

# Risk Indicators





# Challenge

"Fraud is a crime that is seldom observed."

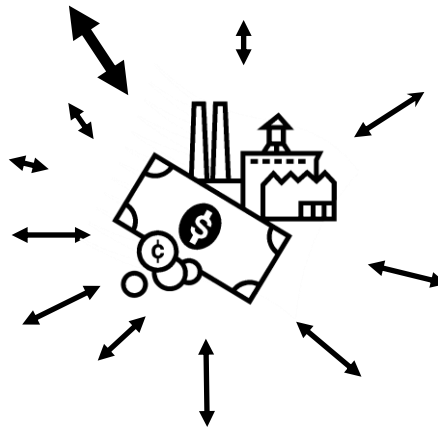
"You can only see, what you can see.

You can't see, what you can't see.

And you can't see, that you can't see, what you can't see."

## Risk Indicators

- Risk Indicators is about identifying financial crime and proceeds of crime by comparing expected behavior and circumstances to actual behavior and circumstances



- Risk Indicators can provide fast overview and direction at low cost



Money Laundering  
and Terrorist Financing  
Awareness Handbook  
for Tax Examiners  
and Tax Auditors

## Risk Indicators: transactions

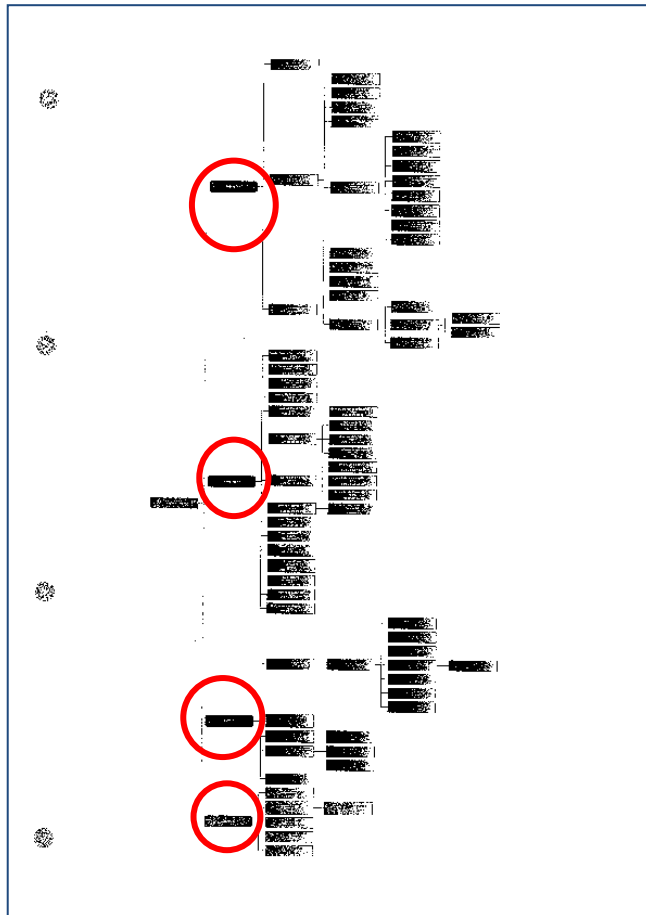
### ***Unusual transactions and parties***

- ☐ Entrepreneur demonstrates poor knowledge about their business
- ☐ Transaction in goods or services not fitting company's profile
- ☐ Transaction without an evident commercial basis
- ☐ Transaction or agreements without relevant supporting documents
- ☐ Transactions with offshore companies
- ☐ Transaction with suspected criminals or their partners
- ☐ Non-transparent / non-identifiable customers, creditors or lenders
- ☐ Transactions with business associates or customers that share a common address
- ☐ Transactions identified as asset sales but assets cannot be substantiated

### ***Unusual money flows***

- ☐ Payments to or from third parties who are not involved in the transaction
- ☐ Payments to or from unrelated offshore companies or accounts
- ☐ Company bank account used as a cash flow-through account
- ☐ Non-transparent or non-verifiable origin of the money
- ☐ Denominations and currency not the norm in the industry
- ☐ Bank deposits not declared as turnover (sales)
- ☐ Money flows without apparent economic reason or supporting documentation

### First impression....



Key fig. mil. EUR	Y1	Y2	Y3
Turnover	85	167	311
Result	16	19	32
Equity	21	32	55
Assets	154	239	401
Work in progress	12	36	130

"We believe the Group is a success because we constantly focus on adding value to what we are dealing with. Another reason for our success is that we go into new businesses to run them in an industrial way. "

Cash flow (mil. EURO)	Y 1	Y 2	Y 3
Business activity	-30	-10	-150
Investment activity	-150	-51	-55
Financial activity	72	77	198

## Risk Indicators: Tax examination

### ***Unusual off-balance items***

- Non-transparent ownership
- Ownership by relations/partners of criminals
- International structure with no apparent commercial, legal or tax benefits
- Purchase or sale of the companies' shares at a nonmarket price
- Companies/directors registered at a foreign company service provider's address

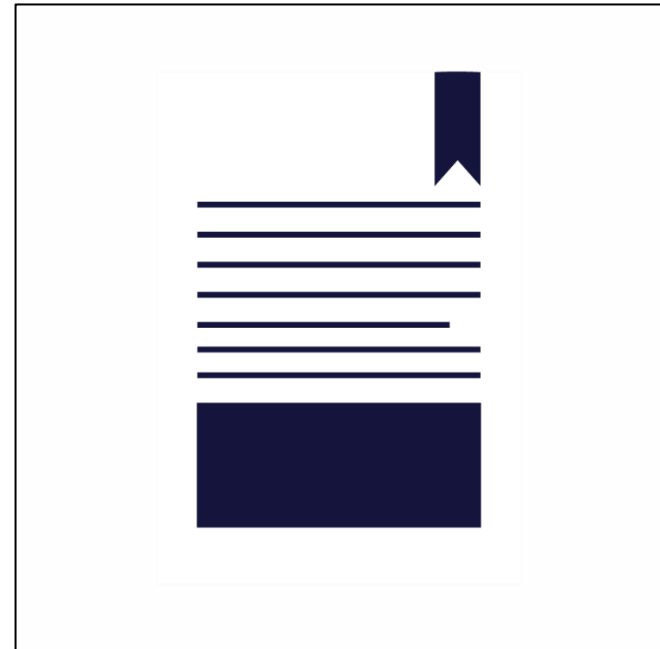
### ***Unusual balance sheet items***

- Ownership contributions of capital are not supported by previous tax returns
- Interest accumulating on loans receivable or loans payable
- Large cash holdings which are excessive for the business

### ***Unusual profit and loss items***

- High rise in turnover/sales
- High rise in profit margin
- Business ratio of costs and sales not in line with industry

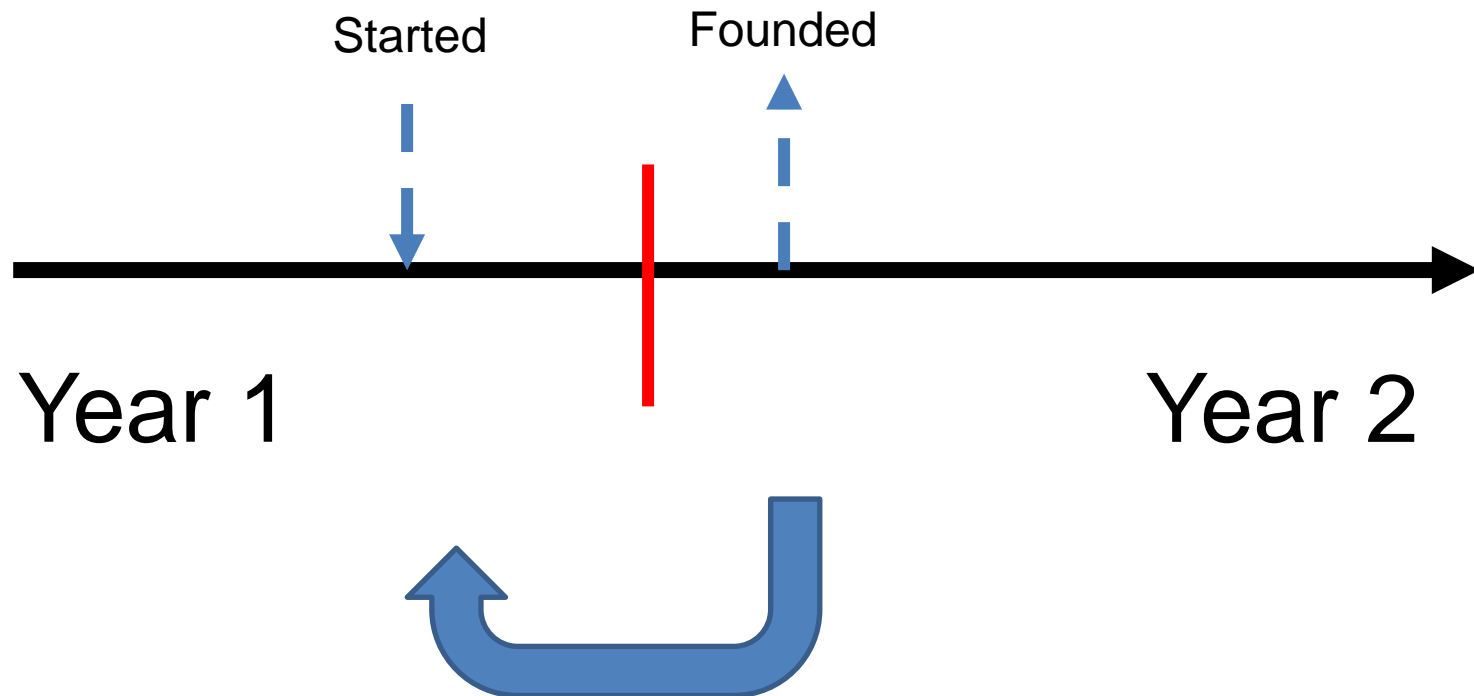
## Two tax audit cases: Fake invoices and fake agreement





# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*





## Case: Private House – owned by the Company

- Purchase 3 mil. €
- Renovation 10 mil. €
- Booked value 22 mil. €
- Sold for 6 mil. €

## Other Risk Indicators

### Loans

- *origin of the flow of funds*
- *financing*

### Service providers

- *service provided by a professional service provider*
- *reward for a professional service provider*

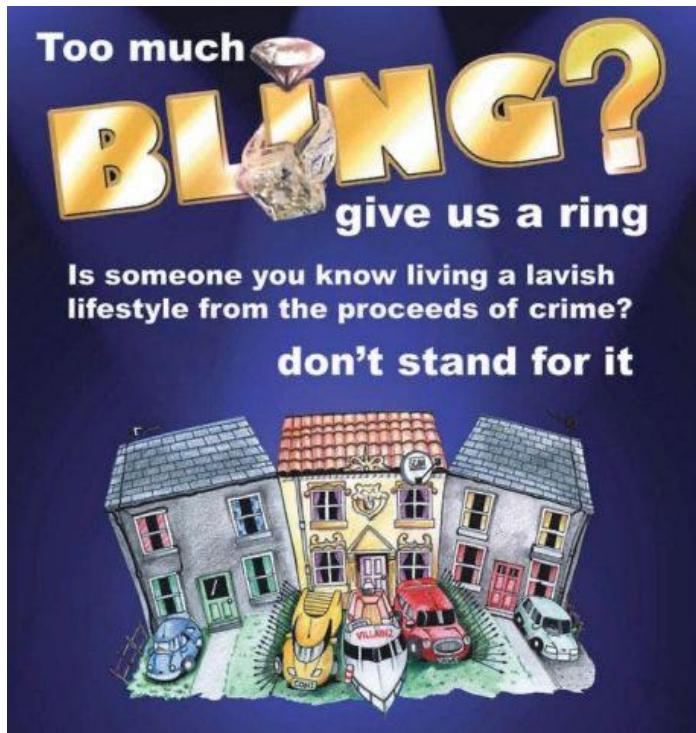
### Cash

- *Incomplete, unlikely explanations origin, deposits and withdrawals*
- *Transport method - costly, risky or concealed*

### International trade

- *Newly or offshore companies with large imports/exports*
- *Multiple billing and false descriptions*
- *Difference origin of goods and destination of payments*

### Rise in private wealth and expenses




# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*



Online..

The screenshot shows a web interface for an online module. At the top left is the OECD logo with the tagline "BETTER POLICIES FOR BETTER LIVES". The main title is "Combatting money laundering and terrorist financing: a handbook for tax examiners and tax auditors". Below the title is a welcome message: "Welcome to this module about the role of tax examiners and tax auditors in combatting money laundering and terrorist financing. This course has audio which has been designed to help you in your learning. If you would prefer to complete the module without audio, you can turn it off on the Menu screen." A copyright notice follows: "© 2019 OECD. This work may not be copied, distributed or otherwise used without permission of the OECD, which may be obtained from [GRPlearning@oecd.org](mailto:GRPlearning@oecd.org)". At the bottom are two yellow buttons: "Test Audio" and "Start". The background of the interface features a close-up of a stack of gold coins with a large, glowing digital fingerprint overlaying them. The interface is framed by a dark border with a close button (X) in the top right and an "Exit Full Screen" button in the bottom right.

 **OECD**  
BETTER POLICIES FOR BETTER LIVES

## Combatting money laundering and terrorist financing: a handbook for tax examiners and tax auditors

Welcome to this module about the role of tax examiners and tax auditors in combatting money laundering and terrorist financing. This course has audio which has been designed to help you in your learning. If you would prefer to complete the module without audio, you can turn it off on the Menu screen.

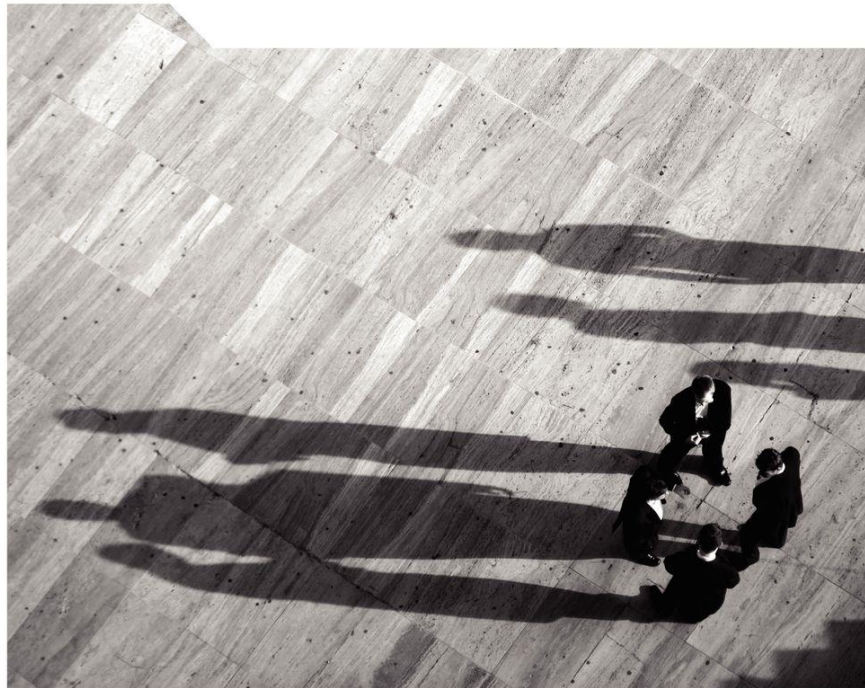
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[Test Audio](#) [Start](#)

Exit Full Screen



### **Bribery and Corruption Awareness Handbook for Tax Examiners and Tax Auditors**



## Bribery and corruption risk indicators

- Indicators concerning parties to transactions
- Indicators concerning the terms of transactions
  - No underlying documentation to contracts or loans
  - Key terms not clear
  - Actions outside the terms of a contract
  - Under-qualified people in senior positions
- Indicators concerning outcomes that impact the taxpayer's financial records
  - Balance contain assets acquired at higher or lower than market value
  - Taxpayer, employee or family member lifestyle not supported by income

### Cash Economy – Characteristics

**Table 1.2. Industry sectors commonly reported by revenue bodies**

Industry sector	Bodies reporting (%)	Nature of activities included in this sector
<b>Personal Services (B2C transactions)</b>	22.1	House cleaning, hairdressing, beauty, dry cleaning, catering, pest control, computer maintenance, security, health, pet care, matchmaking, etc.
<b>Hospitality</b>	16.4	Restaurants, cafés, pubs, takeaways, hotels
<b>Retail</b>	15.6	Store based, flea/public markets, etc.
<b>Construction</b>	15.6	Building, home renovations, home repairs
<b>Car sales &amp; service</b>	5.7	
<b>Transport</b>	3.3	
<b>Taxi</b>	3.3	
<b>Agriculture, Fishing, Aquaculture</b>	2.4	
<b>Other</b>	15.6	Tourism, real estate (incl. rental), recycling, internet based, freelancers, professionals, entertainers, etc.

## Cash Economy Sectors – Indicators of Fraud

### Pressure/Motive:

- Financial needs
- Social pressure
- Greed/Injustice
- Etc.



### Opportunity:

- Lack of controls
- Business culture
- -> Capabilities
- Etc.

Rationalization: Justification Etc.

### Questions:

1. What Fraud-Triangle elements can be found in Sectors of concern (personal services B2C, hospitality, retail, construction, and agriculture)?
2. Where can you find risk indicators of fraud in the cash economy sectors?

## Indicators in a cash business

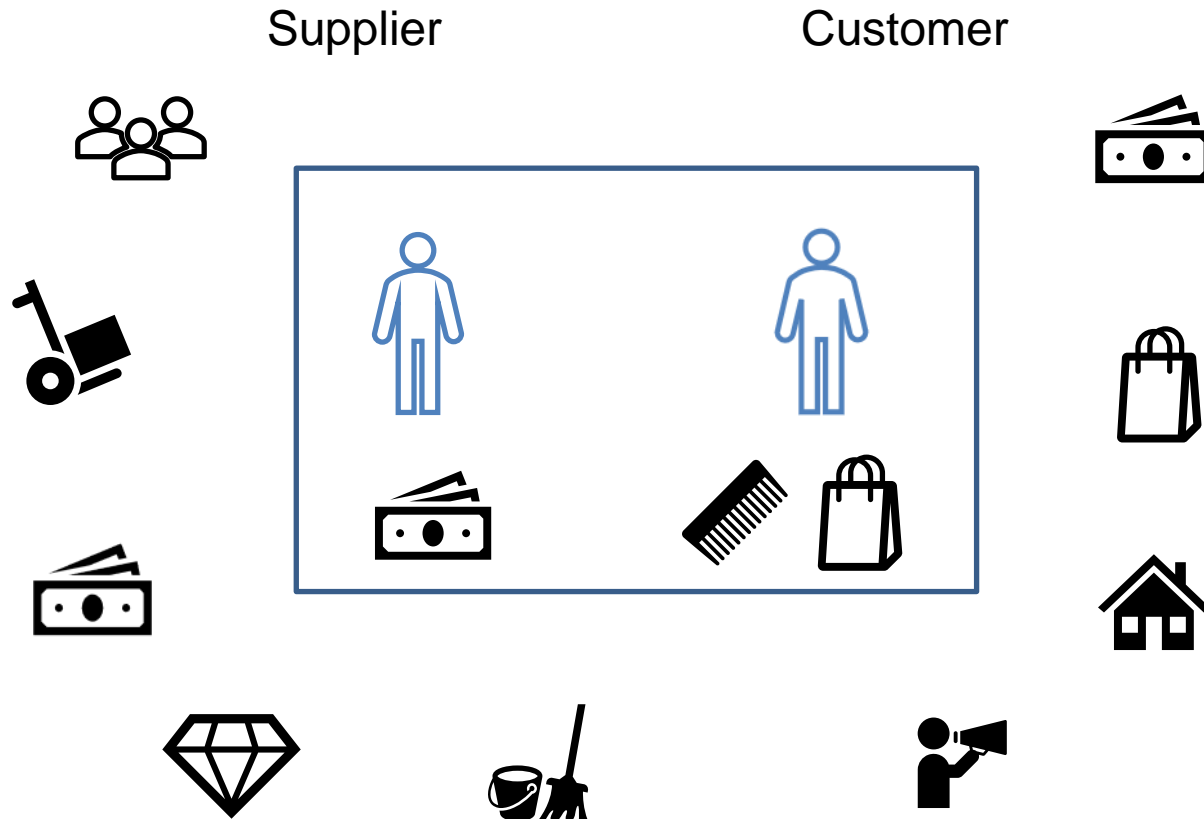
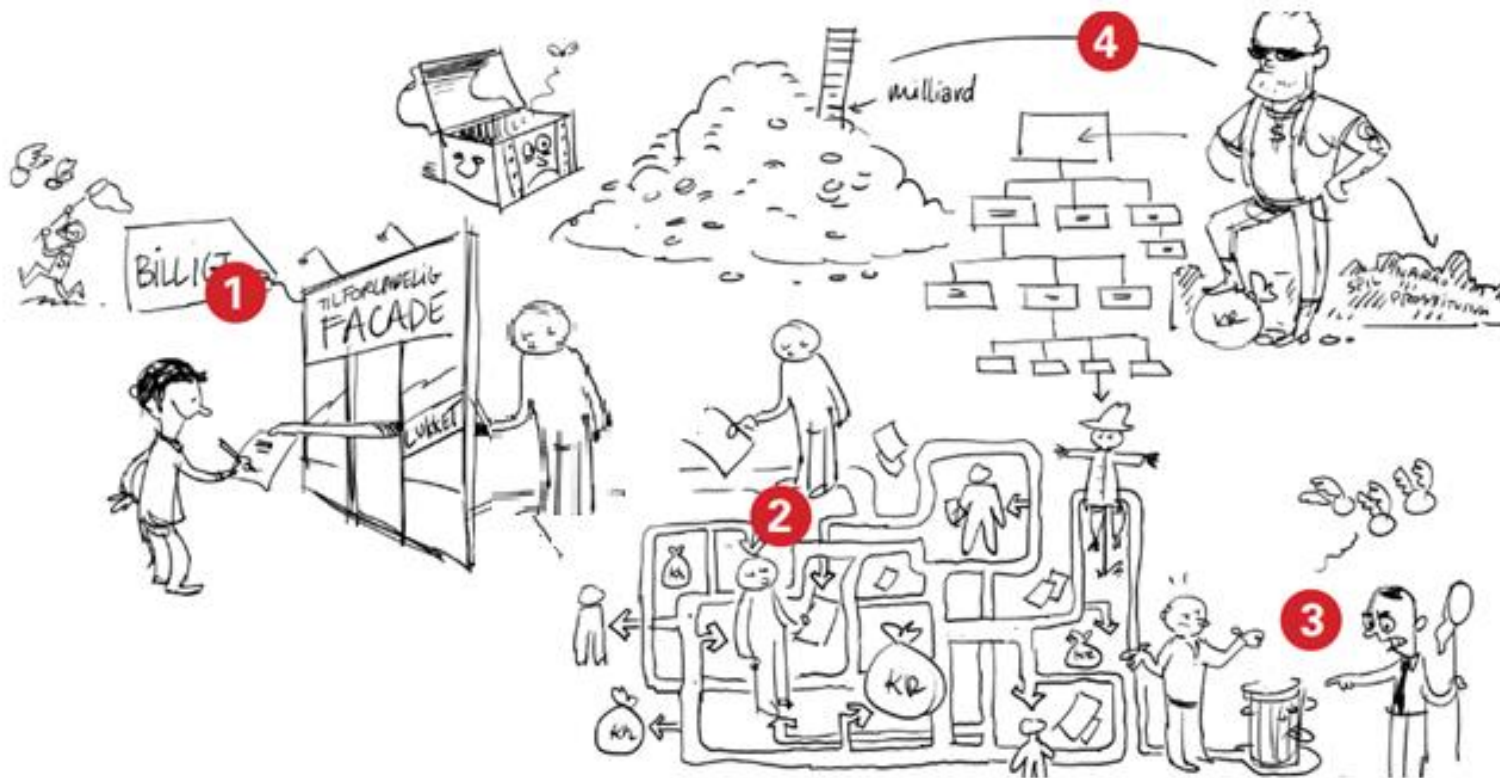


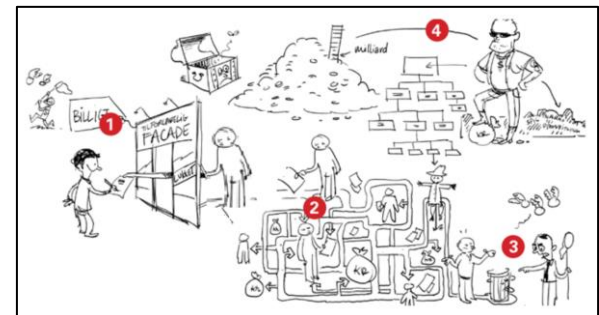
Table 1.1: Examples of shadow economy activity

Activity	Examples
Non-registered businesses	Businesses that do not register with the tax administration for either income tax or value added tax (VAT). They may still register with other agencies or service providers.
Under-reporting of business income	Ranges from businesses or sole traders which skim off some cash sales to those which engage in large scale fraud.
Unreported sources of income	Businesses or individuals receiving sources of income not known to the tax administration from investments, property etc.
Inflation of costs	Those who inflate tax deductible expenses, for example through the use of false receipts or invoices or collusion with others.
Identity fraud	Use of fake identities to avoid tax liabilities or to claim refunds due to others. Also commonly used to continue to claim benefits while working.
Phoenix companies	Companies that are created with the intention of becoming insolvent before paying tax and other bills (with the business being transferred but not the debts). Similarly companies may strip assets and disappear prior to paying tax due.
Moonlighters	People registered with the tax administration for some employment but not for all, for example someone with a part-time job paid by cash on top of regular employment.
Ghosts	Those unknown to the tax administration, never having registered for tax. Examples may be some informal market traders, day or seasonal labourers, those providing domestic services and those carrying out serious crimes.
Cross-border fraud	Those who carry out activities across border with the aim of exploiting gaps and being able to hide out of reach of another tax administration.
Employer fraud	Not registering workers with the tax administration or requiring such registration as a condition of employment; not complying with requirements to withhold tax or social security liabilities; employing illegal workers – for example those without a permit or underage; not carrying out identity checks; paying less than required minimum wages etc.
Money laundering	Bringing money from illegal activity into a legal business in order to make its origin appear legal.

## Cash Economy - Supply Chain Fraud

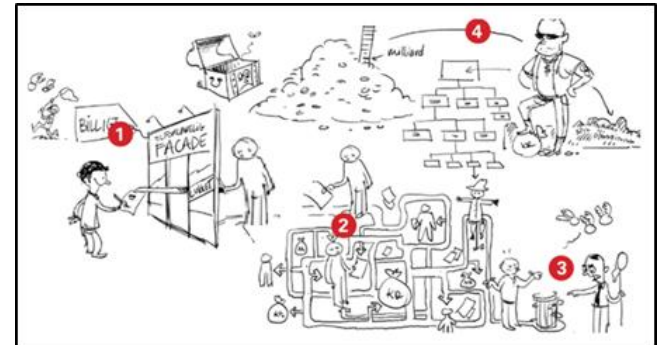


## Cash Economy – Risk indicators company registration



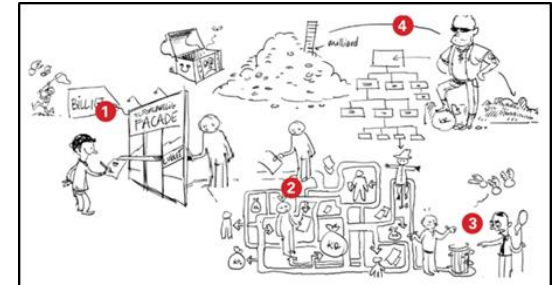
## Cash Economy – Risk Indicators of fictitious companies

- Periodically reporting requirements
- Payments on time
- Activity: employees (and their other activities), web page, reportings, customers etc.
- Directors and owners
- Physical contact and correspondence



## Cash Economy – Risk Indicators during a tax audit

- Registrations at authorities - tax and vat, employer, foreign workers etc.
- Indicators regarding seller and subcontractors
- Contracts, agreements, invoices, slips etc.
- ID of workers and directors
- Money flow– cash, unusual payment instructions and further flow
- Physical contact and correspondence
- Projections, projections, projections



### Cash Economy - Money flow risk indicators

- Documentation
- Know Your Customer File
- STRs and SARs
- Note types:

Buy € = Notes

$$400 = 2 * 200$$

$$900 = 1 * 500 + 2 * 200$$

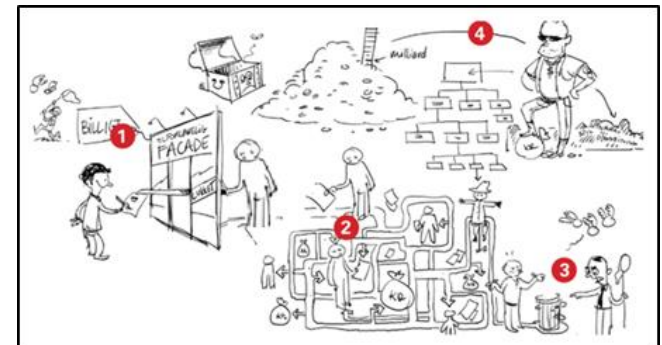
$$900 = 1 * 500 + 2 * 200$$

$$400 = 2 * 200$$

$$700 = 1 * 500 + 1 * 200$$

$$3.300 = 3 * 500 + 9 * 200$$

$$3.300 = 6 * 500 + 1 * 200$$



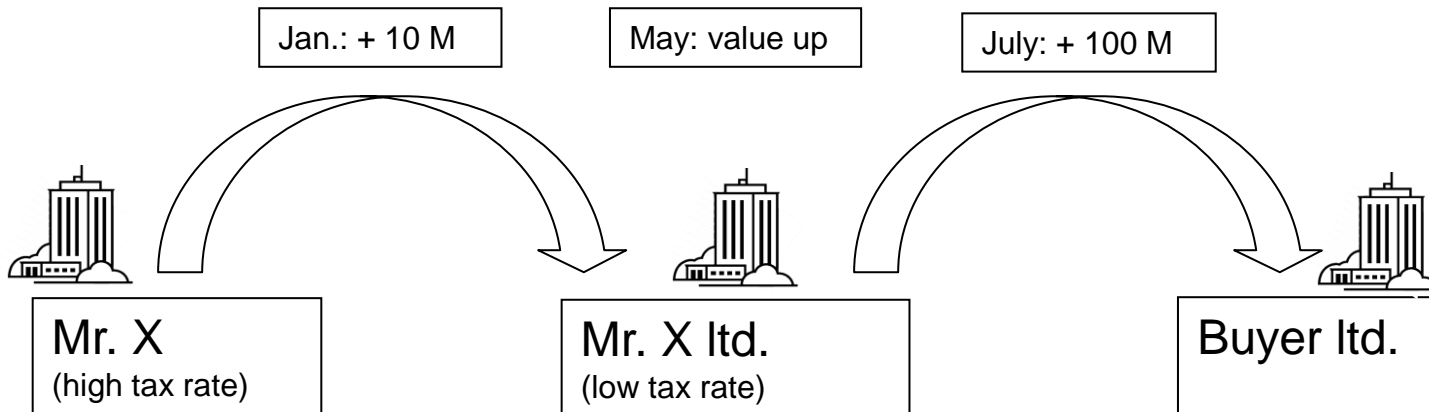
## Financial Risk Indicators - How to cook the books?

- Valuating assets and liabilities wrongly
- Controlling transactions not on market conditions
- Omitting booking of transactions
- Booking of transactions in wrong periods
- Not linking sales and cost of sales to same period
- Classifying income as loan or receivables as expenses
- Over- or understating of accruals
- Booking directly on the equity accounts
- Off-balance items not disclosed or wrongly disclosed
- Wrong elimination of intercompany profit
- Changes in accounting policies

## Risk indicators: Annual Report

- Management report content
- Continuity - management, business, ownership, company name, address etc.
- Different amount levels and complexity in Income Statement and Balance
- Unnatural high level of controlled items
- Significant balance items not related to business
- Audit opinion

### Case: Consecutive booking numbers



#### Mr. X Ltd. - Property account 123456

Booking no.	Booking date	Text	Amount
		Opening balance	0
6541	01.01.2010	Purchase property	50,000,000
6557	15.07.2010	Sold property	-150,000,000
6558	15.07.2010	Gain on sale	100,000,000
		Balance	0

#### Mr. X Ltd. - Salary account 789012

Booking no.	Booking date	Text	Amount
		Opening balance	0
749	31.01.2010	Salaries Jan.	17,512
...	...	...	...
6948	29.07.2010	Salaries Jul.	25,318
		Balance	138,477

Fax received:

17/07/2010 4'48 p.m.

Fax number:

+45 123456789 6527

**Outstanding invoice 95-2010**

Dear Sirs,

Case: *biggest accounting fraud in Denmark - ever*

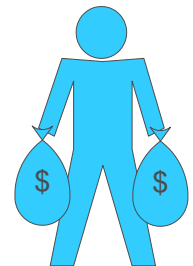


Nordisk Fjer A/S

## Testing Risk Indicators - How to look beyond the numbers?

- Cash is king!
- Compare bookings with independent valid information
- Compare with companies in similar business and in similar size
- Scrutinise major postings in general ledger and bank accounts, all the way!
- Scrutinise accounts with management, group companies
- Scrutinise adjustment bookings
- Check sub ledgers for manual, old and significant bookings
- Look for major development in account balances from one year to another
- Identify what drives the company's major development – key bookings
- Talk to reliable bookkeepers, advisers or authorities if you can
- Check international accounting databases for straw men, addresses etc.

Strategy: What indicators to look for



## **The Yacht (owned by the company)**



## **The jet aircraft –owned by the company**





## **Information from the Annual report:**

### **Income statement:**

Exchange loss:

**2013:** 0 €   **2014:** 0 €   **2015:** 20 mio. €   **2016:** 0 €

### **Assets:**

Property Bonds:

**2013:** 0 €   **2014:** 40 mio. €   **2015:** 20 mio. €   **2016:** 0 €

### **Liabilities:**

Long-term Debt:

**2013:** 0 €   **2014:** 40 mio. €   **2015:** 40 mio. €   **2016:** 0 €



## Sum-up: Key elements in comparing expected to actual behavior and circumstances

- Continuity
- Similarity
- Clarity
- Simplicity
- Time goes forward - never backwards
- Financial sense: costs, interests, investments, collateral and security



## Breakout exercise - TC Innovation A/S annual report

What is unusual and what is going on?

# Sources of Information



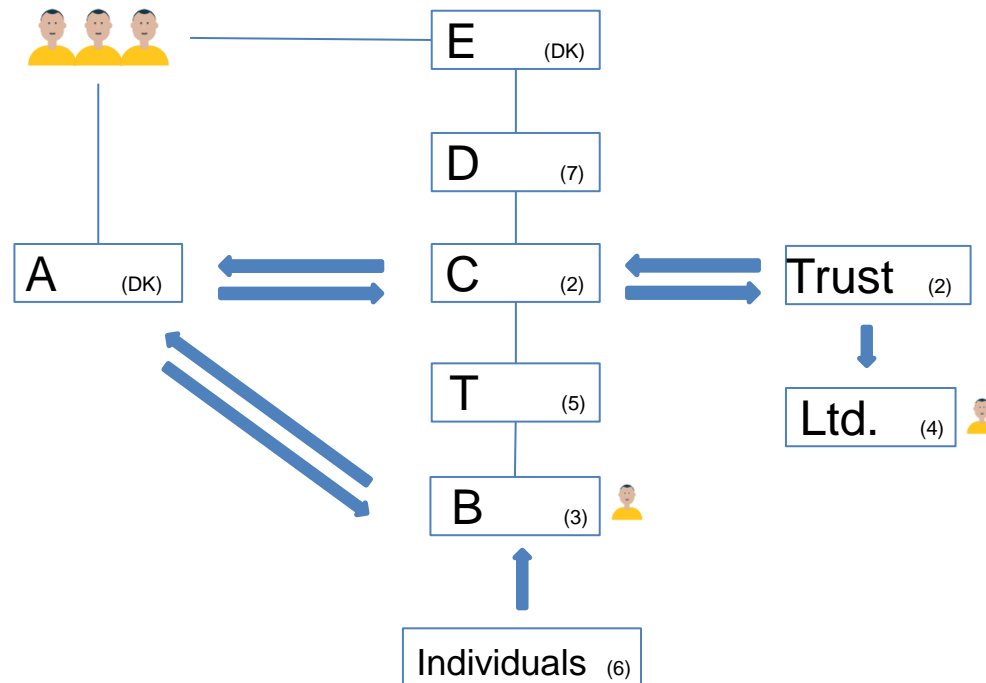
## Process of identifying sources of information



- Investigating cash economy describe normal behavior and circumstances beforehand
- Before you go to sources ask yourself and others what you want to know
- If you know several sources beforehand, quality and efficiency may improve

Leads to information – Annex A

Case: Several data sources needed..



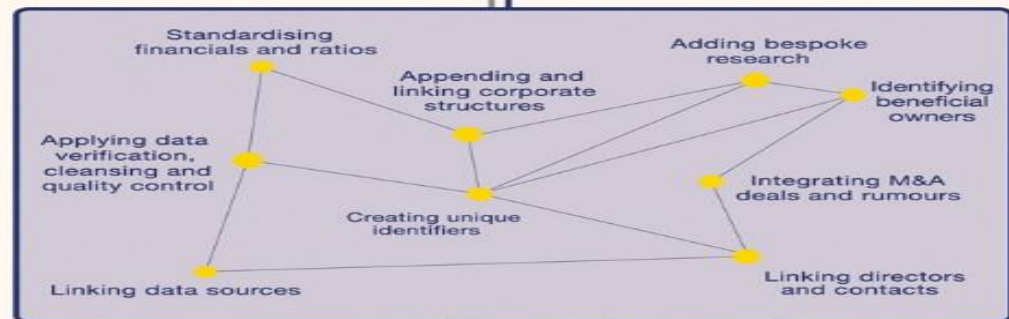
# Bureau van Dijk delivers company information with added value



**Input**  
Data is sourced by BvD from regulatory and other sources



**BvD adds value**  
Delivering information on 170 million companies across the globe



**Adding user interface and data visualisation tools**



**Output**  
Comprehensive, standardised global information across a range of interfaces and solutions, that can be blended with your own data and integrated into your workflow



The ultimate solution for searching and analysing company information



A powerful, streamlined interface



Software platforms for specific business functions



Bespoke data and software solutions



## Sources of Information

### Annex A

#### **LEADS TO POTENTIAL PUBLIC, BUSINESS AND GOVERNMENT SOURCES OF INFORMATION**

This annex contains a listing of potential sources of public records, business information, and government records that may be available in your jurisdiction. The objective of this list is to give you ideas on the types of information you should look for when conducting a financial investigation. Keep in mind the terminology used within your jurisdiction may be different.

#### **PUBLIC RECORDS**

##### **Clerk, Register of Deeds or Land Office**

Generally, the office that maintains information on real estate ownership is located in the jurisdiction in which the property is located.

- Real estate records such as deeds, mortgages, releases, satisfactions
- Judgements, garnishments, chattel mortgages, and other liens
- Property tax records
- Assumed or fictitious name certificates
- Declarations of trust

##### **Secretary of State/Companies House/Commercial Code**

Records of incorporation are generally maintained within the jurisdiction where incorporation occurred or where doing business.

- Articles of incorporation
- Annual reports
- By-laws
- Financial statements (if publicly owned company, financial statements are filed with a governing regulatory agency such as the Securities and Exchange Commission (SEC) in the United States).
- Certificate of limited partnership (if required to be filed)

##### **Better Business Bureau**



The Better Business Bureau retains general information concerning the operation of, and any complaints filed against, local businesses.

### **Chamber of Commerce/Office of Trading Standards**

The local Chamber of Commerce can provide the names of businesses in the local area and the officers or principals of such businesses.

### **Court Records/Clerk of Court**

- Marriage licenses and divorce decrees
- Bankruptcy petitions
- Civil suits
- Criminal records
- Insurance settlements
- Property settlements
- Estate records

### **Lexis-Nexis (or other online computer research service)**

- Case law
- Company and financial filings, directories, and profiles
- Market and industry reports, directories, and analysis
- People, business, and asset locators
- Bankruptcy filings
- Civil and criminal filings
- Judgements and liens, including Uniform Commercial Code filings and tax liens
- Jury verdicts and settlements
- Licenses, including professional, drivers, liquor, lottery, and gaming
- Vehicle registrations
- Marriage license and divorce records
- Personal and real property records
- Sanctions
- News
- International company and financial filings, law, news, and reference information

## **BUSINESS RECORDS**

### **Abstract and Title Company Records**

- Maps and tract books
- Escrow index of purchasers and sellers of real estate (primary source of information)
- Escrow files (number obtained from index)
- Escrow file containing escrow instructions, agreements, and settlements
- Abstracts and title policies



- Special purpose newspapers published for use by attorneys, real estate brokers, insurance companies, and financial institutions. These newspapers contain complete reports on transfers of properties, locations of properties transferred, amounts of mortgages, and releases of mortgages.

### **Agriculture Records**

- Commission merchants
- Insurance companies (insure shipments)
- Transportation companies
- Storage companies
- Agricultural regulatory agencies

### **Automobile Manufacturer and Agency Records**

- Franchise agreements
- Financial statements of dealers
- New car sales and deliveries (used car purchases, trade-ins, and sales)
- Service department (mileage, order, and delivery signature to indicate presence in area)

### **Bonding Company Records**

- Investigative and other records on persons and firms bonded
- Financial statements and data
- Address of person on bond

### **Credit Reporting Agencies**

Credit Reporting Agencies generally restrict the availability of information from credit reporting agencies to governmental investigative agencies. Credit reports may only be furnished:

- In response to the order of a court having the jurisdiction to issue such an order;
- Upon written request of the consumer; or



-To a person who has a legitimate business need for the information in regard to a business transaction involving the consumer, including but not limited to credit, insurance, and employment purposes.

However, as a financial investigator, credit reports have a significant amount of information that can be invaluable to a financial investigation. Every financial investigator should determine how they can obtain relevant credit reports.

### **FINANCIAL SERVICES**

Libraries also generally contain numerous publications and services pertaining to corporate organizations. Some of the more frequently used services are:

1. *National Monthly Stock Summary* – The National Quotation Bureau.
2. *The Monthly Corporate Bond Summary* – The National Quotation Bureau.
3. Financial and dividend services – Fitch's, Moody's and Standard and Poor's.
4. Capital changes and adjustments – Commerce Clearing House and Prentice-Hall.
5. Newspapers, financial papers, and journals.
6. Interest Amortization Tables

### **DIRECTORIES**

1. Telephone directories for major cities of the world.
2. Crisscross directories – Names, addresses, and telephone numbers are cross-referenced in these directories.
3. *Middle Markets Directory* – Business guide of firms with a net worth between \$500,000 and \$1,000,000.
4. *Million Dollar Directory* – Business guide of firms with a net worth of \$1,000,000 or more.
5. *Metal Working Directory* – Marketing directory of metal working plants in the U.S.

### **DEPARTMENT STORE RECORDS**

- Charge accounts
- Credit files

### **DETECTIVE AGENCY RECORDS**



- Investigative files
  - Civil
  - Criminal
  - Commercial
  - Industrial
- Character checks
- Fraud and blackmail investigations
- Divorce Evidence
- Missing persons search
- Security patrols and guards
- Undercover agents
- Surveillance work
- Lie detector tests
- Personnel screening and fingerprinting
- Service checking
- Restaurants
- Public transportation
- Stores

### **PHARMACY RECORDS**

- Prescription records (name, address, date, and physician issuing prescription)

### **FRATERNAL, VETERANS, LABOR, SOCIAL, AND POLITICAL ORGANIZATION RECORDS**

- Membership and attendance records
- Dues, contributions, and payments
- Locations and history of members

### **HOSPITAL RECORDS**

- Entry and release dates
- Payments made

### **HOTEL RECORDS**

- Identity of guest
- Payments made by guest
- Credit record
- Forwarding address
- Reservations for travel (transportation companies and other hotels)
- Telephone calls made to and from room
- Freight shipments and luggage (in and out)



### **INSURANCE COMPANY RECORDS (LIFE, ACCIDENT, FIRE, BURGLARY, AUTOMOBILE, AND ANNUITY POLICIES)**

- Applications (background and financial information, insurance carried with other companies)
- Fur and jewelry floaters (appraised value and description)
- Customers' ledger cards
- Renter's insurance
- Policy and mortgage loan accounts
- Dividend payment records
- Cash value and other net worth data
- Correspondence files
- Payment records on termination, losses, or refunds on cancellations
- Payments to doctors, lawyers, appraisers, and photographers hired directly by the insurance company to act for the company or as an independent expert

### **NATIONAL CHARGE PLAN RECORDS**

National agencies, such as American Express and Diners Club, which provide credit cards for use in charging travel, entertainment, goods and services, can determine whether an individual or business has an account from their central index files.

### **NEWSPAPER RECORDS (FROM A NEWSPAPER'S MORGUE)**

- Relatives, associates, and friends
- Previous places of employment (employee or company publications)
- Police files
- Schools (yearbooks, school papers, etc.)
- License bureaus (driver's, chauffeur's, taxi's, etc.)
- Military departments
- Fraternal organizations
- Religious groups
- Racetracks
- Nightclub or sidewalk photographers and photography studios

### **PUBLIC UTILITY COMPANY RECORDS**

- Present and previous address of subscriber



- Payments made for service and "major" purchases

## **PUBLICATIONS**

- Tax services
- City directories
- *Billboard* (amusements, coin-machines, burlesque, drive-ins, fairs, radio, TV, magic, music machines, circuses, rinks, vending machines, movies, letter lists, and obituaries)
- *Variety* (entertainment news)
- *Racing Manuals* - Records showing amounts paid to owners of winning horses by each race track in the United States, Canada, and Mexico
- Professional, trade, and agriculture directories and magazines
- *Moody's Investors Service Inc.*
- *Standard and Poor's Corporation*

## **REAL ESTATE AGENCY OR SAVINGS AND LOAN ASSOCIATION RECORDS**

- Property transactions
- Financial statements
- Payments made and received (settlement sheets)
- Credit files
- Loan applications. These do not contain quite the same information as loan applications given to a bank. A savings and loan association depends primarily upon real estate security rather than upon other assets and liabilities of a borrower.



## **TELEPHONE COMPANY RECORDS**

- Local directories, library of "out of city" directories
- Message unit detail sheets (in some areas) which list numbers called by a particular telephone
- Investigative reports on telephones used for illegal purposes
- Payments for service
- Toll calls. Because of the existence of more than one long distance carrier, toll records of a local phone company may be an incomplete listing of such calls. There may be a second telephone bill from another company.

## **TRANSPORTATION COMPANY RECORDS**

- Passenger lists, reservations
- Destinations
- Fares paid
- Freight carrier-shippers, destinations, and storage points
- Departure and arrival times

## **GOVERNMENT RECORDS**

### **Police**

- Criminal cases/Arrests
- Criminal intelligence
- Inflammable liquid installations
- Firearms registrations
- Investigations conducted for other departments
- Traffic arrests and motor vehicle accident investigations and reports
- Non-criminal and criminal fingerprint records
- Criminal identification
- Complaint forms
- Criminal records

### **Court Records**

- Divorce
- Probate
- Civil lawsuits

## **Alcohol, Tobacco, and Firearms Regulatory Agency**



- Distillers, brewers, and persons or firms who manufacture or handle alcohol, as a sideline or main product
- Inventory of retail liquor dealers and names of suppliers as well as amounts of liquor purchased by brand
- Processors, manufacturers, and wholesalers of tobacco products
- List of firearms license holders, including manufacturers, importers, and dealers
- List of explosives license holders, including manufacturers, importers and dealers
- For weapons manufactured or imported after 1986, capability of tracing any firearm

### **Aviation Administration**

An aviation administration agency maintains records that reflect the chain of ownership of civil aircraft. These records may include documents relative to their manufacture and sale (sales contracts, bills of sale, mortgages, liens, transfers, inspections, and modifications). They also maintain licensing and medical information on pilots.

### **Department of Agriculture**

- Licensed meat packers and food canners
- Inspections made by agricultural agencies
- Transactions with individuals and businesses

### **Defense Agency**

Defense agencies maintain data concerning pay, dependents, allotment accounts, deposits, tax withholding statements and any other financial information relative to military personnel.

### **Department of Motor Vehicle/Transportation**

- Vehicle registration and ownership records
- Identifying information
- Current Address
- Photo
- Date of Birth

### **Department of State**

- Import and export licenses
- Foreign information
- Passport records (date and place of birth required). Recent data may be obtained from the local district court.

### **Customs Service**

- Record of importers and exporters
- Record of custom house brokers



- Record of custom house truckers (cartage licenses)
- List of suspects
- Reports of cross border cash movements

### **Postal Service**

- Mail watch or cover
- Current or forwarding addresses of subjects and third parties
- Photostats of postal money orders
- Addresses of post office box holders. Check with the local post office to learn the identity of the postal person who can furnish the information.

### **Immigration Agency**

- Records of all immigrants and aliens
- Deportation proceedings
- Passenger manifests and declarations (ship, date, and point of entry required)
- Naturalization records (names of witnesses to naturalization proceedings and people who know the suspect)
- Lists of passengers and crews on vessels from foreign ports
- Financial statements of aliens and persons sponsoring their entry

### **Coast Guard**

- Records of persons serving on ships in any capacity
- Records of vessels equipped with permanently installed motors
- Records of vessels over 16 feet long equipped with detachable motors

### **Treasurer/ Finance Ministry**

Checks paid by the Treasury/Finance Ministry may be obtained by initiating a request through the agency that authorized the check.

### **Financial Intelligence Units (FIUs)**

A Financial Intelligence Unit (FIU) is a central, national agency responsible for receiving (and as permitted, requesting), analyzing and disseminating to the competent authorities, disclosures of financial information: (i) concerning suspected proceeds of

crime and potential financing of terrorism, or (ii) required by national legislation or regulation in order to counter money laundering and terrorism financing. The following information, if applicable, may be available through the FIU in your jurisdiction:

- Cash Transaction Reports
- Suspicious Transaction Reports



- Reports of cross border cash movements
- Information on Foreign Bank Accounts
- Credit Information
- Corporate Information
- Information relative to real estate ownership
- On-line public information
  - News, industry analysis, and domestic and international company directories

## **International Criminal Police Organization (Interpol)**

Interpol is an international police agency with bureaus set up in member countries.

## **Taxing Authority**

Often, tax information is confidential, even to law enforcement. However, if the information is available to you, it can provide you with a wealth of information:

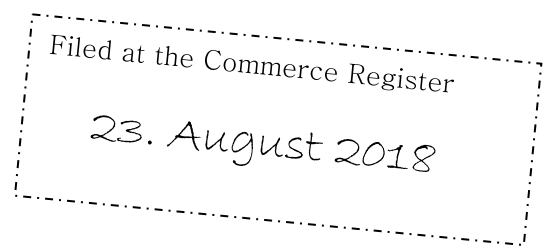
- Income amounts and sources
- Bank account information
- Land ownership
- Dependents
- Business names
- Business income and expenses
- Creditors
- Investments
- Partnership Information



# OECD International Academy for Tax Crime Investigation

*Investigative Techniques for the Cash Economy*





# **TC Innovation A/S**

## **Annual report 2017**

(4. Financial Year)

## Company information

Office:

TC Innovation A/S

Tanqueray Street 10, 1. Floor

45678 Copenhagen City

Denmark

Commerce registration number:

123 456 789

Auditor:

Frederick Snaps

State Authorized Public Accountant

Snaps Accounting A/S

Legal:

Sam Adams

Lawyer

SA Law A/S

Bank:

Absolut Local Bank A/S

## Management Report

In 2017 TC Innovation continued to grow business and relations on an international scale. We managed to maintain our leading role on strategic international markets and to develop new investments for the benefit of our global customers and partners. We believe our vision for a diversified business has proven its worth because we are strongly committed to support our partners and employees for the benefit of our customers.

This year TC Innovation A/S and its subsidiaries served customers on four continents all over the world. TC Innovation A/S and its subsidiaries generated a total turnover of more than four hundred million euro. By using our world class navigation skills on very different markets we managed to increase the speed of the TC Innovation ship, so that EBIT was impressing 63% higher compared to last year.

We foresee that 2018 will generate new opportunities and challenges in a global environment calling for continued outstanding services to our customers and partners.

1. April 2018

Carl Jakobsen  
Managing Director

Today we have approved the annual report 2017 for TC Innovation A/S. We believe the financial statements give a true and fair view of the company's result and economic position as of 31. December 2017 and that the financial statements are made in compliance with Danish legislation.

1. April 2018

Sam Adams  
Chairman of the Board of Directors

Carl Jakobsen  
Member of the Board of Directors

## Auditor's Opinion

To the shareholder of TC Innovation A/S

We have audited the financial statements of TC Innovation A/S for the year 2017 which comprises Income Statement, Balance Sheet, Notes and Accounting Policies.

The Management of the company is responsible for preparation of the financial statements and for establishing internal controls necessary to avoid any material error in the financial statements.

Our responsibility is to express a conclusion on the financial statements based upon our audit of the company. We have conducted our audit in compliance with Danish legislation.

An audit comprises execution of audit actions in order to obtain audit proof regarding amounts and information in the financial statements.

Choice of audit actions depends on the auditor's assessments of risks of material errors in the financial statements, no matter whether the error is caused by mistake or fraud.

In our opinion the obtained audit proofs are sufficient and suitable for our conclusion.

## **Conclusion**

In our opinion the financial statements for the year 2017 give a true and fair view of the company's result and economic position as of 31. December 2017 and that the financial statements are made in compliance with Danish legislation.

1. April 2018

Frederick Snaps

State Authorized Public Accountant

## Accounting policies

### Use of Estimates

The preparation of financial statements in conformity with the Financial Reporting Framework for Small and Medium-Sized Entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Statement of Assets, Liabilities and Equity Classification

A one-year time period is used as the basis for classifying all current assets and liabilities.

### Consolidated financial statements

With reference to the Danish Accounting Act, section 1234, the Company has decided not to present consolidated financial statements for TC Innovation A/S and its majority-owned entities. According to section 1234 consolidation can be omitted if the parent company is part of another group and this group is obliged to present consolidated financial statements.

### Cash and Cash Equivalents

The company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Capital Lease and Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

## **Income Taxes**

For financial reporting purposes, the Company has elected to use the taxes payable method. Under that method, income tax expense represents the amount of income tax the Company expects to pay based on the Company's current year taxable income.

## **Evaluation of Subsequent Events**

The Company has evaluated subsequent events through 1. April 2018, which is the date the financial statements were available to be issued.

## Income statement

amounts in '000 EUR

Note	2017	2016
Turnover	4,679	3,308
Cost of Sales	-4,167	-2,911
<b>Gross Profit</b>	<b>512</b>	<b>397</b>
1 Selling Expenses	-259	-218
1,2 Administration Expenses	-192	-158
Other Operating Expenses	-23	-14
3 Earnings from Subsidiaries	186	129
<b>Earnings Before Interest and Tax</b>	<b>224</b>	<b>136</b>
Financial Income	2	1
Financial Expenses	-9	-12
<b>Earnings Before Tax</b>	<b>217</b>	<b>125</b>
4 Tax Expenses	-17	-4
<b>Net Earnings</b>	<b>200</b>	<b>121</b>

## Balance sheet

amounts in '000 EUR

Note	31. Dec. 2017	31. Dec. 2016
<b>ASSETS</b>		
Bank accounts	13	754
Prepaid Expenses	12	6
Intercompany Receivable	241	136
Other Current Assets	34	64
4 Equipment	31	45
5 Subsidiaries	530	344
Intangible Assets	56	28
<b>TOTAL ASSETS</b>	<b>917</b>	<b>1,377</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable	67	51
Other Debt	16	0
Intercompany Payable	42	747
4 Long-term Debt	88	92
3 Provision for Deferred Tax	45	28
Other Provisions	10	10
<b>TOTAL LIABILITIES</b>	<b>268</b>	<b>928</b>
6 Share Capital	40	40
6 Retained Earnings	609	409
<b>TOTAL EQUITY</b>	<b>649</b>	<b>449</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>917</b>	<b>1,377</b>

# Notes

amounts in '000 EUR if not stated otherwise

## 1 Personnel Expenses

Total number of full time employees amount to 3 (2016: 3). Total Personnel Expenses amount to 261.269 euro (2016: 248.023 euro) of which Management amount to 6.478 euro (2016: 7.248 euro).

## 2 Auditor expenses

	2017	2016
Audit expenses	8	8
Advisory expenses	59	43
<b>Total Auditor expenses</b>	<b>67</b>	<b>51</b>

## 3 Tax

	2017	2016
Deferred tax 1. January	28	24
Dererred tax for the year	17	4
<b>Deferred tax end of Year</b>	<b>45</b>	<b>28</b>

## 4 Equipment

	2017	2016
Costs beginning of Year	104	55
Addition	6	49
Costs end of Year	110	104
Depreciation beginning of Year	59	45
Depreciation	20	14
Depreciation end of Year	79	59
<b>Booked value</b>	<b>31</b>	<b>45</b>

All equipment is leased. Leasing contract obligations amount to 88.328 euro.

## 5 Subsidiaries

Name	Owner-ship	Result 2017	Equity 31. Dec. 2017
Tullamore Wind Power A/S, Denmark	100%	6	53
Danish Medical Consultants A/S, Denmark	sold	-17	sold
Larsson Metal Research A/S, Denmark	100%	22	39
Paper Development Roskilde A/S, Denmark	100%	4	49
Foster's Shipping Denmark A/S, Denmark	100%	36	76
Drinks Equipment Scandinavia A/S, Denmark	100%	7	12
TC Innovation 1 A/S, Denmark	60%	-10	neg.
- CSF Investment SRL, Spain			
- CSF Leisure SRL, Spain			
Northern Industry Production A/S, Denmark	100%	14	31
TC Innovation 5 S.A.	100%	21	66
Copenhagen Enterprise Units A/S, Denmark	100%	41	102
Jack D. Kitchen Design A/S, Denmark	100%	44	16
J. Walker Bio Science A/S, Denmark	100%	3	27
Danish Cork Trade A/S, Denmark	100%	15	59
<b>Total</b>		<b>186</b>	<b>530</b>

## 6 Equity

	Share Capital	Retained Earnings
Balance 1. January 2017	40	409
Net Earnings of the Year		200
<b>Balance 31. December 2017</b>	<b>40</b>	<b>609</b>

Share Capital of TC Innovation A/S consist of 40 shares of 1,000 euro each.

## 7 Related Parties and Interest Related Transactions

Ultimate shareholder of TC Innovation A/S:

Mr. Carl Jakobsen

Tanqueray Street 10, 2. floor

45678 Copenhagen City

TC Innovation A/S provides administrative services to its subsidiaries. All interest related transactions are based on usual market terms.

## **Risk indicators**

### **Answers to the exercise Risk indicators in the annual report of TC Innovation A/S**

In general the idea is to question everything in the report, including dates, names, amounts, relations and text and in particular:

- identify major components of Income Statement and Balance,
- analyze development in line items in the Income Statement and Balance to understand cash flow,
- find indications of lack of continuity,
- find things that are unusual for that kind of company or business,

Examples:

- The report is filed 23. August 2018 but is signed already 1. April 2018. Why did it take almost 5 month to file it? Or are the signatures dated back in time? Notice that subsequent events are only analyzed up to 1. April 2018 (p. 7).
- It is only the fourth financial year and yet the TC company and its subsidiaries have been able to generate a total turnover of more than 400 Mil. Euro in four continents all over the world according to the management report.
- The company TC Innovation A/S has a turnover of approximately 4 Mil. Euro. There are no Accounts Receivable and it is probably not a cash business. So all the activity of the parent company is internal.
- Office address is on 1. floor, the owner lives on 2. floor in the same building, the auditor and the lawyer companies are probably 1 person companies (because of their names) and there are only 3 employees. It seem a bit humble when you control a 400 Mil. Euro business in four continents.
- It looks like it is the auditor himself who prepares the annual report when you look at the document path in the footer. And are there three versions of the annual report?
- The management report doesn't really say anything at all. And management doesn't demonstrate any kind of business knowledge. It is not clear what they mean with "partners".
- Auditor's conclusion and signature are placed on a page for itself even though there was space enough on prior page. The conclusion doesn't say the name of the company. This way the auditor could always say "Oh, the conclusion page was regarding another company. There has been a simple layout error here and my real conclusion is full of qualifications".
- The company explains on page 6 why they don't do consolidation (addition of parent company and all subsidiaries) because the company is part of another group of companies. So Carl Jakobsen may be the ultimate owner but TC Innovation A/S must be directly owned by another company. They don't say who it is.

- Almost all of the EBIT comes from the result of the subsidiaries in both years. And it is non cash transactions (no dividend paid to TC Innovation A/S).
- A very stable development in the Income statement and Balance. Maybe to stable?
- All subsidiaries make very modest results and equity. It could indicate that not very much money is layered in the companies despite the big total turnover in the companies.
- The single owner Carl Jakobsen is not paid by the company and there is no dividend. Where does he earn his money?
- Very low financial expense despite the company is only 4 years old. They have managed to buy 400 Mil. Euro business and yet have very little loans and equity at the same time? Also no goodwill capitalized (goodwill = price for a subsidiary minus equity of the subsidiary).
- Major balance development is the reduction in cash and intercompany payables. it indicates that major cash flow are internal transactions and that the 400 Mil. euro potential cash flow doesn't pass in and out of TC Innovation A/S but only passes in and out of the subsidiaries.
- The value of subsidiaries 530 almost match the value of the company 649. So again the important activity seems to take place in the subsidiaries.
- All equipment is leased – that probably means computers and accounting system belongs to someone else than the company.
- Subsidiaries operate in very different businesses according to their names. What is the synergy and who can have knowledge in so different markets? Or are the names telling another story? Almost all of them contain a geographical place in Denmark or Scandinavia.
- There is a subsidiary TC 1 and TC 5, what about 2,3 and 4?
- No country shown for the "S.A. company" TC 5.
- The Spanish companies are called "CSF" and is not fully owned by TC. Is "CSF" short for Carl, Sam and Frederick?
- The Spanish companies are investment and leisure and have negative equity. Maybe the companies have private elements?
- Auditor expenses matches accounts payables both years. So probably there are no suppliers at all besides the auditor.

## **Company data bases and other helpful search engines:**

### **Portugal:**

<https://www.bvdinfo.com/en-gb/contact-us/free-trial?product=orbis>

<https://publicacoes.mj.pt/pesquisa.aspx>

### **Indonesia Company Profile**

<https://www.indonesia-investments.com/id/bisnis/profil-perusahaan/item74?>

### **Trinidad & Tobago –**

<https://rgd.legalaffairs.gov.tt/>

### **Papua New Guinea PNGiportal**

<https://www.ipa.gov.pg>.

The PNG Company register

### **Bosnia and Herzegovina**

<https://search.bisnode.ba>

<https://www.akta.ba>

need registration to access complete data

### **United Kingdom**

UK Companies House

<https://www.gov.uk/get-information-about-a-company>

### **Denmark:**

<https://datacvr.virk.dk/data/>

**India**

www.Zaubacorp.com

**Myanmar -**

<https://www.myco.dica.gov.mm/corp/search.aspx>

**Bosnia and Herzegovina**

<https://search.bisnode.ba/?l=en-US>

you can find the companies profiles from several countries

**Other free web sites, such as:**

<http://www.investigativedashboard.org/category/www/>

<http://www.commercial-register.sg.ch/home/worldwide.html>

<http://www.rba.co.uk/sources/registers.htm>

**Belgium companies**

[http://www.ejustice.just.fgov.be/cgi\\_tsv/tsv.pl](http://www.ejustice.just.fgov.be/cgi_tsv/tsv.pl)

**bulgarian companies**

<http://www.brra.bg/>

**Chequia (ex Check Republic)**

<https://or.justice.cz/ias/ui/rejstrik-rozsirene>

[http://wwwinfo.mfcr.cz/ares/ares\\_fo.html.cz](http://wwwinfo.mfcr.cz/ares/ares_fo.html.cz)

**France**

<http://www.infogreffe.fr/>

<http://www.societe.com/>

**Luxembourg**

<http://www.legilux.public.lu/entr/index.php>

**Malta**

<http://www.mepa.org.mt/ho>

<http://www.etc.gov.mt/Index.aspx>

**Poland**

<http://www.stat.gov.pl/regon/>

<https://ems.ms.gov.pl/krs/danepodmiotu>

**Roménia**

<https://portal.onrc.ro>

<http://www.mfinante.ro/pjuridice.html?pagina=domenii>

**Switzerland**

<http://www.moneyhouse.ch/>

<https://www.zefix.ch/en/search/shab/welcome>

**Nederlands**

<https://www.kvk.nl/zoeken/?source=all&q=gerendal%20holding&start=0&site=kvk2014>

**Brasil**

<https://www.gov.br/receitafederal/pt-br>

**UK**

<https://find-and-update.company-information.service.gov.uk/>

<https://www.gov.uk/guidance/report-and-account-for-your-disguised-remuneration-loan-charge>

**Hungary**

<https://nemzeticegtar.hu/nemzeticegtar/kereso>

**Spain**

<http://www.infocif.es/buscador/#/>

**Cypres**

<https://www.companies.gov.cy/en/company-lifecycle/search-for-company-information>

**Italy**

[www.registroimprese.it](http://www.registroimprese.it)

**Germany:**

<https://www.online-handelsregister.de/handelsregisterauszug?msclkid=ba96a1cc3b3d159e12bfc0abd1fdc462>

**Brunei**

what I can provide is a list of International Business Companies that used to be registered in Brunei

<https://www.bdc.gov.bn/SiteAssets/regulatory/financial-institutions-directory/ATTACHMENT%20B.pdf>

**Worldwide:**

[www.opencorporates.com](http://www.opencorporates.com)

<https://www.lbr.lu/mjrscs->

<https://orbis4.bvdinfo.com/version-2022120/orbis/Companies/Login?returnUrl=%2Fversion-2019117%2Fforbis%2FCompanies>

**Others****Bellingcat Investigative tools:**

<https://docs.google.com/spreadsheets/d/18rtqh8EG2q1xBo2cLNyhIDuK9jrPGwYr9DI2UncoqJQ/edit#gid=930747607>

**Leaks Database**

<https://offshoreleaks.icij.org/pages/howtouse>

## Website history

<https://archive.org/>