

Importance of Financial Investigations

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Objectives

- What is a Financial Investigation?
- Impact of Financial Crime and Financial Investigations
- Challenges Conducting Financial Investigations
- Roles and Skills of a Financial Investigator

WHAT IS A FINANCIAL INVESTIGATION?

Requires a Forensic Accounting Approach

Definition – WHAT

An analysis of where money comes from, how it moves and how it is used (follow the money)

WHAT IS A FINANCIAL INVESTIGATION?

Definition – WHY

With a view of prosecuting the party(ies) for their involvement in the financial crime and seizing the proceeds of crime

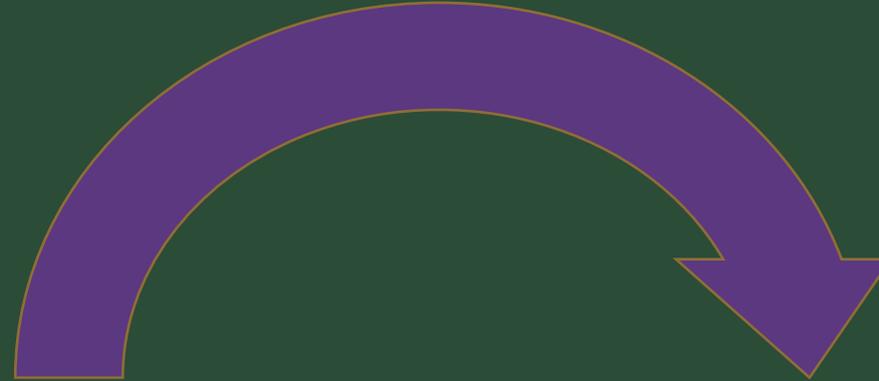
Break-out Exercise 1

- Why are financial investigations important?
- List different types of crimes that have a financial aspect.
- What are the three most common financial crimes you see in your country? (get perspectives from each country represented in your breakout group)

Note: Someone from each group will be selected to discuss your answers

Break-out Exercise 1

Why are financial investigations important – Cost of Inaction:



Loss of
Government
Revenue

Increase in
Revenues With
no Tax Increase

Unfair
Competition

Continues Cycle
of Fraud

Level Playing
Field Established

Break the Cycle
of Fraud

Examples of Financial Crimes?

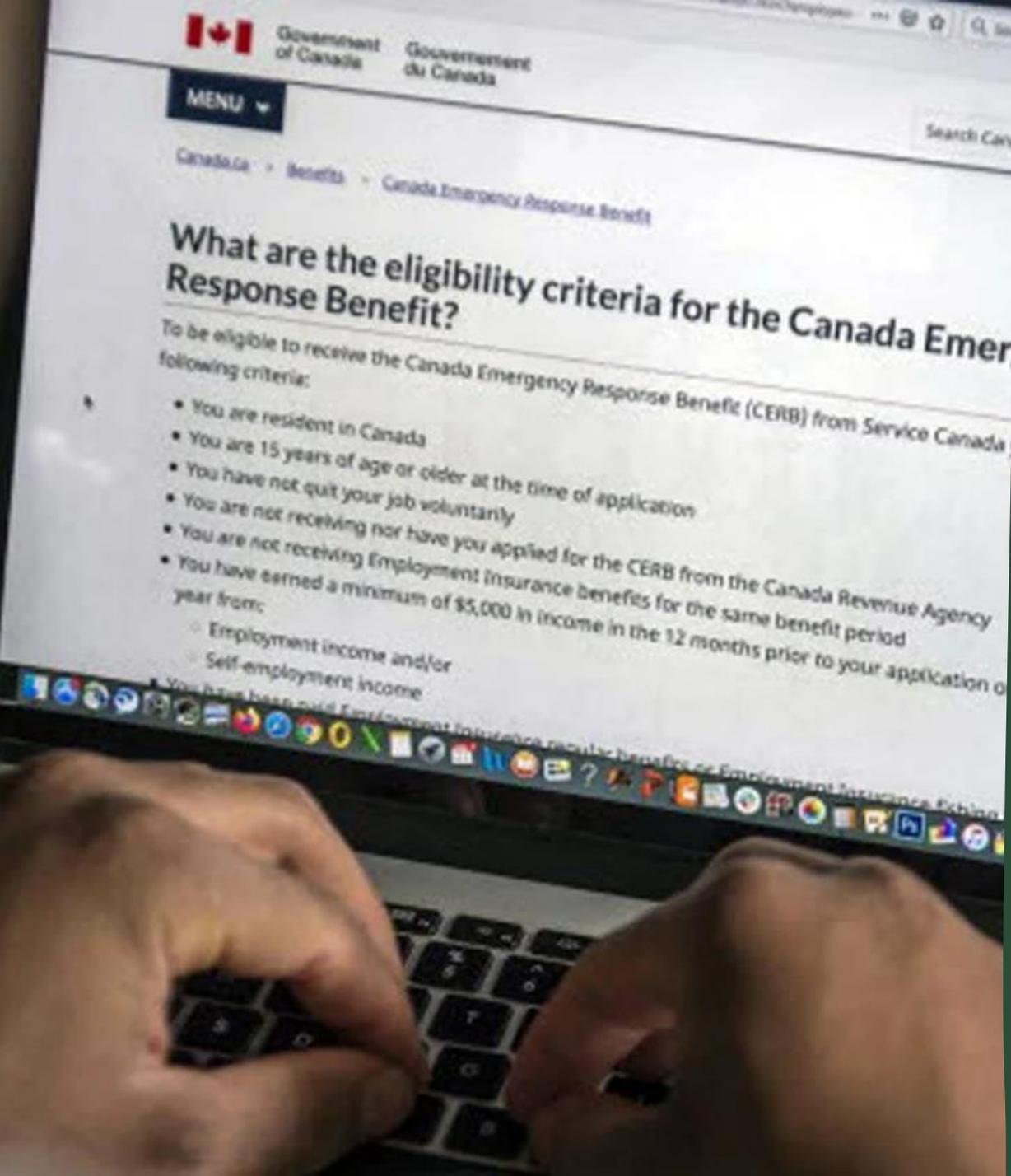
- Tax Fraud
- VAT / GST Fraud
- Customs Fraud
- Bribery
- Corruption
- Money Laundering
- Terrorism
- Lottery Scams
- Identity Theft
- ESS Fraud
- Internet Fraud: Phishing, Romance, Data Breach, Ransomware, Business Email compromise
- Securities Fraud: Pyramid schemes, Ponzi schemes, etc.
- Insurance Fraud: staged accidents, inflated claims, etc.
- Mortgage and Title Fraud
- Counterfeit fraud
- Theft

Examples of Financial Crimes?

Frauds from COVID-19 Government Support Programmes:

- Washington Post: ‘Immense fraud’ creates immense task for Washington as it tries to tighten scrutiny of \$6 trillion in emergency coronavirus spending
- The U.S. government may have awarded roughly \$5.4 billion in coronavirus aid to small businesses with potentially ineligible Social Security numbers, . . . the pandemic opened the door for widespread waste, fraud and abuse
- Lots of cash, little oversight





Examples of Financial Crimes?

Frauds from COVID-19 Government Support Programmes:

- CRA is clawing back \$3.2 billion in COVID-19 financial aid benefit overpayments . . . the agency's monumental task of recouping billions in excessive or fraudulent payments through hastily designed emergency programs
- Officials say the agency has already discovered about 25,000 cases of fraudulent payments tied to identity theft, 'a scale we haven't seen in the past'

Examples of Financial Crimes?

Terrorist Financing:

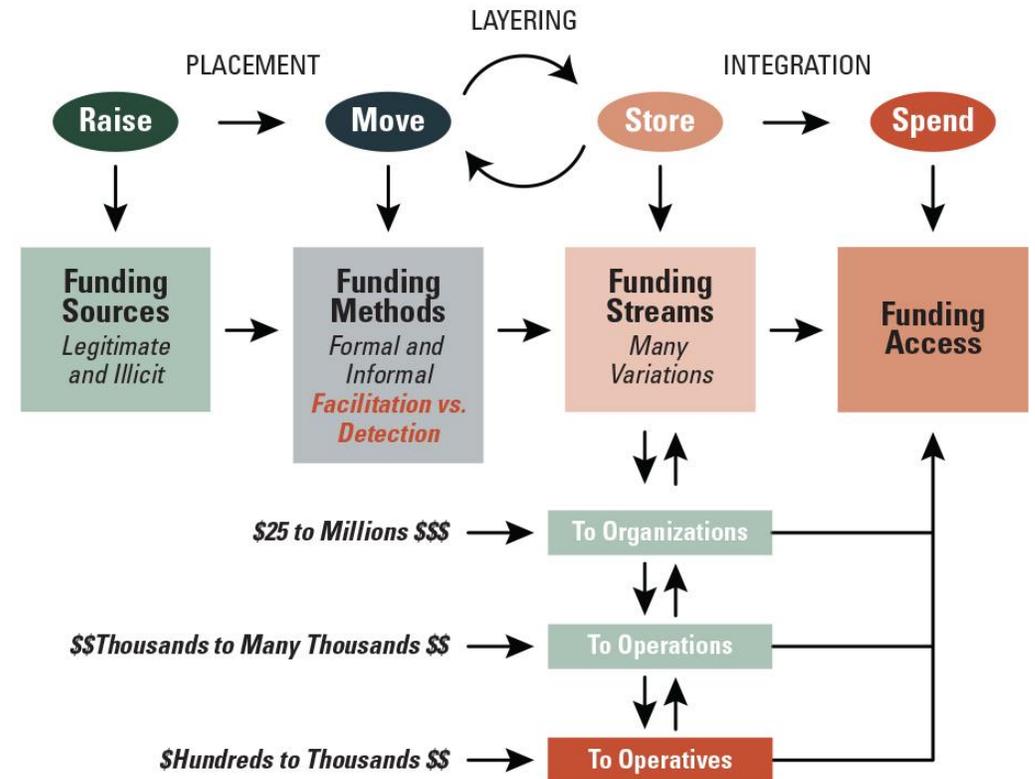
- Misuse of non-profits, VAT frauds, low-level fraud, kidnapping for ransom, the illicit trade in commodities (such as oil, charcoal, diamonds, gold, drug trafficking, smuggling, etc.)
- Similar to money laundering, there are generally three stages in terrorism financing: raising, moving and using funds.

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Examples of Financial Crimes?

Terrorist Financing

Figure 1: Funding: Sources / Methods / Access



Impact of Financial Crimes

Societal Impact:

- Economic
- Anti-corruption
- Social programs

Challenges to a Financial Investigation

Stages of an investigation – In Canada, they are:

- Preliminary (covert, gathering intelligence, pre-search, etc.),
- Full-scale (overt, searches executed, full investigation, etc.) and
- Court stage (charges laid, trial, etc.)

Break-out Exercise 2

Discuss the challenges you face in each stage of a financial investigation and how you can overcome these obstacles and challenges.

Note: Someone from each group will be selected to discuss your answers

Challenges to a Financial Investigation

Resources for Financial Crime Investigations:

- Financial
- Human
- Training
- Infrastructure
- Organisational
- Data and Technology

Challenges to a Financial Investigation

Financial Resources

Having the budget and funding to pay for the needs of the agency, such as:

- ✓ Staffing for team investigations
- ✓ Equipment to conduct investigations
- ✓ Domestic and foreign travel
- ✓ Specialists such as forensic, experts, etc.

Challenges to a Financial Investigation

Human Resources

- Staff with the appropriate knowledge, expertise, training and skills
- Having the necessary human resources also includes ensuring that staff have the appropriate skills and knowledge to conduct complex financial investigations

Challenges to a Financial Investigation

Training Resources

- Should be continuous and available for all staff at every level of experience
- Should include areas such as legal knowledge, emerging risks, investigative techniques
- Interview techniques, using and leveraging technology solutions, management skills
- Working in cross-agency and international investigations
- Joint training with partner agencies including prosecutors

Challenges to a Financial Investigation

Infrastructure Resources

This means having physical tools required to conduct financial investigations, such as:

- Forensic tools, administrative equipment including for enforcement actions, the ability to conduct an efficient analysis of seized materials (software)
- Securely handle evidence, and effective communication platforms

Challenges to a Financial Investigation

Organisational Resources

- Do you have the organisational and strategic resources to conduct the work and use the resources efficiently, as well as a network of inter-agency relationships

Challenges to a Financial Investigation

Data and Technology Resources

Do you have access to relevant data and intelligence, as well as the hardware and software to analyse it, for example:

- ✓ Access to tax and other revenue information, bank account information, real estate information and commercial and company information
- ✓ Computers, IT systems, smartphones, and data storage systems
- ✓ Access to computer & cell phone forensics

Challenges to a Financial Investigation

- Complexity of the financial analysis – no books and records
- Use of nominees or third parties – beneficial ownership
- Foreign evidence – international requests for information, conducting simultaneous search actions, etc.

