

Workshop 'Good Practices for Prevention of Corruption in Public Administration and Tools for Strengthening the Law Enforcement Agencies'

5-6 October 2011

Hotel 'Altai'

Moscow, Russian Federation

Fraud / Economic Crime & Case Study



Simon Goddard UK

Scale of Fraud in the UK

2010

US\$ 23,000,000,000 pa

0.5% of GDP



Traditional Problems?

Complexity

Resources

Length of trials

Low conviction rate

Jurisdictional arguments



Who investigates?

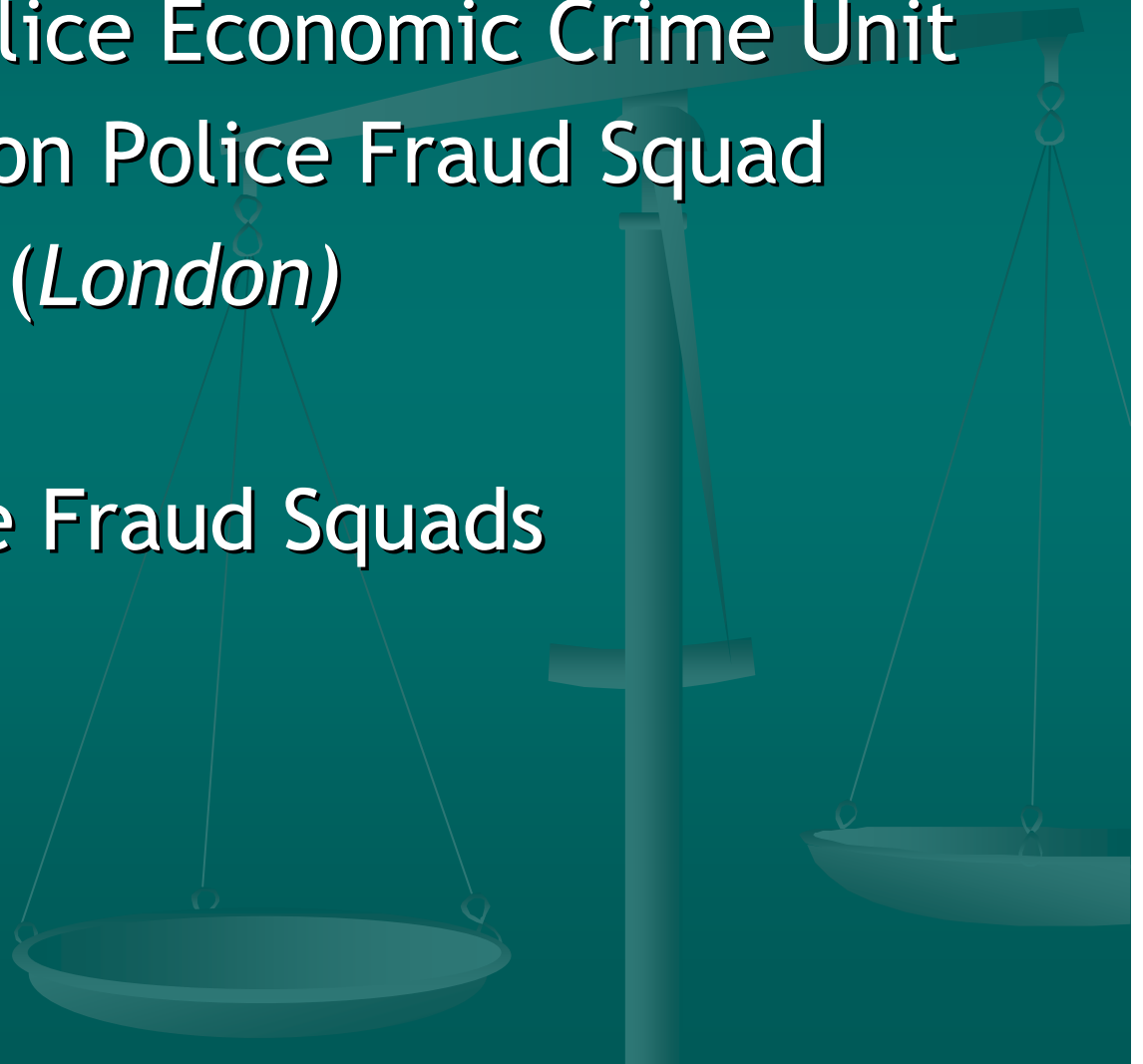
LOCAL POLICE

- Low value frauds
 - Against small number of victims
 - Generally reactive (post arrest)
- In general, frauds involving cheques or cards are not investigated by police, but will be investigated on a damage limitation basis by the banks

Who investigates?

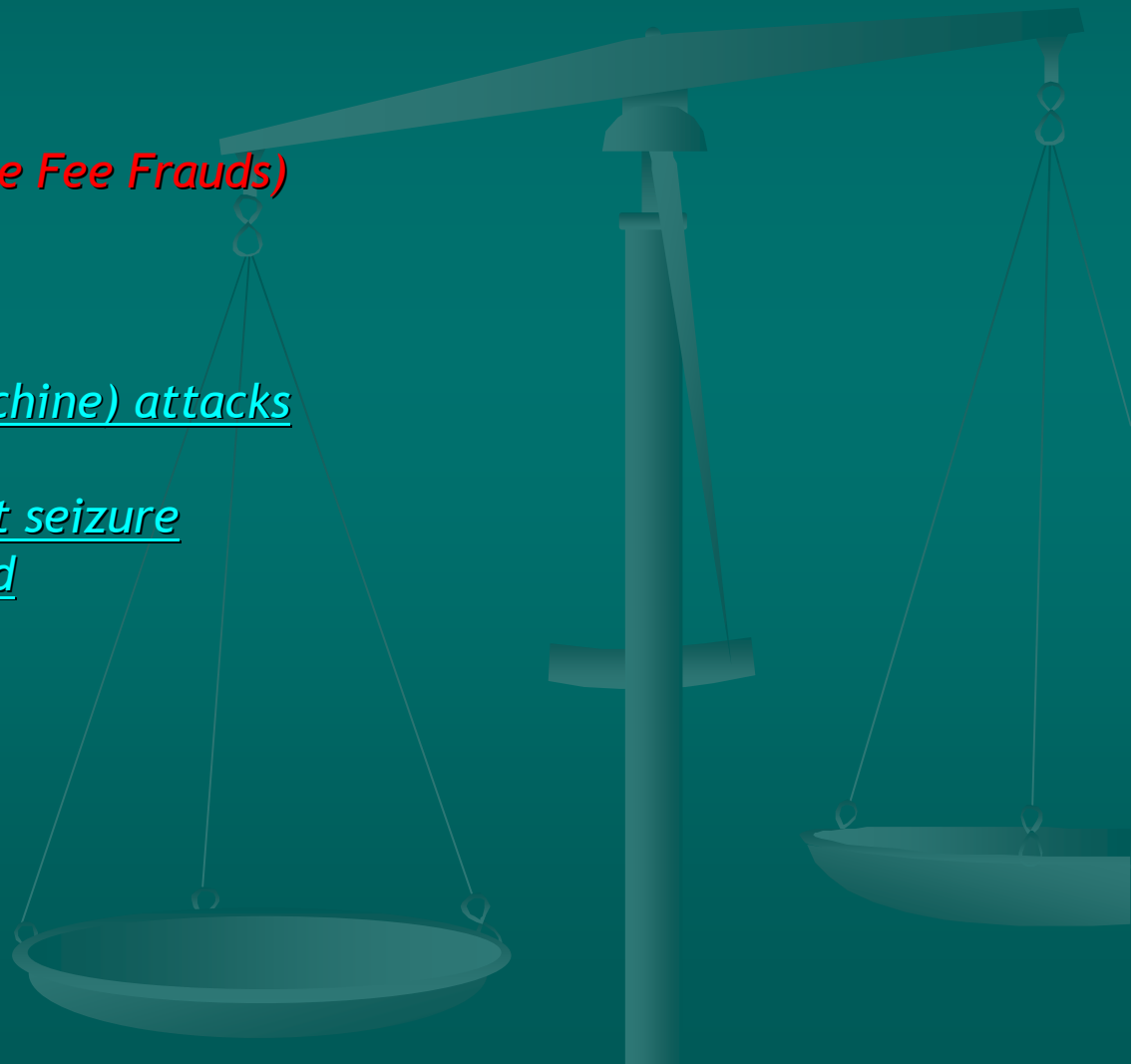
Metropolitan Police Economic Crime Unit
City of London Police Fraud Squad
(*London*)

Force Fraud Squads



Who investigates?

- Identity Fraud
- Advance fee frauds
- Internet auction fraud
- 419 Fraud (Nigerian Advance Fee Frauds)
- Company Fraud
- Employee Fraud
- Internet Fraud
- ATM (Automated Teller Machine) attacks
- Lotto Fraud
- Money Laundering and asset seizure
- High Yield Investment Fraud
- Criminal Cash Back



419

Originated in Nigeria, now global but
predominantly Nigerian/West African crime

Massive coverage available via internet

1% / 1%

Individual losses of US\$ 5 million recorded

419 Innovation

- From : "UK Metropolitan Police" <scamalert@london.com>
- Good Day,
- Lotto frauds are becoming prevalent
- in the UK with promises of huge winnings arriving in the form of unsolicited e-mail or letters to UK residents or non - UK residents. Invariably the communication will purport to come from an overseas lottery and claim that the recipient has been allocated winning numbers.

In light of this we at the metropolitan police have taken actions against such occurrences that is why we personally email all authentic winners of the UK LOTTERY notifying them of the authenticity of their winnings.

Please do not contact any other person regarding your winnings and do not reply any other email claiming that you have won the UK LOTTERY.

We have personally spoken with the online coordinator of the UKNL Foundation and we have officially verified that your win is legitimate.

We have also verified all the bank details and even had a personal chat with Mr. Edward Wilcox of Fidelity Trust Bank. We strongly advise you go ahead and follow their instructions regarding payment accordingly so that you can receive your winnings in due time but have it in the back of your mind that we shall be monitoring all proceedings in this transaction so that incase anything goes wrong, we shall take proper steps to ensure that the full cause of the law takes effect.

- For security reasons, We advise you do not respond to this email as you shall be contacted if the need arises.
- Congratulations once again from us at the METROPOLITAN POLICE, LONDON.

DC Chris Attack
I/C Fraud Alert
Sterling Pro-active Prevention Unit.

This e-mail is restricted and intended solely for the use of the individual to whom it is addressed. Any opinions contained in this message are those of the author and are not given or endorsed by the Metropolitan Police Service unless otherwise clearly indicated in this message and the authority of the author to so bind the Metropolitan Police Service entity referred to is duly verified.

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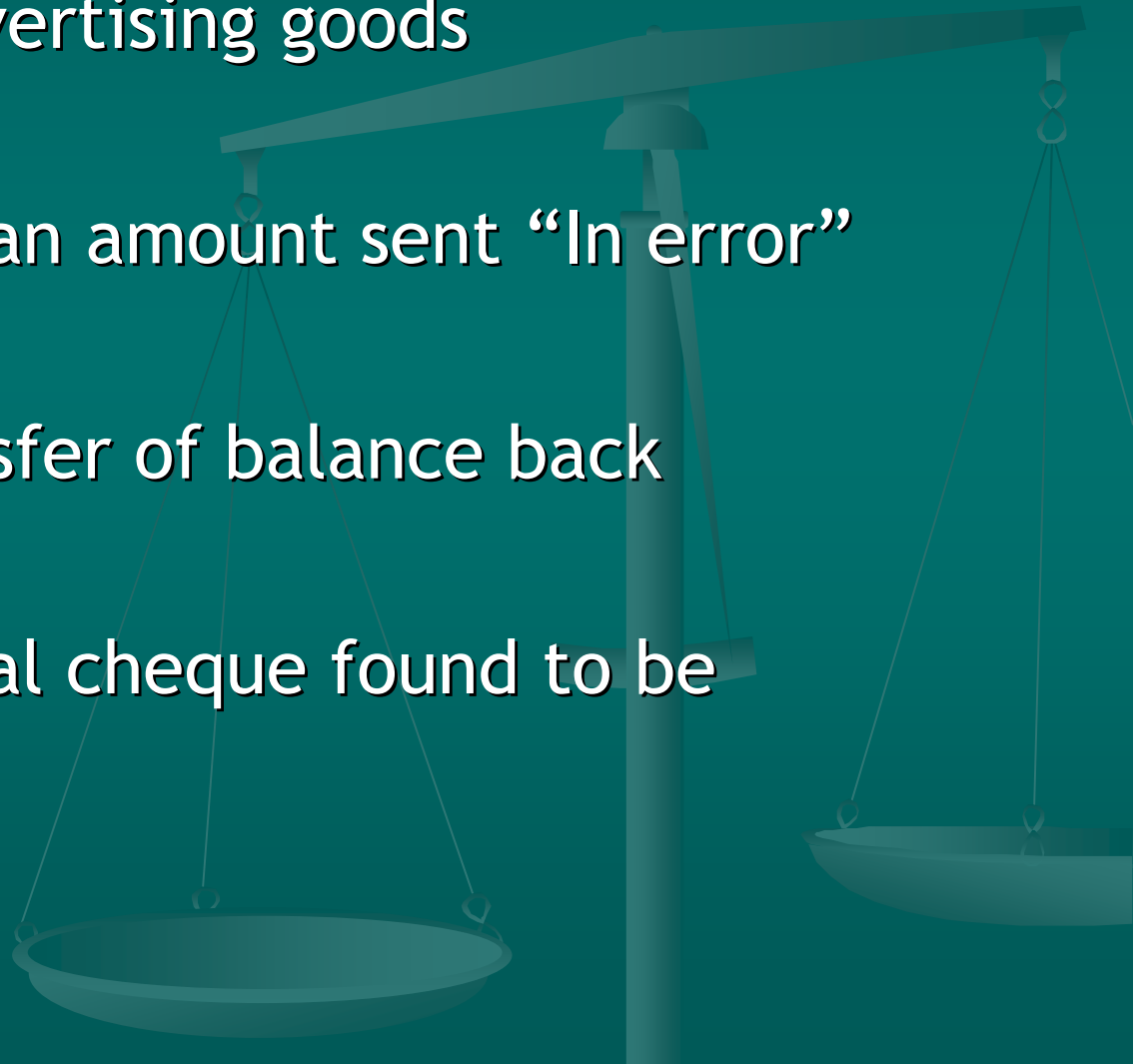
Criminal Cash-Back

Aimed at sellers advertising goods

Cheque for more than amount sent “In error”

Buyer requests transfer of balance back

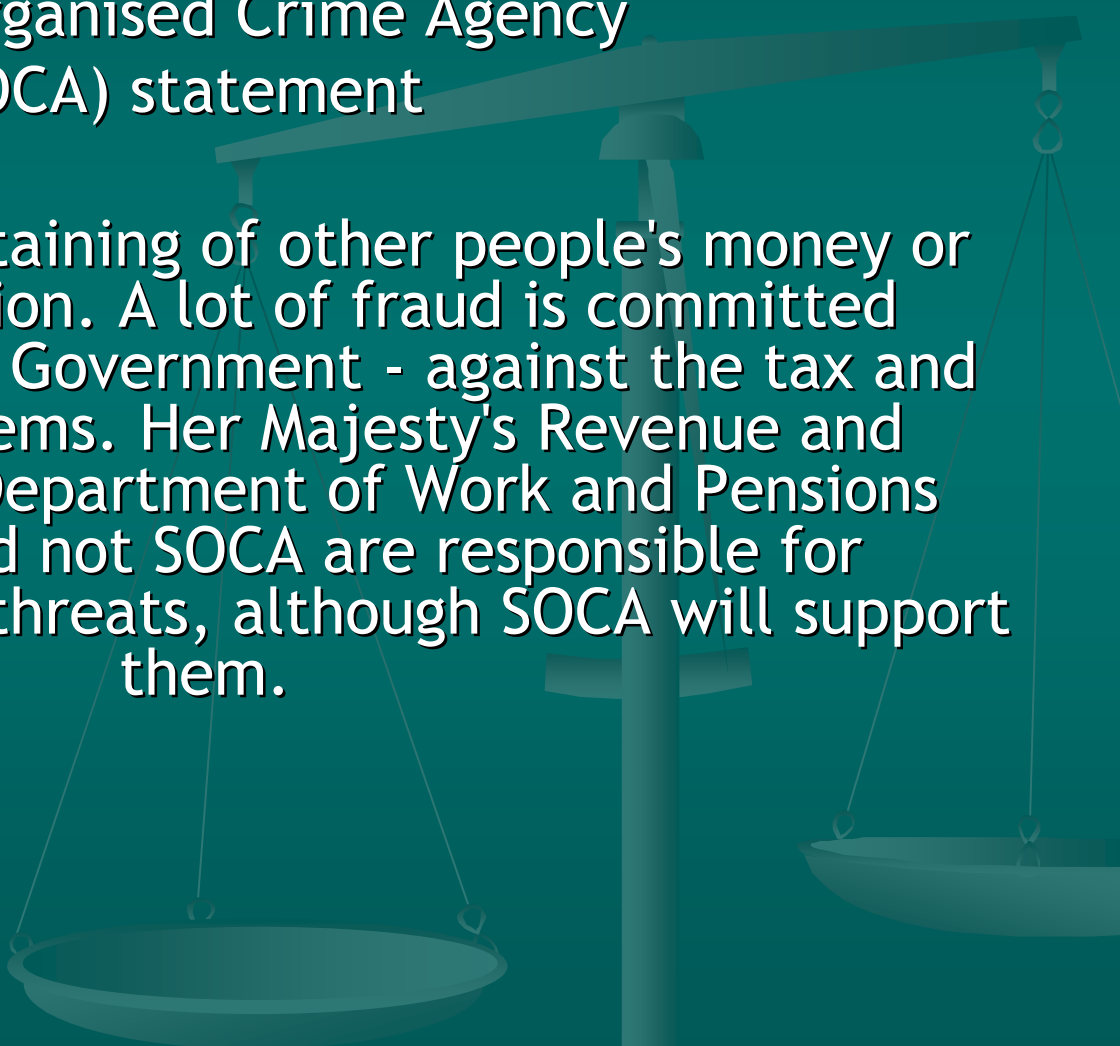
Subsequently original cheque found to be worthless



Who Investigates?

Serious Organised Crime Agency (SOCA) statement

Fraud involves the obtaining of other people's money or assets by deception. A lot of fraud is committed directly against the Government - against the tax and the benefits systems. Her Majesty's Revenue and Customs and the Department of Work and Pensions respectively and not SOCA are responsible for responding to those threats, although SOCA will support them.



Who Investigates?

Serious Organised Crime Agency (SOCA) statement

Fraud is also committed against individuals and companies, in a wide variety of ways, and often by organised gangs. It is here that SOCA will operate. Some examples of such frauds include:

*against banks, often involving false or stolen identities;
investment and advance fee frauds, in which individuals are enticed
to pay over money against false promises of returns; and
forms of e-fraud exploiting the use of the internet by banks and
commerce.*

Who Investigates?

Serious Fraud Office (SFO)

“The key criterion we use when deciding whether to accept a case is that the suspected fraud appears to be so serious or complex that its investigation should be carried out by those responsible for its prosecution “

Who Investigates?

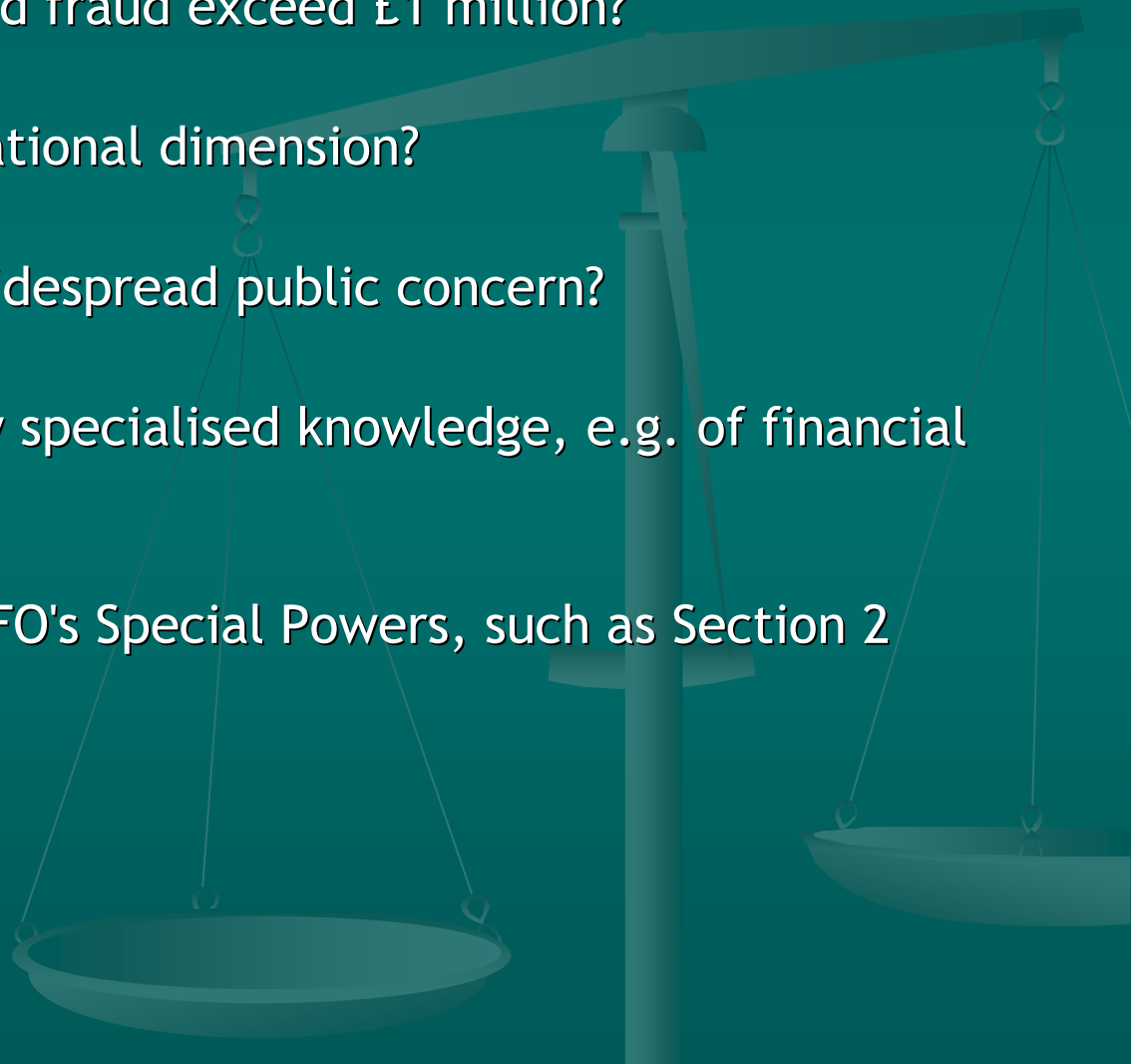
Does the value of the alleged fraud exceed £1 million?

Is there a significant international dimension?

Is the case likely to be of widespread public concern?

Does the case require highly specialised knowledge, e.g. of financial markets?

Is there a need to use the SFO's Special Powers, such as Section 2 Criminal Justice Act?

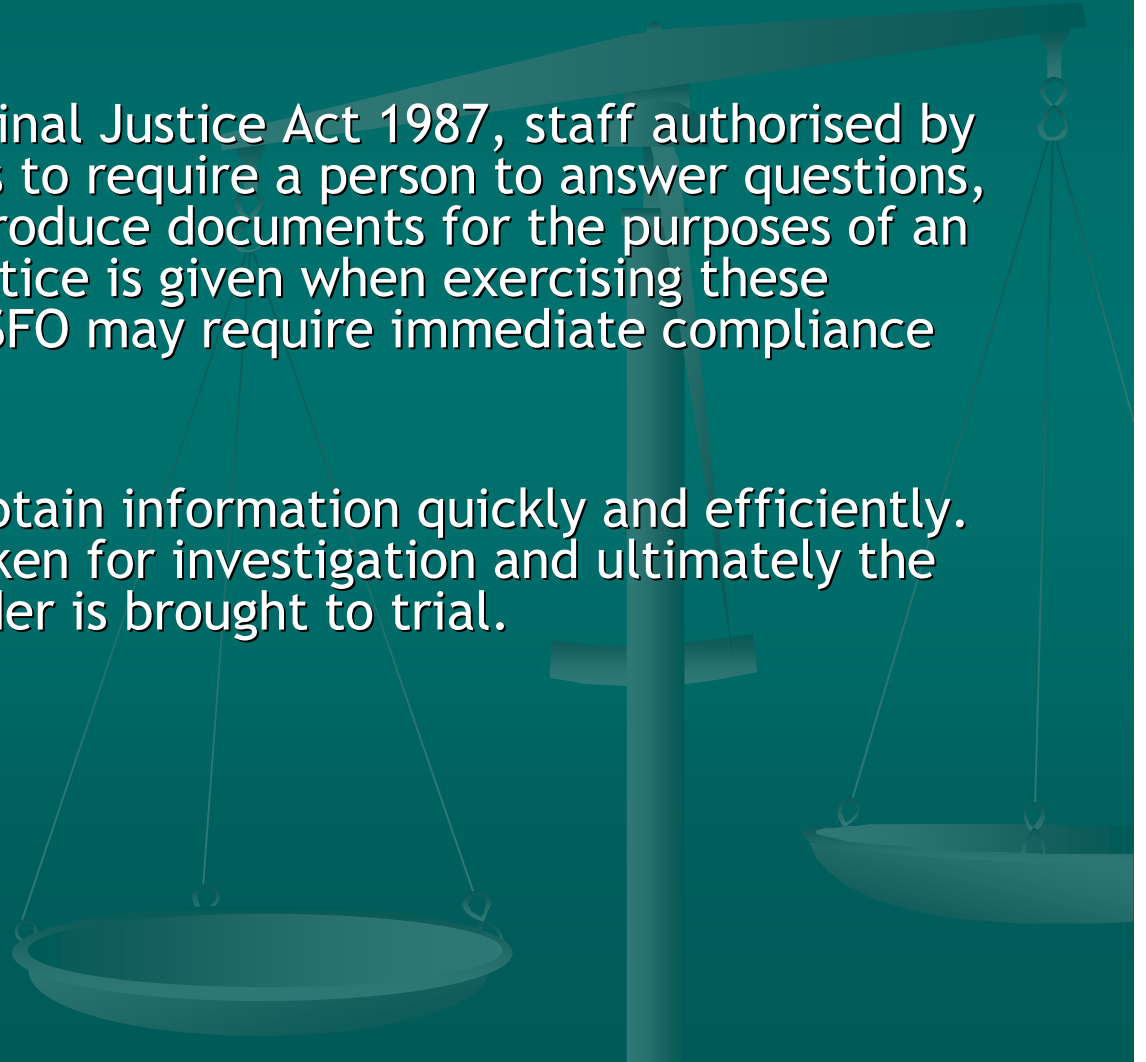


Serious Fraud Office

What is a Section 2 Notice?

Under Section 2 of the Criminal Justice Act 1987, staff authorised by the Director have powers to require a person to answer questions, provide information or produce documents for the purposes of an investigation. Written notice is given when exercising these powers. In urgent cases SFO may require immediate compliance with a notice.

SFO investigators need to obtain information quickly and efficiently. This reduces the time taken for investigation and ultimately the speed at which an offender is brought to trial.

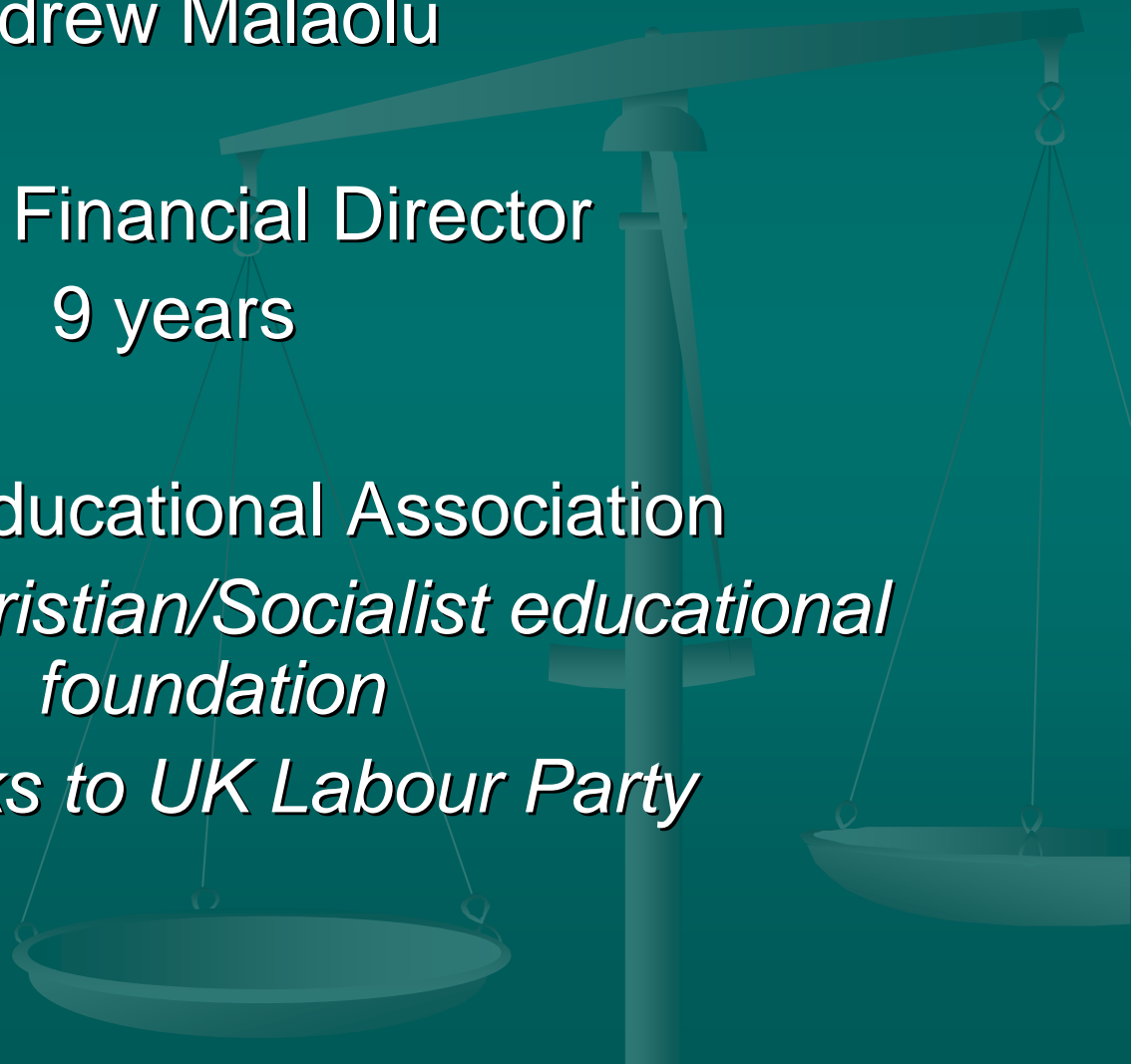


Case Study

Andrew Malaolu

Deputy Financial Director
9 years

Workers' Educational Association
*100 year old Christian/Socialist educational
foundation*
Close Links to UK Labour Party

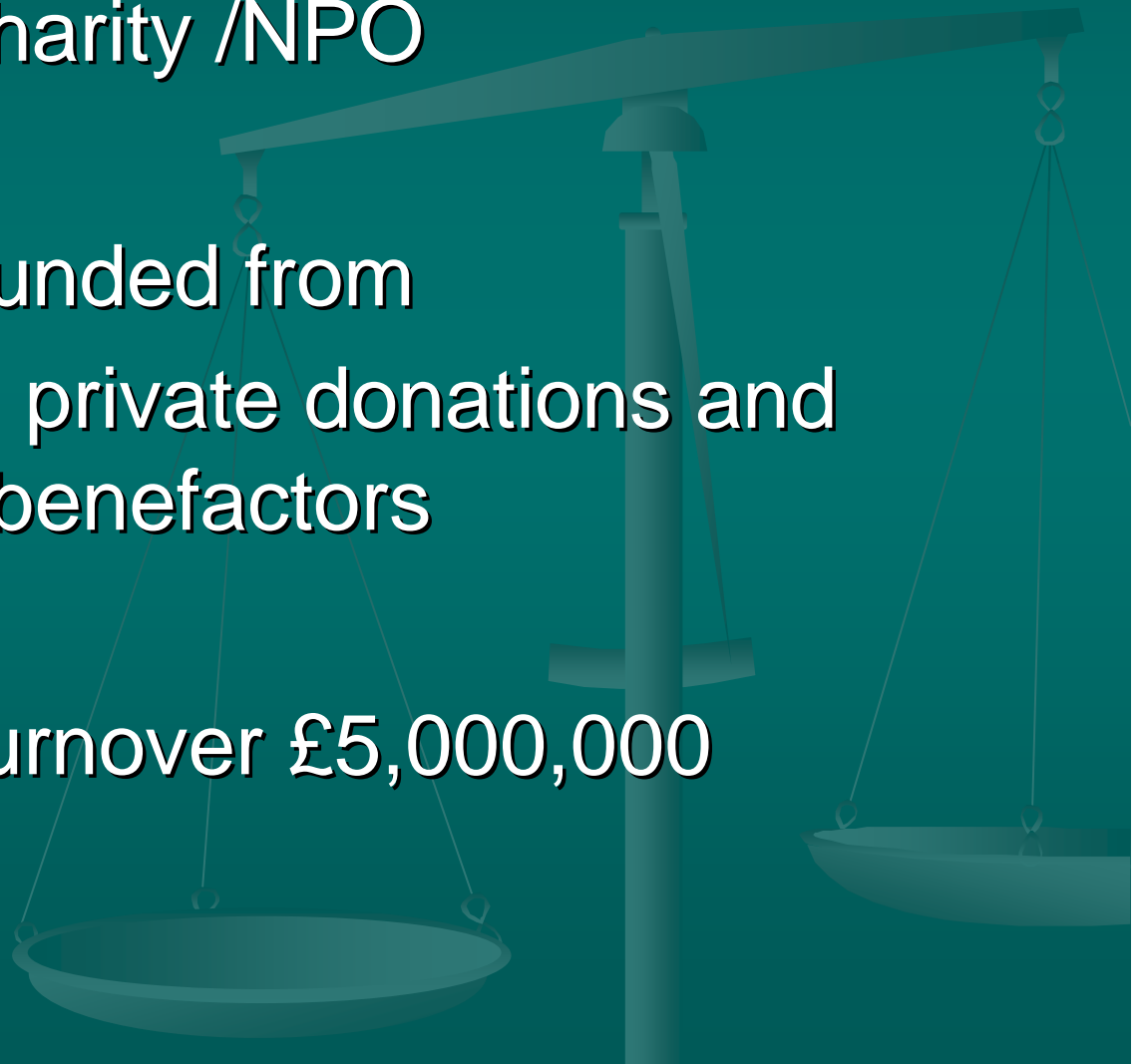


Case Study

Charity /NPO

Funded from
Government, private donations and
benefactors

Annual Turnover £5,000,000



Case Study

Turnover administered through working capital (current) account

Only one signature required on cheques.

Financial Director 3 month project,
Malaolu temporarily promoted

Case Study

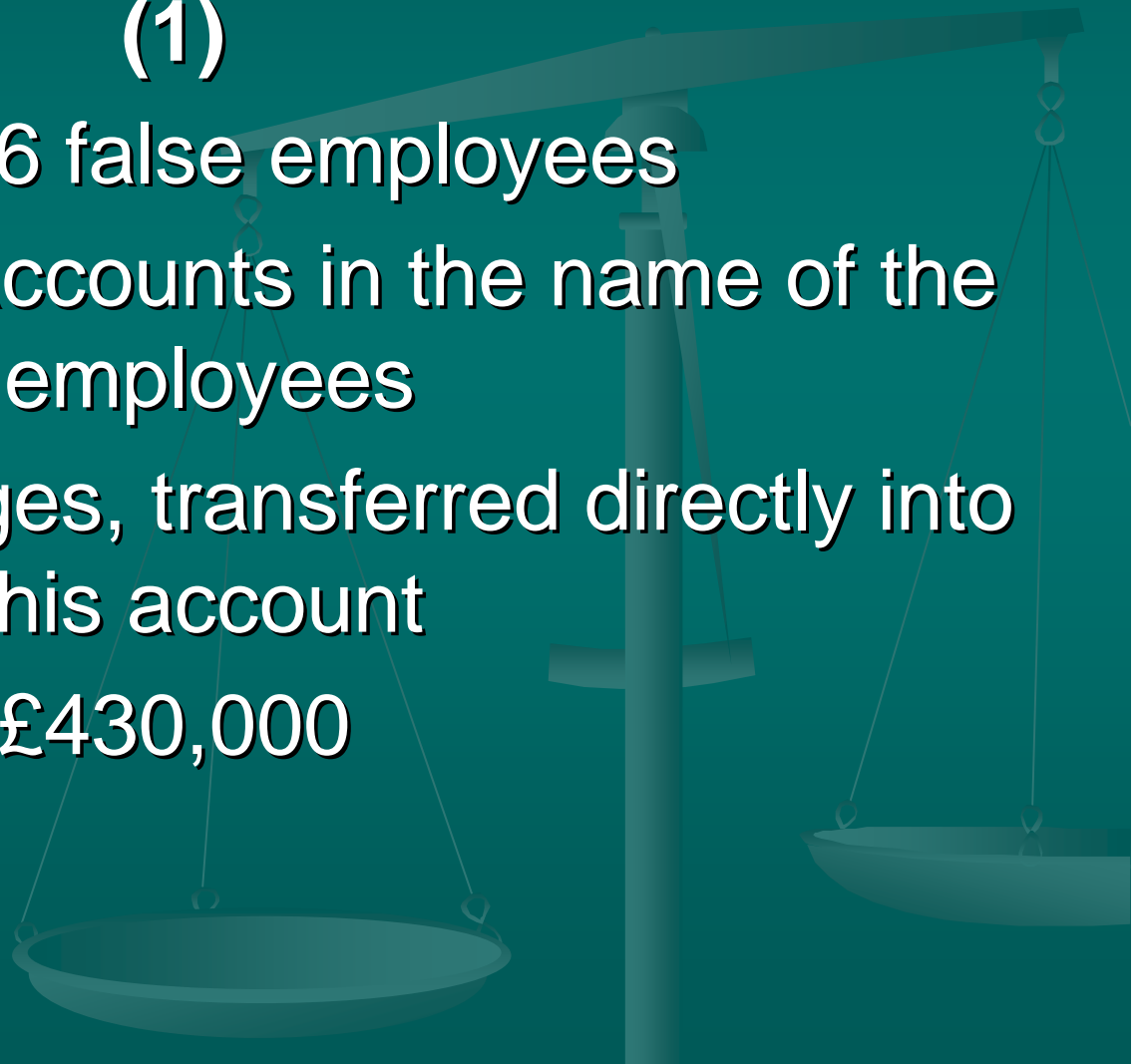
(1)

Created 6 false employees

Opened 6 bank accounts in the name of the employees

Paid fictitious wages, transferred directly into his account

£430,000



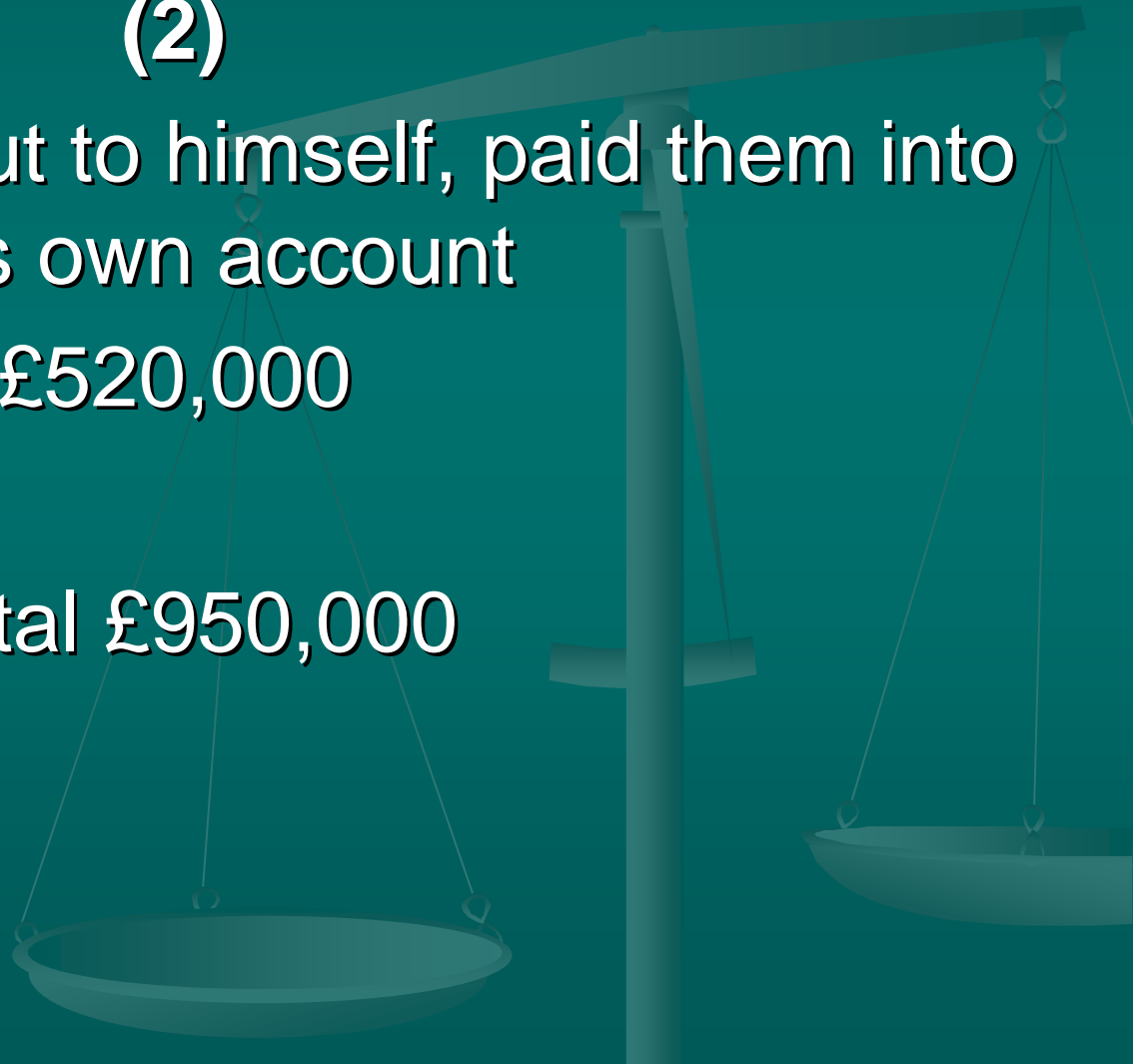
Case Study

(2)

Wrote cheques out to himself, paid them into
his own account

£520,000

Total £950,000

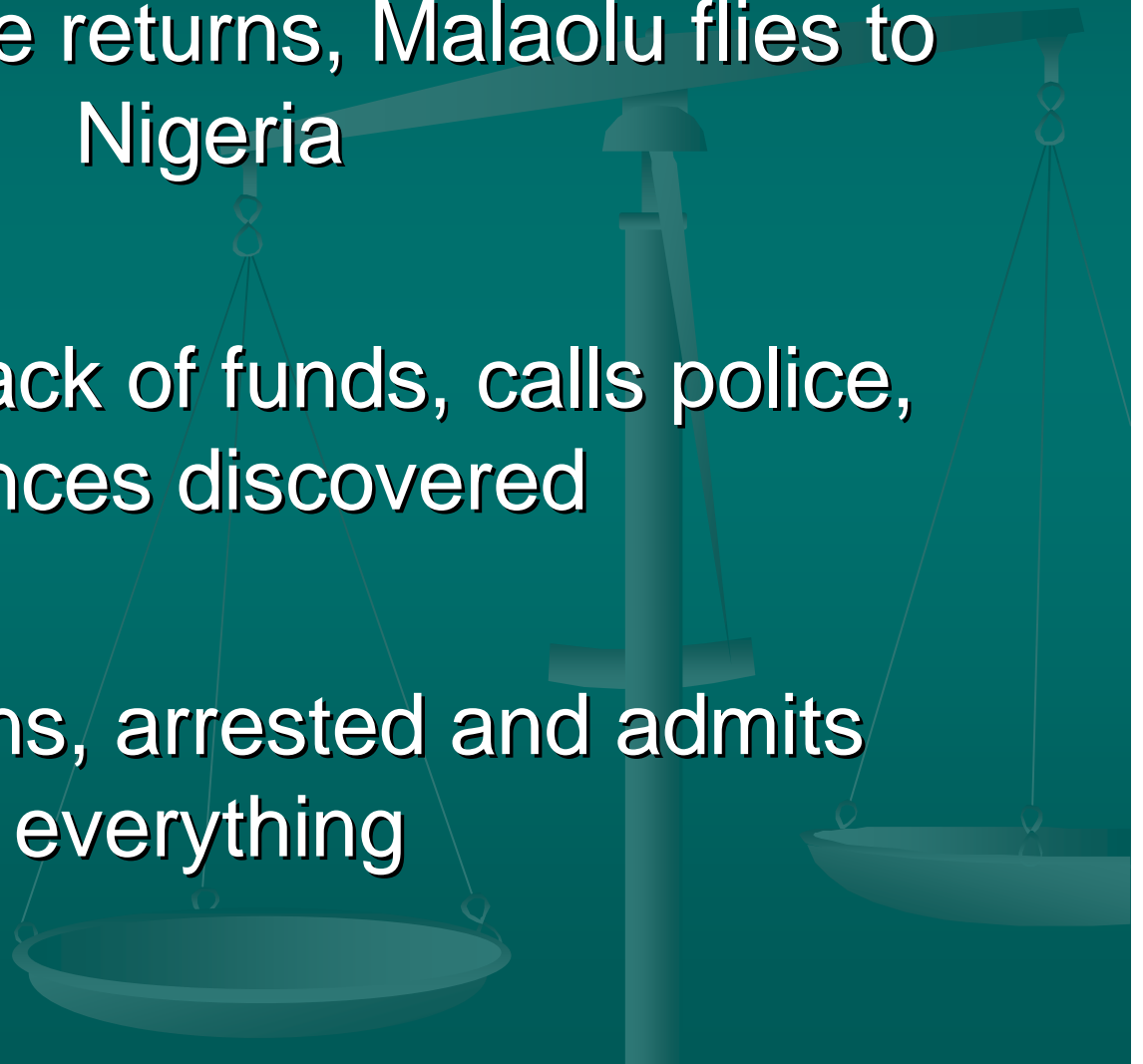


Case Study

Head of Finance returns, Malaolu flies to Nigeria

Head notices lack of funds, calls police, offences discovered

Malaolu returns, arrested and admits everything



Case Study

Most of cash spent on entertainment, High Value Goods, and a significant amount sent overseas.

£100 - £200,000 recovered from his assets, rest unaccounted for

Pleaded guilty – 4 years imprisonment, served 2, now free

Case Study

OPPORTUNITY

Sole responsibility/Single signatory

PRESSURE

*Believed to be extortion concerning family in
Nigeria*

RATIONALISATION

Saving family from harm



Any Questions



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