



Regional Fraud Team

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Fraud

Noun

“wrongful or criminal deception intended to result in financial or personal gain”



Types of fraud offences 2015

Percentage increase from 2014



+8%

Banking and credit
industry fraud



+55%

Mandate fraud



+23%

Insurance fraud



+53%

All charity fraud



+17%

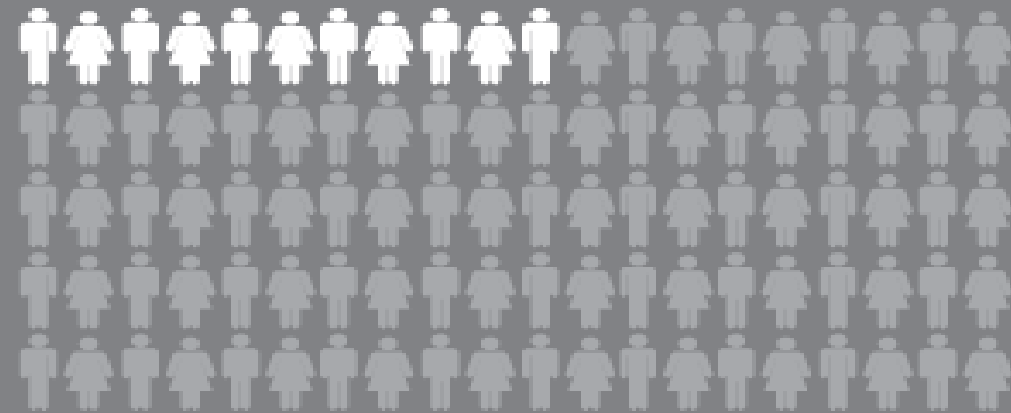
Pension fraud



+18%

Corporate fraud

Fraud in Numbers



11%

of adults say they have been
targeted by fraudsters in the last
year losing and average of £1,016¹

¹Insolvency trade body R3 and ComRes

1 in 3



Number of organisations
impacted by economic crime²

²PWC Global Economic Crime Survey 2016

Fraud and cyber crimes

7.6 million



compared to other crimes

6.4 million

Source: Crime Survey for England and Wales (CSEW).
October 2015.

- Ponzi Schemes
- Boiler rooms
- CEO Fraud
- Procurement Fraud
- Dating Scams
- Binary options fraud
- ID Fraud
- Phishing
- Ransomware
- Student scam (seasonal)
- Online banking and card fraud



Mind Reader Dave

- <https://www.youtube.com/watch?v=F7pYHN9iC9I>
- `<iframe width="854" height="480" src="https://www.youtube.com/embed/F7pYHN9iC9I" frameborder="0" allowfullscreen></iframe>`

- Bribery and Corruption

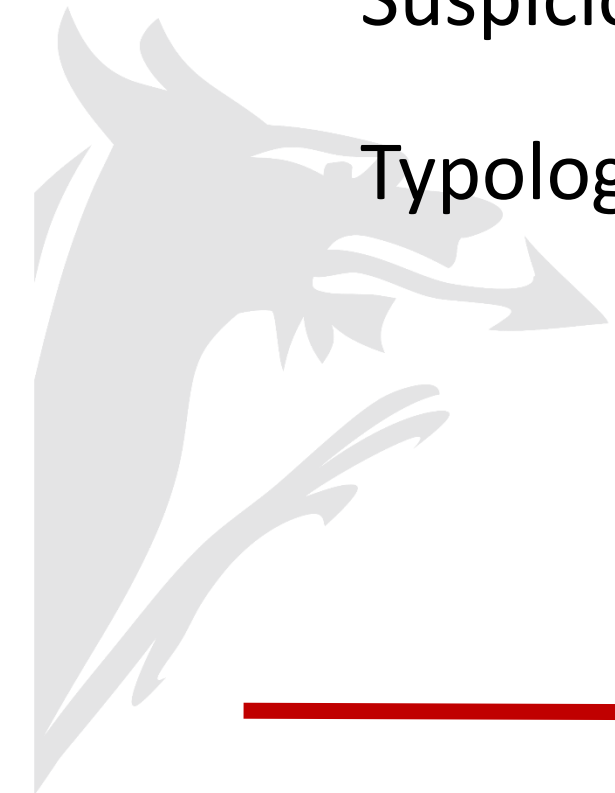
Extra-territorial legislation

- Money Laundering / Counter Terrorist Financing / Proliferation

Suspicion

Suspicious activity reports

Typologies – Trade based financing



- Sanctions
 - UN, US, EU, UAE
 - Extra-territorial legislation
 - US - Office of Foreign Assets Control (OFAC)
 - UK – Office of Financial Sanctions Implementation (OFSI) (HM Treasury)
 - Consolidated list
 - Significant penalty for breach
 - Barclays \$ 298 million
 - BNP Paribas \$ 8.9 billion



- Politically Exposed Persons (PEP's)
 - Now include domestic PEP's
 - Not criminal ... BUT.... May pose a high risk

- James Ibori imprisoned for 13 yrs for money laundering
Assisted by a Solicitor and former Goldman Sachs banker

Former Wickes cashier who became a Nigerian state governor and defrauded some of the world's poorest people out of £157million may not have to pay back a penny



James Ibori, 51, of Hampstead, London, is said to have personally pocketed £50million of cash stolen from the west African nation's oil-rich Delta State during his eight-year tenure.

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The Fraud Triangle:

A framework for spotting high-risk fraud situations

Pressure

Financial or emotional force pushing towards fraud

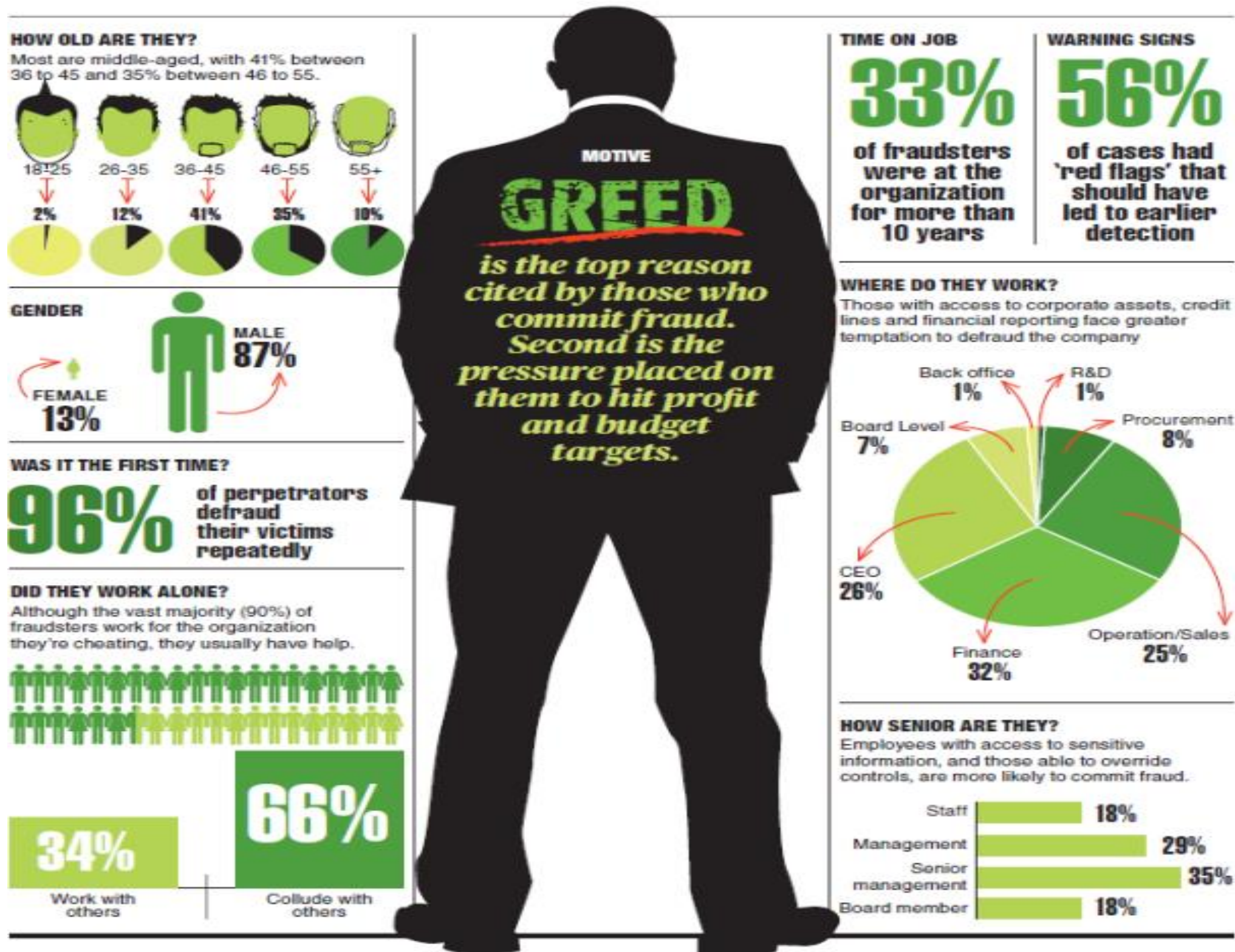
FRAUD

Opportunity

Ability to execute plan without being caught

Rationalization

Personal justification of dishonest actions





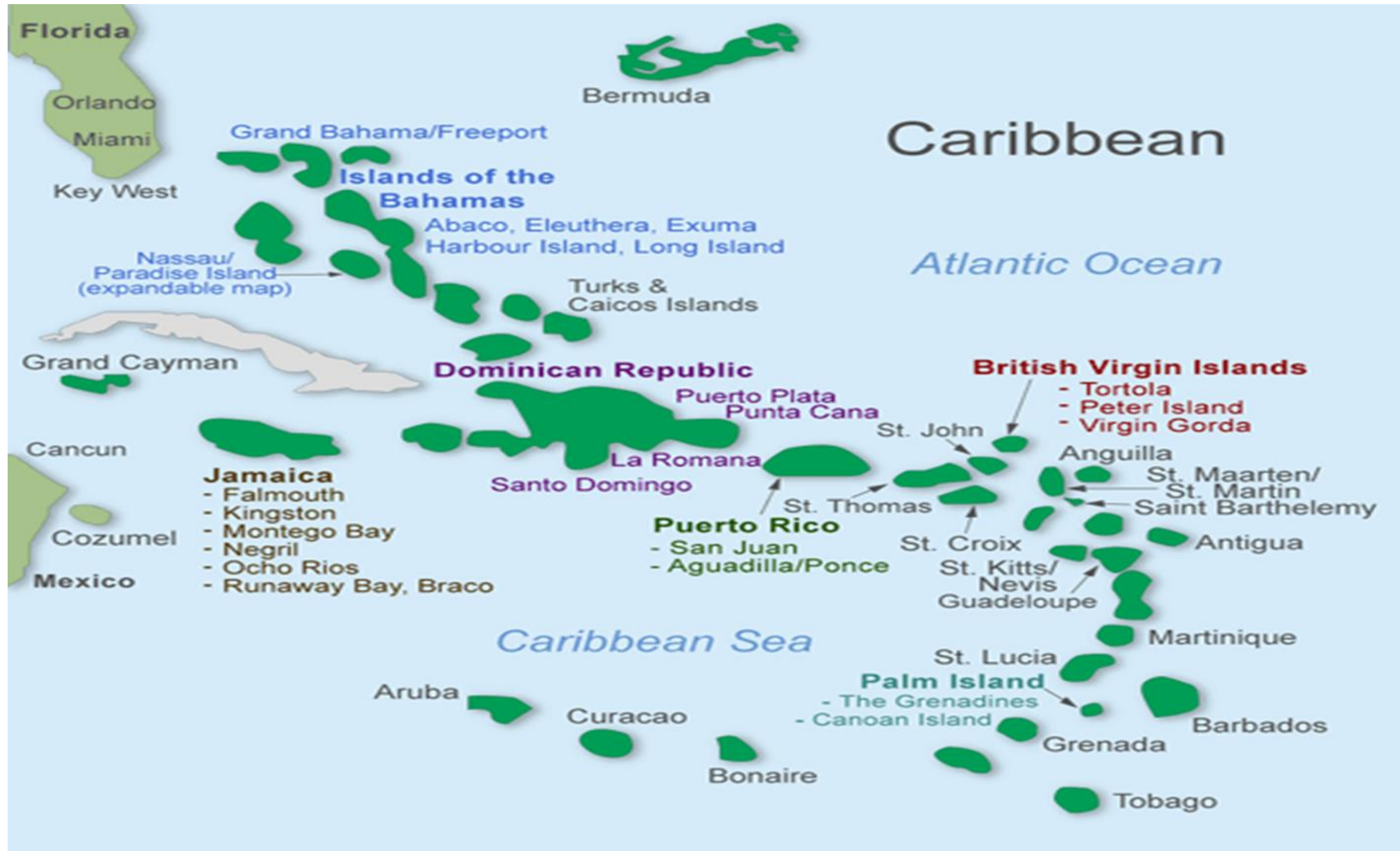
- Areas of risk that may be linked to:
 - Individuals (Internal / External)
 - Organisation
 - Processes and procedures
 - Transactions



Chart 4 – Behavioral Red Flags of Perpetrators



Source: 2010 Report to the Nations on Occupational Fraud and Abuse



- Commonwealth government
 - High profile position in Finance department
 - Recruited as system expert – Transition to new system
 - Given access to all areas
 - All queries and errors were directed to him
 - 3 months after started work began fraud
 - Re-issued payments to himself
 - Paid to accounts held by self and wife
 - £ 1.5million over 2 years
 - Majority of funds transferred to UK for property purchases
-

- Accountancy business failed
- Lived excessive lifestyle
- Severe gambling habit
- Requested a pay rise shortly after starting
- Ended contract 6 months early



- Initial contact from overseas police
 - Extradition considered slow and costly
 - Strategy formed
 - Suspects to be prosecuted for Money Laundering in UK
 - Predicate offence being fraud overseas
 - Compensation via confiscation regime
 - Investigation identified further suspects
 - International Letters of Request sent to overseas jurisdiction to secure evidence
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- Need to identify online transactions
 - Request for IP address data
 - Bank claimed data not held
 - Government bank same as suspects
 - No warning to government
 - No SARs in respect of suspect
 - Case referred to local regulator
-

- No business continuity plan by Govt
 - Enhanced checks & audit for transition period
- No effective whistle blower capability
- No independent audit
- Too much responsibility in one place.





- Large company importing goods
 - Financial difficulties due to lost consignment
 - Exacerbated by global economic decline
 - Entered into loan facility with bank
 - Fixed and floating debentures secured by bank
 - First audit raised concerns
 - Company required to submit Monthly & Annual returns
-

- Second audit reveals major discrepancies
 - Company forced into administration
 - Loss in region of £ 6.5 million
 - Funds laundered through property development overseas –
Separate company formed
 - Executive villas let through a further company
 - Funds transferred back to UK into accounts of an importation company of which the main suspect is the beneficial owner
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- Numerous opportunities were missed by the bank
- Submissions appear to have been taken at face value
- Poor Financial Crime Prevention contributed to size of loss & duration
- Suspects public profile appears to have overridden in depth scrutiny





Fraud – How to STOP it !!



Knowledge is Power !!

- Business, associated risks, emerging trends
 - Legislation, statutory obligations, best practice guidance
 - Employees
 - Customers
 - Assets
 - Horizon Scanning
-

Systems & Controls

- Corporate Culture (Tone at the Top)
 - 3 lines of defense
 - Holistic approach – Risk committee / HR / IT / R & D etc
 - Policies & procedures – Implemented not just talked about
 - Staff awareness / Training
 - Areas of responsibility
 - Dip sampling / Stress test
 - Integrity test / Whistleblowing policy
 - CYBER SECURITY
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Questions ?

