

Fraud against the Commonwealth is theft from the taxpayer

Each year fraud against the Commonwealth amounts to multi-million dollar theft against the taxpayer. These crimes are investigated by the AFP on behalf of client departments.

The difficulty in investigating large frauds is that the white collar criminals sometimes have larger budgets than the agencies fighting them. Major white-collar criminals tend to be highly organised and smarter than the average criminal. They tend to have large financial resources and are able to afford the best legal, accounting and other professional advice to defend themselves and their assets. Furthermore, they are usually well acquainted with influential people.

In response to the Elliott Report, a Fraud Liaison Branch was established in the AFP's headquarters Fraud and General Crime Division to provide focus for the delivery of the full range of fraud related functions to the Commonwealth.

Management of serious crime methodology (MOSC) has now been adopted for all major regional investigations and the principles applied to other matters where appropriate.

What follows are recent examples of investigations that the AFP carried out for client departments.

Australian Taxation Office

An AFP/ATO task force uncovered large numbers of Chinese and Vietnamese people exporting large quantities of gold bullion to Vietnam by air. It was established they were being used as couriers for people associated with the clothing industry.

A large number of clothing manufacturers were found to be cashing cheques from clothing suppliers through bank accounts opened for that specific purpose.

The money was never shown as income in the companies' accounts. The ATO estimates the fraud at \$100 million in undeclared income. One case alone involved a \$22.5 million fraud.

A joint AFP and ATO operation resulted in the arrest of three directors of a family owned company in relation to defrauding the Commonwealth of \$5.6 million. Approximately 800 staff were affected as a result of the directors failing to report income tax installments which had been deducted from their wages. The fraud also involved the alleged falsification of company records and the operation of false bank accounts.

The AFP and the ATO investigated an accountant who was associated with 28 companies lodging false taxation returns and obtaining in excess of \$5 million in refunds or credits.

Another investigation into an organised fraud committed on the ATO by an unregistered tax agent involved 55 partnerships and 1800 individuals. Completed prosecutions to date have resulted in the tax agent being imprisoned for a maximum of four years. The total fraud is estimated at \$2.8 million.

A referral from the ATO led to the joint investigation and discovery of fraud against the Prescribed Payments Credit Scheme to the value of \$3 million in which the offender created legitimate companies with bogus activities claiming the credit from the scheme. The offender left Australia prior to his identification and extradition is being sought for his return.

A referral from the ATO Audit



Tax fraud investigations inevitably mean the seizure and examination of large quantities of company and personal records.

Office identified a registered tax agent claiming excessive and false claims for various items on individual taxpayers returns. The client base of the agent was 614 with 518 audits being conducted of which 98 per cent were proven to be false. The fraud totalled \$1.265 million.

Australian Customs Service

In August 1994 an investigation commenced into an alleged \$750,000 fraud on Australian Customs Service (ACS). The fraud allegedly involved companies importing goods into Australia and failing to pay customs duty on the goods. Inquiries regarding possible ACS involvement in the offence are continuing in conjunction with ACS Internal Affairs.

Department of Employment Education and Training

In October 1994, DEET referred an Austudy fraud which involved two Dubbo residents who were claiming Abstudy benefits in numerous names. Search warrants were executed on various premises and it appears benefits were being claimed in 34 assumed names. The fraud against DEET is estimated at \$240,000. It is believed offences have been committed against the ATO and DSS by the same offenders.

In May 1995 a former employee of DEET in Mackay and an accomplice were charged with an alleged fraud estimated at \$70,000.

Department of Social Security

An SES officer of the Department of Social Security was detected having received Temporary Accommodation Allowances amounting to approximately \$100,000 to which he was not entitled. The officer was charged with imposition on the Commonwealth and court proceedings set down for September 1995.

An investigation continues into the large scale practice of prisoners and, or their associates fraudulently obtaining Social Security benefits while serving a term of imprisonment. To date, 41 people have been charged. The value of the fraud so far is \$163,607.

Department of Administrative Services

A senior officer with the

Department of Administrative Services received approximately \$16,000 as bribes to give favourable treatment to a cleaning contractor. He was charged under the *Secret Commissions and Crimes Act*.

Department of Human Services and Health

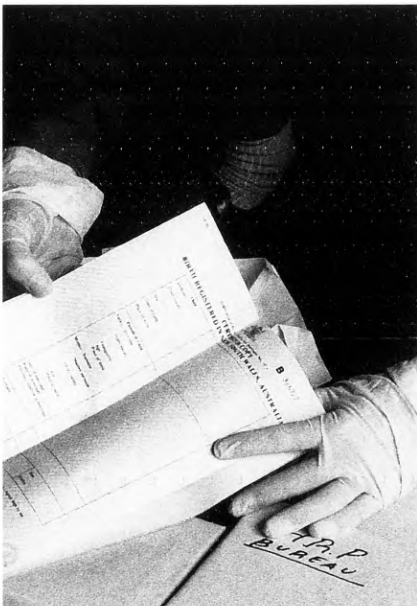
Two Mackay businesswomen defrauded the Department of Human Services and Health of more than \$300,000. The fraud involved payments of subsidies received for the operation of a child care centre. Both were charged with the offences.

Other Investigations

In April 1995, four Brisbane businessmen were charged with defrauding the Commonwealth of more than \$240,000 in relation to Austrade grants to manufacture and market a mortar spreading machine.

In July 1994, the AFP investigated the forgery of World War II medals. It was believed the suspect had forged the names of genuine service personnel on to blank medals which he then sold to medal collectors. In some cases the offender used the names of service people who have been decorated and killed in action. The forged medals have been traced to London, Sydney, Brisbane and Perth. A quantity of military medals and documentation was seized from the offender's premises. One document indicated a particular naval service person had been assisting the offender. The first offender pleaded guilty to the charges and received a six month suspended sentence.

White-collar criminal activity frequently involves breaches of state and Commonwealth criminal and regulatory legislation. The pursuit of evidence will often be helped by access to the intelligence and information holdings of numerous agencies such as the AFP, State Police, the Australian Transaction Reports and Analysis Centre, and the Australian Securities Commission. Clearly, it is essential that close co-operation between agencies is maintained. Law enforcement is moving in this direction, but the AFP recognises more needs to be done.



False identities and false documentation are often the basis of a fraud against the Commonwealth.