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Abstract | This Statistical Bulletin presents the results from the AIC's 2022–23 Fraud Against the Commonwealth census.

Internal fraud investigations commenced decreased from the previous financial year, whereas external fraud investigations increased. The numbers of internal and external fraud allegations substantiated also decreased compared with the previous financial year.

Program information and program payments were the principal targets of substantiated internal and external fraud allegations respectively. Automatic processes and detection by a staff member were the primary methods of detecting internal and external fraud in 2022–23.

Internal fraud losses were greater and external fraud losses were lower than the losses reported in 2021–22. Australian Government entities reported smaller overall internal and external fraud recoveries in 2022–23 than in the previous financial year.

Fraud against the Commonwealth 2022–23

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Fraud is a crime where someone dishonestly obtains a benefit or causes a loss by means such as deception (Attorney-General's Department 2017). Fraud against the Commonwealth may include the intentional misuse of Australian Government assets, corporate information, human resources, corporate funds, program payments, revenue, or program information. It can be perpetrated by public servants (ie internal fraud) or by external parties (ie external fraud).

Fraud against Commonwealth entities can have long-lasting consequences. It reduces available funds for public goods and services and causes financial and reputational damage to the entities defrauded (Attorney-General's Department 2017). Early detection is therefore vital to fraud prevention and deterrence (Jorna & Smith 2019).

To manage the risk of fraud, the Australian Government developed the Commonwealth Fraud Control Framework under the *Public Governance, Performance and Accountability Act 2013* (Cth). This framework includes section 10 of the *Public Governance, Performance and Accountability Rule 2014*, the Commonwealth Fraud Control Policy and Resource Management Guide No. 201: *Preventing, detecting and dealing with fraud* (Attorney-General's Department 2017). Section 10 of the *Public Governance, Performance and Accountability Rule 2014* outlines the requirements of Australian Government entities to prevent, detect and respond to fraud. These include conducting risk assessments regularly, developing and implementing a fraud control plan following a risk assessment, as well as having appropriate mechanisms for preventing, detecting, investigating and reporting incidents of fraud. The Commonwealth Fraud Control Policy sets out procedural requirements for fraud control and reporting obligations. From 1 July 2024, the new Commonwealth Fraud and Corruption Control Framework comes into effect. The new framework establishes the steps entities must take to protect public resources from fraud and corruption.

The current framework obliges the Australian Institute of Criminology (AIC) to publish a yearly report on fraud against the Commonwealth and fraud control arrangements. This Statistical Bulletin presents the results from the AIC's annual Fraud Against the Commonwealth census for the period 1 July 2022 to 30 June 2023.

Methodology

The 2022–23 Fraud Against the Commonwealth census included questions about fraud control arrangements, fraud allegations, commenced investigations and alternative actions, and finalised fraud investigations.

Census responses were collected from 157 Australian Government entities between 28 August and 1 December 2023. This includes the 98 non-corporate Commonwealth entities who are required to respond to the census, 52 corporate Commonwealth entities and seven Commonwealth companies. The breakdown of these entities by size, based on the number of employees, and function is shown in Table 1. Approximately one-fifth of responses each came from extra-small (22%, $n=35$), small (22%, $n=34$), medium (22%, $n=35$) and large (23%, $n=36$) entities. The largest proportion of responding entities perform a specialist function (33%, $n=52$). Fifteen percent ($n=23$) primarily perform a regulatory function and 12 percent perform a policy function ($n=19$).

Table 1: Size and function of responding entities, 2022–23

Entity size (number of employees) ^a	<i>n</i>	%
Micro (<20)	11	7.0
Extra-small (20–100)	35	22.3
Small (101–250)	34	21.7
Medium (251–1,000)	35	22.3
Large (1,001–10,000)	36	22.9
Extra-large (>10,000)	6	3.8
Function ^b	<i>n</i>	%
Policy	19	12.1
Smaller operational	17	10.8
Larger operational	10	6.4
Regulatory	23	14.6
Specialist	52	33.1
National Cultural Institution	7	4.5
Other	29	18.5

a: Number of employees calculated using full-time equivalency staffing numbers. See <https://www.apsc.gov.au/aps-agencies-size-and-function> for size classification

b: Australian Public Service agencies are grouped into categories, also known as ‘functional clusters’, to allow comparisons between agencies with similar primary functions. Function allocation is based on entity responses and, where possible, cross-referenced against the functions outlined by the Australian Public Service Commission. See <https://www.apsc.gov.au/aps-agencies-size-and-function> for function definitions

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

The definition of an investigation in this census was updated to align with that used by the Australian Government Investigations Standard. In accordance with this standard, an investigation is broadly described as an activity to collect information or evidence to a particular standard of proof related to an alleged, apparent or suspected breach. As such, the number of investigations commenced and finalised reported in this paper may differ compared with those from previous years.

The comprehensiveness of data provided to the census by some entities may be affected by resources, definitional variation, entity-specific limitations on recording and reporting fraud allegations and investigations, and information on outcomes being held by another agency. Further, due to the length of time fraud investigations can take, some fraud cases finalised in 2022–23 may have been detected in previous financial years.

Fraud control arrangements

Compliance with Commonwealth Fraud Control Framework

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). 'Reasonable measures' include conducting risk assessments regularly, and 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.

From 1 July 2024, the Fraud Rule will become the Fraud and Corruption Rule. The pre-existing requirements will then cover both fraud and corruption, while two additional requirements will be in force: for entities to periodically review the effectiveness of their fraud and corruption controls, and for entities to have governance structures, processes and officials in place to oversee and manage fraud and corruption risks. Entities must keep records of these governance structures, processes and officials.

Almost all entities who completed the 2022–23 census had at some time developed or reviewed a fraud control plan (99%, $n=155$). Of these, 63 percent ($n=97$) were non-corporate Commonwealth entities and 33 percent ($n=51$) were corporate Commonwealth entities. Among those entities who reported a fraud control plan had been developed or reviewed, most indicated this occurred within the past two years (84%, $n=130$).

Testing countermeasures helps entities to measure the effectiveness of fraud controls in place. While testing fraud controls can be undertaken at any time, it is especially important when entities are developing new programs, undergoing a restructure, or implementing new processes or technologies (Commonwealth Fraud Prevention Centre nd). Approximately half of responding entities had tested the effectiveness of their fraud controls at least once (55%, $n=87$). Fifty-four entities were able to state the year they began conducting these tests, which ranged from 2000 to 2023.

Entities were asked about their compliance with the Fraud Rule requirements. As shown in Table 2, the majority of non-corporate and corporate Commonwealth entities were fully compliant with the Fraud Rule. A smaller proportion of non-corporate and corporate Commonwealth entities, approximately two-thirds, were fully compliant with conducting fraud risk assessments when there had been a substantial change in the structure, function or activities of the entity. The majority of Commonwealth companies who responded to the census were fully compliant with the Fraud Rule.

Table 2: Compliance with Fraud Rule by type of entity, 2022–23 (n)

	Non-corporate Commonwealth entity			Corporate Commonwealth entity			Commonwealth company		
	Non-compliant	Partially	Fully	Non-compliant	Partially	Fully	Non-compliant	Partially	Fully
Conducting fraud risk assessments regularly	0	10	88	1	8	43	0	1	6
Conducting fraud risk assessments when there is a substantial change	0	21	65	1	12	33	0	1	4
Developing and implementing a fraud control plan that deals with identified risks	0	12	86	1	5	46	0	1	6
Having an appropriate mechanism for preventing fraud, including by ensuring that officials in the entity are made aware of what constitutes fraud	0	5	93	0	2	50	0	1	6
Having an appropriate mechanism for preventing fraud, including by ensuring that the risk of fraud is taken into account in planning and conducting the activities of the entity	0	13	84	1	6	45	0	1	6
Having an appropriate mechanism for detecting incidents of fraud or suspected fraud, including a process for officials of the entity and other persons to report suspected fraud confidentially	0	9	89	0	6	46	0	3	4
Having an appropriate mechanism for investigating or otherwise dealing with incidents of fraud or suspected fraud	0	6	92	0	3	49	0	2	5
Having an appropriate mechanism for recording and reporting incidents of fraud or suspected fraud	0	11	87	0	2	50	0	1	6

Note: Excludes missing data and 'not applicable' responses

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Preventing, detecting and investigating fraud: Innovations and limitations

Adapting fraud control measures to appropriately address emerging risks is an important part of preventing and responding to fraud for Commonwealth entities. The census asked entities to provide a summary of new or revised measures that were implemented during the 2022–23 financial year to prevent, detect or respond to fraud.

Fifty-five percent ($n=86$) of responding entities implemented new measures or revised current practices in 2022–23. Of these, 45 percent ($n=39$) cited multiple new or revised measures. The average number of measures implemented by entities citing multiple changes was two. As in previous years, reviewing existing policies or implementing new ones was the action most commonly cited by entities (67%, $n=58$). Twenty-eight percent ($n=24$) of entities updated or implemented their systems and technology and 26 percent ($n=22$) performed actions such as increasing or improving staff training and awareness. Nineteen percent ($n=16$) cited innovations such as conducting risk assessments and audits, and expanding or creating new counter fraud roles.

Entities were also asked about factors that limited innovation. Of those who had implemented new measures or revised current ones, 63 percent ($n=54$) cited insufficient staffing, 38 percent ($n=33$) cited technological constraints (eg software and systems) and 37 percent ($n=32$) cited operational priorities as limiting innovation. Fifty-six percent ($n=48$) of entities who implemented new measures or revised current ones cited multiple limitations to innovation and the average number of limitations cited was two. One-quarter of entities (26%, $n=22$) did not face any limitations to implementing new strategies or revising current measures.

Of those entities that did not implement new measures or revise current ones ($n=71$), 32 percent ($n=23$) cited insufficient staffing, 20 percent ($n=14$) cited budgetary constraints and 20 percent ($n=14$) cited operational priorities. Twenty-eight percent of entities ($n=20$) that did not update their measures cited multiple reasons for not doing so. Thirty-two percent of entities ($n=23$) that did not implement new measures stated that new strategies were not warranted.

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 an external party).

Forty-five percent ($n=70$) of responding entities received or detected fraud allegations in 2022–23. This is similar to the proportion reported in 2021–22 (44%, $n=73$). A total of 378,033 allegations of fraud were received or detected by Commonwealth entities in the reporting period—three percent ($n=11,473$) related to internal fraud and 97 percent ($n=366,196$) related to external fraud (see Table 3). Eighty-four percent ($n=9,688$) of internal fraud allegations and 60 percent ($n=221,154$) of external fraud allegations were detected by the entity, through processes such as software flags or data analytics. Fifteen percent ($n=1,666$) of internal fraud allegations and 40 percent ($n=144,963$) of external fraud allegations were received from outside the entity, through means such as tip-off lines or referrals from other agencies.

Ninety-seven percent ($n=11,080$) of internal fraud allegations and 99 percent ($n=361,437$) of external fraud allegations were reported by extra-large entities (see Table 3). There was a substantial increase in the number of external fraud allegations received or detected between 2021–22 and 2022–23 (from 66,716 to 366,196). This increase was largely attributable to a marked increase in allegations reported by two extra-large entities. The proportion of internal fraud allegations reported in 2022–23 (3%, $n=11,473$) decreased from 17 percent ($n=13,464$) in 2021–22.

Table 3: Fraud allegations received or detected, by entity size and fraud type, 2022–23 (n)

Entity size (number of staff)	Solely internal fraud	Solely external fraud	Other/ unclassified	Total
Micro (<20)	0	0	0	0
Extra-small (20–100)	3	5	0	8
Small (101–250)	0	254	1	255
Medium (251–1,000)	30	1,112	1	1,143
Large (1,001–10,000)	360	3,388	1	3,749
Extra-large (>10,000)	11,080	361,437	361	372,878
Total	11,473	366,196	364	378,033

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Fraud investigations

Investigations and alternative actions commenced

For this census, entities were asked for information on both commenced investigations and alternative actions. An investigation was classified as ‘commenced’ when the entity determined that the allegations met the threshold for starting an investigation. An alternative action was defined as any further action taken where an allegation of fraud meets the definition of fraud but does not meet an entity’s threshold for investigation.

In 2022–23, 24 percent of responding entities ($n=37$) reported commencing an internal fraud investigation and 22 percent ($n=35$) commenced an external fraud investigation. Alternative actions were commenced by 11 percent of responding entities ($n=17$) in response to internal fraud and by 17 percent ($n=26$) of entities for external fraud.

There were 5,483 fraud investigations commenced in 2022–23, a slight decline from 5,770 in 2021–22. Twenty-two percent ($n=1,207$) of commenced investigations related to internal fraud cases and 78 percent ($n=4,276$) related to external fraud cases (see Table 4). A case was defined as an investigation into an allegation or group of allegations that related to one suspect or group of suspects concerning a single instance of alleged fraudulent conduct.

There were 84,486 alternative actions commenced. The majority of these (98%, $n=82,659$) related to external fraud. Sixteen percent ($n=568$) of internal and only one percent ($n=1,097$) of external fraud allegations did not meet the threshold for an investigation or alternative action.

The majority of internal and external fraud investigations were commenced by extra-large entities (91%, $n=1,103$ and 70%, $n=2,975$ respectively; see Table 4). Similarly, the majority of alternative actions commenced for internal and external fraud were by extra-large entities (83%, $n=1,518$ and 98%, $n=81,362$ respectively).

Table 4: Commenced fraud investigations and alternative actions by entity size and fraud type, 2022–23 (n)

Entity size (number of employees)	Solely internal fraud		Solely external fraud	
	Investigations commenced	Alternative actions commenced	Investigations commenced	Alternative actions commenced
Micro (<20)	0	0	0	0
Extra-small (20–100)	1	1	3	2
Small (101–250)	0	0	54	181
Medium (251–1,000)	24	1	849	131
Large (1,001–10,000)	79	307	395	983
Extra-large (>10,000)	1,103	1,518	2,975	81,362
Total	1,207	1,827	4,276	82,659

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

The number of internal fraud investigations commenced in 2022–23 decreased by 40 percent from 2021–22 ($n=1,998$; see Figure 1). There was a 13 percent increase in the number of external fraud investigations commenced compared with 2021–22 ($n=3,772$).

Figure 1: Internal and external fraud investigations commenced, 2019–20 to 2022–23 (n)



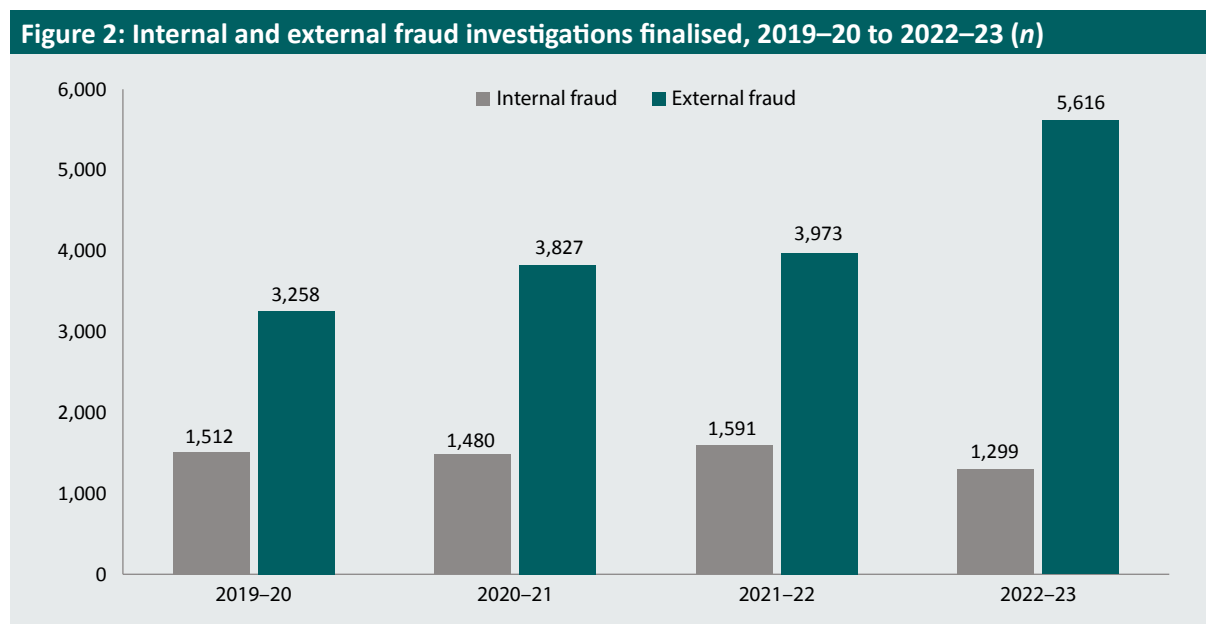
Source: AIC Fraud Against the Commonwealth census 2019–20 to 2022–23 [computer file]

Investigations finalised

A fraud investigation was finalised when one of the following occurred: the entity’s investigation of the allegations had concluded, the allegations had been referred to a law enforcement or prosecution entity for further action, debts or liabilities arising from the investigation had been written-off as unrecoverable, or the individual who was the subject of allegations had died. Thirty-three percent ($n=52$) of entities reported finalising a fraud investigation in 2022–23—a similar proportion to the previous year (34%, $n=57$).

There were 6,915 fraud investigations finalised in 2022–23. This is a 24 percent increase in the number of finalised investigations compared with 2021–22 ($n=5,564$). The number of internal fraud investigations decreased by 18 percent between 2021–22 ($n=1,591$) and 2022–23 ($n=1,299$), making it the lowest number of internal fraud investigations finalised in the past four years (see Figure 2). There was a 41 percent increase in the number of external fraud investigations finalised between 2021–22 ($n=3,973$) and 2022–23 ($n=5,616$).

External fraud accounted for 81 percent of the investigations finalised in 2022–23, a higher proportion than in the previous three financial years, which ranged from 68 percent to 72 percent. However, due to the length of time investigations can take, not all investigations finalised in the reporting period will relate to fraud allegations detected or investigations commenced in the same financial year. As such, variations in the number of investigations finalised each year is not uncommon.



Source: AIC Fraud Against the Commonwealth census 2019–20 to 2022–23 [computer file]

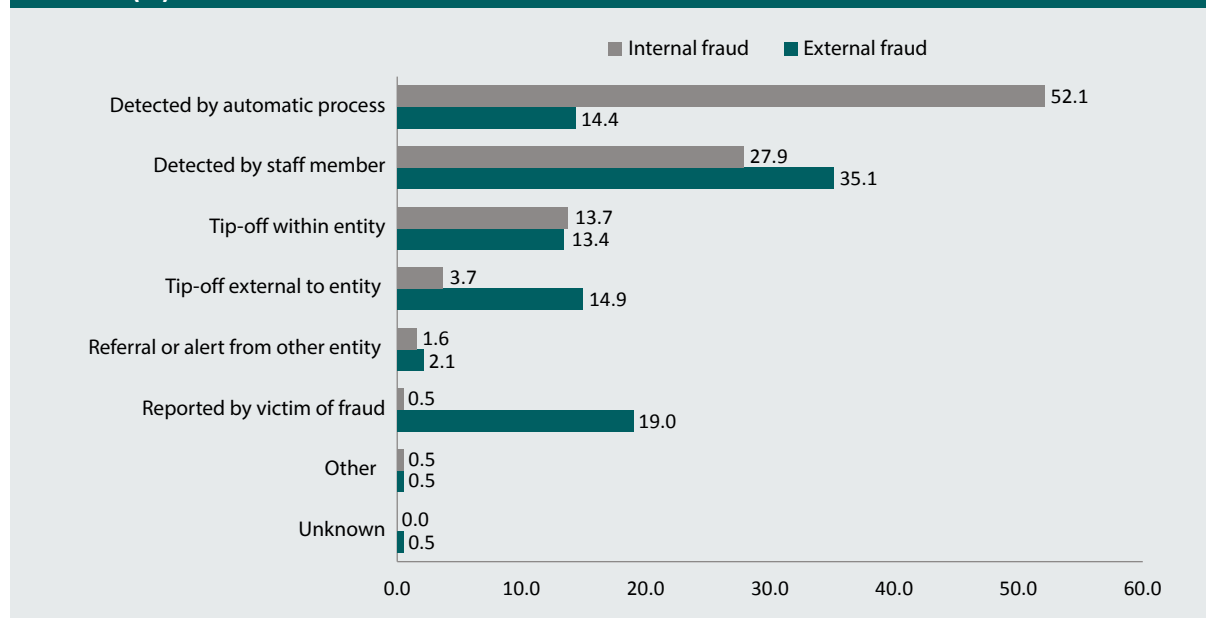
The same number of entities reported finalising internal fraud investigations in 2021–22 and 2022–23 ($n=34$ each). The median number of internal fraud investigations finalised per entity was also the same in 2021–22 and 2022–23 (median=1). Despite the increased number of external fraud investigations finalised in 2022–23, fewer entities ($n=36$) reported finalising external fraud investigations compared with 2021–22 ($n=42$). However, the number of entities finalising external fraud investigations in 2022–23 was similar to the numbers in 2019–20 ($n=32$) and 2020–21 ($n=35$). The median number of external fraud investigations finalised per entity increased from four in 2021–22 to nine in 2022–23.

Detecting fraud

Entities were asked to indicate the primary method of identifying fraud in incidents where investigations were finalised in 2022–23. Over half (52%, $n=677$) of internal fraud cases were detected by automatic processes (eg software flags or alerts; see Figure 3). This was followed by detection by a staff member (28%, $n=362$) and a tip-off from within the entity (14%, $n=178$). These three methods were responsible for detecting internal fraud in 94 percent ($n=1,217$) of finalised investigations in 2022–23.

Over one-third (35%, $n=1,974$) of external fraud cases were detected by a staff member, an increase from the proportion reported in 2021–22 (17%, $n=676$). One-fifth of external frauds were reported by a victim of fraud (19%, $n=1,068$; see Figure 3). A similar proportion of external frauds were detected by a tip-off external to the entity (15%, $n=838$) and automatic processes (14%, $n=807$). These methods were responsible for detecting 83 percent ($n=4,687$) of external fraud cases where investigations were finalised in 2022–23.

Figure 3: Methods of detecting fraud in finalised internal and external fraud investigations, 2022–23 (%)



Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Who investigates fraud?

Entities were asked if fraud investigations finalised in 2022–23 were investigated internally, externally or both. Entities could select multiple options depending on how cases of fraud were investigated and, as such, the total number of investigative types exceeds the total number of entities that finalised an internal or external fraud investigation. Most entities that finalised internal fraud investigations conducted the investigation internally (82%, $n=28$). One-quarter (24%, $n=8$) of entities had the internal fraud matter investigated externally and one-fifth (21%, $n=7$) used a combination of internal and external investigations. Similarly, most entities that finalised external fraud cases investigated the matter internally (72%, $n=26$). Approximately four in 10 entities reported that investigations had been conducted by both internal and external parties (42%, $n=15$), whereas a minority (11%, $n=4$) reported that only external entities had investigated the fraud. When asked to specify the entities that contributed to external investigations, financial institutions, other government agencies and law enforcement were commonly reported.

Findings of investigations

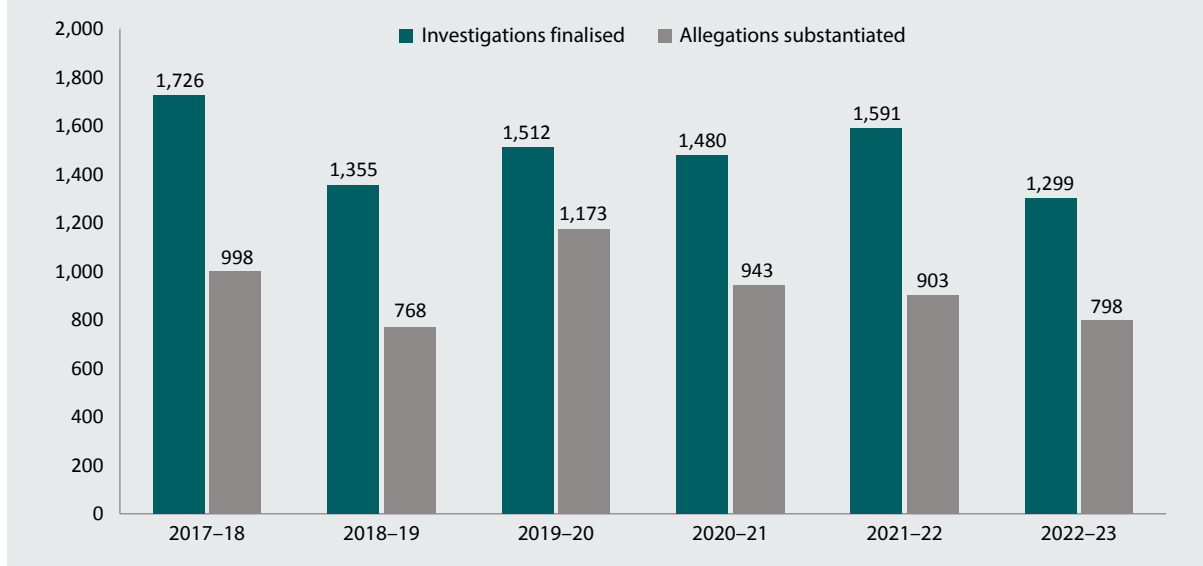
Entities were asked whether the fraud allegations reported in the census had been substantiated, in full or in part. If an allegation was substantiated in part, it meant that some of the elements of fraudulent conduct had been proven.

In 2022–23, there were 3,192 fraud allegations substantiated in full or in part—798 were internal frauds and 2,394 were external frauds (see Figures 4 and 5). Fewer internal and external fraud allegations were substantiated in 2022–23 compared with 2021–22.

In 61 percent of internal fraud investigations finalised in 2022–23, the allegations were substantiated. Similarly, over the last six years, 62 percent ($n=5,583$) of internal fraud investigations finalised found allegations were substantiated. This proportion ranged from 57 percent in 2018–19 and 2021–22 to 78 percent in 2019–20 (see Figure 4).

In 43 percent of external fraud investigations finalised in 2022–23, allegations were substantiated. Sixty percent ($n=19,034$) of external fraud investigations between 2017–18 and 2022–23 found that allegations were substantiated (see Figure 5).

Figure 4: Internal fraud allegations substantiated, 2017–18 to 2022–23 (n)



Source: AIC Fraud Against the Commonwealth census 2017–18 to 2022–23 [computer file]

Figure 5: External fraud allegations substantiated, 2017–18 to 2022–23 (n)



Source: AIC Fraud Against the Commonwealth census 2017–18 to 2022–23 [computer file]

Results of investigations

Entities were asked to indicate the principal result of the investigations in which allegations were substantiated either in full or in part. Internal disciplinary action (39%, $n=311$), followed by termination of employment or contract by dismissal (18%, $n=142$) and resignation of the official (15%, $n=117$) were the principal outcomes of substantiated internal fraud allegations in 2022–23. These findings are similar to those of 2021–22. Two percent ($n=18$) of cases were referred to police (state or federal) or another agency in 2022–23, a similar proportion to 2021–22 (3%, $n=31$).

Of the external fraud investigations conducted in 2022–23 in which allegations were substantiated, administrative sanctions (36%, $n=860$) were the principal result in over one-third of cases. Twenty-eight percent ($n=663$) of external fraud allegations substantiated resulted in ‘other’ outcomes, such as infringement notices, warning letters or reimbursement. Fourteen percent ($n=325$) of external fraud cases were referred to police (state or federal) or another agency, a slight decline from 17 percent in 2021–22 ($n=416$). Administrative sanctions, referrals to police or another agency or ‘other’ outcomes were the most common principal results of external fraud investigations in 2021–22.

Targets

As in previous years, program information was identified as the principal target of internal frauds for which investigations were finalised and the allegations substantiated (41%, $n=324$; see Figure 6). This was followed by program payments (34%, $n=275$). Corporate information (eg employee information, intellectual property and other official information; $n=75$; see Case study 1) and corporate funds ($n=75$) were the principal targets in nine percent of internal fraud investigations finalised.

Case study 1: Employee targeting official information

In 2020, internal detection activity by an entity’s fraud prevention branch identified that a contractor had accessed records of known associates or records not in accordance with their duties. As a result of the detection, a criminal investigation commenced. The internal investigation identified alleged unauthorised access to 37 individual records on 64 occasions. When queried about the allegations, the former contractor indicated they may have accessed the records by mistake. However, they also stated that their intention was not to manipulate any data or disclose information but that they had accessed records out of curiosity. They were invited to participate in a formal interview but declined.

Due to the number of instances of alleged unauthorised access and the level of detail accessed, a decision was made to prepare a brief of evidence for consideration by the Commonwealth Director of Public Prosecutions (CDPP). This was submitted in 2021. In 2022, the defendant appeared in court on the charges of unauthorised access to records. The CDPP decided to accept a plea offer and reduced the counts of unauthorised access to 37. The defendant entered guilty pleas on all counts. The defendant was convicted and released without passing sentence upon entering into a recognisance to be of good behaviour for a period of 12 months in the amount of \$500, pursuant to s20(1)(a) of the *Crimes Act 1914*.

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Program payments were identified as the principal target in 45 percent of external frauds in which the investigation was finalised and allegations substantiated ($n=1,088$; see Case study 2). This was followed by natural resources (33%, $n=799$) and 'other' targets (13%, $n=319$; see Figure 6). 'Other' targets include passport information, and specialised systems and programs.

Case study 2: External third-party targeting program payments

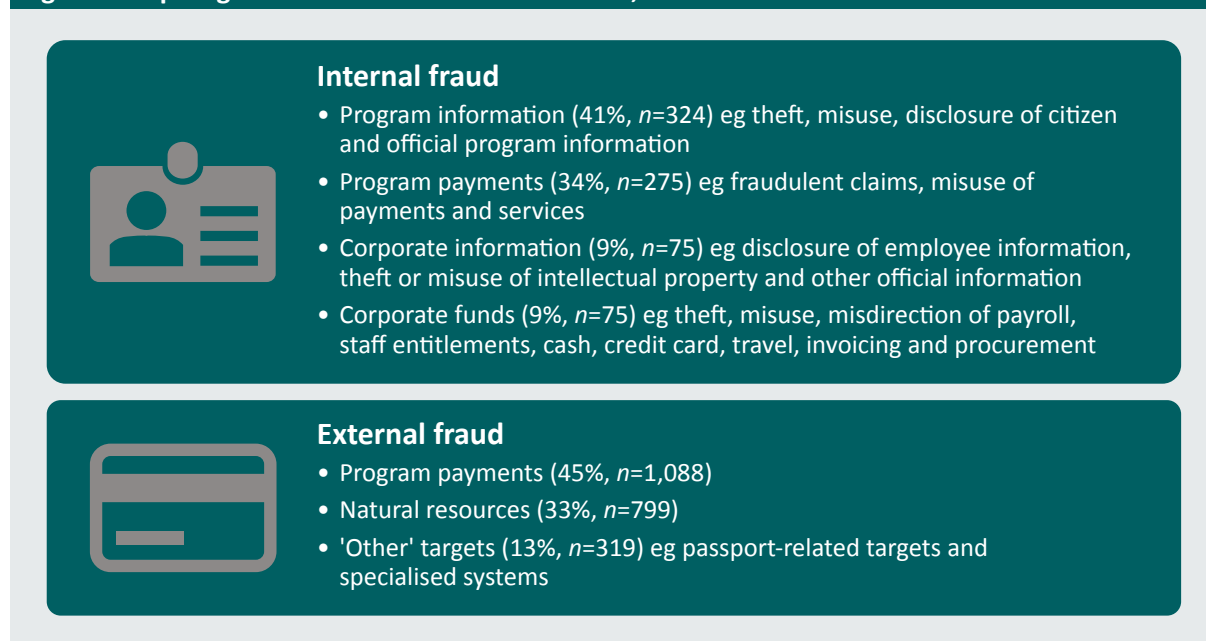
Between 2018 and 2019, an entity received numerous complaints in relation to a group of service providers claiming funds for full and partial services that were neither agreed to nor provided. An initial assessment and analysis led to the commencement of a fraud taskforce.

Through an investigation undertaken by the taskforce, it was established that three offenders, operating through seven companies in Australia, were engaged in a conspiracy to defraud the entity and had fraudulently received more than \$2.5 million by claiming for services never provided.

In early 2023, three search warrants were conducted, involving staff from numerous agencies. One offender was arrested, charged and placed on strict bail conditions. The other two offenders were charged via a warrant. All three offenders were charged with 'intention of dishonestly obtaining a gain from a Commonwealth entity' and 'dealt with money or property that was reasonably suspected to be the proceeds of indictable crime'.

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Figure 6: Top targets of internal and external fraud, 2022–23



Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Methods

Entities were asked about the principal method used in each fraud case where the investigation was finalised and the allegations were substantiated in full or in part. As in previous years, misusing information or digital and communication technology was identified as the principal method by which substantiated internal frauds were committed (51%, $n=409$; see Figure 7). This misuse includes actions such as accessing programs and systems without authorisation, falsifying information, misusing email and committing cyber attacks. Misusing documents (eg creating or using false or altered documents, concealing or failing to provide documents and misusing entity credentials) was identified as the primary method for 38 percent ($n=305$) of internal frauds (see Case study 3). A minority of internal frauds were primarily committed by asset misappropriation (5%, $n=40$).

Case study 3: Internal fraud committed using falsified medical certificates

Over numerous years, an entity's employee provided forged medical certificates to their manager to support their requests to access paid and unpaid leave. The employee's manager accepted the certificates as genuine, resulting in the employee obtaining the requested leave.

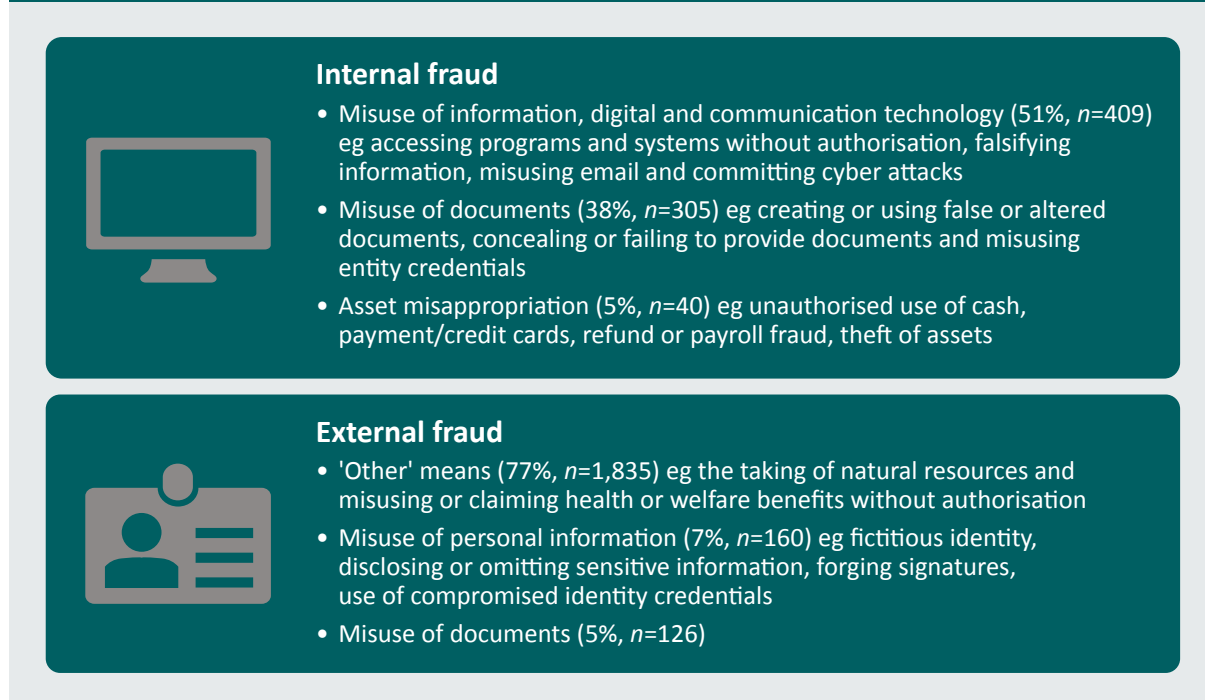
The fraud was later identified when the employee's managers noticed anomalies in the forged certificates. These anomalies included issues with dates in the medical certificates, formatting errors and inconsistencies between various medical certificates provided. In total, the employee had taken over 1,000 hours of paid and unpaid leave by using forged certificates.

The matter was referred to the Commonwealth Director of Public Prosecutions, who decided to prosecute the matter. The employee was convicted and sentenced to a community corrections order of 18 months, supervised, with 100 hours of community service. A reparation order was also made for \$6,316.50, reflecting the total value of the paid leave fraudulently obtained.

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

'Other' means were identified as the principal method of committing 77 percent of substantiated external frauds ($n=1,835$), a similar proportion to 2021–22 (78%). 'Other' means included taking natural resources, influencing officials and misusing or claiming health or welfare benefits without authorisation. Less than 10 percent (7%, $n=160$) of external frauds were committed through the misuse of personal information and the misuse of documents (5%, $n=126$). The misuse of documents was identified as the principal method for committing substantiated external fraud in six percent of cases in 2021–22.

Figure 7: Top methods of internal and external fraud, 2022–23



Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

Amounts lost and recovered

Entities were asked to provide the total amount lost in cases where investigations or alternative actions were finalised in 2022–23 in which the allegations were substantiated in full or in part. Similarly, entities were asked to provide the total amount of fraud losses recovered during the reporting period, regardless of when the fraud was committed, when the losses were incurred or when the investigation or alternative action was completed.

Losses and recoveries may be difficult for entities to quantify for several reasons, including software or system limitations, external agencies conducting investigations and the losses or recoveries being unknown or confidential settlements. Therefore, not all entities who experience financial losses as a result of fraudulent conduct or recover the losses are able to quantify these amounts. This may impact the total losses and recoveries reported by the census.

In 2022–23, 12 entities quantified internal fraud losses and nine reported quantifiable recoveries greater than zero. Eighteen entities were able to quantify external fraud losses greater than zero and 21 entities quantified the amount recovered.

The total of internal fraud losses reported in 2022–23 was \$2,947,279. This is an increase from the internal fraud losses reported in 2021–22 (\$2,795,284). External fraud losses reported in 2022–23 (\$158,085,466) decreased compared with 2021–22 (\$198,409,958). Fraud losses often fluctuate between years, due to the nature of fraud and its associated risks. As mentioned above, changes between years could also be caused by a variation in the number of entities being able to quantify the amounts lost compared with the previous year, better fraud prevention and detection programs being in place, or changes in the amount of fraud taking place that results in financial losses.

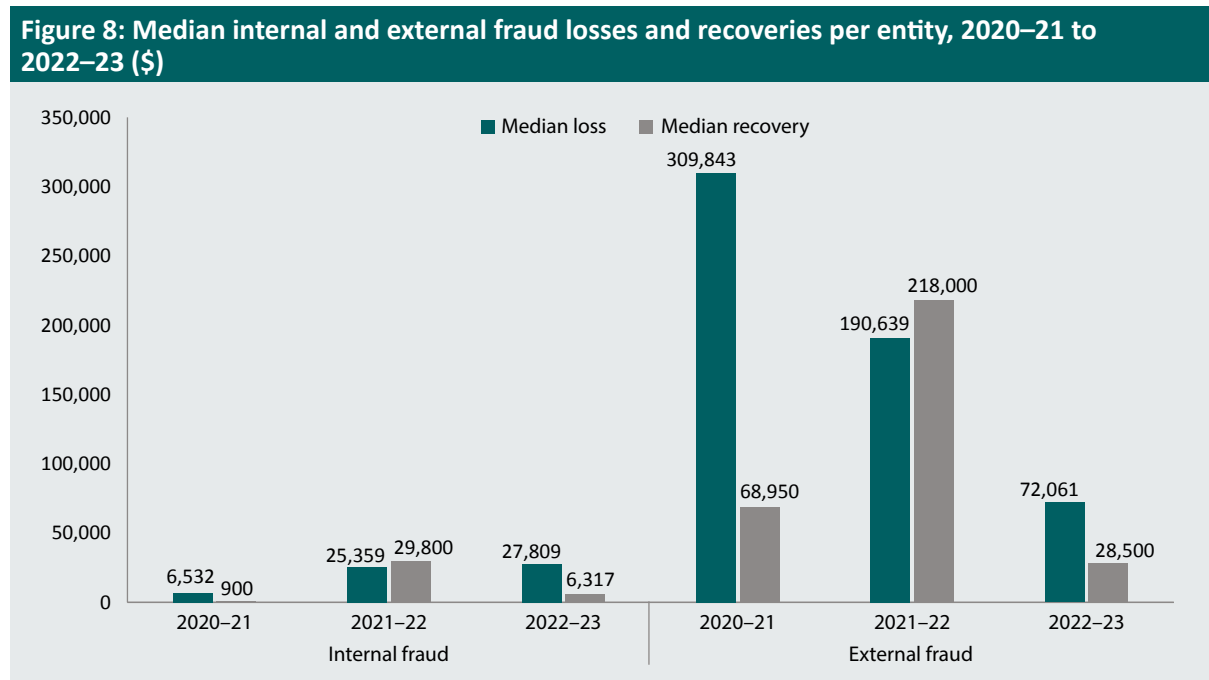
The amount of monies recovered for internal fraud substantially decreased between 2021–22 (\$3,632,023) and 2022–23 (\$250,326; see Table 5). A decline was also reported for external fraud recoveries (\$18,293,757 in 2021–22 and \$7,970,433 in 2022–23). Due to the length of time investigations can take, reported recoveries may not pertain to all applicable frauds experienced in 2022–23.

	Total (\$)	Average per entity (\$)	Median per entity (\$)	Number of entities ^a
Internal fraud loss	2,947,279	245,607	27,809	12
Internal fraud recovery	250,326	27,814	6,317	9
External fraud loss	158,085,466	8,782,526	72,061	18
External fraud recovery	7,970,433	379,544	28,500	21

a: Excludes entities that reported losses or recoveries equal to zero

Source: AIC Fraud Against the Commonwealth census 2022–23 [computer file]

The median amount lost to internal fraud increased between 2021–22 and 2022–23, but the median amount recovered decreased (see Figure 8). The median amounts lost to and recovered for external fraud were less than the median amounts reported in 2021–22. The differences between years in the total amounts lost and recovered, the variability in the number of entities reporting losses and recoveries, as well as the capacity of entities to quantify either the amount lost to fraud or the amount recovered, may explain the variance found between the median loss and median amount recovered for external frauds across the years (see Figure 8).



Note: Median calculations excluded entities that reported losses or recoveries equal to zero

Source: AIC Fraud Against the Commonwealth census 2020–21 to 2022–23 [computer file]

Summary

There were 378,033 allegations of fraud received or detected in 2022–23. Of these, 11,473 related to internal fraud and 366,196 related to external fraud.

Internal fraud

Internal fraud allegations received or detected in 2022–23 accounted for three percent of all fraud allegations reported during the financial year, a decline from the 17 percent reported in 2021–22. Over the same period, 1,827 alternative actions and 1,207 investigations were commenced. Thirty-four entities finalised internal fraud investigations in 2022–23, the same number as in the previous financial year. However, fewer internal fraud investigations were finalised compared with the previous three financial years. The primary methods of detecting internal frauds in 2022–23 were automatic processes, detection by a staff member or a tip-off from within the entity. Two-thirds of the internal fraud investigations finalised concluded that the allegations were substantiated, either in full or in part.

Program information, program payments, corporate information and corporate funds were identified as the principal targets of substantiated internal frauds. Internal frauds were largely committed through the misuse of information or digital and communication technology, the misuse of documents or asset misappropriation. The total amount lost as a result of internal frauds in 2022–23 increased from 2021–22, whereas the total amount recovered decreased.

External fraud

External fraud allegations received or detected in 2022–23 accounted for 97 percent of all fraud allegations reported. There were 82,659 alternative actions and 4,276 investigations commenced in 2022–23. The number of fraud investigations commenced increased from 2021–22 and is the highest number of commenced investigations reported in the last four years. Thirty-six entities finalised external fraud investigations in 2022–23, a decline from the previous financial year. There was an increase in the number of external fraud investigations finalised compared with the previous three financial years. Unlike in previous years, detection by a staff member was identified as the primary method of detecting external frauds. Less than half of the external fraud investigations finalised concluded that the allegations were substantiated, in full or in part.

Program payments, natural resources and 'other' targets were identified as the principal targets of substantiated external frauds. External frauds were largely committed by 'other' means, followed by the misuse of personal information and the misuse of documents. The total amounts lost and recovered reported as a result of external frauds decreased from 2021–22.

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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. The Centre also led the development of the new Commonwealth Fraud and Corruption Control Framework, which will come into effect from 1 July 2024.

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