

ANATOMY OF A FINANCIAL SWINDLE – THE AWU SCANDAL

Introduction

This is a synopsis of how the AWU scandal was structured. The précis is based entirely on the September 1996 affidavit prepared by Ian Walter Cambridge, then the Joint National Secretary of the AWU, and currently a Commissioner for Fair Work Australia. This synopsis has been written for people who have neither the time nor the inclination to examine all 39 pages of the extensively detailed Cambridge affidavit, but who nevertheless seek to acquire a working knowledge of the events that came to be known as the “AWU scandal”. It is inevitable that no summary can ever do the material to which it relates justice. Accordingly, readers who wish to gain a deeper understanding of the events described here are encouraged to refer back to the original Cambridge affidavit.

The scandal timeline and its basic ingredients

The scandal operated over the five-year period 1991 to 1996. At the heart of the swindle was the creation and subsequent operation of unauthorised bank accounts. The apparent purpose for this was the systematic and large-scale misappropriation of money.

Authorised versus unauthorised bank accounts

Like any union, the AWU (which had amalgamated with the FIMEE in 1993) authorises the establishment of bank accounts to service its branches and chapters throughout Australia. Such authorisation arises from various Union rules and executive committee resolutions. Authorisation also makes provision as to which Union officials are permitted to create and operate legitimate Union bank accounts. Bank accounts that are not opened as a result of executive resolution, or that are not operated by authorised personnel, are therefore unauthorised accounts.

Bank account fundamentals

Bank accounts exist primarily to provide a safe and convenient repository for cash. Three characteristics of bank accounts seem especially noteworthy here:

1. Cash initially flows into an account (deposits) and subsequently flows out (withdrawals).
2. Cash deposits can come from different sources, and can be made by anyone who knows the account details (BSB code, account number and account name).
3. Cash withdrawals can be made only by a person or persons authorised to do so. Such people are described as “signatories to the account”. Depending on the account, and where more than one person has been authorised, cash withdrawals might require the signature of more than one signatory.

The AWU unauthorised bank accounts

Following intensive investigation, Ian Cambridge discovered the existence of thirteen unauthorised bank accounts created, and subsequently operated, by people associated with the AWU. Five of the accounts were located in Western Australia, and eight in Victoria. All thirteen accounts were held with the Commonwealth Bank of Australia, and many (but not all) had names suggesting a direct link to the AWU. The thirteen unauthorised accounts that Ian Cambridge discovered, their signatories and the total cash deposited in each are shown in Table 1.

TABLE 1 – List of unauthorised accounts

	Account name	Signatories	\$ Total cash deposits
Western Australia			
A	AWU Workplace Reform Association Inc (Cash Management Call Account)	Bruce Wilson Ralph Blewitt	156,849.00
B	AWU Workplace Reform Association Inc (Cheque Account)	Bruce Wilson Ralph Blewitt	383,332.60
C	Construction Industry Fund	Bruce Wilson Ralph Blewitt	66,710.00
D	WA Election Fund	Bruce Wilson Ralph Blewitt	40,000.00
E	AWU-FIME WA Staff Social Club	Peter Tribilco Glen Anderton	22,980.00
Victoria			
F	Australian Workers Union Members Welfare Association (No.1) Account	Bruce Wilson James Collins	208,180.71
G	Australian Workers Union (No.3) Account	Bob Smith Bruce Wilson Frederick Phillips James Collins	6,257.53
H	Social Club #3	R Smith F. Phillips Allan Elliott	2,152.36
I	Australian Workers Union Members Welfare Association (No.1)	V. Telikostoglou M. Murray M. Barnes	32,907.66
J	Australian Workers Union Tatts Social Club	<i>Not known</i>	682.61
K	Re-Election Fund	<i>Not known (Bruce Wilson postal address given)</i>	17,893.81
L	Australian Workers Union Victorian Branch State Funds	<i>Not known (Victorian AWU address given)</i>	127,858.28
M	National Construction Branch Welfare Account	<i>Not stated</i>	320.00

Where did the cash deposits come from?

The cash deposits made to each unauthorised account originated from one or more of three sources:

1. Contributions from parties external to the AWU (e.g. external companies).
2. Union dues paid by members.
3. Transfers from other unauthorised accounts (internal transfers).

Ian Cambridge was able to trace some cash deposits back to their source but he was not able to do so for all cash deposits and/or for all unauthorised accounts. The result of Ian Cambridge's investigation of cash deposit sources is summarised in Table 2.

TABLE 2 – Source of the cash deposits

Account name		\$ Cash deposits	External sources	Union dues	Internal transfers	Unknown origin
Western Australia						
A	AWU Workplace Reform Association Inc (Cash Management Call Account)	156,849.00	156,849.00			0.00
B	AWU Workplace Reform Association Inc (Cheque Account)	383,332.60	363,816.60			19,516.00
C	Construction Industry Fund	66,710.00	20,160.00		46,550.00	0.00
D	WA Election Fund	40,000.00				40,000.00
E	AWU-FIME WA Staff Social Club	22,980.00			22,980.00	0.00
Victoria						
F	AWU Members Welfare Association (No.1) Account	208,180.71	186,800.00	17,950.00	3,425.00	5.71
G	AWU (No.3) Account	6,257.53				6,257.53
H	Social Club #3	2,152.36				2,152.36
I	AWU Members Welfare Association (No.1)	32,907.66	7,200.00			25,707.66
J	AWU Tatts Social Club	682.61				682.61
K	Re-Election Fund	17,893.81				17,893.81
L	AWU Victorian Branch State Funds	127,858.28		127,858.28		0.00
M	National Construction Branch Welfare Account	320.00				320.00
Western Australian total		669,871.60	540,825.60	0.00	69,530.00	59,516.00
Victorian total		396,252.96	194,000.00	145,808.28	3,425.00	53,019.68
GRAND TOTAL		1,066,124.56	734,825.60	145,808.28	72,955.00	112,535.68

One should not automatically conclude from Table 2 that the total funds misappropriated in the AWU financial swindle is simply the grand total of cash deposits made to the thirteen unauthorised bank accounts. This is because the grand total of \$1,066,124 includes internal transfers of \$72,955 and possibly other internal transfers included within the unknown origin amount of \$112,535. But the misappropriated funds amount would certainly include all deposits made from external sources (\$734,825) and union dues received (\$145,808). Thus, at a minimum, the AWU financial swindle involves a misappropriation of \$880,633. The financial swindle would grow to \$993,169 if all funds of unknown origin were from external sources.

Of particular interest here is the extent to which Bruce Wilson was involved in the AWU swindle. Wilson had (joint with Ralph Blewitt) control over \$540,825 misappropriated from Western Australia. He also had further (joint with James Collins) control over \$204,750 misappropriated from Victoria. And when funds of unknown origin, and also accounts listing Wilson's postal address or that of the Victorian AWU branch, are factored in, Bruce Wilson's personal involvement in misappropriated funds could range anywhere from \$745,575 to \$937,585.

How were the misappropriated funds spent?

From the limited information available to him, Ian Cambridge was able to identify how some of the funds in some of the unauthorised accounts were disbursed. This is shown in Table 3 below.

TABLE 3 – How some of the money in some of the accounts was disbursed

Account name		\$ Cash deposits	Cash withdrawals	Business entities	Individual persons	Payees not identified
<i>Western Australia</i>						
A	AWU Workplace Reform Association Inc (Cash Management Call Account)	156,849.00	<i>(All funds transferred to Account B)</i>			
B	AWU Workplace Reform Association Inc (Cheque Account)	383,332.60	225,100.00	67,744.30	36,567.56	12,603.06
C	Construction Industry Fund	66,710.00	18,441.30			48,609.22
D	WA Election Fund	40,000.00	8,900.00	1,312.00		
E	AWU-FIME WA Staff Social Club	22,980.00	<i>(Transaction details not available)</i>			
<i>Victoria</i>						
F	AWU Members Welfare Association (No.1) Account	208,180.71	29,500.00	185,368.56	14,470.00	2,369.00
G	AWU (No.3) Account	6,257.53	<i>(Transaction details not available)</i>			
H	Social Club #3	2,152.36	<i>(No transactions on this account)</i>			
I	AWU Members Welfare Association (No.1)	32,907.66	17,500.00	166.00		24,900.00
J	AWU Tatts Social Club	682.61	<i>(Transaction details not available)</i>			
K	Re-Election Fund	17,893.81		4,528.86		
L	AWU Victorian Branch State Funds	127,858.28				128,446.80
M	National Construction Branch Welfare Account	320.00	<i>(Transaction details not available)</i>			
<i>Western Australian total</i>		669,871.60	252,441.30	69,056.30	36,567.56	61,212.28
<i>Victorian total</i>		396,252.96	47,000.00	190,063.42	14,470.00	155,715.80
<i>GRAND TOTAL</i>		1,066,124.56	299,441.30	259,119.72	51,037.56	216,928.08

The six business entities receiving the largest total cheque payments from the unauthorised bank accounts are listed in Table 4.

TABLE 4 – The six business entities receiving the largest total cheque payments

Business entity	Nature of business	\$ Payment	Source
Slater & Gordon	Legal advisors	67,722	Account B
Woodside Offshore Petroleum	Oil and gas exploration	58,500	Account F
John Holland Constructions	Construction and engineering	38,200	Account F
Thiess Contractors	Construction and engineering	29,566	Account F
Fluor Daniel	Construction and engineering	29,000	Account F
Town Mode Fashions	<i>(Uncertain)</i>	17,500	Account F
TOTAL		\$240,488	

The individual persons receiving cheque payments from the unauthorised bank accounts are listed in Table 5.

TABLE 5 – Individual persons receiving cheque payments

Individual person	Position or role	\$ Payment	Source
Ralph Blewitt	AWU organiser and WA branch secretary	36,567	Account B
Alan Rix	Past AWU employee and/or official	2,000	Account F
Fred Phillips	Past AWU employee and/or official	1,670	Account F
Stephen Roach	Past AWU employee and/or official	1,808	Account F
Frank Curran	Past AWU employee and/or official	684	Account F
Yossi Berger	Past AWU employee and/or official	1,808	Account F
Bob Kernohan	Joint Branch President, AWU-FIMEE Victoria	6,500	Account F
TOTAL		\$51,037	

Two further matters of importance

The Cambridge affidavit addresses two further matters of importance in relation to the AWU scandal:

1. The possible existence of other unauthorised bank accounts

During the course of his investigation, Ian Cambridge wrote to all known banks and financial institutions in Australia seeking information on possible other unauthorised bank accounts that had not yet come to his attention. The Commonwealth Bank of Australia provided a list of sixteen such accounts – three in Western Australia, eight in New South Wales, one in Victoria, one in Queensland, two in Tasmania and one in the Northern Territory. Ian Cambridge expressed the view that these sixteen accounts warranted further investigation.

2. The purchase of real estate property in Fitzroy, Victoria

One of the many issues and questions arising out of the AWU scandal, concerns the use of Union funds to purchase residential property in the Melbourne suburb of Fitzroy in Victoria. On 18 February 1993, Bruce Wilson (acting for Ralph Blewitt under a donated Specific Power of Attorney) purchased a residential property at 1/85 Kerr Street in Fitzroy. The property was purchased at auction for \$230,000, with 10% of the purchase price immediately payable as a deposit.

In his affidavit, Ian Cambridge made special mention of three separate cheques, each drawn on the unauthorised bank account B (AWU Workplace Reform Association):

- A cheque for \$25,000 in favour of Ralph Blewitt, dated 10 February 1993. The cheque date was a mere three days before the Kerr Street auction. Ian Cambridge believes that this cheque was used to make the \$23,000 property purchase deposit due at the conclusion of the auction.
- A cheque for \$67,722.30 in favour of Slater & Gordon, dated 18 March 1993. Slater & Gordon was the law firm acting for Blewitt in the purchase of the Kerr Street property. The cheque covered the amount payable by the purchaser on purchase settlement. An amount of \$67,722.30 was entered in the Slater & Gordon Trust ledger account as a “direct deposit” four days later on 22 March – the same day that the Kerr Street property purchase was settled. Evidently, on 18 March 1993, Blewitt had personally delivered the cheque to a bank branch in Perth, Western Australia (where he resided) and funds had been transmitted to Slater & Gordon in Melbourne via telegraphic bank transfer the same day.
- A cheque for \$2,000 in favour of Ralph Blewitt, dated 5 April 1993. The cheque was drawn shortly after Slater & Gordon had sent Blewitt a request for payment (dated 31 March 1993). The amount requested related to a settlement adjustment error.

The conclusion drawn by Ian Cambridge was that at least \$92,722 had been taken out of the unauthorised bank account B (AWU Workplace Reform Association) and the money used to pay for the purchase of a residential property at 85 Kerr Street, Fitzroy in the name of Ralph Blewitt.

The Cambridge affidavit further states that the misappropriated \$92,722 had been paid to the AWU by Thiess Contractors and had then been wrongfully deposited into the unauthorised bank account. Originally, the \$92,772 had been paid to Thiess by the Western Australian State government for the purpose of training young people to enter the workforce, and thereby alleviate a growing labour shortage.

Finally, Ian Cambridge reported that the Kerr Street property had been sold in February 1996. However, he was unable to determine what had happened to the proceeds of sale, and surmised that they must have been kept by Wilson and/or Blewitt for their own use.