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

DATAMATCHING BY THE AUDIT COMMISSION

Although it has not received a great deal of publicity, the Audit Commission (which acts as independent auditor to local government and other local public bodies) has been conducting data matching exercises since 1996 under the National Fraud Initiative. The legislation supporting this has been strengthened as part of the Serious Crime Act 2007.

Essentially the exercise involves comparing data from different sources to identify inconsistencies which may indicate fraud or error. For example records of deaths compared with persons continuing to receive pensions, or payrolls compared with records of expired visas.

Those local authorities and other bodies who take part in the exercise will this month have received lists of apparent inconsistencies to follow up. Amongst the results from similar exercises in previous years have been thousands of cases of housing benefit overpayments to students and to local government or NHS employees and pensioners; the withdrawal of council tax single person discount in thousands of cases where there is more than one resident at the address; and the cancellation of tens of thousands of blue badges (which allow parking concessions for disabled persons and exemption from the London congestion charge) where the holder has died. Apparently these blue badges can fetch up to £5,000 on the black market.

The Audit Commission estimate that each data matching exercise identifies over £100 million of fraud and other overpayments and typically triggers the dismissal or resignation of several hundred employees across the UK as a whole.

KPMG FRAUD BAROMETER

The latest KPMG Fraud Barometer recorded £1.1 billion of fraud coming to court in 2008. This is the highest total in any year since the KPMG started the barometer - with the exception of 1995.

The figure includes £800 million of fraud by professional gangs and £228 million by company managers and employees. The largest single case involved an attempt to defraud a bank of £220 million by a gang hacking into its systems.

Compared with the previous year there has been a significant fall in carousel (VAT) fraud.

KPMG anticipate more fraud will come to light as the recession bites.

TOPSY TURVEY DEFENCE

In the Court of Appeal recently counsel for the appellant put forward an interesting argument. His client had been convicted under section 328 Proceeds of Crime Act 2002 of being concerned in an arrangement which facilitated the acquisition, retention, use or control of criminal property by another person.

The jury in the Crown Court had been told that before convicting the defendant they (i) had to be sure that the money in this case represented the proceeds of crime, (ii) had to be satisfied that the defendant had entered into or become concerned in the arrangement relating to that money, and (iii) had to be sure that the defendant himself knew or suspected that the money represented the proceeds of crime. (Interestingly the jury were NOT required to decide whether the 'other person' whose acquisition, retention, use or control of the money had been facilitated by the arrangement was also a person who knew or suspected the money represented the proceeds of crime. But I digress.)

The police had only been able to find accounting records of the arrangement for 2004, but the defendant's evidence at trial was to the effect that he had been involved with the arrangement with this same person since 2002. Further the defendant's case was that he had never had any reason to suspect that any of the money in question represented the proceeds of crime. The jury, by its guilty verdict, showed it had not believed him on that point.

On appeal, counsel pointed out that section 328 only came into effect on 23 February 2003, and could not apply to a continuing activity which commenced before then. So, argued defence counsel, if the prosecution asserted that monies dealt with in 2004 were proceeds of crime they were also obliged to show that monies dealt with before 23 February 2003 were NOT proceeds of crime. There being no evidence before the court concerning activities prior to 23 February 2003 the defendant, according to his counsel, could not properly be convicted of the offence.

The Court of Appeal noted that "if a man says he did not go to Paris and is disbelieved, that is no evidence that he went to Paris". That is perhaps not the clearest judgment we have seen - but they certainly dismissed the appeal. So it seems the prosecution were not obliged to show that the arrangement did NOT involve proceeds of crime before 23 February 2003. Is that clear?

THE CURIOUS CASE OF MOHAMMED BASHIR

One has to shed a tear for the string of bad luck that has afflicted Mohammed Bashir.

First, in January 2007, he was shot in the arm whilst driving down the street. The emergency services came to his aid - including police who found wraps of heroin and cocaine in his car.

Then in August 2007 he was invited to the local police station to identify his assailant. While he was there the car in which he had arrived was searched by the police who found more heroin and cocaine.

No one has been charged with the shooting, but Mr Bashir is now serving nine years for possession of Class A drugs with intent to supply.

To cap it all Mr Bashir has this month been ordered to pay £320,000 under the Proceeds of Crime Act 2002.

The moral of the story is, take great care when you accept an invitation to call in to your local police station - they are a devious bunch, those boys in blue!

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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