

A hand holding a stack of coins and dice, symbolizing gambling. The image is overlaid with a dark blue semi-transparent filter. The text is contained within a white-bordered box.

**GAMBLING MOTIVATED
FRAUD IN AUSTRALIA**

2011 - 2016

**WARFIELD
& ASSOCIATES**

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INTRODUCTION

Warfield & Associates is proud to present our latest research report '*Gambling Motivated Fraud in Australia 2011-2016*'.

This is our third study into the link between problem gambling and fraud.

Over the past five plus years, a range of Australians have stolen to satisfy their compulsion to gamble. The impact on their lives, their family's lives and those of the people and organisations they defrauded, has been profound. The impact has included people losing their jobs, having court orders issued requiring them to repay the stolen money, losing their homes and businesses having to close down. Some attempted suicide.

Carers have stolen from those who rely on and trust them. Bank staff have raided their customers' accounts. Lawyers and accountants have thieved from their clients. Those giving their time to associations and other not for profits have abused their positions. Family has stolen from family and friends from friends.

Since we undertook the first of our studies in 2008, Australia has seen an explosion of online gambling. Major sporting events are no longer just a contest between individuals or teams, but afford an opportunity for spectators and professional gamblers to bet on the outcome of matches all the way down to the outcome of the next ball, kick or point.

The debate on the social impact of gambling on society will continue. We trust that our study may add to the existing knowledge base of gambling counsellors, the legal fraternity, employers, families of gamblers, researchers and psychologists.



Brett Warfield

Partner

Warfield & Associates

August 2016

EXECUTIVE SUMMARY

This report presents findings of a 2016 study into problem gambling and the relationship to the committing of criminal acts of deception.

The relevant period covered by the research incorporates any conviction in an Australian court of law during the period 1 January 2011 to 31 July 2016 for deception related offences. These offences must have had evidence that the proceeds of the crime were mostly gambled or where existing gambling debts were the motivation for committing the offences.

“... You can pump an awful lot of money in a couple of hours with those machines.”

The key findings include:

- 265 criminal cases involving 267 offenders.
- Of the 267 persons convicted of an offence, 152 of them, or 57%, were male.
- Total amount stolen was \$104,143,790.
- The largest fraud was \$7.8 million.
- The ten largest frauds contributed over \$39.642 million to the losses. Eight of the perpetrators were male.
- There were 26 cases where fraud exceeded \$1 million of which 20 were employees.
- Men stole \$67.139 million to gamble compared to \$37.005 million by women.
- The youngest person convicted was 18 and the oldest was 78 years old.
- EFT fraud, theft of cash and false invoicing were the three most prevalent frauds.
- Victoria had the highest number of frauds and the largest overall losses.
- Employees were responsible for 56% of all fraud by number and 68% by value. They averaged \$480,000 per fraud.
- Staff in the Finance function were most likely to commit gambling motivated fraud against their employer.
- Poker machines were by far the most regular mode of gambling by the offenders. This is consistent with the past two studies. Of the 75 cases where the mode of gambling could be identified for females, poker machines were the preferred mode in 62 cases.
- 19% of the offenders had a prior criminal history.
- Government and Financial Services were the hardest hit in terms of both number of frauds and value.
- 23 cases of employee fraud took more than five years to discover.
- Similar to the past two studies, there were high levels of depression reported amongst many of the perpetrators.

ABOUT THIS RESEARCH

Aim of the research

This report presents findings of a 2016 Australia wide study into problem gambling as a motivator for the committing of criminal acts of deception.

In particular, 'Is problem gambling a motivating factor in the committing of an act of fraudulent behaviour?'. This may include either financing the gambling directly, or to repay gambling-related debts.

The aim of this research was to continue to build on existing research about the relationship between gambling and fraud.

How the research was undertaken

The first phase of research for this study involved an extensive review of online case law judgements as well as Australian newspaper articles containing court reports that provided details of judgements.

The relevant period covered by the research was any criminal conviction in an Australian court of law during the period 1 January 2011 to 31 July 2016 for deception related offences where evidence was led that the proceeds of the crime were mostly gambled or where existing gambling debts were the motivation for committing the illegal acts.

Examples of the types of criminal offences included in the research were:

- Defrauding the Commonwealth
- Dishonest use of position
- Dishonestly dealing with documents
- Embezzlement
- False accounting
- Falsification of accounts
- Forgery
- Fraud as an employee
- Fraudulent misappropriation
- Inserting false information into a computer system
- Larceny by a clerk
- Make false document
- Make false instrument
- Make false entries
- Misappropriation of Commonwealth Property
- Obtaining property by deception
- Obtaining financial advantage by deception
- Obtaining money by making false and misleading statements
- Stealing as a servant
- Taking property without the consent of the owner
- Theft
- Use false document
- Uttering

CASE STUDY

40 year old male. Accountant in the mining industry. No prior conviction for fraud. Gambling since 17. False invoicing.

Amount stolen:

\$1.2 million over three years

Addiction:

Sporting events via online and through a mobile phone application including during football games. Would place up to 100 bets a day.

Sentence:

Four years gaol

Convictions for criminal offences provide tangible evidence that a criminal offence has been committed. This circumvents placing reliance upon non-legal understandings of criminal offences.

Where there was a statement presented to the court that gambling addiction may have contributed to the losses, yet this assertion was untested, or not accepted by the court, these cases were ignored.

Limitations on the research

This research is not intended to be a comprehensive and complete summary of the size of the problem. That would only be possible with access to all court files in all State and Federal Local/Magistrates Courts, District/County Courts and Supreme Courts.

Even with unrestricted access to the files, the time required and cost of undertaking such a review would be prohibitive.

The majority of District Court cases are not reported electronically and there continues to be selective reporting of judgements even in the higher courts such as the Supreme Courts and Criminal Courts of Appeal.

The press continue to report the larger value fraud cases and therefore, it is likely that many of the cases with the larger losses have been incorporated. However, the lower value cases, which may be greater in number, may not have all been reported. Therefore, the results are indicative only and although the sample of cases is considerable, it is clearly evident that the number does not reflect the total population of cases nationally during the research period.

Since our last study, News Limited has closed its Newstext service, a very useful resource for archival searches of news stories. Also, the Fairfax news archives appear to have been diminished. Both have impacted the ability to identify as many cases as we believe may have occurred.

Some of the issues that also inhibit an attempt to get a true picture of the correlation between problem gambling and fraud include:

- Offences may never be detected by employers, government welfare agencies, ASIC, the ATO or other organisations.
- Even if the offences are detected, the offence may not be reported to the Police or relevant prosecuting authorities. This may be due to a lack of interest, compassion for the alleged offender, or because of a poor likelihood of recoverability of assets, or the thefts may be resolved privately by offering the offender the opportunity to repay money stolen. The potential impact on an organisation's reputation or brand may also be a consideration for failing to report a matter to the Police or relevant prosecuting authorities.
- Even if reported to the Police or prosecuting authorities, not all of the offences end up in the courts for various reasons.
- Even when charges are laid in a criminal court, the full amount stolen is not always reflected in the charges.
- Situations may occur where the crimes are resolved outside the criminal justice system. This may include situations in which an offender steals from his/her family and the family does not report the crime.

Therefore, an analysis only of available court files, or the media reporting of court cases, will give a less than complete picture of the size of the relationship between fraud and problem gambling.

“ *I just got in too deep and I couldn't stop* ”

About the author

This is our sixth research study into fraud in Australia.

Warfield & Associates is an independent company specialising in providing legal firms, corporates and government with solutions to complex problems involving unethical behaviour. Since 2004 we have undertaken often confidential and very sensitive work for our clients. We are a specialist independent company that is not part of a large multidisciplinary firm or international practice and as such, we are free of the conflicts of interest that may affect other firms.

Our services include:

- Forensic Accounting
- Forensic Reviews
- Contract Compliance Services
- Code of Conduct Services
- Conflict of Interest Services
- Fraud & Corruption Prevention and Detection Services - including risk management and training
- Investigation Services – fraud, corruption, misconduct, regulatory, factual and financial
- Royalty and Licensing Audits

For more information about our services and how we may be able to help you, please refer to www.warfield.com.au.

AMOUNTS STOLEN

Figure 1 – Amounts defrauded by size of frauds

Amount defrauded	Number	Amount
Over \$1 million	26	\$61,288,086
\$500,000 to \$999,999	26	\$18,571,361
\$100,000 to \$499,999	84	\$19,308,599
\$50,000 to \$99,999	48	\$3,384,400
Under \$50,000	81	\$1,591,344
	265	\$104,143,790

TYPES OF FRAUD

Figure 2 – Amounts defrauded by type of fraud

Type	Number	Amount
EFT fraud	45	\$35,002,755
Theft of cash	32	\$4,018,487
False invoices	17	\$8,356,698
Cheque fraud	13	\$1,603,454
Sales fraud/diversion of sales	11	\$1,172,937
False medical claims	9	\$1,453,046
ID fraud or theft	8	\$1,069,944
Credit card fraud	7	\$506,529
Diversion of sales	7	\$662,027
Scams	7	\$1,649,472
Social security fraud	7	\$434,700
Medical benefit fraud	6	\$341,060
False tax returns	6	\$4,775,813
Claims fraud	5	\$624,479
Stock theft	5	\$717,140
Trust account fraud	5	\$4,066,825
Unauthorised withdrawals from a person's bank account	5	\$1,779,225
Credit betting	4	\$1,869,273
False advertising	4	\$102,050
Real estate fraud	4	\$1,915,300
Unregistered investment schemes	4	\$10,748,680
EFTPOS fraud	3	\$31,791
Insurance fraud	3	\$630,684
Payroll fraud	3	\$339,278
Multiple frauds or other	45	\$20,272,143
	265	\$104,143,790

PERPETRATORS

Sex

57% of the offenders were male.

Frauds committed by males were also higher in value on average than female offenders.

Figure 3 – Total fraud by sex

	Number	Amount	Average
Male	152	\$67,113,188	\$441,534
Female	115	\$37,030,602	\$322,005
	267	\$104,143,790	

Note that one fraud was committed jointly by a man and a woman and another fraud was committed jointly by two men.

The largest fraud, \$7.8 million, was committed by a woman.

Of the ten frauds exceeding \$1 million, two women were involved and nine men.

Age

In 244 of the 265 cases, the age of the perpetrators was recorded, either at the date of conviction or sentencing. This involved 246 offenders.

An attempt was made to obtain meaningful information on the age of the perpetrators when they commenced the gambling motivated frauds. However there were too many gaps as the exact period of the fraud was not always given. Therefore, the age as at conviction and/or sentencing has been used as a reference point.

Prior criminal history

Of the 267 perpetrators, 51 had prior criminal histories for deception related offences. Of these, 21 were against their employers, eight were against the Government and eight were against friends and four defrauded unknown third parties.

In one of the cases in this study, a person who was acting as a carer had forged or altered cheques and also transferred money through phone and internet banking to obtain \$950,000. She had in excess of 100 prior convictions, including several gaol terms for similar frauds.

In a second case, a person who made 43 false claims for benefits in Victoria, NSW, Queensland and South Australia used 36 fake names and opened 27 bank accounts. She had three previous sentences for Medicare fraud.

A 45 year old male had a 'seven-page rap sheet' featuring more than 20 dishonesty offences. He stole \$45,000 from a woman he met online.

CASE STUDY

48 year old female. Director/Company Secretary of a real estate agency. Fraudulently converting money as a licensee, by illegally taking money from the company's rent trust account and sales trust account. Gambled \$10 million in one leagues club alone. Permanently banned from working in the real estate industry.

Amount stolen:

\$789,000 over a two year period

Addiction:

Poker machines

Sentence:

Two years to be served by way of an Intensive Corrections Order

Figure 4 – Fraud by age groups

Age Group	Number	Amount	Average
Up to 20	4	\$192,081	\$48,020
21-30	36	\$3,532,597	\$98,128
31-40	72	\$19,400,858	\$269,456
41-50	65	\$36,816,757	\$566,412
51-60	50	\$35,121,614	\$702,432
61-70	17	\$4,056,223	\$238,601
71 and over	2	\$195,540	\$97,770
	246	\$99,315,670	

CASE STUDY

33 year old male. Accountant. More than 770 false GST claims on the ATO on behalf of 77 different companies were made, with the money flowing into his bank accounts. No prior conviction for fraud.

Amount stolen:

\$1.727 million

Addiction:

Horseracing

Sentence:

4 years 9 months gaol

CASE STUDY

35 year old male. Hotel barman. Made 775 credit bets on trackside, pari-mutuel and sports bets after hours with Tabcorp over ten hours. TAB accreditation had been cancelled in 2005 for a similar incident. He was not charged in relation to this previous matter after his parents repaid the loss. Hotel owner lost his TAB accreditation but he retained his gaming licence.

Amount stolen:

\$138,000

Addiction:

Tabcorp betting

Sentence:

Two years gaol, suspended for three years

VICTIMS

Entities affected

The victims of the frauds were spread across a range of organisations and individuals. By number and size, the greatest impact was on those that employed the perpetrators.

Figure 5 – Victims of fraud

Victim Entity / Individual	Number	Amount	Average
Employers	148	\$70,973,932	\$479,554
Government Agencies and Departments	30	\$7,481,076	\$249,369
Friends	14	\$8,219,925	\$587,138
Customers	14	\$1,456,612	\$104,044
Not for profit	13	\$728,858	\$56,066
Family members	11	\$1,215,916	\$110,538
Unknown third party	10	\$544,326	\$54,433
Clients of Financial Advisors / Solicitors / Accountants	8	\$10,763,865	\$1,345,483
Financial Institutions (by other than employees)	6	\$1,707,600	\$284,600
Care receivers	3	\$228,813	\$76,271
Other	8	\$822,867	\$102,858
	265	\$104,143,790	

CASE STUDY

32 year old female. Defrauded the Commonwealth by making 345 fraudulent claims through Medicare's Easyclaim system over three and a half years. Funnelled the rebates into her bank accounts which she then used to make withdrawals at clubs to fuel her poker machine addiction. She also used the Medicare details of former patients. Had a prior conviction for fraud.

Amount stolen:

\$44,000

Addiction:

Poker machines

Sentence:

Six months gaol

Sectors affected

A breakup of the industry sectors most affected included.

Figure 6 – Frauds by industry sector

Sector	Number	Amount
Government	47	\$14,171,087
Financial Services	29	\$22,313,121
Hospitality	16	\$10,211,287
Manufacturing	14	\$5,699,339
Not for profit	14	\$3,386,570
Medical	13	\$5,814,760
Retail	12	\$1,735,007
Sporting	11	\$1,409,090
Real Estate	9	\$2,742,030
Gambling	5	\$2,456,284
Construction	4	\$2,254,099
Agriculture	3	\$4,148,885
Motor Industry	3	\$1,508,862
Accounting	2	\$836,041
Education	2	\$244,008
Mining	2	\$2,000,000
Trades	2	\$124,551
Transport	2	\$105,707
Travel	2	\$213,528
Other / Multiple	25	\$11,285,768
	217	\$92,660,024

Size of the organisations affected

A breakdown of the size of the organisations of the victims indicated that the larger the organisation, the greater the average loss.

Figure 7 – Frauds by size

Size	Number	Average
Large	86	\$555,635
SME	131	\$342,560
	217	

Recovery of the lost funds

The ways in which an assessment was made by the courts as to whether the person had a gambling problem and whether they benefited from the frauds included:

- Personal asset searches.
- Psychological evaluations of the subject as a problem gambler.
- Evidence presented by family members.
- Bank records revealing that the stolen monies were spent at clubs or casinos.
- Evidence by employees of the clubs where the gambling mostly took place.

This also provided evidence of available assets for confiscation to repay money taken whether through criminal or civil action.

Those who commit fraud motivated by problem gambling rarely quarantine assets.

It was not unusual to observe that, despite the amount of money stolen, the perpetrators had large debts, having lost everything as a consequence of the gambling. Bankruptcy was not uncommon.

There were instances where some money was

recovered before it was all gambled, or where assets were sold to make a repayment. This included, but is not limited to:

\$124,000 of \$200,000
\$196,000 of \$7.8 million
\$2,648 of \$34,600
\$20,000 of \$20,000
\$206,000 of \$367,000
\$242,830 of \$1.1 million
\$28,440 of \$57,000
\$5,825 of \$54,770
\$50,000 of \$110,000
\$78,000 off \$3.79 million
\$9,000 of \$13,000
\$9,362 of \$60,160

The lower level frauds, under \$50,000, had a much greater chance of being repaid, either immediately, or by installments over time.

Victim impacts

One business was forced to lay off staff and close one of its offices. The crime had also impacted on the health of the business owners, with the perpetrator's female boss suffering a heart attack on the day the fraud was discovered.

CASE STUDY

50 year old female given access to the group's accounts with the National Australia Bank by the Managing Director. Over a six year period stole almost \$8 million by 1478 separate transactions. Covered her tracks by false accounting, including the generation of bogus invoices and the manipulation of figures in Business Activity Statements, and similar.

Amount stolen:

\$7.8 million

Addiction:

Pathological addiction to online poker machines

Sentence:

Five years gaol

A man created a false identity using his mother's maiden name and defrauded Centrelink of more than \$170,000 over 18 years collecting pensions he was not entitled to.

A man defrauded his mother-in-law over 12 years after convincing her to sell her house to prepare for retirement and stole her savings over that period.

A Registered Community Housing Provider, which provides long-term rental housing to people on very low to moderate incomes via social and affordable housing, was defrauded of \$3.8 million by a staff member of 20 years.

Some ratepayers became angry when they were wrongly accused of not having paid their bills or they were overcharged as a result of an accounts clerk stealing their payments.

A man stole money from the estate of his mother's deceased son.

A man exploited Federal Government schemes hastily established to help people in desperate need after the devastating fires that took the lives of 173 people. He assumed 94 different identities, mainly of people from Kinglake, which was one of communities hardest hit by the tragedy.

Financial adviser stole \$925,000 from a 94-year-old woman who had been a client for more than 20 years. He had complete control over her finances. His crimes were only discovered when the Public Trustee took over the woman's finances.

The company, which turned over between \$2.5 million and \$4 million annually, went into voluntary receivership soon after the theft was discovered.

The thefts nearly brought the company to its knees and forced the company's founder to delay his retirement for years

A woman stole cash from a fundraising event for the family of a girl with leukemia.

CASE STUDY

58 year old man robbed the life-savings of his mother-in-law. Poured \$2.4 million into poker machines over 11 years. He convinced her to sell her home to help pay for her retirement, but used the money to pay for his gambling habit. He later failed to repay the cash, despite scooping a million-dollar lotto prize.

Amount stolen:

\$585,000

Addiction:

Poker machines

Sentence:

Two years gaol

“*They are the most evil, wicked things ever invented. They ruin lives. I've ruined lives because of them. I hate them.*”

WHERE THE FRAUDS WERE PERPETRATED

The frauds were broken down by the State and Territory in which they occurred.

Victoria had the most number of frauds and largest total loss during the period.

Figure 8 – Frauds by State and Territory

State	Number	Amount
Australian Capital Territory	14	\$4,089,531
New South Wales	63	\$25,302,156
Northern Territory	7	\$1,436,490
Queensland	69	\$21,166,292
South Australia	11	\$3,724,401
Tasmania	15	\$1,869,039
Victoria	76	\$42,894,103
Western Australia	10	\$3,661,778
	265	\$104,143,790

MODES OF GAMBLING

There were 159 cases where the mode of gambling was identified. The balance was simply referred to as 'a gambling addiction' but did not specify what that addiction was. Future studies of the link between fraud and gambling would be greatly assisted if the judges and magistrates, as well as consulting psychologists, stated the specific mode of gambling the person has been addicted to and the media reported it accordingly.

In the majority of cases, there was evidence that one main preferred gambling mode was used. On occasions, multiple gambling modes were identified to the courts.

It is evident that the entire proceeds of the frauds would not have been spent gambling in every case. However, the overwhelming evidence was that the addiction resulted in not only most of the fraudulent proceeds being gambled, but also other income and family assets, showing little evidence of lavish lifestyle or asset accumulation.

Figure 9 – Main types of gambling modes on which perpetrators bet

Mode of gambling	Number	Amount
Poker machines	91	\$28,155,400
Casinos *	22	\$11,786,325
Horseracing	13	\$6,733,919
Internet Sports Betting	10	\$6,308,365
TAB	9	\$2,646,088
Keno	2	\$478,334
Other (Lotto, Cards, Greyhounds, Harness Racing, Poker, Online Poker Machines, Scratch Lottery Tickets, and multiples of any of the above modes)	12	\$12,140,260
	159	\$68,248,691

* This excludes references to poker machines played at a casino, which have been included in the poker machine figures.

Poker machines

Poker machines were specifically mentioned in 91 cases. Of these, 63 involved female players and 28 were males.

Just over \$28.155 million was stolen to play the poker machines. The average loss to fraud where the person was solely addicted to poker machines was \$309,400.

The comments by judges, magistrates and academics throughout the research indicated that they believe poker machines should be regarded as particularly addictive and that their accessibility provides people with greater opportunities to gamble.

Poker Machines were also one of the modes of gambling included in the 'Other' section if they were one of a multiple number of gambling modes used by a perpetrator.

Poker machines can also be played at Casinos, so there is a possibility that some of the 22 cases involved Poker Machines as well.

No gambling mode was recorded for \$35.895 million relating to 106 cases. No doubt poker machines would have been the preferred mode of gambling for at least some of these proceeds.

Casinos

Casinos were specifically mentioned on 23 occasions. When taking out the sole purpose to play poker machines and where multiple modes of gambling were mentioned, the number was reduced to 22 cases. Of these 15 were men and seven were women.

When a person went to play at the casinos on the gaming tables such as Black Jack, Roulette or other games, the average fraud to pursue their addiction was \$536,000.

Horseracing

The average loss to fraud when betting on horseracing was \$518,000.

Betting on horseracing was an exclusively male domain, with all 13 of the perpetrators being male.

TAB

Nine people bet only at the TAB. This was an exclusively male domain with no female perpetrators involved.

The average loss to fraud when betting at the TAB was \$294,000.

Internet Sports Betting

This mode of betting encompasses betting online with one of the growing number of online bookmakers who offer odds on sport, racing and entertainment.

We believe this will be a growing area of concern for problem gamblers mainly because of the ease with which access can be gained to markets and odds and the turnaround time to place a bet. All can be done from a phone, tablet or home computer.

Ten people during the period bet exclusively on Internet Sports Betting of which nine were males.

The average loss to fraud when betting using this mode was \$631,000.

Other

Where there were multiple forms of betting involved or betting on less frequent types of gambling, they have been included in this section. For example, there were several instances of addiction to scratch lottery tickets and online poker machines.

COMMENTS ON EXTENT OF GAMBLING

Below are just some of the comments made during the court cases concerning the level of gambling involved:

Pokies habit that saw the perpetrator sit in front of the machines for up to six hours, and lose \$20,000 in a sitting.

Fund a \$2000-a-week gambling addiction.

The court heard (the perpetrator) put \$2 million through poker machines at Wrest Point Casino over a three and a half year period.

\$2 million gambling spree at the Adelaide Casino.

At one stage spending between \$20,000 and \$45,000 a month at Pittwater RSL on the Northern Beaches.

In total as much as \$150,000 was lost on the pokies.

Gambled \$138,683 in one night.

Ploughed more than \$21 million into the pokies at Wests Illawarra, Collegians and Star City Casino.

She spent 636 hours over 133 days gambling with a total "buy in" of \$2,950,190 at Crown Casino, with an average bet standing at \$890. Her losses at Crown totalled \$986,639.

Regularly bet between \$5000 and \$10,000 a day during the spring racing carnival.

Was earning about \$750 a week, but estimates she spent between \$4,000 and \$6,000 a week on poker machines.

Spent a mind-boggling \$2.4 million at the pokies.

Another day, he lost more than \$16,000 while gambling at Melbourne's Crown Casino.

Police gained access to his Tabcorp and Bet 365 accounts and found that between August 5, 2013 and January 6, 2015, he gambled a total of \$1.272 million, and lost most of it. During that time period, a combined 12,352 bets were made by the offender, whereby he lost a combined figure of \$1,090,217.

Over a period of 32 months he placed 10,972 bets with a total of nearly \$1.516 million.

She turned over \$2.3 million in two years at two Sydney trades clubs.

The court had previously heard she lost \$500,000 to her habit in two years alone.

Had lost \$200,000 at Crown over several months.

The court was told she would use the money to play the pokies during her lunch hour up to three times a week - losing on average between \$400 and \$800.

At one point, she was feeding up to \$5000 a week into the machines.

He was also heavily gambling, up to \$5000 per day at the pokies.

The court previously heard she had a \$1000 a day pokies habit at the time.

“I was too embarrassed to admit I had a problem. I thought the way I was doing it was hiding the issue and nobody had to know.”

SENTENCES

Not all people convicted were sentenced to a gaol term. The 265 cases involved 267 people as there were two cases which involved multiple offenders.

There would appear to be a concerted effort to punish perpetrators of white collar crime, yet a realisation that gaols are becoming overcrowded. This has contributed to courts looking for alternative methods of punishment other than full time incarceration.

Of the 267 people convicted, 195 received gaol sentences, whether full time or part time/ weekend detention. The balance received suspended sentences, home detention, community service/community based orders or good behaviour bonds.

Where an appeal against a sentence was noted during the period of the research period, the amended sentence, if any, was taken into account.

The table below indicates the length of sentences after taking into account mitigating factors. These are not the head sentences but the minimum terms that the perpetrators faced.

As can be seen, there was a much greater likelihood of a custodial sentence once the

amount stolen was over \$50,000. For example, there was a 50% likelihood of gaol if the amount stolen was less than \$50,000 compared to an 83% likelihood of gaol as the amount rose to exceed \$50,000.

Considerations taken into account by the Judges and Magistrates concerning the sentences and discounts included:

- Pleas of guilty.
- The period over which the dishonesty was perpetrated.
- The amount of money left outstanding.
- The quality and degree of trust that the perpetrator breached.
- The impact of the offences on the public and public confidence and/or the effect on fellow employees and the organisation affected.
- Whether the perpetrator's actions were deliberate, systematic and premeditated.
- Whether the perpetrator took extensive steps to disguise his/her wrongdoing.
- How cooperative the perpetrator was once the fraud was discovered.
- Whether the perpetrator was remorseful.
- Character of the perpetrator.
- Whether the perpetrator has sought help for their addiction.

Figure 10 – Sentences recorded by size after taking into account mitigating circumstances

Amount defrauded	Average Length of Sentence	Number of Convictions	Number of non-custodial sentences
Over \$5 million	4 years 3 months	2	0
\$1 million to \$5 million	3 years 3 months	25	1
\$500,000 to \$999,999	1 year 10 months	26	3
\$100,000 to \$499,999	1 year 4 months	84	19
\$50,000 to \$99,999	10 months	49	9
Under \$50,000	6 months	81	40
		267	72

Sentencing remarks by judges and magistrates

“Your addiction to gambling on the pokie machines had been a problem for many more years than encompassed by the offending. You had ample time to seek help.

Your motivation was not need but greed to feed your addiction. Your previous good character diminished with each offence, trashing your character in the process.”

Judge Paul Rice, Adelaide District Court, September 2013.

“You went out and ripped off, as hard and as fast as you could, anyone you could entreat to trust you. You tried to pull the wool over my eyes.”

Magistrate Roger Prowse, Bathurst Local Court, October 2013.

“You acknowledged a long-term gambling problem which has led you to be in very significant debt. You have attempted a number of treatments in the past, including undergoing hypnosis and joining Gamblers Helpline. In 2008, you also voluntarily self-excluded yourself from a number of licensed clubs in order to avoid exposure to poker machines.” **Justice John Burns ACT Supreme Court, May 2015.**

“Gripped by a chronic gambling problem”...“This offence is a clear manifestation of an unresolved addiction.” **Deputy Chief Magistrate Jane Mottley, Downing Centre Court, October 2012.**

“It is another example of what happens when a government introduces this type of gambling into a community. It is an absolute outrage and no government should be proud of itself for the plague that it has wrought upon this community. The tragedy is of course that subsequent governments have just continued to benefit from such, by way of money into the budget, so that despite all the tragedy that we see in this Court. The community continues to attend and promote gambling at these awful venues that produce this sort of tragedy. In this case there does not

seem to be any dispute from either side, that the gambling addiction to the machines, was almost the total recipient of all the money involved in this case, which is getting up towards half a million dollars. It is marvellous to hear how they then contribute to the community, with small amount (sic).” **Judge Michael McInerney, County Court of Victoria, 5 May 2015.**

“You did not have any prior criminal history. However, a lack of prior convictions is a common feature for white collar frauds.” **Judge Irene Lawson, County Court of Victoria, November 2015.**

“As your addiction took hold you funded it through your offending.” **Judge Gordon Barrett, Adelaide District Court, July 2015.**

“You were divorced from your second wife in 2000 and began attending poker machine venues. Gambling on poker machines escalated until it developed into an addiction.” **Judge Jane Patrick, County Court of Victoria, 29 July 2013.**

“You were convinced the big win was just around the corner.” **Judge Leanne Clare, Brisbane District Court, 16 May 2013.**

“Having destroyed your reputation and all that you’ve worked hard for, it’s noticeable that there’s absolutely no winners out of this. Gambling: it’s insidious and it’s always based upon this notion that the next time I go I’m going to win and I can pay it all back. A gambling addiction is like an alcohol addiction or drug addiction, it’s an illness.” **Magistrate Terry Wilson, Bathurst Magistrates Court, 20 September 2012.**

EMPLOYEE FRAUD

Amounts stolen

The amounts stolen by employees have been further broken down due to their frequency and size.

Employee fraud by problem gamblers averaged \$480,000 in each case.

Figure 11 – Employee fraud by size of frauds

Amount defrauded	Number	Amount
More than \$1 million	20	\$44,522,109
\$500,000 to \$999,999	18	\$12,656,661
\$100,000 to \$499,999	48	\$11,268,397
\$50,000 to \$99,999	25	\$1,790,113
Under \$50,000	37	\$736,652
	148	\$70,973,932

The 148 cases involved 149 people. 77 of the employees were male who stole \$39.896 million and 72 were females, who stole \$31.078 million.

Sex

Figure 12 – Employee fraud by sex

	Number	Amount	Average
Male	77	\$39,896,338	\$518,134
Female	72	\$31,077,594	\$431,633
	149	\$70,973,932	

Duration of the frauds

The duration of the fraud was identified in all 148 cases of employee fraud.

Of the frauds committed by employees, the longest period the fraud went undetected was a staggering 16 years involving a \$3 million fraud on one of the big four banks.

It also took one of Australia's largest financial institutions ten years to identify that a Senior Manager had defrauded \$1.2 million.

Management may want to believe that, in the event of fraud occurring in their organisations, the internal controls will identify the issue fairly quickly. The evidence from the research disagrees. The question that is apparent with a large number of the frauds committed by employees on their employers is 'why did it take so long to discover?' This is particularly relevant in the larger organisations, who have the resources, systems and audit teams. What preventative controls were in place? Where were the warning signals and the whistleblowers?

It is clear that a number of Australia's largest organisations should review their fraud risk management approach.

Figure 13 – Time taken for employee fraud to be discovered

Duration	Number	Amount
5 years +	23	\$37,455,711
3 years up to less than 5 years	18	\$11,280,400
2 years up to less than 3 years	19	\$6,755,209
12 months up to less than 2 years	31	\$4,677,837
6 months up to less than 12 months	20	\$3,449,873
1 month up to less than 6 months	24	\$3,444,928
Under 1 month	13	\$3,909,974
	148	\$70,973,932

40% of cases of employee fraud lasted more than two years and 75% were not detected within six months of commencing.

The longer the period of time that the fraud goes undetected, the greater the impact on the person who committed the fraud and the organisation they defrauded.

Some organisations can withstand a large fraud. They have the economic resources to recover, whether it is through their insurance policy, or simply writing off the amount. However, small to medium sized organisations are not so fortunate. There have been cases observed where the fraud has caused the organisation to close its business, often leaving innocent victims, such as creditors, out of pocket and employees out of a job.

Roles of staff who committed fraud

Useful information was obtained in relation to 145 of the 149 perpetrators. They were as follows:

Figure 14 – Roles of fraudsters

Role	Number
Finance	52
Administration	8
Manager	7
Bar staff	6
Bank Manager/Clerk	5
Director	5
Practice Manager	5
General Manager	4
Office Manager	3
Real Estate Agent	3
Salesman	3
Other	44
	145

How long the staff were employed

There was insufficient detail to draw conclusions on the length of employment and how it contributes to fraud.

Ten cases involved employees with 15 plus years employment and two more were in the range ten to fifteen years.

Three people committed fraud within the first two months, with one of these only taking three weeks.

Number of transactions undertaken

The information below is meant to convey how many transactions made up some of the frauds. It is understandable for a few transactions to be missed by internal controls. However, some of these frauds involved hundreds of fraudulent transactions as can be seen below:

Placed more than 100 fraudulent bets.

Took the money from the clients in 72 separate transactions.

23 separate transactions in less than a year.

271 counts of falsifying accounts over four years.

Unauthorised transactions on that card by way of cash advanced on 73 occasions in six months.

On 32 occasions, the applicant recorded money as being a payment to a creditor which was, in fact, transferred to her personal bank account.

124 fraudulent transactions were identified whereby supplier details had been replaced with the offender's own personal banking details.

Made 114 unauthorised transactions from the business' accounts, transferring cash into three accounts in her name.

312 fraudulent transactions in just over four years.

On 435 occasions she deposited moneys into her Suncorp bank account using a pseudonym.

A total of 70 transactions were involved in that offending conduct which occurred between 2 March 2012 and 17 May 2013.

Created 24 fictitious employee profiles in the company records and attributed the payments to these people.

Made more than 400 individual transactions over a 26-month period, transferring money, sometimes daily, into a bank account held by a friend.

On 22 occasions she 'refunded' money from the company's trust account into three accounts of her own.

Transferred funds from his clients' bank accounts directly into his personal bank account on 170 separate transactions.

Created and approved 17 false invoices.

221 false invoices issued of which money was paid on 220.

364 transactions he made from his employer's bank account over a five-year period.

276 fraudulent transactions through company credit card, cheque and electronic money transfers.

On 21 separate occasions payments intended for the creditors were diverted into an account in the name of a company controlled by the employee.

How the frauds were discovered

The frauds against employers were discovered in a number of ways. There was inconsistent and insufficient details provided in the court cases to be sure of how most were discovered. However, some of the ways in which the frauds were discovered included:

- Executives found anomalies in the bank accounts.
- Conducted an investigation into suspect betting activities.
- After a staff member went on annual leave, staff noticed discrepancies.
- Audit.
- The new finance manager reported finding anomalies involving a large number of electronic transfers to his bank accounts.
- Just days after her departure an office manager had tried to order materials from various suppliers only to find the company's credit had been stopped due to unpaid accounts.
- He was reported to his employer by a whistleblower.
- When she took sick leave and someone else looked into the finances.
- Creditor raised concerns about not being paid.
- A management accountant spoke to a finance officer regarding her concerns about invoices from a particular supplier.
- Confessed to police.
- Discovered after dismissal.
- Auditor discovered the fraud.
- Company's fraud investigator noticed some irregularities with its Newcastle store and then uncovered three frauds.
- Owner noticed the float was short.
- Crimes were discovered when he stopped sending the statements.

Prior criminal history

21 of the 149 employees who had committed the current offences had prior criminal histories for deception related offences.

The 21 stole \$3,320,000 from their employers.

It is unclear from the evidence whether the employee related offences would all have been identified as part of any criminal history checks prior to employment. As an example, one of the prior convictions was 20 years prior to the recent case. Another involved a conviction for fraud in New Zealand 14 years previously.

Each state and territory has different laws about old convictions (also known as 'spent convictions').

Under spent conviction laws, employees and job applicants don't have to disclose old convictions to anyone unless the law specifically requires them to. However, a potential employee applying for a blue card is an example of when they must disclose old convictions.

Police will not give an employer information about a spent conviction on a police check unless there is an exemption requiring them to do so.

PROBLEM GAMBLING COUNSELLORS

Gamblers Anonymous Australia answers the question of whether a compulsive gambler can ever gamble normally again? Its answer is 'no', stating that 'The first bet to a compulsive gambler is like the first drink to an alcoholic. Sooner or later he or she falls back into the same old destructive pattern.'

People with a gambling addiction do have significant resources available to them to help with their problems. It is not an easy problem to address.

National bodies and information resources are listed below. Apart from these, there are a range of Hospitals, Universities, Churches, Community Groups and Multicultural Groups that provide gambling counselling services on a regional or local level.

These are just some of the resources that people who believe they may have a gambling problem should consider contacting for help:

Organisation / Website

Website Address

Gamblers Anonymous	www.gaaustralia.org.au/
Lifeline	www.lifeline.org.au/
Problem Gambling	www.problemgambling.gov.au
Relationships Australia	www.relationships.org.au/
The Salvation Army	www.salvationarmy.org.au
Wesley Mission	www.wesleymission.org.au

CONTACT US

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