

WHITE COLLAR CRIMES ON THE RISE IN AUSTRALIA



Pricewaterhouse Coopers report reveals the shocking extent of white collar crime in Australia. JUNE 05, 2014. FRAUD. Insider trading. Bribery and corruption. They're the insidious crimes committed by white collar criminals. Now new research reveals the extent of corruption in Australian organisations. PricewaterhouseCoopers's latest report Corruption: From the boardroom to the backroom surveyed more than 5000 people in 95 countries, more than half of whom were senior executives. A snapshot of the findings show:

- 57 per cent of Australian organisations experienced white collar crime in the last two years.
- 47 per cent suffered more than 10 fraud incidents over this time.
- One third of organisations lost more than \$1 million.
- Perpetrators are likely to be male and university educated.
- 65 per cent work in middle management.



Nearly six out of ten Australian organisations have experienced white collar fraud in the last two years, according to a new report. Source: Supplied

"We see brazen sorts of things quite often," said PricewaterhouseCooper's forensic services partner Malcolm Shackell.

Very obvious collusion between employees and external parties [things like] illegitimate invoices with very inflated prices being signed off. We've also seen a real rise in expense-related fraud. Not nickel and dime stuff, staff or executive expenses in the hundreds of thousands of dollars where organisations just aren't focused on what is going through the expense system."

Australian organisations have reported significantly more economic crime than global neighbours in the last two years, with a 10 per cent increase to 57 per cent. In comparison, just 32 per cent of companies in the Asia Pacific region described themselves as victims.



Industries like mining and construction were more likely to experience fraud in the procurement process according to the report.

Pictured, a construction worker in the US. Source: AP

The 'big five' crimes include asset misappropriation, cybercrime, procurement fraud.

This includes bribery and falsifying expenses — accounting fraud, bribery and corruption, according to the report. Mr Shackell said most of the crime occurs where money leaves a business with a surprisingly high amount in the procurement process of awarding contracts to companies. "It occurs on the cost side, contractors, suppliers, even expenses ... We have a saying: "It's easier to hide a tree in a wood than a car park."

"In Australia, we think its particularly prevalent in construction, mining, utilities; any of these industries where there is a relatively high use of contractor-type relationships."



Invoicing and expense fraud were two of the most common workplace crimes. Source: Supplied

He said a common example is inappropriate relationships between a middle management insider who can authorise payments and an external contractor.

The outsider might inflate invoices which are paid by the company, with the pair pocketing the extra. For companies acting overseas, the biggest risks include corruption, money laundering and antitrust behaviour. Australia has also seen a rash of

insider trading cases recently — where people seek to profit on the stock market through insider information.

One high profile example saw an Australian Bureau of Statistics worker who allegedly leaked market-sensitive information to a former university friend, netting the pair \$7 million according to police. ABS acting statistician Jonathan Palmer told a Senate hearing into the issue the breach was unprecedented but “it’s a very difficult threat to counter.” “If someone has a trusted need to access the number and they only have to leak an aggregate number or communicate in some obscure way that the number is contrary to market expectations, there’s no requirement for them to take [numbers] out of the building,” Mr Palmer said.



Perpetrators of white collar crime tend to be males in middle management, the report states. Source: Getty Images

When white collar crime does happen, the perpetrators tend to be male, middle management staff members between 31-40 years old.

They’re also becoming increasingly qualified, with 30 per cent holding a tertiary degree. Nearly 74 per cent of organisations said the most common reason for the crime was the opportunity and ability to do it. While white-collar crime in Australia may be high, Mr Shackell said this could also suggest effective detection and the tendency for Australian organisations to take crime seriously. Australia led its peers in terms of internal audits, with 67 per cent of organisations saying they would notify authorities about external fraud.



Christopher Russell Hill, 24, is accused of sharing sensitive information with his friend who worked at NAB. Source: News Corp Australia

Mr Shackell said he attributes the recent increase to better detection including whistleblower programs, more scrutiny and audits and awareness of the risks.

“That point about clarity is really important. What we’re starting to see is organisations getting better around training in ethical behaviour.” Have you experienced white collar crime at your organisation? Email victoria.craw@news.com.au with your experience or continue the conversation on Twitter [@newscomauHQ](https://twitter.com/newscomauHQ) | [@Victoria_Craw](https://twitter.com/Victoria_Craw)

<http://www.news.com.au/finance/business/pricewaterhousecoopers-report-reveals-the-shocking-extent-of-white-collar-crime-in-australia/story-fnda1bsz-1226944320514>

A Really High Percentage Of Australian Businesses Have Been The Victims Of Economic Crime

BEN COLLINS 5 JUNE 2014 BUSINESS INSIDER

More than half of the respondents to a PwC survey were the victims of economic crime. More than half of the Australian businesses who responded to a recent PwC survey have been the victims of economic crime.

As this table — from the 2014 Economic Crime Survey — shows, the only regions with a higher rate were Russia, Ukraine and South Africa. It's worth keeping in mind though — and PwC pointed this out — that these high numbers could reflect greater detection capabilities, as opposed to higher instances of crime.

Figure 30: Territories with highest percentage of economic crime

Territory	Reported Fraud 2014	Reported Fraud 2011
South Africa	69%	60%
Ukraine	63%	36%
Russia	60%	37%
Australia	57%	47%
Papua New Guinea	57%	NA
France	55%	46%
Kenya	52%	66%
Argentina	51%	45%
Spain	51%	47%
Global	37%	34%

<http://www.businessinsider.com.au/a-really-high-percentage-of-australian-businesses-have-been-the-victims-of-economic-crime-2014-6>

More than half of Australian businesses experience white collar crime according to survey

Thursday, 05 June 2014 KIRSTEN ROBB

More than half of Australian organisations surveyed in a recent study have experienced economic crime in the past 24 months. With white collar crime penalties in Australia paling in comparison to other jurisdictions, the latest Global Economic Crime Survey from PwC shows that number had risen from 47% in 2012. The PwC survey, which interviewed more than 5000 respondents across 95 countries and a range of different business sizes, also revealed 36% of those surveyed had suffered losses in excess of \$1 million in the past 24 months.

PwC partner Malcolm Shackell told *SmartCompany* the report applied equally to businesses regardless of their size. "We have seen that big frauds do happen to small organisations," says Shackell. He says many SMEs have limited resources to tackle fraud, but need to think about managing potential risks.

"The first thing for small and medium size business is to ask, 'where within my business is the biggest risk?' Then they need to focus their limited resources on tightening control of those risky areas," says Shackell. Shackell says for many small businesses, the supplier channel represents the biggest danger and companies should focus on the integrity of organisations and individuals working in that area.

He says many of the frauds he sees are 'collusive' frauds, where an external party is in collusion with an internal party to commit the fraud, or 'account payable' frauds. "Account payable type frauds are where you have a small business looking at rapid expansion and they have to spend money," says Shackell. "They need to open new shops or buy a new building or warehouse."

"And because that needs to happen quickly, the controls that are normally in place fall away in the need for speed," he says. "Some of the worst frauds we've seen are where one particular employee has been given a whole lot of new responsibility to spend money and that particular employee has taken advantage of that situation."

"We've seen some pretty bad ones, for example, where they've worked in collusion with someone from the outside, they falsified invoices, set up their own fake company... all that kind of stuff can add up to multimillion-dollar fraud," says Shackell. Shackell says small business owners and operators can often become emotional, but they are better served to approach these matters in a dispassionate way.

He says businesses need to take logical steps if they are suspicious of a fraud or economic crime taking place, which include identifying the frauds, proving with evidence that it has occurred, not making unfounded accusations and then dealing with the matter with lawyers. "The problem some organisations have is they don't want to believe it, they want to stick their head in the sand," he says.

<http://www.smartcompany.com.au/legal/42279-more-than-half-of-australian-organisations-experience-white-collar-crime-survey.html#>

Australia's white collar crime penalties pale in comparison to other jurisdictions

Wednesday, 02 April 2014 ZOE FIELDING - This article first appeared on Property Observer.

People who commit white collar crime in Australia are getting off lightly compared with those found guilty of similar offenses in other countries, a report has found. Thousands of Australians have lost millions of dollars or been put at risk by the actions of financial planners and credit brokers who have committed fraud, provided inappropriate advice and operated without an appropriate license. A report by the Australia Securities and Investments Commission has found the penalties that can be imposed for such offenses in Australia are limited in some cases compared with those available to regulators in other jurisdictions.

For example, people who provide financial services without a license in Australia can only be fined up to \$34,000. In contrast, the report found that people guilty of the same offenses in the US face maximum fines of \$5.6 million. In the UK, the maximum fine is unlimited. The maximum civil penalty in Australia for giving inappropriate advice is \$200,000, while in the UK the maximum is unlimited, and in Hong Kong it is the greater of \$1.4 million or three times the benefit gained by the wrongdoer.

Individuals who broke corporate rules in the US could be sentenced to prison terms of up to 20 years. In Australia, and most other jurisdictions studied, the maximum prison term was 10 years for criminal penalties such as fraud and insider trading. The maximum prison term for providing financial services without a license in Australia is just two years.

The report compared maximum penalties in Australia to penalties imposed for similar offenses in Hong Kong, the United Kingdom, the United States and Canadian province, Ontario. It found that regulators elsewhere could, in addition to imposing fines and prison terms, remove financial benefits that wrongdoers had obtained through illegal profits or avoided losses. ASIC does not have that power, although it can ask other agencies to bring an action to confiscate the proceeds of crime.

The relatively low fixed fines that ASIC can impose and the fact that it cannot remove the proceeds of crime itself meant that wrongdoers may still profit from their conduct and not be deterred by the penalties, the report warned. "The maximum fine that may be imposed may be substantially lower than the financial benefit obtained as a result of the wrongdoing," it said.

The report also found inconsistencies between penalties that could apply to similar offenses under different pieces of legislation within Australia. For instance, offering a financial service without a license attracted a criminal penalty under the Corporations Act with individuals fined up to \$34,000, while someone giving unlicensed credit advice could be subject to the same criminal penalty, or a civil penalty of up to \$340,000.

Civil penalties in the Corporations Act have been eroded by inflation as they have not increased since they were set in 1992 for individuals and 2004 for corporations. In 2007, it was suggested that the penalties should be lifted following a Treasury review, although no increases were made. The report is the first of its kind in over a decade and ASIC has recommended further work be done. Its findings will be fed into ASIC's submission to the Financial System Inquiry, which closes for comment on Friday, March 28.

<http://www.smartcompany.com.au/legal/41379-australia-s-white-collar-crime-penalties-pale-in-comparison-to-other-jurisdictions.html>