

# Gambling Motivated Fraud in Australia 1998 - 2007

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## Introduction

Australians gamble at levels far greater than those in most other countries and seem to embrace new forms of gambling as and when they are introduced. Whether at the local hotel or club, newsagents, local TAB, online, or at any of the country's casinos, access to gambling in Australia has never been greater.

As gambling has grown, the taxes it generates have become an important source of revenue to State and Territory Governments. However, there are social costs associated with this revenue source. Unfortunately, not all people are able to gamble 'responsibly'. Those people who have a gambling addiction impact a great many around them. The adverse impact of problem gambling can be on the individuals themselves, their families, their employer, their co-workers, their clients, their customers or their community.

Those whose gambling addiction leads them to commit fraud often end up with a criminal record and, in the vast majority of cases, a gaol sentence. This can have a devastating impact on their loved ones, including the loss of an income earner, sometimes the sole income earner and on a few occasions the related death of a loved one as a direct result of the conviction.

This study seeks an answer to the question '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. It is clear from the results over the ten years the research covered, that gambling has caused significant problems for the 528 people included in this research. In particular, as a motivator for the commission of acts of deception.

A gambling addiction does not discriminate. CEOs, CFOs, General Managers, Police Officers, Bank Officers, Bookkeepers, Carers, Financial Advisers, Accountants, those without current employment and those on welfare are all unhealthily represented.

Reading case after case, judgment after judgment, the overwhelming feeling that pervades is a sense of waste, of opportunities lost, of people hurt and trust betrayed. For those affected, it has been a decade of misery.

Thank you to everyone involved in the production of this research, in particular, those who had the unenviable task of reading more than 1,200 cases!

*Brett Warfield*

**Brett Warfield**  
Chief Executive  
Warfield & Associates  
May 2008

## Executive summary

This report presents findings of a 2008 study into gambling, 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 1998 to 31 December 2007 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.

### **The key findings include:**

- 528 criminal cases were included in the study.
- Of the 528 persons convicted of an offence, 221 of them or 42% were female and 307 or 58% were male.
- Total amount stolen was \$269,239,278 over the ten year period.
- Of all the States and Territories, Victoria had both the most number of gambling motivated frauds – 156, as well as the most lost to fraud overall - \$102,701,516.
- The youngest person convicted was 15 and the oldest was 84 years old.
- The age spread of the perpetrators in this research suggests that age is not a significant risk factor for problem gambling related fraud.
- The lowest amount recorded as being stolen was \$127 and the highest was \$22,447,500.
- The ten largest frauds contributed \$103.8 million to the losses. Nine of the perpetrators were male and one was female.
- There were 55 cases where fraud exceeded \$1 million. Of these, 16 were female and 39 male.
- Men stole an average \$671,000 to gamble compared to \$286,000 by women.
- 1/3 of all frauds were for amounts less than \$50,000.
- Employees were responsible for 2/3 of all fraud perpetrated by problem gamblers and they averaged more than \$570,000 in each case.
- Of the frauds committed by employees, the longest period the fraud went undetected was for an extraordinary nine years and two months involving more than \$4 million.
- Seven of the eight longest periods that fraud was perpetrated were by recipients of welfare from the Federal Government.
- The longest sentence given was a head sentence of 14 years with a non parole period of nine years and six months.
- Poker machines were by far the most nominated mode of gambling by the offenders.

- Of the 202 cases where poker machines were identified as the main mode of gambling, 64% were female.
- The average loss to fraud where the person was solely addicted to poker machines was \$350,148.
- Problem gamblers' estimations of the amounts they stole were consistently underestimated.
- Pre-employment screening would have failed to identify problems with the overwhelming majority of perpetrators as they had no history of dishonesty prior to committing the frauds.
- At least five murders were the result of gambling addicted fraudsters trying to cover their frauds.
- There were high levels of depression reported amongst many of the perpetrators.
- A significant number of subjects in this study turned to some kind of professional assistance for problems associated with gambling, whether willingly or at the direction of the Courts.
- However, based on the many comments throughout the research, the most difficult part is for the person with the gambling problem to actually recognise they have a problem and seek help.

## About the author

### Brett Warfield

BCom UNSW, MBA(Exec) AGSM, GDipAppFin (Finsia)

Brett Warfield is a Sydney based Forensic Accountant and Chief Executive of Warfield & Associates. Warfield & Associates is a Forensic Accounting firm that specialises in the prevention, detection and investigation of unethical behaviour, including fraud and corruption.

Brett has twenty years Forensic Accounting experience including seven years in senior management with KPMG Forensic in Australia. Prior to KPMG he had nine years as a Financial Investigator with four of Australia's leading corruption investigation bodies including two Royal Commissions of Inquiry, into the NSW Building Industry and NSW Police Service respectively and the Independent Commission Against Corruption. Prior to that he was a financial and management accountant with BHP Co Ltd.

Brett has significant experience in investigating corruption, fraud and other unethical conduct, financial profiling, asset and funds tracing and preparing financial briefs of evidence. He is an experienced presenter on fraud control and has presented to CEOs, senior executives, industry and professional bodies in Australia and Asia.

# About this research

## Aim of the research

This report presents findings of a 2008 Australian 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.

There has been substantial research conducted in Australia in relation to the topic of problem gambling and gambling in general. However, there has been limited research undertaken specifically in relation to the link between fraud and problem gambling. This is despite substantial anecdotal evidence, such as fraud surveys, indicating that a link exists.

The aim of this research was to increase existing knowledge 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 law judgments as well as Australian newspaper articles containing court reports that provided details of judgments.

The relevant period covered by the research was any conviction in an Australian court of law during the period 1 January 1998 to 31 December 2007 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 that were included in the research included, but were not limited to:

- Defrauding the Commonwealth
- Embezzlement
- False accounting
- Falsification of accounts
- Forgery
- Fraudulent misappropriation
- Larceny by a clerk
- Make false document
- Make false instrument
- Making false entries
- Misappropriation of Commonwealth Property
- Obtain property by deception
- Obtaining financial advantage by deception
- Stealing as a servant
- Theft
- Use false document
- Uttering

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.

Unsuccessful attempts at these criminal offences were not included. As an example, an attempt to obtain financial advantage by deception did not result in an actual loss and were excluded.

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 would appear to be selective reporting of judgments even in the higher courts such as the Supreme Courts and Criminal Courts of Appeal.

What has been evident is that the press do tend to report the larger value fraud cases. Therefore, it is likely that 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 over 500 cases is large, it is clearly evident that the number does not reflect the total population of cases nationally during the research period.

## Issues with estimating the size of the problem

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

- Offences may not ever be detected by employers, government welfare agencies, 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 any money stolen.
- Even if reported to the Police or prosecuting authorities, only some of the offences end up in the courts.
- Situations 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 cases will give a less than complete picture of the size of the relationship between fraud and problem gambling. This demonstrates just how hard it is to gauge the true level of gambling motivated fraud in Australia.



## Gambling and problem gambling

### What is gambling ?

The Productivity Commission's 1999 report into Australia's gambling industries defined gambling as 'staking money on uncertain events driven by chance'<sup>1</sup>

Examples of what people can gamble on in Australia include, but are not limited to:

- Poker machines and card machines (electronic gaming machines).
- Scratch tickets.
- Lotteries.
- Lotto, Powerball, Pools, Super 66, Ozlotto.
- Keno.
- Horses or greyhounds.
- Playing cards.
- Two-up.
- Table games and other games at a casino.
- Internet such as on-line casinos.
- Betting on a sporting or entertainment event such as cricket, football, soccer, tennis, golf, elections, reality television show winners via the internet or telephone with betting agencies.

### What is a problem gambler ?

The Salvation Army, like a number of welfare organisations in Australia, provides gambling counselling services. It states that the terms 'problem', 'compulsive' and 'pathological' are used interchangeably to describe problem gambling and further, that it occurs when 'a person is dominated by a persistent strong urge to gamble.'<sup>2</sup>

In 2005 the Ministerial Council on Gambling, through Gambling Research Australia, undertook the task of determining a national definition of problem gambling in Australia 'Gambling prevalence in South Australia : October to December 2005.' It stated that the following definition has been endorsed by all States and Territories:

*'Problem gambling is characterised by difficulties in limiting money and / or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.'*<sup>3</sup>

"There is gambling all around us and it has been made oh so easy to gamble and keep gambling. It has become a culture."

<sup>1</sup> Productivity Commission 1999, Australia's Gambling Industries, Report No. 10, AusInfo, Canberra. page 1.8

<sup>2</sup> Public Information, Public Relations Department, The Salvation Army, 'Dealing with Problem Gambling' page 4

<sup>3</sup> South Australian Department for Families and Communities. 'Gambling prevalence in South Australia : October to December 2005.' Page 8

The Problem Gambling website<sup>4</sup>, which is a Victorian Government initiative funded through the Community Support Fund, describes some typical problem gambling behaviour as:

- Spending more money and time on gambling than intended.
- Hiding your gambling from other people.
- Borrowing money to pay for living expenses – e.g. phone bill, gas bill, groceries, petrol.
- Losing interest in other activities (except for gambling).
- Finding work or your role as a parent is affected.
- Starting to lie about your gambling.
- Not going to work or not home as often.

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<sup>4</sup> [www.problemgambling.vic.gov.au/problemgambling/problem.asp](http://www.problemgambling.vic.gov.au/problemgambling/problem.asp)

## Amounts stolen

528 gambling related cases were included in the study with a total amount stolen of \$269,239,278 over the ten year period. This represented an average of \$509,923 per fraud.

The size of some of the frauds was astounding. Two highly publicised frauds were responsible for a total of \$41.4 million. Yet there were 55 frauds where the losses exceeded \$1 million.

The ten largest frauds resulted in losses of \$103,766,498.

Amount defrauded	Number	Total Amount
Over \$5 million	9	\$99,224,937
\$1 million to \$5 million	46	\$92,546,518
\$500,000 to \$999,999	43	\$30,231,280
\$100,000 to \$499,999	161	\$37,516,697
\$50,000 to \$99,999	94	\$6,426,311
Under \$50,000	175	\$3,293,535
	<b>528</b>	<b>\$269,239,278</b>

“Everyone thought he was an extremely loyal employee, always looking after the books”

**Figure 1 – Amounts defrauded by category**

The perpetrators of the frauds were convicted of 12,662 criminal offences.

One third of all convictions were for frauds involving less than \$50,000. Although not large in size, the impact of these frauds is most often felt by those who can least afford them – small businesses, families, friends, care receivers, charities and associations.

### Case Study One

43 year old woman wrote extra pay advices and kept the money over a 12 month period. Depression was led in evidence as a contributing factor to the frauds. She suffered a nervous breakdown after the frauds were discovered and had lost all assets and was relying on unemployment benefits to live.

Discovered when an employee noted the amount they had received was less than their group certificate.

**Amount stolen:** \$129,680

**Addiction:** Poker machines

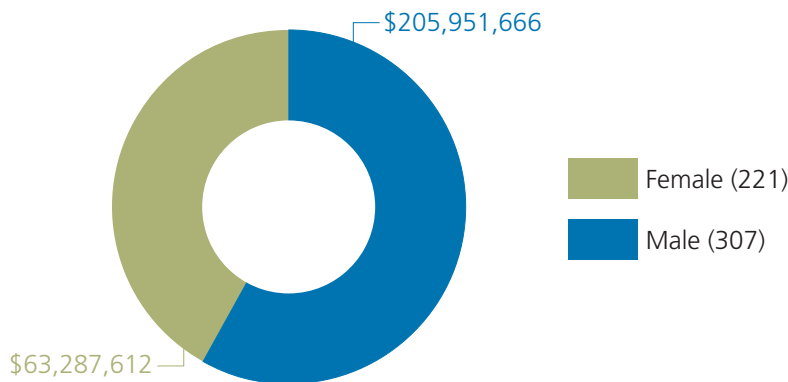
**Sentence:** Three year good behaviour bond, 322 hours of community service and pay compensation of \$96,500.

# The Perpetrators

## Sex

58% of the offenders were male. Men were 39% more likely than women to have committed a fraud as a result of gambling.

Frauds committed by males were also much higher in value on average, in fact, 234% higher.



**Figure 2 – Total fraud by sex**

Of the top ten frauds by value, nine of the ten were male.

Of the 55 frauds exceeding \$1 million, there were 16 women and 39 men.

## Case Study 2

31 year old father of two earning \$44,000 per year. Stole \$10.5 million from 40 customer accounts held with a subsidiary of a major bank over a 15 month period. Stated it was easy to do because no one checked his work.

Discovered by a cashier making a report to AUSTRAC which referred the report to the NSW Police Fraud Squad. Lost \$8.5 million at Sydney's Star City Casino.

**Amount stolen:** \$10.5 million

**Addiction:** Gaming tables at Star City Casino

**Sentence:** Five years gaol with non parole of three years.

## Age

In 485 of the 528 cases, the age of the perpetrators was recorded either at the date of conviction or sentencing.

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.

Age Group	Number	Total Amount	Average Loss
Up to 20	4	\$248,450	\$62,113
21-30	84	\$14,617,014	\$174,012
31-40	166	\$105,690,874	\$636,692
41-50	147	\$92,889,134	\$631,899
51-60	59	\$34,269,587	\$580,840
61-70	19	\$8,377,237	\$440,907
71 and over	6	\$913,817	\$152,303
	<b>485</b>	<b>\$257,006,113</b>	<b>\$529,910</b>

“They treated me like a queen. They reserved my favourite machine for me. I was like a zombie.”

**Figure 3 – Fraud broken down by age groups**

Of the top 10 frauds by amount, the average age at time of conviction was 41 years old.

The age spread of the perpetrators in this research suggests that age is not a significant risk factor for problem gambling related fraud.

# The Victims

## In general

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.

The second largest losses were by those who trusted their advisors with their money. This group of professionals have access to detailed financial information and are often relied upon to provide independent advice in the best interests of their clients. Unfortunately, this also provides great opportunities for them to abuse their position.

Victim Entity / Individual	Number	Total Amount	Average Loss
Employers	352	\$201,820,618	\$573,354
Clients of Financial Advisors/Solicitors/Accountants	22	\$31,879,635	\$1,449,074
State Govt Revenue	3	\$11,378,303	\$3,792,768
Investors in unregistered schemes	10	\$4,142,802	\$414,280
Australian Taxation Office	6	\$2,998,807	\$499,801
Financial Institutions (by other than employees)	20	\$2,791,070	\$139,554
Centrelink	29	\$2,625,318	\$90,528
Friends	10	\$1,725,412	\$172,541
Associations – involving honorary positions	17	\$1,070,861	\$62,992
Family members	12	\$649,279	\$54,107
Other	47	\$8,157,173	\$173,557
	<b>528</b>	<b>\$269,239,278</b>	

*Figure 4 – Victims of fraud by category*

## Employee fraud

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

42 of all 55 amounts stolen over \$1 million, were taken by employees.

Employees were responsible for 2/3 of all fraud perpetrated by problem gamblers and they averaged more than \$570,000 in each case.

Amount defrauded	Number	Total Amount	Average Loss
Over \$5 million	6	\$75,042,920	\$12,507,153
\$1 million to \$5 million	36	\$73,194,062	\$2,033,168
\$500,000 to \$999,999	30	\$20,247,287	\$674,910
\$100,000 to \$499,999	119	\$27,423,770	\$230,452
\$50,000 to \$99,999	52	\$3,645,998	\$70,115
Under \$50,000	109	\$2,266,581	\$20,794
	<b>352</b>	<b>\$201,820,618</b>	<b>\$573,354</b>

“Your breach of trust has had catastrophic effects on people who you probably know quite well.”

**Figure 5 – Employee fraud by amount stolen**

161 of the 352 employees, or 46%, were women who stole \$54.5 million or 27% of the total amount taken from employers.

### Can I have my money back ?

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
- Reviewing bank records
- 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.

It is not surprising that 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 subjects had large debts, having lost everything as a consequence of the gambling. Bankruptcy was not uncommon.

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

## Where were the frauds perpetrated ?

The frauds were broken down by State and Territory in which they occurred. There were only a handful of cases where borders were crossed to commit the frauds, so no break-up was considered necessary of the actual residence of the fraudsters.

It is interesting to note that despite NSW having a larger population than Victoria, there was a significant variation in the amount lost to fraud. \$30.96 million more was lost in Victoria than NSW, which equates to a 43% difference.

State/Territory	Number of Frauds	Amount defrauded	Average Loss
Australian Capital Territory	10	\$1,655,957	\$165,596
New South Wales	137	\$71,744,780	\$523,685
Northern Territory	23	\$3,566,436	\$155,062
Queensland	116	\$25,330,968	\$218,370
South Australia	39	\$27,888,493	\$715,090
Tasmania	30	\$8,170,448	\$272,348
Victoria	156	\$102,701,516	\$658,343
Western Australia	17	\$28,180,680	\$1,657,687
	<b>528</b>	<b>\$269,239,278</b>	

**Figure 6 – Frauds broken down by State and Territory**

The results for both South Australia and Western Australia were impacted by the inclusion of two of the largest gambling related frauds in Australia's history, that both occurred during the ten year period. This is reflected in the high average losses for those States.

When these two frauds are removed from the summary, the average losses for South Australia was \$143,184 and for Western Australia was \$573,793.



## Sentences

Not all people convicted were sentenced to a gaol term. Of the 528 cases, 382 received gaol sentences, whether full time or part time/weekend detention. The balance received suspended sentences, home detention, community service/ community based order or good behaviour bonds.

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

The ten longest sentences imposed ranged from 14 years gaol with a non parole period of nine years and six months down to nine years gaol with a non parole period of three and a half years.

Of the ten largest frauds, the average sentences were a head sentence of eight years and four months with an average non parole period of five years.

Of the 55 cases of fraud exceeding \$1 million, the average sentences were a head sentence of eight years with an average non parole period of three years and seven months.

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.

Amount defrauded	Length of Sentence	Number of Cases	Number of non custodial sentences
Over \$5 million	5 years 8 months	9	0
\$1 million to \$5 million	3 years 3 months	46	0
\$500,000 to \$999,999	2 years	43	2
\$100,000 to \$499,999	1 year 6 months	161	20
\$50,000 to \$99,999	10 months	94	19
Under \$50,000	4 months	175	105
		<b>528</b>	<b>146</b>

**Figure 7 – Sentences recorded by size after taking into account mitigating circumstances**

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 40% likelihood of gaol if the amount stolen was less than \$50,000 compared to a 92% likelihood of gaol as the amount rose to exceed \$100,000.

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
- The impact of the offences on the public and public confidence and/or the effect on fellow employees
- Whether the perpetrator's actions were deliberate, systematic and premeditated
- Whether the perpetrator took extensive steps to disguise his/her wrongdoing
- Whether the perpetrator was remorseful
- The person's character

"If the state is to allow poker machines to be so readily available in the Crown Casino and also out in local suburban pubs and clubs all over the state and preying on the psychologically or intellectually challenged, then it must be expected courts sometimes find mitigating circumstances that warrant some leniency in sentencing"

### Case Study 3

35 year old male worked for a country accounting practice as a financial planner. Stole from 15 clients of the accounting firm by forging signatures of clients and his employer over a period of seven years and four months.

Stole half of a paraplegic's \$770,000 payout from Workcover. Also stole \$150,000 from a widow who invested money left to her autistic son by his late father and \$51,450 from his own uncle and aunt's super fund.

He was signatory to various client cash management trust accounts and forged client signatures to withdraw money and transfer funds from one account to another. Falsified reports to disguise the frauds.

**Amount stolen:** \$1.331 million

**Addiction:** Crown Casino, Sportsbet and Centrebet

**Sentence:** Four years and 11 months with a minimum of three years and eight months

## Duration of frauds

In 462 of the cases, the length of the fraud was detailed. Of particular significance were the duration of some of the welfare frauds and the time it took employers to discover fraud by their own employees.

### Welfare fraud

Seven of the eight longest periods that fraud was perpetrated were by recipients of welfare from the Federal Government. The duration of the frauds and the amounts stolen are shown in the table below:

Duration	Amount
25 years	\$177,000
16 years	\$134,106
14 years	\$290,027
11 years	\$78,439
10 years	\$372,619
10 years	\$80,783
9 years	\$56,184

“The bank had no idea; it found out when he left a note.”

**Figure 8 – Duration of the seven longest welfare frauds and amounts defrauded**

The use of false identities to claim social security payments was the most common way this was achieved, followed by claiming social security payments whilst working.

Recent improvements in data mining technology used by Centrelink has improved their capability to match data that indicates a person may be claiming more than one benefit. This will no doubt impact the future trends for problem gambling related welfare fraud.

### Employee fraud

Of the frauds committed by employees, the longest period the fraud went undetected was for an extraordinary nine years and two months involving more than \$4 million.

Management may want to believe that in the event of fraud 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 very clear that a number of Australia’s largest organisations should have a serious rethink about how they undertake fraud risk management.

Of the 352 instances where fraud was committed by an employee, the duration of the fraud was identified in 314 cases. The break-up of the duration should be of real concern to those responsible for governance in their organisations. No organisation can completely stop fraud from happening. However, a number of these organisations, in particular the banks, had large frauds occurring by staff that was not discovered by their internal control and reviews over what can only be regarded as an unreasonable period of time.

Duration	Number	Total Amount	Average Loss
5 years +	31	\$51,771,885	\$1,670,061
3 years up to less than 5 years	45	\$63,012,189	\$1,400,271
2 years up to less than 3 years	42	\$28,329,913	\$674,522
12 months up to less than 2 years	82	\$30,363,711	\$370,289
6 months up to less than 12 months	56	\$10,446,324	\$186,542
1 month up to less than 6 months	44	\$3,148,301	\$71,552
Under 1 month	14	\$4,022,616	\$287,330
	<b>314</b>	<b>\$191,094,939</b>	<b>\$608,583</b>

**Figure 9 – Time taken for employee fraud to be discovered**

118 cases of fraud lasted more than two years. The longer the period of time that the fraud goes undetected, the greater the impact on the person who commits 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 and employees out of pocket and out of a job.

## Case Study 4

39 year old female used her family's savings, stole the title deeds and other documents to a friend's home and raised loans and also took out personal loans. The pokies became an obsession five days a week.

**Amount stolen:** \$186,779

**Addiction:** Poker Machines

**Sentence:** Six years gaol eligible for parole after two years.

## Modes of gambling

There were 326 cases where the mode of gambling was identified. The balance simply referred to 'a gambling addiction' but did not specify what that addiction was.

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.

Although it is recognised that the entire proceeds of the frauds would not have been spent gambling in every case, the overwhelming evidence in the cases that were reviewed was that the addiction resulted in not only most of fraudulent proceeds being gambled, but also other income and family assets, resulting in little evidence of lavish lifestyle or asset accumulation.

In cases where gambling was a factor, but the court judged the gambling not to be the main source of the problem and/or the use of the funds, these cases were excluded from the study.

Mode of gambling	Duration	Amount
Poker machines	184	\$64,077,200
Casinos *	74	\$71,049,056
Horseracing	27	\$71,479,603
TAB	18	\$5,625,330
Other**	23	\$22,187,352
<b>Total</b>	<b>326</b>	<b>\$234,418,541</b>

"A mother of three, burned through \$584,341 on poker machines in 147 hours of gambling at Crown"

**Figure 10 – Main type of gambling that the proceeds of fraud were used for**

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

\*\*Lotto, Cards, Dogs, Online gambling, Offshore betting, Sports betting, Poker, Football pools, Keno and multiples of any of the above modes.

Although these figures tell a story, the evidence led in court about the gambling behaviour of the perpetrators gives a far clearer picture of the problem. Please refer to the section titled 'Comments in regards to the actual cases – The addicted' for an insight into individual cases.

### Poker machines

Poker machines were specifically mentioned in 203 cases. Of the 203 cases, 131 involved female players and 72 were males.

Of the 203 cases, poker machines were the only form of gambling by 184 people. In the remaining 19 cases, they played poker machines as well as other forms of gambling.

Just over \$64 million was lost to poker machines. The average loss to fraud where the person was solely addicted to poker machines was \$350,148.

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.

What percentage poker machines made up of the \$35 million for which no gambling mode was recorded or the percentage poker machines made of the \$22 million included as 'Other' will never be known.

## Casinos

Casinos were specifically mentioned on 88 occasions. When taking out the sole purpose to play poker machines, the number was reduced to 74 cases. Of these 50 were men and 24 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 \$960,122.

Perpetrators of six of the ten largest frauds spent some of the proceeds of their crimes at Casinos.

What was particularly worrying was that in one instance a 17 year old boy was able to gain access and gamble at the Sydney Casino.

## Horseracing

The average loss to fraud when betting on horseracing was \$2,647,393. This was by far the highest average loss for the gambling modes represented.

Four of the ten largest frauds were motivated by an addiction to gambling on the horses.

Betting on horseracing was also almost exclusively a male domain, with only one of the 27 perpetrators being female.

## TAB

18 people bet exclusively at the TAB. This was also an almost exclusively male domain with only female perpetrator involved.

The average loss to fraud when betting at the TAB was \$312,518.

## 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. Eight people had addictions that included Keno. One person had a wide range of ways to spend the proceeds of the frauds. This included - Crown Casino, TAB, Suburban pokies, Football pools and Tattsлото.

"It wasn't until I hit the Mahogany Room that . . . my \$800 borrowed from a friend became playing with \$50,000 in front of me".

## Reasons given for the gambling motivation

In most cases, reasons were not provided for the frauds. However there were trends that became obvious. According to court records, past or present traumas or some life impacting experience such as death of a close family member, rape, physical abuse, marriage breakdown or personal financial crisis were sometimes catalysts for the person to escape into the world of gambling.

Escapism from the day to day worries was a constant theme, but by no means given as an excuse.

It was as if the gamblers were trying to find relief from boredom or to escape from negative circumstances.

A significant number of people believed that they could win at their gambling. In particular, those who were ultimately charged with criminal offences involving thefts from their employers, believed they could win the money required to pay back the money they had stolen to gamble.

'Euphoria', 'feeling important', 'being somebody' were also terms that were observed on a number of occasions when perpetrators were relating their emotional feelings about their gambling.

They placed themselves under financial pressure to finance their craving for gambling.

"In front of a poker machine, all my worries are gone"

### Case Study 5

58 year old female carer used an ATM card linked to the savings account of an 81 year old dementia sufferer to remove money over a seven month period.

She put \$430,000 through an RSL Club's poker machines over a 13 month period. The dementia sufferer subsequently had 5 strokes since the theft was discovered.

**Amount stolen:** \$30,000

**Addiction:** Poker Machines

**Sentence:** Three years gaol suspended after 15 months

# Comments in regards to the actual cases

## The Judiciary

The quotes referred to below were made by Judges and Magistrates in some of the 528 cases referred to in the research.

*"Gambling is becoming a very significant problem . . . for four days in a row I have had people with gambling problems before me," Judge Helen O'Sullivan, Brisbane District Court, 13 September 2007.*

*"Your breach of trust has had catastrophic effects on people who you probably know quite well." Judge Michael Forde, Brisbane District Court, 16 February 2007.*

*"If the state is to allow poker machines to be so readily available in the Crown Casino and also out in local suburban pubs and clubs all over the state and preying on the psychologically or intellectually challenged, then it must be expected courts sometimes find mitigating circumstances that warrant some leniency in sentencing," Judge Roland Williams, County Court, 6 December 2007.*

*"No prospect whatsoever of that money being paid back" Judge Clive Wall, Townsville District Court, 9 August 2002*

*"The damage to individual members of our community by theft such as yours is extreme," Justice Murray Kellam, Supreme Court of Victoria, 13 March 2003.*

*"A worrying aspect is his thinking that gambling is an option to improve the present situation" Justice Steve Bailey, Northern Territory Supreme Court, 13 October 2004.*

*"You were at that stage caught by its (gambling) vice-like grip." Judge Elizabeth Curtain, Victorian County Court, 21 May 2002.*

*"The defendant engaged in wholesale fraud and deliberate deception of two employers over a lengthy period of time." Magistrate Kym Boxall, Adelaide Magistrates Court, 23 September 1999.*

*"I consider this the evil side of this new phenomenon of gambling that has hit our community. It seems to be promoted vigorously by some leaders of the community." Magistrate Theodore Iuliano, Adelaide Magistrates Court, 24 February 1998.*

*"Your pathological gambling addiction explains why a person of excellent character came to be involved in criminal conduct of this nature. However, it does not provide an excuse. It goes to illustrate the destructive force of a gambling addiction." Judge Robertson, Adelaide District Court, 16 September 1998.*

*"There is gambling all around us and it has been made oh so easy to gamble and keep gambling. It has become a culture." Judge Roland Williams, Victorian County Court, 5 May 2000.*

*"It seems . . . dangerous to allow automatic teller machines on the same premises as gambling machines. If you had gone to the hotel with limited money, you would have been forced to reassess the situation when the money ran out. You would have had to go to a bank and withdraw more funds. Here it was all too easy to deplete your joint account (with her husband) (on) the premises when you were pouring money into a poker machine." Judge David Morrow, Victorian County Court, 23 February 1998.*

*"Cases of this sort, which are increasing in number, call for consideration of legislation which would put the onus on Crown Casino and other gaming venues to make reasonable inquiries to ensure that large sums of money continually being lost by regular customers, as in this instance, are emanating from legitimate sources. In default of such inquiries, a civil liability should be imposed by legislation upon these venues to reimburse the victims of crime of this nature." Judge Frank Dyett, Victorian County Court, 19 June 2007.*

*"These clubs must know how much money is being spent on poker machines, and they just turn a blind eye." Judge Helen Morgan, NSW District Court, 13 August 2004*



## The Victims

The quotes referred to below were made by various parties involved in some of the 528 cases referred to in the research. The comments relate to the impact on the Victims of the frauds. They have not been directly attributed to the maker.

*"It has effectively destroyed customer confidence in credit card transactions"*

*"Any money raised by a school committee is not easy to raise. Schools are in desperate need of any money they can raise. Anyone who helps themselves to that money has to expect to be dealt with very seriously by the courts."*

*It's disgraceful what she's done. She's left my uncle with nothing. She'll just be able to continue on with her life like nothing has happened. For her not to go to jail is a joke."*

*"A man who stripped his then girlfriend's 'retirement nest egg' to fund his gambling has been jailed for two and a half years."*

*"The organisation had required major restructuring to cover the budget shortfall and two staff members had taken redundancy packages"*

*"Six years jail for defrauding 65 intellectually impaired clients of the money over 12 months."*

*"Her crimes almost caused her second victim to go bust and jeopardised the jobs of her nine co-workers."*

*"Stole \$40,300 from her aunt, uncle and grandmother to finance her gambling."*

*"By committing this offence you have brought not only shame on yourself and family you have had a very dramatic effect on your former employer. They have indicated they have had to struggle with the consequences of your actions. They have been left significantly out of pocket."*

*"A fraudster whose thieving caused her employers' business to shut down continued to steal from them after they closed their doors."*

*"Stab him, bash him, I don't care, kill him if you want. I don't give a f..., just as long as he doesn't come to work."*

*"Sentenced to four years jail for stealing children's welfare money to feed her gambling habit."*

*"Had a gambling problem for 15 years that even her partner was not aware of."*

*"The bank had no idea; it found out when he left a note."*

## The Addicted

The quotes referred to below were made by various parties involved in some of the 528 cases referred to in the research. The comments relate specifically to the perpetrators of the frauds. They have not been directly attributed to the maker.

*"They treated me like a queen. They reserved my favourite machine for me. I was like a zombie."*

*"She found that when she was sitting at a poker machine all her troubles would go away, (gambling) was like a sanctuary, a form of escapism."*

*"It was never a case of win, walk away, fantastic. I hated being in there, the whole time. It was never fun, happy, joyful, it was always me trying to repay, catch, chase, hide it from my family, put on a happy, smiley face. It's easy for me to stand here now and know that I did have a problem . . . but not one that I'd be willing, or would have been willing, to admit back then because I felt like I could always get on top of it."*

*"A mother of three, burned through \$584,341 on poker machines in 147 hours of gambling at Crown"*

*"What began as a \$10-per-night habit escalated to \$400 a night after the pair joined a 'rewards' club at the Adelaide Casino, for which they accumulated 'points' for gambling."*

*"It was a convenient outlet because she wasn't being seen by anyone she knew and didn't have to interact with anyone when she was sitting at the poker machines"*

*"No other wagers exceeded \$20 but the appellant's ranged from at least \$100 to thousands of dollars. He was betting . . . every three minutes. At the end of the night . . . it was found \$160,000 was owing."*

*"It wasn't until I hit the Mahogany Room that . . . my \$800 borrowed from a friend became playing with \$50,000 in front of me".*

*"Spent hours gambling to distract her from underlying long-term depression and emotional problems"*

*"Blew it all at Crown, turning over more than \$1 million in 2000 and averaging almost \$400 a bet and sometimes gambling for up to 18 hours in a day."*

*"I used (pokies) as my escape, I knew I could go in there and forget about everything. I was oblivious that there was a world out there, and I didn't have to talk to anyone if I didn't want to."*

*"It was really scary at first, but it was so easy to do. When you're gambling it doesn't matter where the money comes from"*

*"She was pouring hundreds of thousands of dollars down the mouths of poker machines, spending hours on end."*

*"I recognise the fact that I must stop. I can't play poker machines in a social way because if I did I can't stop, so I have taken action."*

*"The crimes had cost the 55-year-old his house, a long-term relationship, his job and his reputation."*

*"Was committed to feed a \$200-a-day gambling habit."*

*"Everyone thought he was an extremely loyal employee, always looking after the books"*

*"In the end I wanted to get caught, I just couldn't stop myself"*

*"She became obsessed with poker machines. They had total control over her"*

*"Literally gambled his life away"*

## Problem gambling counsellors

People with a gambling addiction do have significant resources available to them to help with their problems.

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.

There is also gambling help line information prominently displayed at gambling venues.

Organisation / Website	Website Address
Gamblers Anonymous	<a href="http://www.gamblersanonymous.org.au/">www.gamblersanonymous.org.au/</a>
Lifeline	<a href="http://www.lifeline.org.au/">www.lifeline.org.au/</a>
Problem Gambling	<a href="http://www.problemgambling.vic.gov.au">www.problemgambling.vic.gov.au</a>
Relationships Australia	<a href="http://www.relationships.com.au">www.relationships.com.au</a>
The Salvation Army	<a href="http://www.salvos.org.au/">www.salvos.org.au/</a>
Wesley Mission	<a href="http://www.wesleymission.org.au/homepage.asp">www.wesleymission.org.au/homepage.asp</a>

Based on the many comments throughout the research, the most difficult part is for the person with the gambling problem to actually recognise they have a problem and seek help.

In fact the Productivity Commission provided the following reasons why people who experience gambling problems might not seek assistance:

- a limited knowledge of the availability of services;
- poor location of services;
- hours of operation might not be convenient;
- preference for other more informal assistance;
- cultural and/or gender factors; and
- the stigma associated with gambling problems.

Anecdotal evidence from gambling counsellors is a valuable source of information that can be used to gauge the size of the problem as they will often be involved in a trusting relationship in which information is provided in confidence about their behaviour and the true impact of the addiction. Over time, counsellors' own records would no doubt provide significant insight into the impact of problem gambling and the relationship to crime, in particular fraud.

The counsellors must continue to be given resources that allow them to play a key role in educating politicians, policy makers and the general public about the potential impact of problem gambling as well as provide crucial support to those whose gambling as adversely impacted their lives.

## Contact Us

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