also reflect adversely on Ministers, their security policies and repeated public commitments to tackle the problem resolutely.

55. Every investigator in the ARU will have to:-

- a. Possess, and demonstrate a proven track record in the application of, investigative skills;
- b. Exhibit relevant personal qualities and abilities - for example determination, professional and business knowledge, tact and good judgment. Crucially in the Northern Ireland context, an investigator will need courage and reliability when - not if - subjected to threats and intimidation during working and personal life;

- c. Be accustomed to meeting, dealing with and gaining the confidence of outside bodies and individuals including high-level officials from a variety of Public bodies, senior police officers, businessmen and members of the general public.

56. ARU investigators will have little opportunity or encouragement to leave awkward judgements to others. The terrorist finances sphere of influence is a rough, tough environment in which an investigator must be ready to take brave but sensible decisions. The investigator must be experienced and of sufficiently senior grade to display authority, knowledge and self-confidence.

57. The ARU will not produce immediate or early results. Success in combatting frauds and extortion which have festered and grown for more than a decade will be hard-earned and the result of painstaking application of investigative, interrogatory and analytical skills acquired over many years working in the financial investigations area. A special task force of highly experienced and dedicated investigators is the core of the Anti-Racketeering initiative. Investigators with the requisite skills and judgment will almost certainly be already middle/senior level civil servants ie SEO/Prin/Senior Prin grades.

58. My own experience as a senior Inland Revenue investigator comes in directly here. I see a similarity - in investigator job-loading

terms - between the ARU and an Inland Revenue Enquiry Branch group which is recognised and accepted throughout the UK professional and business community as an elite financial investigation unit. A typical Enquiry Branch group comprises 10 investigators of SP/Prin grade. The problems faced by the EB Manchester group - which deals with Northern Ireland and Greater Manchester and of which I was group leader for 4 years - do not compare with the complex, intractable and severe paramilitary racketeering problem in Northern Ireland.

CONCLUSIONS

59. The real measure of a successful ARU will be the suppression of organised crime and the easing of an horrific threat to the law-abiding members of the community in Northern Ireland. To fail to mount the most effective challenge possible to paramilitary racketeering and terrorist finances is to abandon civilised standards and store up ever increasing despair and trouble for future generations. The examples of the USA, Sicily and Australia to name but three demonstrate the consequences of unchecked organised crime.

60. I am convinced that a properly staffed and funded ARU can make an effective and worthwhile contribution to the battle against terrorism. I have identified areas in which financial experts can

spearhead pro-active counter measures. The proposed ARU staffing has been calculated by reference to the obvious and immediate areas in which expert financial investigation can make an effective contribution. The aim is to cut off or reduce terrorist funds and to make terrorists and their organisations expend far more time, money and energy, than they have had to do in the past, on fund-raising activities.

61. I conclude that the ARU must initially comprise a Director, 9 investigators and adequate operational and administrative support staff. The specialised disciplines to be covered by investigators, in addition to core investigatory skills, are recorded in Annex C. The obvious risks of being part of a high-profile operations unit will require flexibility when selecting investigators. A draft job description for an ARU investigator is included at Annex D. Details of the operational and administrative support staff required are to be found in Annex E.

62. I would stress that these staffing resources are the minimum initial requirements for an effective and credible anti-racketeering team. Experience in other investigation units suggests that the creation of a successful ARU will, in itself, generate interest in and support for anti-racketeering and terrorist finances measures, an increase in intelligence material and the uncovering of as yet unknown sources of paramilitary finance. In this event the ARU staffing requirements will have to be re-assessed.

63. I am firmly of the opinion that until the full initial resources (establishment, budget and accommodation) I have requested are made available, the ARU will not be the effective body I am convinced it can and should be.

(signed)

A MUNRO
Director
ARU

30 November 1988

JI/1616

Ministers/Treasury/NIO correspondence

- A1. Secretary of State letter 8 September 1987
- A2. Chief Secretary to Treasury letter 29 September 1987
- A3. NIO letter 30 September 1987
- A4. Treasury letter 6 October 1987
- A5. NIO letter 7 December 1987
- A6. Treasury letter 10 December 1987
- A7. NIO letter 13 January 1988
- A8. Treasury letter 19 January 1988
- A9. Treasury letter 9 February 1988
- A10. NIO letter 12 May 1988

