

December 2008

Welcome to this newsletter which aims to provide you with interesting news and useful information on money laundering and related topics.

THE MISSING MADOFF MILLIONS

Many will have been shocked by the news from the US of the missing Madoff millions - or rather billions. One of the features of this scandal was that a high proportion of his investors knew Mr Madoff personally and trusted him with their money. It perhaps underlines the dangers of thinking you know someone and, in consequence, perhaps not being as careful as one might otherwise be.

The case also represents a huge failure of audit and regulation. Apparently the auditors of Madoff's organisation were a tiny firm of CPAs (the US equivalent of chartered accountants) comprising only two principals - one of whom was listed as 'inactive', apparently meaning retired, and had moved to Florida. (Madoff's business was based in New York, approximately 1,000 miles to the North.)

The CPA firm, Friehling & Horowitz, is said to have operated out of a single 250 square foot office. Apparently the firm had not undergone a peer review in the last 15 years and had informed its professional body since then that it was not engaged in any audit work. CPA firms which undertake audit work are required to undergo regular peer reviews.

Quite why such a tiny firm were auditing an organisation with so much funds (apparently) under management, and quite why Federal regulators didn't see this, and perhaps other, 'red flags' and act upon them remains something of a mystery at present.

I expect there to be more revelations in the New Year.

In the meantime New York State last week passed new legislation tightening up statutory controls on auditors. "We've not been regulated in the fashion we should've inside the state," David Moynihan, president-elect of the New York State Society of Certified Public Accountants, was quoted as saying. At the same time the American Institute of CPAs is understood to be launching an ethics investigation into Friehling & Horowitz.

PROSPECTS FOR 2009

You may be viewing the prospects for business and the economy in 2009 with some trepidation.

It has already been suggested that retailers are not making the profits in the run up to Christmas which they normally expect - and indeed that they need to see them through the next few months.

Regrettably Woolworths is unlikely to be the last high profile casualty of the current recession. Perhaps 'The wonder of Woolworths' was that after nearly 100 years' trading no-one wished to buy the business, which had operated from hundreds of sites and employed tens of thousands of staff.

However, in one sense at least we are past the worst. Since the Winter solstice is now behind us the daylight hours are lengthening! But it does not necessarily follow that the weather will improve, and the same may apply to the economy.

NEW INQUIRY BY HOUSE OF LORDS COMMITTEE

The Home Affairs sub-committee of the House of Lords European Union Committee is launching a new inquiry into EU and international co-operation to prevent money laundering and the financing of terrorism.

Lord Jopling, chairman of the sub-committee said, "The international cross-border fight against terrorism will increasingly rely on cutting off terrorists' sources of funding. It is vital that nations and international bodies such as the EU take steps to co-ordinate their efforts on preventing money laundering. Our inquiry will look at the EU's position on this vitally important matter."

Written evidence to the committee is invited with a deadline of 30 January 2009. The committee will begin hearing oral evidence in February.

It is understood that the inquiry will focus on the co-operation between police and other authorities in different countries and the future role of Europol and Eurojust in countering money laundering and terrorist financing, rather than on harmonising the criminal law in different jurisdictions.

'CAUGHT IN A TRAP'

Long established readers of mine may recall 18 months ago a story here about Margaret Wall, a 60 year old cashier at North Kesteven District Council in Lincolnshire. She admitted stealing approximately £10,000 per month from the council over many years, amounting to over £500,000 in total - much of which she spent on her Elvis Presley obsession.

On Boxing Day ITV is screening 'Caught in a Trap' a drama inspired by Ms Wall's exploits. The writers have taken some liberties with the story however. The offender in the TV drama is a lady in her 20s, played by Connie Fisher the singer and actress, who was a great success on stage in 'The Sound of Music'. Perhaps a strictly true to life drama entitled 'Theft by an employee of a lot of small change' would not have had the same appeal. So instead we may have a musical, possibly sub-titled 'The Sound of Thieving'? I shall tune in to see.

The title 'Caught in a Trap' comes, of course, from one of Elvis's hits, but it also describes the fate of many thieves who start by stealing small amounts - perhaps to get over a temporary difficulty and with the aim of paying everything back before anyone notices the loss. Sadly one thing usually leads to another.

If you require any assistance or have any queries concerning issues related to forensic accountancy, proceeds of crime or money laundering contact d.winch@AccountingEvidence.com or visit our website www.AccountingEvidence.com.

Kind regards

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