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**Abstract** | This Statistical Bulletin presents the results from the AIC's 2020–21 Fraud Against the Commonwealth census. The number of internal fraud investigations commenced increased from the previous year, while the number of external fraud investigations commenced decreased.

Of the substantiated allegations, the most common targets for internal and external frauds were information and Commonwealth benefits respectively. Data analytics was the most common method of detecting both internal and external fraud in 2020–21.

The total losses from external fraud in 2020–21 were less than in 2019–20, yet total losses for internal fraud were larger than in 2019–20. Entities reported greater overall recoveries in 2020–21 than in the previous year for both internal and external fraud.

## Fraud against the Commonwealth 2020–21

Merran McAlister and Coen Teunissen

The Australian Government has defined fraud against the Commonwealth as a crime where someone dishonestly obtains a benefit or causes a loss by means such as deception (Attorney-General's Department 2017). Fraud against government entities can impact Australians by reducing available funds for public goods and services as well as causing financial and reputational damage to the entities themselves (Attorney-General's Department 2017; Teunissen 2021). Examples of this type of fraud are the theft and misuse of Commonwealth credit cards, the misuse of assets, the provision of false or misleading information, or the use of falsified or forged documents (Teunissen 2021). The estimated cost of fraud against the Commonwealth has risen in recent years, from \$91.6m in 2017–18 to \$194.5m in 2019–20 (Teunissen 2021; Teunissen, Smith & Jorna 2020).

## Methodology

This Statistical Bulletin presents the results from the Australian Institute of Criminology's (AIC) annual Fraud Against the Commonwealth census for the period 1 July 2020 to 30 June 2021. The census includes questions about fraud allegations, commenced and finalised fraud investigations, fraud control arrangements and internal and external fraud cases where the investigation was finalised during the reference period. The findings relate to fraud allegations for which investigations were finalised during this period. Due to the length of time fraud investigations can take, some fraud cases finalised in 2020–21 may have been detected in previous financial years.

Census responses were collected from Commonwealth entities between 23 August and 23 December 2021. A total of 165 entities completed the census for 2020–21; however, the responses from one entity were unable to be analysed for security reasons. Therefore, the analyses below are based on the responses from the remaining 164 entities. The breakdown of these entities by size, based on the number of employees, is shown in Table 1. Most entities ( $n=111$ , 68%) were extra small ( $n=39$ ), small ( $n=38$ ) or medium ( $n=34$ ). Where *Public Governance, Performance and Accountability Act 2013* (Cth) status was concerned, most responding entities were either non-corporate ( $n=96$ , 59%) or corporate Commonwealth entities ( $n=59$ , 36%). A small number were Commonwealth companies ( $n=9$ , 5%).

Entity size (number of employees)	<i>n</i>	%
Micro (<20)	14	8.5
Extra small (20–100)	39	23.8
Small (101–250)	38	23.2
Medium (251–1,000)	34	20.7
Large (1,001–10,000)	33	20.1
Extra large (>10,000)	6	3.7

Note: Number of employees calculated using full-time equivalency staffing numbers

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

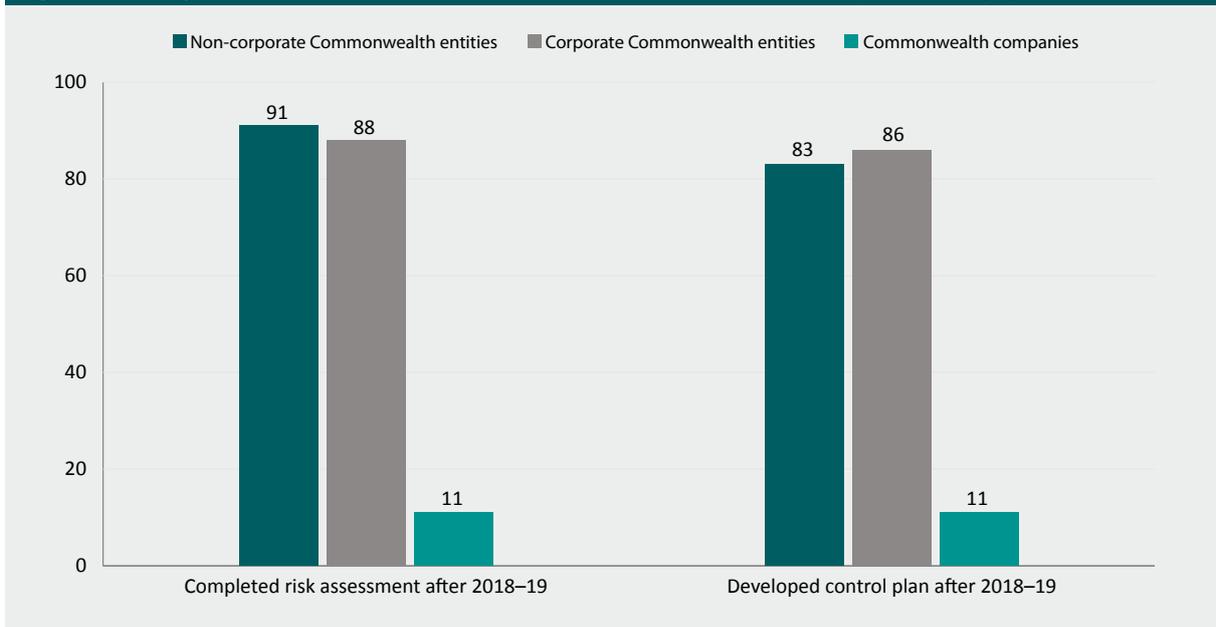
## Preventing and detecting fraud

### Compliance with Commonwealth Fraud Control Framework

Section 10 of the *Public Governance, Performance and Accountability Rule 2014* (Cth) states that all entities must take 'reasonable measures to prevent, detect and deal with fraud relating to the entity' (Attorney-General's Department 2017). This includes conducting risk assessments regularly, as well as developing and implementing a fraud control plan that addresses identified risks as soon as practicable after conducting a risk assessment. This is referred to as the Fraud Rule (Attorney-General's Department 2017) and is binding for non-corporate and corporate Commonwealth entities but not for Commonwealth companies.

In accordance with the Fraud Rule, most non-corporate and corporate Commonwealth entities had completed a fraud risk assessment and fraud control plan in the previous two years (see Figure 1). This finding aligns with the results of the recent Association of Certified Fraud Examiners (ACFE) survey on the fraud landscape. The ACFE (2021) found that in the past two years the majority of organisations surveyed globally had updated or implemented new anti-fraud programs and plans. The current Fraud Against the Commonwealth census found that, despite most non-corporate Commonwealth entities complying with the Fraud Rule, a declining proportion had completed a fraud risk assessment (96% after 2017–18 to 91% after 2018–19) and developed a fraud control plan (91% after 2017–18 to 83% after 2018–19) compared to the findings of the previous census.

**Figure 1: Compliance with Commonwealth Fraud Control Framework, 2020–21 (%)**



Note: Entities must have up-to-date risk assessments and fraud control plans. Data presented shows the number of entities that had completed a risk assessment and fraud control plan in 2019–20 or 2020–21

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

### Innovations and limitations

The census asked entities to summarise innovations in fraud prevention and detection implemented in 2020–21 as well as the factors that limited innovation (see Table 2). Half of the innovations described by entities for fraud prevention ( $n=69$ , 50%) and detection ( $n=50$ , 53%) were updating policies and frameworks to reflect the varying and evolving fraud risks. Insufficient staffing was the most common limitation entities reported for both fraud prevention ( $n=78$ , 39%) and detection ( $n=78$ , 38%).

**Table 2: Innovations and limitations for fraud prevention and detection, 2020–21**

	Innovations	Limitations
Fraud prevention	<ul style="list-style-type: none"> <li>Updating policies and procedures to better address fraud prevention (<i>n</i>=69, 50.4%)</li> <li>Increasing staff training and fraud knowledge across the entity (<i>n</i>=48, 35.0%)</li> <li>Updating existing frameworks or implementing new frameworks for fraud prevention (ie software; <i>n</i>=26, 19.0%)</li> </ul>	<ul style="list-style-type: none"> <li>Staffing (<i>n</i>=78, 39.2%)</li> <li>Budget/finances (<i>n</i>=43, 21.6%)</li> <li>Technology (software and systems; <i>n</i>=41, 20.6%)</li> <li>Other (<i>n</i>=37, 18.6%)</li> </ul>
Fraud detection	<ul style="list-style-type: none"> <li>Updating and improving existing frameworks and/or policies or implementing new frameworks/policies to detect fraud (<i>n</i>=50, 52.6%)</li> <li>Updating and implementing new systems or developing/using artificial intelligence tools and technology to detect fraud (<i>n</i>=28, 29.5%)</li> <li>Increasing staff training and fraud knowledge across the entity, such as creating new fraud roles and learning modules (<i>n</i>=17, 17.9%)</li> </ul>	<ul style="list-style-type: none"> <li>Staffing (<i>n</i>=78, 38.4%)</li> <li>Budget/finances (<i>n</i>=46, 22.7%)</li> <li>Technology (software and systems; <i>n</i>=42, 20.7%)</li> <li>Other (<i>n</i>=37, 18.2%)</li> </ul>

Note: Entities could provide more than one response. Innovation totals were *n*=143 and *n*=95 for prevention and detection respectively. Limitation totals were *n*=199 and *n*=203 for prevention and detection respectively

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

Entities were also asked to describe ways to improve the training of staff in fraud investigation and control. Ninety-five entities (58%) provided this information. As in 2019–20, the top three suggestions were for training to be more relevant to the entity and/or role (*n*=37, 30%), for standardised and/or mandatory training to be made available to staff (*n*=36, 29%), and for ongoing refresher courses (*n*=22, 18%).

## Fraud allegations

Fraud was classified as either internal fraud (fraud perpetrated against an entity by officials/contractors of that entity) or external fraud (fraud perpetrated against an entity by individuals who were not officials/contractors). Fraud allegations were defined as incidents of alleged fraudulent conduct which concerned one or more suspects.

There were 30,148 fraud allegations received or detected in 2020–21. Sixty of 164 entities (37%) reported receiving fraud allegations, an increase from 2019–20 (26%). The numbers of allegations received or detected in 2020–21 are shown by entity size and fraud type in Table 3. Ninety percent (*n*=27,212) of fraud allegations reported in 2020–21 were associated with the six entities categorised as extra large. Micro, small and extra small entities accounted for 55 percent of entities but less than one percent (*n*=19) of fraud allegations received.

External frauds accounted for 60 percent ( $n=18,091$ ) of all fraud allegations in 2020–21, and internal frauds for 39 percent ( $n=11,881$ ) of fraud allegations. Other/unclassified frauds comprised one percent of fraud allegations reported in 2020–21.

**Table 3: Fraud allegations by entity size and fraud type, 2020–21 ( $n$ )**

Entity size (number of employees)	Solely internal fraud	Solely external fraud	Other/unclassified
Micro (<20)	0	0	0
Extra small (20–100)	1	3	2
Small (101–250)	3	10	0
Medium (251–1,000)	33	997	1
Large (1,001–10,000)	109	1,773	4
Extra large (>10,000)	11,735	15,308	169
Total	11,881	18,091	176

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

## Fraud investigations

Table 4 shows the number of investigations commenced in 2020–21 and the number of cases that did not meet the threshold for investigation, broken down by entity size and fraud type. A case is defined as an investigation into an allegation or group of allegations that relate to one suspect or group of suspects concerning a single instance of alleged fraudulent conduct.

Micro, extra small, small and medium entities accounted for 76 percent ( $n=125$ ) of all responding entities but only 19 percent ( $n=870$ ) of investigations into internal or external fraud commenced in 2020–21. Similar to 2019–20, micro, extra small, small and medium entities accounted for two percent ( $n=23$ ) of all internal fraud investigations commenced in 2020–21 and 26 percent ( $n=847$ ) of all external fraud investigations commenced.

**Table 4: Commenced fraud investigations by entity size and fraud type, 2020–21 ( $n$ )**

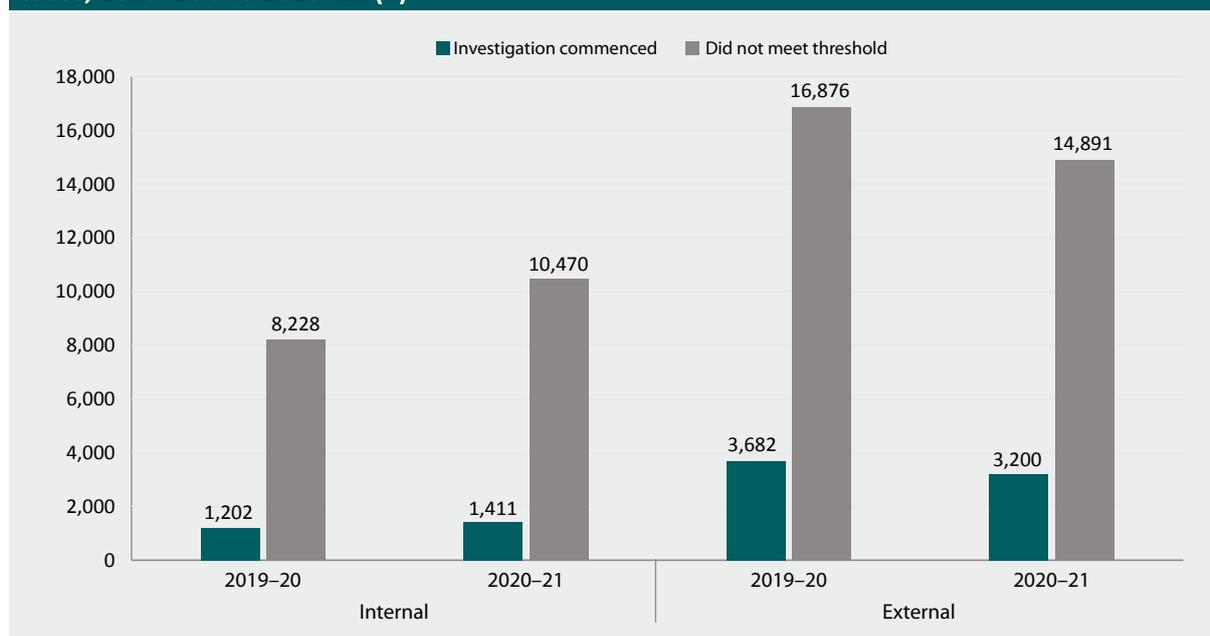
Entity size (number of employees)	Solely internal fraud		Solely external fraud	
	Investigations commenced	Cases that did not meet threshold for investigation	Investigations commenced	Cases that did not meet threshold for investigation
Micro (<20)	0	0	0	0
Extra small (20–100)	1	0	3	0
Small (101–250)	2	1	9	1
Medium (251–1,000)	20	13	835	162
Large (1,001–10,000)	54	55	396	1,377
Extra large (>10,000)	1,334	10,401	1,957	13,351
Total	1,411	10,470	3,200	14,891

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

The number of internal fraud investigations commenced in 2020–21 ( $n=1,411$ ) increased by 17 percent from 2019–20 ( $n=1,202$ ; see Figure 2). Similarly, there was a 27 percent increase in the number of internal fraud cases that did not meet the threshold for investigation between 2019–20 ( $n=8,228$ ) and 2020–21 ( $n=10,470$ ).

The number of investigations into external fraud commenced in 2020–21 was 13 percent less than the corresponding number in 2019–20 (3,200 in 2020–21 vs 3,682 in 2019–20). The number of cases that did not meet the threshold was 12 percent lower in 2020–21 ( $n=14,891$ ) than in 2019–20 ( $n=16,876$ ). In 2019–20, most external fraud cases that did not meet the threshold related to one entity ( $n=14,221$ , 84%). This same entity was also responsible for most external fraud cases that did not meet the threshold in 2020–21 ( $n=11,719$ , 79%). Excluding this entity from analysis, there were 6,372 external fraud cases in 2020–21 (this number combines investigations commenced and cases that did not meet the threshold for investigation), a similar number as in 2019–20 ( $n=6,337$ ).

**Figure 2: Investigations commenced and allegations not investigated, internal and external fraud cases, 2019–20 and 2020–21 ( $n$ )**

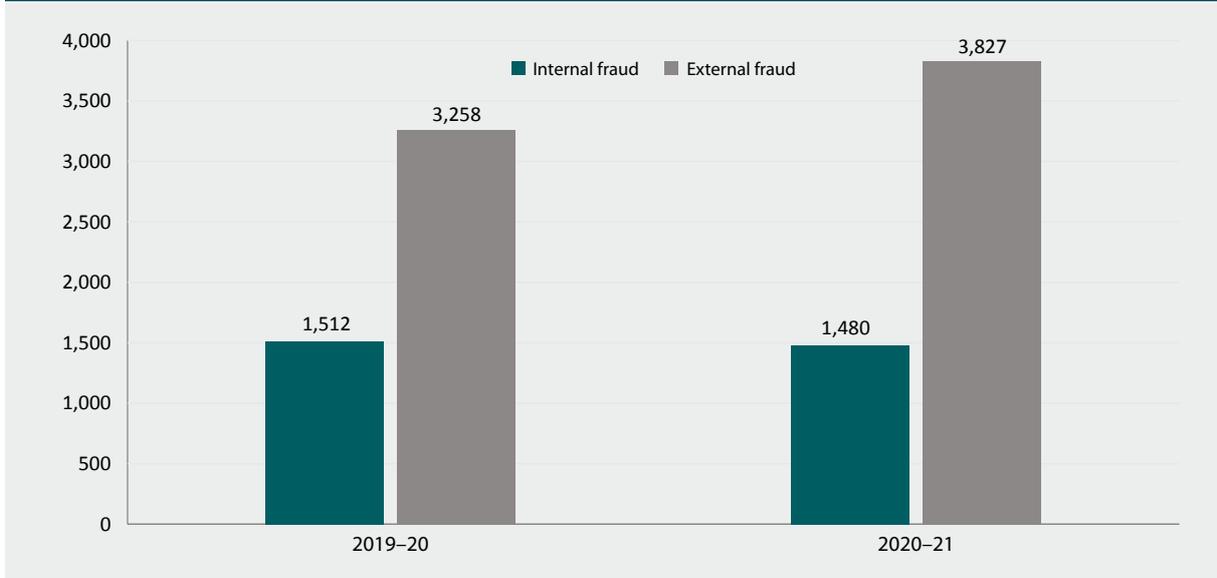


Source: AIC Fraud Against the Commonwealth census 2019–20; 2020–21 [computer file]

In 2020–21, 52 of 164 entities (32%) reported finalising an investigation—a slight increase from 2019–20 (30%). There were 5,307 fraud investigations finalised in 2020–21 across both internal and external frauds (see Figure 3). Fewer internal fraud investigations were finalised in 2020–21 ( $n=1,480$ ) compared to 2019–20 ( $n=1,512$ ). There were more external fraud investigations finalised in 2020–21 ( $n=3,827$ ) than in 2019–20 ( $n=3,258$ ). Due to the length of time investigations can take, not all finalised investigations related to fraud cases detected or investigations commenced in the same financial year. As such, variations in the number of investigations finalised each year is not uncommon.

A larger number of entities reported finalising internal fraud investigations in 2020–21 ( $n=34$ ) than in 2019–20 ( $n=26$ ). A similar median number of investigations per entity was reported in 2019–20 (median=2) and 2020–21 (median=1.5). A similar number of entities reported finalising external fraud investigations in 2020–21 ( $n=35$ ) and in 2019–20 ( $n=32$ ). The median number of investigations per entity reported in 2020–21 (median=3) was smaller than in 2019–20 (median=8.5).

**Figure 3: Investigations into internal and external fraud finalised, 2019–20 and 2020–21 (n)**

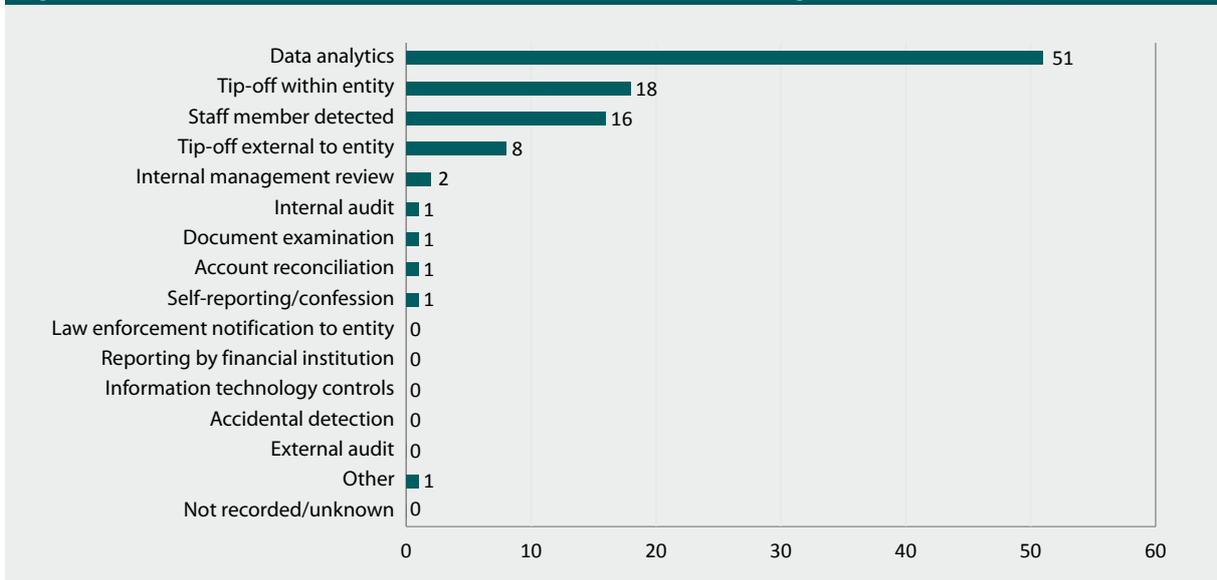


Source: AIC Fraud Against the Commonwealth census 2019–20; 2020–21 [computer file]

### How alleged fraud cases were detected

The top three fraud detection methods for internal fraud cases finalised in 2020–21 were data analytics ( $n=751$ , 51%), tip-offs within the entity ( $n=267$ , 18%) and detection by a staff member ( $n=231$ , 16%; see Figure 4 and Case study 1). These three methods were responsible for detection in most finalised investigations ( $n=1,249$ , 84%).

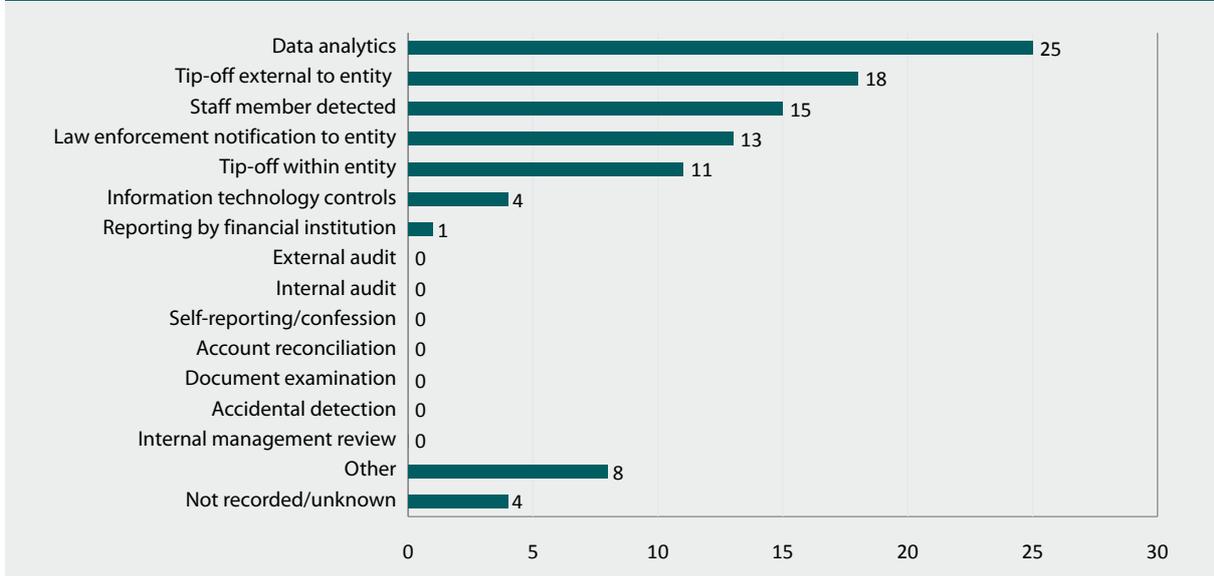
**Figure 4: Methods of detection in finalised internal fraud investigations, 2020–21 (%)**



Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

The top three methods of detection for external fraud cases finalised in 2020–21 were data analytics ( $n=942$ , 25%), tip-offs external to the entity ( $n=688$ , 18%), and detection by a staff member ( $n=578$ , 15%). These three methods were responsible for the detection of 58 percent ( $n=2,208$ ) of external fraud cases where investigations were finalised in 2020–21 (see Figure 5).

**Figure 5: Methods of detection in finalised external fraud investigations, 2020–21 (%)**



Note: Percentages may not total 100 due to rounding

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

### Case study 1: Internal financial fraud detected by a staff member

A large entity employed a short-term contractor while a staff member was on leave. During this time, the contractor had access to an official’s credit card to pay for office repairs. When the official returned from leave, they discovered payment anomalies totalling just over \$200 during a credit card account reconciliation. The payments were traced back to the contractor. The contractor admitted to accidental misuse of the credit card. Shortly after this, further unauthorised transactions were discovered. The unauthorised purchases totalled over \$450. The credit card was subsequently cancelled and the contractor repaid \$200 for the initial unauthorised payments.

During this time, it was also discovered through CCTV footage that the contractor had used a Commonwealth vehicle without authorisation. The contracting company was notified and the contract was terminated. The entity’s finance team sent letters to the contractor attempting to recover the remaining debt but was unsuccessful. Another team was then contacted to investigate and seek recovery of the remaining balance. No additional funds were recovered. However, recommendations were made to review internal policies regarding the use of credit cards and Commonwealth vehicles, and to improve security screening processes for contracted staff.

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

## Who conducted investigations?

Almost all investigations into internal fraud were conducted solely by the entity ( $n=1,448$ , 98%). A small number of internal fraud cases were investigated solely by other entities, such as the Australian Commission for Law Enforcement Integrity ( $n=7$ , <1%) or state/territory police ( $n=5$ , <1%).

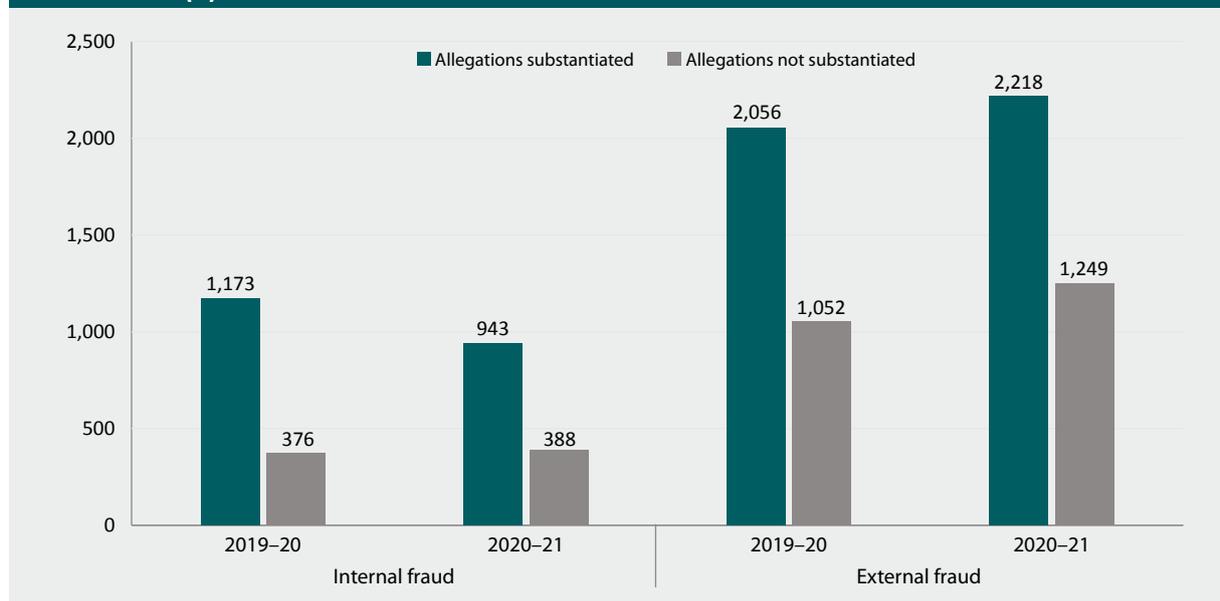
Investigations into external fraud in 2020–21 were also most commonly conducted solely within the entity ( $n=3,403$ , 89%), followed by external investigations conducted solely by another organisation ( $n=265$ , 7%), and internal entity investigations preceded or followed by an investigation by another organisation ( $n=107$ , 3%).

## Were allegations substantiated?

In 2020–21, fewer internal fraud ( $n=943$ ) and more external fraud allegations ( $n=2,218$ ) were substantiated compared to the previous year ( $n=1,173$  internal fraud and  $n=2,056$  external fraud respectively; see Figure 6). The increase in substantiated allegations of external fraud aligns with the findings of the ACFE (2021) report on the fraud landscape. This report found that over half of the organisations surveyed globally had uncovered more fraud since the beginning of the COVID-19 pandemic (ACFE 2021).

One entity accounted for 49 percent of substantiated allegations of external fraud ( $n=1,090$ ) in 2020–21 and 37 percent ( $n=464$ ) of those not substantiated. This same entity accounted for a large proportion of substantiated and unsubstantiated allegations in 2019–20 (55% substantiated and 48% unsubstantiated).

**Figure 6: Internal and external fraud allegations substantiated and not substantiated, 2019–20 and 2020–21 ( $n$ )**



Source: AIC Fraud Against the Commonwealth census 2019–20; 2020–21 [computer file]

## Results of investigations

There were 943 internal fraud allegations substantiated either in full or in part in 2020–21. The top three results of substantiated allegations were ‘other’ (eg formal warnings, counselling or retraining of staff;  $n=295$ , 31%), administrative sanctions (eg APS Code of Conduct sanctions, suspensions, reassignment of duties;  $n=240$ , 25%), or the termination of employment/contract by dismissal ( $n=178$ , 19%).

Of the 2,218 external fraud allegations substantiated in 2020–21, the top three results of the investigations were ‘other’ ( $n=1,083$ , 49%), administrative sanctions ( $n=849$ , 38%), or no further action being taken ( $n=364$ , 16%). The ‘other’ category includes cautions and infringement notices, or referral to other government entities such as the Commonwealth Director of Public Prosecutions for further investigation.

## Targets of fraud

Entities were asked to indicate the principal fraud target for each finalised investigation where allegations were substantiated either in full or in part.

### *Internal fraud*

The top three targets for internal frauds in 2020–21 were information ( $n=574$ , 60%), entitlements of officials ( $n=176$ , 18%) and benefits ( $n=124$ , 13%; see Figure 7). Personal information ( $n=560$ , 98%) was the predominant type of information targeted for internal fraud. For fraud involving entitlements of officials, position entitlement (the misuse of entitlements attached to an official’s position;  $n=92$ , 52%) and leave and related entitlements ( $n=48$ , 27%) were most commonly targeted. The main target of internal benefits fraud was Commonwealth social security benefits ( $n=113$ , 91%).

### *External fraud*

The top three targets for external frauds in 2020–21 were benefits ( $n=1,189$ , 50%), ‘other’ targets ( $n=624$ , 27%) and external financial fraud targets ( $n=342$ , 15%; see Figure 7). Commonwealth social security benefits ( $n=1,013$ , 85%) and Commonwealth health benefits ( $n=106$ , 9%) were the benefits most often targeted. Where details were given, ‘other’ external fraud targets included falsified certifications and natural resources. The top targets for external financial fraud were customs and/or excise ( $n=131$ , 38%), ‘other’ financial benefits (eg misuse of entity credit cards, superannuation or intellectual property;  $n=117$ , 34%) and Commonwealth contracts and invoices ( $n=30$ , 9%; see Case study 2).

**Figure 7: Top three targets of internal and external fraud, 2020–21**



Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

### Case study 2: External fraud targeting finances

An extra small Commonwealth entity experienced a phishing attempt in 2020–21. A staff member received an email appearing to be from the entity's Chief Executive, asking them to organise payment of an invoice. The staff member checked with the Chief Executive, who confirmed the email was fake. The email was referred to the Australian Cyber Security Centre. The phishing attempt was not successful and no money was lost.

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

## Methods

### *Internal fraud*

Entities were asked about the principal method used in each fraud case where the investigation was finalised and where allegations were substantiated either in full or in part. The top three methods by which internal frauds were committed in 2020–21 were the misuse of information and communications technology (ICT;  $n=632$ , 64%), the misuse of personal information ( $n=125$ , 13%; see Case study 3) and the misuse of documents ( $n=84$ , 8%; see Figure 8). Accessing information or programs via a computer without authorisation ( $n=484$ , 77%) and misuse of email ( $n=139$ , 22%) were the top methods of misusing ICT. The top methods of misusing personal information were 'other' misuse of personal information ( $n=103$ , 82%), including falsely declaring personal information such as income or marital status; and the omission of or failure to use information ( $n=17$ , 14%). The top methods of misusing documents were creating and/or using a false or altered document either belonging ( $n=41$ , 49%) or not belonging ( $n=31$ , 37%) to the entity.

### Case study 3: Internal fraud involving misuse of personal information

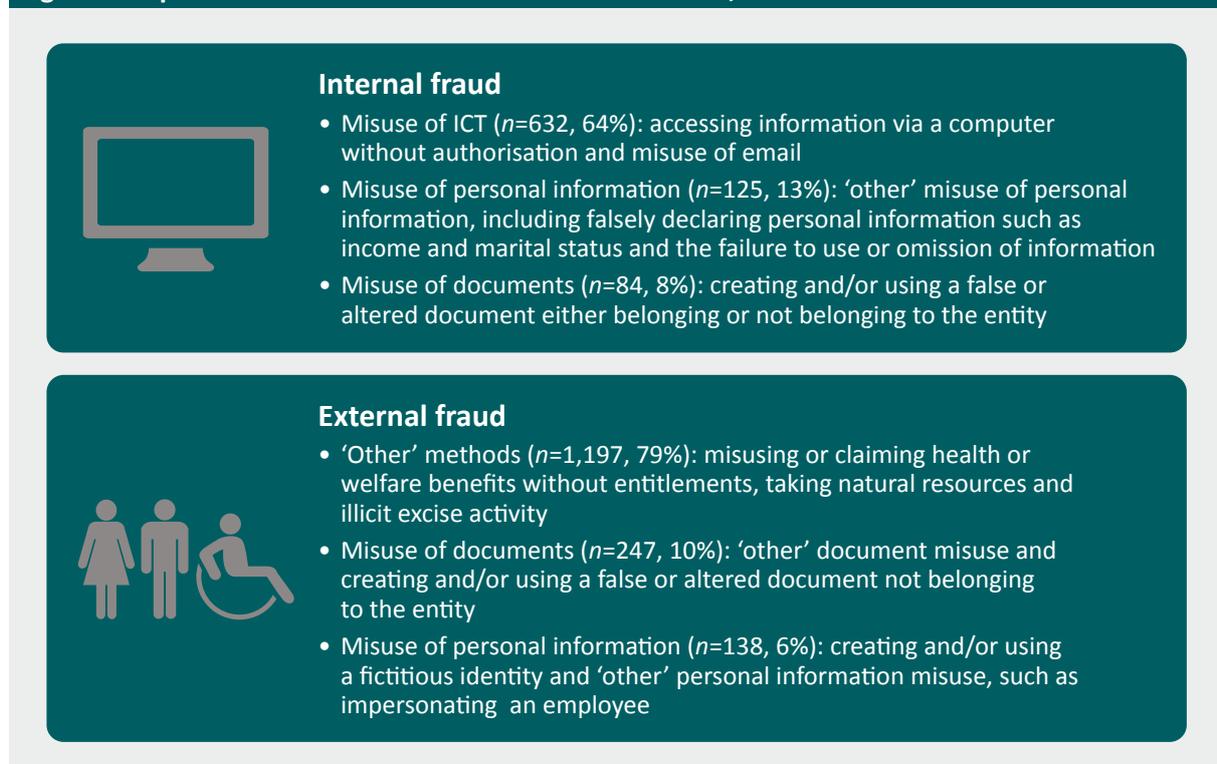
In an extra large entity, an employee in a customer service position used their role approving customer claims to create fictitious claims and approve compensation payments to be made to their personal bank account. The fraud was identified when the entity noticed compensation payments for multiple names being paid to the same bank account. The matter was investigated internally and a preliminary report was submitted to law enforcement to pursue. It was found that the perpetrator had stolen more than \$50,000 over a 12-month period. The employee was charged with fraud.

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

### External fraud

In 2020–21, most external frauds were committed by ‘other’ methods ( $n=1,917$ , 79%), followed by misuse of documents ( $n=247$ , 10%) and misuse of personal information ( $n=138$ , 6%; see Figure 8). Misusing or claiming health or welfare benefits without entitlements, taking natural resources and illicit excise activity were some of the ‘other’ methods described by responding entities. The top methods of misusing documents were ‘other’ ( $n=172$ , 70%) and creating and/or using a false or altered document not belonging to the entity ( $n=55$ , 22%). Entities did not provide further information about ‘other’ methods of document misuse. The top method of misusing personal information was creating and/or using a fictitious identity ( $n=111$ , 80%), followed by ‘other’ misuse of personal information ( $n=27$ , 20%), such as impersonating an employee.

Figure 8: Top three methods of internal and external fraud, 2020–21



Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

### *Corruption and collusion*

Of the 3,161 investigations finalised in 2020–21 in which allegations were substantiated either in full or in part (943 internal fraud, 2,218 external fraud; see Figure 6), 46 involved corruption. This is a substantial decline from 2019–20 ( $n=141$ ), but the reasons for this decline are unable to be determined from the data. The most common form of corruption cited in 2020–21 was exercising discretion and/or failing to disclose conflicts of interest to benefit oneself or another party ( $n=13$ , 28%), followed by abuse of official power or position ( $n=12$ , 26%) and bias or dishonesty in the exercise of official functions ( $n=9$ , 20%). The type of corruption in 17 percent of cases ( $n=8$ ) was unable to be determined.

Forty-five of the investigations finalised in 2020–21 in which allegations were substantiated either in full or in part involved collusion, substantially fewer than the 606 observed in 2019–20. The type of collusion most commonly cited was an ‘other’ type ( $n=20$ , 44%), followed by an official or contractor conspiring with another internal party for the purposes of committing fraud ( $n=13$ , 29%). The type of collusion in 20 percent ( $n=9$ ) of cases was unable to be determined by the reporting entities.

## Amounts lost and recovered

Table 5 outlines the losses and recoveries for internal and external fraud where the investigations were finalised in 2020–21. The total amount lost to internal fraud that year (\$3,374,069) was greater than the total amount lost to internal fraud in 2019–20 (\$2,977,152). Conversely, the total amount lost to external fraud in 2020–21 (\$66,268,799) was less than half of the total amount lost to external fraud in 2019–20 (\$191,523,951). The total amounts recovered for internal and external fraud in 2020–21 (\$736,407 and \$7,673,263 respectively) were greater than the amounts recovered for internal and external fraud in 2019–20 (\$495,912 and \$2,242,907 respectively). Kruskal–Wallis tests were used to analyse the variances of the amounts lost and recovered for internal and external frauds between 2019–20 and 2020–21. None of the differences were found to be statistically significant. However, the small sample sizes used for these analyses may have influenced the statistical significance of the results.

**Table 5: Internal and external losses and recoveries, 2020–21**

	Total (\$)	Average per entity (\$)	Median per entity (\$)	Number of entities	Average per fraud <sup>a</sup> (\$)
Internal fraud loss	3,374,069	224,938	6,532	15	3,578
Internal fraud recovery	736,407	81,823	900	9	781
External fraud loss	66,268,799	4,417,920	224,616	15	29,878
External fraud recovery	7,673,263	590,251	68,950	13	3,460

a: Total losses and recoveries were divided by the number of substantiated frauds for investigations finalised in 2020–21 ( $n=943$  internal;  $n=2,218$  external)

Note: Recoveries may include frauds experienced in earlier years due to length of time involved in the recovery process and therefore may not reflect the total that will be recovered or the amount recovered due to frauds experienced only in 2020–21. Numbers rounded to the nearest whole number. 2019–20 statistics: internal fraud loss=\$2,977,152 (11 entities); internal fraud recovery=\$495,912 (6 entities); external fraud loss=\$191,523,951 (15 entities); external fraud recovery=\$2,242,907 (15 entities)

Source: AIC Fraud Against the Commonwealth census 2020–21 [computer file]

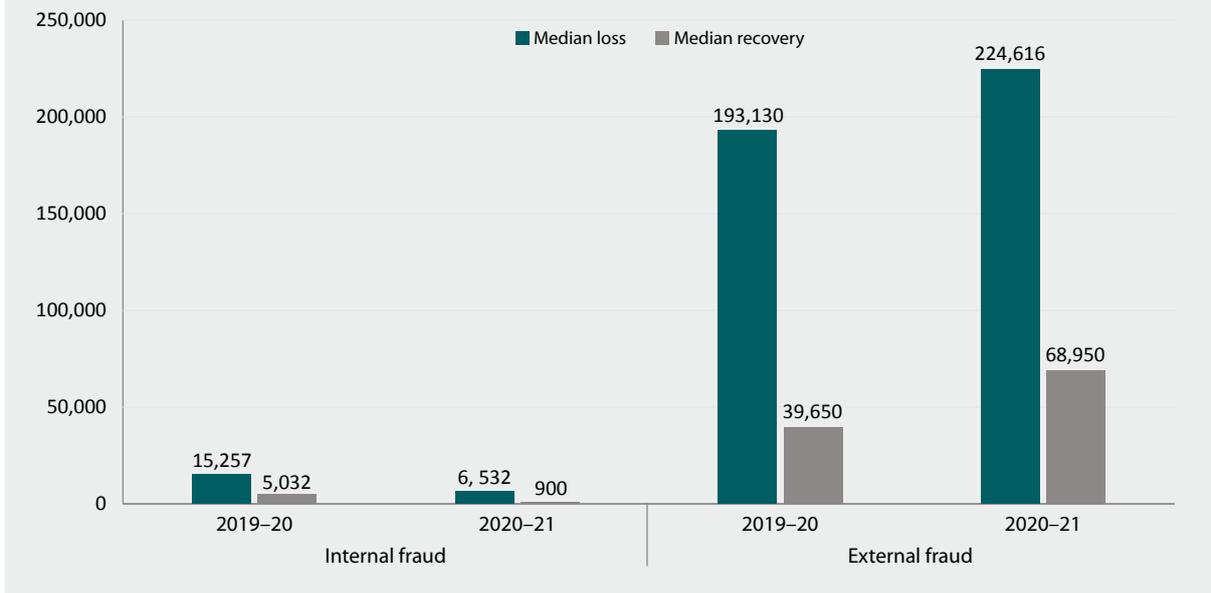
Despite there being no significant differences between years in the overall losses or recoveries, the median amounts lost to and amounts recovered for external fraud were larger in 2020–21 than in 2019–20 (see Figure 9). However, the median internal fraud losses and recoveries were smaller in 2020–21 than in 2019–20.

Entities were sometimes able to quantify either their losses or the amounts recovered but not both. In 2020–21, 15 entities quantified internal fraud losses and nine entities reported quantifiable recoveries. Similarly, 15 entities quantified the amount lost to external fraud and 13 entities quantified the amount recovered.

Total external fraud losses in 2020–21 were approximately one-third of the amount reported in 2019–20 (\$66,268,799 and \$191,523,951 respectively). Fraud losses tend to fluctuate from year to year, often due to the nature of fraud and its associated risks, such as opportunities for fraud to occur when implementing new programs. Declines between years could be caused by multiple factors, such as a smaller number of entities being able to quantify the amounts lost, better fraud prevention and detection programs, or less fraud taking place that results in monetary losses.

The inability of some entities to quantify both the amount they had lost and the amount recovered may also explain the discrepancies found between the median loss and median amount recovered for external frauds in 2019–20 and 2020–21 (see Figure 9). Moreover, the reported recoveries may not reflect the full amount that will be recovered from frauds experienced in these years as the recovery process can take several years. Therefore, the recoveries in 2019–20 and 2020–21 may not reflect recoveries associated with the frauds experienced in these years.

**Figure 9: Median internal and external fraud losses and recoveries per entity, 2019–20 and 2020–21 (\$)**



Note: In 2019–20,  $n=11$  entities reported an internal loss ( $n=6$  reported recoveries);  $n=15$  reported an external loss ( $n=15$  reported recoveries)

Source: AIC Fraud Against the Commonwealth census 2019–20; 2020–21 [computer file]

## Summary

This Statistical Bulletin presents the 2020–21 results from the AIC’s annual Fraud Against the Commonwealth census. For the census, Commonwealth entities provide data about their internal and external fraud experiences throughout the last financial year.

### Allegations and investigations

There were 11,881 internal fraud allegations and 18,091 external fraud allegations reported in the 2020–21 census. Thirty-two percent ( $n=52$ ) of responding entities ( $n=164$ ) reported finalising an investigation in 2020–21. This is a similar proportion to that found in 2019–20 ( $n=45$  of 151 entities; 30%). There were more internal fraud investigations commenced ( $n=1,411$ ) and fewer internal fraud investigations finalised ( $n=1,480$ ) in 2020–21 compared to 2019–20 ( $n=1,202$  and  $n=1,512$  respectively). Conversely, there were fewer external fraud investigations commenced ( $n=3,200$ ) in 2020–21 and more investigations finalised ( $n=3,827$ ) compared to the previous year ( $n=3,682$  and  $n=3,258$  respectively). In 2020–21, fewer internal fraud allegations ( $n=943$ ) but more external fraud allegations ( $n=2,218$ ) were substantiated either in full or in part compared to the previous year ( $n=1,173$  internal and  $n=2,056$  external).

Generally, the targets of fraud and the ways that they were detected were similar in 2020–21 and in 2019–20, with a few exceptions. The total amounts lost to and recovered for internal fraud were slightly higher in 2020–21 than in 2019–20, but the amount lost to external fraud was substantially less in 2020–21 than in 2019–20.

## Finalised internal fraud investigations

In 2020–21 and 2019–20, the top three methods of detection for internal frauds in which investigations were finalised remained the same: data analytics, tip-offs within the entity and detection by staff members. The ACFE's most recent *Report to the nations* found that the largest proportion of occupational (ie internal) fraud cases were detected via tip-offs (43%; ACFE 2020). This census, however, found that just over half of internal fraud cases were detected via data analytics (51%). Most investigations into internal frauds were conducted internally by the affected entity ( $n=1,448$ , 98%), and 64 percent ( $n=943$ ) of allegations were substantiated either in full or in part. Substantiated allegations often resulted in administrative sanctions or the termination of the perpetrator's employment. The most common targets for internal frauds were information, entitlements of officials and benefits. Internal frauds were most commonly perpetrated through the misuse of ICT, personal information or documents.

The total financial loss resulting from internal frauds in 2020–21 was \$3,374,069. This loss was larger than the amount reported in 2019–20 (\$2,977,152), although the median amount lost in 2020–21 (\$6,532) was less than half that observed in 2019–20 (\$15,257). This may be attributed to the larger number of entities reporting internal fraud losses in 2020–21 compared to 2019–20.

The total amount recovered from internal fraud (\$736,407) was higher than the total amount recovered in 2019–20 (\$495,912). The median amount recovered per entity in 2020–21 (\$900) was less than a fifth of that observed in 2019–20 (\$5,032). This discrepancy may be attributed to the smaller number of entities that reported recoveries in 2019–20.

## Finalised external fraud investigations

Data analytics, tip-offs external to the entity and detection by staff members were the most common methods of detecting external frauds in which investigations were finalised in 2020–21. These methods were responsible for the detection of 58 percent ( $n=2,208$ ) of external frauds where an investigation was finalised in 2020–21. Similar methods were used to detect most external fraud in 2019–20. As in 2019–20, most of the investigations finalised in 2020–21 were carried out internally by the entity. Fifty-eight percent ( $n=2,218$ ) of external fraud allegations were substantiated either in full or in part. These investigations most often resulted in administrative sanctions, cautions and infringement notices or no further action being taken. External frauds in 2020–21 primarily targeted benefits, 'other' targets such as falsified certifications and natural resources, and entity finances. They were mainly perpetrated through 'other' methods such as misusing or claiming health or welfare benefits without entitlement, or misusing documents and personal information.

Fraud losses tend to fluctuate from year to year. The total amount lost to external fraud in 2020–21 was substantially less than the total amount lost in 2019–20 (\$66,268,799 and \$191,523,951 respectively). Total external fraud losses have generally trended upwards since 2015–16, except for declines in 2017–18 and in 2020–21 (Jorna & Smith 2018; Teunissen, Smith & Jorna 2020). Reasons for this decline in 2020–21 may be a smaller number of entities being able to quantify the amounts lost, improved fraud prevention and detection programs, or less fraud resulting in monetary losses taking place.

The median amount lost per entity to external fraud in 2020–21 was slightly more than the median amount in 2019–20 (\$224,616 and \$193,130 respectively). The number of entities reporting external fraud losses in 2019–20 and 2020–21 remained the same. The total and median amounts recovered from external fraud in 2020–21 were higher than the amounts reported in 2019–20 (2020–21: total=\$7,673,263, median=\$68,950; 2019–20: total=\$2,242,907, median=\$39,650). However, these differences were not statistically significant.

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### Commonwealth Fraud Prevention Centre

Fraud against the Australian Government undermines its ability to deliver services to the Australian community. The scale of the problem is underestimated. People who commit fraud are capable and committed and the Australian Government has acknowledged the need to take more action to prevent, find and fight fraud. To lead this effort, the Commonwealth Fraud Prevention Centre was established within the Attorney-General's Department in June 2019 as a two-year pilot to equip, enable and empower entities to improve their fraud prevention capabilities. In the 2021–22 budget, the Government extended the centre for an additional four years.

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