

Fraud Barometer



EDITION 3 | OCTOBER 2021

OVERVIEW



\$29.7 million

The total value of large fraud cases (>\$100k) in the 12-month period from 1 August 2020 to 31 July 2021.

Identified fraud cases that were reported during the period.

22 cases



3 'super frauds'

Frauds valued at over \$1.0 million, up from two in the prior 12-month period.

The largest fraud related to a Gisborne-based man who committed what is reportedly New Zealand's biggest ever tax fraud. Over a four year period, John Bracken claimed \$17.4 million in GST refunds that his business was not entitled to. Mr Bracken convinced two women to create false invoices before withdrawing funds from the business bank account to match the invoice balances. The money was then deposited into another bank account, creating a circular flow of transactions that went undetected until one of the women reported him to the SFO.

\$17.4 million



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SUMMARY

The total value of fraud reported in the year to 31 July 2021 decreased by 59% when compared to the previous year. This is the second consecutive year that the total value of reported fraud has fallen. However, there was an increase in the total number of reported frauds in the current year, increasing by three cases to 22.

Examples of different fraud cases that have been reported in the last 12 months

\$741k

A former chartered accountant spent seven years impersonating family members and filing fraudulent income tax and GST returns on behalf of the family business. Megan Findlay fabricated sales and expenses to reduce the company's tax liability by \$274,000 and received tax refunds of \$467,000 which were transferred to her personal bank account.

\$110k

A senior manager at Unitec made 1,461 personal transactions on a purchasing card provided to her for business expenses. Kimberley Gupwell spent money on items such as beauty products, online shopping and home renovations. To hide the fraud, she changed merchant names and provided false purchase reasons in Unitec's financial management program.

\$4.1m

A member of a supposed investment syndicate for overseas investors defrauded a couple who sought to invest in New Zealand property development projects. Peng Pian obtained \$4.1 million by deception, falsely claiming that he was also contributing to the syndicate. Other members of the syndicate are currently awaiting trial for similar offences.



\$1.8m

A horticultural contractor in Hawke's Bay evaded tax by repeatedly creating new companies and providing Inland Revenue with false information. Eighteen different companies were used by Gautam Kapoor to evade \$1.8m of tax payments, including retaining PAYE that had been deducted from employee wages and falsely claiming a refund for a non-existent purchase of apples.

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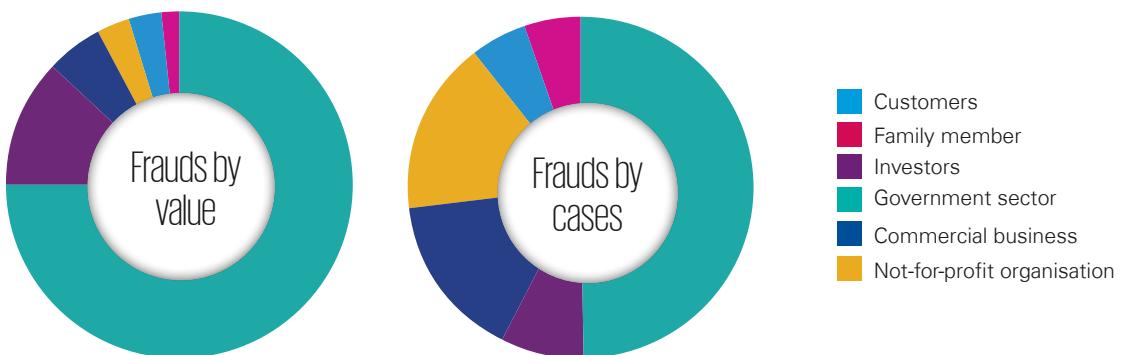
VICTIMS

The government sector was subject to the highest proportion of frauds in the past year by value, at 75%, followed by investors at 16%. These results were significantly impacted by the \$17.4m GST fraud, committed against the IRD.

The second largest fraud was \$4.1m, committed against investors. Without the \$17.4m fraud, the government sector and investors would have suffered a similar proportion of frauds by value.

For the third consecutive year, the government sector suffered the highest number of frauds. There were 11 fraud cases in which the government sector was the victim, equal to half the total volume of cases in this year's Barometer. Most of these 11 cases were against the IRD due to high numbers of tax fraud cases. Non-profit organisations, which includes tertiary education providers, suffered the second highest number of fraud cases at four.

Total frauds by victim type over the past year



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PERPETRATORS

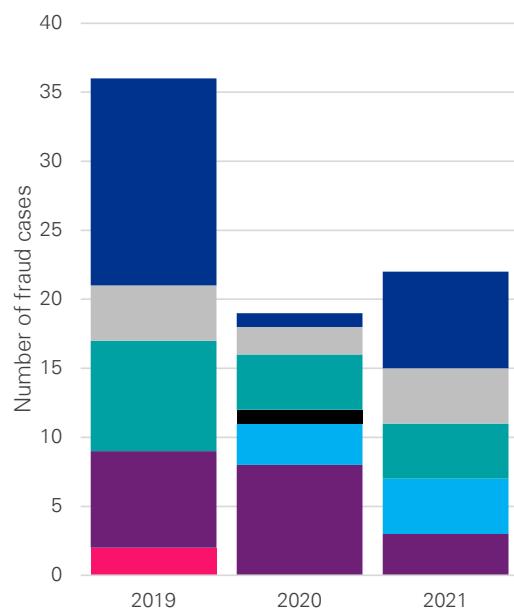
The most common perpetrators of fraud in the year to 31 July 2021 were business owners, by both value and volume. There were seven reported cases of fraud by business owners, totaling \$21.0m. In two of the last three years, business owners have been responsible for the highest number of reported frauds.

The second most common perpetrators of fraud by value were financial advisors, totaling \$5.6m. This

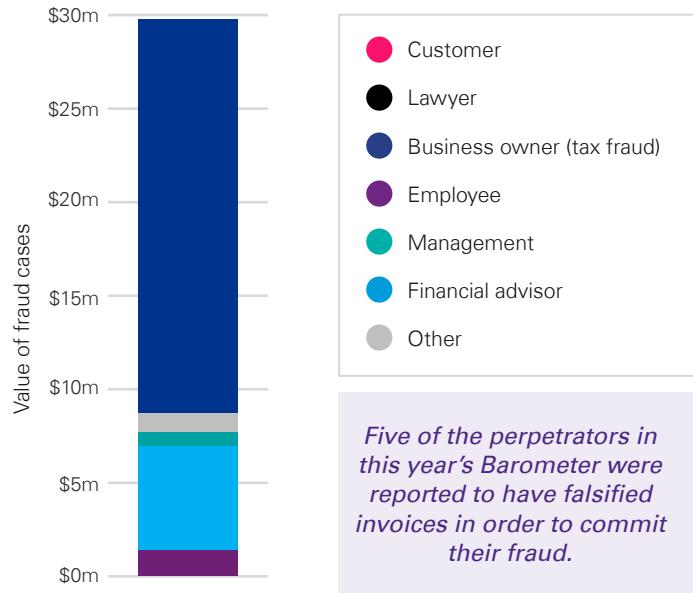
includes two instances of accountants submitting fraudulent GST and income tax returns to evade tax.

Financial advisors, management and 'other' each had four reported fraud cases this year. Employees, the most common perpetrators of frauds by volume in last year's Barometer, fell by five cases to three.

Perpetrators of fraud by volume



Perpetrators of fraud by value in 2021



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PERPETRATORS BY AGE

The graph below demonstrates that the proportion of persons aged 30 – 39 who were convicted of fraud was relatively stable until 2018, but has risen significantly in recent years. Since 2017 it has been the most common age bracket of those convicted for a fraud offence.

Persons aged 40 and over, the most common age category of reported cases

in this year's Barometer, peaked at 34% of convictions in 2012 before dropping to 25% by 2020.

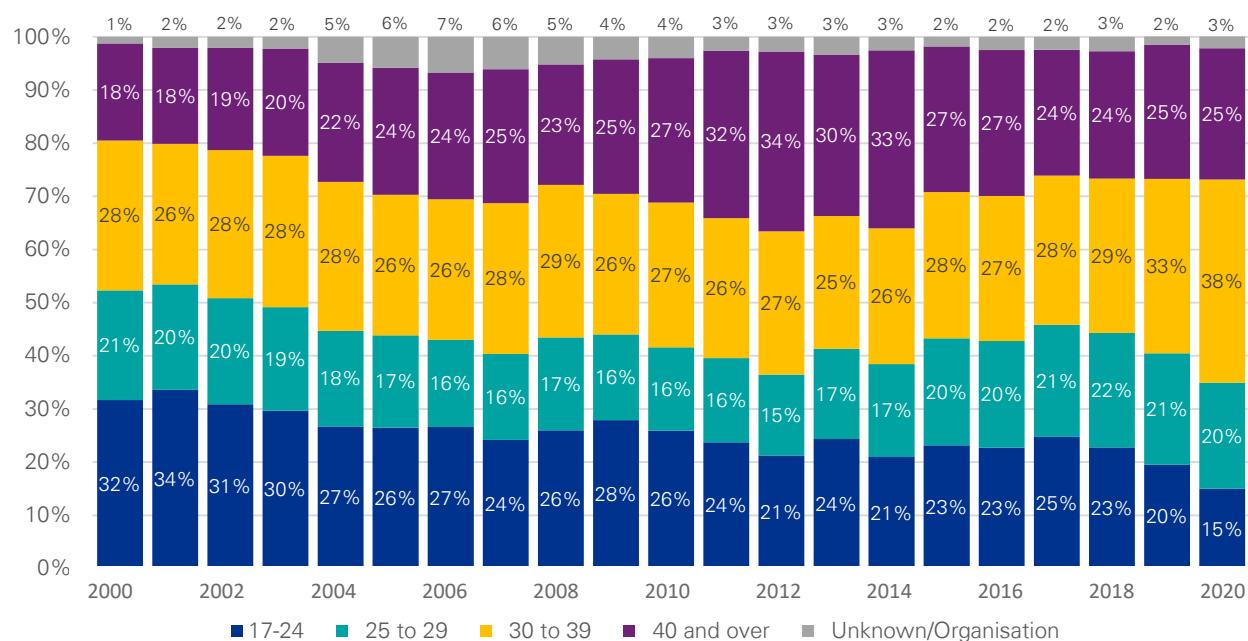
The 17-24 age category, once the most common age category, has trended downwards over time and accounts for less than half the proportion of fraud convictions in 2020 as compared to 2000.



50 years

The average age of a fraudster in this year's Barometer

Proportion of NZ adults convicted of fraud, deception and related offences, by age and by year*



Source: Stats NZ

* We note that this data represents fraud convictions of any value, while our Barometer cases are reported frauds over \$100k in value.

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In this year's Barometer a greater proportion of the cases were committed by females, unlike the two previous editions where more reported frauds were committed by males.

The graph below informs that this year's Barometer findings are in contrast to recent trends in the proportion of persons convicted of fraud. Since 2015, a greater proportion of persons convicted of fraud

were male, rising to 59% in 2020. This proportion is about the same as the proportion of male fraud convictions observed back in 2000.

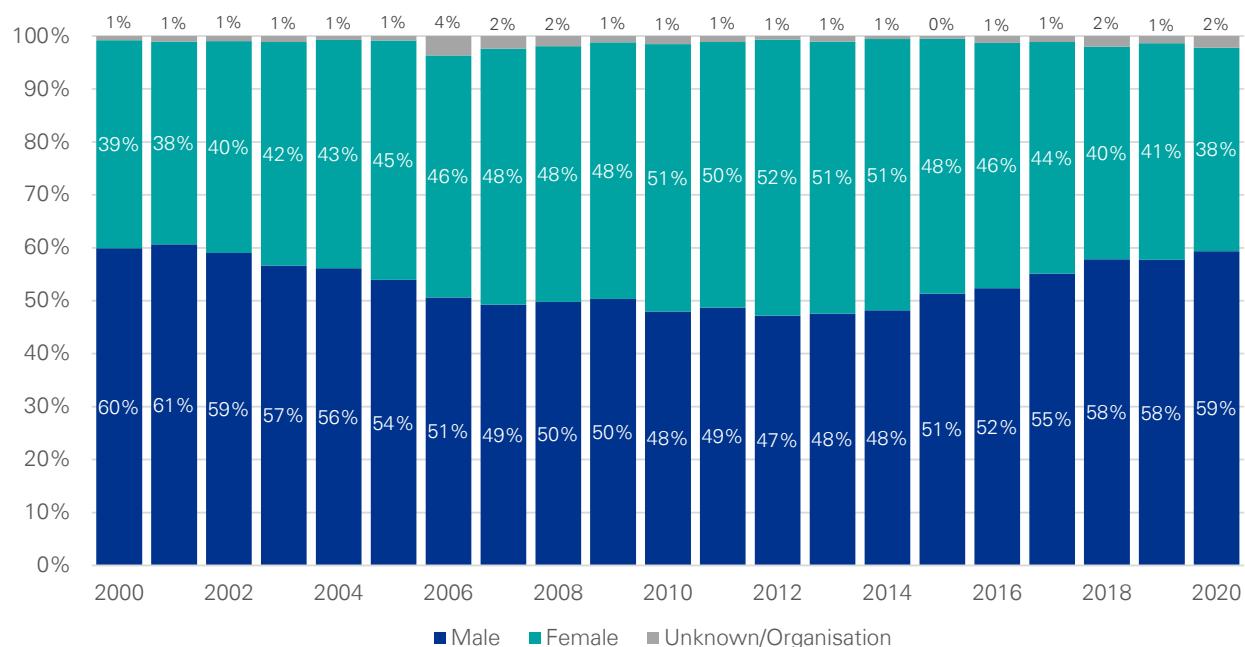
However, during the period 2007 to 2015 the proportion of male and female convictions was broadly similar – with females being slightly higher in the years 2010 to 2014.

PERPETRATORS BY SEX



58%
of perpetrators in
this year's Barometer
were female

Proportion of NZ adults convicted of fraud, deception and related offences, by sex and by year*



Source: Stats NZ

* We note that this data represents fraud convictions of any value, while our Barometer cases are reported frauds over \$100k in value.



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The objective of the Fraud Barometer is to monitor, through media searches, the level of reported frauds coming before the criminal courts in New Zealand, and provide commentary surrounding the types of victim, perpetrator and fraud occurring. In order for a case to be included in our Fraud Barometer, the fraud must exceed \$100,000.

For more information get in touch with us



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