



### **Corporate Fraud in Australia**

2009 has been an eventful year in which a number of corporate frauds have been perpetrated by high level trusted employees. These frauds have in some circumstances almost resulted in the insolvency of the organizations for which the employees worked. The frauds have occurred in both the private and public sectors.

#### **Clive Peeters**

Clive Peeters, a listed electrical retailer experienced significant cash flow problems as a result of the alleged misappropriation of funds committed by a senior financial accountant in its employ. The accountant, Ms Sonya Causer, is alleged to have stolen approximately \$20 million by diverting creditor payments into her own bank accounts.

It transpires that Ms Causer utilized the funds for the purposes of her lifestyle and for the acquisition of a number of properties and unusually, shares in Clive Peeters.

#### **Specialty Fashion Group**

Another fraud involving a listed retailer was that pertaining to Specialty Fashion Group. The fraud costing approximately \$16 million related to the alleged payment by a trusted employee of related party supplier invoices.

It is alleged that a long-time senior executive Mr Simon Feldman, stole approximately \$16 million from the company by invoicing the retailer for store renovations that never took place. The fraud entailed the alleged payment by Mr Feldman of related party supplier invoices. It is understood that he pocketed some of the funds and used the balance to bolster up some of his private business interests.

#### **Railcorp**

There have been investigations conducted by the Independent Commission Against Crime (ICAC) in respect of a number of employees whom either paid fictitious supplier invoices or overpaid related party supplier invoices. It transpires that the funds were utilised predominantly for lifestyle purposes by the perpetrators.

### **Bank of Queensland**

The financial industry itself has not been immune from fraudulent conduct.

A Brisbane bank employee was recently convicted of stealing \$3 million, the proceeds of which were spent on lifestyle items including holidays and motor vehicles. **More info**

### **Korea Exchange Bank**

Over the course of approximately 7 years a senior executive defrauded the bank of the sum of \$6 million and the bulk of the funds were paid into his personal account. It appears as if the majority of the funds were expended on lifestyle items.

### **Commonwealth Bank of Australia**

A bank manager misappropriated approximately \$650,000 from client accounts over the course of 7 years and the funds were applied to support the family's lifestyle and also to assist with her husband's business interests. This fraud was only brought to light as a result of a bitter dispute between the bank manager and her husband.

### **Bank of Queensland**

An employee (Reecson Denford) working for an IT contractor engaged by the Bank of Queensland had access to the bank's systems and was conferred with the ability to generate records and transfer funds.

The employee discovered a loophole in the bank's systems and over the course of approximately 2 years transferred almost \$3 million, all transactions being less than \$10,000.

The proceeds of the fraud were disbursed on items including a champagne collection, jewellery, luxury cars and holidays.

The fraud only came to light when Denford's employer became suspicious about his extravagant lifestyle and conducted an investigation.

### **ING**

Rajina Subramaniam, a senior accountant whom had worked at ING for approximately 20 years is alleged to have defrauded the financial business of \$45 million.

The funds were disbursed on fashion jewellery, clothing and property. It is believed that Subramaniam used her maiden name in acquiring \$15 million of property situated at Bondi Beach, Kirribilli and Sydney CBD.

It is alleged that Subramaniam held VIP status at exclusive retailers including Chanel, Hugo Boss and Paspaley.

The fraud was apparently detected by Subramaniam's own financial institutions that became aware of the substantial monies that were being spent by her.

### **How have the fraudulently obtained funds been disbursed?**

In the majority of employee frauds the funds have been spend on lifestyle items including property, motor vehicles, holidays and gambling. In the Specialty Fashion Group situation it appears that the funds were diverted to business interests operated by Mr Feldman.

### **Why did these frauds escape detection for such periods of time?**

The aforementioned frauds were all committed by persons whom performed accounting related functions within the affected organizations. These persons were trusted employees and had devised schemes whereby the frauds could be perpetrated for periods of time notwithstanding the presence of both internal and external audit systems.

The bottom line in respect of corporate fraud is that notwithstanding the application of techniques including profiling, data mining and analysis and whistle blowing policies, combined with the presence of internal and external audit that employees can always devise systems to perpetrate frauds and that in some circumstances these frauds may not be detected for a number of years.

### **What measures can be adopted to detect and alleviate corporate fraud**

Polemic Forensic has developed a unique cost effective approach to corporate fraud which focuses directly upon employees and their personal financial situations and activities.

For further information pertaining to this methodology please contact Polemic Forensic by phone or email.

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