



## 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%**

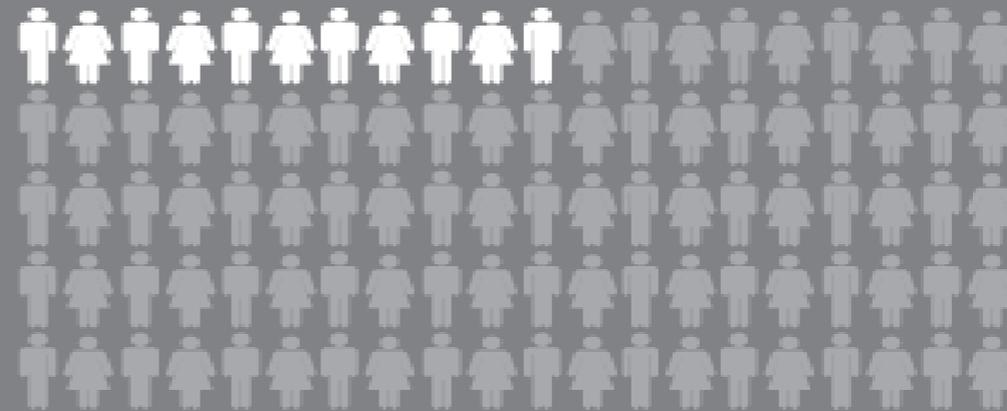
Pension fraud



**+18%**

Corporate fraud

## Fraud in Numbers



**11%** of adults say they have been targeted by fraudsters in the last year losing an average of £1,016<sup>1</sup>

<sup>1</sup>Insolvency trade body R3 and ComRes

**1 in 3**



Number of organisations impacted by economic crime<sup>2</sup>

<sup>2</sup>PWC 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

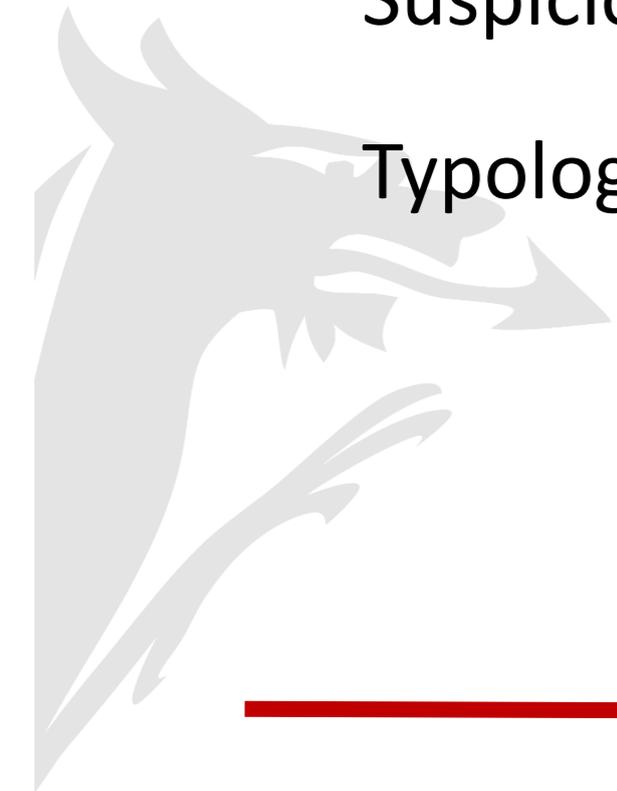
- Money Laundering / Counter Terrorist Financing / Proliferation

Suspicion

Suspicious activity reports

Typologies – Trade based financing

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- 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

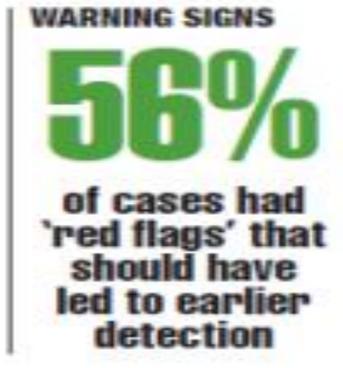
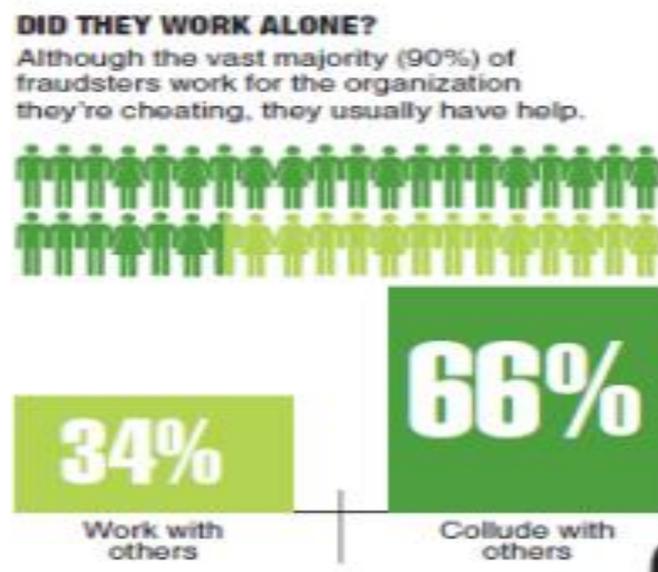
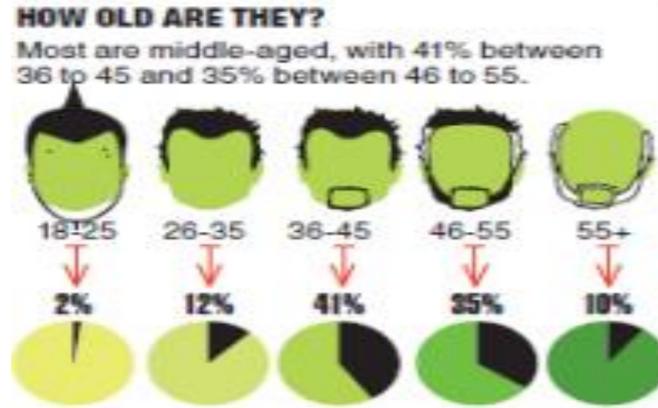
## FRAUD

#### Opportunity

Ability to execute plan without being caught

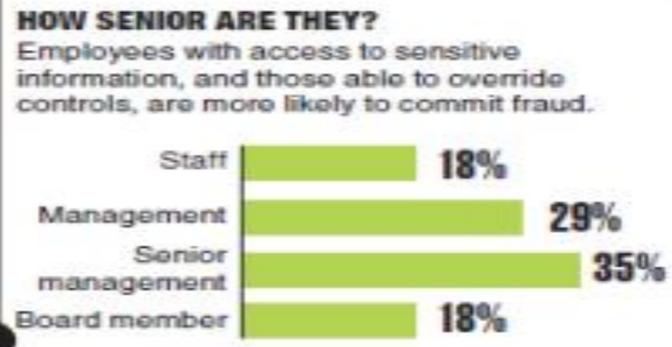
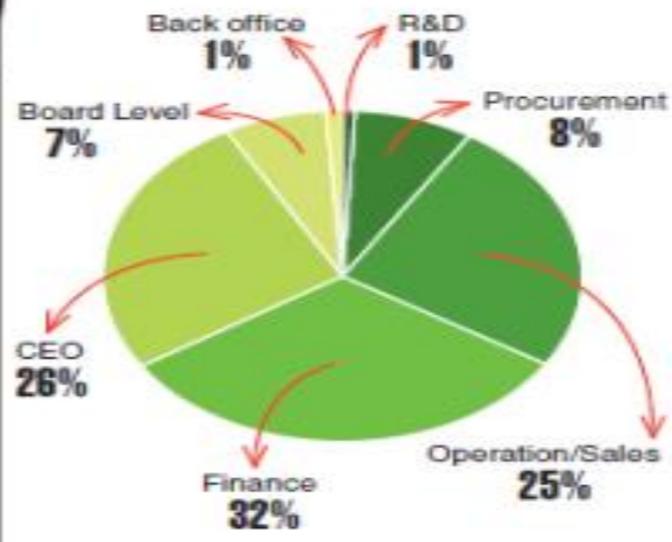
#### Rationalization

Personal justification of dishonest actions



### WHERE DO THEY WORK?

Those with access to corporate assets, credit lines and financial reporting face greater temptation to defraud the company

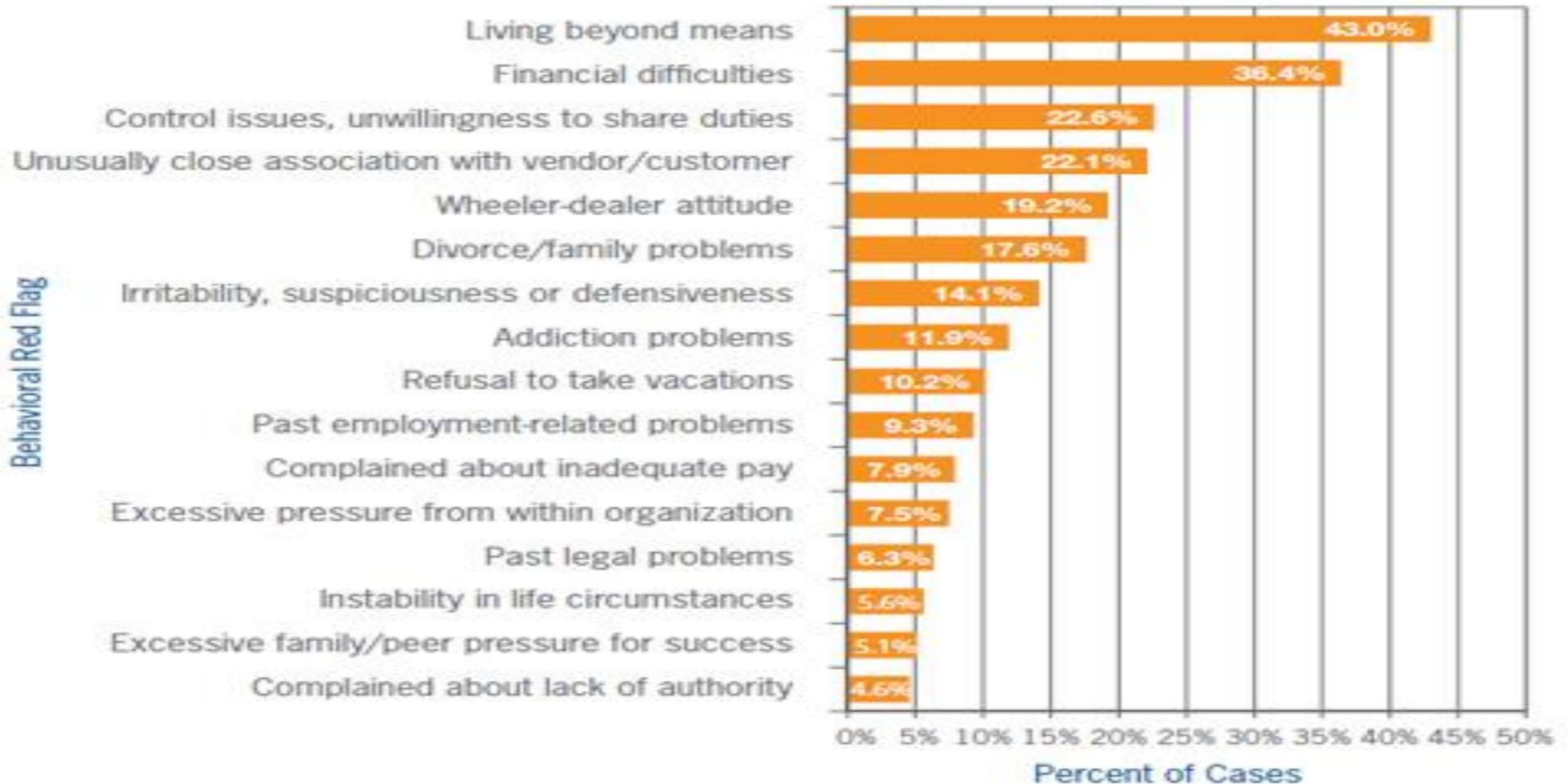




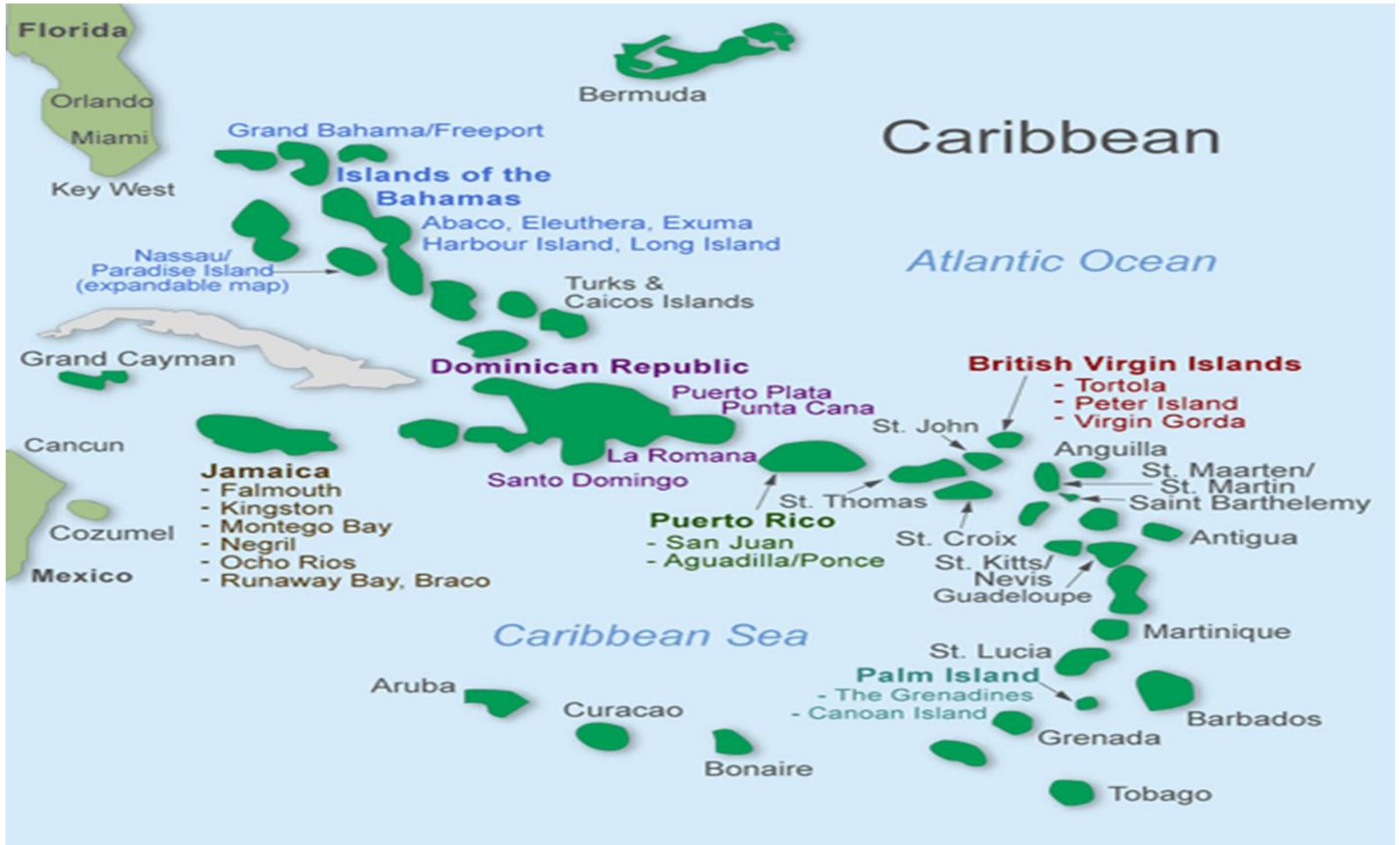
- Areas of risk that may be linked to:
  - Individuals (Internal / External)
  - Organisation
  - Processes and procedures
  - Transactions



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 !!**

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## **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
-



**Fraud – How to STOP it !!**

**Questions ?**

