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**Australian Government**  
**Australian Institute of Criminology**

Fraud against the  
Commonwealth  
2008–09 annual  
report to government

Prepared by Jade Lindley & Russell G Smith

**AIC Reports**  
Monitoring  
Reports **14**



# Fraud against the Commonwealth 2008–09 annual report to government

*Prepared by Jade Lindley & Russell G Smith*

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# Acronyms

<b>ABS</b>	Australian Bureau of Statistics
<b>ACBPS</b>	Australian Customs and Border Protection Service
<b>ACC</b>	Australian Crime Commission
<b>AFP</b>	Australian Federal Police
<b>AGD</b>	Attorney-General's Department
<b>AGIS</b>	Australian Government Investigation Standards
<b>AIC</b>	Australian Institute of Criminology
<b>ANAO</b>	Australian National Audit Office
<b>APCA</b>	Australian Payments Clearing Association Ltd
<b>APS</b>	Australian Public Service
<b>ATO</b>	Australian Taxation Office
<b>BER</b>	Building the Education Revolution
<b>CAC Act</b>	<i>Commonwealth Authorities and Companies Act 1997</i>
<b>CDPP</b>	Commonwealth Department of Public Prosecutions
<b>EEHP</b>	Energy Efficient Homes Package
<b>FMA Act</b>	<i>Financial Management and Accountability Act 1997</i>
<b>HIP</b>	Home Insulation Program
<b>IP</b>	Intellectual property
<b>NFA</b>	National Fraud Authority
<b>QARs</b>	Quality Assurance Reviews



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# Executive summary

## Introduction

This report presents the findings of the seventh annual survey of the fraud experiences of Australian Government agencies reported under the *Commonwealth Fraud Control Guidelines, May 2002* (the Guidelines). It is the third survey undertaken by the Australian Institute of Criminology (AIC). As required by the Guidelines, the AIC is to produce a report each year on fraud against the Australian Government and fraud control arrangements within Australian Government agencies. The current report is based on information relating to the 2008–09 financial year, which was supplied by Australian Government agencies after October 2009. Data were provided through the completion of a secure online survey by relevant agencies. In addition, and as required under the Guidelines, this report includes additional data provided by the Australian Federal Police (AFP) and the Commonwealth Director of Public Prosecutions (CDPP) relating to fraud investigations and prosecutions, respectively. It also reviews and compares public sector fraud findings derived from various fraud surveys undertaken in recent years by market research organisations and consultancy practices.

## Context

Crimes involving dishonesty, collectively known as fraud, have been estimated to cost Australia many billions of dollars each year. Fraud affects all sectors of the community, extending from individuals who have responded to online offers to make ‘quick money’, to large companies and government departments that have suffered fraud at the hands of their employees, or members of the public. Fraud risks arise in connection with all government activities but may have particular importance in connection with the implementation of large-scale new government programs.

Fraud against the Commonwealth may be committed by individuals outside of agencies (external fraud) who seek to claim benefits or obtain some other financial advantage dishonestly, or by those employed by agencies including staff and contractors (internal fraud). The incidence and financial impact of internal fraud is generally less than external fraud, although both deplete government resources and have a negative impact on the administration of agencies.

Fraud in the public sector deprives governments of income with which they provide services to their communities, while fraud in the private sector can seriously harm businesses and individuals alike. The Australian Government agencies that responded to the present survey reported total losses of \$598m during 2008–09. In the private sector, recent estimates of personal fraud losses for 2006–07 reported by respondents to the national survey of households conducted by the Australian Bureau of Statistics (ABS) totalled \$977m (ABS 2008), while respondents to KPMG’s survey of Australian and New Zealand businesses in 2008 reported losses of \$301.1m over the two year period 2006–08 (KPMG 2009). In response to the global financial crisis, the Australian Government implemented an extensive financial recovery program during 2008–09. Substantial government funds were provided to stimulate the economy as a protection against the risks of economic recession. Three measures adopted by the government were investigated by the Australian National Audit Office (ANAO) and were found to have created opportunities for fraud.

The first, the Home Insulation Program, was introduced as part of the Energy Efficient Homes Package in February 2009 with the government allocating \$2.8b for Australians to install insulation in their homes. The ANAO conducted a review of the program in 2010 and found instances of non-compliance in relation to approximately 25,000 claims made for work performed under the program (ANAO 2010b; Minister for Climate Change, Energy Efficiency and Water 2010).

Allegations of fraud also arose in connection with the Home Sustainability Assessments program which was introduced in the 2008–09 Budget under the Green Loans program. Again, the ANAO conducted an audit of the scheme which led to it being amended in February 2010 so as to ensure that assessors complied with the scheme by capping the number of assessments able to be filed per week (DCCEE 2010).

A third program, to improve Australian school facilities called *Building the Education Revolution*, was announced in February 2009 and this was also subject to allegations of fiscal waste. In May 2010, an ANAO audit report found that despite claims of wasted money, only 103 complaints had been made about the program and that 95 percent of school principals were satisfied with the program (ANAO 2010a).

These recent examples of fraud and waste in connection with large-scale government programs reinforce the need for fraud control and risk management procedures to be actively enforced within government agencies. Where large-scale new programs are to be introduced, internal controls and risk management policies need to be reviewed in order to ensure that fraud risks are avoided.

When fraud does occur, there are many avenues of response that may be followed—some obligatory under official policies and laws, and others optional depending on the scale and circumstances of the offence. Often, however, fraud is not reported officially and sometimes repeat victimisation occurs—on occasion by the same offender against the same individual or organisation.

The past decade has seen the development of an extensive range of responses to this problem by government and business alike, notably in response to changes in information and communications technology and the resulting increased vulnerability to computer-enabled crime.

## 2008–09 survey

This report examines the fraud experiences of Australian Government agencies in respect of the 2008–09 financial year. It includes evidence of the type and cost of detected incidents, the number of incidents investigated and the prevention and control measures adopted by agencies.

The questionnaire used to collect information from agencies in 2008–09 varied slightly from the 2007–08

questionnaire in order to improve the clarity of the questions and in response to feedback from responding agencies. The questionnaire will be further refined for the 2009–10 survey and it is anticipated that more substantial changes will be made thereafter following a review of the Guidelines, currently being undertaken by the Attorney-General's Department (AGD). This review will help to clarify the types of fraud and dishonesty that agencies are required to report under the Guidelines and will assist in enabling future fraud reports to be able to report trend information from year to year.

## Participating agencies

Under paragraph 8.13 of the Guidelines, reporting on fraud and fraud control is required by all Australian Government agencies governed by the *Financial Management and Accountability Act 1997* (FMA Act) and also by agencies governed by the *Commonwealth Authorities and Companies Act 1997* (CAC Act) that receive at least 50 percent of funding from the Australian Government or an Australian Government agency.

Australian Government agencies that do not fall within these criteria are not required to report, however, they are encouraged to do so and to comply with all aspects of the Guidelines. An invitation to complete the survey was sent to all Australian Government agencies and completed responses were received from 166 agencies, although this was reduced to 149 once those not covered by the FMA Act or CAC Act criteria of eligibility and some incomplete responses were excluded. Of the 149 agencies included, 101 were FMA Act agencies and 48 were CAC Act bodies receiving at least 50 percent funding from the government.

## Fraud prevention and control

Under the Guidelines, a risk assessment is required to be undertaken by agencies every two years. The number of agencies that completed a risk assessment more than two years ago increased from one percent in 2007–08 to four percent in 2008–09. The number of agencies that reported

never having had a risk assessment reduced from four in 2007–08 to three in 2008–09. Investigations revealed that these agencies' fraud control arrangements generally fell within broader risk management activities, rather than having separate procedures dedicated to fraud risk. The majority of agencies (62%) completed their most recent fraud control plan in the current financial year. Similar to the results for risk assessments, the number of agencies that completed their last control plan more than two years ago increased from three percent to five percent. However, the number of agencies that had never had a control plan declined from two percent to one percent, again largely due to these agencies having broader risk management plans that extended beyond fraud risk alone. Accordingly, it was apparent that all agencies had appropriate fraud control arrangements in place.

## Incidence and type of fraud victimisation

There was a decrease in the number of agencies reporting fraud victimisation, with 39 percent of agencies reporting a fraud incident in 2008–09, a reduction from the 45 percent reporting an incident in 2007–08. In 2008–09, slightly more agencies reported internal fraud (32%) than external fraud (30%), while nearly one-quarter had experienced both types of fraud (23%). In total, 800,698 incidents were reported in 2008–09 by 58 agencies—a reduction in the number of incidents from the 873,401 reported in 2007–08.

There were considerably more reported incidents of fraud alleged against persons external to agencies (external fraud) than by employees and contractors (internal fraud). In 2008–09, agencies reported 3,371 incidents of internal fraud. In terms of the five specified categories of internal fraud, incidents relating to financial benefits affected the largest proportion of agencies (21%). In terms of the specific subcategories of internal fraud 'misuse of government credit cards' affected the highest number of agencies (n=18, 38%), which differed from 2007–08 where 'misuse of leave and other related entitlements' affected the largest number of agencies (41%).

In all, agencies reported 797,327 incidents of external fraud. The majority of incidents related to entitlements, however, this only affected a small number of the largest agencies. One agency reported over 720,000

incidents alone, principally involving external fraud. In terms of external fraud, the most prevalent type of incident involved financial benefits (19%), however, the specific category of fraud that affected the greatest number of agencies was 'theft of telecommunications or computer equipment (including mobile devices)' (n=13, 29%).

In terms of agency size, it was found that the smaller agencies with 500 or fewer employees were less likely to report having experienced fraud incidents than the agencies with more than 500 employees. However, while the smaller agencies reported fraud at lower rates than larger agencies, they were not completely immune to fraud incidents. Thirteen percent of smaller agencies reported experiencing at least one fraud incident; while 81 agencies reportedly did not experience any fraud.

## Cost of fraud victimisation

Sixty percent of agencies that reported experiencing an internal fraud incident reported a financial loss in 2008–09, compared with 65 percent in 2007–08. Fraud related to misuse of entitlements was the most costly internal fraud category, with agencies reporting almost \$861,000 lost to this fraud type alone.

At 64 percent, slightly more agencies experienced a loss from external fraud than internal fraud, compared with 67 percent in 2007–08. The largest external fraud loss arose from fraud relating to entitlements with a total estimated loss of \$489m in 2008–09 compared with \$445m in 2007–08—the same six agencies reporting losses through entitlements as in 2007–08. For both internal and external fraud, there were several agencies that suffered losses that they were unable to quantify.

For both internal and external fraud, 62 percent of those agencies that experienced fraud incidents recovered money during the year 2008–09.

## Fraud detection and investigation

Detection of fraud incidents was most likely to occur through internal controls such as audits or internal investigations. This was true for both internal as well as external fraud incidents.

As required by the Guidelines, agencies generally investigated incidents of fraud themselves rather than referring them to an external agency or investigator. In the case of internal fraud, 48 percent (n=1,617) of incidents were investigated within agencies, while 92 percent (n=730,145) of external fraud incidents were investigated within agencies.

The majority of agencies reporting fraud identified at least one suspect. Almost 83 percent of those agencies that reported internal fraud identified a suspect, while only 43 percent of agencies that reported external fraud identified a suspect.

## Referrals

In 2008–09, agencies referred a total of 5,646 incidents involving external fraud and 78 incidents involving internal fraud for police investigation or prosecution by the CDPP. Of these, agencies referred 53 internal fraud incidents and 200 external fraud incidents to the AFP, and a further six internal fraud incidents and 74 external fraud incidents to state and territory police. Agencies also referred 19 internal fraud incidents and 5,372 external fraud incidents to the CDPP in 2008–09.

## Australian Federal Police

Apart from the information provided by agencies in response to this year's survey, the Guidelines also require the AFP and CDPP to provide information on matters dealt with during the previous year. These agencies adopt different definitions and categories for the purposes of data collection from those used by reporting agencies themselves, thus making their statistics on referrals not directly comparable with agency data.

During the 2008–09 financial year, the AFP accepted 368 fraud referrals and declined 47. During this year, 48 matters resulted in legal action (this included some matters initially referred in previous years). Losses involved in the 368 matters accepted for investigation during the 2008–09 financial year were estimated at more than \$70m.

## Commonwealth Director of Public Prosecutions

In 2008–09, 5,507 defendants were referred to the CDPP for prosecution involving allegations of fraud. Of these, 4,821 were prosecuted, resulting in 4,089 convictions and 36 acquittals. Charges against those prosecuted for fraud in 2008–09 involved alleged financial losses of more than \$79m. The CDPP secured more than \$45m by way of reparation under the *Crimes Act 1914* (Cth) and pecuniary orders under the *Proceeds of Crime Act 1987* (Cth). These recoveries related only to monies recovered during the 2008–09 year.

## Conclusion

This year's report provides policy-relevant information about the types of fraud Australian Government agencies reported experiencing and the methods used to commit them. In future years, the results from the annual survey will be able to provide trend data which will assist agencies in preparing fraud control policies and allocating resources in connection with the prevention and investigation of fraud. Future reports should also seek to explore in greater detail the problem of external fraud which accounts for by far the largest proportion of fraud detected by agencies—particularly the largest agencies. It would be useful to explore why these large agencies have apparently good levels of protection against internal fraud and yet continue to remain vulnerable to external fraud risks.

The present report shows the need for more consistent data recording practices and measurement of fraud within agencies, particularly concerning the question of the extent to which regulatory non-compliance ought to be included within the scope of the Guidelines and survey. Feedback from agencies highlights the fact that the definition of fraud contained within the 2002 Guidelines has been interpreted inconsistently by some Commonwealth agencies. With the introduction of revised Guidelines and improved data collection procedures, future *Fraud against the Commonwealth* reports will be able to quantify much more precisely the true nature and extent of the fraud experiences of all Commonwealth agencies, both internal and external.



# Introduction

This report presents the findings of the seventh annual survey of the fraud experiences of Australian Government agencies reported under the *Commonwealth Fraud Control Guidelines, May 2002*. The current report is based on information relating to the 2008–09 financial year, which was supplied by Australian Government agencies after October 2009 in response to an online survey conducted by the AIC. At the outset, the nature of the Commonwealth's fraud control arrangements is presented with a review of the nature and extent of public sector fraud risks that face Australian Government agencies at present.

## Commonwealth Fraud Control Guidelines

The Australian Government first released its fraud control policy in 1987. Changes in technology and Australian Public Service (APS) operations, particularly the use of third-party providers of services, led to reviews of the policy in 1994 and 1999. As a result of the 1999 review, the then Minister for Justice and Customs issued new *Commonwealth Fraud Control Guidelines* in May 2002 under rule 19 of the FMA Act. The Guidelines apply to all agencies governed by the FMA Act and bodies governed by the CAC

Act that receive at least 50 percent of funding for their operating costs from the Australian Government or an Australian Government agency. The Guidelines do not apply to a CAC Act agency that does not receive this level of funding. Such agencies are, however, strongly encouraged to comply with the best practice standards set out in the Guidelines. Agencies are responsible for determining their funding status to ascertain whether the Guidelines apply to them.

Under the current Guidelines, agency chief executives are required to take a holistic and ongoing approach to fraud risk management as part of their governance obligations. In particular, they need to ensure their staff are appropriately trained in fraud prevention, detection and investigative techniques. Chief executives are accountable to their portfolio minister(s) for the implementation of a fraud control plan and for reporting on fraud within and against their agencies annually to enable the preparation of this annual fraud report.

Prior to 2006–07, the AGD was responsible for the receipt and analysis of information from agencies and the production of the annual fraud report. In October 2006, the then Minister for Justice and Customs amended the Guidelines to transfer these responsibilities to the AIC. The AIC was also asked to consider how best to enhance the quality of the annual fraud report in order to ensure that its

findings could be used most effectively to develop the Australian Government's fraud control policy. Under paragraph 8.13 of the Guidelines, agencies are required to collect information on fraud victimisation and fraud control and to provide it to the AIC by 30 September each year.

## Background

### *The nature of fraud*

Fraud is a generic category of conduct that involves the use of dishonest or deceitful means to obtain some unjust advantage. Dishonesty is the key attribute that distinguishes fraudulent from innocent conduct. Rather than defining dishonesty in legislation, it is usually a matter of fact for juries to determine in criminal cases. Anyone can be a target of fraud, be it an individual or an organisation, and victims can be targeted by individuals or organised groups of individuals. Defining fraud is difficult because of the range of dishonest conduct. The lack of an agreed operational definition of fraud is one of the enduring limitations to effective quantification of the scale of the problem. Fraud is not a new phenomenon, but as technology continues to advance and its use increases, additional challenges are presented to those attempting to prevent and control fraud. Identity-related fraud and other technology-enabled frauds are increasingly becoming areas of concern for both the public and private sectors.

### *Types of fraud*

#### **Credit card fraud**

In the late 1990s, a study by the AIC revealed that the plastic card industry was being targeted by organised crime, with vulnerabilities arising from the manner in which plastic cards were issued and payments processed (Smith & Grabosky 1998). A continuing concern is the likelihood of hackers and other fraudsters gaining access to card numbers and other personal information by electronic means (Choo, Smith & McCusker 2007). KPMG's 2008 *Fraud Survey* found that credit card fraud represented 13 percent of all frauds, while cheque fraud represented two percent of frauds (KPMG 2009). Compared with the same KPMG survey conducted in 2006, credit card fraud has increased by

two percent, while cheque fraud has decreased by one percent, which reflects the trend of increased use of credit cards and decreased use of cheques (KPMG 2006). Data from the Australian Payments Clearing Association Ltd (APCA 2009) reveal that from January to December 2009, fraud perpetrated on Australian-issued payment instruments amounted to \$188,968,749 involving 659,201 transactions, which represented 0.0094 percent of the value of all transactions during that year. APCA data also show that from 2006–07 to 2008–09, the total number of credit/charge card transactions increased 17 percent, while from 2006–07 to 2008–09, the total number of fraudulent credit card/charge card transactions increased 88 percent. Although separate data are not available with respect to public and private sector, or with respect to organisations and individuals, it is clear that credit card risks exist for all who make use of these payment channels.

#### **Financial reporting fraud**

Auditing standard ASA 240 (AUASB 2006) identifies two types of financial reporting fraud:

- misstatements resulting from misappropriation of assets; and
- misstatements from fraudulent financial reporting.

Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in the financial report, to deceive financial report users. Fraudulent financial reporting may be accomplished by the following:

Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial report is prepared; misrepresentation in, or intentional omission from, the financial report of events, transactions or other significant information; or intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure (AUASB 2006: 12).

This type of activity has contributed to a number of high-profile corporate collapses in Australia and the United States in recent years (eg Enron and WorldCom in the United States). As a result of these collapses, the US Government passed the *Sarbanes-Oxley Act* which tightened reporting requirements for companies and increased penalties for financial crime (Kroll 2007).

## Intellectual property theft

With increasing storage and transmission of information by electronic means, managing and protecting intellectual property (IP) has become a high priority for organisations. Digitisation provides opportunities for IP theft without the theft becoming obvious or the thief being identifiable. Electronic surveillance and data-capture technologies can be used to steal commercial in confidence information, or may be directed at electronic IP. Enhanced reverse engineering techniques (stripping down and analysing competitors' products) also facilitates unauthorised access and exploitation of IP (Choo, Smith & McCusker 2007). The Ernst & Young (2010) survey found that less than one-quarter of respondents believed that their organisation was well-prepared to deal with significant IP theft. Governments, too, are at risk of IP theft and the present survey includes loss of IP as one of the fraud categories that agencies are asked to report on.

## Social security fraud

Social security fraud involves giving false or misleading information, or omitting relevant information, to a government agency in order to receive a social security benefit to which the person is not entitled. Benefits can include unemployment benefits, disability pensions and family allowances. In a report calculating the cost of fraud in the United Kingdom, the National Fraud Authority (NFA) reported that benefit fraud against the Department for Work and Pensions amounted to £1.1b in 2008–09. This represents an increase of £500m from the estimated mid-point of £700m in 2005–06, reported in the 2008–09 *Fraud against the Commonwealth* report (Levi, Burrows & Hopkins 2007). This included:

- £260m in housing benefit;
- £250m in income support;
- £110m in pensions credit;
- £110m in other related fraud;
- £80m in jobseekers allowance;
- £70m to incapacity benefit;
- £45m in disability living allowance;
- £50m in carers' allowance;
- £50m council tax benefits;
- £10m in instrument of payment fraud; and
- £10m in interdependencies (NFA 2010).

In Australia, Centrelink administered \$86.8b in payments to 6.8 million customers in the 2008–09 financial year alone. The large customer base of Centrelink leaves the agency particularly vulnerable to fraud. One of the ways to combat social security fraud is through the use of 'tip off' hotlines. In 2008–09, Centrelink conducted 50,277 entitlement reviews resulting from public tip-offs, which led to alterations to the customer's payment and/or a debt of \$119.3m (Centrelink 2009). In the 2008–09 financial year, Centrelink conducted nearly 3.9 million entitlement reviews that resulted in 641,504 payments being cancelled or reduced and generating customer debts totalling \$536.2m (Centrelink 2009).

## Extent of fraud

It is difficult to obtain consistent data relating to fraud in Australian jurisdictions because of different information systems, legislative definitions, data collection practices and prosecution activity. Despite this, it is known that a substantial amount of fraud occurs in the Australian community, affecting individual consumers, business and governments.

### Box 1 Social security fraud

For a period of five years, the defendant in this matter received a Disability Support Pension while maintaining employment and earning a total of \$149,314.74 in gross wages. She only declared to Centrelink that she had earned \$23,858.44 and during the course of the five years, the defendant received \$43,252.81 in social security benefits to which she was not entitled.

The defendant was charged with two counts of obtaining a financial advantage by deception contrary to s 135.2 of the Criminal Code. On 11 February 2009, the defendant appeared before the Magistrates' Court in Werribee where she was

discharged without conviction on condition that she be of good behaviour for 12 months. She was also required to repay the outstanding debt to Centrelink.

The Director of Public Prosecutions lodged an appeal on the grounds that the sentence was inadequate. On 19 June 2009, the County Court of Victoria upheld the Director's appeal, convicted the defendant and released her into the community on condition that she maintain good behaviour for two years.

Source: CDPP 2009



## Problems of measurement

There are many impediments to the accurate measurement of fraud. Part of the problem lies in the absence of agreed definitions, which has prevented data from being collected in a uniform and consistent way. Official statistics collected by police and other criminal justice agencies also only reflect matters that have come to the attention of the authorities and in the case of fraud, it is well known that such crimes are often undetected, unreported or not proceeded with by law enforcement agencies (Smith & Grabosky 1998). This creates difficulties for those seeking to obtain an accurate picture of the extent of the problem. Some victims, such as those who have given money to fraudulent and non-existent charities, may never realise that they have been victimised. Others, such as businesses and government agencies, may be unaware that employees have stolen inventory or stock.

Official statistics, particularly those relating to fraud and dishonesty offences, have limitations. The first problem, despite the best efforts of those involved, relates to accuracy. In addition, any changes in police detection rates, for example, or other factors that increase crime reporting and detection, can affect the number of incidents which appear in official statistics (Victorian Parliament Drugs and Crime Prevention Committee 2004). Similarly, changes in police agency resources and crime classification and recording practices can dramatically affect crime rates.

The other principal source of information on the extent of fraud comes from victim surveys and surveys of offenders. These may be carried out by interview or through self-report surveys. Surveys typically involve samples in which a small representative group of subjects is questioned and their responses used to predict the likely situation in an entire population. This, of course, introduces the possibility of error in predictions made and the need for statistical controls to combat this. There are also problems of reliability (whether repeated administrations of surveys elicit the same answers from the same subjects) and validity (whether the survey is measuring what it is intended to measure; Victorian Parliament Drugs and Crime Prevention Committee 2004).

In the case of public sector fraud, little information is available from victimisation surveys, as data gathered from organisations are rarely reported in a way that enables the experiences of public sector agencies to be disaggregated from the experiences of private sector organisations surveyed.

The circumstances and complexity of the offence may also make the construction of a meaningful survey difficult. Problems of telescoping information (including events outside the survey period), exaggeration of facts or selectivity of reporting, all of which are common problems with surveys and personal interviewing, can all affect the accuracy of information gathered using conventional techniques. There may also be problems of veracity, where a manager may be reluctant to report circumstances that may be incriminating personally, or which may attract negative publicity for the organisation. Finally, there may also be problems arising from organisational incentives which can skew the relative attractiveness of classifying losses as bad debt rather than fraud (eg when a card payment or other debt remains unpaid after only one or two initial payments).

Due to the difficulties in measuring the extent of fraud, generating an accurate picture of the cost of fraud has also been problematic. The difficulties in assessing the cost of fraud have been outlined previously by the AIC (Mayhew 2003; Rollings 2008). Alongside the challenges of obtaining good quality data, there are also problems that stem from the volume of 'hidden' fraud. 'Hidden' fraud, as defined by Mayhew (2003), consists of the frauds that, because of the level of deception involved in the incident, will go undetected and remain unknown to police and even the victims involved. As well as these problems of measurement, the costs of detected fraud are not always known, as victims might not be able accurately to estimate their losses. The result is that calculations of financial loss and other impacts can, at best, only be estimates and will invariably be lower than the actual loss suffered.

## Problems of under-reporting

Perhaps the greatest difficulty in assessing the extent of fraud lies in the fact that organisations are reluctant to officially report their experiences of fraud. This is evident from the results of KPMG's biennial surveys of its clients regarding their experiences of fraud and how they deal with it (KPMG 2009, 2006).

The results of the KPMG *Fraud Survey 2008* were derived from responses to a survey distributed in August 2008 to 2,018 of Australia's and New Zealand's largest organisations across the public and private sectors (KPMG 2009). The survey sought information about fraud incidents within the respondents' business operations during the period February 2006 to January 2008. Usable responses

were received from 420 organisations, representing just over 20 percent of the surveys distributed. It was found that 63 percent of major fraud incidents reported in the survey were referred to the police. This leaves 37 percent of fraud matters handled without police involvement. A range of other responses were reported, including internal and external investigations, or immediate dismissal of the individual in question. Some 60 percent of matters were dealt with by internal investigation and in 45 percent of matters immediate dismissal occurred (KPMG 2009). In the case of fraud against Australian Government agencies, the Guidelines require agencies to deal with most matters internally, which means that less than one percent of incidents are referred for police investigation.

In 2008, a survey was undertaken of not-for-profit organisations in Australia and New Zealand (BDO CAA 2008). Of the 384 responses received about perceptions and levels of fraud, only 41 percent of respondents indicated that they had reported cases of fraud to police, which is an increase of five percent of respondents who reported to the police from the 2006 not-for-profit survey.

The reasons why fraud may not come to the attention of the authorities are well-known. Some organisations may be unaware that employees have stolen stock or misappropriated equipment or misused services. In the case of online fraud, difficulties may arise in locating the offender, who may be a resident overseas or have used an anonymous re-mailing system to carry out the fraud. Often, the victims of economic crime may be unwilling to incur further time and expense in pursuing legal remedies (Smith 2008). There may also be a belief that there is inadequate proof, or that the matter is not serious enough to warrant police attention. There may also be a fear of reprisals if matters are reported or that the resultant publicity of security weaknesses could result in victims being targeted again, or a fear of losing business or of damaging commercial reputations. Finally, many public sector agencies often do not like to admit that they have a problem (Smith 2008).

A victimised government agency may believe that adverse publicity could result in a loss of confidence among the general public or clients (PricewaterhouseCoopers 2007). In KPMG's 2008 survey, organisations surveyed indicated a 'lack of evidence', the 'minor nature of the incident' and

'concern about the resources required to prepare the organisation's complaint' as their main reasons for not reporting matters to the police (KPMG 2009: 24). However, PricewaterhouseCoopers (2007) found that when the fraud was committed by a person external to the company, the matter was more likely to be made public. In addition, a reluctance to spend money to recover debts and 'sending good money after bad', can lead to losses being written-off rather than reported and investigated (Smith 2008: 387).

### *Estimates of extent and cost of fraud*

Despite the difficulties associated with measuring the cost of fraud, there have been attempts through surveys and other means to demonstrate the extent of the problem in Australia and overseas. Research on the extent of fraud is sparse and often conducted by individual agencies utilising a small sample. While this means there is little generalisable data, there is information about specific fraud incidents that are experienced by companies, particularly those in the private sector. However, due to the inherent difficulties in measuring fraud, it is likely that some estimates will greatly understate the actual incidence and losses involved.

#### **Australia**

Fraud has been identified as the most expensive crime category in Australia. According to ABS (2010) reported statistics, fraud and deception-related offences was the largest category of all federal offences from all levels of Australian courts. Rollings (2008) estimated that in 2005, slightly under 100,000 cases of fraud were officially recorded by police, but that this, using Mayhew's (2003) methodology, was probably only 25 percent of all the fraud cases that actually occurred. Accordingly, there could have been approximately 400,000 actual cases of fraud in 2005 (Rollings 2008). Recorded fraud in Australia was estimated to cost \$5.88b in 2001–02, or 30 percent of the cost of all crime (Mayhew 2003). The total cost of fraud, including intangible costs and recovery costs, was estimated at \$8.5b in 2005 using a slightly different method of calculation to that used by Mayhew in 2003 (Rollings 2008). Findings from KPMG's eighth biennial fraud survey in 2008, showed the collective total value of public and

private sector fraud was \$301.1m (KPMG 2009); however, this figure excludes personal fraud, which reportedly cost Australians \$977m in 2006–07 (ABS 2008). Despite these estimates being derived using differing methodologies, the increase over this time can be attributed to increasing fraud, consistent with other international findings.

Money was often not recovered following major fraud incidents. According to KPMG's survey results, in 89 percent of major frauds none of the loss was recovered. This was a stark increase compared with the 2006 results where only 42 percent of major frauds resulted in none of the losses being recovered (KPMG 2009, 2006). Not surprisingly, the size of an organisation was an important factor that correlated with the level of risk for fraud. In both the 2008 and 2006 KPMG surveys, it was found that the level of fraud was higher in larger organisations. In 2008, the most common type of major fraud was theft of cash (28%), followed by false invoicing (10%). These were also the two most common frauds in 2006, although their order was reversed. Fifteen percent of the largest incidents in 2008 involved identity fraud. In both years, fraud was most likely to be committed by an employee of an agency and internal controls were the most effective means of detecting fraud (KPMG 2009).

### International environments

Between November 2009 and February 2010, Ernst & Young (2010) conducted its eleventh global fraud survey in which 1,409 respondents from 36 countries including Australia were interviewed. Almost four percent (n=52) of respondents were from Australia. Of these, eight percent had experienced a significant fraud incident within the preceding two years, above the global average of 16 percent. However, measures required to manage and mitigate the risk of fraud were not increasing at a comparable rate with the increased occurrence of fraud (Ernst & Young 2010).

In 2008, Kroll (2009) commissioned The Economist Intelligence Unit to conduct a worldwide survey on fraud. In total, 890 senior executives took part in this survey, with one-third of the respondents based in North and South America, 30 percent in Asia–Pacific, just over one-quarter in Europe and 11 percent in the Middle East and Africa. The survey covered 10 industries, with no fewer than 50 respondents drawn from each industry. The survey found that

85 percent of companies were affected by at least one fraud in the preceding three years, which was higher than the 80 percent found in the previous survey. The average company in the survey had lost US\$8.2m to fraud during the previous three years. It was shown that poor controls and frequent employee changes increased the frequency with which companies suffered from a range of frauds (Kroll 2009).

The PricewaterhouseCoopers (2009) economic crime survey had 3,037 respondents from 54 countries. Of these respondents, 30 percent reported experiencing at least one fraud incident in the previous two years. As with the KPMG findings, fraud incidents increased with employee numbers. The most common method for detecting fraud incidents was identified as 'chance'.

BDO Chartered Accountants and Advisers (2008) conducted its biennial survey on fraud in the not-for-profit sector in Australia and New Zealand which found that recorded fraud rates were lower than in other organisations. The most recent survey was conducted in 2008 and involved a sample of 384 organisations. Of these, 16 percent had experienced fraud in the previous two years. Cash theft (33%), kickbacks/bribery (12%) and 'other' (13%) were the most common fraud types detected. Interestingly, kickbacks/bribery frauds were committed by 86 percent of males and only 14 percent of females, while cash theft was 47 percent and 53 percent respectively and cash theft was the most common fraud committed by both men and women.

In similar findings to the KPMG and PricewaterhouseCoopers surveys, fraud increased as turnover increased and in 44 percent of frauds, no money was recovered (this percentage includes 10 agencies that reported not recovering monies for both internal and external fraud). As with the KPMG survey, internal controls were the most common way in which fraud was detected, with 90 percent of frauds discovered through this method.

In 2006, the BDO Chartered Accountants and Advisers (2006) survey was slightly larger and involved 384 organisations. It was found that 19 percent of organisations had experienced fraud in the past two years and that most who experienced fraud recorded multiple fraud incidents. As with the 2008 results, cash theft was the most commonly recorded fraud

type, alongside expense account fraud. In terms of the size of the fraud incidents, 89 percent of recorded frauds were under \$50,000.

## *Perpetrators of fraud*

In its survey of business fraud in Australia and New Zealand, KPMG (2009) found that for fraud in non-financial institutions, 57 percent was committed internally, with management responsible for more of the total value of fraud than non-management employees (32% compared with 25%). Forty-three percent of frauds were committed by external parties. Similar results were found in 2006 where fraud was most likely to be perpetrated by an employee (54%). While non-management employees were responsible for more fraud incidents than management, the value of fraud was higher for the incidents committed by managers.

Using the results of the survey, KPMG created a profile of the 'typical' fraudster who was:

- a non-management employee of the victim organisation with no known history of dishonesty;
- a male aged 38 years acting alone;
- employed by the organisation for a period of six years and had held his current position for four years at the time of detection;
- motivated by greed, misappropriating cash to an average value of \$262,000; and
- detected by the organisation's internal controls 11 months after the commencement of the fraud, leading to the organisation recovering 12 percent of the proceeds of the fraud.

The profile contained characteristics that were largely the same as the 'typical' fraudster identified in 2006 (KPMG 2009) and closely followed the profile of convicted serious fraud offenders found by the AIC and PricewaterhouseCoopers in 2003 (Smith 2003).

In relation to the motivation of offenders, prior research by both the AIC (Smith 2003) and KPMG (2009) has shown that fraud offences are most often committed in connection with gambling problems, either as a means of obtaining funds for gambling or as a way of settling gambling debts. The other primary driver of fraud is personal greed and a desire to maintain a certain lifestyle. In time of a financial crisis, personal financial difficulties also provide an

important motivator. Identifying individuals who may be subject to these factors represents a valuable means of preventing fraud from taking place.

Finally, in relation to 'the absence of capable guardians' as a reason for why fraud occurs, relevant factors can be grouped into five categories:

- regulatory failures (breach of regulatory provisions);
- accounting/auditing failures (failure to detect accounting irregularities);
- security failures (computer security weaknesses, poor cash controls etc);
- prudential failures (failure to conduct creditworthiness checks etc); and
- personnel failures (eg staff screening, supervision and monitoring).

The study by the AIC and PricewaterhouseCoopers (Smith 2003) found evidence of these factors as follows. Overall, prudential failures to do with the provision of finance and credit and the verification of the backgrounds of applicants for finance were the highest areas of risk, followed by personnel failures involving inadequate supervision and control of staff within organisations. Accounting and auditing failures were also frequently present and arose in almost one-quarter of cases. Interestingly, in the private sector, prudential failures represented the highest risk category, while in the public sector there were similar numbers of cases involving prudential failures and accounting and auditing failures (Smith 2003).

## The nature and extent of public sector fraud

### *Types of public sector fraud*

As with all types of crime, there are three generally recognised requirements for fraud to occur. There must be the presence of an opportunity, a suitably motivated offender and the absence of a capable guardian who could prevent the crime from taking place (Clarke & Mayhew 1980). If all three are present, then fraud is likely to occur. In the public sector, opportunities arise for both internal and external fraud. In relation to internal fraud, the principal opportunities arise from poor internal

controls and poor recruitment practices. In relation to external fraud, risks arise from the provision of new benefits, new taxes, procurement and the use of consultants. The implementation of new government programs can also entail fraud risk, especially if these are implemented quickly (see Box 2).

New technologies have also provided new fraud risks for government. In terms of e-government, risks arise in connection with online benefit payments and e-tax systems, while new payment systems such as chip/PIN cards and online banking create new opportunities, while reducing other risks. The use of mobile devices and wireless networks in

## Box 2 Fraud against new government programs

On 3 February 2009, the Australian Government announced its \$3.9b Energy Efficient Homes Package (EEHP). Under the EEHP, \$2.8b was set aside for the Home Insulation Program (HIP), an incentive program for Australians to install insulation in their homes. HIP was expected to run for two and a half years, however, following safety and compliance concerns it was terminated on 19 February 2010. As a result of the concerns, two new programs were set up in place of HIP; the Foil Insulation Safety Program and the Home Insulation Safety Program (ANAO 2010b). The Department of Climate Change and Energy Efficiency (2010) issued a statement on 15 June 2010 highlighting that approximately 25,000 of 1.2 million claims for work completed under HIP were being withheld for investigation for possible fraud or non-compliance. The ANAO assessed the following elements in its audit—program design and implementation, registration and training of installers, payment of rebates and the compliance strategy underpinning the program. It found that as the program was implemented hastily without sufficient consultation, deficiencies and risks in the program emerged, which were subsequently addressed in the two new replacement programs (ANAO 2010b). In addition, from February 2010, all installers were required to meet the minimum competency requirements, which under HIP only supervisors were required to have (ANAO 2010b). Finally, the ANAO also determined that the program was under-resourced for the expected workload placed on to the Department of the Environment, Water, Heritage and the Arts (ANAO 2010b).

The Green Loans program was announced as part of the 2008–09 Budget and was allocated \$300m, which was later reduced to \$174.4m. The program consisted of three elements, including home sustainability assessments, which allowed for 360,000 home sustainability assessments, a \$50 Green Rewards card for each assessed household and up to 75,000 interest-free loans of \$10,000 to eligible householders to facilitate the purchase of items recommended by assessors (ANAO 2010d). The program was launched on 1 July 2009, however, adverse media attention relating to the quality of assessments among other things, raised concerns that led to program changes (ANAO 2010d). The program changes were announced on 19 February 2010 and were intended 'to boost the effectiveness and sustainability of the program' (ANAO 2010d: 13).

The Minister identified that the changes were the result of a number of design flaws, including a lack of risk management and the non-delivery of the promised Green Rewards card, and therefore, to mitigate future risk some of the allocated money it was redirected to better manage risk (ANAO 2010d). This involved a cap on the number of assessors contracted under the program,

an increase in the number of assessments to 960,000 over the life of the program, the discontinuation of the loans component of the program and a weekly cap of 15,000 assessment bookings claimable to the Department of Environment, Heritage and the Arts (Minister for the Environment, Heritage and the Arts 2010). The program also transferred to the new Minister for Climate Change, Energy Efficiency and Water. It was agreed to conduct an audit in February 2010, with emphasis on training, registration and contracting of assessors; scheduling, conduct and reporting of assessments and associated payments; and provision of green loans to householders and the associated payments to participating financial institutions (ANAO 2010d). The audit found, among other things, that while the program created work for thousands of assessors and even more householders had their energy and water consumption assessed, the ANAO found significant delays were experienced by householders, there was inadequate training of assessors, assessment conduct was poor and Green Rewards card were not delivered (ANAO 2010d). Both government agencies involved—Department of Climate Change and Energy Efficiency and the Department of Sustainability, Environment, Water, Population and Communities—have made necessary administrative changes to the program to mitigate risk (ANAO 2010d).

On 5 May 2010, the ANAO released audit 33, *Building the Education Revolution—Primary Schools for the 21st Century*, which examined the effectiveness of the Building the Education Revolution (BER) program, established in February 2009. Allegations of fiscal wastage prompted the audit of the BER program, which was allocated \$12.4b, topped up by an additional \$1.7b in August 2009. The ANAO found that the Department of Education, Employment and Workplace Relations had received 103 complaints about BER prior to 15 April 2010, with 59 of those relating specifically to the *Primary Schools for the 21st Century* program (ANAO 2010a). The Department of Education, Employment and Workplace Relations noted in response to the ANAO report, however, that this represented fewer than one percent of complaints across the program (ANAO 2010a). The ANAO found however, that

over 95 percent of [primary school] principals were confident the BER program would provide their school with an improvement of ongoing value to their school and school community, while over 80 percent of principals were confident the program would achieve its education and community benefit outcome (ANAO 2010a: 167).

Source: ANAO 2010a, 2010b, 2010d; Department of Climate Change and Energy Efficiency 2010; Minister for Climate Change, Energy Efficiency and Water 2010; Minister for the Environment, Heritage and the Arts 2010

the public sector create other vulnerabilities, as do conventional risks which arise from misuse of identities and documents used for identification and gaining unauthorised access to computers and networks.

Fraud can also arise in connection with corruption of public servants who may conspire with others to provide access to secure systems in return for a benefit. In KPMG's (2009) latest survey, collusion between criminals and insiders was found to be present in 20 percent of cases. This figure is greater than the result in the 2008–09 *Fraud against the Commonwealth* report, which reports just over seven percent (n=10) of frauds involved collusion between internal and external parties.

Grabosky (1991: 7) described three areas in which government agencies may be vulnerable to fraud.

There are three basic modes of government activity in which fraud can occur—paying, collecting and contracting. Governments bestow a variety of benefits, subsidies, and payments to individuals and organisations. Not all recipients are entitled to what they receive. Governments collect revenues from individuals and organisations, in the form of taxes and duties, or as payment for services. There are those who do not pay what is due.

Governments themselves are consumers of goods and services. There are those providers of goods and services who charge the government for goods not delivered or for services not rendered, or who knowingly provide defective or substandard products. Beyond this, governments control billions of dollars of capital resources, some of which are vulnerable to conversion for private use by unauthorised persons.

Governments can also be vulnerable to other frauds such as identity fraud, corruption and theft. Direct theft may occur where employees steal petty cash or remove government property. More covert forms of theft involve the abuse of government facilities, such as the unauthorised use of motor vehicles and computers. Corruption can be involved when government employees abuse their position by accepting bribes to grant licences for which there is no entitlement or to charge governments for goods or services which are not in fact provided (Grabosky, Smith & Dempsey 2001). In addition, government departments may be grossly overcharged or purchase specific goods and services that they would not need if it were not for the corruption of insiders.

Alongside other methods, identity frauds can affect governments by people claiming benefits they are not entitled to or by gaining employment through using a false or fraudulent identity. However, identity frauds inadvertently facilitated by the government can then extend to frauds being committed in the private sector. For example, by fraudulently gaining citizenship or a work visa, perpetrators are then presented with the opportunity to commit fraud against new employers or companies they come into contact with using the documents and status the government has inadvertently provided. Likewise, identity frauds committed against, or using IP from, the private sector can then provide offenders with the basis from which to defraud the government. Therefore, the risks of fraud against the government are operating in two parallel directions, both increasing and being increased by frauds committed against the private sector.

Difficult questions arise as to the proper characterisation of such acts and whether they can be described as crimes of theft, or merely 'leakage' of government resources due to poor internal controls. The scale of such conduct also varies considerably from the trivial—for example, having an extended lunch break—to the serious, such as large-scale revenue fraud. In the private sector, it is now accepted that the 'risk of fraud is part of doing business' (Kroll 2009: 2) and that 'fraud is one of the most problematic issues for business worldwide' (PricewaterhouseCoopers 2007: 4). According to survey results, around 25 percent of Australian companies infrequently or never conduct risk assessments on companies prior to acquiring them and up to 54 percent infrequently or never conduct risk assessments after the acquisition (Ernst & Young 2010). As such, ongoing development of prevention and management techniques is required in both the public and private sectors to protect revenue, expenditure and property from fraudulent and dishonest activities.

Also, the threat to governments often differs based on whether the fraud is committed by an employee or by an external party. Internal and external fraud incidents can be counted as separate phenomena as, except in cases of collusion between internal and external parties, the methods used to carry out attacks and the desired benefits are often different. The benefits obtained through fraud can be either tangible or intangible and the methods used are highly variable. Examples of possible methods used in fraud attempts against government agencies include:

- hacking into, or interfering with, an Australian Government computer system;
- creating and using a false identity to obtain income support payments;
- using Australian Government systems to gain access to other systems without authority;
- charging the Australian Government for goods or services that are incomplete or not delivered;
- hiding or disposing of assets by bankrupts to avoid paying creditors; and
- making false statements under the *Commonwealth Electoral Act 1918*.

### *Extent of public sector fraud*

There has been little systematic research undertaken into the nature and extent of the losses that governments have sustained through fraud. Although some, but by no means all, agencies record information on the extent of fraud for their own internal fraud control purposes, they rarely share it publicly. Often, all that is known is that which is mentioned in brief summaries provided in annual reports or media reports of cases involving prominent figures. Many governments would prefer that their fraud experiences never be made public to avoid criticism for not having appropriate preventive measures in place. The problem was described in the United Kingdom as follows:

Fraud is massively underreported. Fraud is not a national police priority, so even when reports are taken, little is done with them. Many victims therefore don't report at all. So, the official crime statistics display just the tip of the iceberg, and developing a strategic law enforcement response is impossible because the information to target investigations does not exist (Attorney-General's Office 2006: 7).

However, the UK's NFA highlighted in their National Fraud Indicator Report the importance of

disseminating information relating to fraud into the public domain to enhance the understanding of it, as highlighted below:

Although the figure is significant in its own right, providing an unmistakable indicator of how serious an issue fraud is for the United Kingdom, it serves a wider purpose. It enables the counter-fraud community...to better target its approach to tackling fraud. It provides signposting to fraud trends and hotspots and establishes a benchmark to measure success. It also provides the impetus to encourage industry and Government to invest the necessary levels of resource required to combat a crime that deeply affects the public and private sectors and individuals (NFA 2010: 3).

At an international level, the NFA (2010) attempted to estimate the cost of fraud in the United Kingdom, concluding that in 2008–09, national public sector losses to be conservatively estimated at £30b per annum, which equates to £621 per adult in the UK's population. This figure takes into account the public (£17.6b) and private sectors (£9.3b), and individual (£3.5b) and charity sector (£32m) frauds (NFA 2010).

At a local level in the United Kingdom in 2008–09, public sector losses were estimated at £17.6b per annum, which is a significant increase from the 2005–06 estimates of \$400m (Levi, Burrows & Hopkins 2007). Public sector frauds were broken down as follows:

- £15.2b in tax fraud;
- £1.1b in fraud relating to benefits;
- £684m in frauds against local government;
- £356m in frauds against central government;
- £263m in frauds against national health services; and
- £64m in pension fraud (NFA 2010).

### **Box 3 Revenue fraud**

A shipping container arrived at Port Botany, New South Wales from Indonesia on 24 December 2006. The contents of the container were declared as 808 cartons of biscuits and soap. On 27 December 2006, duty of \$431.87 was paid on the declared contents of the container. The following day, the container was x-rayed by Australian Customs Services officers and was found to contain 508 boxes of tobacco, 200 boxes of biscuits and 100 boxes of soap.

On 4 January 2007, a 'managed delivery' at a storage facility was carried out by the NSW Police. The defendant was found to be in

possession of documents relating to the importation when he was arrested and charged by NSW Police with one count of aiding, abetting, counselling or procuring a loss to a Commonwealth entity pursuant to s 135.1(3) of the Criminal Code. On 5 December 2008, the defendant was convicted and sentenced in the District Court of New South Wales in Sydney to 12 months imprisonment to be released forthwith on condition that he be of good behaviour for two years.

Source: CDPP 2009

# Methodology

Estimating the extent of public sector fraud is complicated by the difference between what is defined as 'fraud' and what is defined as a breach of regulatory procedures and rules. It is likely that any estimates of 'fraud' incidents will underestimate the true number and cost, as there is often a discrepancy between what agencies define as actual 'fraud' compared with other breaches of procedures and laws. The definition of fraud in the Guidelines is broad and includes minor incidents and suspected incidents of dishonesty. However, for operational reasons, some larger agencies that experience a high volume of incidents define and treat some of these matters as regulatory non-compliance rather than criminal fraud, and, accordingly, did not include them in their responses to the annual fraud survey. This definitional issue requires further analysis and resolution in order to make future data collection more accurate and consistent across agencies.

For the purposes of the Guidelines, fraud is defined as *dishonestly obtaining a benefit by deception or other means*.

The definition used in the Guidelines encompasses, but is not limited to:

- theft;
- obtaining property, a financial advantage or any other means by deception;
- causing a loss, or avoiding or creating a liability by deception;

- providing false or misleading information to the Australian Government, or failing to provide information where there is an obligation to do so;
- bribery corruption or abuse of office;
- unlawful use of Australian Government computers, vehicles, telephones and other property or services;
- relevant bankruptcy offences; and
- any offences of a like nature to those above.

The reference to some of these offences, such as theft and corruption, are open to different interpretations by agencies in determining the extent to which matters reported involve dishonesty as opposed to other acquisitive property crime.

## Previous fraud surveys and results

### *Australian National Audit Office*

The ANAO has conducted three surveys of Australian public sector agencies to determine the nature of their fraud control arrangements (ANAO 2010c, 2004, 2000). Surveys were sent to 150 agencies in 1999, 160 agencies in 2002 and 173 agencies in 2009. Responses were



received from 114 agencies in the 1999 survey (76%), from 158 agencies (99%) in the 2002 survey and 160 agencies (92%) in the 2009 survey, although only 155 were included in the analysis. For the purpose of the 2009 ANAO survey, the ANAO made use of data collected by the AIC for the 2007–08 *Fraud against the Commonwealth* report, to avoid the time and cost involved in duplicating the responses.

Australian Government agencies are responsible for investigating routine or minor instances of fraud against them or their programs and all agency investigations must be conducted according to the *Commonwealth Fraud Investigation Standards Package*. For serious or complex fraud and larger scale matters, the Guidelines assign responsibility for investigation to the AFP and provide criteria for matters that are to be referred to the AFP, although an increasing trend has emerged highlighting under-reporting of fraud incidents detected internally by Australian Government agencies to authorities.

Statistics have been included in ANAO reports in order to determine the extent to which allegations of fraud were investigated and referred for prosecution by the AFP, the CDPP and other investigative agencies. In 2001–02, 762 cases were referred to police or other agencies, 4,270 cases were referred to the CDPP and 3,282 cases were prosecuted by the CDPP. Of these, 3,195 cases were proved (ANAO 2004). In order to determine the methods of detecting fraud in its 2009 survey, the ANAO asked agencies whether they had implemented mechanisms to deal with fraud allegations made by members of the public, to which 69 agencies (45%) responded positively (ANAO 2010c). In order to determine the extent to which allegations of fraud were investigated, in the 2009 survey the ANAO asked whether agencies had established procedures and Guidelines to conduct fraud investigations, in line with the Australian Government Investigation Standards (AGIS), to which 94 percent of FMA Act agencies and 75 percent of CAC Act agencies responded positively (ANAO 2010c). Finally, in response to fraud prosecution, the ANAO asked agencies whether they had documented the reasons surrounding the decision not refer a brief of evidence to the CDPP, to which 88 percent of FMA agencies and 77 percent of CAC Act agencies responded positively (ANAO

2010c). Between 2002 and 2009, the ANAO found a general level of improvement with respect to agencies' compliance with fraud prevention activities including the use of policy statements, risk assessments and control plans (ANAO 2010c). Despite this improvement, the ANAO found that 54 percent of agencies that responded to their audit indicated that they had conducted an evaluation into the effectiveness of their fraud prevention and/or detection strategies; however, evidence of these evaluations were only received from 12 percent of agencies (ANAO 2010c).

Significantly, the ANAO echoed AIC findings that an ongoing issue in collecting comparable data relating to fraud relates to the inconsistent use of fraud definitions—'the integrity of such trend information is contingent upon common definitions for fraud' (ANAO 2010c: 14). The ANAO found that 97 percent of respondent agencies reported that they used the definition of fraud as specified in the Guidelines (ANAO 2010c). This represents a marked improvement from 2002, when the ANAO reported that only 50 percent of agencies were defining fraud as specified in the Guidelines (ANAO 2010c). However, the ANAO did not investigate *how* agencies categorised various dishonest practices as falling within the definition of fraud in the Guidelines, or not. This, of course, is the critical question in determining whether agencies are acting uniformly in reporting the same kinds of incidents of dishonesty when responding to the survey questions.

Based on the trends outlined in the three ANAO reports, it is apparent that Australian Government agencies are experiencing a greater incidence both of internal and external fraud, generating an increased financial loss over time. The present *Fraud against the Commonwealth* report shows similar findings consistent with ANAO reports. However, based on the findings from the 2009 ANAO *Fraud Control in Australian Government Agencies* report (ANAO 2010c), the ANAO recommends that:

- the AGD, in its review of the Guidelines, takes the opportunity to:
  - consult with the AIC and consider approaches including a more precise definition of fraud that will allow the AIC to collect, analyse and disseminate fraud trend data on a consistent basis;

- continue to work with the Department of Finance and Deregulation to clarify which CAC Act bodies are subject to the Guidelines; and
  - consider the merits of establishing an approach for the provision of fraud control advice and information to Australian Government agencies, particularly to smaller sized agencies, that facilitates the provision and exchange of practical fraud control advice.
- agencies reassess their fraud risks and, where appropriate, the effectiveness of existing fraud control strategies, when undergoing significant change in role, structure or function, or when implementing a substantially new program or service delivery arrangements (ANAO 2010c: 26–27).

### *Attorney-General's Department Commonwealth Fraud Control Guidelines annual report*

Prior to the AIC undertaking responsibility for collecting fraud information from Australian Government agencies in 2006–07, this task was carried out by the AGD. In 2005–06, the last year in which the AGD had responsibility for reporting, responses were received from 128 Australian Government agencies reporting 113,704 alleged incidents of fraud. Overwhelmingly, the majority of incidents were reported by just three agencies, accounting for 104,055 allegations (91.5%). There was a discrepancy in the estimates of the value and number of frauds from the agencies and the AFP. Agencies reported an initial estimated value of fraud at \$121,500,322 while the AFP estimated the value of the 422 cases they investigated at \$454,183,271. Recoveries amounting to \$28,732,736 were reported by 30 agencies.

These figures differ somewhat from the statistics provided in AFP and CDPP annual reports for 2005–06. The reason for these differences lies in the categories of fraud and economic crime used and the counting rules adopted by each agency.

### *AIC 2006–07 survey*

The AIC prepared the annual fraud report for the first time in 2007, which included incidents dealt with in the 2006–07 financial year. The online survey had a 92 percent response rate, which equated to 158 agencies. This was the highest response rate since the annual fraud report began.

Of the contributing agencies, 35.6 percent indicated they had experienced at least one type of fraud in the 2006–07 financial year, meaning that almost two-thirds of agencies did not report any fraud incidents. In total, there were 124,908 alleged incidents of fraud reported in the survey, with the most common fraud type identified as 'obtaining property, financial advantage or any other benefit by deception', with 55,576 incidents (44.5%). Similar to the findings of the AGD in 2005–06, it was found that the majority of fraud incidents were experienced by only a small number of agencies. Just two agencies accounted for 87 percent (n=108,974) of the suspected incidents. The agency with the most incidents identified 86,204 (69%) incidents, followed by an agency with 22,770 (18%) incidents.

Another key finding was that the majority of incidents were committed by offenders external to the agency. For incidents in which the offender was known, an external person accounted for 65 percent of offenders.

Agencies calculated the loss from fraud at \$34,338,866 for all incidents where a figure could be quantified (n=2,594 incidents). Of this, external offenders were estimated to be responsible for 95 percent (\$32,502,755) of reported losses. The amount recovered by agencies was significantly lower than the amount lost. Agencies reported that \$8,188,749 had been recovered from those alleged to have committed fraud against the Australian Government.

### *AIC 2007–08 survey*

In 2008, after consultation with the Fraud Liaison Forum Steering Committee and participating Australian Government agencies, the AIC revised its online survey to assist agencies in fulfilling their reporting requirements. Respondents were able to

complete the survey online during August and September 2008, with each agency receiving an individual logon identification and password in advance to ensure confidentiality of responses. Agencies were also given the option of responding via a paper version of the survey from which the data were then transferred to the electronic version by the researchers.

In 2007–08, 139 agencies responded out of 170 that were invited to respond. Of the 139 agencies, 97 were FMA Act agencies and 42 were CAC Act bodies receiving at least 50 percent funding from the government.

Agencies were asked to report frauds experienced in the financial year from 1 June 2007 to 30 June 2008. During this time, 45 percent of agencies reported experiencing at least one incident during the financial year, which represented an increase of around nine percent from 2006–07. The total number of frauds reported by agencies in 2007–08 was 873,401. Of these, 3,239 were internal fraud incidents and 870,162 were external fraud incidents. Furthermore, 25 percent of responding agencies experienced both internal and external incidents in 2007–08.

Of the 139 agencies, 47 quantified a loss from either internal or external fraud. Of these, 30 identified internal fraud and 34 identified external fraud. These frauds reportedly resulted in a total financial loss of \$446,715,351, which represents \$444,733,676 worth of external fraud losses and \$1,981,675 worth of internal fraud losses.

## The AIC online survey 2008–09

An invitation to complete the survey was sent to 177 Australian Government public service agencies and completed responses were received from 166 agencies. Of the 166 respondents, 17 responses were discarded due to either incompleteness or because the agency did not meet the 50 percent funding requirement for CAC Act agencies. Of the 149 agencies that responded, 101 (68%) were FMA Act agencies and 48 (32%) were CAC Act bodies receiving at least 50 percent funding from the government.

The 2007–08 version of the survey underwent major changes from 2006–07, but only minor changes were made to the 2008–09 survey from the previous year. A copy of the 2008–09 survey is included in *Appendix 1*.



# Online survey results

The results that follow are derived from the responses of government agencies to the 2008–09 online fraud survey. Agencies were asked to include incidents of fraud either discovered by the agency, or allegations of fraudulent behaviour first reported to the agency during the 2008–09 financial year. The Guidelines define fraud as *dishonestly obtaining a benefit by deception or other means* and includes:

- theft;
- obtaining property, financial advantage or any other benefit by deception;
- causing a loss, or avoiding or creating a liability by deception;
- providing false or misleading information to the Australian Government, or failing to provide information where there is an obligation to do so;
- making, using, or possessing forged or falsified documents;
- bribery, corruption, or abuse of office;
- unlawful use of Australian Government computers, vehicles, telephones and other property or services;
- relevant bankruptcy offences; and
- any offences of a like nature to those listed above.

Agencies were asked to rely on this definition for the purposes of the survey.

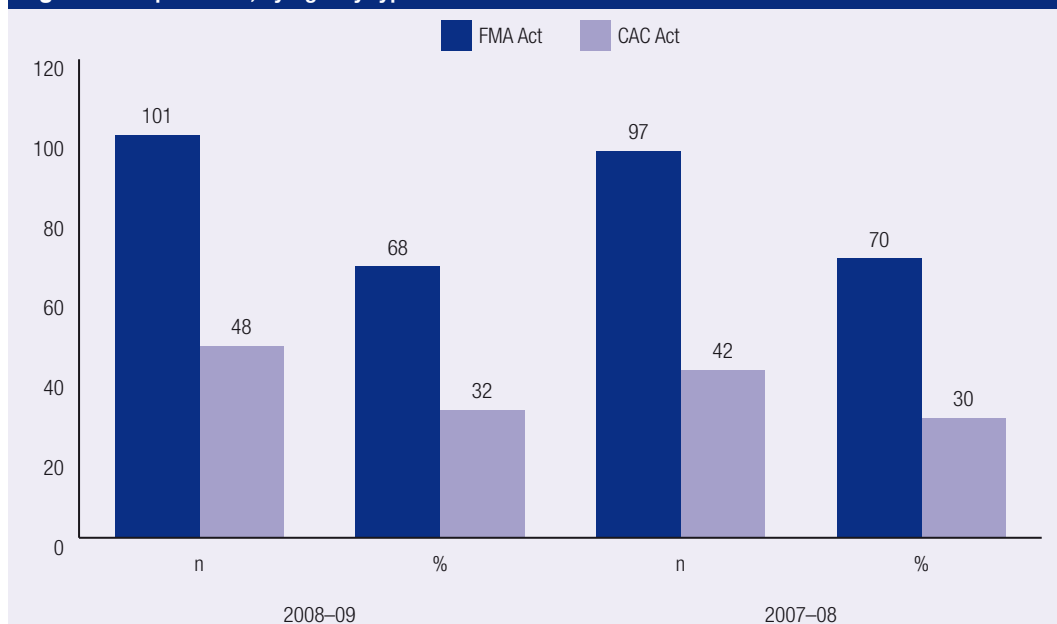
In responding to the survey, agencies contributed information on incidents of fraud allegedly perpetrated internally (by public servants and contractors engaged by the government) and externally (by members of the public). Questions relating to incidents of internal fraud and external fraud were separated to allow for analysis of different risk factors and methodologies associated with the two classes of perpetrator.

The survey was designed to maximise information available on actual fraud types and methods. As such, agencies were asked to report a single incident in multiple categories where applicable which meant that for some of the data reported, the total number of responses exceeded the total number of incidents owing to some individual incidents entailing multiple types of fraud or methods. For each Table, the total number of responses is indicated.

## Agency information

Of the 149 agencies whose responses were analysed, most were governed by the FMA Act (see Figure 1). The 2008–09 ratio of FMA Act agencies to CAC Act agencies was very similar to that in 2007–08 (FMA Act=70% and CAC Act at least 50%=30%), despite a rise in the number of participating agencies since 2007–08.

**Figure 1 Respondents, by agency type**



Source: Commonwealth fraud survey 2008-09 data [AIC computer file]

## Fraud control

Nearly all agencies (91%, n=136) said that they had completed a fraud risk assessment within the previous two financial years, with 64 percent (n=95) undertaking a risk assessment in the 2008-09 financial year. Only two percent of respondents (n=3) indicated that they had never conducted a fraud risk assessment, although they might have undertaken general risk assessments not specifically related to fraud (see Table 1). According to the Guidelines, risk assessments are required to be completed every two years. On the basis of the specific responses given, there has been a decline in the number of agencies undertaking risk assessments, noting the increase of agencies that undertook a fraud risk assessment more than two years ago from one percent in 2007-08 to four percent in 2008-09. Interestingly, according to the Ernst & Young global fraud survey (2010) which covers both the private and public sectors, six percent of Australian respondents had never undertaken a fraud risk assessment, well below the global average of 15 percent.

**Table 1 Date of most recent fraud risk assessment (2007-08 and 2008-09)**

	2008-09 survey		2007-08 survey	
	n	%	n	%
Current financial year	95	64	85	61
Previous financial year	41	28	37	27
Two years ago	4	3	11	8
More than two years ago	6	4	2	1
Never had a fraud risk assessment	3	2	4	3
<b>Total</b>	<b>149</b>	<b>100</b>	<b>139</b>	<b>100</b>

Source: Commonwealth fraud survey 2008-09 data [AIC computer file]

Similarly, nearly all agencies (89%, n=132) had completed a fraud control plan within the previous two financial years, with 62 percent (n=93) completing it in the 2008-09 financial year. Only one percent of respondents (n=2) had never completed a specific fraud control plan (see Table 2).

**Table 2 Date of most recent fraud control plan**

	2008–09 survey		2007–08 survey	
	n	%	n	%
Current financial year	93	62	83	60
Previous financial year	39	26	42	30
Two years ago	8	5	7	5
More than two years ago	7	5	4	3
Never had a fraud control plan	2	1	3	2
Total	149	100	139	100

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

## Fraud incidents

A fraud incident, for the purposes of the survey, was defined as:

All counts alleged against a single accused person during one investigation and might comprise a number of counts of offences that are actually prosecuted. An incident may take place on a single date, or over a period of time.

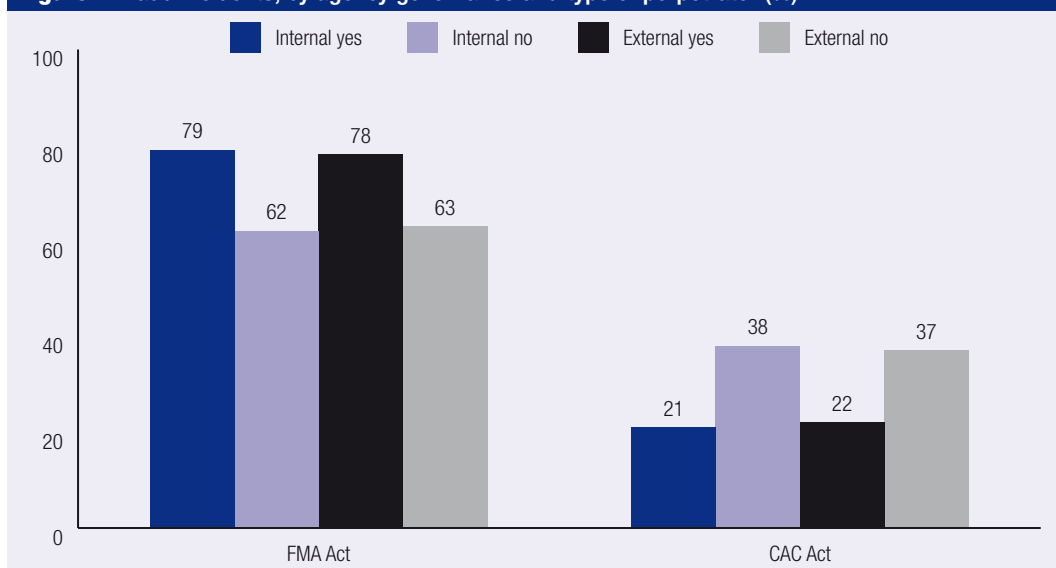
The survey divided fraud into two distinct categories, internal fraud and external fraud. Internal fraud was defined as any incident of suspected fraud allegedly committed by an employee or contractor of the

agency. External fraud was defined as any incident of suspected fraud allegedly committed against the agency by a person other than an employee or contractor of the agency.

The number of agencies that reported experiencing at least one incident of fraud in the financial year decreased by six percent in 2008–09 (2008–09=39%, 2007–08=45%). Of the 149 agencies that responded to the survey in 2008–09, 48 (32%) indicated they had experienced at least one incident of internal fraud during this time. Of these, 38 were FMA Act agencies and 10 were CAC Act bodies (see Figure 2).

Similarly, 45 (30%) agencies reported experiencing at least one instance of external fraud during the 2008–09 financial year. Of the agencies that suffered external fraud incidents, 35 were FMA Act agencies and 10 were CAC Act bodies (see Figure 2). The number of agencies reporting external fraud fell by seven percent between the 2007–08 and 2008–09 reporting periods (n=51, 37%). The reason for the difference is, arguably, that CAC Act agencies tended to be smaller government agencies which deal with smaller sums of money, thus making them less attractive to external and internal fraud offenders.

The total number of fraud incidents reported for 2008–09 was 800,698. This represents a slight reduction in the number reported in the 2007–08 survey, which totalled 873,401. Analysis showed

**Figure 2 Fraud incidents, by agency governance and type of perpetrator (%)**

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

that 92 percent of the frauds were reported by one large agency, which experienced nearly 720,000 incidents of external fraud during 2008–09. Of the total 800,698 frauds, 3,371 were internal fraud incidents and 797,327 were external fraud incidents. Ten (7%) agencies reported collusion between internal and external parties over 13 cases.

A number of agencies, both small and large, experienced substantial changes in their overall fraud experience in 2008–09 compared with 2007–08. One large agency reported 52,732 incidents in 2007–08 and 70,597 in 2008–09, while another almost doubled from 349 in 2007–08 to 616 in 2008–09. Two agencies reported substantial reduction in frauds, one from 2,005 incidents in 2007–08 to 921 in 2008–09 and another from 732 in 2007–08 to one in 2008–09. These large changes may be due to changes in reporting practices resulting from the agency having undergone significant changes in its role, structure or function. It may also be due to substantially new program or service delivery arrangements. Alternatively, human or system error may have contributed in some instances to the substantial change.

Similar to the 2007–08 findings, 23 percent of responding agencies experienced both internal and external incidents in 2008–09. Agencies that experienced one type of fraud were also statistically significantly more likely to also experience the other type of fraud ( $\chi^2=61.2915$ ;  $p<0.001$ ). Of the 45 agencies that experienced an external incident, 78 percent also reported an internal incident, while 73 percent of the agencies with an internal incident also reported an external fraud. Table 3 shows the number of agencies that experienced each type of fraud in 2008–09.

**Table 3 Agency experience of fraud incidents, by type of perpetrator (n)**

		Any external incident		
		No	Yes	Total
Any internal incident	No	91	10	101
	Yes	13	35	48
	Total	104	45	149

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

## Agency size and fraud

In 2008–09, agencies reported data on the number of full-time equivalent employees (including both ongoing staff and those on a contract). Responses ranged from zero to 78,526. Seven agencies reported having between one and 10 employees, and six agencies either had zero employees or did not respond. Future surveys will investigate employee numbers further.

Agency size was found to have a statistically significant effect on the agency's experience of fraud. Agencies were categorised according to number of employees—up to 500, 501–1,000 and more than 1,000. It was found that the group with up to 500 employees was less likely to have reported incidents of fraud in the 2008–09 financial year than the other groups (see Figure 3), with one smaller agency not recording any incidents. By contrast, agencies in the two categories of having more than 500 employees were significantly more likely to have experienced fraud ( $\chi^2=44.67$ ,  $p<0.05$ ). Furthermore, only 10 (6%) agencies that reported having more than 500 employees did not report a fraud incident. Therefore, it appears that smaller agencies are less likely to report having experienced fraud incidents than agencies with more than 500 employees.

## Agency fraud control sections

Sixty-two percent of respondents indicated they had at least a part-time employee in their agency dedicated to fraud control, which represents a significant growth (39%) since 2007–08 in this aspect of fraud control. It was found that agencies with a dedicated fraud control section were more likely to report fraud incidents than those without such a section. This was the case for agencies who experience both internal fraud and external fraud, where 43 percent of those agencies with a fraud section reported internal frauds ( $\chi^2=15.0638$ ,  $p<0.0001$ ) and 42 percent of those agencies reported at least one external incident ( $\chi^2=14.1907$ ,  $p<0.0001$ ). The percentage was even higher for agencies that experienced only one or the other type of fraud, with 49 percent of the agencies with a fraud section reporting at least one incident ( $\chi^2=13.1582$ ,  $p<0.0001$ ). However, while those agencies that had a fraud control section were more likely to report

**Figure 3 Incidence of fraud, by agency size (%)**



a: statistically significant differences were found concerning agency experience of fraud ( $p < 0.05$ ). Employees included both permanent and employees on a contract. Sixty-two agencies experienced fraud with 2 agencies not specifying their agency size

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

fraud than the agencies that did not have a section, it is not possible to say whether the existence of the fraud section caused more fraud to be reported. Instead, it is more likely to be the case that dedicated fraud sections lead to more fraud being detected.

Another relevant consideration was the size of the agencies that had a fraud control section, as agency size has been shown to be an important factor in victimisation—with larger agencies being more likely to report fraud experiences. In the current survey, larger agencies (those over 1,000 employees) were more likely to have a fraud section (93%) compared with only 78 percent in 2007–08. However, those agencies with fewer than 500 employees were less likely to have a dedicated fraud section (50%) compared with 25 percent in 2007–08.

## Internal fraud

Questions about fraud in the survey were divided into two distinct groups—internal fraud and external fraud. Internal fraud was defined as *any incident of suspected fraud allegedly committed by an employee or contractor of the agency*. Where appropriate, agencies could record fraud incidents in relation to multiple categories of fraud.

Survey questions about internal fraud incidents examined two aspects—the first asked about the ‘focus’ or the benefit that was sought and the second asked about the ‘method’ that was used to carry out the alleged activity. It was anticipated that by collecting data in both ways, the survey would highlight the types of fraud that affected agencies as well as the methods being used to carry these out. This information could then be used to create better fraud prevention strategies across all Australian Government agencies.

### Fraud types

The five categories of focus were equipment, entitlements, financial, information and ‘other’ for any incidents relating to a benefit which did not fall into one of the four defined categories.

If a respondent agency answered ‘yes’ to experiencing any incidents relating to a category of fraudulent benefit, they were required to specify what the incident involved. For example, if an agency stated that it had experienced fraud focused on ‘entitlements’, it was then asked about whether the fraud involved false travel claims, payroll fraud etc. Within each subcategory, there was also an option to state that the nature of the specific incident was



unable to be determined. This was used in cases where it was known that an incident in that general category had occurred, but there was insufficient information to define the exact nature of the fraud.

The survey assessed reported fraud prevalence in two ways—by determining the number of agencies affected by each fraud category and by determining the total number of incidents reported across agencies. From previous results, it was expected that there would be a difference in the distribution of fraud types that affected agencies and the types of fraud that generated large numbers of incidents.

In total, 32 percent of agencies had experienced at least one internal fraud incident in 2008–09. Fraud that involved obtaining financial benefit was reported by the largest proportion of agencies (n=31, 21%), followed by fraud focused on theft of equipment (n=24, 16%), entitlements (n=23, 15%), information (n=21, 14%) and ‘other’ (n=10, 7%; see Figure 4).

‘Misuse or theft of government credit cards’ was the type of fraud which affected the greatest number of agencies (n=18), followed by ‘theft of telecommunications or computer equipment (including mobile devices)’ and ‘leave and related entitlements’ (both n=16; see Table 4).

In the ‘other’ category, one agency reported internal fraud 294 cases involving deliberate over-payment of financial benefits, while another agency reported

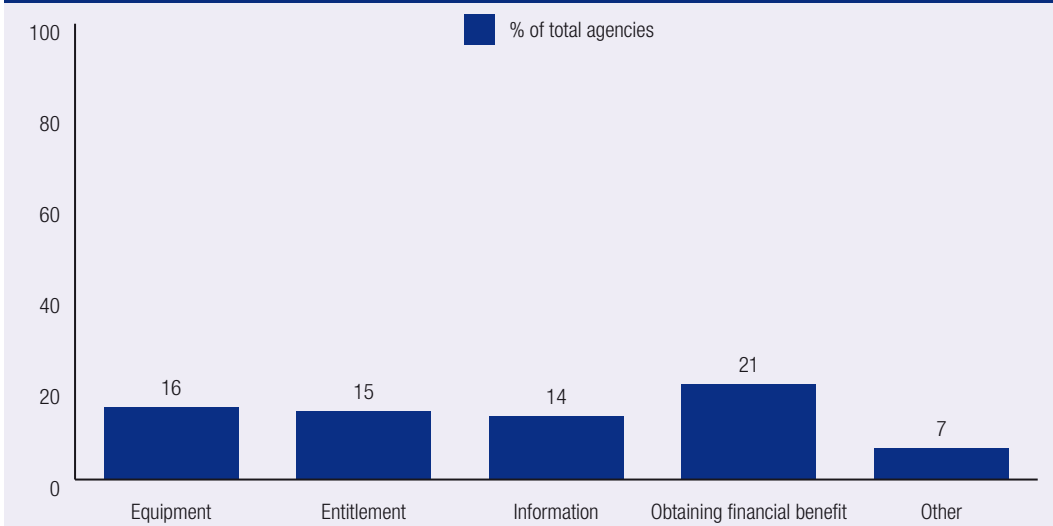
24 fraudulent instances relating to postage and use of stamps.

Although fraud involving obtaining financial benefit was the category of fraud experienced by the greatest number of agencies (n=64), fraud involving information was the most frequently reported type of fraud (n=1,875; 56%), followed by ‘other’ (n=481; 14%), then fraud involving financial benefits (n=410; 12%), entitlements (n=405; 12%) and fraud involving equipment (n=200; 6%; see Figure 5). In particular, fraud involving obtaining or using personal information without authorisation accounted for 44 percent of all internal fraud reports (n=1,481 out of 3,371 reported incidents).

### Methods used in fraud incidents

Alongside the questions about types of fraud, the survey enabled examination of the methods used to carry out internal fraud attempts. The data from questions about fraud methods were analysed by counting the number of agencies affected by a particular type of fraud method as well as the methods that were used in most incidents of that type. Fraud involving the misuse of IT or misuse of documents affected the largest proportion of agencies, with 15 percent (n=23) of the total number of agencies reporting each of these activities (see Figure 6).

**Figure 4 Agency experience of internal fraud incidents, by focus (%)**



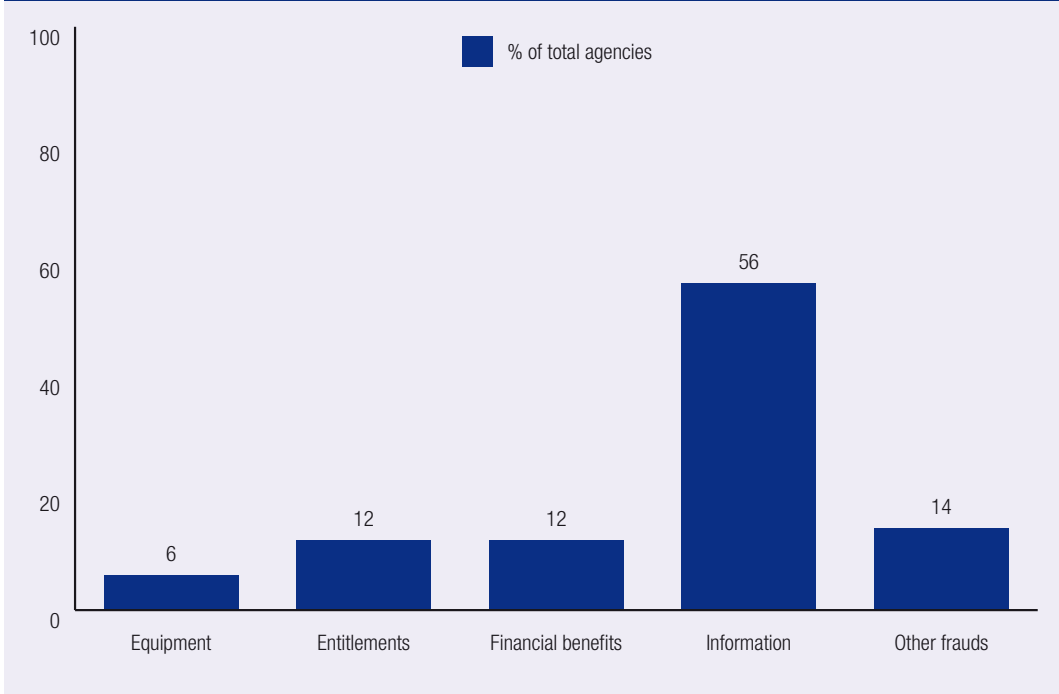
Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 4 Internal fraud, by type (n)**

Focus of fraud	Agencies	Mean	Total incidents
<b>Equipment</b>			
Theft of telecommunications or computer equipment (including mobile devices)	16	4	70
Theft of other government equipment	8	10	84
Theft of consumable stock (office-related)	3	2	6
Theft of consumable stock (other)	4	6	26
Unable to be determined	1	1	1
Other equipment	7	2	13
<b>Entitlements</b>			
Expenses (other than travel)	3	1	4
Travel claims	12	4	45
Payroll fraud	6	2	10
Leave and related entitlements	16	6	98
Unable to be determined	1	1	1
Other entitlements	10	25	247
<b>Information</b>			
Obtaining or using information without authorisation (excluding personal information)	11	5	60
Obtaining or using personal information without authorisation	7	212	1,481
Providing false or misleading information, or failing to provide information when required to do so	7	46	320
Use of agency logo or name without authorisation	1	2	2
Misuse of agency IP	3	1	4
Unable to be determined	3	2	6
Other information	2	1	2
<b>Financial benefits</b>			
Obtaining cash/currency without permission (including theft of petty cash)	15	5	69
Misuse or theft of government credit cards	18	9	163
Misuse or theft of Cabcharge	8	5	41
Theft of property other than cash	7	2	15
Procurement offences	7	2	15
Bankruptcy offences (including hiding or disposing of assets)	0	0	0
Unable to be determined	4	2	8
Other financial benefits	5	20	99

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Figure 5 Internal fraud incidents, by category (%)**



Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

In terms of the number of incidents that employed particular fraud methods, as was found in the 2007–08 survey, ‘accessing information via a computer without authorisation’ was again found to be the most prevalent method with by far the largest number of incidents involved (n=1,816). ‘Bribery of an employee’ ranked second in frequency of reporting (n=75), followed by ‘creating and/or using a false or altered agency document’ and ‘abuse of power’ (both n=69). In terms of the number of agencies experiencing particular fraud methods, ‘accessing information via a computer without authorisation’ was experienced by the largest number of agencies (n=17), followed by ‘creating and/or using a false or altered agency document’ and ‘abuse of power’ (both n=11; see Table 5).

## Losses and recoveries

### Losses

Due to the separation of fraud types and the methods used to commit them in the survey design, estimates of the total losses sustained by agencies

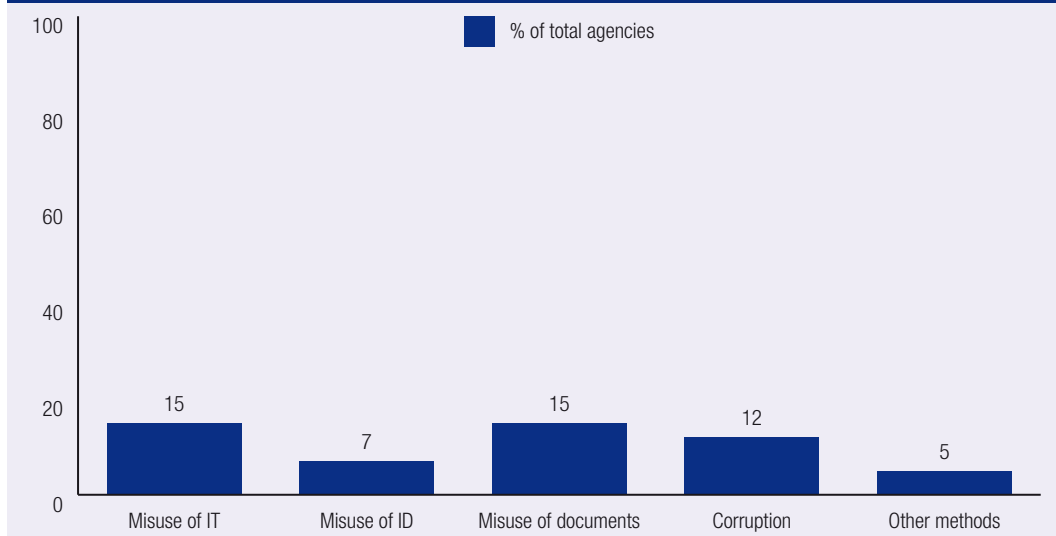
from all reported incidents of fraud were not requested. Instead, questions were intended to produce an estimate of loss for each fraud category. The difficulties in calculating fraud losses are well known and have been outlined in the introduction to this report. For the purposes of this survey, fraud losses were defined as:

The amount, in whole dollars, thought to have been lost to the agency from fraud incidents, prior to the recovery of any funds, and excluding the costs of detection, investigation or prosecution.

Not all agencies that experienced internal fraud reported a financial loss as a result of the incident(s). While 32 percent (n=48) of agencies experienced internal fraud, only 19 percent of all agencies (n=29) specified a loss from internal fraud. Therefore, 40 percent of those that experienced internal fraud were unable to calculate their losses or were unwilling to report them.

The internal fraud type that resulted in the largest financial loss to Australian Government agencies was fraud relating to financial benefits, with over

**Figure 6 Agency experience of internal fraud incidents, by method (%)**



Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 5 Internal fraud, by method (n)**

Method type	Agencies	Mean	Total incidents
<b>Misuse of information technologies</b>			
Accessing information or programs via a computer without authorisation	17	107	1,816
Copying or altering data or programs without authorisation	6	4	21
Misuse of email	3	3	9
Manipulation of a computerised accounting system	2	2	3
Insertion of malicious code	0	0	0
Interference with computer networks	0	0	0
Unable to be determined	1	1	1
Other misuse of IT	5	11	56
<b>Misuse of identity</b>			
Creating and/or using a fictitious identity	2	2	3
Use of another employee's or contractor's identity without their knowledge	5	1	5
Fraudulently using another person's identity with their permission	5	1	6
Unauthorised use of another person's password, PIN or access pass	3	2	6
Unauthorised use of another person's Tax File Number or Australian Business Number	1	1	1
Unable to be determined	0	0	0
Other misuse of ID	3	2	5
<b>Misuse of documents</b>			
Creating and/or using a false or altered agency document	11	6	69

**Table 5 (continued)**

Method type	Agencies	Mean	Total incidents
Creating and/or using a false or altered document (not belonging to the agency)	8	2	14
Dishonestly concealing documents	1	1	1
Failing to provide documents when required to do so	4	12	48
Unable to be determined	2	2	4
Misuse of other documents	6	1	8
<b>Corruption</b>			
Bribery of an employee	3	25	75
Accepting kickbacks or gratuities	7	1	9
Failure to disclose/abuse of a conflict of interest	8	6	49
Collusion of conspiracy (include collusion or conspiracy with internal and external parties)	5	1	7
Abuse of power	11	6	69
Unable to be determined	3	11	33
Other corruption	5	1	7

a: mean per agency with an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 6 Internal fraud losses**

Type	Agencies (n)	Mean (\$) <sup>a</sup>	Total (\$)
Equipment	13	22,312	290,050
Entitlements	9	95,651	860,862
Financial	23	29,768	684,663
Information	0	0	0
Corruption	0	0	0
Other	2	10,566	21,132

a: mean of agencies with an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

\$680,000 dollars lost in this way (see Table 6). This type of fraud resulted in a loss for 15 percent of agencies (n=23), with an average loss of nearly \$30,000 for each agency. The financial losses experienced as a result of internal fraud in 2008–09 differ somewhat from 2007–08. The number of agencies affected remained constant, although the total loss for fraud relating to equipment declined in 2008–09 to \$290,050 from \$1,981,675 in 2007–08. Financial losses due to fraud relating to entitlements more than doubled in 2008–09 compared with

2007–08 (n=\$494,282). Financial losses due to fraud relating to corruption were not reported in 2008–09. In 2007–08, one agency reported a loss of \$3,042 under the category of corruption.

Figure 7 shows the total amount lost for each fraud type against the percentage of agencies that experienced fraud incidents. With the exception of fraud relating to financial benefits, there was no relationship between the number of agencies reporting incidents and the amount lost for each fraud type.

It is important to note that fraud incidents can have a non-financial impact on agencies and a small financial loss can be associated with a significant non-financial impact on the victimised agency. Non-financial impacts of fraud may include destroying confidence and stability in an agency (PWC 2010). It can also undermine internal trust and staff morale, and provide a significant distraction for senior management (PWC 2010). In total, 35 agencies reported suffering a loss that could not be measured (see Table 7).

In recognition of the inherent difficulties in calculating fraud losses, agencies were given the option of identifying instances of fraud where a loss had been incurred, but could not be quantified. Thirty-five agencies that provided usable responses reported suffering an unquantifiable loss from internal fraud. Taking into account the difficulties associated with calculating fraud losses, it is likely that the figures of estimated loss in this report considerably underestimate the actual internal fraud losses incurred by Australian Government agencies in 2008–09.

**Table 7 Internal fraud losses that could not be quantified, by fraud type**

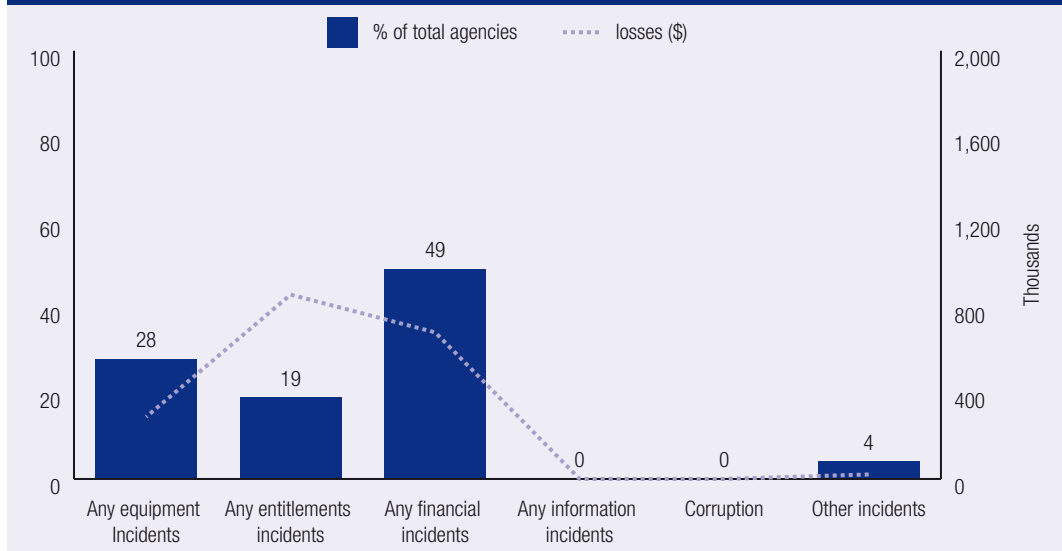
Fraud type	Agencies (n)	Agencies (%)
Equipment	4	3
Entitlements	6	4
Financial	5	3
Information	10	7
Corruption	5	3
Other	5	3

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

### Recoveries

Just 31 percent (n=15) of agencies that experienced internal fraud recovered money relating to the incident(s). The amounts recovered were diverse, ranging from a minimum of \$30 through to a maximum of \$263,062. Recovery through ‘administrative remedy’ was the most common method used by agencies (45%) to recover losses—that is, internal procedures within agencies not involving civil or criminal action.

**Figure 7 Fraud losses and agencies reporting incidents, by type (%)**



Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 8 Internal fraud recoveries, by fraud type<sup>a</sup>**

Fraud type	Criminal	Civil	Administrative remedy	Other	Total
<b>Equipment</b>					
Amount recovered (\$)	0	0	4,829	0	4,829
Agencies (n)	0	0	3	0	3
<b>Entitlement</b>					
Amount recovered (\$)	12,740	0	263,062	9625	285,427
Agencies (n)	1	0	8	1	10
<b>Financial</b>					
Amount recovered (\$)	33,011	0	84,309	5702	123,022
Agencies (n)	1	0	12	3	16
<b>Information</b>					
Amount recovered (\$)	0	0	0	0	0
Agencies (n)	0	0	0	0	0
<b>Corruption</b>					
Amount recovered (\$)	0	0	0	0	0
Agencies (n)	0	0	0	0	0
<b>Other fraud</b>					
Amount recovered (\$)	0	30	382	4,455	4,867
Agencies (n)	0	30	31	31	92

a: agencies reported recovering money using more than 1 method per category

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

For all methods of recovering money, entitlement fraud was the category with the largest amount recovered, which was in excess of \$2,850,000 in amounts ranging from \$1 to \$204,392; this was followed by financial fraud with recoveries of more than \$120,000 (see Table 8).

## Suspects

Eighty-three percent (n=40) of agencies that experienced an internal fraud incident identified at least one suspect. Agencies identified the largest number of suspects in the category of fraud relating to financial benefit. However, the fraud type for which the most suspects were identified was fraud related to information, with 1,842 suspects identified by 17 agencies (see Table 9).

As individuals suspected of internal fraud were, by definition, employees of the agency, information on their job role was gathered, together with the

**Table 9 Internal fraud suspects, by fraud type**

Type	Agencies that identified suspects	Mean suspects	Total suspects
Equipment	18	5	88
Entitlements	19	19	363
Financial	27	14	368
Information	17	108	1,842
Corruption	9	23	203
Other	13	34	444

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

duration of their employment in some cases (see Table 10). However, this information was not always collected by agencies due to limitations in record keeping. Out of 3,308 internal fraud suspects, information on job role and duration of employment was reported for only 3,171. Of those cases in which duration of employment and position could

be determined, most suspects were in junior/non-management roles (n=342); suspects from executive/senior management levels were comparatively rare (n=17).

Where the duration of employment was known, but not the position held, suspects were most likely to have been employed for more than nine years (n=417), followed by employment from between one and three years (n=353). In total, across all positions, junior non-management staff employed for more than nine years represented the greatest number of suspects. Forty-seven percent (n=1,491) of the employees suspected of internal fraud were unable to be identified for either position or duration of employment. The 2008–09 data for suspects of internal fraud are consistent with 2007–08 findings.

## Fraud detection and investigation

Alongside fraud incident data, information was also gathered on the ways in which internal fraud was both detected and investigated. Agencies provided information on the detection of 3,523 internal fraud incidents. It was found that most fraud incidents were detected from within the affected agency, either through the use of ‘internal controls/audit/investigation’ (n=1,617), or as a result of discovery by a staff member or colleague (n=277). ‘Internal controls/audit/investigation’ identified incidents of internal fraud in 29 agencies, with a mean of 56 incidents each, while ‘staff member/colleague discovered’ was the most common form of discovery identified by 30 agencies, although with a mean of nine incidents per agency, it accounted for fewer incidents overall (see Table 11).

**Table 10** Suspects’ duration of employment and current job role (n)

Position	Less than 1 year	1–<3 years	3–<6 years	6–<9 years	More than 9 years	Don’t know	Total
Junior non-management	5	77	67	62	88	43	342
Management	3	15	10	16	52	12	108
Executive/senior management	0	2	7	1	6	1	17
Other	1	1	0	0	1	11	14
Don’t know	72	353	164	193	417	1,491	2,690
Total	81	448	248	272	564	1,558	3,171

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 11** Internal fraud detection methods (n)

Method of detection	Agencies	Mean <sup>a</sup>	Total incidents detected
Internal controls/audit/investigation	29	56	1,617
Staff member/colleague discovered	30	9	277
Internal anonymous whistleblower/informant	13	14	180
External audit/investigation	6	3	17
Notification by police or other law enforcement agencies/investigations	2	4	7
External whistleblower/informant	16	64	1,027
Offender self-reported	5	8	40
Not recorded/unknown	4	88	354
Other	4	1	4
Total			3,523

a: mean of agencies that detected an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]



Agencies provided information about the investigation of 3,487 internal fraud incidents. The overwhelming majority of internal fraud incidents were investigated by the agency experiencing the fraud (see Table 12). This was true in terms of the number of agencies (73%) as well as the number of incidents investigated (98%). The total number of incidents investigated was slightly fewer than the number of incidents detected. 'Other' included credit card companies, which were involved in investigating instances of credit card misuse.

## Referrals

The number of agencies that reported referring internal fraud incidents to the AFP, state and territory police and the CDPP was small (see Table 13). This indicates that the majority of fraud incidents were investigated by the agency involved, rather than police and prosecutors. This is in accordance with the Guidelines that requires agencies to have primary responsibility for fraud investigation. Also, as a result of agency investigations, only relatively small numbers of incidents were referred to the CDPP for prosecution.

**Table 12 Method used to investigate internal fraud incidents (n)**

Manner investigated	Agencies	Mean <sup>a</sup>	Total investigations
Agency investigation only—no external investigation	35	97	3,404
External investigator	13	1	15
AFP	17	3	47
State or territory police	4	1	5
Another agency	3	4	13
Other	3	1	3
Total			3,487

a: mean of agencies that detected an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 13 Internal fraud referrals, by agency of referral (n)**

Internal	AFP	State and territory police	CDPP
<b>Equipment</b>			
Agencies	7	4	0
Incidents (n)	14	4	0
<b>Entitlements</b>			
Agencies	3	0	1
Incidents (n)	13	0	5
<b>Financial</b>			
Agencies	11	1	4
Incidents (n)	16	1	12
<b>Information</b>			
Agencies	3	0	1
Incidents (n)	8	0	2
<b>Other</b>			
Agencies	2	1	0
Incidents (n)	2	1	0

Source: Commonwealth fraud survey 2008–09 data (AIC computer file)

Interestingly, it appears that internal frauds involving financial benefit were most likely to result in referral to the CDPP.

## External fraud

As previously noted, the fraud survey questions were divided into the two categories of internal and external fraud. External fraud was defined as *any incident of suspected fraud allegedly committed against the agency by a person other than an employee or contractor of the agency*. Where appropriate, agencies were able to record one incident in multiple categories of fraud. Similar to the section on internal fraud, the survey questions about external fraud incidents were presented in two sections; the first concerning the ‘focus’ or benefit to be obtained and the second concerning the ‘method’ that was used to carry out the incident.

### External fraud types

External fraud types were grouped into five ‘fraud focus’ categories—equipment, entitlements, financial, information and ‘other’ (for any incidents relating to a benefit that did not fall into one of the other four identified categories).

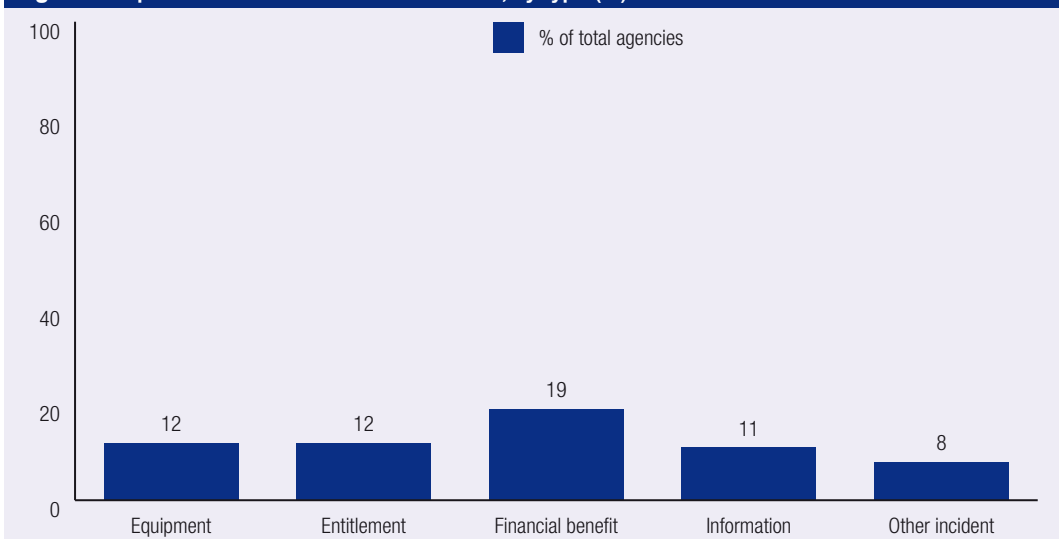
If a respondent agency answered ‘yes’ to experiencing any incidents relating to a category of fraud benefit,

they were then required to specify what the incident involved. For example, if an agency stated that it had experienced fraud relating to entitlements, they were then asked whether the fraud related to housing, social security etc. Within each fraud category, there was also an option to state that the specific fraud was ‘unable to be determined’. This was used in cases where it was known that an incident of that general category had occurred, but there was insufficient information to define the exact nature of the fraud.

The survey also provided two options for measuring the prevalence of each fraud type—by counting the number of agencies affected by each fraud type and by counting the total number of incidents reported regardless of how many agencies reported it. Based on the findings of the 2006–07 survey, it was expected that there would be a difference between the fraud types that affected most agencies compared with those that generated the largest numbers of incidents.

Thirty percent (n=45) of the total number of agencies providing usable data reported having experienced some kind of fraud perpetrated by an external entity, that is, a person not employed by the agency. The fraud categories that affected most agencies were fraud related to financial benefits (19% n=28), followed by equipment fraud and entitlement fraud (both 12%, n=18; see Figure 8).

**Figure 8 Experience of external fraud incidents, by type (%)**



Source: Commonwealth fraud survey 2007–08 data [AIC computer file]

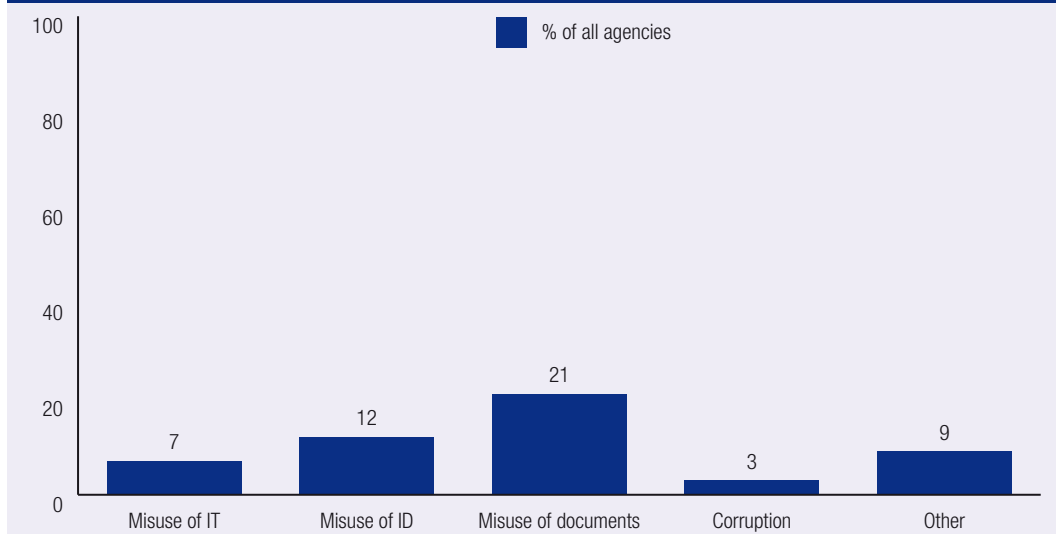
**Table 14 External fraud incidents, by fraud type (n)**

Fraud type	Agencies	Mean incidents <sup>a</sup>	Total incidents
<b>Equipment</b>			
Theft of telecommunications or computer equipment (including mobile devices)	13	269	3,495
Theft of other government equipment	10	4	40
Theft of consumable stock (office-related)	1	4	4
Theft of consumable stock (other)	4	207	827
Unable to be determined	1	525	525
Other equipment	5	2	10
<b>Entitlement</b>			
Claiming benefits without entitlement relating to housing	2	2	3
Claiming benefits without entitlement relating to social security	2	358,707	717,414
Claiming benefits without entitlement relating to health benefits	3	426	1,278
Claiming a visa/citizenship without entitlement	2	7,694	15,389
Misusing, evading or claiming benefits without entitlement relating to child support	1	79	79
<b>Revenue fraud</b>			
Customs and excise fraud (evading excise)	1	152	152
Unable to be determined	1	1	1
Other entitlements (combined)	9	6,149	55,343
<b>Financial benefits</b>			
Obtaining cash/currency without permission (including theft of petty cash)	9	10	86
Misuse or theft of government credit cards	4	1	4
Misuse or theft of Cabcharge	6	10	59
Theft of property other than cash	8	6	51
Procurement offences	4	9	35
Unable to be determined	0	0	0
Other financial benefits	8	341	2,731
<b>Information</b>			
Obtaining or using information without authorisation (excluding personal information)	3	1	3
Providing false or misleading information, or failing to provide information when required to do so	7	21	150
Obtaining or using personal information without authorisation	6	2	11
Use of agency logo or name without authorisation	3	1	4
Misuse of agency IP	1	1	1
Unable to be determined	0	0	0
Other Information	3	1	3
<b>Other</b>			
Other (combined)	17	231	3,933

a: mean calculated on agencies that reported an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Figure 9 Experience of external fraud incidents, by method (%)**



Source: Commonwealth fraud survey 2007–08 data [AIC computer file]

Analysing the total number of incidents reported, rather than the number of agencies affected, provided different results. While the number of agencies that experienced internal and external fraud was quite similar (n=48 and n=45 respectively), the number of actual incidents experienced was much higher for external fraud.

It is also evident that the external fraud types that produced the largest number of incidents were experienced by only a small proportion of agencies. Overwhelmingly, ‘claiming benefits without entitlement relating to social security’ produced the most incidents (n=717,414); however, this was reported by just two agencies whose core business is these types of payments. Furthermore, just one agency reported 99 percent of social security fraud incidents.

When looking at specific fraud types, agencies were most likely to experience ‘theft of telecommunications or computer equipment (including mobile devices)’ (n=13), ‘theft of other government equipment’, or ‘obtaining cash/currency without permission (including theft of petty cash)’ (n=9).

In the ‘other’ category, agencies reported a range of fraudulent activities including, but not limited to—community protection matters (n=2,388), non-payment of national park entry fees (n=911), fraud relating to stamps and postage (n=46), foreign fishing vessels operating in Australian waters (n=27) and cheating in exams (n=11).

### *Methods used in external fraud incidents*

In addition to questions about fraud types, the survey investigated the methods used in fraud attempts. The data about fraud methods were analysed by counting the number of agencies affected by each fraud method, as well as the total number of incidents that employed each method. Fraud involving the misuse of documents affected the largest proportion of agencies, with 69 percent of those agencies that experienced external fraud and 21 percent of the total number of agencies reporting experiences of this method of fraud (see Figure 9). Although the methods used had not changed greatly since 2007–08, there was an increase in proportion of external fraud involving the misuse of documents compared with 2007–08 (n=53%). In contrast with internal fraud, external fraud incidents involving misuse of IT were comparatively rare, with only 22 percent of those agencies with an external fraud incident and seven percent of all agencies experiencing this type of fraud.

The method of external fraud experienced by the greatest number of agencies was ‘creating and/or using a false or altered document (not belonging to the agency)’ (n=19), which also recorded the most incidents (n=1,120). This was followed by ‘creating and/or using a false or altered agency document’

**Table 15 External fraud incidents, by method (n)**

Type	Agencies	Mean <sup>a</sup>	Total incidents
<b>Misuse of information technologies</b>			
Accessing information via a computer without authorisation	3	1	3
Copying or altering data or programs without authorisation	2	2	4
Manipulation of a computerised accounting system	0	0	0
Insertion of malicious code	2	5	10
Interference with computer networks	0	0	0
Unable to be determined	1	451	451
Other misuse IT	6	15	88
<b>Misuse of identity</b>			
Creating and/or using a fictitious identity	3	121	364
Use of another employee's or contractor's identity without their knowledge	6	9	56
Fraudulently using another person's identity with their permission	3	14	43
Unauthorised use of another person's password, PIN or access pass	1	1	1
Unauthorised use of another person's Tax File Number or Australian Business Number	0	0	0
Unable to be determined	5	1,206	6,032
Other misuse of identity	3	7	20
<b>Misuse of documents</b>			
Creating and/or using a false or altered agency document	12	5	55
Creating and/or using a false or altered document (not belonging to the agency)	19	59	1,120
Dishonestly concealing documents	0	0	0
Failing to provide documents when required to do so	5	159	794
Unable to be determined	5	1,311	6,556
Other misuse of documents	3	43	128
<b>Corruption</b>			
Bribery of an employee	2	2	3
Accepting kickbacks or gratuities	2	2	3
Failure to disclose/abuse of a conflict of interest	1	5	5
Collusion or conspiracy (include collusion or conspiracy with internal and external parties)	2	2	3
Abuse of power	2	4	8
Unable to be determined	1	1	1
Other corruption	0	0	0
<b>Other</b>			
Other	21	179	3,752

a: mean calculated on agencies that reported an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

(n=12), for which 55 incidents were recorded (see Table 15). External fraud incidents involving misuse of IT were rare compared with internal fraud incidents of the same type and only three agencies reported information having been accessed via a computer without authorisation and two agencies reported either copying or altering of data or programs, or insertion of malicious code.

In terms of the number of incidents for each fraud method, misuse of documents also had the largest number of incidents (n=8,653; see Table 15).

## Losses and recoveries

### Losses

Due to the separation of fraud types and methods in the survey design, estimates of the total losses sustained by agencies were not collected from respondents. Instead, questions were intended to produce an estimate of loss for each fraud category. The difficulties in calculating fraud losses are well known and have been outlined in the *Introduction* to this report. For the purposes of the survey, fraud losses were defined as:

The total amount, in whole dollars, thought to have been lost to the agency from fraud incidents, prior to the recovery of any funds, and excluding the costs of detection, investigation or prosecution.

As was the case with internal fraud, not all agencies that experienced external fraud reported a loss. While 30 percent (n=45) of agencies experienced an external incident, only 19 percent (n=29) of all agencies reported a loss from external fraud. Therefore, a total of 39 percent of agencies that experienced internal or external fraud recorded a loss.

The total loss due to external fraud in 2008–09 was close to \$600m, a increase from 2007–08 (n=\$587m). The external fraud type that resulted in the largest financial loss to agencies was fraud relating to entitlements, costing agencies \$489m in 2008–09 (see Table 16). Financial benefits fraud affected the greatest number of agencies (47%, n=21 of those with an external fraud incident and 14% of all agencies). The most dramatic increase in 2008–09 compared with 2007–08 related to financial loss involving equipment, with losses increasing from \$170,062 to \$1,429,052 between 2007–08 and 2008–09. The greatest area of decrease between 2007–08 and 2008–09 was fraud relating to corruption, for which losses of \$500,000 were reported in 2007–08 compared with only \$14,995 in 2008–09.

Figure 10 shows the amount lost for each fraud type against the percentage of agencies that experienced fraud incidents. With the exception of the category of ‘other’ fraud types, there was a substantial difference between the number of agencies that reported incidents and the amount lost for each fraud type. While there were a relatively small number of fraud incidents relating to entitlements compared with financial incidents, the amount lost due to entitlement fraud was significantly greater than losses resulting from each of the other types of fraud. It is important to note, however, that the impact of fraud incidents could affect agencies in non-financial ways and a small financial loss, as seen in the case of incidents of corruption and fraud relating to information, may not necessarily mean that the fraud had not had a significant effect on the victimised agency.

Owing to the inherent difficulties associated with calculating fraud losses, agencies were given the

**Table 16 External fraud losses, by value and number of agencies**

Fraud type	Agencies (n)	Mean (\$)ᵃ	Total lost (\$)
Equipment	12	119,088	1,429,052
Entitlements	6	81,400,000	489,000,000
Financial benefits	21	992,524	20,800,000
Information	0	0	0
Corruption	1	14,995	14,995
Other	3	28,200,000	84,700,000

a: mean of agencies that detected an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

option of specifying losses that they were unable to quantify. In total, 33 agencies reported suffering a loss that could not be measured (see Table 17).

Taking into account the difficulties associated with calculating fraud losses and the fact that 33 agencies identified losses they could not quantify, it is likely that the figures of estimated loss in this report actually underestimate the external fraud losses incurred by Australian Government agencies in 2008–09.

**Table 17 External fraud losses that could not be quantified, by fraud type**

Fraud type	Agencies (n)	Agencies (%)
Equipment	5	3
Entitlements	6	4
Financial	8	5
Information	7	5
Corruption	3	2
Other	4	3

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

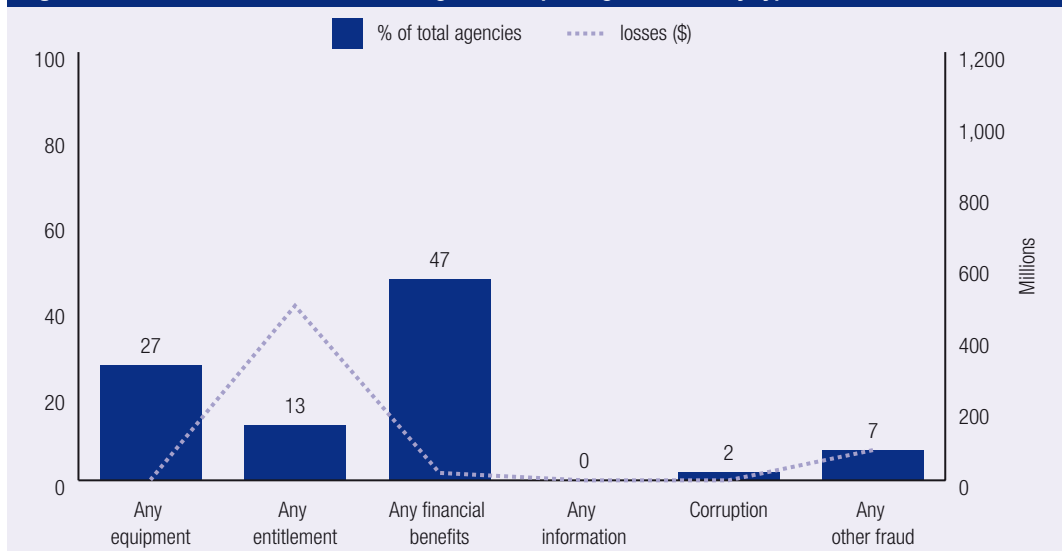
## Recoveries

Agencies were able to recover money in relation to 10 percent of internal fraud incidents (n=15) and 12 percent of external fraud incidents (n=18). The amount of money recovered by agencies from

external fraud was varied, with amounts extending from over \$24,000 to over \$92m from one agency alone (see Table 18). Recovery from financial fraud was the most common among agencies (n=20), with the use of administrative remedies the most common method used to recover funds (n=13)—that is, internal procedures within agencies not involving civil or criminal action. The largest total recoveries were made using administrative methods in connection with entitlements fraud (over \$92,000,000), involving two agencies. In 2008–09, no financial losses involving entitlements were recovered using criminal prosecution, while in 2007–08, two agencies recovered over \$215,000 this way. The total amount recovered for ‘other’ fraud was \$30m, recovered by ‘other’ means. This compares with \$150 in the same category for 2007–08, which is a considerable increase (see Table 18).

It is likely that these figures underestimate the true losses and recoverable costs associated with fraud, as there is often a discrepancy between what agencies defined as actual ‘fraud’ compared with what they classified as ‘compliance breaches’ and therefore did not report in the survey. This is a particular concern in relation to revenue collecting agencies. While the definition in the Guidelines was sufficiently broad to include minor incidents and suspected incidents of fraud-like behaviour, for operational reasons larger agencies with a high volume of incidents

**Figure 10 Fraud losses and number of agencies reporting incidents, by type**



Commonwealth fraud survey 2008–09 data [AIC computer file]

defined and treated small-scale matters as compliance breaches which they chose not to report as fraud in the survey. Developing a consistent approach to this issue is an important policy consideration for the future.

## Suspects

Forty-three agencies that experienced an incident of external fraud identified at least one suspect. Suspects were identified by 26 agencies in respect of fraud relating to financial benefits (the most

prevalent of any fraud type), followed by individuals suspected of 'fraud involving information' for which 15 agencies identified suspects. The largest number of suspects was identified in respect to external fraud incidents that related to entitlements, which was consistent with the high number of incidents for this type of fraud. In total, there were nearly 790,000 suspects identified in connection with entitlement fraud (see Table 19). The number of agencies that identified suspects by the various fraud types was fairly consistent with findings from 2007–08, however,

**Table 18 External fraud recoveries, by fraud type and method of recovery<sup>a</sup>**

Fraud type	Criminal	Civil	Administrative remedy	Other	Total
<b>Equipment</b>					
Amount recovered (\$)	0	0	0	28,439	28,439
Agencies (n)	0	0	0	1	1
<b>Entitlement</b>					
Amount recovered (\$)	0	0	92,100,000	24,227	92,124,227
Agencies (n)	0	0	2	1	3
<b>Financial</b>					
Amount recovered (\$)	458,120	0	4,945,094	9,921,12	6,395,326
Agencies (n)	5	0	8	7	20
<b>Information</b>					
Amount recovered (\$)	0	0	0	0	0
Agencies (n)	0	0	0	0	0
<b>Corruption</b>					
Amount recovered (\$)	0	0	0	0	0
Agencies (n)	0	0	0	0	0
<b>Other fraud</b>					
Amount recovered (\$)	10,300,000	0	46,200	30,000,000	40,346,200
Agencies (n)	1	0	2	1	4

a: agencies could recover money through more than 1 method per category of fraud

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 19 External fraud suspects (n)**

Type	Agencies	Mean suspects <sup>a</sup>	Total suspects
Equipment	13	9	113
Entitlements	12	65,783	789,400
Financial	26	109	2,840
Information	15	15	220
Corruption	2	10	20
Other	8	584	4,676

a: mean calculated on agencies with a suspect

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]



most interestingly, the number of incidents in the 'other' category increased by more than two and a half times, from 1,834 suspects identified by 10 agencies to 4,676 suspects identified by eight agencies.

As external fraud is committed by members of the public, data on the employment background of suspects would not necessarily be collected by agencies. Accordingly, information on this variable was not included in the survey.

### Fraud detection and investigation

In addition to fraud incident data, information was also gathered on the ways in which external fraud was both detected and investigated. Agencies provided information on the detection of over 800,000 external fraud incidents. It was found that most agencies detected external fraud through

'internal controls/audit/investigation' (n=30) and the vast majority of incidents (n=730,145) were detected this way. Only three incidents of fraud were discovered by 'offenders self-reported' (see Table 20). Comparing 2007–08 with 2008–09, there has been a sharp decline in the number of incidents detected by 'staff member/colleague discovered' (from 21,287 to 4,089), 'internal anonymous whistleblower/informant' (from 1,976 to 397) and 'external audit/investigation' (from 2,559 to 64). There has been a rise in the incidents detected by methods 'not recorded/unknown' (from 720 to 2,424).

Information was provided about the way in which the 809,602 incidents of external fraud were investigated in 2008–09. As was the case with the investigation of internal fraud incidents, the majority of these incidents were investigated by the agency involved (see Table 21). This was true for the number of agencies that reported external fraud using this

**Table 20 External fraud detection methods (n)**

Method of detection	Agencies	Mean <sup>a</sup>	Total incidents detected
Internal controls/audit/investigation	30	24,338	730,145
Staff member/colleague discovered	24	170	4,089
Internal anonymous whistleblower/informant	7	57	397
External audit/investigation	4	16	64
Notification by police or other law enforcement agencies/investigations	13	56	731
External whistleblower/informant	16	4,472	71,559
Offender self-reported	2	2	3
Not recorded/unknown	4	606	2,424
Other	5	38	190
Total			809,602

a: mean calculated on agencies that detected an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 21 Method used to investigate external fraud incidents (n)**

Method of investigation	Agencies	Mean <sup>a</sup>	Total
Agency investigation only—no external investigation	34	21,300	724,201
External investigator	6	322	1,934
AFP	11	7	79
State or territory police	11	5	52
Another agency	9	20	177
Other	11	10	112
Total			726,555

a: mean calculated on agencies that investigated an incident

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

method (76%) as well as the number of incidents involved (90%). Compared with 2007–08, fewer external fraud incidents were investigated by the AFP (n=392) and/or other agencies (n=6,425), compared with 2008–09. The total number of incidents investigated was fewer than the number of incidents detected. This is likely to be because while some incidents were detected, not all were necessarily investigated. However, further clarification from agencies would be required to confirm this.

## Referrals

The number of agencies referring external fraud incidents to the AFP, state and territory police, and the CDPD was small, as was the case with internal fraud incidents (see Table 22). Frauds under the category of entitlements led to the greatest number of referrals (n=5,127), followed by 'other' fraud

(n=197), although this was still a small proportion of the total number of these incidents. The referrals reported in 2008–09 show a general decrease in all categories compared with 2007–08, with the exception of the 'other' category. The greatest decline from 2007–08 to 2008–09 was in the number of referrals to the AFP for 'frauds relating to entitlements' (from 359 to 67 respectively); however, the number of referring agencies remained the same (n=4). These very low figures indicate that while agencies are aware of frauds, there is a very high rate of under-reporting occurring for internal and external frauds.

## Training and fraud

In the 2008–09 survey, agencies were asked about the employee resources that they devoted to fraud control. Questions examined the number of staff they employed in each section on fraud control and the number of staff in these sections that had a fraud control qualification. A qualification could be in the form of a certificate or diploma in fraud investigation or some aspect of fraud control. The results showed that the largest number of employees within fraud control sections of agencies worked on investigations and that those working in investigations had formal qualifications more often than those working in fraud prevention (43%; see Table 23). Between 2007–08 and 2008–09, the number of dedicated fraud section employees increased in 'investigation', from 1,183 to 2,062 and 'other' categories from 330 to 442; however, prevention declined from 618 to 454. There was also a decline in the percentage of staff with fraud control qualifications between 2007–08 and 2008–09 from 21 percent to 19 percent in connection with prevention activities, from 92 percent to 43 percent in connection with investigation activities and from 22 percent to 10 percent in connection with other activities.

**Table 22 External fraud referrals (n)**

	AFP	State and territory police	CDPD
<b>Equipment</b>			
Agencies	3	8	0
Referrals	3	42	0
<b>Entitlements</b>			
Agencies	4	2	5
Referrals	67	17	5,127
<b>Financial</b>			
Agencies	6	4	3
Referrals	13	9	28
<b>Information</b>			
Agencies	2	1	4
Referrals	3	1	20
<b>Other</b>			
Agencies	3	1	3
Referrals	114	5	197

Source: Commonwealth fraud survey 2008–09 data [AIC computer file]

**Table 23 Qualifications of agency fraud control staff**

	Fraud prevention	Fraud investigation	Fraud other
Employees in fraud section (n)	454	2,062	442
Employees with a qualification (n)	86	879	43
Fraud section employees with a qualification (%)	19	43	10

Source: Commonwealth fraud survey 2007–08 data [AIC computer file]

# Policing and prosecutions

In addition to gathering information from agencies on their experiences of fraud and their fraud control arrangements, the AIC also gathered information from the AFP and CDPP on certain aspects of fraud investigation and prosecution undertaken in the preceding year. Unfortunately, it was not possible to relate these data back to individual agency responses and so it was not possible to report on which types of fraud matters resulted in differential policing and prosecution outcomes. Data collection practices within the AFP and CDPP also differed in various other respects, as described below.

## Australian Federal Police reporting

Paragraph 8.15 of the Guidelines requires the AFP to provide the AIC with the following information each year on fraud matters it has investigated:

- the number of referrals accepted and declined by the AFP;
- the number of accepted referrals that led to prosecution;
- the type of offences;
- estimated financial loss investigated;
- fulfilment of AFP service standards relating to case handling; and

- results of the investigation quality assurance review process, with an analysis of best practice and deficiencies.

## *Numbers of referrals accepted and declined*

As defined by the Guidelines, fraud-related referral records held by the AFP included the following case types:

- civil proceedings;
- corporate bankruptcy;
- corruption;
- counterfeit currency;
- fraud;
- identity fraud;
- money laundering and *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* offences; and
- trans-economic crime.

During the 2008–09 financial year, the AFP accepted 368 referrals and declined 47. This compares with 396 and 34 respectively in the 2007–08 financial year. During that period, 48 matters resulted in legal action, compared with 61 in 2007–08. Losses involved in the 368 matters accepted for investigation during the 2008–09 financial year were estimated at \$70,068,615, compared with losses of \$145,635,682 in 2007–08 for the reported 396 cases.

## Type of offences

The type of offences recorded for 2008–09 and their frequency are shown in Table 24.

**Table 24 Type and frequency of offences recorded by the AFP 2008–09 (n)**

Incident type	Offences
Civil proceeding	0
Corporate bankruptcy	3
Corruption	6
Counterfeit currency	2
Fraud	29
Identity fraud	85
Money laundering ( <i>Financial Transaction Reports Act 1988</i> )	371
Trans-economic	0
<b>Total</b>	<b>496</b>

Source: AFP internal data

## Fulfilment of Australian Federal Police service standards relating to case handling

The AFP assessed service standards by conducting a random sample of 50 cases referred to it during the 2008–09 financial year. The following results were reported:

- 100 percent of all cases reported included a completed Case Categorisation and Prioritisation Model which took into account the views expressed by agencies and impact and priority;
- 74 percent of applicable cases included acceptance or rejection letters to the agency within the 28 day timeframe;
- 100 percent of acceptance letters contained either the contact details of the case officer and/or contact details for the Operations Monitoring Centre; and
- the AFP Police Realtime Online Management Information System was not able to accurately capture information about change of case officers.

These statistics show improvement from the 2007–08 random sample on all indicators.

## Quality assurance review process, with an analysis of best practice and deficiencies

During the reporting period, two Quality Assurance Reviews (QARs) were completed by the AFP. Both completed QARs revealed a high level of compliance with AGIS, indicating both agencies are managing investigations appropriately. The sample is too small to support any further analysis of best practice and deficiencies.

## Commonwealth Director of Public Prosecutions reporting

In accordance with paragraph 8.16 of the Guidelines, the CDPP provides information each year on prosecutions undertaken that involved fraud against the Commonwealth. The CDPP is required to provide information to the AIC on:

- the number of referred and prosecuted fraud type matters;
- the number of charges prosecuted in fraud type cases under Commonwealth legislation; and
- the amount initially charged in each fraud type prosecution (from financial year 2001–02 onwards) and the outcomes of those prosecutions including:
  - the number of convictions;
  - the number of acquittals; and
  - amounts ordered by courts by way of reparation orders under the *Crimes Act 1914* (Cth) and pecuniary penalty orders under the *Proceeds of Crime Act 1987* (Cth).

## Number of referred and prosecuted fraud-type matters

In 2008–09, 5,507 defendants were referred to the CDPP for prosecution involving allegations of fraud, compared with 5,952 defendants referred in 2007–08. Of these, 4,821 were prosecuted, resulting in 4,089 convictions and 36 acquittals. This compares with 4,055 prosecutions resulting in 3,457 convictions and 49 acquittals for 2007–08. The number of charges prosecuted in fraud-type cases under

Commonwealth legislation was 16,890 in 2008–09 across all Australian jurisdictions (see Table 25), compared with 16,458, which shows an increase of 432 charges prosecuted in the current reporting period. Clearly, the high conviction rate reflects the nature of matters chosen for prosecution, although in serious fraud cases generally, it is usual for accused persons to plead guilty once the prosecution’s case is known (Smith 2003). Only in a small proportion of cases will contested and complex matters proceed to trial and few of these will result in acquittal (Smith 2003).

The initial amount charged in each fraud type prosecution was \$79,110,493.46, which is less than the 2007–08 figure of \$84,377,500.75. The CDPP secured \$45,277,118.77 in 2008–09 compared with \$39,264,232 in 2007–08 by way of reparation under the *Crimes Act 1914* (Cth) and pecuniary orders under the *Proceeds of Crime Act 1987* (Cth).

To complement the data provided by the CDPP, the ABS also collects data from Australian higher courts (Supreme and Intermediate), Magistrates’ and Children’s Courts. Not all federal offences are prosecuted by CDPP, as some are heard in state and territory courts in conjunction with other local

offences that are prosecuted by other agencies. From the period between 1 July 2008 and 30 June 2009, 13,999 defendants who appeared before all courts had a total of 35,614 federal offences finalised—1,968 in the higher courts, 33,360 in the Magistrates’ Courts and 286 in the Children’s Courts (ABS 2010). Of these defendants, 42 percent (n=817), 31 percent (n=10,243) and 11 percent (n=32) respectively were charged with fraud and deception offences (ABS 2010). Across all courts, 32 percent of offences were categorised as relating to fraud and deception (ABS 2010). Overall, 98.8 percent of fraud offences were proved, withdrawn or disposed of other than by acquittal (ABS 2010). This is approximately the same rate as for the CDPPs conviction rate reported in the current survey (99.3%) which is understandable as most federal prosecutions relate to fraud offences.

Penalties for offences relating to fraud and deception most commonly involved community supervision or work orders (83%), as opposed to other penalties (ABS 2010). In addition, 16 percent of defendants with a principal sentence involving monetary orders had been charged with principal federal offences involving fraud or deception (ABS 2010).

**Table 25 CDPP fraud matters by jurisdiction, 2008–09 (n)**

State and territory	Referrals	Defendants prosecuted	Convictions	Acquittals	Charges prosecuted
NSW	1,670	1,423	1,117	20	5,695
Vic	989	937	827	3	2,024
Qld	1,293	1,231	1,120	5	2,755
SA	505	446	382	1	2,231
WA	519	272	236	0	774
Tas	158	192	160	1	2,694
NT	87	91	58	0	348
ACT	286	229	189	6	369
Total	5,507	4,821	4,089	36	16,890

Source: CDPP internal data

# Conclusion

## Comparing internal and external frauds

As was the case for 2007–08, in 2008–09 agencies were asked to report their experience of fraud separately with respect to internal and external incidents. The following discussion compares the results obtained from the survey with respect to internal and external frauds in order to determine if similarities or differences arise in terms of fraud risks for agencies.

### *Fraud types*

Overall in 2008–09, internal fraud was found to be a more significant risk to Australian Government agencies, with 48 agencies (32%) experiencing

internal fraud and 45 agencies (30%) experiencing external fraud. In terms of the number of fraud incidents, however, considerably more incidents related to external fraud (n=797,327) than internal fraud (n=3,371). Yet while external fraud affected more agencies generally, the fraud types that resulted in the most incidents tended to be specific to only a small number of agencies. Of the two external fraud types that produced the largest number of incidents—‘fraud relating to social security’ and ‘fraud relating to visas and citizenship’—these were reported by only two agencies each. While total incident numbers were substantially lower, this pattern was also true for internal fraud, where the most frequent incident type—‘obtaining or using personal information without authorisation’—affected just seven agencies.

**Table 26 Internal and external fraud types affecting most agencies<sup>a</sup>**

Type of incident	Agencies that experienced an internal fraud incident (n)	Total agencies (%)	Agencies that experienced an external fraud incident (n)	Total agencies (%)
Equipment	24	16	18	12
Entitlement	23	15	18	12
Financial	31	21	28	19
Information	21	14	16	11
Other	10	7	12	8

a: figures have been rounded

Source: Commonwealth fraud survey 2008–09 data (AIC computer file)

The category of ‘obtaining or using personal information’ accounted for the largest number of incidents of internal fraud (n=1,481), but only 11 incidents of external fraud. When looking at the fraud types that affected most agencies, rather than those that resulted in the largest number of incidents, ‘fraud involving financial benefits’ was the most prevalent type for agencies in both internal and external fraud, affecting 21 percent and 19 percent respectively (see Table 26). While these findings are consistent with the 2007–08 report, a decrease from 22 percent and 24 percent for internal and external fraud respectively was apparent.

### Fraud methods

The most common methods used to carry out frauds differed slightly depending on whether the fraud was internal or external. The fraud types that affected most agencies were ‘misuse of documents’ for external fraud (n=31) and ‘misuse of IT’ and ‘misuse of documents’ for internal fraud (both n=23; see Table 27). These findings remained consistent from the 2007–08 report, representing 27 and 19 incidents, respectively.

The specific method used in the largest proportion of incidents involving external fraud was ‘creating and/or using a false document (not belonging to the agency)’ (n=1,120), while for internal fraud it was ‘accessing information via a computer without authorisation’ (n=1,816). This compares with 3,713 and 1,228 incidents respectively in the 2007–08 reporting period, showing a 30 percent fall in the number of reported incidents of external frauds involving ‘creating and/or using a false document (not belonging to the agency)’ and a 32 percent increase from the reported internal fraud incidents involving ‘accessing information via a computer

without authorisation’. There was a large discrepancy between internal and external fraud in the number of incidents that involved the ‘misuse of IT’ and ‘accessing information via a computer without authorisation’ more specifically. This was the most prevalent method used in internal fraud incidents; however, it was reported in three incidents of external fraud by three agencies, compared with only eight incidents by just two agencies in the 2007–08 reporting year. By way of contrast, ‘creating and/or using a false document (not belonging to the agency)’ was the most common external fraud method used, while in the case of internal fraud this method was experienced by only eight agencies in connection with 14 incidents, which represents an increase of two incidents from the same number of agencies in the 2007–08 reporting period.

In contrast to the results for fraud types where the type with the largest number of incidents affected only a small number of agencies, the fraud methods that produced the largest number of incidents, for both internal and external, were also experienced by a larger number of agencies than other fraud methods. Internal fraud involving ‘accessing information via a computer without authorisation’ was reported by 17 agencies and external fraud involving ‘creating and/or using a false document (not belonging to the agency)’ was reported by 19 agencies. This trend is consistent with the 2007–08 report, whereby the same types of incidents were most prevalent, affecting 12 and 17 agencies, respectively. However, when looking at the second most prevalent fraud method, the pattern re-emerged where those methods used in a large number of incidents for external fraud were specific to only a small number of agencies.

**Table 27 Internal and external fraud methods affecting agencies**

Type of incident	Agencies that reported method for internal fraud (n)	Total agencies (%)	Agencies that reported method for external fraud (n)	Total agencies (%)
Misuse of IT	23	15	10	7
Misuse of identification	10	7	18	12
Misuse of documents	23	15	31	21
Corruption	18	12	4	3
Other	8	5	13	9

Source: Commonwealth fraud survey 2008–09 data (AIC computer file)

It should also be noted that there were 2,266 external fraud incidents from one agency where the method could not be determined.

### *Losses and recoveries*

In total, there were 41 agencies (28%) that quantified a financial loss from either internal or external fraud, compared with 47 agencies (34%) in 2007–08. For both internal and external fraud, 29 agencies identified losses, compared with 30 (internal) and 34 agencies (external) in 2007–08.

External fraud resulted in substantially higher losses to Australian Government agencies than internal fraud. The overwhelming majority of external fraud losses were a result of fraud targeted at entitlements, with an estimated loss of \$488,588,754 across six agencies. The 2008–09 loss represents a nine percent increase from the loss due to entitlements fraud experienced in the 2007–08 reporting year, which was estimated as a \$444,733,676. Similarly, for internal fraud the loss from ‘entitlements fraud’ was also the most expensive category, resulting in an estimated loss of \$860,862. It is important to note that the greatest loss in connection with external fraud in the 2008–09 financial year fell into the ‘other’ category, totalling \$84,699,662 but involving only three agencies. Overall, almost \$600m (n=\$597,944,047) was lost to fraud in 2008–09.

For both internal and external fraud incidents, the fraud type that resulted in a loss for most agencies was fraud targeted at ‘financial benefits’. This affected 23 agencies that reported internal fraud and 21 agencies that reported external fraud. Compared with the 2007–08 reporting period, financial losses were reported by fewer Australian Government agencies, with 22 and 21 agencies reporting financial loss from internal and external fraud respectively, although external fraud incidents targeted at ‘equipment’ also affected 21 agencies in 2007–08.

Agencies were able to recover money from external frauds (n=18) and internal frauds (n=15) in 2008–09. While rates of recovery differed, the methods used to recover the largest amounts of money were comparable in internal and external fraud relating to ‘entitlements’ through administrative methods.

### *Suspects*

Suspects were slightly more likely to be identified by agencies in cases of internal fraud as opposed to external fraud. In total, 92 percent of agencies with an internal fraud identified at least one suspect, compared with 96 percent for external fraud. The high rate of identified suspects is not surprising given that internal fraud is committed by employees who are known to the agency, while the very high rate of identified suspects for external fraud is more surprising, since external fraud can be committed by any member of the public. These rates for suspects identified for internal and external fraud show an increase from the 2007–08 figures, at 89 and 76 percent respectively. Consistent with findings from the 2008 KPMG survey, non-management employees were the most likely group to commit fraud (KPMG 2009).

Looking at fraud more generally, of the 58 agencies that reported any incident involving either internal or external fraud, 97 percent (n=56) had at least one suspect for one fraud type and 53 percent (n=31) had a suspect for both internal and external fraud. These results show a significant improvement in identifying suspects compared with 2007–08, with only 84 percent for internal fraud and 46 percent for external fraud.

However, while agencies were more likely to identify individuals suspected of internal fraud, the number of individuals suspected of external fraud was much larger. The fraud type that had the highest number of external suspects, ‘entitlement fraud’, involved 789,400 suspects across 12 agencies, while ‘information fraud’ had the highest number of internal fraud suspects at 1,842. In 2007–08, the types of fraud remained the same; however, the suspects declined from nearly 850,000 for external fraud and increased from around 1,200 for internal fraud. In 2008–09, the greatest number of suspects identified from one agency was 717,342 which related to external ‘entitlement fraud’ and the greatest number of suspects identified from one agency for internal fraud was reportedly 1,289 for ‘fraud relating to information’.



## Detection and investigation

The most effective method for detecting fraud was the same for internal and external fraud, namely 'internal controls/internal audit'. The largest number of incidents was detected through 'internal controls/internal audit', accounting for 1,617 internal incidents and 730,145 external incidents. The same method of detection was found to be consistent with the 2007–08 reporting period, which produces fairly comparable incidents detected. However, the method that detected internal fraud in the greatest number of agencies was 'staff member reporting', with 30 agencies reported using this method, whereas 'internal controls/internal audit' was the most effective means for detecting external fraud with 30 agencies reporting this method. Once incidents were detected, both internal and external frauds were most likely to be investigated by the agency themselves.

'Project Wickenby' is an example of a multi-agency collaborative taskforce implemented to investigate organised tax fraud and associated money laundering activities. It involves a number of investigating agencies including:

- the ATO;
- AFP;
- Australian Crime Commission (ACC);
- Australian Securities and Investments Commission, supported by Australian Transaction Reports and Analysis Centre;
- the AGD;
- the Australian Government Solicitor;
- as well as international partners, when necessary.

The CDPP has a significant and important role to play in the prosecution of offenders and to recover the proceeds of these crimes under the *Proceeds of Crime Act 2002*. Project Wickenby was funded from February 2006 to June 2010 and at the end of June 2009, the CDPP had prosecuted 42 defendants in various jurisdictions investigated by the AFP and ACC. Additionally, the CDPP has restrained property valued at approximately \$25m in relation to a number of Project Wickenby matters. Box 4 shows some of the success experienced through Project Wickenby.

Agency-specific changes may have an impact on fraud detection and investigation, such as advancements in staff resourcing and training.

### Box 4 Australian Taxation Office

The ATO provides a clear example of the difficulty in interpreting the current Guidelines. The ATO is one of Australia's largest public sector agencies that during 2008–09 collected net cash revenue of \$264.5b. As such, it is an attractive target for those seeking to defraud the Australian Government. In addition, since 2006, Project Wickenby (a multi-agency taskforce) has worked across Australia to deter, identify, audit, investigate and prosecute promoters, intermediaries and participants involved in fraudulent tax haven schemes. Overall, 10,858 cases were classified as having been completed through audit and enforcement.

Of the overall totals achieved through active compliance activities in 2008–09, Project Wickenby outcomes included:

- 558 audits and reviews completed;
- tax liabilities of \$230m raised; and
- cash collections of \$40m from active compliance adjustments, with improved compliance resulting in a further \$159m in tax collected from people who have been the subject of Wickenby action.

To date, Project Wickenby has collected \$117m in cash from active compliance adjustments, with an additional \$235m in tax collected from people who have been the subject of Wickenby action. At 30 June 2009, Project Wickenby had raised \$406m in liabilities, collected more than \$352m and restrained \$76m from the proceeds of criminal activity.

In 2008–09, some 2,959 cases were successfully prosecuted from a total of 3,264 taken to court.

- of the cases taken to court, 2,909 cases related to non-lodgement and 'failure to comply' tax offences and of these, 2,578 prosecutions were successful;
- of the 3,118 cases handled in-house, 2,834 prosecutions were successful;
- of the 92 cases referred to the CDPP, 75 were successful; and
- of the 54 cases involving serious non-compliance, 50 of the prosecutions were successful.

In 2008–09, the overall custodial sentence rate was 72 percent, with 36 custodial sentences from 50 convictions.

In relation to cases of serious non-compliance in 2008–09, active cases involved:

- 757 completed audits;
- 161 completed investigations;
- 70 briefs of evidence provided to the CDPP; and
- one brief of evidence provided to the Australian Government Solicitor.

Source: ATO 2009

In 2008–09, the Australian Customs and Border Protection Service (ACBPS) delivered training in fraud control and ethics to 2,416 officers throughout Australia in accordance with the Fraud Control Framework which seeks to encourage preparedness, prevention, detection and resolution of fraud-related activity. This level of enhanced training may have contributed to the observed reduction in fraud incidents reported by ACBPS during that period. In addition to prevention activities, ACBPS successfully prosecuted 28 revenue fraud cases, including eight complex revenue fraud cases.

Of the complex cases, six were in relation to revenue fraud associated with tobacco or cigarette importations and two cases involved evasion of duty on alcohol imports. The penalties ranged from fines and good behaviour bonds to custodial sentences and a settlement. Cases where major penalties were imposed included one tobacco smuggling investigation, resulting in over \$13m in fines, penalties and reparation orders. Another tobacco smuggling case resulted in \$11.4m in fines, penalties and reparation orders. Box 5 highlights some of the ACBPS activities relating to fraud detection and investigation for 2008–09.

Similarly, Medicare Australia's Program Review Division is developing and managing the National Compliance Program, which sets out Medicare Australia's risk-based approach to program integrity and compliance. The program includes activities designed to support voluntary compliance and activities that focus on identification and treatment of non-compliance, including fraud, inappropriate practice and incorrect claiming (Medicare Australia 2009). In 2008–09, Medicare Australia received more than 2,800 tip-offs from health professionals and members of the public that were subjected to further assessment to determine whether non-compliance had occurred. Medicare Australia has seen a significant reduction in reported frauds, which could be attributable to these practices (Medicare Australia 2009). As shown in Box 6, Medicare Australia's tip-off line has led to the detection and investigation of fraudulent claimants.

Finally, Centrelink provides another example of an agency undertaking oversight activities into reporting fraud, errors, non-compliance and overpayment practices, which have led to a decrease in reported frauds in the 2008–09 reporting period (Centrelink

### Box 5 Australian Customs and Border Protection Service

The ACBPS investigates serious, complex and sensitive breaches of legislation in accordance with legislation covering customs and Australian borders. Investigations in collaboration with other agencies such as federal, state and territory police comply with the Guidelines and AGIS.

In 2008–09, 180 referrals were received by the Investigations Branch, 82 of which were adopted as cases requiring further examination. Of these 82 cases, 29 were progressed through the courts, while the remaining 78 were completed without prosecution.

In 2008–09, 28 revenue fraud cases, including eight complex revenue fraud cases were successfully prosecuted. Of the complex cases, six concerned revenue fraud associated with tobacco or cigarette importations and two cases involved evasion of duty on alcohol imports. The penalties ranged from fines and good behaviour bonds to custodial sentences and a settlement. Cases where major penalties were imposed included one tobacco smuggling investigation, resulting in over \$13m in fines, penalties and reparation orders.

Source: ACBPS 2009

### Box 6 Medicare Australia

As part of its responsibilities to protect the public interest, Medicare Australia has a fraud control program that complies with the Guidelines. In this program:

- fraud risk assessments and fraud control plans are prepared in accordance with the Guidelines;
- appropriate fraud prevention, detection, investigation and reporting procedures and processes are in place; and
- annual fraud data is collected and reported in line with the Guidelines.

The Australian Government Services Fraud tip-off line is a service set up to assist Medicare Australia in conducting further assessments into fraudulent claims. In 2008–09, Medicare Australia received more than 2,800 tip-offs from health

professionals and members of the public, which were subjected to further assessment to determine whether non-compliance had occurred.

During 2008–09, Medicare Australia implemented a new compliance framework, which expanded compliance responses to include provision of targeted information, audits to verify compliance, reviews of practitioners and investigations. During 2008–09, Medicare Australia finalised 3,663 claims from which 32 individuals were referred to the CDPP for criminal prosecution. These referrals led to the prosecution of 48 individuals (which may include a carry over of cases referred in 2007–08) and the recovery through repayment orders of almost \$419,000.

Source: Medicare Australia 2009

2009). Centrelink has also continued to build on existing capabilities by extending its intelligence-led approach to fraud and investment via its key relationships with the AFP and the ACC (Centrelink 2009).

## Fraud trends in 2008–09

The threat posed to governments by external fraud is often different to threats from internal fraud. This year's survey also demonstrated that the types of fraud incidents and methods used for internal and external fraud were often different. Further, the experience of external fraud has been quite different across agencies and the types of fraud incidents that affect each agency are often unique to the service provided by that body.

While the risks relating to fraud involving social security or visas may appear high due to the large number of incidents reported, these fraud types will only affect the few agencies that are involved with the delivery of those services. These results highlight the ongoing need for individual agencies to be aware of the unique risks they face and to continually update fraud prevention strategies and control plans in a manner that is tailored to the needs of their agency.

While the results of the survey show that internal and external fraud are often targeted at different gains and utilise different methods, it appears that they were not entirely separate phenomena. Agencies that experienced either internal or external fraud were significantly more likely to experience the other type as well and therefore, agencies are not necessarily more likely to be a victim of one type over the other.

Another consideration to arise from the survey results was that when attempting to measure fraud levels and the risk of victimisation, it is important to analyse data looking at both the number of agencies affected as well as the number of incidents recorded. It has been shown consistently since 2007–08 that a large number of fraud incidents affect only a small number of agencies. Although some fraud types resulted in a substantial loss to the Australian Government because of the large number of incidents or the amount of money lost, these often

affected only specific agencies. However, fraud types that resulted in smaller financial losses could affect a larger proportion of Australian Government agencies.

The size of agencies was also shown to be an important factor in fraud victimisation. Larger agencies in the survey were more likely to have experienced fraud than smaller agencies, indicating that size was a significant factor in the risk of fraud victimisation. This supported previous findings in the private and not-for-profit sectors whereby larger agencies were found to be more vulnerable to fraud (BDO CAA 2008; KPMG 2009). Interestingly, the 2010 ANAO survey found that smaller agencies with fewer than 249 employees had less robust fraud reporting and fraud control procedures in place (ANAO 2010c). This could, arguably, lead to fewer fraud incidents being detected and reported—thus contributing to the overall lower incidence of reported fraud among smaller agencies. Further research is needed to explore this possibility. The current *Fraud against the Commonwealth* survey also found a positive relationship between having a dedicated fraud section and the likelihood of being victimised by fraud. There are a number of possible explanations for this. First, it could be that having staff dedicated to fraud control could lead to enhanced vigilance in detecting fraud within the agency. Alternatively, it could be that agencies with enhanced fraud risks, or previous experience of fraud have found it necessary to increase fraud control resources and staffing to deal with the problem. Again, further research is needed to explore this aspect in more depth.

The present report did not attempt to calculate the cost of responding to fraud, although the burden this places on agencies through time, resources and financial losses should not be underestimated. Nor has this report attempted to calculate the cost of fraud prevented through anti-fraud awareness campaigns.

This report has, however, provided policy-relevant information about the types of fraud that affected Australian Government agencies and the methods used to commit them. The survey was redesigned in 2007–08 and while comparisons between 2007–08 and 2008–09 have been made, direct comparisons with data from previous years are not possible. In future years, the results from the annual survey will

be able to provide trend data over a greater period of time, which will benefit agencies in preparing fraud control policies and benchmarking with comparable agencies. The present report also shows the need for more consistent data recording practices and measurement of fraud, particularly concerning the question of the extent to which regulatory non-compliance ought to be included within the scope of the Guidelines and survey.

## Future data collection

### *Scope of the Guidelines and definitions of fraud*

In gathering information for the current report, the AIC has been alerted to a number of difficulties that some agencies have encountered in responding to the annual survey and in interpreting the provisions of the current Guidelines. Difficulties arise because of the wide diversity in agencies subject to the Guidelines, both in terms of their fraud risk, size and nature of their operations.

One of the major limitations of the Guidelines in terms of fraud reporting to the AIC is their inability to collect consistent data from agencies, both across agencies generally and within agencies year to year. The competing interests of adhering to the Guidelines and developing policy, reporting 'fraud' and also managing daily, ongoing compliance issues creates complex problems for the larger Australian Government agencies. Over the last three years, considerable differences have emerged in the way in which large agencies have defined fraud for reporting purposes, resulting in large variations taking place year to year, giving false indications of overall levels of fraud experienced.

While these inconsistencies in how major Australian Government agencies report data continue to exist, the results of the annual survey will remain limited and the potential for the Guidelines to inform government about fraud risks will remain unrealised. These issues highlight the need to clarify the Guidelines and to address the difficulties experienced by agencies in complying with reporting requirements.

### *Training within Australian Government agencies*

As agencies investigate the bulk of fraud incidents themselves, rather than referring them to the AFP, it is imperative that the quality of training provided to fraud personnel conducting these investigations is adequate. The large number of fraud investigations carried out by agencies increases the importance of having a clear understanding of the nature and extent of fraud affecting Australian Government agencies so these agencies can be funded adequately and provided with the resources necessary to prevent and control fraud as it affects them.

Feedback from 81 agencies that responded to Question 73 in the survey regarding the need for further improvement in opportunities for staff training in the area of fraud control fell into six general areas (with agencies sometimes providing suggestions in more than 1 of the categories):

- requirement of tertiary Certificate or Diploma in Governance in fraud control and/or investigations (17 agencies—21%);
- APS-wide short course training on fraud awareness to be provided by the Australian Government instead of external providers on fraud and risk management (19 agencies—23%);
- in-house fraud and ethics training with additional information on the intranet as a reference point (39 agencies—48%);
- more informal mentoring and buddy systems (5 agencies—6%);
- regular reviews of fraud prevention policies and procedures (14 agencies—17%); and
- no further training required (3 agencies—4%).

The Guidelines mandate the levels of training required for staff in the areas of fraud control and the feedback from the survey indicated agencies were generally amenable to the idea of regular and mandatory training of staff in those matters. However, there were concerns raised about consistency and standards among the current training courses available. Agencies suggested there was a need for more structured training courses, standardised training across APS agencies and for increased information to be available to agencies to use when selecting courses.

## Implications for future monitoring of Commonwealth fraud trends

In order to address these developments and to improve the Guidelines and their application, the Australian Government AGD is undertaking a review of the Guidelines. In addition, in May 2010 the ANAO released a performance audit of the fraud control arrangements of Australian Government agencies (ANAO 2010c). Both these activities provide an opportunity for refinement and improvement of the fraud control arrangements used at a federal level.

Recalling the ANAO findings presented earlier in this paper, the ANAO echoed AIC findings that an inherent issue in collecting comparable data relating to fraud is the inconsistent use of fraud definitions—‘the integrity of such trend information is contingent upon common definitions for fraud’ (ANAO 2010c: 14).

The ANAO found that 97 percent of respondent agencies reported that they use the definition of fraud as specified in the Guidelines (ANAO 2010c). This represents a marked improvement since 2002, when the ANAO reported that only 50 percent of agencies were defining fraud as specified in the Guidelines (ANAO 2010c).

As was evident in the 2007–08 report, the results of the 2008–09 annual report to the government on fraud against the Australian Government show an increased level of policy-relevant information and more analysis than was available in previous years. The inclusion of specific questions relating to fraud types and methods has allowed for a better understanding of what kinds of fraud are affecting agencies and cause loss of revenue for the government. However, this survey has been, and will continue to be, limited owing to the manner in which the Guidelines are expressed and the definition of fraud adopted. Although the ANAO report (2010c) found that 97 percent of agencies defined fraud in accordance with the definition provided in the Guidelines, evidence does not exist to indicate whether agencies adopt the same interpretation of fraud as each other. Further qualitative investigations are needed to explore this aspect in greater depth.

Future research should also explore in greater detail the problem of external fraud which accounts for by far the largest proportion of fraud detected by agencies—particularly the largest agencies. It would be useful to explore why these large agencies have apparently good levels of protection against internal fraud and yet continue to remain vulnerable to external fraud risks.

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# Appendixes



# Appendix 1: Survey

## Commonwealth Fraud Control Guidelines Annual Reporting Survey 2008-09

### Glossary

#### **Fraud**

For the purposes of the Commonwealth Fraud Control Guidelines, fraud against the Commonwealth is defined as 'dishonestly obtaining a benefit by deception or other means'. The definition of fraud includes suspected fraud, incidents under investigation and completed incidents, whether the fraud was proved or not, and whether the incident was dealt with by a criminal, civil or administrative remedy.

**Allegation**

An accusation made by a person that an offence has or may have been committed. This does not require substantial proof of the offence or identification of suspects, however, accusations should only be included where there exists sufficient evidence to warrant an initial investigation by your agency.

**Incident**

An incident refers to all counts alleged against a single accused person during one investigation and might comprise a number of counts of offences that are actually prosecuted. An incident may take place on a single date or over a period of time.

**Internal fraud**

Any incident of suspected fraud allegedly committed by an employee or contractor of the agency.

**External fraud**

Any incident of suspected fraud allegedly committed against the agency by a person other than an employee or contractor of the agency.

**Focus**

The focus or target of the alleged fraud incident, i.e. the benefit to be obtained by the alleged illegality.

**Method**

The methods used to carry out the alleged fraud incidents. Each incident can involve several methods and the same method can be used for different incidents.

**Equipment**

Any equipment or property belonging to the government agency.

**Entitlements**

A benefit or privilege that is assigned to an individual through an agreement.

**Financial**

Gaining an advantage either financial or monetary through fraud, including offences relating to misuse of government finances or tools to gain an advantage, hiding income or assets and receiving or obtaining financial advantage.

**Information**

Any information belonging to or stored by the agency including intellectual property, personal information either of employees or members of the public that is held by the agency.

**Corruption**

Dishonest proceedings by a person who wrongfully uses their position to gain a benefit. Includes bribery by or of an employee of the agency and misuse of power or position by an employee.

**Misuse of IT**

Any unauthorised use of computers, computer-related equipment or software to commit an alleged incident of fraud.

**Misuse of identity**

Any unauthorised use of another person's identity or identity-related information such as passwords and tax file number, creation of a false identity, or manipulation of personal details.

**Misuse of documents**

Creation, use or theft of documents belonging to an agency, presentation of false documents or documentation to an agency. These include government documents, legal documents and personal documents.

**Investigation**

The way in which the incident was investigated after the initial review undertaken by the agency.

**Referrals**

The number of incidents that were passed on to another agency after an investigation.

**Suspect**

The individual believed to have carried out the fraud incident.

**Losses**

The total amount, in whole dollars, thought to have been lost to the agency from fraud incidents, prior to the recovery of any funds, and excluding the costs of detection, investigation or prosecution.

**Recoveries**

Whole dollars recovered by criminal prosecutions, civil remedies, administrative remedies or other means. Does not include money recovered from fines if the money did not return to the agency.

**Fraud control**

Any means undertaken by the agency to control fraud, including fraud prevention and detection.

## Contact information

**Question 1** - On behalf of which agency are you completing this questionnaire?

Agency name

**Question 2** - Please provide the following information concerning the person who completed this questionnaire:

Name

Phone number

Email

Branch or division of employment

**Question 3** - Which of the following best describes your agency's legislative governance?

Financial Management and Accountability Act 1997 (FMA) (Cth)

Commonwealth Authorities and Companies Act 1997 (CAC) for agencies that receive at least 50 percent of funding for their operating costs from the Commonwealth or a Commonwealth agency

Commonwealth Authorities and Companies Act 1997 (CAC) for agencies that **do not** receive at least 50 percent of funding for their operating costs from the Commonwealth or a Commonwealth agency

Other

Don't know

## Certifying compliance in annual reports to Parliament

**Question 4** - Has your Chief Executive Officer certified to your Minister or Presiding Officer, in your agency's 2008-09 annual report, that he or she is satisfied that their agency has adequate fraud control measures that comply with the Guidelines (including reporting) for the 2008-09 financial year?

- Yes
- No
- Don't know

**Question 5** - In which financial year was your agency's most recent fraud risk assessment completed?

- 2008-09
- 2007-08
- 2006-07
- Prior to 2006-07
- Never had a fraud risk assessment

**Question 6** - In which financial year was your agency's most recent fraud control plan completed?

- 2008-09
- 2007-08
- 2006-07
- Prior to 2006-07
- Never had a fraud control plan

# Suspected fraud incidents

## Definitions

### **Allegation of fraud**

An allegation is a statement or accusation by a person that an offence has or may have been committed. This does not require substantial proof of the offence or identification of suspects.

### **Internal Fraud**

For the purposes of this questionnaire, 'internal fraud' means any incident of suspected fraud allegedly committed by an employee of the agency.

### **External Fraud**

For the purposes of this questionnaire, 'external fraud' means any incident of suspected fraud allegedly committed by a person other than an employee of the agency.

### **Incident**

Separate occasions of fraud are called 'incidents'. When completing this survey an incident refers to all fraudulent offences alleged against a single suspect during one investigation. One incident may take place on a single date or over a period of time and might comprise a number of offences that are actually prosecuted.

The basis for inclusion of incidents in this survey is an allegation where there exists sufficient evidence to warrant an initial investigation by the agency. Incidents should be included even if the allegations turn out to have no substance after examination, however do not include incidents involving vindictive or frivolous complaints if these are unsubstantiated and no investigation is undertaken.

### **Focus of fraud**

This section relates to the focus of the alleged fraud incidents, i.e. the resource or object of benefit targeted by the alleged incident. An incident may involve more than one focus of fraud, please include multiple targets where applicable.

### **Method**

This section refers to the methods used to carry out the alleged fraud incidents. An incident may involve the use of more than one method, please include multiple methods where applicable.

### **Timeframe**

The timeframe for incidents is the 2007-08 financial year. The start date of an incident should be the date the agency was notified of or discovered the allegation.

## Suspected fraud incidents

When answering the following questions, information should be provided with respect to types of fraud alleged against individual suspects. For the purposes of this survey, fraud has been divided into categories of 'internal' and 'external' fraud. These refer to incidents carried out by suspects who were either internal or external to an agency.

When answering the questions in this section please enter all numbers in whole numbers. E.g. one hundred = 100

If you have not experienced any incidents of the fraud types below, please indicate this by entering a '0' in the field provided.

**Question 7** - What is the total number of fraud incidents that your agency experienced in the financial year 2008-09?

**Question 8** - Of the incidents above, how many involved internal fraud?

**Question 9** - Of the incidents above, how many involved external fraud?

**Question 10** - Of the incidents above, how many involved collusion between internal and external parties?

## Internal fraud

For the purposes of this questionnaire, 'internal fraud' refers to any incident of suspected fraud allegedly committed by an employee of the agency.

When answering the questions in this section please enter all numbers in whole numbers. E.g. one hundred = 100

If you are asked to complete a question about a fraud type of which you have had no incidents, please indicate this by entering a '0' in the field provided.

**Question 11** - Throughout the 2008-09 financial year did your agency identify or have reported to it any alleged incidents of internal fraud?

Yes

No (Skip to question 41)

## Focus of internal fraud incidents

This section relates to the focus of the alleged internal fraud incidents, i.e. the resource or object of benefit targeted by the alleged incident. A fraud incident may include more than one focus, please include multiple targets where applicable.

**Question 12** - Did your agency experience any incidents of fraud which focussed on equipment (an example is provided in the glossary)?

Yes

No (skip to question 14)

Don't know (skip to question 14)

**Question 13** - How many alleged incidents of internal fraud were focussed on obtaining each of the following categories of equipment?

Theft of telecommunications or computer equipment (including mobile devices)

Enter number here

Theft of other government equipment

Theft of consumable stock (office related)

Theft of consumable stock (other)

Unable to be determined

Other - please specify type

Enter number here

**Question 14** - Did your agency experience any incidents of fraud which focussed on entitlements (an example is provided in the glossary)?

Yes

No (Skip to question 16)

Don't know (Skip to question 16)

**Question 15** - How many alleged incidents of internal fraud were focussed on obtaining each of the following categories of entitlements?

Expenses (other than travel)

Enter number here

Travel claims

Payroll fraud

Leave and related entitlements

Unable to be determined

Other - please specify type

Enter number here

**Question 16** - Did your agency experience any incidents of fraud which focussed on information (an example is provided in the glossary)?

Yes

No (Skip to question 18)

Don't know (Skip to question 18)

**Question 17** - How many alleged incidents of internal fraud were focussed on obtaining each of the following categories of information?

Obtaining or using information without authorisation (excluding personal information)

Enter number here

Obtaining or using personal information without authorisation



Providing false or misleading information, or failing to provide information when required to do so	_____
Use of agency logo or name without authorisation	_____
Misuse of agency intellectual property	_____
Unable to be determined	_____
Other - please specify type _____	Enter number here _____

**Question 18 - Did your agency experience any incidents of fraud which focussed on financial benefits (an example is provided in the glossary)?**

Yes

No (Skip to question 20)

Don't know (Skip to question 20)

**Question 19 - How many alleged incidents of internal fraud were focussed on obtaining each of the following categories of financial benefits?**

Obtaining cash/currency without permission (including theft of petty cash)	Enter number here _____
Misuse or theft of government credit cards	_____
Misuse or theft of cabcharge	_____
Theft of property other than cash	_____
Procurement offences	_____
Bankruptcy offences (including hiding or disposing of assets)	_____
Unable to be determined	_____
Other - please specify type _____	Enter number here _____

**Question 20 - Did your agency experience any incidents of fraud which focussed on other types of fraud?**

Yes

No (Skip to question 22)

Don't know (Skip to question 22)

**Question 21 - How many alleged incidents of internal fraud involved other categories of fraud?**

Please enter type _____	Please enter number _____
Please enter type _____	Please enter number _____
Please enter type _____	Please enter number _____
Please enter type _____	Please enter number _____

**Internal Fraud Methods**

This section relates to the methods used to carry out the alleged fraud incidents. An incident may involve the use of more than one method, please include multiple methods where applicable.

**Question 22 - Of the incidents specified above in the 'Focus' section, did any involve misuse of information technologies to carry out the fraud?**

Yes

No (Skip to question 24)

Don't know (Skip to question 24)

**Question 23 - How many alleged incidents of internal fraud involved each of the following methods relating to information technologies?**

Accessing information or programs via a computer without authorisation	Enter number here _____
Copying or altering data or programs without information	_____
Misuse of email	_____
Manipulation of a computerised accounting system	_____
Insertion of malicious code	_____
Interference with computer networks	_____
Unable to be determined	_____
Other - please specify type _____	Enter number here _____

**Question 24 - Of the incidents specified above in the 'Focus' section, did any the involve misuse of identity to carry out the fraud?**

Yes

No (Skip to question 26)

Don't know (Skip to question 26)

**Question 25 - How many alleged incidents of external fraud involved each of the following methods relating to identity?**

Creating and/or using a fictitious identity  Enter number here

Use of another employee's or contractor's identity without their knowledge

Fraudulently using another person's identity with their permission

Unauthorised use of another person's password, PIN or access pass

Unauthorised use of another person's TFN or ABN

Unable to be determined

Other - please specify type  Enter number here

**Question 26 - Of the incidents specified above in the 'Focus' section, did any the involve misuse of documents to carry out the fraud?**

Yes

No (Skip to question 28)

Don't know (Skip to question 28)

**Question 27 - How many alleged incidents of external fraud involved each of the following methods relating to documents?**

Creating and/or using a false or altered agency document  Enter number here

Creating and/or using a false or altered document (not belonging to the agency)

Dishonestly concealing documents

Failing to provide documents when required to do so

Unable to be determined

Other - please specify type  Enter number here

**Question 28 - Of the incidents specified above in the 'Focus' section, did any the involve corruption to carry out the fraud?**

Yes

No (Skip to question 30)

Don't know (Skip to question 30)

**Question 29 - How many alleged incidents of internal fraud involved each of the following methods relating to corruption?**

Bribery of an employee  Enter number here

Accepting kickbacks or gratuities

Failure to disclose/ Abuse of a conflict of interest

Collusion or conspiracy (include collusion or conspiracy with internal and external parties)

Abuse of power

Unable to be determined

Other - please specify type  Enter number here

**Question 30 - Did your agency experience any incidents of fraud that involved other methods?**

Yes

No (Skip to question 32)

Don't know (Skip to question 32)

**Question 31 - How many alleged incidents of internal fraud involved other methods of committing fraud?**

Please enter type  Please enter number

Please enter type  Please enter number

Please enter type  Please enter number

Please enter type  Please enter number

### Detection and investigation of internal fraud

**Question 32 -** How many alleged incidents of internal fraud were primarily detected in each of the following ways?

	Enter number here
Internal controls/ audit/ investigation	_____
Staff member/ colleague discovered/ reported	_____
Anonymous whistleblower/ informant	_____
External audit/ investigation	_____
Notification by police or other law enforcement agencies/ investigation	_____
External whistleblower/ informant (not anonymous)	_____
Offender self reported	_____
Unable to be determined	_____
Other - please specify type: _____	_____  Enter number here  _____

**Question 33 -** How many alleged incidents of internal fraud were primarily investigated in each of the following ways?

If the incident was initially investigated by your agency please answer with regard to the way investigations were carried out after this initial enquiry.

	Enter number here
Agency internal investigation only - no external investigation	_____
External investigator	_____
Australian Federal Police	_____
State or Territory police	_____
Another agency	_____
Other - please specify type: _____	_____  Enter number here  _____

### Internal fraud referrals

**Question 34 -** How many alleged incidents of internal fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud targets?

	AFP	State or Territory Police	CDPP
Equipment	_____	_____	_____
Entitlements	_____	_____	_____
Financial	_____	_____	_____
Information	_____	_____	_____
Other	_____	_____	_____

**Question 35 -** How many alleged incidents of internal fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud methods?

	AFP	State or Territory Police	CDPP
Misuse of IT	_____	_____	_____
Misuse of identity	_____	_____	_____
Misuse of documents	_____	_____	_____
Corruption	_____	_____	_____
Other	_____	_____	_____

### Internal fraud suspects

**Question 36 -** How many persons were suspected of each of the following types of internal fraud?

	Enter number here
Equipment	_____
Entitlements	_____
Financial	_____
Information	_____
Corruption	_____
Other	_____

**Question 37 -** Of each of the suspects of internal fraud, what was their primary role and total duration of employment?

If none enter "0"

	Less than one year	1 - <3 years	3 - <6 years	6 - <9 years	More than 9 years	Don't know
Junior/ non-management position	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Management	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Executive/ Senior management	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Don't know	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Internal fraud losses and recoveries**

**Question 38 - How much is estimated to have been lost to the agency in relation to each of the following types of internal fraud? Please indicate whole dollars thought to have been lost to the agency, prior to the recovery of any funds, and excluding the costs of investigation or prosecution**

	Enter dollars here	Insert an X if other losses were suffered that cannot be quantified
Equipment	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>

**Question 39 - During the 2008-09 financial year did your agency recover any monies in respect of any incidents of alleged fraud? This question refers to money recovered by the agency. Do not include money recovered through fines if this does not return to the agency.**

Yes

No (Skip to question 41)

Don't know (Skip to question 41)

**Question 40 - Please indicate how many dollars were recovered during the 2008-09 financial year using each of the following methods in respect of all incidents of the following alleged fraud types?**

	Criminal prosecutions	Civil remedy	Administrative remedy	Other means
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

## External fraud

For the purposes of this questionnaire, 'external fraud' means any incident of suspected fraud allegedly committed by a person other than an employee of the agency.

When answering the questions in this section please enter all numbers in whole numbers. E.g. one hundred = 100

If you are asked to complete a question about a fraud type of which you have had no incidents, please indicate this by entering a '0' in the field provided.

**Question 41** - Throughout the 2008-09 financial year did your agency identify or have reported to it any alleged incidents of external fraud?

- Yes
- No (Skip to question 70)

### Focus of external fraud incidents

This section relates to the focus of the alleged external fraud incidents, i.e. the resource or object of benefit targeted by the alleged incident. A fraud incident may include more than one focus, please include multiple targets where applicable.

**Question 42** - Did your agency experience any incidents of external fraud which focussed on equipment (an example is provided in the glossary)?

- Yes
- No (Skip to question 44)
- Don't know (Skip to question 44)

**Question 43** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of equipment?

	Enter number here
Theft of telecommunications or computer equipment (including mobile devices)	<input type="text"/>
Theft of other government equipment	<input type="text"/>
Theft of consumable stock (office related)	<input type="text"/>
Theft of consumable stock (other)	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type <input type="text"/>	Enter number here <input type="text"/>

**Question 44** - Did your agency experience any incidents of external fraud which focussed on entitlements (an example is provided in the glossary)?

- Yes
- No (Skip to question 46)
- Don't know (Skip to question 46)

**Question 45** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of entitlements?

		Enter number here
Misusing or claiming benefits without entitlement relating to housing	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to social security	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to health benefits	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to visa's/citizenship	<input type="text"/>	<input type="text"/>
Misusing, evading or claiming benefits without entitlement relating to child support	<input type="text"/>	<input type="text"/>
Revenue fraud	<input type="text"/>	<input type="text"/>
Customs and excise fraud (evading excise)	<input type="text"/>	<input type="text"/>
Unable to be determined	<input type="text"/>	<input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>

**Question 46** - Did your agency experience any incidents of external fraud which focussed on financial benefits (an example is provided in the glossary)?

Yes

No (Skip to question 48)

Don't know (Skip to question 48)

**Question 47** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of financial benefits?

		Enter number here
Obtaining cash/currency without permission (including theft of petty cash)	<input type="text"/>	<input type="text"/>
Misuse or theft of government credit cards	<input type="text"/>	<input type="text"/>
Theft or misuse of cabcharge	<input type="text"/>	<input type="text"/>
Theft of property other than cash	<input type="text"/>	<input type="text"/>
Procurement offences	<input type="text"/>	<input type="text"/>
Unable to be determined	<input type="text"/>	<input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>

**Question 48** - Did your agency experience any incidents of external fraud which focussed on information (an example is provided in the glossary)?

Yes

No (Skip to question 50)

Don't know (Skip to question 50)

**Question 49** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of information?

		Enter number here
Obtaining or using information without authorisation (excluding personal information)	<input type="text"/>	<input type="text"/>

Providing false or misleading information, or failing to provide information when required to do so

Obtaining or using personal information without authorisation

Use of agency logo or name without authorisation

Misuse of agency intellectual property

Unable to be determined

Other - please specify type

Enter number here

**Question 50** - Did your agency experience any incidents of external fraud which focussed on other types of fraud?

Yes

No (Skip to question 52)

Don't know (Skip to question 52)

**Question 51** - How many alleged incidents of external fraud involved other categories of fraud?

Please enter type

Please enter number

Please enter type

Please enter number

Please enter type

Please enter number

Please enter type

Please enter number

### External fraud methods

This section relates to the methods used to carry out the alleged fraud incidents. An incident may involve the use of more than one method, please include multiple methods where applicable.

**Question 52** - Of the incidents specified above in the 'Focus' section, did any involve misuse of information technologies to carry out the fraud?

Yes

No (Skip to question 54)

Don't know (Skip to question 54)

**Question 53** - How many alleged incidents of external fraud involved each of the following methods relating to information technologies?

Accessing information or programs via a computer without authorisation

Copying or altering data or programs without information

Manipulation of a computerised accounting system

Insertion of malicious code

Interference with computer networks

Unable to be determined

Other - please specify type

Enter number here

**Question 54** - Of the incidents specified above in the 'Focus' section, did any the involve the misuse of identity to carry out the fraud?

Yes	<input type="radio"/>
No (Skip to question 56)	<input type="radio"/>
Don't know (Skip to question 56)	<input type="radio"/>

**Question 55 - How many alleged incidents of external fraud involved each of the following methods relating to identity?**

Enter number here

Creating and/or using a fictitious identity	<input type="text"/>
Use of another employee's or contractor's identity without their knowledge	<input type="text"/>
Fraudulently using another person's identity with their permission	<input type="text"/>
Unauthorised use of another person's password, PIN or access pass	<input type="text"/>
Unauthorised use of another person's TFN or ABN	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type: <input type="text"/>	Enter number here <input type="text"/>

**Question 56 - Of the incidents specified above in the 'Focus' section, did any the involve the misuse of documents to carry out the fraud?**

Yes	<input type="radio"/>
No (Skip to question 58)	<input type="radio"/>
Don't know (Skip to question 58)	<input type="radio"/>

**Question 57 - How many alleged incidents of external fraud involved each of the following methods relating to documents?**

Enter number here

Creating and/or using a false or altered agency document	<input type="text"/>
Creating and/or using a false or altered document (not belonging to the agency)	<input type="text"/>
Dishonestly concealing documents	<input type="text"/>
Failing to provide documents when required to do so	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type: <input type="text"/>	Enter number here <input type="text"/>

**Question 58 - Of the incidents specified above in the 'Focus' section, did any involve corruption to carry out the fraud?**

Yes	<input type="radio"/>
No (Skip to question 60)	<input type="radio"/>
Don't know (Skip to question 60)	<input type="radio"/>

**Question 59 - How many alleged incidents of external fraud involved each of the following methods relating to corruption?**

Enter number here

Bribery of an employee	<input type="text"/>
Accepting kickbacks or gratuities	<input type="text"/>
Failure to disclose/ Abuse of a conflict of interest	<input type="text"/>
Collusion or conspiracy (include collusion or conspiracy with internal and external parties)	<input type="text"/>
Abuse of power	<input type="text"/>



Unable to be determined

Other - please specify type

Enter number here

**Question 60** - Did your agency experience any incidents of fraud that involved other methods?

Yes

No (Skip to question 62)

Don't know (Skip to question 62)

**Question 61** - How many alleged incidents of external fraud involved other methods of committing fraud?

Please enter type

Please enter number

Please enter type

Please enter number

Please enter type

Please enter number

Please enter type

Please enter number

### Detection and investigation of external fraud

**Question 62** - How many alleged incidents of external fraud were primarily detected in each of the following ways?

Enter number here

Internal controls/ audit/ investigation

Staff member/ colleague discovered

Anonymous whistleblower/ informant

External audit/ investigation

Notification by police or other law enforcement agencies/ investigation

External whistleblower/ informant (not anonymous)

Offender self reported

Unable to be determined

Other - please specify type

Enter number here

**Question 63** - How many alleged incidents of external fraud were primarily investigated in each of the following ways?

If the incident was initially investigated by your agency please answer with regard to the way investigations were carried out after this initial enquiry.

Enter number here

Agency internal investigation only - no external investigation

External investigator

Australian Federal Police

State or Territory police

Another agency

Other - please specify type

Enter number here

### External fraud referrals

**Question 64** - How many alleged incidents of external fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud targets?

	AFP	State or Territory Police	CDPP
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Question 65** - How many alleged incidents of external fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud methods?

	AFP	State or Territory Police	CDPP
Misuse of IT	<input type="text"/>	<input type="text"/>	<input type="text"/>
Misuse of identity	<input type="text"/>	<input type="text"/>	<input type="text"/>
Misuse of documents	<input type="text"/>	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>

### External fraud suspects

**Question 66** - How many persons were suspected of each of the following types of external fraud?

	Enter number here
Equipment	<input type="text"/>
Entitlements	<input type="text"/>
Financial	<input type="text"/>
Information	<input type="text"/>
Corruption	<input type="text"/>
Other	<input type="text"/>

### External fraud losses and recoveries

**Question 67** - How much is estimated to have been lost to the agency in relation to each of the following types of external fraud? Please indicate whole dollars thought to have been lost to the agency, prior to the recovery of any funds, and excluding the costs of investigation or prosecution.

	Enter dollars here	Insert an X if other losses were suffered that cannot be quantified
Equipment	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>

**Question 68** - During the 2008-09 financial year did your agency recover any monies in respect of any incidents of external fraud?

This question refers to money recovered by the agency. Do not include money recovered through fines if this does not return to the agency.

- Yes
- No (Skip to question 70)
- Don't know (Skip to question 70)

**Question 69** - Please indicate how many dollars were recovered during the 2008-09 financial year using each of the following methods in respect of all incidents of the following external fraud types?

	Criminal prosecutions	Civil remedy	Administrative remedy	Other means
Equipment				
Entitlements				
Financial				
Information				
Corruption				
Other				

## External fraud

For the purposes of this questionnaire, 'external fraud' means any incident of suspected fraud allegedly committed by a person other than an employee of the agency.

When answering the questions in this section please enter all numbers in whole numbers. E.g. one hundred = 100

If you are asked to complete a question about a fraud type of which you have had no incidents, please indicate this by entering a '0' in the field provided.

**Question 41** - Throughout the 2008-09 financial year did your agency identify or have reported to it any alleged incidents of external fraud?

- Yes
- No (Skip to question 70)

## Focus of external fraud incidents

This section relates to the focus of the alleged external fraud incidents, i.e. the resource or object of benefit targeted by the alleged incident. A fraud incident may include more than one focus, please include multiple targets where applicable.

**Question 42** - Did your agency experience any incidents of external fraud which focussed on equipment (an example is provided in the glossary)?

- Yes
- No (Skip to question 44)
- Don't know (Skip to question 44)

**Question 43** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of equipment?

Theft of telecommunications or computer equipment (including mobile devices)

Enter number here

Theft of other government equipment

Theft of consumable stock (office related)

Theft of consumable stock (other)

Unable to be determined

Other - please specify type

Enter number here

**Question 44** - Did your agency experience any incidents of external fraud which focussed on entitlements (an example is provided in the glossary)?

- Yes
- No (Skip to question 46)
- Don't know (Skip to question 46)

**Question 45** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of entitlements?

		Enter number here
Misusing or claiming benefits without entitlement relating to housing	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to social security	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to health benefits	<input type="text"/>	<input type="text"/>
Misusing or claiming benefits without entitlement relating to visa's/citizenship	<input type="text"/>	<input type="text"/>
Misusing, evading or claiming benefits without entitlement relating to child support	<input type="text"/>	<input type="text"/>
Revenue fraud	<input type="text"/>	<input type="text"/>
Customs and excise fraud (evading excise)	<input type="text"/>	<input type="text"/>
Unable to be determined	<input type="text"/>	<input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>

**Question 46** - Did your agency experience any incidents of external fraud which focussed on financial benefits (an example is provided in the glossary)?

Yes	<input type="radio"/>
No (Skip to question 48)	<input type="radio"/>
Don't know (Skip to question 48)	<input type="radio"/>

**Question 47** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of financial benefits?

		Enter number here
Obtaining cash/currency without permission (including theft of petty cash)	<input type="text"/>	<input type="text"/>
Misuse or theft of government credit cards	<input type="text"/>	<input type="text"/>
Theft or misuse of cabcharge	<input type="text"/>	<input type="text"/>
Theft of property other than cash	<input type="text"/>	<input type="text"/>
Procurement offences	<input type="text"/>	<input type="text"/>
Unable to be determined	<input type="text"/>	<input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>

**Question 48** - Did your agency experience any incidents of external fraud which focussed on information (an example is provided in the glossary)?

Yes	<input type="radio"/>
No (Skip to question 50)	<input type="radio"/>
Don't know (Skip to question 50)	<input type="radio"/>

**Question 49** - How many alleged incidents of external fraud were focussed on obtaining each of the following categories of information?

		Enter number here
Obtaining or using information without authorisation (excluding personal information)	<input type="text"/>	<input type="text"/>

Providing false or misleading information, or failing to provide information when required to do so	<input type="text"/>
Obtaining or using personal information without authorisation	<input type="text"/>
Use of agency logo or name without authorisation	<input type="text"/>
Misuse of agency intellectual property	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type <input type="text"/>	Enter number here <input type="text"/>

**Question 50** - Did your agency experience any incidents of external fraud which focussed on other types of fraud?

Yes

No (Skip to question 52)

Don't know (Skip to question 52)

**Question 51** - How many alleged incidents of external fraud involved other categories of fraud?

Please enter type <input type="text"/>	Please enter number <input type="text"/>
Please enter type <input type="text"/>	Please enter number <input type="text"/>
Please enter type <input type="text"/>	Please enter number <input type="text"/>
Please enter type <input type="text"/>	Please enter number <input type="text"/>

**External fraud methods**

This section relates to the methods used to carry out the alleged fraud incidents. An incident may involve the use of more than one method, please include multiple methods where applicable.

**Question 52** - Of the incidents specified above in the 'Focus' section, did any involve misuse of information technologies to carry out the fraud?

Yes

No (Skip to question 54)

Don't know (Skip to question 54)

**Question 53** - How many alleged incidents of external fraud involved each of the following methods relating to information technologies?

Accessing information or programs via a computer without authorisation	Enter number here <input type="text"/>
Copying or altering data or programs without information	<input type="text"/>
Manipulation of a computerised accounting system	<input type="text"/>
Insertion of malicious code	<input type="text"/>
Interference with computer networks	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type <input type="text"/>	Enter number here <input type="text"/>

**Question 54** - Of the incidents specified above in the 'Focus' section, did any the involve the misuse of identity to carry out the fraud?

- Yes
- No (Skip to question 56)
- Don't know (Skip to question 56)

**Question 55** - How many alleged incidents of external fraud involved each of the following methods relating to identity?

	Enter number here
Creating and/or using a fictitious identity	<input type="text"/>
Use of another employee's or contractor's identity without their knowledge	<input type="text"/>
Fraudulently using another person's identity with their permission	<input type="text"/>
Unauthorised use of another person's password, PIN or access pass	<input type="text"/>
Unauthorised use of another person's TFN or ABN	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type <input type="text"/>	Enter number here <input type="text"/>

**Question 56** - Of the incidents specified above in the 'Focus' section, did any the involve the misuse of documents to carry out the fraud?

- Yes
- No (Skip to question 58)
- Don't know (Skip to question 58)

**Question 57** - How many alleged incidents of external fraud involved each of the following methods relating to documents?

	Enter number here
Creating and/or using a false or altered agency document	<input type="text"/>
Creating and/or using a false or altered document (not belonging to the agency)	<input type="text"/>
Dishonestly concealing documents	<input type="text"/>
Failing to provide documents when required to do so	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type <input type="text"/>	Enter number here <input type="text"/>

**Question 58** - Of the incidents specified above in the 'Focus' section, did any involve corruption to carry out the fraud?

- Yes
- No (Skip to question 60)
- Don't know (Skip to question 60)

**Question 59** - How many alleged incidents of external fraud involved each of the following methods relating to corruption?

	Enter number here
Bribery of an employee	<input type="text"/>
Accepting kickbacks or gratuities	<input type="text"/>
Failure to disclose/ Abuse of a conflict of interest	<input type="text"/>
Collusion or conspiracy (include collusion or conspiracy with internal and external parties)	<input type="text"/>
Abuse of power	<input type="text"/>

Unable to be determined	<input type="text"/>	<input type="text"/>
Other - please specify type	<input type="text"/>	Enter number here <input type="text"/>

**Question 60** - Did your agency experience any incidents of fraud that involved other methods?

Yes

No (Skip to question 62)

Don't know (Skip to question 62)

**Question 61** - How many alleged incidents of external fraud involved other methods of committing fraud?

Please enter type	<input type="text"/>	Please enter number	<input type="text"/>
Please enter type	<input type="text"/>	Please enter number	<input type="text"/>
Please enter type	<input type="text"/>	Please enter number	<input type="text"/>
Please enter type	<input type="text"/>	Please enter number	<input type="text"/>

**Detection and investigation of external fraud**

**Question 62** - How many alleged incidents of external fraud were primarily detected in each of the following ways?

	Enter number here
Internal controls/ audit/ investigation	<input type="text"/>
Staff member/ colleague discovered	<input type="text"/>
Anonymous whistleblower/ informant	<input type="text"/>
External audit/ investigation	<input type="text"/>
Notification by police or other law enforcement agencies/ investigation	<input type="text"/>
External whistleblower/ informant (not anonymous)	<input type="text"/>
Offender self reported	<input type="text"/>
Unable to be determined	<input type="text"/>
Other - please specify type	<input type="text"/> Enter number here <input type="text"/>

**Question 63** - How many alleged incidents of external fraud were primarily investigated in each of the following ways?

If the incident was initially investigated by your agency please answer with regard to the way investigations were carried out after this initial enquiry.

	Enter number here
Agency internal investigation only - no external investigation	<input type="text"/>
External investigator	<input type="text"/>
Australian Federal Police	<input type="text"/>
State or Territory police	<input type="text"/>
Another agency	<input type="text"/>
Other - please specify type	<input type="text"/> Enter number here <input type="text"/>

**External fraud referrals**



**Question 64** - How many alleged incidents of external fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud targets?

	AFP	State or Territory Police	CDPP
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Question 65** - How many alleged incidents of external fraud that were referred to the following agencies within the 2008-09 financial year related to each of the following fraud methods?

	AFP	State or Territory Police	CDPP
Misuse of IT	<input type="text"/>	<input type="text"/>	<input type="text"/>
Misuse of identity	<input type="text"/>	<input type="text"/>	<input type="text"/>
Misuse of documents	<input type="text"/>	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>

### External fraud suspects

**Question 66** - How many persons were suspected of each of the following types of external fraud?

	Enter number here
Equipment	<input type="text"/>
Entitlements	<input type="text"/>
Financial	<input type="text"/>
Information	<input type="text"/>
Corruption	<input type="text"/>
Other	<input type="text"/>

### External fraud losses and recoveries

**Question 67** - How much is estimated to have been lost to the agency in relation to each of the following types of external fraud? Please indicate whole dollars thought to have been lost to the agency, prior to the recovery of any funds, and excluding the costs of investigation or prosecution.

	Enter dollars here	Insert an X if other losses were suffered that cannot be quantified
Equipment	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>

**Question 68** - During the 2008-09 financial year did your agency recover any monies in respect of any incidents of external fraud?

This question refers to money recovered by the agency. Do not include money recovered through fines if this does not return to the agency.

- Yes r
- No (Skip to question 70) r
- Don't know (Skip to question 70) r

**Question 69** - Please indicate how many dollars were recovered during the 2008-09 financial year using each of the following methods in respect of all incidents of the following external fraud types?

	Criminal prosecutions	Civil remedy	Administrative remedy	Other means
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Entitlements	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Financial	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Information	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Corruption	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

## Agency fraud resources

The following section relates to full-time equivalent staff, e.g. two employees each working half the hours of a full time employee should be counted as one.

**Question 70** - What was the total number of staff in your agency at the end of the 2008-09 financial year?

Ongoing employees

Non-ongoing employees

**Question 71** - At the end of the 2008-09 financial year, how many staff did your agency have dedicated to fraud control in the following areas?

Prevention

Investigation

Other

**Question 72** - Of the number of staff dedicated to fraud control how many had a formal qualification as indicated in the Commonwealth Fraud Control Guidelines? E.g. a certificate or diploma in fraud investigation or similar

Prevention

Investigation

Other

**Question 73** - What changes would you suggest, if any, for improving the training of staff in the area of fraud control?

## Additional information

**Question 74** - What has made a difference in your agency to prevent fraud in the 2008-09 financial year?

**Question 75** - What has made a difference in your agency to detect fraud in the 2008-09 financial year?

**Question 76** - Please provide any additional comments or feedback

**Question 77** - Please provide an indication of the time taken to complete this survey

Hours |

Minutes |

# Appendix 2: Respondent agencies

## Responding FMA Act agencies and CAC Act agencies that receive at least 50 percent government funding

Aboriginal Hostels Ltd	Australian Human Rights Commission
Administrative Appeals Tribunal	Australian Industrial Registry
Aged Care Standards and Accreditation Agency Ltd	Australian Institute of Criminology
Attorney General's Department	Australian Institute of Health and Welfare
Auditing and Assurance Standards Board	Australian Institute of Family Studies
AusAID	Australian Institute of Marine Science
Australian Transaction Reports and Analysis Centre	Australian Law Reform Commission
Australian Institute of Aboriginal and Torres Strait Islander Studies	Australian Learning and Teaching Council Ltd
Australia Council for the Arts	Australian National Audit office
Australian Accounting Standards Board	Australian National Maritime Museum
Australian Broadcasting Corporation	Australian Nuclear Science and Technology Organisation
Australian Bureau of Statistics	Australian Office of Financial Management
Australian Centre for International Agricultural Research	Australian Pesticides and Veterinary Medicines Authority
Australian Commission for Law Enforcement Integrity	Australian Prudential Regulation Authority (APRA)
Australian Communications and Media Authority	Australian Public Service Commission
Australian Competition and Consumer Commission	Australian Radiation Protection and Nuclear Safety Agency
Australian Crime Commission	Australian Research Council
Australian Customs and Border Protection Service	Australian Reward Investment Alliance
Australian Electoral Commission	Australian Securities and Investments Commission
Australian Fair Pay Commission Secretariat	Australian Security Intelligence Organisation
Australian Federal Police	Australian Sports Anti-Doping Authority
Australian Film Television and Radio School	Australian Sports Commission
Australian Fisheries Management Authority	Australian Strategic Policy Institute
	Australian Taxation Office
	Australian Trade Commission (Austrade)
	Biosecurity Australia
	Bundanon Trust
	Bureau of Meteorology
	Cancer Australia
	Centrelink

Civil Aviation Safety Authority	Federal Magistrates Court of Australia
Coal Mining Industry (Long Service Leave Funding) Corporation	Fisheries Research and Development Corporation
Comcare	Food Standards Australia New Zealand
Commonwealth Dept of Veterans' Affairs	Future Fund Management Agency
Commonwealth Grants Commission	General Practice Education and Training Ltd
Commonwealth Superannuation Administration (ComSuper)	Geoscience Australia
Corporations and Markets Advisory Committee	Grains Research and Development Corporation
CrimTrac	Grape and Wine Research and Development Corporation
CSIRO	Great Barrier Reef Marine Park Authority
Defence Housing Australia	HIH Claims Support Ltd
Department of Broadband, Communications and the Digital Economy	IIF (CM) Investments Pty Ltd
Department of Climate Change	IIF BioVentures Pty Ltd
Department of Defence and Defence Material Organisation	IIF Foundation Pty Ltd
Department of Education, Employment and Workplace Relations	IIF Investments Pty Ltd
Department of Families, Housing, Community Services and Indigenous Affairs	IIF Neo Pty Ltd
Department of Finance and Deregulation	Indigenous Land Corporation
Department of Foreign Affairs and Trade	Insolvency and Trustee Service Australia
Department of Health and Ageing	Inspector-General of Taxation
Department of Human Services	IP Australia
Department of Immigration and Citizenship	Land and Water Resources Research and Development Corporation (Trading as Land and Water Australia)
Department of Infrastructure Transport Regional Development and Local Government	Medicare Australia
Department of Innovation, Industry, Science and Research	Migration Review Tribunal—Refugee Review Tribunal
Department of Parliamentary Services	Murray-Darling Basin Authority
Department of Resources, Energy and Tourism	National Archives of Australia
Department of the Environment, Water, Heritage and the Arts	National Blood Authority
Department of the House of Representatives	National Breast and Ovarian Cancer Centre
Department of the Prime Minister and Cabinet	National Capital Authority
Department of the Senate	National Competition Council
Department of the Treasury	National Film and Sound Archive
Department of Agriculture, Fisheries and Forestry	National Gallery of Australia
Director of National Parks	National Health and Medical Research Council
Family Court of Australia	National Library of Australia
Federal Court of Australia	National Museum of Australia
	National Native Title Tribunal
	National Offshore Petroleum Safety Authority
	National Water Commission
	Northern Land Council
	Office of National Assessments

Office of Parliamentary Counsel  
Office of the Australian Building and Construction Commissioner  
Office of the Commonwealth Ombudsman  
Office of the Director of Public Prosecutions  
Office of the Inspector-General of Intelligence and Security  
Office of the Official Secretary to the Governor-General  
Office of the Privacy Commissioner  
Office of the Renewable Energy Regulator  
Old Parliament House  
Private Health Insurance Ombudsman  
Productivity Commission  
Professional Services Review  
Royal Australian Mint  
Rural Industries Research and Development Corporation  
Screen Australia  
Special Broadcasting Service Corporation  
Sugar Research and Development Corporation  
Teaching Australia—Australian Institute for Teaching and School Leadership Ltd  
The Equal Opportunity for Women in the Workplace Agency  
Torres Strait Regional Authority  
Tourism Australia  
Wheat Exports Australia  
Workplace Authority  
Workplace Ombudsman  
Wreck Bay Aboriginal Community Council

## Responding agencies that were neither FMA Act agencies nor CAC Act agencies that received at least 50 percent government funding

Airservices Australia  
Albury-Wodonga Corporation  
Australian Maritime Safety Authority  
Australian Military Forces Relief Trust Fund  
Australian Postal Corporation  
Australian Reinsurance Pool Corporation  
Australian Sports Foundation Limited  
Australian Wine and Brandy Corporation  
Central Land Council  
Cotton Research and Development Corporation  
Export Finance and Insurance Corporation  
Indigenous Business Australia  
Private Health Insurance Administration Council (PHIAC)  
Royal Australian Air Force Welfare Trust Fund  
Sydney Harbour Federation Trust  
The Australian National University  
Tiwi Land Council

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