

# FRAUDCAST

Welcome to the Spring issue of Fraudcast, the email bulletin produced by the North East Fraud Forum and Quantis, Chartered Accountants, bringing you the latest fraud news and developments in the UK and across the world. In this issue we look forward to the forthcoming NEFF Annual Conference, the recently launched Hadrian Project, the success of Northumbria Police in confiscating criminal proceeds, the persistence of boiler room scammers and forthcoming events.

## **NEFF UPDATE FROM PHIL BUTLER**

Can you believe it's April already? This year seems to be flying past and already we have had some very interesting Master Classes under our belt. There have been some important developments this year all of which Peter our 'roving' Fraudcast Reporter has highlighted. Can I just spend a few lines highlighting the appointment of Alan Curry as our NEFF Coordinator. As many of you know we have longed for someone to pick up the mantle to coordinate NEFF activities ever since our establishment in 2003. We all have day jobs and sometimes it is difficult to try and implement some of the excellent ideas our members have. Hopefully, now Alan is on board, we can move onwards and upwards. If you get a chance please introduce yourself to Alan at the next event and let him know your views and any ideas you may have.

Finally, have a close read of our last article on forgery; those of you who attended this month's Master Class should now be able to spot a fake Michael Owen autograph a mile off! Look forward to seeing you all at the annual conference. Phil.

## **NEFF ANNUAL CONFERENCE**

This year's conference will tackle the 'Pressures on Business Today' and is to be held at St James' Park, Newcastle on Thursday 5 June 2008.

Given the pressures to be competitive, innovative and make a profit the last thing a business needs is to be:

1. Targeted by a fraudster whether that be internal or external.
2. Overwhelmed by bureaucratic procedures and policies that seem to hinder the day to day running of a business.
3. Worrying over the security of your data, I.T. systems.
4. Concerned as to whether your staff up to the job.

This conference aims to address these issues with informative and expert speakers in an open and interactive format. We have a DVD interview with a fraudster, a presentation on money laundering and 6 break out workshops. We have put together an exciting agenda covering those key areas of concern in both the public and private sector.

A full agenda can be found at [www.northeastfraudforum.co.uk/Conferences](http://www.northeastfraudforum.co.uk/Conferences)

## **THE HADRIAN PROJECT**

In November last year, 30 leading strategic thinkers from across the United Kingdom, the region and Europe gathered at Close House, Heddon on the Wall, Northumberland as part of a think tank. Sponsored by the Regional Development Agency One North East, Newcastle University and N.E.F.F., the event took place against a serious backcloth of major developments involving the North East, but which have a much wider impact and consequences for trust and security well beyond the region.

These developments included Northern Rock, the loss of private data at the Washington Child Benefit Office and allegations of irregular political funding.

Academics, representatives of local and national government, representatives of the local business community and police officers met over two days. The original agenda was informed and energized both by the innovative nature of the multi-sectoral talks and by the impact of external events. This became an agenda for change and challenge which aims to provide sustainable answers to areas of deep systemic concern for citizens, business, police and the judiciary. All recognize a climate of increasing uncertainty and instability where better mastery and transparency of the Internet Age are urgently required to give confidence to public life and personal privacy.

Delegate groups were tasked to look at the problems of today and what they were doing to combat present threats. This acted as an introduction to the main workshops where the delegate groups were brought back again and, working with a facilitator, they were tasked to look at the following issues:

1. Needs of the citizen
2. Technology Awareness and Foresight
3. Marshalling and Deploying our Strengths

Following energetic and enthusiastic discussion the delegates noted the following main requirements:

- Education/awareness/training
- Menu of solutions required for business and public
- Citizen representation
- Behavioural aspects need to be researched
- Victimology
- Further expansion and involvement of NEFF services required, NEFF Plus?
- Rebuild regional confidence and trust after recent events
- Engagement of the media

Following this, the group held a discussion entitled, 'Scenes to Scenarios', which commenced by saying that although there have been 3 recent blows to confidence in the region there are still positive things happening in the North East and this group of regional representatives, with a will to change things, was one. Having in the past surprised the world through innovation and enterprise, the challenge was now, in the Information Age, to avoid being surprised and disadvantaged by it. We should look forward to what's being done internally and externally and go forward together with the NSFA, our European partners capturing new knowledge and build capacity. We need to work closely together to complete the following actions:

- Rebuild civic confidence and community trust gaining reassurance that the North east is a safe, secure and trusting place to do business
- There must be a multi disciplined approach which while harnessing public and private resources stimulates commercial spin offs and applications
- We must recognise the size and shape of current/future problems and what we can achieve in turning problems into leading and competitive advantages

On the second day, delegates met together in the morning and summarised the key challenges, namely:

- How to move NEFF forwards in close conjunction with Government/academics and business?
- Such a strong diverse turnout at the event was an extremely positive thing.
- All the pieces to the jigsaw were present at the event and by working together could provide future solutions.
- Such a gathering could provide a framework or vehicle for the future.
- Organisations must become more proactive as well as defensive.
- The needs of the citizen must be protected and enshrined at the heart of any future venture.
- Business assist programmes must be developed.
- Such a venture must span the region, and add value also to UK and European actions.

## **Conclusions**

Given the tenor of recent media coverage from and about the region, the attendees representing some of the region's governmental, academic and business leaders felt empowered and determined to take a positive and robust stance to provide some protection for the North East community not only for today but also for the future. Combining the talent and research of the regions universities with North East business and law enforcement delegates identified clear opportunities for collaborative and complementary initiatives within a clearly badged project.

Any such venture, properly resourced and tasked, must be a legal entity representing the interest of the citizen and must span the region giving guidance, advice, assistance and protection for all North East citizens.

It was noted that the event was being held within the close vicinity of Hadrian's Wall a world heritage site. It was further recognised that when first constructed it was built on the frontier of the then Roman Empire and is still seen today as a sign of strength and security for the region. As such there was a real synergy with the aims and objectives of the conclusions of the two days event, resulting in the designation of the HADRIAN PROJECT.

A pledge made by all representatives from regional, national, European partners, law enforcement business and citizen leaders was made to work together to recognise threats and seek opportunities to develop the project to help rebuild public confidence and trust and build a strong and confident region for the future. This aim is not just for the region, but also for all those who share the aim of leaving no one behind, vulnerable or insecure in the Internet era as it affects all regions of this and other countries.

## **PAYBACK TIME - NORTHUMBRIA POLICE CONFISCATE £1 MILLION OF CRIMINAL PROCEEDS**

Hot on the heels of NEFF's recent masterclass regarding the confiscation of criminal proceeds, a drug dealer has been ordered to pay back almost £1 million in the biggest ever confiscation order secured by Northumbria Police.

The Court made a confiscation order for almost £923,757 - the biggest ever secured by the force.

The confiscation followed an 18-month investigation by Northumbria Police Crime Operations which uncovered his national and international drug supply network and links with other crime groups throughout the country as well as Spain and Holland.

The dealer enjoyed a lifestyle of extensive international travel, exotic holidays, fast cars, expensive jewellery and property acquisitions financed by crime, was arrested in March, 2007.

Specialist financial investigators from Northumbria Police and the Regional Asset Recovery Team, together with forensic accounting advice from Quantis, identified his assets and charged him with money laundering offences in order to strip him of his wealth upon conviction.

Detective Inspector John Cox said today: *"This investigation has not only smashed a national drugs ring, but it has also sent a clear message to those who deal in drugs that Northumbria Police will leave no stone unturned to catch them."*

*"He was operating at the very highest level and his involvement in the wholesale distribution of cannabis was making him a lucrative living."*

*"He had a team of conspirators working on his orders, and during the investigation we taped him arranging drug deals and bragging about the fortune he was making from his crimes."*

*'I want to take this opportunity to reassure the community of the lengths Northumbria Police will go to through Total Policing, to track down offenders of this nature who flaunt their criminal wealth in the face of others'*

In April 2006 police and customs seized £100,000 in euros and sterling that the dealer was attempting to smuggle out of the country.

Assets, including an Aston Martin and a Rolex watch, were seized during the police operation. Two Nissan Pathfinders have also been recovered.

Detective Chief Inspector Phil Butler, of the force's Economic Crime Unit who spearheaded Operation Payback 2, said: *"This is the largest confiscation order the force has secured to date."*

*'It sends out a clear message to criminals that not only will our investigations provide evidence which allows the court to hand out substantial sentences, but we will not allow them to profit from their criminal activity.'*

*'We're delighted that all of our efforts in this case have been rewarded and he's been made to pay back the money he made on the back of crime.'*

*'We're determined to continue our efforts to bring to justice those who cause misery to others by committing crime and then taking from those criminals any proceeds they may have made.'*

*'This case today sends out a clear message to criminals that we are coming for them and proves that crime really doesn't pay.'*

The confiscation order marks the end of Operation Payback 2, a big push to seize the assets of career criminals who wear badges of wealth, targeting both low level offenders as well as those who profit from organised, serious crime.

The initiative resulted in more than £200,000 worth of property being seized, as well as £49,000 in cash, and 12 arrests being made for financial offences, including money laundering.

DCI Butler added: "The campaign has been a great success and we'd like to reassure people that this work will continue throughout the year.

"The public play a vital role in helping secure results such as today and anyone wanting to report anything untoward to officers can do so anonymously via Crimestoppers on **0800 555 111**.

### **BOILER ROOM SCAMS – STILL SMOULDERING**

For those of you who watched the 'Great British Share Swindle' on BBC 2 in late March, you will be aware that if you own shares, beware of out-of-the-blue telephone calls promising instant investment fortunes. For the persuasive call could be from a "boiler room", a high-pressure sales operation, usually based abroad, selling worthless shares that could leave you bust. If you didn't see it, here's what happened when the BBC investigated a boiler room scam operation targeting UK investors.

The BBC spoke to 62-year-old from Darlington, who dabbles in the stockmarket and was cold-called by a firm called Newbridge International. After a dozen persuasive calls, he invested £5,000 in shares they recommended.

But when he came to sell he got a nasty surprise. His shares were called "Regulation S" stock, a US rule which effectively makes them unsaleable. Newbridge International [first exposed as a boiler room in Guardian Money in February 2007] has an expensive looking website, boasting teams of "dedicated professionals" and a picture of a large glass skyscraper. It is not registered in the UK, which means British investors aren't protected if the investment goes wrong. And the shiny corporate building is a fiction.

The BBC posed as an investor with £100,000 and contacted Newbridge. Its salesman, offered shares in Rhino Outdoor International, based in Nevada. The company makes off-road vehicles and its website is packed with news about Chinese military markets and \$9m deals.

However, the US Securities and Exchange Commission website warns that the company "has negative working capital and substantial debt ... the company may be unable to continue in existence".

Rhino's shares are also Regulation S, which McIntosh told us was "a regulation ... to protect you and the company". He made no mention of the sale restrictions, or the SEC report.

The BBC said they weren't interested. But then a more senior salesman rang back and offered to provide contacts for satisfied Newbridge customers, but no names were ever produced.

The BBC made its excuses and decided to investigate Newbridge a little further.

The company is based in Barcelona, but its HQ is a PO box number. They got a tip-off about where they were based and eventually found them at an anonymous office block near the centre of Barcelona. Customers aren't meant to turn up but, unfortunately for Newbridge, couriers do — and the camera crew followed a Spanish courier through the door.

Inside, there were about 10 men in an open plan office sitting at desks barking into telephone headsets. The accents and language were clearly English. We asked for the "senior salesman" who tried to sell Rhino shares, and a large man with a beard emerged from a corner office. As he approached, the crew pulled a camera out of a bag and, in an instant, the salesmen ran for cover, pulling their sweaters over their faces and behaving like Ealing comedy bad guys. The senior salesman was asked whether this was a boiler room.

"You guys have to leave ... you gotta leave," he said, missing a tremendous opportunity to sell shares in Rhino Outdoor International, "leave ... don't make me cross." His salesmen decided to run back and attack the camera, and then drag the crew to the door. They were bundled out, one of the salesmen landing a quick punch in the back before slamming the door. Welcome to Newbridge International. When the BBC contacted them later, Newbridge stated investors were warned of the high-risk of the investments. But the Darlington man insists the warnings only came after he'd parted with his money. And, in a later statement, Newbridge denied that the BBC had ever visited their offices in Barcelona. Many victims feel stupid and never report their losses, which is why it's difficult to work out the true scale of these operations.

The police have reported evidence of £50m worth of boiler room fraud, and believe the real figure could be as high as £250m.

The Darlington man say he feels stupid, but he's going public to stop others being conned. The advice from him and the Financial Services Authority is simple. If a share deal is offered over the phone, hang up.

### **Recent case**

Even professionals are enticed. Quantis acted recently in a boiler room scam involving an accountant who used, unbeknown to them, over £100,000 of client monies, to invest in such a scam. Despite the glossy brochures, slick salesmen and password protected investor relations website, the shares were worthless. The accountant's practice folded, he was ordered to sell his assets with a view to repaying as much as possible to his clients and received a suspended prison sentence. His naivety and greed has ruined him both professionally and financially — a big price to pay for worthless shares.

## **NEFF RECRUITS NEW ADMINISTRATOR**

Allan Curry has been recruited by NEFF as a part-time co-ordinator. Allan retired recently from Northumbria Police. His last five years service have been spent as the senior police officer with responsibility for Gateshead. In this role he was a lead officer within the Strategic Partnership as well as vice chair of the Community Safety Partnership. Key areas of work consisted of the development of crime reduction and prevention strategies involving a broad spectrum of partner agencies. We look forward to seeing him at forthcoming NEFF events.



## **FORTHCOMING NEFF CONFERENCE / MASTERCLASSES / SEMINARS**

### **Masterclasses / Seminars**

Please keep an eye on the website for forthcoming events. For booking details visit:  
[www.northeastfraudforum.co.uk](http://www.northeastfraudforum.co.uk)

# And finally ...

## **AUTOGRAPH HUNTERS BEWARE**

Two men have been found guilty of conning sports fans into paying for faked autographs. But how can you tell if a signature is genuine or not? Jonny Wilkinson, David Beckham, Stephen Gerrard, Sir Alex Ferguson - the names of those signatures forged and sold by Faisal Madani and Graeme Walker is an A-list of British sports stars.

The pair were found guilty after trading standards officers raided Walker's Sporting Icons shop in Chester. Officers bought or seized 197 items that the prosecution claimed were forgeries. Like many autographs sold, theirs came with certificates of authentication (albeit not from a reputable authorising body). So how can autograph hunters prepared to spend on their hobby detect real from fake?

Fake autographs are often mechanically reproduced. Run your thumb over the signature on a photo, suggests Antiques Roadshow expert Clive Farahar. If the writing feels flat against the surface, it could be a facsimile. You need to feel the texture of the ink on top of the photograph to know it has been added afterwards.

Even then the signature itself could still be a sham. Autographs can be printed on top of photos, so it's important to feel the outline with your thumb.

It can be almost impossible to detect fake signatures on fabric like caps and sports shirts by touch because the fabric soaks up the ink without leaving a raised layer. But there are visible clues in the ink. Garry King, an expert in signed memorabilia who gave evidence in the Madani-Walker trial, believes he could train anyone to spot the most obvious signs of a fake in 10 minutes.

When a signature is rubber stamped on an item, all the ink is applied at the same time and squeezed out to the edges of the rubber. It leaves a "kind of tramline". So when magnified, "you can spot more ink on the edges of the lines than in the middle".

With signatures printed by machine, the giveaway is that all the ink is applied in the same moment, resulting in a smooth effect. But if a name is signed by hand, with a pen, the nib will cut through wet ink, creating "bridges" and "tunnels" visible under an eye glass.



Autographs can also be duplicated with an autopen where a machine uses a pen to replicate handwriting. A plastic or metal "matrix" of the signature is made from the template of an autograph. This matrix is loaded into the machine and the mechanical arm precisely traces the writing. Royalty depend on autopen machines to get through their Christmas card lists.

**Michael Owen gave evidence at the trial of Madani and Walker**

But under scrutiny, even the autopen can be detected, says Mr King.

"When you write your own name, you put your pen on the paper and start writing in one continuous movement. The pen is normally moving before you start writing. But the autopen comes down with a dot and comes off abruptly with another dot, which you can see when magnified."

There are more obvious clues to fakery than scrutinising the ink so closely.

"If you got 10 people in your office to sign a card, the chances are you'll get 10 signatures of all sizes all over place - unevenly spaced, at an angle, you may even get one upside down," says Mr King.

"Put a real football shirt signed by a team against a fake one and you can see it straight away. With 10 autographs written by one person, the signatures will often be the same size, they'll be evenly spaced and the same way up."

Abundance is also an insight, says Mr King: "A forger can knock out 20, 30, 40 David Beckham autographs a week. A genuine dealer probably won't have as much as one a month for sale."

That's because like many Premiership footballers, Beckham won't sign more than one thing at a time because of fears it will be sold on. In addition, many will only dedicate a signature to an individual, knowing that it is then only of use to the named person.

Experience is key, says Mr Farahar. "To know what a signature should look like, you need to have seen one that was collected, probably personally. Or you have to rely on someone else's experience and professional reputation to tell you that something is OK."

Fraudcast is published by:

Quantis  
Chartered Accountants,  
13 Newgate Street,  
Morpeth,  
Northumberland  
NE61 1AL

Tel: 01670 511 999  
Fax: 01670 511 333  
[www.forensic-accountants.co.uk](http://www.forensic-accountants.co.uk)

To unsubscribe from Fraudcast, please email:

[unsubscribe@fraudcast.co.uk](mailto:unsubscribe@fraudcast.co.uk)

In conjunction with:

North East Fraud Forum  
C/o Economic Crime Unit  
Northumbria Police  
Market Street Police Station  
Market Street  
Newcastle upon Tyne  
NE1 6XA

Tel: 0191 221 8696  
[www.northeastfraudforum.co.uk](http://www.northeastfraudforum.co.uk)