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**Fraud against the  
Commonwealth: Report  
to Government 2014**

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# Executive summary

## *Highlights*

In response to the censuses, more than a third of Commonwealth entities reported experiencing fraud over the four financial years 2010–11 to 2013–14. Over 90 percent of reported frauds were allegedly perpetrated by members of the public, and the remainder by Commonwealth employees or contractors. Commonwealth entities reported 391,831 incidents of alleged, suspected and proven fraud over the four-year period.

Fraud losses totalled approximately \$1.203b over the four financial years, increasing from \$119m in 2010–11 to \$673m in 2013–14. During this time, entities also recovered \$75.3m previously lost to fraud (whether during these years or earlier).

## *Experience of fraud*

Over the four financial years from 2010–11 to 2013–14 the percentage of Commonwealth entities experiencing fraud decreased, from 40 percent in 2010–11 to 36 percent in 2013–14. Between 2010–11 and 2013–14 the percentage of entities experiencing internal fraud decreased (from 31% to 27%), while the percentage of entities experiencing external fraud increased slightly (from 27% to 28%).

In every year reported, entities with more than 1,000 staff experienced more fraud than smaller entities with 500 or fewer staff. Medium-sized entities with between 501 and 1,000 staff experienced the lowest incidences of suspected fraud.

## *Extent of fraud*

For each year there was a decline in the number of suspected internal fraud incidents reported, with a 57 percent reduction over the four years, from 3,828 incidents in 2010–11 to 1,658 in 2013–14. This was due to a large reduction in the number of fraud incidents detected by a small number of entities, rather than a general reduction across all Commonwealth entities.

Each year, substantially more suspected external fraud incidents were reported than suspected internal fraud incidents. In 2013–14, for example, 123,876 incidents of external fraud were detected, as opposed to 1,658 incidents of internal fraud. There were large fluctuations in the reporting of suspected external fraud over the four years due to the adoption of different counting rules by respondents during this time. The number of suspected external frauds reported ranged from 36,759 in 2011–12 to the much higher figure of 133,969 in 2012–13; this was influenced more by different reporting practices than the underlying incidence of external fraud.

In addition to these suspected incidents involving either strictly internal or external fraud, a small number of incidents involved collusion between people working within entities and external parties (65 incidents in total over the four years). The number of incidents involving this kind of collusion fluctuated, ranging from 35 in 2011–12 to just four in 2013–14.

The census also asked about the number of individuals suspected of committing fraud. Generally, the number of suspects was slightly less than the number of incidents, with similar ratios of the number of incidents to suspects each year—1.2 on average. Over the four-year period, there was a 56 percent reduction in the number of internal fraud suspects and an 18 percent reduction in the number of external fraud suspects.

### *How fraud was committed*

Respondents were asked to report on two main aspects of the fraud incidents they detected: their focus (that is, the aim of the alleged fraudulent activity or the benefit to be derived from the suspected illegal conduct) and the method of carrying out the alleged fraud (such as through the misuse of technology, information, identity etc).

### **Internal fraud**

The largest number of entities reported suspected internal fraud incidents involving financial benefits such as obtaining cash without permission, the misuse of government credit cards et cetera, with almost a quarter of respondents reporting this type of internal fraud incident each year. This type of fraud also accounted for the largest financial losses. The number of incidents of internal financial-benefit fraud decreased over the four years from 522 incidents in 2010–11 to 323 incidents in 2013–14.

The percentage of entities reporting misuse of information and communications technology (ICT), misuse of documents and other means decreased over the four years, while corruption and the misuse of identity fluctuated. Only five percent of entities reported corruption in 2011–12 and 2012–13, decreasing to just two percent in 2013–14. The trend in the number of internal fraud incidents, however, was different. Over the four years, there was no steady decrease or increase in any one means of committing internal fraud. Following a substantial decrease in the number of incidents involving misuse of ICT between 2010–11 and 2012–13, there was a slight increase in incidents involving that method of internal fraud in 2013–14. The most prevalent method of committing internal fraud reported every year involved accessing information or programs via a computer without authorisation, although the use of this method declined across the collection period as a whole.

### **External fraud**

Fraud involving financial benefits was the most frequently reported type of external fraud over the four years, with the proportion of entities experiencing such fraud increasing from 18 percent in 2010–11 to 20 percent in 2011–12, and to 21 percent in 2012–13 and 2013–14.



The greatest number of external fraud incidents related to government entitlements, with a large increase from 52,127 incidents in 2010–11 to 170,756 incidents in 2011–12. In 2012–13 the number declined to 90,773, while in 2013–14 the number of incidents of that type of fraud rose again, to 110,698. Frauds of this nature most often involved three subtypes: revenue fraud, visa/citizenship fraud and social security fraud.

The misuse of documents was the most commonly reported method of committing external fraud. The number of incidents involving the misuse of documents declined substantially, from 74,343 incidents in 2011–12 to 6,535 in 2013–14. By way of contrast, the number of incidents of fraud involving misuse of identity rose substantially, increasing by 364 percent from 17,152 in 2010–11 to 79,561 in 2013–14. This could be due to the increased attention given to identity fraud following the National Identity Security Strategy data collection initiative, which commenced in 2013–14 (AGD 2012).

### *Cost of fraud*

The total reported cost of fraud each year underestimates the actual losses incurred for a number of reasons.

- The research findings are limited to cases of suspected fraud detected by or reported to entities, and consequently they provide no indication of the cost of fraud that remained undetected.
- A number of entities did not participate in the censuses. Each year, on average, 18 percent of those invited to participate failed to do so; some of those may have experienced internal or external fraud which is not represented in the findings.
- Some types of fraud, such as loss of information, cannot be quantified in dollar terms. Fraud may also entail many consequential financial impacts that are difficult or impossible to quantify. In addition, where an investigation has not been finalised, the amount lost may be yet to be determined. The present research estimates what fraud cost the Commonwealth based on the information provided by entities in response to the questionnaire.
- Between a quarter and a third of respondents each year were unable to quantify the losses they experienced. In 2010–11, 12 of 61 entities (20%) that experienced an incident of any type of fraud were unable to quantify their loss. By comparison, in 2011–12, 23 of 67 (34%) entities could not quantify their loss; in 2012–13, the number of entities unable to quantify their loss was 13 (of 64; 20%); and in 2013–14, 20 of 59 (34%) entities were likewise unable to do so.

The present study asked respondents to indicate the total amount thought to have been lost to fraud (prior to any recovery of funds and excluding the costs of detection, investigation or prosecution). Entities provided their estimates of losses at the time of reporting, rather than the final losses determined once investigations or litigation had concluded. Separate questions were asked about amounts recovered.

Over the four years in question, entities reported losses due to fraud totalling approximately \$1.203b. Losses grew from \$119m in 2010–11 to \$204m in 2011–12, \$207m in 2012–13 and \$673m in 2013–14, an increase of over 450 percent over the four years. This increase was due almost entirely to the attempts of a single large entity to quantify the cost of fraud for the first time in 2013–14; the total loss reported in 2013–14 therefore provides a more complete estimate than those of previous years.

External fraud accounted for the vast majority of losses, totalling \$1.19b over the four years (99% of all fraud losses). Losses attributable to internal fraud amounted to \$12.7m during this time.

Over the four years both internal and external fraud losses increased, with losses due to internal fraud increasing by 20 percent between 2010–11 and 2013–14 and losses due to external fraud by 476 percent over the same period. As noted above, this large increase in the cost of external fraud was due almost entirely to changes made by one large entity in reporting and quantifying external fraud incidents in the 2013–14 census.

In 2010–11, entities reported suspected internal fraud losses of \$2,998,810, compared with \$116,148,022 for external fraud. In 2011–12, reported losses to internal fraud decreased to \$2,690,087, while external fraud losses increased to \$201,724,438. In 2012–13, entities lost more to both internal fraud (\$3,426,546) and external fraud (\$203,270,364). In 2013–14 losses due to both internal and external fraud increased substantially; in 2013–14 entities reported internal fraud losses of \$3,607,740 and external fraud losses of \$669,282,134.

Generally, the financial cost of fraud reflected the type of fraud perpetrated, with the highest losses due to financial benefits fraud such as misuse of government credit cards (internal fraud) or fraud relating to other allowances or benefits (external fraud). Losses due to other allowances or benefits fraud increased markedly in 2013–14.

Entities were also asked to indicate how much they recovered by various means. Their responses related to amounts recovered during the financial year in question and do not necessarily reflect amounts recovered in relation to fraud incidents reported that year. Over the four years, \$3.3m of losses due to internal fraud and \$72m of losses due to external fraud were recovered, totalling \$75.3m. This equates to 6.3 percent of the total losses reported over the period included in the report, although recovered amounts do not necessarily relate directly to losses sustained each year. Most funds were recovered by administrative means, narrowly followed by criminal proceedings. Civil recovery and other proceedings were less common.

### *How fraud was detected*

Between 2010–11 and 2013–14, fraud was most often detected through internal controls such as auditing or internal investigation, or by staff members. Anonymous internal whistleblowers were more often involved in detecting internal fraud, rather than external fraud.

Relatively few internal fraud incidents were detected by parties outside the entity, while external fraud incidents were regularly brought to the attention of entities by external

whistleblowers and in other ways. Notification of external fraud by police increased substantially, while self-reporting by external fraud suspects declined considerably between the financial years 2010–12 and 2012–14. There was also a general decline in the self-reporting of internal fraud over the four years. There was a general decline in notifications of both internal and external fraud by the media, with only five incidents detected by the media in 2013–14.

As one might expect, entities with a dedicated fraud control section were more likely to detect fraud incidents than entities without one. Over the four-year period, entities that had a dedicated fraud control section detected 10 times the number of internal and external fraud incidents than those that did not.

### *Investigations within entities*

The *Commonwealth fraud control guidelines 2011* require entities to investigate routine or minor instances of fraud, including disciplinary matters, themselves. As a result, an average 86 percent of internal and 97 percent of external fraud incidents were investigated internally by defrauded entities over the four years.

Respondents were asked to indicate the number of staff employed in their fraud control sections and whether they held formal fraud-related qualifications. The largest numbers of staff worked in fraud investigation, as opposed to fraud prevention or other policy-related activities, and the number of investigation staff increased each year, from 1,165 in 2010–11 to 2,090 in 2013–14. However, the percentage of staff working in fraud investigation who held fraud-related qualifications declined from 81 percent in 2010–11 to 50 percent in 2013–14. This difference was due to more entities having a dedicated fraud investigation unit in 2013–14 than in 2010–11; there was however no corresponding increase in the number of staff in those areas with formal qualifications in fraud investigation. The number of fraud prevention staff was less than half that of those working in fraud investigation, while the percentage of fraud prevention staff with fraud qualifications decreased from 17 percent in 2010–11 to 13 percent in 2013–14. This could be because the duties of fraud control staff were reclassified from ‘other’ functions to ‘prevention’ and ‘investigation’, as there was little change in the total number of fraud control staff over the four years.

### *Police investigations*

Over the four years, 3.8 percent (360 incidents) of internal fraud incidents, and just three percent of external fraud incidents (10,986 incidents), were referred to police or other organisations for investigation. The majority of internal and external fraud incidents were referred to the Australian Federal Police (AFP).

The AFP accepted 274 of the referrals made over the four years and declined 68. The number of referrals accepted has increased 25 percent during this period, from 61 in 2010–11 to 65 in 2011–12, 72 in 2012–13, and 76 in 2013–14. Over the same period, the estimated financial loss attributed to incidents the AFP investigated increased substantially from \$12.8m in 2010–11 to over \$304m in 2013–14. At 30 June 2014, the AFP was still investigating 163 fraud-related matters with an estimated loss value of \$1.3b.

### *Prosecution of fraud*

Over the four years, 5,819 incidents of what the Office of the Commonwealth Director of Public Prosecutions (CDPP) categorises as 'fraud type cases' were referred to the CDPP for prosecution. The majority of these were direct referrals rather than referrals via law enforcement agencies. A total of 7,417 defendants were prosecuted in these cases (in some cases more than one defendant was prosecuted). Both the number of cases referred to the CDPP and the number of defendants prosecuted declined during the four years.

The total amount initially charged in these prosecutions decreased by almost half across the four years, from \$78m in 2010–11 to \$41m in 2013–14, despite a small increase from \$30m in 2011–12 to \$37m in 2012–13. The number of convictions largely followed the trend in the number of defendants prosecuted, with an average of 78 percent of defendants convicted. The conviction rate has, however, declined during the census period, from 83 percent in 2010–11 to 74 percent in 2013–14.

The sentence most frequently imposed for proven fraud offences in each year was a recognisance order; this was the most severe sentence given in approximately a third of cases each year. Other defendants received non-custodial sentences, including fully suspended terms of imprisonment (25 percent of cases on average each year) and community service orders (20 percent of cases). Fines were the highest sentence imposed in an average of 10 percent of cases each year. The imposition of custodial sentences increased over the four years, rising from imposition in 9.3 percent of cases in 2010–11 to 12 percent in 2011–12 and 2012–13, and 16 percent in 2013–14. The sentence imposed depended greatly upon the nature and seriousness of the offence(s) and the various factors relating to each particular defendant.

### *Fraud prevention and control*

Over the four years the percentage of entities that reported having a dedicated fraud control section to deal with fraud risk and the investigation and prevention of fraud increased slightly, from 37 percent in 2010–11 to 38 percent in 2013–14. The number of staff employed in fraud control activities increased overall, from 3,097 in 2010–11 to 3,343 in 2013–14.

The *Commonwealth fraud control guidelines 2011* required entities to undertake a fraud risk assessment every two years. During the four years examined, the percentage of entities that complied with this requirement increased, from 88 percent in 2010–11 to 95 percent in 2013–14. In 2010–11, 2011–12 and 2012–13 a small number of entities reported never having undertaken a fraud risk assessment—two entities in 2010–11, five in 2011–12 and four in 2012–13; however, in 2013–14 no entities reported they had never undertaken a fraud risk assessment.

Many entities also reported having completed a fraud control plan within the preceding two financial years; this increased from 89 percent of entities in 2010–11 to 92 percent in 2013–14. Again, a very small number reported never having had a fraud control plan (2 entities in 2011–12 and 1 in both 2012–13 and 2013–14).

Respondents in each of the four years agreed that fraud control training was an important component of reducing the impact of fraud. In 2013–14, 22 respondents (27% of those who

answered the question) stated their entity had either implemented an online training program, or that they believed their entity would benefit from such a program to raise awareness of fraud and fraud control. Finally, in 2013–14, 117 respondents reported taking a wide range of best-practice fraud prevention approaches, the most frequently indicated being the provision of entity-wide fraud awareness training.

### *Fraud risks for the Commonwealth*

Fraud against the Commonwealth may be perpetrated by employees or contractors of an entity (internal fraud), or by members of the public (external fraud) who have dealings with the government such as receiving benefits or paying taxes. There are other fraud risks around the provision of government services, such as aid and grants, and in connection with procurement activities that also arise each year.

The principal risks of internal fraud arise from inadequate or out-of-date internal controls, poor recruitment practices, lax risk management and insider threats (where staff are compromised or groomed by external parties). External fraud risks arise in connection with the provision of new benefits, the introduction of new taxes, inadequate procurement practices, poorly managed government-funded programs, and insufficient controls around the use of consultants.

An area of emerging risk made apparent by the current research is the misuse of identity in connection with the provision of government services. The data collected over the four years show an increase in the number of entities experiencing external fraud involving the misuse of identity, with a 370 percent increase in the number of incidents of external fraud involving the misuse of identity between 2010–11 and 2013–14.

Unauthorised access to and misuse of information is another fraud risk requiring ongoing attention. In 2013–14 there was a substantial increase in the number of external fraud incidents related to the misuse of Commonwealth information. Although the number of incidents of internal fraud involving unauthorised access to information decreased, these still made up the largest number of internal fraud incidents.

### **How the information was gathered**

Each year, Commonwealth entities are asked to complete an online questionnaire about their experience of fraud and how they managed and responded to fraud risks. During the period covered by this report, Commonwealth entities were subject to the *Commonwealth fraud control guidelines 2011* (AGD 2011). These guidelines were replaced on 1 July 2014 by the *Commonwealth Fraud Control Framework 2014*, which consists of:

- section 10 of the *Public Governance, Performance and Accountability Rule 2014* (the Fraud Rule);
- the *Commonwealth Fraud Control Policy* (the Fraud Policy); and
- *Resource Management Guide No. 201: Preventing, detecting and dealing with fraud* (the Fraud Guidance).

Although the Fraud Control Framework currently applies throughout the Commonwealth, for the purposes of this report reference will be made to the 2011 guidelines that were in place during the four financial years covered by these censuses. Future reports draw on new data collection instruments designed to collect information in line with the extant framework.

Under the 2011 guidelines, fraud against the Commonwealth was defined as ‘dishonestly obtaining a benefit, or causing a loss, by deception or other means’ (AGD 2011: 7). Entities were asked to provide information about all suspected and substantiated incidents of internal and external fraud against the Commonwealth. Further details relating to the data collection procedures are provided in the *Methodology* section at the end of this report.

Information was provided by 154 entities in 2010–11, 157 in 2011–12 (with 155 responses included in the analysis), 163 in 2012–13 (with 162 responses included in the analysis) and 166 in 2013–14. In both 2010–11 and 2013–14, all responses were completed and therefore all were included in the analysis. This represents over 80 percent of those invited to participate each year—with the response rate increasing annually, reaching an 86 percent response rate in 2013–14.

Financial years 2012–13 and 2013–14 were a period of considerable change for the Australian Public Service, with the government enacting a number of Machinery of Government (MoG) changes. A MoG change involves a variety of organisational or functional changes affecting the Commonwealth (Finance 2015). These changes affected the collection of fraud information by altering the number of responding entities, as well as by enforcing changes to their functions during the financial years in question. In some instances, MoG changes may have led to investigations being terminated by one entity and taken over by another, which may occasionally have led to inaccuracies in reporting.

Respondents were asked to provide information by completing a secure, confidential online questionnaire. Individual suspects and witnesses are not named and all information reported publicly does not identify respondent entities. The aim was to canvass the experience of fraud across the government as a whole, rather than to identify each individual entity’s experience.

The AFP provided further information on the investigation and prosecution of fraud incidents within the Commonwealth, and the CDPP provided information on matters it handled each year (regardless of when the fraud was committed).

# Introduction

Fraud is a wide-ranging category of crime, and both fraud offenders and victims can differ considerably in their personal backgrounds and sociodemographic characteristics. Fraud is defined as ‘dishonestly obtaining a benefit, or causing a loss, by deception or other means’ (AGD 2011: 7) and can entail a range of different criminal and regulatory offences including forgery, theft, identity offences, cybercrime, false accounting, embezzlement, payment card offences and a myriad of other crimes involving dishonesty (Doig 2006).

Fraud is not a new phenomenon, but the development and use of new technologies by government entities has created many new opportunities for dishonest conduct by members of the public as well as public servants (Hutchings & Jorna 2015).

In 2014, the AIC estimated crimes involving dishonesty—collectively known as fraud—cost Australia \$6.05b in 2011 (Smith et al. 2014). National surveys of personal fraud victimisation conducted by the Australian Bureau of Statistics have found the cost of reported consumer fraud increased from \$977m in 2007 (ABS 2008) to \$3b in 2014–15 (ABS 2016). In its 2013 review of the results of organisational fraud surveys it has conducted since 1997, KPMG stated the cost of reported fraud in Australia and New Zealand increased from \$105m in 1997 to \$373m in 2012. This 255 percent increase in organisational fraud is similar in scale to the 225 percent increase in the cost of fraud against the Commonwealth reported over a similar period, from \$153m in 1997–98 (ANAO 2000) to \$498m in 2009–10 (Lindley, Jorna & Smith 2012).

Non-individuals such as businesses and government entities suffered more than just financial loss at the hands of fraudsters. PricewaterhouseCoopers’ 2014 survey reported 31 percent of organisations that had been defrauded also experienced a decline in employee morale (up from 28 percent in 2011), while 17 percent of organisations noted they suffered reputational damage due to fraud. In the public sector, as well as causing loss of revenue, fraud can also cause voters to lose confidence in the administration of government.

Large-scale data breaches, where personal data are accessed and used without authorisation, can lead to the commission of fraud. In 2012, for example, an Australian federal government employee was dismissed after it was found she had accessed records relating to her ex-husband held in her employer’s databases. In this case data were also altered, with the security clearance on emails changed (Crozier 2012).

Misuse of identity is a common fraud risk associated with the provision of government services (Smith 2014). Government service delivery agencies and revenue authorities, in particular,

maintain extensive confidential databases of personal information that, if compromised and made public, would provide abundant information that could be used in the commission of financial crime both by and against members of the public. Commonwealth entities must put in place effective fraud control measures addressing the specific risks they face. This analysis assesses the scale of the problem and documents how Commonwealth entities respond to the fraud risks they encounter.

During the period covered by the current report, Commonwealth entities were subject to the AGD's *Commonwealth fraud control guidelines 2011*. The guidelines covered aspects of fraud control such as risk assessment and the use of fraud control plans, fraud awareness and training, detecting, investigating and responding to fraud, and information management and reporting.

On 1 July 2014, the guidelines were replaced by the Commonwealth Fraud Control Framework, which consists of:

- section 10 of the Public Governance, Performance and Accountability Rule 2014 (the Fraud Rule);
- the Commonwealth Fraud Control Policy (the Fraud Policy); and
- *Resource Management Guide No. 201: Preventing, detecting and dealing with fraud* (the Fraud Guidance).

These provisions seek to 'protect public resources, including information and property, and protect the integrity and good reputation of entities and the Commonwealth. This includes reducing the risk of fraud occurring, discovering and investigating fraud when it occurs, and taking appropriate corrective actions to remedy the harm' (*Resource Management Guide No. 201: Preventing, detecting and dealing with fraud*: 8). Although the 2014 framework currently applies throughout the Commonwealth, for the purposes of this report reference will be made to the 2011 guidelines that were in place during the four financial years covered by the censuses.

In the public sector the primary responsibility for the prevention, detection and initial investigation of fraud lies with the victim agency. In the case of Commonwealth entities, the *Commonwealth fraud control guidelines 2011* stipulate that each agency is responsible for investigating routine or minor instances of fraud. As a result, only the most serious instances of fraud are referred to law enforcement and prosecution agencies. This means that to understand the nature and extent of fraud against the Commonwealth, it is essential to obtain information directly from Commonwealth entities themselves rather than relying on official police and prosecution statistics that may reflect only a small proportion of detected fraud.

Accordingly, the *Commonwealth fraud control guidelines 2011* oblige entities to collect information on fraud committed each year and provide specified details in response to the annual fraud against the Commonwealth census. All incidents of suspected fraud, incidents under investigation and completed investigations—whether proven or not and regardless of whether the incidents were remedied criminally, civilly or administratively—are covered by the annual census. This report presents the results of analysis of this information for the years



2010–11 to 2013–14. Details on response rates, the information-gathering methodology and how the data were analysed are provided at the end of this report.

The results are presented in five sections, covering:

- key trends in fraud incidents that affected entities over the four-year period;
- typologies of fraud incidents and descriptions of fraud targets and modus operandi;
- what fraud cost entities, focusing on the amount initially lost to fraud, and what entities recovered;
- how fraud was detected and investigated; and
- the prevention and fraud control measures employed by Commonwealth entities.

# Trends in fraud and suspected fraud

This section presents data from reporting entities' experience of fraud during the four years 2010–11 to 2013–14, including whether suspects were located within or external to an entity, the size of the entity, the number of incidents detected and information about the suspects involved. Internal fraud was defined as any incident of fraud or suspected fraud allegedly committed by an employee or contractor, while external fraud was defined as any incident of fraud or suspected fraud allegedly committed by a person other than an employee or contractor of the entity. Where an employee or contractor was alleged to have committed fraud in collaboration with an external party, this was considered collusion.

## Experience of fraud

Over the four financial years 2010–11 to 2013–14, the percentage of entities that identified or were informed of incidents of fraud fluctuated from 40 percent in 2010–11 to 36 percent in 2013–14 (see Table 1 and Figure 1). The percentage of entities that experienced only internal fraud decreased, while the percentage that experienced only external fraud remained relatively constant.

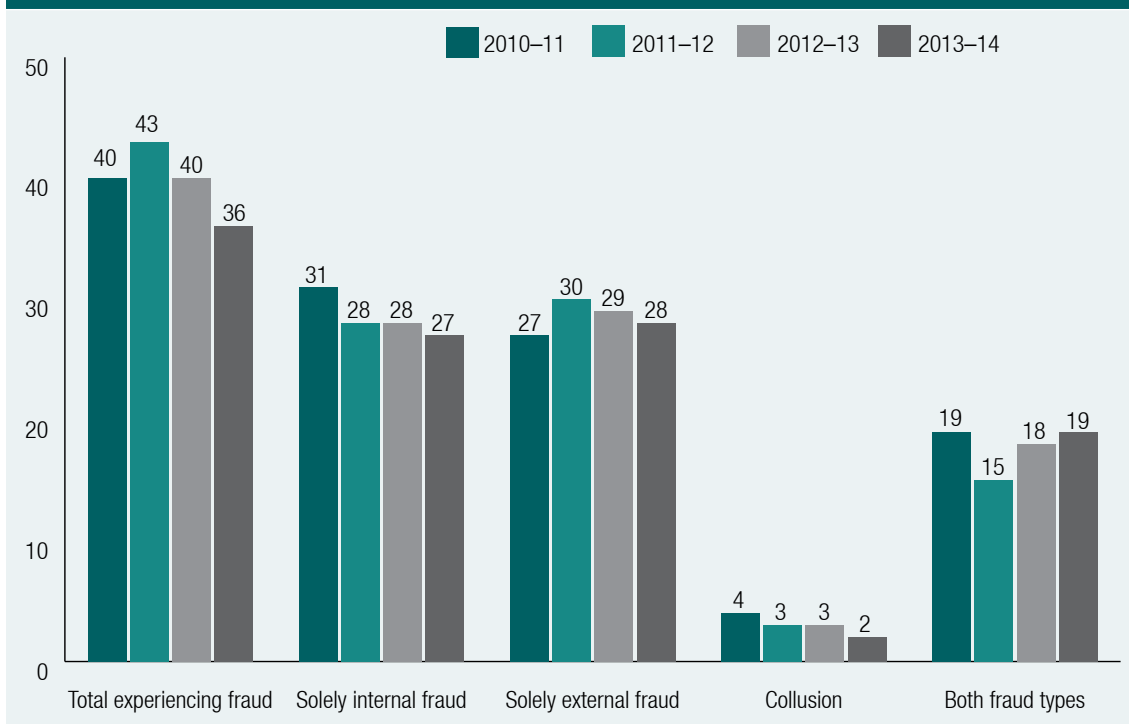
Respondents were also asked to indicate if they identified or were informed of any alleged incidents of fraud involving collusion between their employees or contractors and individuals external to the entity. Only a small number of entities reported incidents of collusion, and their responses showed incidents of collusion also decreased between 2010–11 (4%) and 2013–14 (2%). The number of entities that experienced both internal and external fraud remained fairly constant between 2010–11 and 2013–14 at 19 percent, although in 2011–12 the number of entities that experienced both types of fraud decreased to 15 percent, before rising again to 18 percent in 2012–13.

Table 1: Entities experiencing fraud, 2010–11 to 2013–14

| Year    | Re-<br>spond-<br>ents | Experi-<br>enced no<br>fraud |    | Experi-<br>enced<br>fraud |    | Experi-<br>enced<br>internal<br>fraud only |    | Experi-<br>enced<br>external<br>fraud only |    | Experi-<br>enced<br>collusion |   | Experienced<br>both internal<br>and external<br>fraud |    |
|---------|-----------------------|------------------------------|----|---------------------------|----|--|----|--|----|-------------------------------|---|---|----|
|         |                       | N                            | N  | %                         | N  | %  | N  | %  | N  | %                             | N | %   | N  |
| 2010–11 | 154                   | 93                           | 60 | 61                        | 40 | 48   | 31 | 42   | 27 | 6                             | 4 | 29  | 19 |
| 2011–12 | 155                   | 88                           | 57 | 67                        | 43 | 44   | 28 | 45   | 29 | 4                             | 3 | 23  | 15 |
| 2012–13 | 162                   | 98                           | 61 | 64                        | 40 | 45   | 28 | 48   | 30 | 5                             | 3 | 29  | 18 |
| 2013–14 | 166                   | 107                          | 64 | 59                        | 36 | 44   | 27 | 46   | 28 | 4                             | 2 | 31  | 19 |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Figure 1: Percentage of entities that experienced fraud by fraud type, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Extent of fraud

Although the percentage of entities that experienced incidents of internal and external fraud remained relatively stable over the four years, the number of incidents entities reported decreased by more than half over the four years, from 3,828 in 2010–11 to 1,658 in 2013–14 (see Table 2). The number of alleged incidents of external fraud fluctuated, with 87,207 incidents reported in 2010–11 and just 36,759 in 2011–12, rising to 133,969 incidents in 2012–13 and finally decreasing to 123,876 in 2013–14. These fluctuations are largely due to changes in recording and counting practices within large entities, rather than to any substantial change in the incidence of external fraud.

Table 2: Number of internal fraud, external fraud, collusion and unclassified incidents, by year

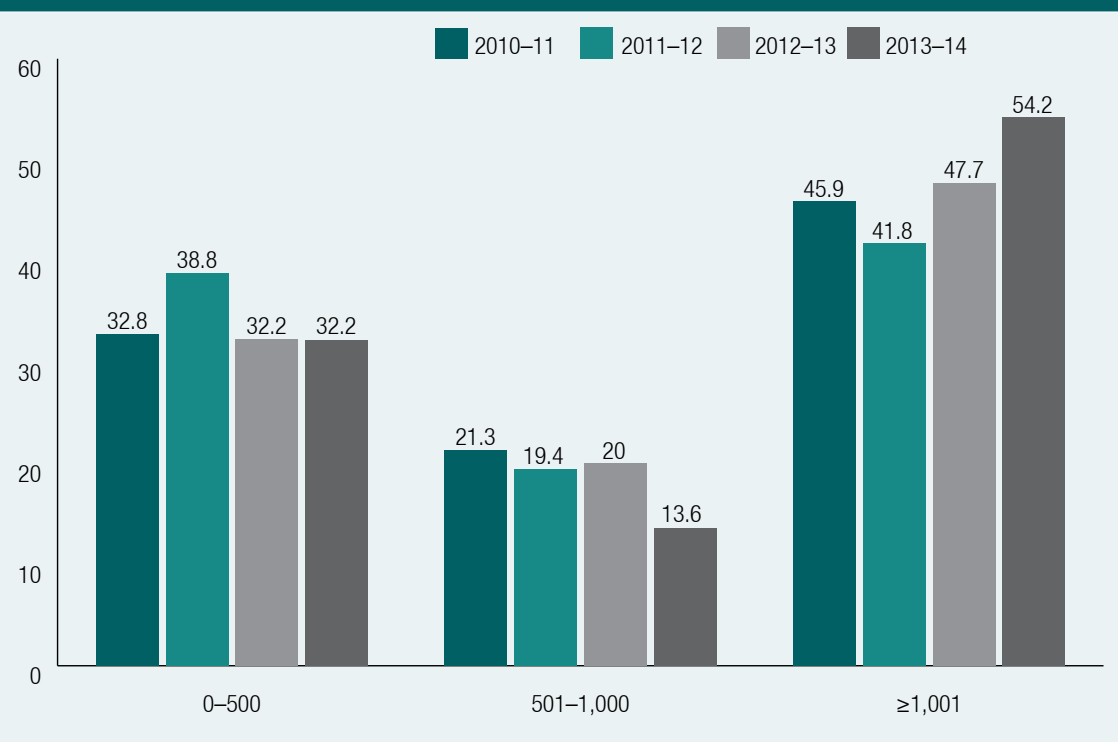
| Year    | Internal fraud only | External fraud only | Collusion | Unclassified | Total   |
|---------|---------------------|---------------------|-----------|--------------|---------|
| 2010–10 | 3,828               | 87,207              | 9         | 48           | 91,092  |
| 2011–12 | 2,296               | 36,759              | 35        | 12           | 39,102  |
| 2012–13 | 1,685               | 133,969             | 17        | 1            | 135,672 |
| 2013–14 | 1,658               | 123,876             | 4         | 428          | 125,965 |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Figure 2 presents information on entities' experience of fraud and staff numbers. Over the four years, entities with more than 1,000 staff consistently experienced more fraud than smaller entities (see Figure 2 and Table 3). In 2013–14, more than half (54.2%) of the largest entities reported experiencing fraud, a higher percentage than that of previous years for this category of entities.

Medium-sized entities were least likely to experience fraud each year. This finding accords with the findings of business fraud-victimisation surveys generally. For example, in 2013 the Association of Certified Fraud Examiners (ACFE 2014) found medium-sized organisations (those with 100–999 employees) experienced relatively few fraud incidents, with only 24 percent of businesses in that category experiencing fraud. Smaller organisations (those with fewer than 100 employees) were victimised in greater numbers than organisations with more staff. However, the ACFE also found organisations with over 10,000 employees reported the lowest levels of fraud victimisation (ACFE 2014), although these organisations experienced greater losses than those businesses with less staff. Further research may clarify this finding.

Figure 2: Percentage of entities experiencing fraud by size (number of staff), 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 3: Number of entities experiencing fraud, by size (number of staff) and year

| Staff (N) | 2010–11 (N=154) |       | 2011–12 (N=155) |       | 2012–13 (N=162) |       | 2013–14 (N=166) |       |
|-----------|-----------------|-------|-----------------|-------|-----------------|-------|-----------------|-------|
|           | N               | %     | N               | %     | N               | %     | N               | %     |
| 0–500     | 20              | 32.8  | 26              | 38.8  | 21              | 32.3  | 19              | 32.2  |
| 501–1,000 | 13              | 21.3  | 13              | 19.4  | 13              | 20.0  | 8               | 13.6  |
| ≥1,001    | 28              | 45.9  | 28              | 41.8  | 31              | 47.7  | 32              | 54.2  |
| Total     | 61              | 100.0 | 67              | 100.0 | 65              | 100.0 | 59              | 100.0 |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

### Internal fraud trends

While the number of entities reporting internal fraud remained relatively stable, ranging from 48 to 44 entities over the four years, the number of incidents reported declined by 57 percent (see Table 4). This was largely because a small number of entities reported an overall reduction in internal fraud incidents. As seen in Table 4, in 2010–11 one entity experienced 2,059 incidents of internal fraud, a much higher number than that of subsequent years.

| Year    | Entities | Total incidents | Mean incidents | Median incidents | Range for incidents |
|---------|----------|-----------------|----------------|------------------|---------------------|
| 2010–11 | 48       | 3,828           | 80             | 3                | 1–2,059             |
| 2011–12 | 44       | 2,296           | 52             | 3                | 1–946               |
| 2012–13 | 45       | 1,685           | 37             | 5                | 1–633               |
| 2013–14 | 44       | 1,658           | 39             | 3                | 1–557               |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Figure 3 shows the number of internal fraud suspects identified by entities, compared with the number of internal fraud incidents entities reported each year of the four-year period. Although the number of internal fraud incidents reported over the four years declined each year, the number of internal fraud suspects identified increased by eight percent between 2012–13 and 2013–14. The ratio of incidents to suspects, however, remained fairly constant, varying between 1.3 incidents per suspect in both 2011–12 and 2012–13, and 1.1 incidents per suspect in 2013–14. It should be noted some entities had difficulty quantifying the number of fraud suspects, occasionally failing to complete this question.



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

### External fraud trends

As with internal fraud, the number of entities reporting external fraud remained relatively stable, ranging from 42 to 48 entities. By contrast with internal fraud, there were fluctuations in the number of incidents reported by entities during the four years. The largest decline in incidents of external fraud occurred in 2011–12, when only 36,759 incidents were reported. Numbers were much higher in subsequent years, due almost entirely to one entity reporting an additional 97,000 suspected incidents following a change in the way it reported external fraud (Table 5). There were six percent fewer suspected incidents in 2012–13 (133,969) than there were in 2013–14 (125,541).

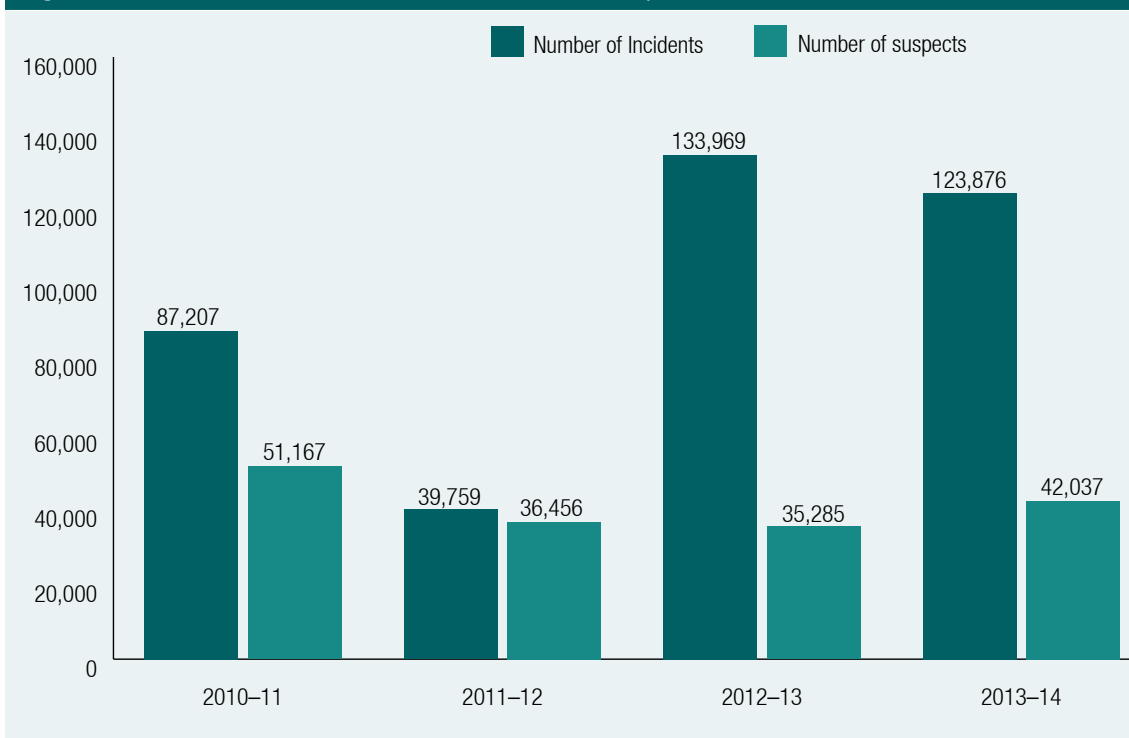
Table 5: Summary of external fraud census results by year (N)

| Year    | Entities | Total incidents | Mean incidents | Median incidents | Range for incidents |
|---------|----------|-----------------|----------------|------------------|---------------------|
| 2010–11 | 42       | 87,207          | 2,076          | 13               | 1–30,080            |
| 2011–12 | 45       | 36,759          | 817            | 13               | 1–30,748            |
| 2012–13 | 48       | 133,969         | 2,791          | 9                | 1–97,216            |
| 2013–14 | 46       | 125,541         | 7,768          | 8                | 1–78,461            |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

The increase in the number of reported external fraud incidents was not matched by an increase in the number of suspects (Figure 4). As a result, the ratio of incidents to suspects ranged from 1.7 incidents per suspect in 2010–11 to 1.1 incidents per suspect in 2011–12, 3.8 in 2012–13 and 2.9 in 2013–14.

Figure 4: Number of external fraud incidents and suspects, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]



# How fraud was committed

Fraud can be committed in many ways, including through theft, misappropriation of assets, misuse of credit cards and unauthorised use of property such as computers and smart phones for personal purposes. This diversity makes it challenging to apply meaningful and policy-relevant classifications to methods of committing fraud. The present census asked respondents to indicate two main aspects of how the fraud incidents they detected had been committed—their focus, or the target of the alleged fraudulent activity and/or benefit to be derived from it; and the method used to carry out the alleged activity (such as misuse of technology, information, identity etc).

Five focus categories were examined:

- equipment such as computers or consumable stock;
- entitlements such as travel and expense claims;
- information such as misuse of intellectual property or other information;
- financial benefits such as misuse of petty cash or credit cards in the case of internal fraud, or dishonest claims for welfare and other benefits in the case of external fraud; and
- an 'other' category, used for any incident that did not fall into one of the four specified incident categories.

Because fraud incidents can have more than one focus, respondents could indicate multiple foci for each incident if appropriate; the total number of foci therefore exceeds the number of separate incidents.

Respondents were also asked to indicate which of four methods was used to commit the fraud. The methods were:

- misuse of information and communications technology (ICT);
- misuse of identity;
- misuse of documents or information; and
- acts of corruption (such as paying or accepting bribes or kickbacks).

In addition, an 'other' option could be selected where the method of fraud was not specified. As for the focus questions, respondents could provide multiple responses in relation to each fraud incident.

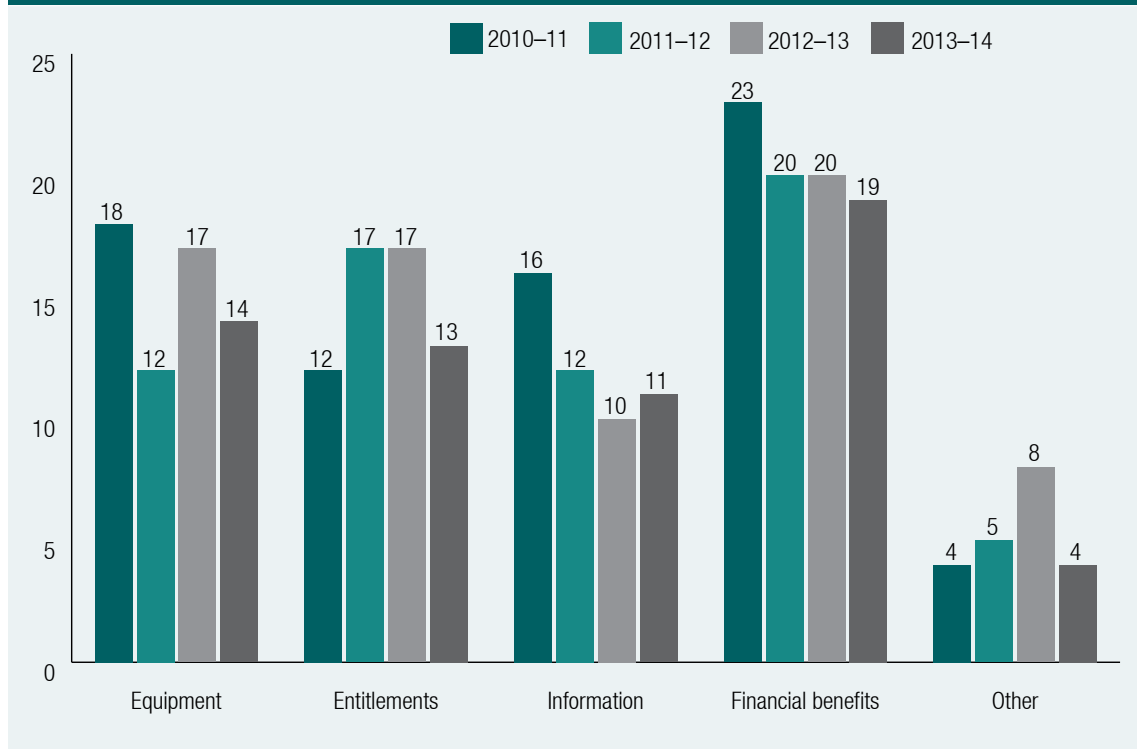
Aggregate data on the focus and method of fraud, and the number of entities and incidents, are provided in the *Appendix* to this report. For discussion purposes, selected results are presented separately; results for internal fraud incidents are presented first, followed by results for external fraud.

## Internal fraud

### Focus

The most prevalent focus of internal fraud was financial benefit (such as obtaining cash without permission, misuse of government credit cards etc) with approximately one in five respondents reporting this type of internal fraud each year—more than any other focus category (Figure 5). Between 2012–13 and 2013–14, fewer entities reported all types of fraud (except those focused on information fraud such as obtaining or using information without permission, which showed a slight increase from 10 percent of entities in 2012–13 to 11 percent of entities in 2013–14).

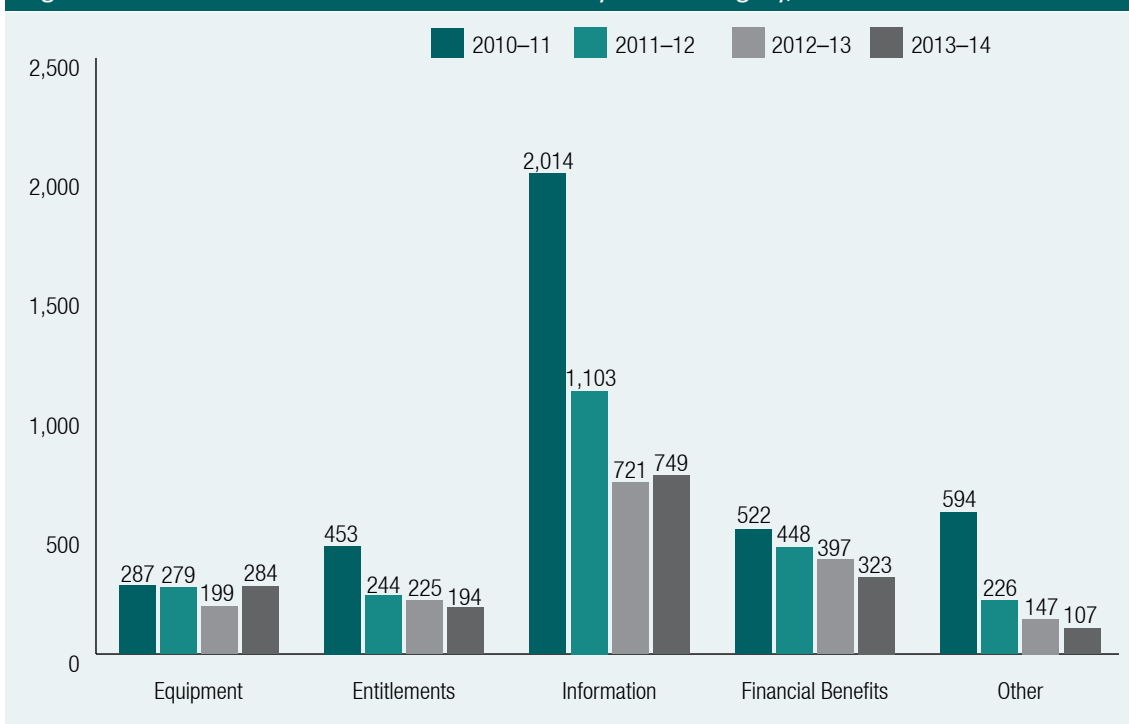
Figure 5: Percentage of entities affected, by internal fraud focus category, 2010–11 to 2013–14



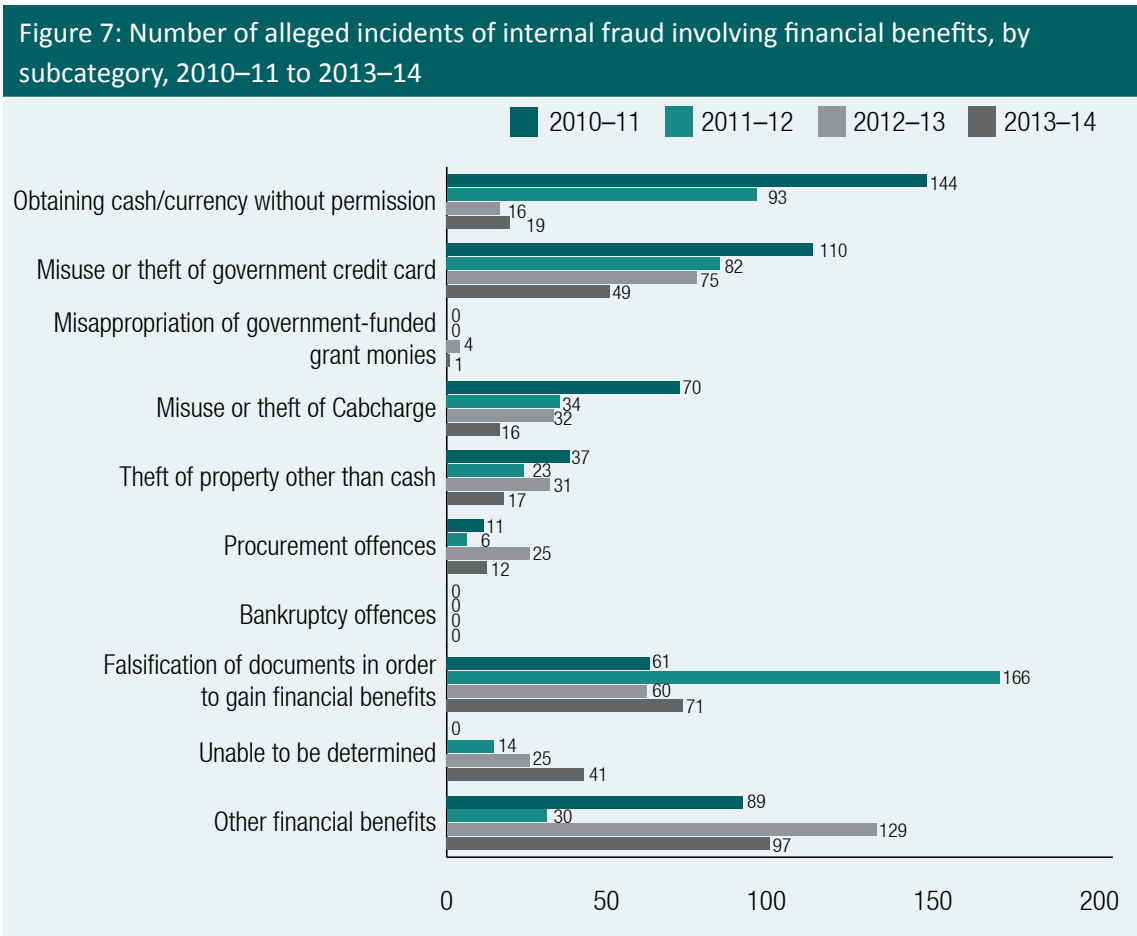
Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–13 [AIC computer file]

The number of incidents of all focus categories of internal fraud decreased over the four years, with the largest decrease (82%) in 'other' fraud, followed by a 63 percent decline in fraud involving information (Figure 6). More than 80 percent of information-related internal fraud incidents in each of the four years included were focussed on obtaining or using personal information without authorisation (see *Appendix*). The second most frequently reported focus of internal fraud incidents each year was financial benefit; fraud of this kind decreased by 38 percent over the four years from 522 incidents in 2010–11 to 323 incidents in 2013–14 (Figure 6).

Figure 6: Number of incidents of internal fraud by focus category, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]



Source: Commonwealth fraud census 2010–11, 2011-12, 2012-13 and 2013-14 [AIC computer file]

As indicated in Figure 7, there was no discernible pattern of fraud for specific types of financial benefit. Although misuse or theft of government credit cards, travel cards or other cash cards was prevalent each year, these types of fraud declined by 55 percent between 2010–11 and 2013–14. This could be due to enhanced risk awareness and better internal controls on government payment cards. Over the four years, there were also substantial decreases in incidents involving the ‘falsification of documents in order to gain financial benefits’; these decreased by over 80 percent between 2011–12 (166 incidents) and 2013–14 (71 incidents), while incidents involving ‘obtaining cash/currency without permission’ decreased by 87 percent between 2010–11 (144 incidents) and 2013–14 (19 incidents). Such fluctuations are not unusual and have occurred in previous years as new fraud risks emerge or new controls are implemented.

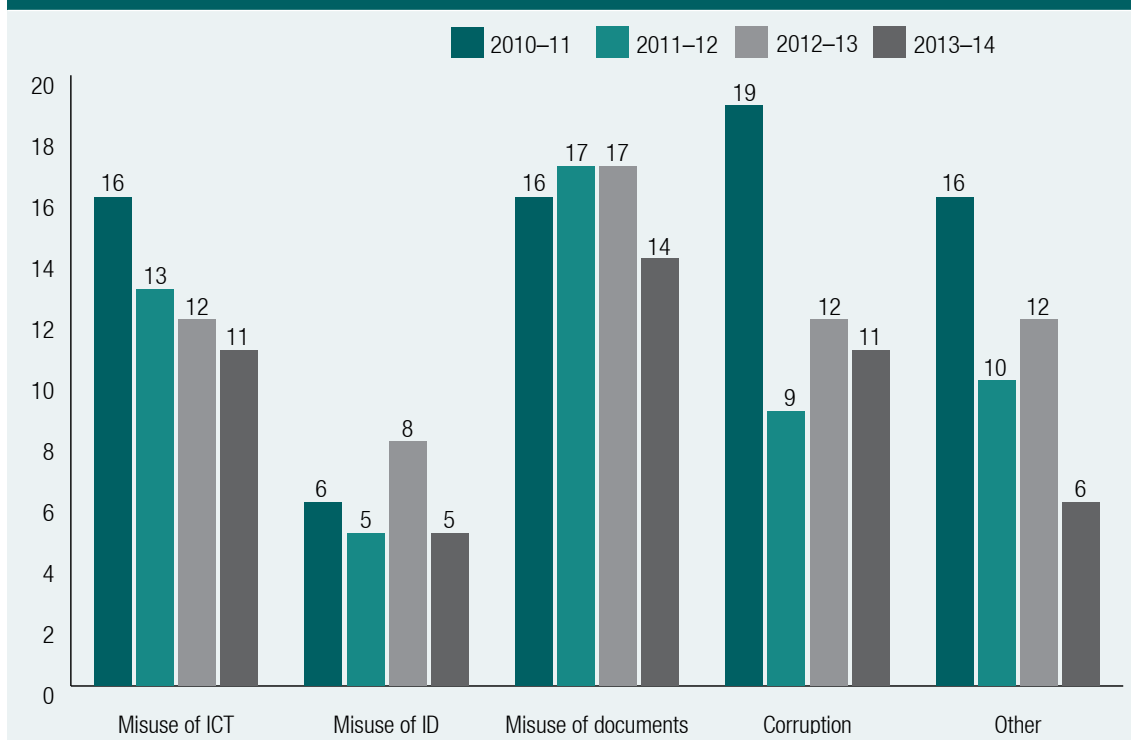
### Method

The percentage of entities that reported being affected by all methods of internal fraud decreased during the census period (Figure 8). Trends in the number of internal fraud incidents, however, were different. Although the number of entities affected by internal fraud

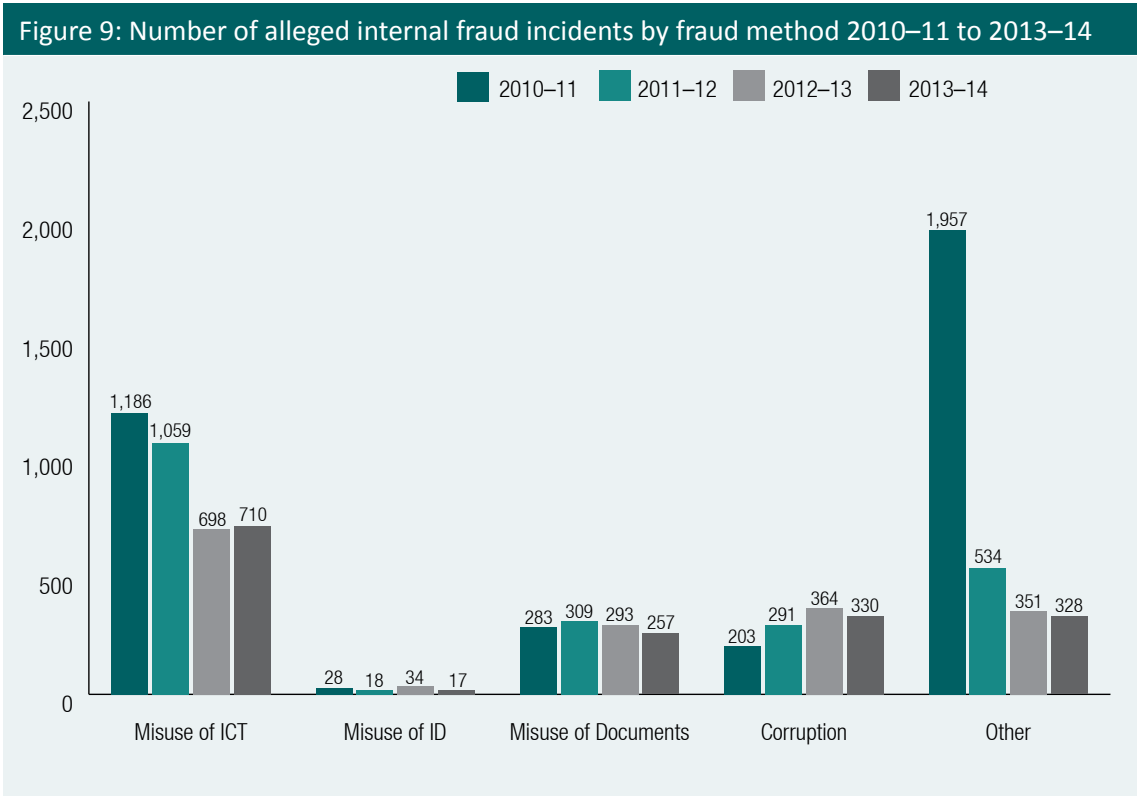
through the misuse of ICT decreased over the four-year period overall, between 2012–13 and 2013–14 the number of incidents of internal fraud through misuse of ICT increased; the number of incidents of fraud through identity misuse, misuse of documents, corruption and other methods decreased over the same period.

The proportion of entities that reported fraud through corruption decreased from 19 percent in 2010–11 to nine percent in 2011–12. After increasing slightly, the percentage of entities reporting corruption again declined from 12 percent in 2012–13 to 11 percent in 2013–14 (Figure 8). There was a 63 percent increase in the number of incidents of corruption between 2010–11 (203 incidents) and 2013–14 (330 incidents; Figure 9). While the number of incidents of fraud through various methods decreased over the four-year period, it must be noted that in some cases entities were unaware of how incidents were committed at the time of the census (see *Appendix*).

Figure 8: Percentage of entities affected by fraud, by internal fraud method category, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Over the four years included in the report, some subcategories of ICT misuse increased (eg misuse of email, by 44%), while others decreased (eg unauthorised access to computers, by 41%). The most prevalent subcategory of ICT misuse—by a substantial number each year—was ‘accessing information or programs via a computer without authorisation’ (Table 6).

**Table 6: Number of alleged incidents of internal fraud, by misuse of ICT subcategory, 2010–11 to 2013–14**

| Misuse of ICT subcategory  | Year    |         |         |         |
|--|---------|---------|---------|---------|
|  | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
| Accessing information or programs via a computer without authorisation | 991     | 964     | 612     | 588     |
| Copying or altering data or programs without authorisation             | 18      | 14      | 26      | 18      |
| Misuse of email  | 57      | 23      | 25      | 82      |
| Manipulation of a computerised accounting system                       | NP      | 32      | 24      | 3       |
| Insertion of malicious code  | 0       | 0       | 2       | 0       |
| Interference with computer networks                                    | 0       | 0       | 0       | 0       |
| Unable to be determined  | 1       | 3       | 3       | 1       |
| Other misuse of ICT  | 119     | 23      | 6       | 18      |

NP: Category not provided

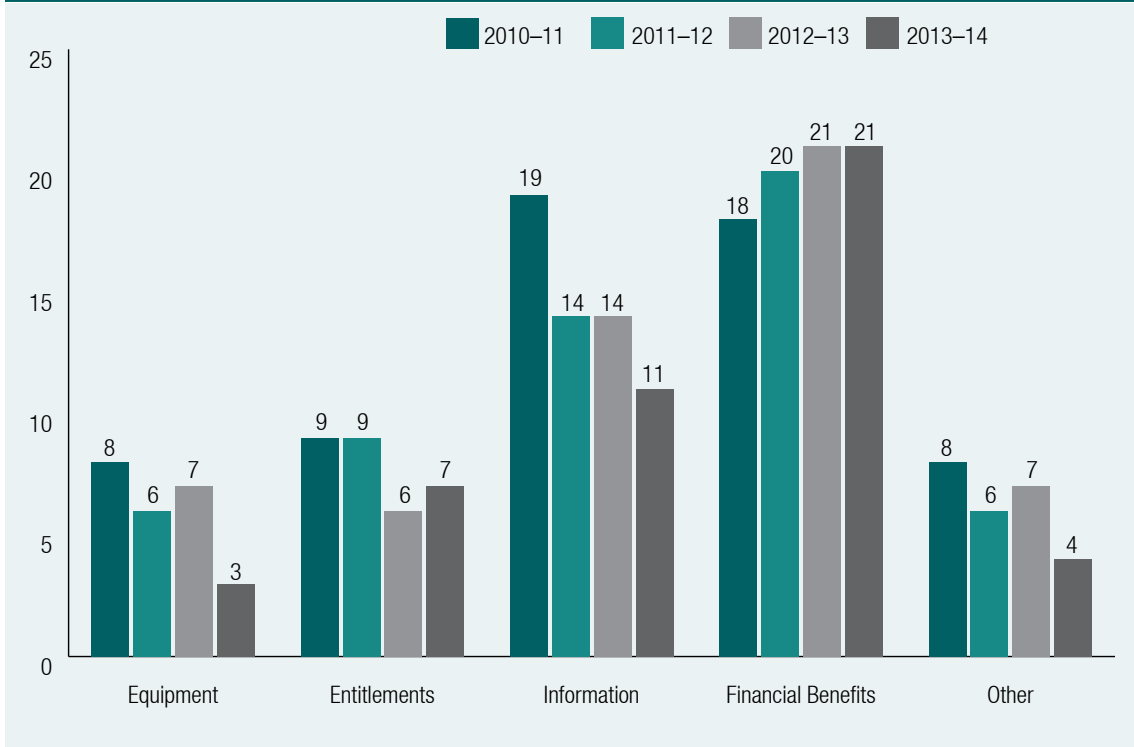
Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## External fraud

### *Focus*

Fraud involving financial benefits was the most frequently reported category of external fraud over the four years, reflecting earlier Commonwealth fraud census findings (Jorna & Smith 2015; Lindley, Jorna & Smith 2012). In 2010–11, 18 percent of entities experienced such frauds; this increased to 21 percent in both 2012–13 and 2013–14. The next most prevalent focus of external fraud was information-related; this affected 19 percent of entities in 2010–11, decreased to 14 percent in 2011–12 and 2012–13, and declined further to just 11 percent of entities in 2013–14 (Figure 10).

Figure 10: Percentage of entities affected, by external fraud focus category, 2010–11 to 2013–14



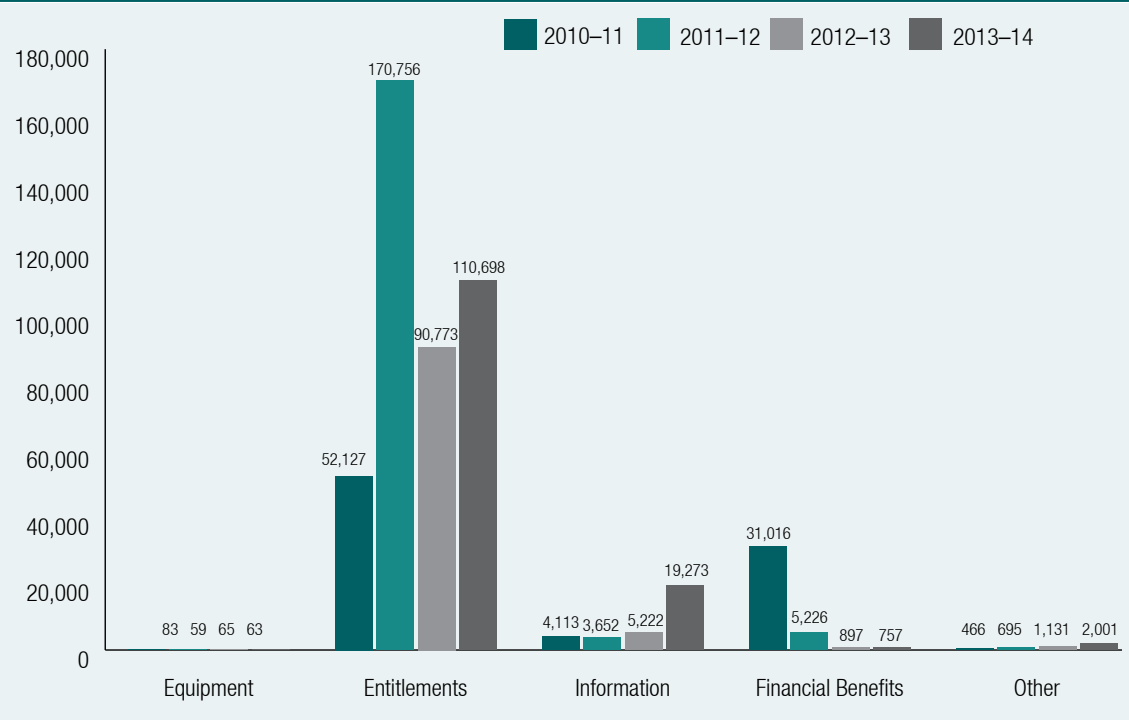
Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

The vast majority of reported incidents of external fraud involved fraud relating to government entitlements. Although the number of incidents reported fluctuated considerably, with a substantial increase from 52,127 incidents in 2010–11 to 170,756 in 2011–12, there was a large decrease in incidents in 2012–13 (90,773), followed by an increase to 110,698 incidents in 2013–14 (Figure 11). This was due to changes in reporting by a single large service-provider entity.

Most entitlement fraud involved one of three main types (revenue fraud, visa and citizenship fraud and social security fraud; Table 7). As is apparent from these data, the way in which the large entities that provide these services classified and counted fraud incidents changed considerably over time, thus affecting the total numbers recorded each year. This does not reflect an actual change in the incidence of social security, health, welfare and revenue fraud.



**Figure 11: Number of alleged incidents of external fraud by external fraud focus category, 2010–11 to 2013–14**



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

**Table 7: Number of alleged incidents of entitlement fraud by entitlement fraud subcategory, 2010–11 to 2013–14**

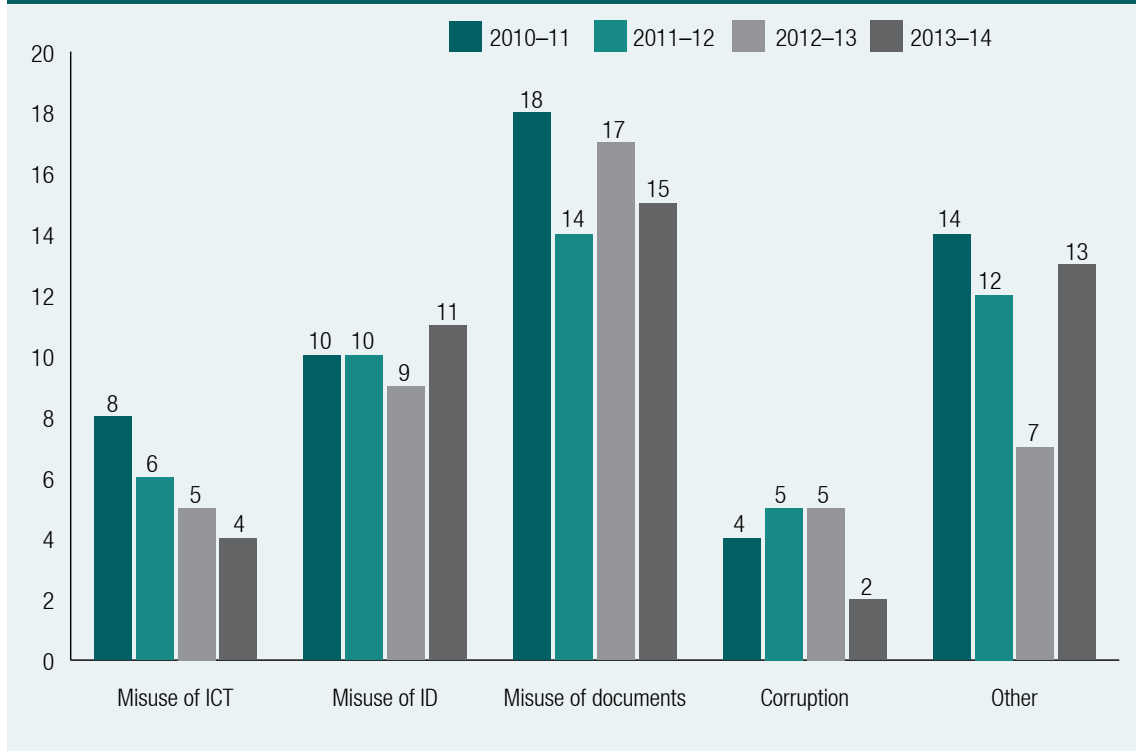
| Entitlement subcategories       | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|---------------------------------|---------|---------|---------|---------|
| Housing entitlements fraud      | 1       | 4       | 0       | 0       |
| Social security fraud           | 22,240  | 71,928  | 3,254   | 2,641   |
| Health benefit fraud            | 2,095   | 977     | 390     | 327     |
| Visa or citizenship fraud       | 27,394  | 28,229  | 28,142  | 27,206  |
| Child support entitlement fraud | 1       | 199     | 232     | 305     |
| Revenue fraud                   | 169     | 69,091  | 58,364  | 79,495  |
| Customs and excise fraud        | 20      | 230     | 299     | 0       |
| Unable to be determined         | 1       | 0       | 13      | 486     |
| Other entitlements              | 206     | 111     | 79      | 239     |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

### Method

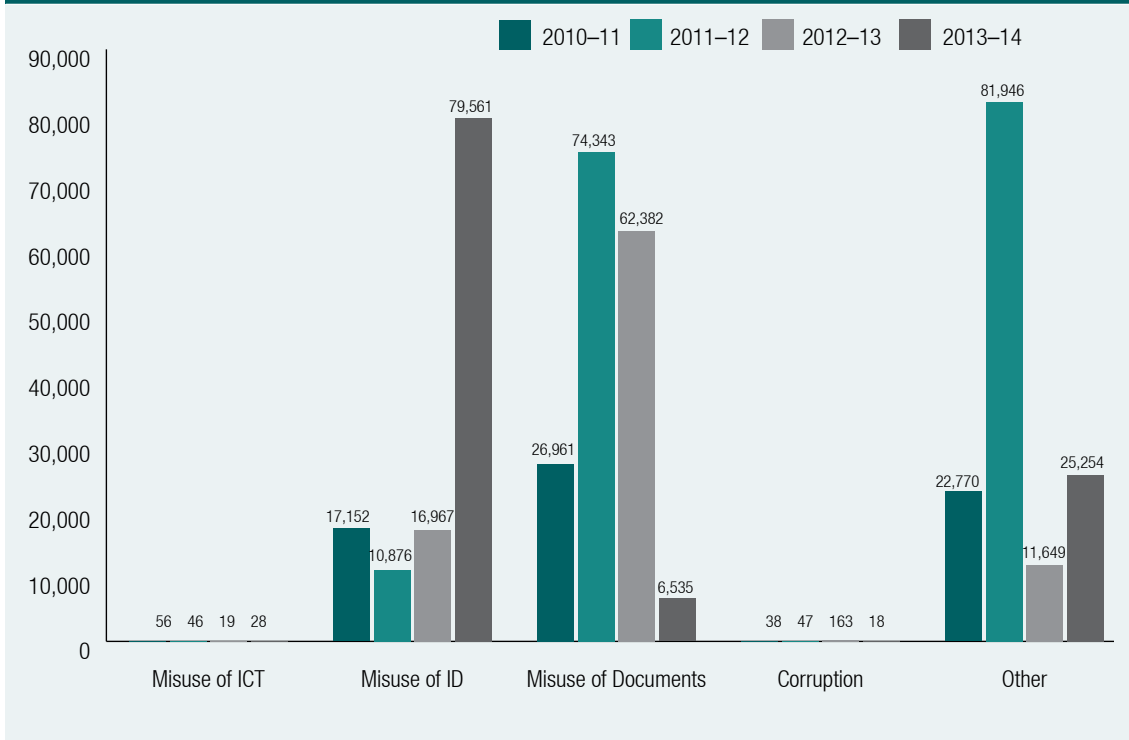
The greatest percentage of entities reported experiencing external fraud through the misuse of documents. Only four percent of entities reported corruption in 2010–11 and just two percent in 2013–14. This is because respondents generally classify corruption as internal fraud where the incident targets a Commonwealth employee or contractor. There was a large reduction in ‘other’ methods of fraud, which were experienced by 14 percent of entities in 2010–11, 13 percent of entities in 2013–14, and a much lower seven percent of entities in 2012–13. Misuse of identity also increased over the four years, affecting 10 percent of entities in 2010–11 and 2011–12, and 11 percent in 2013–14 (Figure 12).

Figure 12: Percentage of entities affected by external fraud by external fraud method category, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Figure 13: Number of alleged incidents of external fraud by external fraud method category, 2010–11 to 2013–14



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

The number of alleged external fraud incidents involving identity misuse increased substantially over the four years, from 17,152 incidents in 2010–11 to 79,561 incidents in 2013–14—an increase of more than 360 percent. This may be due to the Commonwealth’s increased focus on identity misuse under the AGD’s 2012 National Identity Security Strategy and the need for entities to improve their data holdings relating to identity crime and misuse (see also AGD 2015). By contrast, the number of incidents of fraud involving misuse of documents declined from 74,343 in 2011–12 to 6,535 in 2013–14, although most of the change was due to the way in which the entity classified ‘misuse of documents’; in 2013–14 incidents were categorised as ‘unable to be determined’ within the sub-category ‘misuse of identity’. As there is some potential overlap between these two categories this was not viewed as an anomaly, but rather something to be noted should changes be made to the questionnaire in future. By far the most prevalent methods of external fraud were misuse of documents, misuse of identity (2013–14 only), and ‘other’ (Figure 13). The large number of ‘other’ methods of external fraud were reported by two large service-provider entities in 2011–12; in many of these matters the precise method of fraud was unable to be determined. A large number appeared to involve the overpayment of benefits and false statements provided by members of the public to entities.

# The cost of fraud

## What respondents were asked to report

Quantifying the cost of fraud against the Commonwealth raises a number of methodological challenges (Smith et al. 2014). These include the difficulties of:

- defining the scope of fraud;
- determining whether to record the cost of suspected incidents as initially detected or those that have been substantiated in court;
- deciding whether to inflate the estimate to account for undetected and unreported incidents;
- deducting amounts recovered (sometimes long after investigations have been conducted); and
- determining whether to include the indirect costs entities suffer as a result of fraud such as the costs of investigation and prosecution, of dismissing and recruiting staff, of changing fraud control procedures and of communicating.

A number of approaches to determining a general indication of the gross cost of suspected fraud detected by Commonwealth entities were adopted. Respondents were initially asked to indicate the total number of fraud incidents they identified or were informed of, how many persons were alleged to have committed the frauds and what financial losses were suffered as a result. Loss was defined as funds thought to have been lost by the entity, prior to the recovery of any funds and excluding the costs of investigation or prosecution—that is, respondents were asked to report the cost of suspected fraud, rather than of fraud substantiated by investigation or judicial proceedings. The results presented below invariably underestimate (where the fraud is found to be more extensive after investigation) or overestimate (where fraud is not proved or is less extensive than originally reported) the loss.

Respondents were also asked to indicate what amounts were recovered through criminal or civil proceedings or other administrative methods. These amounts exclude money recovered by the Commonwealth that was not returned to the entity in question, such as fines or the proceeds of confiscation orders that remain in consolidated revenue.

The results presented below examine the cost of fraud in terms of incidents involving internal fraud only, incidents involving external fraud only, incidents involving collusion between entity employees and external parties, and fraud that entities were unable to classify in any of these ways. Further analyses examined fraud costs in terms of the various focus categories described above.

## Cost of fraud by type

Between 2010–11 and 2013–14, there was a 200 percent increase in the estimated total value of fraud experienced by entities, increasing from \$119,148,932 in 2010–11 to \$672,924,074 in 2013–14 (Table 8). Not all entities were, however, able to quantify the value of the fraud incidents they experienced. Indeed, only 12 of 61 entities (20%) that were defrauded were able to quantify the cost of those frauds in 2010–11, in comparison with 23 of 67 entities (34%) in 2011–12, 13 of 64 (20%) in 2012–13 and 39 of 59 (66%) in 2013–14. This may indicate entities are improving their estimation of suspected fraud incidents or maintaining better records. Of course, as more entities quantify the cost of fraud experienced, the larger the overall total reported becomes. Even taking into account the potential cost of fraud incidents that could not be quantified, there was a substantial increase over the four years. What is not known is the extent to which this reflects an increase in the cost of fraud incidents committed, or whether the increase reflects changes in fraud detection and reporting or how losses are quantified.

Table 8: Cost of suspected fraud incidents by type, 2010–11 to 2013–14 (\$)

| Year    | Internal fraud | External fraud | Collusion | Unclassified | Total         |
|---------|----------------|----------------|-----------|--------------|---------------|
| 2010–11 | 2,998,810      | 116,148,022    | 0         | 2,100        | 119,148,932   |
| 2011–12 | 2,690,087      | 201,724,438    | 2,200     | 8,750        | 204,425,475   |
| 2012–13 | 3,426,546      | 203,270,364    | 402,764   | 3,031        | 207,102,705   |
| 2013–14 | 3,607,740      | 669,282,134    | 0         | 34,200       | 672,924,074   |
| Total   | 12,723,183     | 1,190,424,958  | 404,964   | 48,081       | 1,203,601,186 |

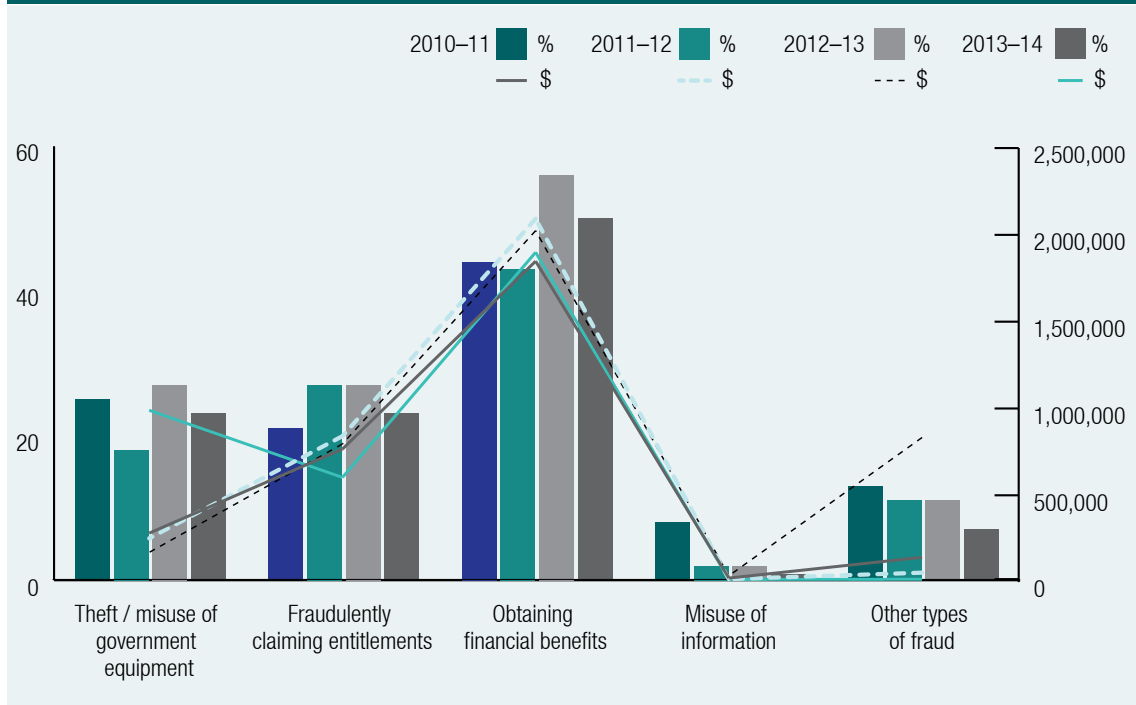
Source: Commonwealth Fraud Census, 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Looking at reported estimates only, over the four years the reported cost of internal fraud incidents increased by 20 percent, while the reported cost of external fraud increased by 476 percent. These increases are due not only to changes in the cost of individual incidents, but also to changes in the number of incidents of each type detected during the years in question. The substantial increase in the cost of external fraud in 2013–14 was largely due to more entities attempting to quantify the cost of the external frauds they experienced in that year only; the increase does not indicate a large increase in fraud incidents or the financial impact of fraud but rather that, through the use of better mechanisms, the entities in question were able to more accurately estimate the value of the frauds that affected them.

### Cost of fraud by focus category

Figure 14 and Table 9 present data on the reported cost of internal and external fraud, respectively, in terms of the percentage of entities experiencing such incidents and the focus of incidents. The dollar values largely follow the distribution of entities' experience of fraud types, with the highest losses—for both internal and external fraud—involving fraud for financial benefit. For the purposes of this analysis, incidents involving collusion were considered with reported incidents of internal fraud. The dollar value of internal fraud incidents was, however, much smaller than that of external fraud incidents overall, as well as with respect to the various focus types examined for internal and external fraud incidents.

Figure 14: Cost of internal fraud (\$) and percentage of entities affected, by fraud focus category, 2010–11 to 2013–14



Source: Commonwealth Fraud Census, 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 9: Cost of external fraud (\$) and percentage of entities affected, by fraud focus category, 2010–11 to 2013–14

| Fraud focus                          | Year                  |                  |                       |                  |                       |                  |                       |                  |
|--------------------------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|
|                                      | 2010–11               |                  | 2011–12               |                  | 2012–13               |                  | 2013–14               |                  |
|                                      | Entities affected (%) | Amount lost (\$) | Entities affected (%) | Amount lost (\$) | Entities affected (%) | Amount lost (\$) | Entities affected (%) | Amount lost (\$) |
| Theft/misuse of government equipment | 19                    | 223,546          | 13                    | 54,255           | 19                    | 47,645           | 7                     | 159,592          |
| Entitlements                         | 10                    | 80,467,412       | 13                    | 46,441,130       | 8                     | 41,224,059       | 9                     | 56,149,054       |
| Financial benefits                   | 40                    | 33,937,791       | 40                    | 153,059,715      | 54                    | 161,143,720      | 57                    | 569,697,462      |
| Misuse of information                | 10                    | 6,326            | 0                     | 0                | 8                     | 731,027          | 2                     | 88,500           |
| Other fraud                          | 17                    | 1,240,394        | 4                     | 1,246,439        | 4                     | 124,742          | 9                     | 426,200          |

Source: Commonwealth Fraud Census, 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Recovered funds

Respondents were asked to indicate the whole dollar amount recovered each financial year by various methods. This excluded money recovered by the Commonwealth that was not returned to the entity in question, such as fines or the proceeds of confiscation orders that remained in consolidated revenue. The recovered amounts reported do not necessarily relate to losses due to frauds detected in the same year, as losses related to incidents committed or detected in previous financial years may have been recovered in other years; in some instances more money may have been recovered in relation to a particular fraud focus in a given year than was lost that year. Accordingly, it is not possible to indicate the net actual losses suffered each year or the percentage of losses recovered.

Money was recovered in various ways including through criminal prosecutions, civil remedies and administrative remedies, or by 'other' means. Over the four years, \$3.3m related to internal fraud and \$72.4m related to external fraud was recovered, totalling just under \$76m over the four years. As mentioned above, while the amount recovered by entities in any year cannot be directly linked to the amount lost due to fraud in the same year, recovered funds are equivalent to only a small percentage (6.3% recovered of the total loss amount for the 4 years) of total fraud losses.

### *Amounts recovered by focus category*

Table 10 shows the reported dollar value of losses due to internal fraud by focus category and the amounts recovered each year. Financial benefit fraud was responsible for the highest internal fraud losses and the largest recovery amounts, followed by entitlement fraud. Between 2012–13 and 2013–14 the amount recovered in relation to fraud focused on equipment and entitlements declined; in 2013–14 no losses related to equipment fraud were recovered. The total amount recovered relating to entitlement fraud declined considerably each year, from \$315,897 in 2010–11 to only \$99,951 in 2013–14.

Table 11 shows the reported cost of fraud in each of the four years and the amounts recovered each year by external fraud focus category. Fraud for financial benefit and entitlement fraud were responsible for the highest external fraud losses and the largest amounts recovered, as was the case with internal fraud incidents. In 2013–14 losses due to fraud for financial benefit greatly increased, and in the same year there was a large increase in the amount of monies recovered related to financial benefits fraud. As previously mentioned, the large difference between losses due to fraud for financial benefit in 2012–13 and 2013–14 was due to changes in the way a single large entity reported fraud.



Table 10: Cost of internal fraud and amounts recovered, by fraud focus category, 2010–11 to 2013–14 (\$)

| Fraud focus        | 2010–11    |                  | 2011–12    |                  | 2012–13    |                  | 2013–14    |                  |
|--------------------|------------|------------------|------------|------------------|------------|------------------|------------|------------------|
|                    | Total cost | Amount recovered | Total cost | Amount recovered | Total cost | Amount recovered | Total cost | Amount recovered |
| Equipment          | 266,524    | 30,154           | 236,385    | 11,807           | 155,384    | 10,594           | 974,157    | 0                |
| Entitlements       | 750,645    | 315,897          | 825,098    | 432,547          | 780,008    | 418,836          | 587,634    | 99,951           |
| Information        | 7,715      | 0                | 2,012      | 40,665           | 21,000     | 0                | 0          | 0                |
| Financial benefits | 1,832,800  | 488,639          | 2,077,427  | 530,322          | 2,008,764  | 360,780          | 1,883,961  | 449,738          |
| Collusion          | 0          | 0                | 600        | 0                | 0          | 0                | 0          | 12,149           |
| Unclassified fraud | 127,226    | 17,279           | 38,179     | 85,537           | 817,484    | 3,817            | 850        | 10,344           |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 11: Cost of external fraud and amounts recovered, by fraud focus category, 2010–11 to 2013–14 (\$)

| Fraud focus        | 2010–11      |                  | 2011–12      |                  | 2012–13      |                  | 2013–14      |                  |
|--------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|                    | Dollar value | Recovered amount | Dollar value | Recovered amount | Dollar value | Recovered amount | Dollar value | Recovered amount |
| Equipment          | 233,546      | 38,688           | 54,255       | 398,182          | 47,645       | 15,075           | 159,592      | 8,123            |
| Entitlements       | 80,467,412   | 12,710,681       | 46,441,130   | 3,216,566        | 41,224,059   | 4,663,245        | 56,149,054   | 4,445,767        |
| Information        | 6,326        | 0                | 0            | 5,081            | 731,027      | 10,377           | 88,500       | 44,370           |
| Financial benefits | 33,937,791   | 2,841,569        | 153,059,715  | 361,983          | 161,143,720  | 4,097,807        | 569,697,462  | 14,907,123       |
| Unclassified fraud | 1,240,394    | 19,337,999       | 1,246,439    | 4,977,873        | 124,742      | 356,110          | 426,200      | 2,759            |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

### Amounts recovered by method of recovery

Commonwealth entities recover fraud losses in a variety of ways, including through orders made during criminal proceedings, civil legal recovery, administrative means and other ways.

Respondents were asked to indicate the amounts recovered each financial year for each fraud focus category, regardless of when the fraud occurred or was detected, for both internal and external fraud. The largest amounts were recovered through administrative and criminal procedures (Table 12); these avenues were used extensively in the recovery of losses connected with revenue and welfare fraud. Civil action rarely led to entities being compensated.

Table 12: Amounts recovered, by method of recovery and fraud focus category, 2010–11 to 2013–14 (\$)

| Fraud focus        | Criminal proceedings | Civil proceedings | Administrative remedies | Other     | Total      |
|--------------------|----------------------|-------------------|-------------------------|-----------|------------|
| Equipment          | 1,907                | 0                 | 478,315                 | 32,401    | 512,623    |
| Entitlements       | 820,393              | 0                 | 18,257,613              | 7,225,484 | 26,303,490 |
| Information        | 59,828               | 0                 | 0                       | 40,665    | 100,493    |
| Financial benefits | 18,093,104           | 352,468           | 26,807,060              | 1,155,291 | 46,407,923 |
| Other              | 21,926,689           | 0                 | 662,633                 | 2,202,396 | 24,791,718 |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Over the four years of census data, the amounts recovered through criminal proceedings varied greatly between fraud focuses. The recovery of losses due to entitlement fraud (and other fraud focuses) through criminal proceedings greatly decreased, while the recovery of losses related to financial benefits fraud through criminal proceedings increased substantially. This was largely because criminal proceedings were undertaken only in a relatively small number of high-value incidents.

Table 13: Amounts recovered through criminal proceedings, by fraud focus category and year recovered (\$)

| Fraud focus        | 2010–11    | 2011–12   | 2012–13   | 2013–14    | Total      |
|--------------------|------------|-----------|-----------|------------|------------|
| Equipment          | 0          | 1,097     | 0         | 0          | 1,907      |
| Entitlements       | 547,076    | 47,645    | 10,825    | 214,847    | 820,393    |
| Information        | 0          | 5,081     | 10,377    | 44,370     | 59,828     |
| Financial benefits | 19,411     | 188,174   | 3,642,672 | 14,242,847 | 18,093,104 |
| Other              | 17,028,526 | 4,894,363 | 3,800     | 0          | 21,926,689 |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

# Dealing with fraud

Fraud against the Commonwealth is detected in a variety of ways. It may be discovered through regular fraud risk management activities, or inadvertently when a staff member leaves their employment or takes leave and accounting inconsistencies become apparent. Other staff or external parties might report suspicion of fraud—sometimes anonymously or through workplace or external hotlines. Some of the largest Commonwealth entities engage in sophisticated data mining, identifying accounting and other anomalies and analysing them for indications of fraud.

This study explores how fraud was detected within entities and how fraud involving members of the public was identified, with the aim of understanding how entities learnt of suspected incidents of fraud, how these were investigated, and how they were referred to police and prosecution agencies. Data was obtained from the AIC's annual census, and from information provided to the AIC by the AFP and CDPP on the fraud-related investigations and prosecutions they undertook each year.

## How fraud was detected

Respondents were asked how incidents of internal and external fraud were primarily detected. Respondents could select from nine categories with options to report other methods of detection. The results for internal fraud by year are shown in Table 14, and for external fraud by year in Table 15. Generally, internal controls were responsible for the highest proportion of internal fraud detections, although the number of i declined between 2010–11 and 2013–14. This was expected, in light of the decline in the number of internal fraud incidents reported over the four years.

Many incidents of internal fraud were discovered through the actions of the entities' employees. Whistleblowing, by both entity staff and members of the public, was also common.

**Table 14: Number of internal fraud incidents detected, by method of detection, 2010–11 to 2013–14**

|                                  | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|----------------------------------|---------|---------|---------|---------|
| Credit card issuer               | 2       | 11      | 2       | 1       |
| Media                            | 15      | 1       | 2       | 1       |
| External audit                   | NP      | 9       | 27      | 11      |
| Offender self-reported           | 36      | 17      | 27      | 8       |
| Not recorded/unknown             | 206     | 47      | 3       | 7       |
| Notification by police           | 190     | 36      | 36      | 8       |
| External whistleblower           | NP      | 138     | 144     | 117     |
| Internal anonymous whistleblower | 107     | 181     | 70      | 76      |
| Staff member                     | 609     | 855     | 507     | 536     |
| Internal controls                | 1,663   | 958     | 862     | 798     |
| Other                            | 760     | 38      | 23      | 1       |

NP: Category not provided

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Internal controls and other means of detection accounted for the largest number of external fraud detections. External whistleblowers were responsible for the detection of a large proportion of external frauds each year, as were entity staff. In 2010–11 and 2011–12, many external frauds were reported by the alleged perpetrators, although almost no fraud has been self-reported since then; this could be because entities have changed how they classify self-reporting.

Over the four-year period there were some substantial changes in how external fraud incidents were detected. This was due primarily to changes in the way several entities classified how incidents were detected. For example, anonymous external tip-offs were recorded as ‘other detection’ in some years and, in other years, as ‘external whistleblower’. These differences in the reporting of detection methods affected several categories, as shown in Table 15 below.

Table 15: Number of external fraud incidents detected, by method of detection, 2010–11 to 2013–14

|                                  | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|----------------------------------|---------|---------|---------|---------|
| Credit card issuer               | 0       | 0       | 17      | NP      |
| Media                            | 20      | 5       | 5       | 4       |
| External audit                   | 116     | 19      | 7       | 15      |
| Offender self-reported           | 4,934   | 8,342   | 2       | 1       |
| Notification by police           | 348     | 86      | 60      | 1,508   |
| External whistleblower           | 25,299  | 19,266  | 1,729   | 25,630  |
| Internal anonymous whistleblower | 17      | 19      | 27      | 3       |
| Staff member                     | 17,304  | 18,196  | 2,019   | 6,551   |
| Internal controls/audits         | 31,792  | 79,436  | 34,544  | 89,449  |
| Not recorded/unknown             | 3,142   | 949     | 36      | 1,848   |
| Other                            | 101,676 | 65,198  | 51,803  | 1,676   |

NP: Category not provided

Source: Commonwealth Fraud Census, 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 16: Fraud detected by a dedicated fraud control section (number of entities)

| Fraud control section | Internal fraud |         |         |         | External fraud |         |         |         | Any fraud incident |         |         |         |
|-----------------------|----------------|---------|---------|---------|----------------|---------|---------|---------|--------------------|---------|---------|---------|
|                       | 2010–11        | 2011–12 | 2012–13 | 2013–14 | 2010–11        | 2011–12 | 2012–13 | 2013–14 | 2010–11            | 2011–12 | 2012–13 | 2013–14 |
| Yes                   | 41             | 39      | 39      | 40      | 41             | 42      | 46      | 43      | 54                 | 59      | 57      | 54      |
| No                    | 7              | 5       | 6       | 4       | 1              | 3       | 2       | 3       | 7                  | 8       | 7       | 5       |

Source: Commonwealth Fraud Census, 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Fraud was also detected through the work of staff in dedicated fraud control sections who undertook fraud risk analysis and investigated anomalies in accounting and other procedures. Such sections are more often found in the largest entities, which experience more incidents of suspected fraud. Table 16 shows that, over the four years, entities with a dedicated fraud control section were more likely to detect fraud incidents than those without one.

These findings are similar to those recorded in the last published report (see Lindley, Jorna & Smith 2012), although the definition of staffing given in the questionnaire has changed—entities are now determined to have a fraud control section if at least one employee devotes a minimum of 0.01 of their FTE to fraud control. This definition takes into account smaller entities that, while not having the capacity to assign a staff member to work on fraud control full time, might still have an employee allocate some of their time to fraud control.

## How fraud was investigated

### *Internal fraud control staff*

To assess what Commonwealth resources were allocated to fraud control, respondents were asked how many staff were dedicated to various fraud control functions. Information was gathered on the number of staff working in fraud prevention, investigation and other fraud control tasks and whether or not they possessed formal qualifications, such as certificates or diplomas, in fraud investigation. The results are shown in Table 17, with totals presented in Table 18.

Table 17: Fraud control staff and their qualifications, 2010–11 to 2013–14

| Category                                   | Fraud prevention |         |         | Fraud investigation |         |         | Other functions |         |         |         |         |     |
|--|------------------|---------|---------|---------------------|---------|---------|-----------------|---------|---------|---------|---------|-----|
|  | 2010–11          | 2011–12 | 2012–13 | 2013–14             | 2010–11 | 2011–12 | 2012–13         | 2010–11 | 2011–12 | 2012–13 | 2013–14 |     |
| Fraud control staff (N)                    | 648              | 641     | 843     | 850                 | 1,165   | 1,973   | 2,089           | 2,090   | 1,284   | 422     | 228     | 403 |
| Fraud control staff with qualification (N) | 108              | 93      | 125     | 110                 | 945     | 1,124   | 1,133           | 1,037   | 119     | 62      | 161     | 194 |
| Fraud control staff with qualification (%) | 17               | 15      | 15      | 13                  | 81      | 57      | 54              | 50      | 9       | 15      | 71      | 48  |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 18: Total number of fraud control staff\* with qualifications, 2010–11 to 2013–14

| Category                                   | Total fraud control staff with qualifications |         |         |         |
|--|---|---------|---------|---------|
|  | 2010–11                                       | 2011–12 | 2012–13 | 2013–14 |
| Fraud control staff (N)                    | 3,097   | 3,036   | 3,160   | 3,343   |
| Fraud control staff with qualification (N) | 1,172   | 1,279   | 1,419   | 1,341   |
| Fraud control staff with qualification (%) | 38  | 42      | 45      | 40      |

\*Some staff may have been engaged in more than one function, so totals may exceed actual staff numbers  
Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Between 2010–11 and 2013–14 there was a 31 percent increase in the number of staff employed in fraud prevention. During the same period, the number of fraud control staff engaged in fraud investigation steadily increased, from 1,165 people in 2010–11 to 2,090 in 2013–14. By contrast, however, the percentage of staff with formal qualifications working both in fraud prevention and in investigations declined.

The percentage of staff with formal qualifications working in other functions increased substantially from nine percent in 2010–11 to 71 percent in 2012–13, then declined to 48 percent in 2013–14. It appears, therefore, that entities are employing more staff to investigate fraud, but the percentage of investigations staff with formal qualifications has declined. This change is not limited to smaller entities; rather, it affects entities of all sizes. Overall, the percentage of fraud control staff with qualifications has increased.

### *Who conducted investigations*

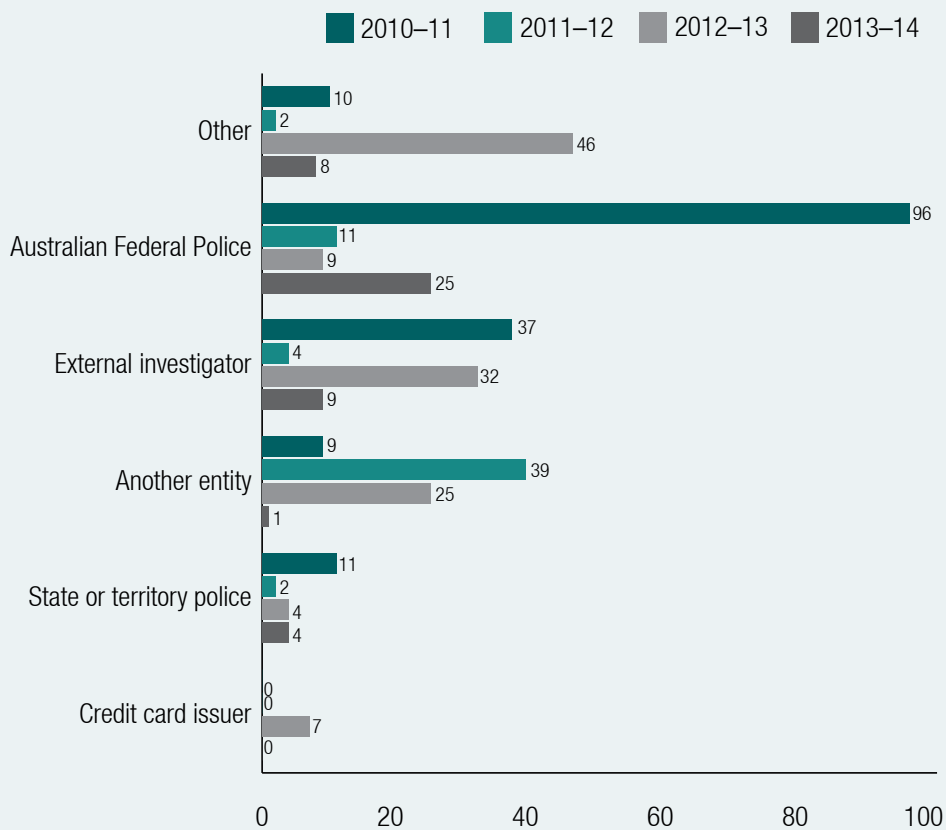
The *Commonwealth fraud control guidelines 2011* state ‘entities are responsible for investigating routine or minor instances of fraud, including investigating disciplinary matters’ (AGD 2011: 16). The findings presented in this report indicate entities do, indeed, conduct the vast majority of initial investigations or reviews of fraud allegations. For example, of the 3,828 incidents of internal fraud reported by entities in 2010–11, 2,751 (72%) were reviewed internally. Similarly high percentages of suspected internal fraud allegations were investigated or reviewed internally in 2011–12 (92%), 2012–13 (93%) and 2013–14 (88%).

Respondents were also asked to indicate how many incidents of alleged internal fraud were investigated or reviewed externally following the completion of an internal investigation or review. Figure 15 shows the number of incidents investigated primarily by external organisations. In 2010–11, by far the largest number of external investigations following internal review were undertaken by the AFP—although, in subsequent years, the number of investigations conducted by the AFP decreased substantially.

As with internal fraud, the vast majority of external fraud incidents were primarily investigated by entities themselves, accounting for over 97 percent of alleged external fraud in 2011–12 and 2012–13, and 68 percent of alleged external fraud in 2013–14. Table 19 shows the number of external fraud incidents investigated by various external organisations following internal review by the affected entities. The AFP (and, in 2012–13, state or territory police), appear to have undertaken external fraud investigations in increasing numbers. AFP investigations increased from 23 in 2011–12 to 211 in 2012–13; they then substantially increased to 7,760 in 2013–14. This large increase was due to a single entity, which was responsible for 99 percent of the 7,760 incidents referred to the AFP. These incidents related to potential fraud involving the entities’ legislation and do not appear in the AFP’s accounting of referrals accepted and declined provided later in this report, as they fell under legislation other than the Criminal Code, thus excluding them from the AFP’s annual reporting.



Figure 15: External investigations of alleged internal fraud, by investigating organisation, 2010–11 to 2013–14 (number of incidents)



Note: These numbers relate only to incidents investigated externally following internal review by the affected entity. In 2010–11 there were 2,751 incidents reviewed or investigated internally by entities; in 2011–12 an additional 2,101 incidents of alleged internal fraud were reviewed by entities themselves; 2,751 were reviewed in 2012–13; and 1,467 were reviewed in 2013–14.

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

**Table 19: External investigations of alleged external fraud, by investigating organisation, 2010–11 to 2013–14 (number of incidents)**

| Type of investigation     | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|---------------------------|---------|---------|---------|---------|
| Credit card issuer        | 0       | 36      | 22      | 47      |
| State or territory police | 38      | 22      | 119     | 40      |
| External investigator     | 82      | 0       | 4       | 3       |
| Another government entity | 29      | 20      | 27      | 28      |
| Australian Federal Police | 35      | 23      | 211     | 7,760   |
| Other                     | 31      | 6       | 8       | 805     |

Note: These numbers relate only to incidents investigated externally following internal review by the affected entity. In 2010–11 an additional 82,751 incidents of alleged external fraud were reviewed/investigated internally; 178,781 in 2011–12; 37,449 in 2012–13; and 85,285 in 2013–14.

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Referrals for criminal proceedings

Respondents were asked to indicate how many and what type of incidents were referred directly to various specified organisations for criminal investigation or prosecution. Specified organisations included the AFP, state or territory police, the CDPP and other organisations in Australia or overseas. These were incidents that had not been dealt with by entities themselves and, accordingly, represented more serious matters. Table 20 shows the number of internal fraud incidents referred by entities for criminal proceedings, by fraud focus category.

Table 21 shows the number of internal fraud incidents referred to other organisations, such as law enforcement agencies, outside Australia or organisations not referred to in Table 20 within Australia.

Table 22 shows that consistently, over the four years of census data, most external fraud referred to the CDPP for criminal prosecution related to entitlements. In 2013–14 a large number of incidents of external fraud focused on information were referred to the AFP for investigation; 99 percent of those were attributed to one entity and arose from a single Australia-wide event. It should be noted that, at the time of the 2013–14 census, the entity advised that those suspected frauds had not yet been proven.

Table 20: Number of internal fraud incidents referred for criminal proceedings by fraud focus category, 2010–11 to 2013–14

| Focus              | AFP     |         |         |         | State or territory police |         |         |         |         |         |         | CDPP    |         |         |         |
|--------------------|---------|---------|---------|---------|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                    | 2010–11 | 2011–12 | 2012–13 | 2013–14 | 2010–11                   | 2010–11 | 2011–12 | 2011–12 | 2012–13 | 2012–13 | 2013–14 | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
| Equipment          | 13      | 0       | 3       | 2       | 4                         | 4       | 4       | 4       | 0       | 0       | 0       | 2       | 2       | 2       | 1       |
| Entitlements       | 16      | 1       | 28      | 0       | 0                         | 0       | 0       | 0       | 0       | 0       | 0       | 3       | 3       | 3       | 7       |
| Information        | 29      | 3       | 3       | 2       | 0                         | 0       | 0       | 0       | 0       | 0       | 0       | 4       | 2       | 2       | 0       |
| Financial benefits | 4       | 10      | 7       | 2       | 6                         | 6       | 6       | 6       | 0       | 2       | 2       | 35      | 34      | 13      | 10      |
| Other              | 2       | 0       | 1       | 2       | 0                         | 0       | 0       | 0       | 2       | 1       | 1       | 0       | 1       | 4       | 1       |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 21: Number of internal fraud incidents referred to non-law enforcement organisations in Australia or to organisations outside Australia for criminal proceedings, by focus category, 2010–11 to 2013–14

| Focus              | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|--------------------|---------|---------|---------|---------|
| Equipment          | NP      | 2       | 0       | 3       |
| Entitlements       | NP      | 0       | 0       | 12      |
| Information        | NP      | 10      | 7       | 0       |
| Financial benefits | NP      | 13      | 4       | 11      |
| Other              | NP      | 7       | 13      | 2       |

NP: Category not provided

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Table 22: External fraud incidents referred for criminal action, by focus category, 2010–11 to 2013–14 (N)

| Focus              | AFP     |         |         | State or territory police |         |         |         | CDPP    |         |         | Other organisations |         |         |    |
|--------------------|---------|---------|---------|---------------------------|---------|---------|---------|---------|---------|---------|---------------------|---------|---------|----|
|                    | 2010–11 | 2011–12 | 2012–13 | 2010–11                   | 2011–12 | 2012–13 | 2013–14 | 2010–11 | 2011–12 | 2012–13 | 2011–12             | 2012–13 | 2013–14 |    |
| Equipment          | 13      | 4       | 1       | 0                         | 29      | 18      | 17      | 11      | 0       | 0       | 0                   | 15      | 6       | 22 |
| Entitlements       | 8       | 3       | 1       | 0                         | 6       | 0       | 0       | 12      | 1,328   | 1,307   | 1,217               | 3       | 1       | 5  |
| Information        | 1       | 18      | 5       | 7,751                     | 7       | 2       | 1       | 0       | 226     | 192     | 200                 | 6       | 4       | 8  |
| Financial benefits | 11      | 9       | 9       | 16                        | 15      | 19      | 92      | 21      | 111     | 44      | 248                 | 272     | 10      | 24 |
| Other              | 19      | 4       | 0       | 3                         | 1       | 1       | 0       | 0       | 30      | 0       | 36                  | 19      | 2       | 22 |

Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Australian Federal Police investigations

In addition to the information provided by respondents in the annual census, both the AFP and the CDPP provided the AIC with data on the investigation and prosecution of fraud against the Commonwealth. Both agencies also provided information on their own experience of internal and external fraud and their fraud control arrangements. The data were received in aggregate and could not be attributed to any individual incidents reported by specific entities, nor could the frauds investigated or prosecuted be categorised as internal or external fraud. Data collection practices within the AFP and CDPP differed in various respects, as described below.

Paragraph 12.5 of the 2011 guidelines required the AFP to provide the AIC with the following information on fraud against the Commonwealth:

- the number of matters referred to, accepted and declined by the AFP during the previous financial year;
- the type of offences involved;
- estimated financial loss caused by the matters investigated;
- how the AFP fulfilled its service standards for case-handling; and
- the results of the investigation quality assurance review process, with an analysis of best practice and deficiencies.

The guidelines listed the following matters considered to be of sufficient seriousness to warrant referral to the AFP:

- significant or potentially significant monetary or property loss to the Commonwealth;
- damage to the security, standing or integrity of the Commonwealth or an entity;
- harm to the economy, national security, resources, assets, environment or wellbeing of Australia;
- a serious breach of trust by a Commonwealth employee or contractor of an entity;
- the use of sophisticated techniques or technology to avoid detection, requiring specialised skills and technology for the matter to be successfully investigated;
- the elements of a criminal conspiracy;
- bribery, corruption or attempted bribery or corruption of a Commonwealth employee or contractor to an entity;
- known or suspected criminal activity against more than one entity;
- activities which could affect wider aspects of Commonwealth law enforcement (eg illegal immigration or money laundering); and
- politically sensitive matters.

Figure 16 shows the number of fraud matters accepted for investigation or declined by the AFP each year. Between 2010–11 and 2013–14 there was a 25 percent increase in the number of matters accepted by the AFP, with a corresponding decrease in the number of matters declined. At the time of the census in 2011–12, there were two matters under evaluation by the AFP; in 2012–13 there were eight and, in 2014, seven referrals were being evaluated. It is

possible the number of fraud matters considered by the AFP each year may differ from the number of referrals made to the AFP by entities in the same year because the AFP has very specific criteria for classifying fraud matters and, while they may investigate some matters referred by entities, these might not necessarily be classified by them as fraud.

Over the four-year period, 93 investigations resulted in legal action: 29 in 2010–11, 20 in 2011–12, 24 in 2012–13 and 20 in 2013–14. Some of these investigations were referred to the AFP in previous financial years.

Figure 16: Number of referred fraud matters accepted and declined by the AFP, 2010–11 to 2013–14



Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

The AFP estimated the financial loss attributable to the 61 matters accepted for investigation in 2010–11 was \$12,796,207, based on the initial property value reported by the referring entity. Sixty-five matters were accepted for investigation by the AFP in 2011–12, with an estimated financial loss of \$120,796,393. In 2012–13, the estimated loss attributed to the 72 matters accepted for investigation was \$102,426,346; in 2013–14 the estimated loss attributed to the 76 matters accepted was \$304,403,145. This represented a substantial increase in dollar value over the four years, even taking into account the increased number of matters accepted for investigation. At 30 June 2014, the AFP had 163 fraud-related matters still on hand (some of which were ongoing fraud-related cases from long-running investigations that commenced in previous years), with an estimated value of \$1,325,447,225.

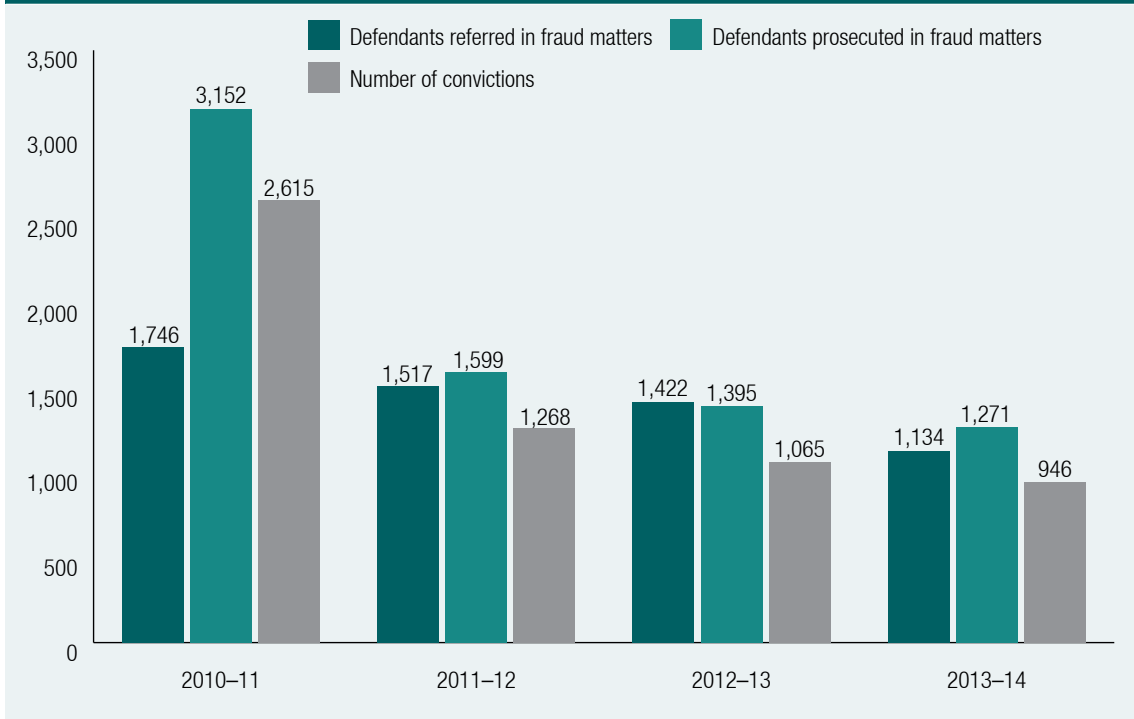
## Fraud prosecutions by the CDPP

Statistics on Commonwealth fraud cases referred to the CDPP for prosecution, and the outcomes of those cases are provided to the AIC each year pursuant to paragraph 12.6 of the *Commonwealth fraud control guidelines 2011*. For each financial year, individual state and territory statistics were provided on:

- the number of fraud matters referred to the CDPP;
- the number of defendants and charges prosecuted;
- the amount initially charged in each fraud type prosecution;
- the outcomes of prosecutions including:
  - the number of convictions;
  - the number of acquittals;
  - the number of other outcomes; and
  - the value of any reparation or pecuniary penalty orders made under the *Crimes Act 1914* or the *Proceeds of Crime Act 1987*.
- the number of charges by offence;
- the number of charges by referring entity; and
- the number of proven offences by highest sentencing disposition.

Again, these statistics cannot be related to the incidents reported by entities in response to the annual census, as reporting periods and counting rules differ. Figure 17 shows the number of defendants referred and prosecuted, and the number of fraud convictions obtained, each year. During this period, there was a general decline in these numbers, which may be due to declining referrals from entities or changes in what is considered when deciding whether to undertake prosecutions. However, while the number of prosecutions decreased in this period, there was a general increase in the number of fraud incidents over the same period and, aside from fraud involving financial benefits, over the four years referrals to the CDPP declined (see Table 22 above).

Figure 17: Number of fraud matters prosecuted by the CDPP, 2010–11 to 2013–14



Source: CDPP internal data provided to AIC in 2011, 2012, 2013 and 2014

Table 23 shows the corresponding statistics on referrals, defendants, convictions, acquittals and charges in fraud-type prosecutions handled over the four years in each state and territory. Between 2010–11 and 2013–14 there was a general decline in all categories for all jurisdictions except for the number of fraud charges in Tasmania and the number of defendants referred in Queensland.

Table 23: Number of fraud prosecutions by jurisdiction, 2010–11 to 2013–14

| Year            | Referrals | Defendants prosecuted | Convictions | Acquittals | Charges prosecuted |
|-----------------|-----------|-----------------------|-------------|------------|--------------------|
| New South Wales |           |                       |             |            |                    |
| 2010–11         | 583       | 1,064                 | 828         | 5          | 3,804              |
| 2011–12         | 511       | 454                   | 375         | 7          | 1,770              |
| 2012–13         | 501       | 443                   | 342         | 4          | 2,165              |
| 2013–14         | 235       | 299                   | 233         | 7          | 1,395              |
| Victoria        |           |                       |             |            |                    |
| 2010–11         | 397       | 587                   | 528         | 0          | 1,369              |
| 2011–12         | 401       | 290                   | 249         | 0          | 821                |



| Table 23: Number of fraud prosecutions by jurisdiction, 2010–11 to 2013–14 cont. |           |                       |             |            |                    |
|--|-----------|-----------------------|-------------|------------|--------------------|
| Year   | Referrals | Defendants prosecuted | Convictions | Acquittals | Charges prosecuted |
| 2012–13  | 311       | 323                   | 245         | 1          | 692                |
| 2013–14  | 236       | 373                   | 261         | 1          | 855                |
| Queensland   |           |                       |             |            |                    |
| 2010–11  | 341       | 673                   | 593         | 3          | 1,499              |
| 2011–12  | 267       | 364                   | 275         | 1          | 1,108              |
| 2012–13  | 321       | 296                   | 241         | 2          | 671                |
| 2013–14  | 378       | 340                   | 276         | 0          | 1,018              |
| South Australia  |           |                       |             |            |                    |
| 2010–11  | 118       | 291                   | 235         | 0          | 1,783              |
| 2011–12  | 150       | 147                   | 107         | 0          | 695                |
| 2012–13  | 76        | 120                   | 103         | 0          | 644                |
| 2013–14  | 76        | 81                    | 51          | 0          | 467                |
| Western Australia  |           |                       |             |            |                    |
| 2010–11  | 138       | 232                   | 191         | 1          | 515                |
| 2011–12  | 104       | 188                   | 156         | 1          | 465                |
| 2012–13  | 111       | 111                   | 66          | 1          | 313                |
| 2013–14  | 114       | 73                    | 58          | 1          | 271                |
| Tasmania   |           |                       |             |            |                    |
| 2010–11  | 76        | 110                   | 92          | 2          | 635                |
| 2011–12  | 52        | 52                    | 46          | 0          | 533                |
| 2012–13  | 48        | 59                    | 42          | 0          | 527                |
| 2013–14  | 46        | 72                    | 49          | 4          | 731                |
| Northern Territory   |           |                       |             |            |                    |
| 2010–11  | 42        | 48                    | 21          | 0          | 175                |
| 2011–12  | 10        | 41                    | 12          | 0          | 115                |
| 2012–13  | 22        | 19                    | 9           | 0          | 106                |
| 2013–14  | 19        | 19                    | 8           | 0          | 84                 |
| Australian Capital Territory   |           |                       |             |            |                    |
| 2010–11  | 51        | 147                   | 127         | 1          | 314                |
| 2011–12  | 22        | 63                    | 48          | 2          | 97                 |
| 2012–13  | 32        | 24                    | 14          | 0          | 115                |

**Table 23: Number of fraud prosecutions by jurisdiction, 2010–11 to 2013–14 cont.**

| Year          | Referrals | Defendants prosecuted | Convictions | Acquittals | Charges prosecuted |
|---------------|-----------|-----------------------|-------------|------------|--------------------|
| 2013–14       | 30        | 17                    | 10          | 0          | 141                |
| Total 2010–11 | 1,746     | 3,152                 | 2,615       | 12         | 10,094             |
| Total 2011–12 | 1,517     | 1,599                 | 1,268       | 11         | 5,604              |
| Total 2012–13 | 1,422     | 1,395                 | 1,062       | 8          | 5,233              |
| Total 2013–14 | 1,134     | 1,271                 | 946         | 13         | 4,962              |

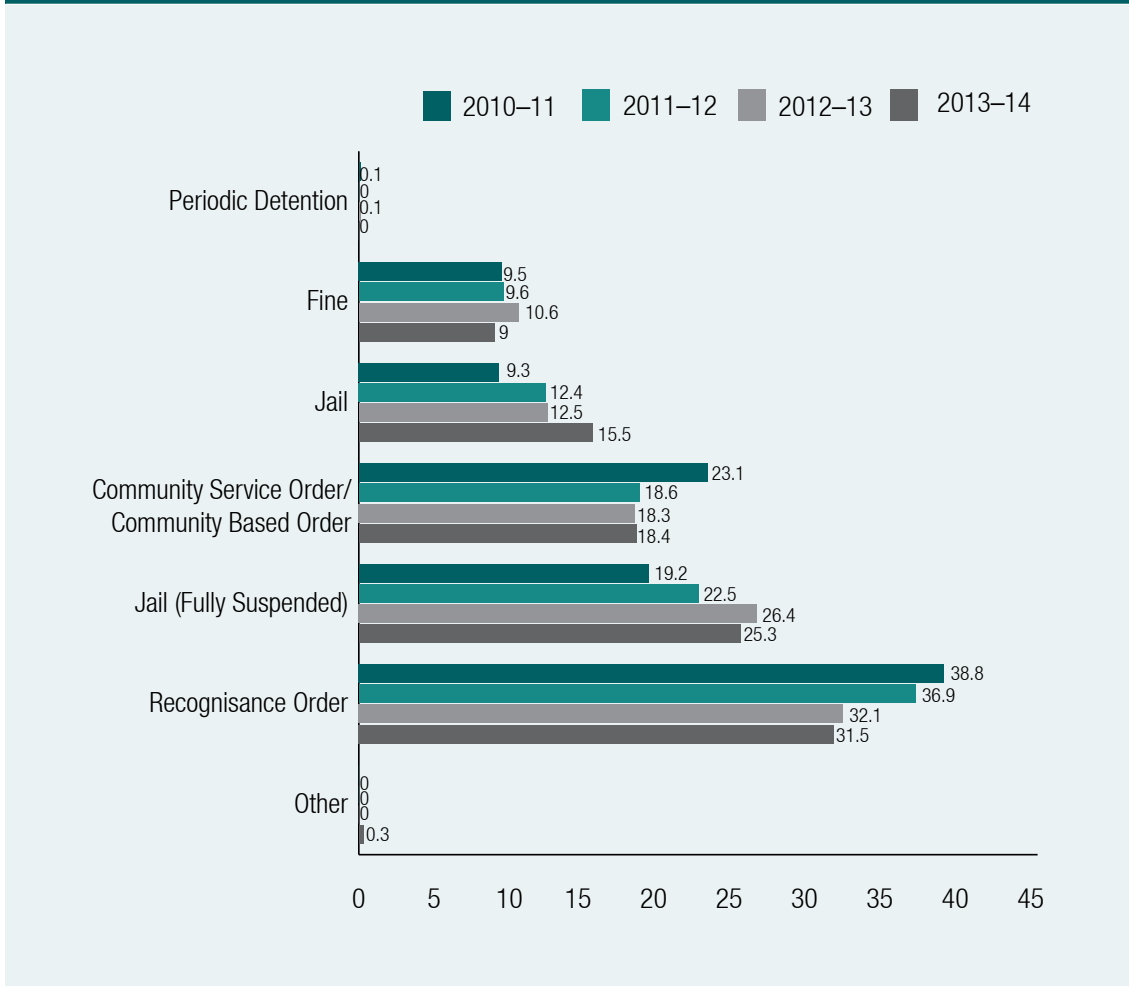
Source: CDPP internal data provided to AIC in 2011, 2012, 2013 and 2014

In 2010–11, the total loss initially related to the prosecution of fraud was \$77,960,259. This decreased to \$29,692,788 in 2011–12 and increased to \$36,651,470 in 2012–13. Losses related to charges of fraud in 2013–14 further increased to \$41,370,002—although referrals to the CDPP decreased, as did the number of defendants prosecuted over that period. Not all Commonwealth fraud offences are prosecuted by the CDPP; some may be heard in state and territory courts, particularly where state and territory offences are alleged.

### Sentencing dispositions

Each year, the CDPP provides statistics on the highest sentencing disposition given for proven fraud-related offences (Figure 18). Again, the data relate to the years in which defendants were sentenced, rather than when the CDPP received referrals from entities. Each year, the most frequently imposed sentence was a recognisance order, which was imposed in 38.8 percent of cases in 2010–11 and 31.5 percent of cases in 2013–14. This was followed by the next most common sentence, jail (fully suspended), which was given in 19.2 percent of orders in 2010–11 and increased to 25.3 percent in 2013–14. The application of full-time custodial orders also increased by 67 percent over the four-year period. The increased application of full-time custodial sentences may indicate the courts are taking fraud offences more seriously, or that more serious matters are coming before the courts.

Figure 18: Highest sentencing disposition for proven fraud offences, 2010–11 to 2013–14 (%)



Source: CDPP internal data provided to AIC in 2011, 2012, 2013 and 2014 [AIC computer file]

## Preventing fraud

The *Commonwealth fraud control guidelines 2011* (AGD 2011) established the Commonwealth fraud control framework, within which entities determine their specific practices, plans and procedures to manage the prevention and detection of fraudulent activities, the related investigations and, where appropriate, the prosecution of offenders. Fraud control is based on a thorough assessment of fraud risks particular to an entity's operating environment and the programs it administers, as well as the development and implementation of processes and systems to effectively prevent fraud. This includes training all employees and relevant contractors in fraud awareness and specialised training of employees involved in fraud control activities.

## Staffing

An important element of fraud control is to have trained staff dedicated to fraud risk management and prevention working within entities. Over the four years there was an eight percent increase in the number of staff employed in the fraud sections of entities—from 3,097 to 3,343 staff (Table 24). As a percentage of responding entities, this represented an increase of 11 percent in entities with a fraud control section.

This finding differs from those of previous reports. Previously, an entity was determined to have a dedicated fraud control section if it employed someone in one of three areas: fraud investigation, fraud prevention or other fraud control. For this report, an entity was considered to have staff dedicated to fraud control if they had an employee working in some fraud-related area, even if they could not categorise their function further. This better reflects fraud control functions across entities of all sizes (see also Table 17 above concerning the specific fraud control activities undertaken by staff within entities).

**Table 24: Total number of fraud control staff\* and entities with fraud control sections, 2010–11 to 2013–14**

| Category                                     | 2010–11 | 2011–12 | 2012–13 | 2013–14 |
|--|---------|---------|---------|---------|
| Staff in fraud section (N)                   | 3,097   | 3,036   | 3,160   | 3,343   |
| Entities with a fraud control section (%)    | 62      | 68      | 74      | 73      |
| Staff with a qualification (N)               | 1,172   | 1,279   | 1,419   | 1,341   |
| Fraud section staff with a qualification (%) | 38      | 42      | 45      | 40      |

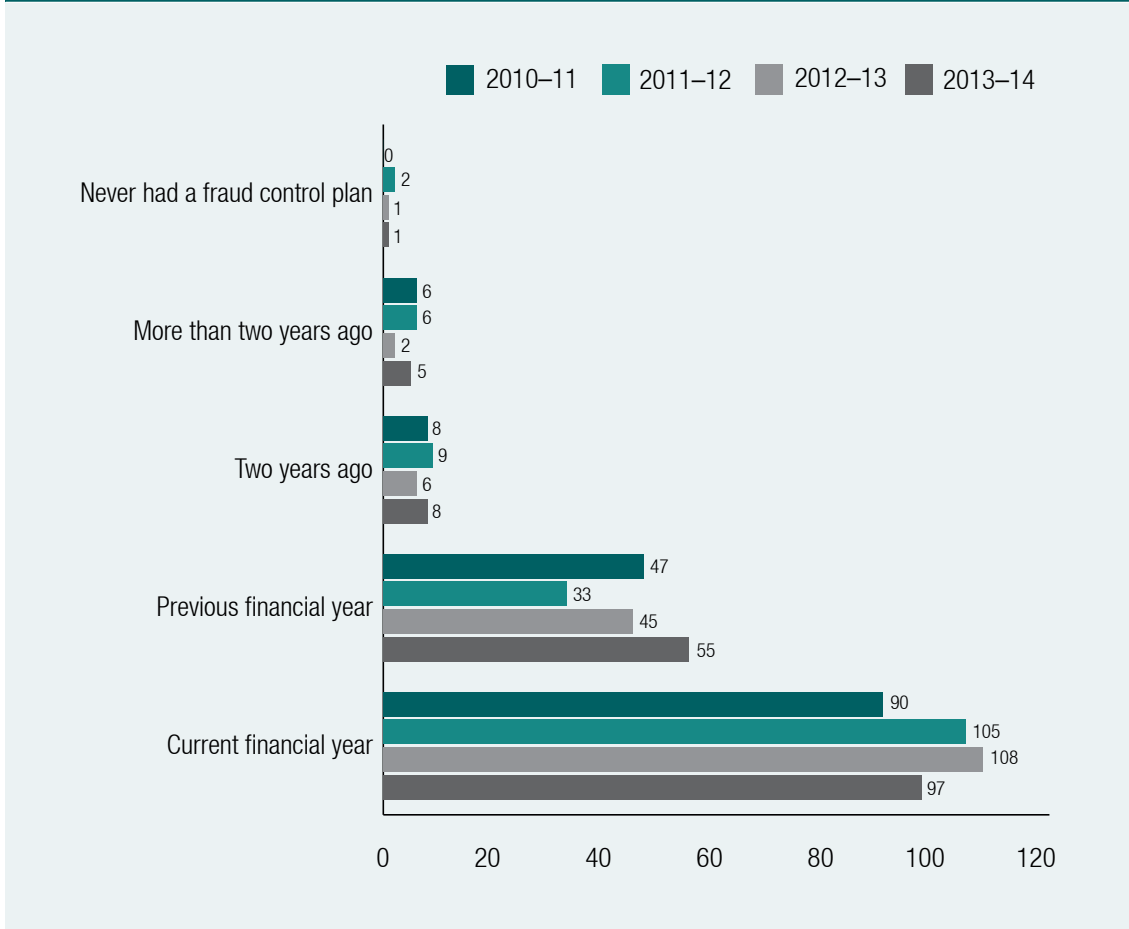
\*Some staff may have been engaged in more than one function, resulting in totals that exceed actual staff numbers  
 Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Procedures

Each year at least 90 percent of respondents indicated that, as required by the 2011 guidelines, their chief executives had certified to their minister or presiding officer that their entity had adequate fraud control practices in place. Two essential elements of such practices are the preparation of a fraud control plan and the conduct of a fraud risk assessment. Fraud control plans should be updated following changes in business processes, when new systems are implemented or if fraud has occurred.

Respondents were asked to indicate when their most recent fraud control plan was developed. They were advised that fraud control plans need not necessarily be standalone documents, but may be components of more general risk management plans. Eighty-nine percent of entities in both 2010–11 and 2011–12 reported completing a fraud control plan within the previous two financial years. In 2012–13 this rose to 94 percent of entities (n=153) and, in 2013–14, 92 percent of entities had completed a fraud control plan in the previous two financial years (n=152; see Figure 19).

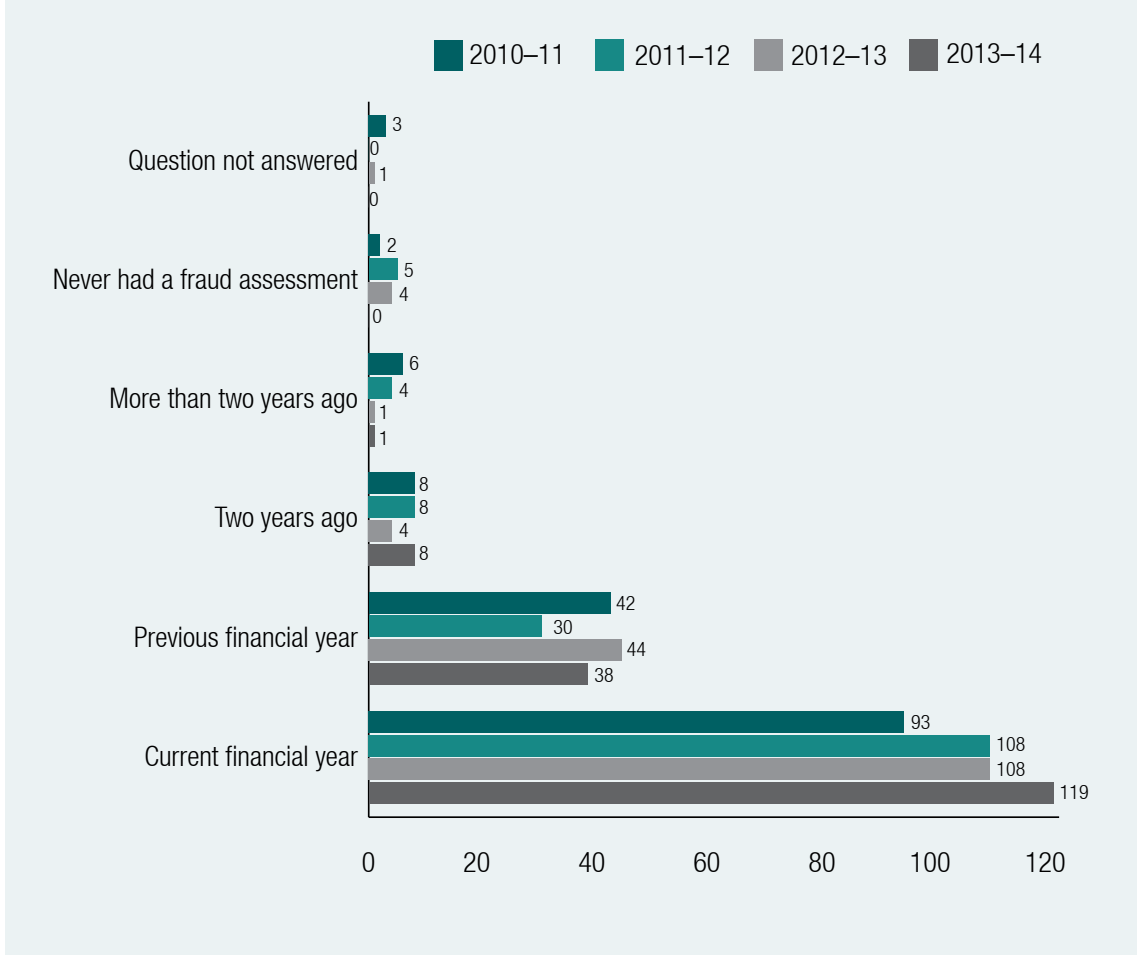
Figure 19: Year most recent fraud control plan completed, 2010–11 to 2013–14 (number of respondents)



Source: Commonwealth Fraud Census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

The 2011 guidelines required a fraud risk assessment be undertaken every two years. Over the four years examined, there was an increase in the percentage of entities complying with this requirement. In 2010–11, 88 percent of entities (n=135) reported completing a fraud risk assessment within the previous two financial years. In 2011–12 this rose slightly to 89 percent (n=138) and, in 2012–13, to 94 percent (n=152). There was again a slight increase in 2013–14, with 95 percent of entities reporting they had undertaken a fraud risk assessment in the previous two financial years. There were, however, a small number of respondents who indicated their entity had never undertaken a fraud risk assessment (Figure 20).

Figure 20: Year of most recent fraud risk assessment, 2010–11 to 2013–14 (number of respondents)



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

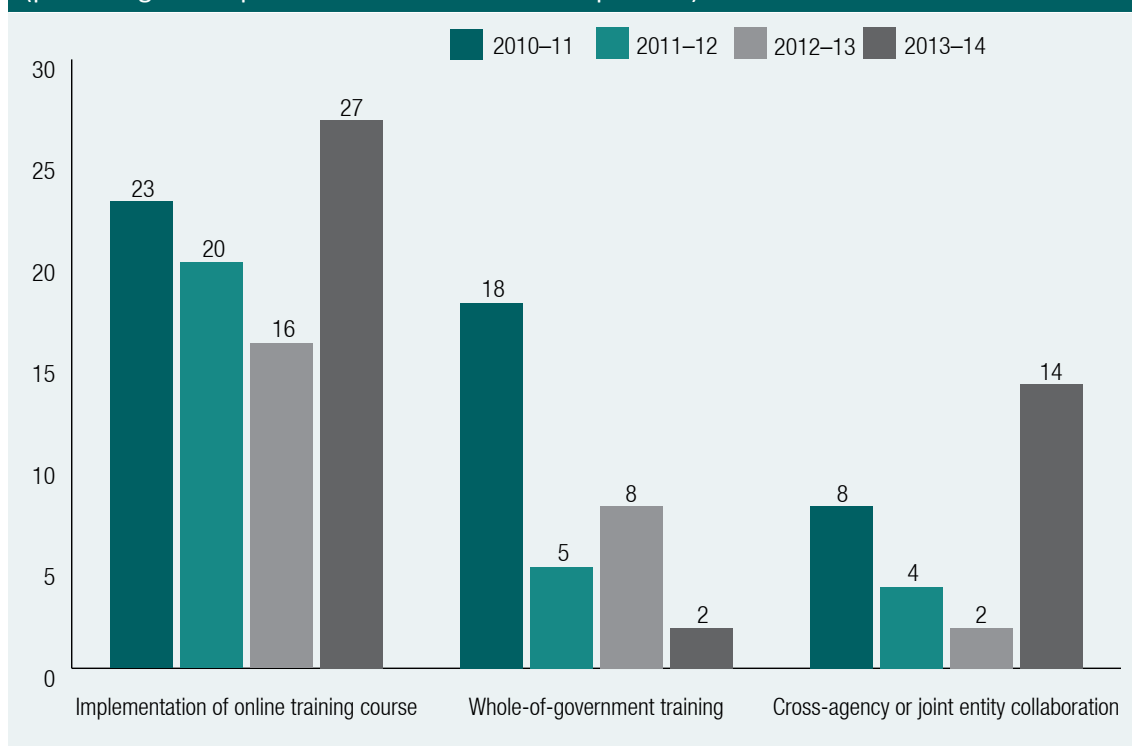
## Training

The 2011 guidelines recommended fraud awareness training be included in all staff induction programs and that all entities document their procedures and instructions to assist employees in dealing with fraud. Over the four-year period, respondents agreed training was an important component of reducing the impact of fraud. Although the top responses for how to improve fraud control in entities were very similar each year, there were some substantial differences within those categories over the four years (see Figure 21). These differences were especially apparent in the number of respondents who indicated they believed greater cross-entity collaboration would be beneficial or who stated their entity had engaged the services of another to provide either training or services relating to fraud control. In 2013–14, 14 percent of respondents suggested a degree of cross-entity collaboration would improve training for personnel.

Twenty-two respondents (27% of those who answered the question) in 2013–14 stated their entity had either implemented an online training program or believed their entity would benefit from running an online training program to raise awareness about fraud and fraud control. One respondent explained what online training might look like as ‘online training videos or presentations, 10–15 minutes maximum to avoid loss of attention of viewers’.

Eight respondents (10% of those who answered the question) had implemented or were in the process of implementing induction training that included specific sections dealing with fraud control. Additionally, in 2013–14 suggestions were made about improving staff training that arose from changes to Commonwealth legislation—for example, five respondents reported providing specific staff training around the *Public Governance, Performance and Accountability Act 2013* (Cth), specifically the new Fraud Rule, to improve fraud control.

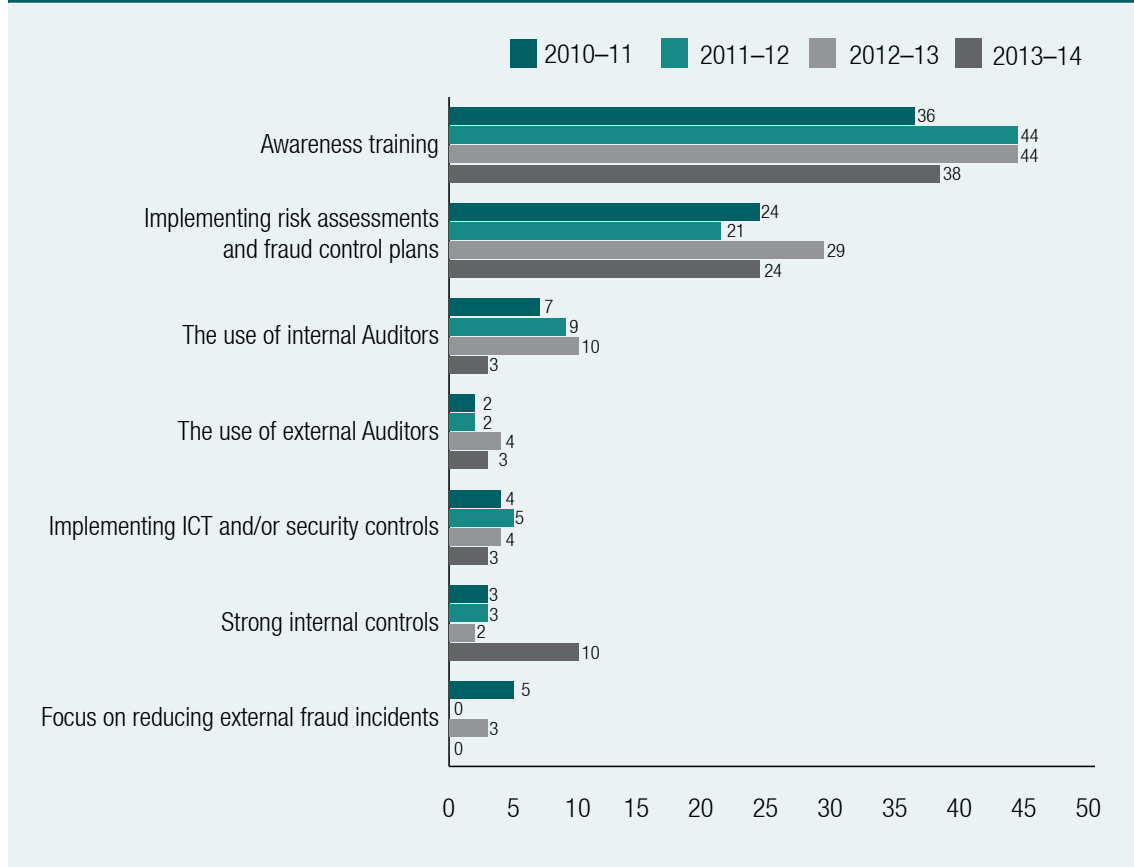
Figure 21: Top 3 suggested ways of improving fraud control training, 2010–11 to 2013–14 (percentage of respondents who answered the question)



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

In addition, respondents were asked their opinion as to what had made a difference in preventing fraud during the previous year. The most frequent response each year related to the implementation of fraud-awareness training, followed by fraud control plans and fraud risk assessments (see Figure 22). The responses were largely uniform over the four years of data collection.

Figure 22: What respondents believed made a difference in preventing fraud, 2010–11 to 2013–14 (% of respondents who answered the question)



Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

In 2013–14, 49 entities either failed to respond to this question or indicated there had been no difference in the prevention of fraud over the preceding year. In 2011–12 and 2013–14, no entities provided information concerning external fraud risks or the prevention of external fraud. In contrast to the belief that more online training could improve fraud control training, several entities in 2012–13 believed face-to-face training conducted throughout the preceding year had made a difference in preventing fraud.



# Fraud risks for the Commonwealth

Fraud against the Commonwealth may involve dishonest actions by public servants or consultants working for Commonwealth entities (internal fraud), or members of the public seeking to derive welfare, taxation or other Commonwealth benefits improperly (external fraud). As past reports have found, considerably larger numbers of suspected external fraud incidents are detected each year than internal fraud incidents—owing to the vast opportunity for fraud Commonwealth payments and benefits afford.

The principal internal fraud risks relate to the manipulation of internal controls, the compromise of recruitment practices and the avoidance of risk management procedures. Over the four years examined, suspected internal fraud reports declined by 57 percent, although the percentage of entities experiencing internal fraud incidents remained constant. This decline was largely due to some larger entities reporting fewer incidents, rather than a general decrease across all Commonwealth entities.

Risks of external fraud may arise in connection with the provision of new government-funded programs, changes to entities' management practices and the services they deliver, procurement practices, and the tax and welfare benefits available to the public. A much larger number of entities experienced external fraud focused on financial benefits; however, when looking at the number of incidents of each category of fraud experienced, many more incidents involved entitlements fraud than financial benefits. There was a decline in the number of entities that experienced external fraud focused on information, from 19 entities in 2010–11 to just 11 entities in 2013–14; however, there was an increase of over 300 percent in the number of incidents of external fraud focused on information between 2010–11 and 2013–14. This increase was due to two entities which each reported over 5,000 incidents of external fraud pertaining to 'providing false or misleading information, or failing to provide information when required to do so'. Further research is needed to determine if these findings are anomalous or represent new areas of concern for Commonwealth entities.

New technologies bring new fraud risks for government. ICT has become fundamental to how society operates, and government use of ICT affects all Australians. People and businesses benefit from more convenient access to government and the services it provides, and the use of ICT is integral to implementing government programs (Department of Finance 2012). In

2013–14, census findings showed an increase in entities experiencing internal fraud through the misuse of ICT, with the number of incidents involving misuse of ICT increasing from 698 incidents in 2012–13 to 710 incidents in 2013–14. Data collected and held by the government may include information about a person's health, income, employment and education as well as information that may provide opportunities for fraud, such as address and date of birth, and photographs used on driver's licences and passports. Such information is vulnerable to external threats as well as to corruption by insiders or the commission of internal fraud (see AGD 2015).

Identity misuse is another fraud risk arising in connection with the provision of government services (Smith 2014). Government service delivery agencies and revenue authorities, in particular, maintain extensive confidential databases of personal information that, if compromised and made public, would provide abundant information for use in financial crime perpetrated both by and against members of the public (AGD 2015). Between 2012–13 and 2013–14 the number of entities that experienced external fraud through identity misuse increased to 11 percent; however, the number of incidents of identity misuse increased by 364 percent. The majority of that increase was due to how one entity classified external fraud (as involving methods that were 'unable to be determined'), but it does indicate that fraud risks associated with identity are of real concern.

By contrast with the decline in the number of incidents of internal fraud, the costs associated with internal fraud incidents increased from just under \$3m in 2010–11 to just over \$3.6m in 2013–14. As could be expected with the increased number of incidents of external fraud, the costs associated with external fraud increased from over \$116m in 2010–11 to over \$669m in 2013–14. Overall, the total amount lost to fraud in 2010–11 was \$119m; it was \$204m in 2011–12, \$207m in 2012–13 and rose considerably in 2013–14, with entities losing over \$673m to fraud in that financial year. This is also reflected in the reported cost of frauds accepted for investigation by the AFP each year.

It should be noted that the increase in the total cost of fraud incidents does not indicate more fraud occurred, as the number of detected fraud incidents fluctuated over the years; nor does the increase in the cost of fraud necessarily mean that the frauds committed were more costly, as in 2013–14 one large entity, which had previously been unable to quantify its fraud losses, was able to estimate these for the first time. The census results therefore provide a more accurate picture of the cost of fraud against the Commonwealth, rather than demonstrating an increase in the cost of fraud.

The present research also found the main focus of both internal and external fraud was financial benefits to individuals. In the case of external fraud, the specific focus resulting in the largest number of incidents concerned entitlements, particularly entitlements associated with revenue, visas and citizenship applications, welfare payments and health benefits.

The results presented highlight the ongoing need for each entity to be aware of the unique risks it faces and to continually tailor fraud prevention strategies and control plans to meet those risks. Further, the research provides important data on the areas of fraud risk Commonwealth entities face and how they can prevent and respond to them. A future task

would be to improve the quality of information entities collect on fraud risks each year to enhance the utility of the current research. Accurate and policy-relevant data will provide an important evidence base all Commonwealth entities could use to identify new and emerging risks and to plan how best to avoid financial losses and other impacts on government operations in the years ahead.

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# Methodology

Each year, Commonwealth entities are asked to complete an online questionnaire about fraud incidents they experienced and how they managed and responded to fraud risks.

Under the *Commonwealth fraud control guidelines 2011*, fraud against the Commonwealth was defined as ‘dishonestly obtaining a benefit, or causing a loss, by deception or other means’ (AGD 2011: 7). For present purposes, entities were asked to respond to questions concerning all suspected incidents of fraud against the Commonwealth alleged against employees of government entities including staff and contractors (internal fraud), and also those alleged against persons who do not work for the government but who may have sought to claim government benefits or obtain some other financial advantage dishonestly (external fraud).

Information was provided by 154 respondents in 2010–11, 157 in 2011–12, 163 in 2012–13, and 166 in 2013–14 (Table 25). Each year, over 80 percent of those invited to participate responded to the census, with the response rate increasing annually. A small number failed to complete the questionnaire, resulting in slightly smaller numbers analysed.

Most respondents were governed by the *Financial Management and Accountability Act 1997* (Cth; the FMA Act), as opposed to the *Commonwealth Authorities and Companies Act 1997* (Cth; the CAC Act). As of 1 July 2014 the FMA Act and the CAC Act were superseded by the *Public Governance Performance and Accountability Act 2013* (Cth). Future reports will no longer categorise entities in terms of their governance under the FMA and CAC Acts; rather, they will be grouped according to their corporate (or non-corporate) status.

|                        | 2010–11 |      | 2011–12 |      | 2012–13 |      | 2013–14 |      |
|------------------------|---------|------|---------|------|---------|------|---------|------|
|                        | N       | %    | N       | %    | N       | %    | N       | %    |
| Invited to participate | 192     | 100  | 191     | 100  | 195     | 100  | 194     | 100  |
| Responded              | 154     | 80.2 | 157     | 82.2 | 163     | 83.6 | 166     | 85.6 |
| Included in analysis   | 154     | 80.2 | 155     | 81.2 | 162     | 83.1 | 166     | 85.6 |
| FMA Act entities       | 94      | 48.9 | 97      | 62.6 | 100     | 61.7 | 104     | 62.7 |
| CAC Act entities       | 60      | 31.2 | 58      | 37.4 | 62      | 38.3 | 62      | 37.3 |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

Changes in the number of entities invited to participate over the four years are due to Machinery of Government changes that altered the number of entities in the Australian Public Service each year. Because some Machinery of Government changes resulted in entity functions and duties changing part-way through a financial year some fraud investigations may have been double-counted, although such changes would only affect a small number of entities and fraud incidents.

Respondents provided information by completing a secure, online questionnaire that did not record the names of individuals. The aim was to canvass the experience of fraud across the government as a whole, rather than identify each entity's experience. Following revision of the 2011 guidelines, and extensive consultation with large Commonwealth entities, a number of changes were made to the questionnaire in 2011, designed to improve the clarity of the questions and to remove problems entities identified in response to previous questionnaires.

Further information on the investigation and prosecution of fraud within the Commonwealth was provided by the AFP and the CDPP for matters handled each year, regardless of when they were committed.

# Glossary

## **Allegation of fraud**

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

## **Collusion**

Any incident of suspected fraud allegedly committed by an employee or contractor of the entity in collaboration or association with a person external to the entity.

## **Commonwealth entity**

Formerly known as Commonwealth agencies, Commonwealth entities are departments of state, parliamentary departments, listed entities or bodies of corporate established by a law of the Commonwealth. This terminology is employed in the Commonwealth Fraud Control Framework 2014 and is used in this report despite the Commonwealth fraud questionnaires referring to 'agencies', the term applicable under the 2011 former guidelines.

## **Corruption**

For the purposes of Commonwealth anti-corruption and fraud control policies, corruption can be defined as 'the dishonest or biased exercise of a Commonwealth public official's duty'. Entities may identify corrupt conduct engaged in by a public official (internal corruption), or conduct alleged against persons external to an entity in which they have sought to corrupt, or have actually corrupted, a Commonwealth public official (external corruption). An incident of Corruption may involve either internal or external participants or both.

## **Duration of Fraud**

The amount of time the offender was committing fraud against the Commonwealth, from the time the commission of fraud commenced to the time the commission of fraud ceased, whether by choice or by detection.



### **Entitlements**

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

### **Equipment**

Any equipment or property belonging to a government entity.

### **External fraud**

Any incident of suspected fraud allegedly committed against an entity by a person other than an employee (employee includes contracted employees) of the entity.

### **Finalisation**

Finalisation refers to the completion of the investigation, or referral to another entity, or the suspect leaving the employment of the entity

### **Financial benefit**

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.

### **Focus**

The focus or target of the alleged fraud incident, that is, the benefit to be obtained.

### **Fraud**

For the purposes of the *Commonwealth fraud control guidelines 2011*, fraud against the Commonwealth was defined as 'dishonestly obtaining a benefit, or causing a loss, 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.

### **Fraud control**

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

### **Incident**

An incident refers to all counts alleged during one fraud investigation and may 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 and may involve one or more accused persons.

### **Information**

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

### **Internal fraud**

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

### **Investigation**

Investigation includes both internal investigations in accordance with the Australian Government Investigations Standards (AGIS) as well as investigations undertaken by external law enforcement or other investigatory bodies or organisations.

### **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.

### **Misuse of documents**

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

### **Misuse of identity**

Any unauthorised use of another person's personal information that may be used to identify that person when dealing with the Commonwealth. Personal information may include a person's name, address, date of birth, passport information, Medicare information, biometric information (eg fingerprint), Computer username and password, tax file number (TFN), telephone number and other pieces of information.

### **Misuse of Information and Communication Technology**

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

### **Losses**

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

### **Noncompliance**

Noncompliance is the failure to meet conditions and obligations under laws and regulations. It may occur through a lack of understanding or awareness of obligations or because compliance is difficult. Alternatively, noncompliance may be deliberate. If evidence cannot establish the requisite degree of intention, recklessness or negligence in adhering to obligations, the conduct may be characterised as noncompliance, as opposed to fraud.

### **Recoveries**

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

### **Referrals**

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

### **Review**

internal administrative process to determine whether fraud is occurring.

### **Suspect**

The individual believed to have carried out the fraud incident.

### **Time frame—reference period**

The reference period for incidents in the 2013-14 financial year was 1 July 2013 to 30 June 2014 (and corresponding periods in 2010-11, 2011-12 and 2012-13). The start date of an incident is the date that the entity was notified of or discovered the allegation of fraud.

# Appendix: Details of how fraud was committed

## Internal fraud focus

Respondents were asked to indicate the number of alleged incidents of internal fraud focused upon each of a number of specified resources, benefits or targets of the alleged activity. Four main focus categories were offered, relating to government equipment, entitlements, information or financial benefits. As incidents could involve more than one fraud focus, respondents were asked to provide multiple responses where applicable. Information was collected on the number of entities that experienced fraud and the number of alleged incidents detected. The results are presented in Table 26.

| Focus category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Equipment   |              |               |              |               |              |               |              |               |
| Theft of telecommunications or computer equipment (including mobile devices)          | 10           | 45            | 6            | 35            | 8            | 35            | 6            | 18            |
| Theft of other government equipment   | 10           | 77            | 10           | 118           | 11           | 91            | 4            | 104           |
| Theft of consumable stock (office-related)  | 5            | 10            | 2            | 7             | 2            | 5             | 1            | 6             |
| Theft of consumable stock (other)   | 3            | 21            | 4            | 6             | 7            | 16            | 6            | 17            |
| Misuse of government equipment  | 17           | 126           | 13           | 97            | 12           | 38            | 13           | 129           |
| Unable to be determined   | 1            | 1             | 0            | 0             | 1            | 1             | 0            | 0             |
| Other equipment   | 1            | 7             | 7            | 16            | 4            | 14            | 9            | 10            |
| Entitlements  |              |               |              |               |              |               |              |               |
| Expenses (other than travel)  | 2            | 2             | 5            | 24            | 6            | 9             | 5            | 6             |
| Travel claims   | 8            | 35            | 9            | 19            | 7            | 21            | 7            | 23            |
| Payroll fraud   | 5            | 23            | 13           | 26            | 9            | 18            | 8            | 18            |
| Leave and related entitlements  | 11           | 54            | 13           | 68            | 14           | 81            | 16           | 80            |
| Unable to be determined   | 2            | 13            | 2            | 5             | 1            | 1             | 0            | 0             |
| Other entitlements  | 6            | 326           | 6            | 102           | 10           | 95            | 4            | 67            |
| Information   |              |               |              |               |              |               |              |               |
| Obtaining or using information without authorisation (excluding personal information) | 13           | 127           | 11           | 150           | 8            | 41            | 12           | 36            |
| Obtaining or using personal information without authorisation                         | 9            | 1,746         | 4            | 908           | 5            | 599           | 7            | 604           |

Table 26: Internal fraud by focus of incidents, 2010–11 to 2013–14 cont.

| Focus category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Providing false or misleading information, or failing to provide information when required to do so | 10           | 68            | 8            | 23            | 7            | 53            | 9            | 28            |
| Use of entity's logo or name without authorisation  | 4            | 10            | 2            | 2             | 3            | 7             | 2            | 6             |
| Misuse of entity's intellectual property  | 1            | 1             | 0            | 0             | 4            | 7             | 4            | 7             |
| Unable to be determined   | 2            | 2             | 1            | 5             | 3            | 5             | 1            | 5             |
| Other information   | 3            | 15            | 5            | 22            | 3            | 9             | 3            | 13            |
| Financial benefits  |              |               |              |               |              |               |              |               |
| Obtaining cash/currency without permission  | 13           | 144           | 11           | 93            | 9            | 16            | 10           | 19            |
| Misuse or theft of government credit cards, travel cards or other cash cards                        | 13           | 110           | 10           | 82            | 14           | 75            | 16           | 49            |
| Misappropriations of government-funded grant monies or benefits                                     | NP           | NP            | NA           | NA            | 3            | 4             | 1            | 1             |
| Misuse or theft of Cabcharge  | 7            | 70            | 9            | 34            | 5            | 32            | 6            | 16            |
| Theft of property other than cash   | 8            | 37            | 4            | 23            | 5            | 31            | 5            | 17            |
| Procurement offences  | 9            | 11            | 5            | 6             | 10           | 25            | 5            | 12            |
| Bankruptcy offences (hiding or disposing of assets)   | 0            | 0             | 0            | 0             | 0            | 0             | 0            | 0             |
| Falsification of documents in order to gain financial benefit                                       | 10           | 61            | 15           | 167           | 10           | 60            | 10           | 71            |
| Unable to be determined   | 0            | 0             | 4            | 14            | 6            | 25            | 6            | 41            |
| Other financial benefits  | 7            | 89            | 6            | 30            | 8            | 129           | 7            | 97            |
| <b>Other</b>  | 10           | 594           | 7            | 226           | 13           | 147           | 6            | 107           |

NP: Category not provided  
 Source: Commonwealth fraud census 3010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## External fraud focus

Respondents were asked to indicate the number of alleged incidents of external fraud focused upon each of a number of specified resources, objects of benefit or targets. Four main focus categories were offered, relating to government equipment, entitlements, information or financial benefits. As incidents could involve more than one fraud focus, respondents were asked to provide multiple responses where applicable. Information was collected on both the number of entities that experienced fraud and the number of alleged incidents detected. The results are presented in Table 27.

| Focus category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
|   | Equipment    |               |              |               |              |               |              |               |
| Theft of telecommunications or computer equipment (including mobile devices)  | 8            | 56            | 7            | 38            | 8            | 56            | 3            | 33            |
| Theft of other government equipment   | 5            | 16            | 6            | 13            | 2            | 2             | 2            | 14            |
| Theft of consumable stock (office related)                                    | 0            | 0             | 1            | 1             | 0            | 0             | 0            | 0             |
| Theft of consumable stock (other)   | 1            | 6             | 2            | 3             | 1            | 1             | 0            | 0             |
| Misuse of government equipment  | 1            | 2             | 2            | 3             | 2            | 4             | 1            | 4             |
| Unable to be determined   | 1            | 1             | 0            | 0             | 0            | 0             | 0            | 0             |
| Other equipment   | 1            | 2             | 1            | 2             | 2            | 2             | 2            | 2             |
|   | Entitlements |               |              |               |              |               |              |               |
| Misusing or claiming benefits without entitlement relating to housing         | 1            | 1             | 2            | 4             | 0            | 0             | 0            | 0             |
| Misusing or claiming benefits without entitlement relating to social security | 2            | 22,240        | 2            | 71,928        | 2            | 3,254         | 3            | 2,641         |

Table 27: External fraud by focus of incidents, 2010–11 to 2013–14 cont.

| Focus category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Misusing or claiming benefits without entitlement to health benefits                                | 3            | 2,095         | 3            | 977           | 3            | 390           | 3            | 327           |
| Misusing or claiming benefits without entitlement relating to visas/citizenship                     | 2            | 27,394        | 2            | 28,229        | 1            | 28,142        | 2            | 27,206        |
| Misusing, evading or claiming without entitlement relating to child support                         | 1            | 1             | 1            | 199           | 1            | 232           | 1            | 305           |
| Revenue fraud   | 2            | 169           | 1            | 69,091        | 1            | 58,364        | 2            | 79,495        |
| Customs and excise fraud (evading excise)   | 1            | 20            | 1            | 230           | 1            | 299           | 0            | 0             |
| Unable to be determined   | 1            | 1             | 0            | 0             | 2            | 13            | 2            | 486           |
| Other entitlements  | 7            | 206           | 6            | 111           | 4            | 79            | 3            | 239           |
| Information   |              |               |              |               |              |               |              |               |
| Obtaining or using information without authorisation (excluding personal information)               | 11           | 357           | 2            | 4             | 4            | 6             | 2            | 2             |
| Obtaining or using personal information without authorisation                                       | 4            | 13            | 2            | 9             | 4            | 1,101         | 2            | 149           |
| Providing false or misleading information, or failing to provide information when required to do so | 19           | 3,610         | 18           | 3,601         | 19           | 4,100         | 15           | 19,102        |
| Use of entity's logo or name without authorisation  | 5            | 11            | 4            | 36            | 4            | 11            | 5            | 14            |



**Table 27: External fraud by focus of incidents, 2010–11 to 2013–14 cont.**

| Focus category   | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Misuse of entity's intellectual property                                     | 2            | 2             | 1            | 2             | 0            | 0             | 1            | 2             |
| Unable to be determined  | 2            | 2             | 0            | 0             | 1            | 4             | 2            | 3             |
| Other information  | 4            | 118           | 0            | 0             | 0            | 0             | 1            | 1             |
| Financial benefits   |              |               |              |               |              |               |              |               |
| Obtaining cash/currency without permission                                   | 6            | 89            | 5            | 193           | 7            | 99            | 8            | 38            |
| Misuse or theft of government credit cards, travel cards or other cash cards | 9            | 16            | 8            | 43            | 11           | 35            | 6            | 10            |
| Misappropriations of government-funded grant monies or benefits              | NP           | NP            | NA           | NA            | 6            | 41            | 2            | 2             |
| Misuse or theft of Cabcharge   | 7            | 26            | 6            | 6             | 0            | 0             | 1            | 42            |
| Theft of property other than cash  | 2            | 7             | 2            | 16            | 2            | 39            | 1            | 20            |
| Procurement offences   | 3            | 28            | 3            | 24            | 10           | 380           | 14           | 316           |
| Fictitious claims/forgery  | 11           | 641           | 10           | 178           | 6            | 25            | 10           | 88            |
| Unable to be determined  | 2            | 2             | 3            | 16            | 3            | 25            | 3            | 10            |
| Other financial benefits   | 12           | 30,207        | 13           | 4,750         | 10           | 274           | 9            | 234           |
| <b>Other</b>   | 12           | 466           | 9            | 695           | 11           | 1,132         | 6            | 2,001         |

NP: Category not provided

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## Internal fraud method

Respondents were asked to indicate the number of alleged incidents of internal fraud carried out using a number of specified methods such as misuse of ICT, identity or information, or acts of corruption. As incidents could involve more than one method, respondents were asked to provide multiple responses where applicable. Information was collected on both the number of entities that experienced fraud and the number of alleged incidents detected. The results are presented in Table 28.

Table 28: Internal fraud by commission, 2010–11 to 2013–14

| Method category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Misuse of ICT  |              |               |              |               |              |               |              |               |
| Accessing information or programs via a computer without authorisation | 13           | 991           | 12           | 964           | 7            | 612           | 12           | 588           |
| Copying or altering data or programs without authorisation             | 8            | 18            | 3            | 14            | 5            | 26            | 7            | 18            |
| Misuse of email  | 9            | 57            | 6            | 23            | 7            | 25            | 5            | 82            |
| Manipulation of a computerised accounting system                       | NP           | NP            | 5            | 32            | 4            | 24            | 3            | 3             |
| Insertion of malicious code  | 0            | 0             | 0            | 0             | 1            | 2             | 0            | 0             |
| Interference with computer networks                                    | 0            | 0             | 0            | 0             | 0            | 0             | 0            | 0             |
| Unable to be determined  | 1            | 1             | 2            | 3             | 3            | 3             | 1            | 1             |
| Other misuse of ICT  | 11           | 119           | 7            | 23            | 4            | 6             | 3            | 18            |
| Misuse of identity   |              |               |              |               |              |               |              |               |
| Creating and/or using a false identity                                 | 4            | 6             | 3            | 6             | 6            | 7             | 4            | 5             |

Table 28: Internal fraud by commission, 2010–11 to 2013–14 cont.

| Method category  | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Use of another employee's or contractor's ID without knowledge                     | 0            | 0             | 1            | 3             | 2            | 2             | 4            | 4             |
| Fraudulently using another person's identity with permission                       | 2            | 2             | 0            | 0             | 1            | 1             | 2            | 2             |
| Unauthorised use of another person's password, PIN, or access pass                 | 3            | 6             | 3            | 6             | 3            | 6             | 0            | 0             |
| Unauthorised use of another person's Tax File Number or Australian Business Number | 1            | 1             | 0            | 0             | 2            | 2             | 1            | 1             |
| Unable to be determined  | 0            | 0             | 2            | 2             | 0            | 0             | 0            | 0             |
| Other misuse of identity   | 4            | 12            | 1            | 1             | 4            | 16            | 3            | 5             |
| Misuse of information  |              |               |              |               |              |               |              |               |
| Creating and/or using a false or altered entity document                           | 9            | 95            | 13           | 119           | 13           | 69            | 13           | 86            |
| Creating and/or using a false or altered document (not belonging to the entity)    | 7            | 27            | 9            | 36            | 14           | 51            | 12           | 45            |
| Dishonestly concealing documents   | 3            | 6             | 3            | 75            | 4            | 5             | 3            | 3             |
| Failing to provide documents when required to do so                                | 7            | 41            | 4            | 5             | 6            | 97            | 3            | 62            |
| Deliberately disclosing of sensitive information (in any form) for benefit         | 10           | 38            | 9            | 50            | 5            | 51            | 7            | 47            |
| Unable to be determined  | 1            | 1             | 0            | 0             | 2            | 4             | 1            | 5             |
| Other misuse of documents  | 2            | 75            | 9            | 24            | 7            | 16            | 5            | 10            |

**Table 28: Internal fraud by commission, 2010–11 to 2013–14 cont.**

| Method category   | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Corruption  |              |               |              |               |              |               |              |               |
| Bribery of an employee  | 5            | 63            | 4            | 50            | 2            | 50            | 3            | 49            |
| Accepting kickbacks and gratuities                            | 6            | 8             | 6            | 9             | 6            | 24            | 3            | 4             |
| Nepotism  | 2            | 2             | 0            | 0             | 1            | 1             | 4            | 4             |
| Failure to disclose/abuse of conflict of interest             | 10           | 43            | 10           | 30            | 8            | 52            | 7            | 32            |
| Collusion or conspiracy between internal and external parties | 6            | 11            | 6            | 37            | 11           | 48            | 3            | 98            |
| Abuse of power  | NP           | NP            | 9            | 136           | 9            | 169           | 11           | 92            |
| Unable to be determined                                       | 3            | 13            | 4            | 18            | 2            | 4             | 8            | 34            |
| Other corruption  | 15           | 63            | 3            | 11            | 6            | 16            | 5            | 20            |
| <b>Other</b>  | 25           | 1,957         | 16           | 534           | 19           | 351           | 9            | 327           |

NP: Category not provided  
 Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

## External fraud method

Respondents were asked to indicate the number of alleged incidents of external fraud carried out using a number of specified methods such as misuse of ICT, identity or information, or acts of corruption. As incidents could involve more than one method, respondents were asked to provide multiple responses where applicable. Information was collected on both the number of entities that experienced fraud and the number of alleged incidents detected. The results are presented in Table 29.

| Method of category   | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Misuse of ICT  |              |               |              |               |              |               |              |               |
| Accessing information or programs via a computer without authorisation | 3            | 6             | 3            | 4             | 1            | 1             | 1            | 1             |
| Copying or altering data or programs without authorisation             | 0            | 0             | 1            | 1             | 1            | 1             | 0            | 0             |
| Manipulation of a computerised accounting system                       | 1            | 1             | 0            | 0             | 1            | 8             | 1            | 1             |
| Insertion of malicious code  | 2            | 2             | 0            | 0             | 1            | 1             | 0            | 0             |
| Interference with computer networks                                    | 0            | 0             | 1            | 1             | 1            | 3             | 0            | 0             |
| Unable to be determined  | 3            | 24            | 0            | 0             | 1            | 2             | 1            | 9             |
| Other misuse of ICT  | 7            | 23            | 7            | 40            | 3            | 3             | 3            | 16            |
| Misuse of identity   |              |               |              |               |              |               |              |               |
| Creating and/or using a false identity                                 | 9            | 340           | 7            | 299           | 8            | 625           | 11           | 645           |

Table 29: External fraud by commission, 2010–11 to 2013–14 cont.

| Method of category   | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|--|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|  | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Use of an employee's or contractor's ID without knowledge                          | 4            | 12            | 5            | 5             | 4            | 23            | 5            | 10            |
| Fraudulently using another person's identity with permission                       | 4            | 6             | 1            | 1             | 3            | 8             | 5            | 76            |
| Unauthorised use of another person's password, PIN or access pass                  | 0            | 0             | 1            | 22            | 3            | 7             | 1            | 47            |
| Unauthorised use of another person's Tax File Number or Australian Business Number | 1            | 16,271        | 3            | 10,548        | 1            | 16,079        | 3            | 14,476        |
| Unable to be determined  | 1            | 322           | 0            | 0             | 4            | 214           | 4            | 64,662        |
| Other misuse of identity   | 5            | 201           | 1            | 1             | 2            | 11            | 6            | 251           |
| Misuse of information  |              |               |              |               |              |               |              |               |
| Creating and/or using a false or altered entity document                           | 10           | 261           | 4            | 40            | 9            | 141           | 13           | 109           |
| Creating and/or using a false or altered document (not belonging to the entity)    | 19           | 1,605         | 14           | 10,010        | 15           | 2,574         | 18           | 2,533         |
| Dishonestly concealing documents   | 5            | 92            | 1            | 5             | 2            | 4             | 3            | 3             |
| Failing to provide documents when required to do so                                | 8            | 6,317         | 5            | 1,021         | 9            | 1,170         | 3            | 69            |
| Deliberately disclosing of sensitive information (in any form) for benefit         | 2            | 2             | 0            | 0             | 0            | 0             | 0            | 0             |
| Unable to be determined  | 6            | 18,595        | 4            | 63,206        | 8            | 58,464        | 7            | 3,762         |

**Table 29: External fraud by commission, 2010–11 to 2013–14 cont.**

| Method of category                                | 2010–11      |               | 2011–12      |               | 2012–13      |               | 2013–14      |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) | Entities (N) | Incidents (N) |
| Other misuse of documents                         | 7            | 89            | 6            | 61            | 2            | 29            | 4            | 59            |
| <b>Corruption</b>                                 |              |               |              |               |              |               |              |               |
| Bribery of an employee                            | 0            | 0             | 1            | 1             | 0            | 0             | 2            | 5             |
| Paying kickbacks and gratuities                   | 3            | 8             | 2            | 5             | 1            | 1             | 0            | 0             |
| Failure to disclose/abuse of conflict of interest | 2            | 5             | 1            | 1             | 3            | 5             | 2            | 5             |
| Unable to be determined                           | 2            | 11            | 1            | 2             | 3            | 12            | 1            | 1             |
| Other corruption                                  | 3            | 14            | 6            | 38            | 5            | 145           | 2            | 7             |
| <b>Other</b>                                      | 22           | 22,770        | 19           | 81,946        | 14           | 11,649        | 21           | 25,274        |

Source: Commonwealth fraud census 2010–11, 2011–12, 2012–13 and 2013–14 [AIC computer file]

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