

# Fraud Detection

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# Agenda

- What is fraud detection
- The diversity of fraud
- Detection of fraud considerations
- Fraud detection within law enforcement
- The way forward

# Definition of "Fraud"

- No statutory definition of fraud a disadvantage to law enforcement
- Pre-Fraud Act 2006 legislation
- Fraud Act 2006 -
  - Fraud by false representation
  - Fraud by failing to disclose information
  - Fraud by abuse of position

# Definition of "Detection"

- "In general, **detection** is the extraction of particular information from a larger stream of information without specific cooperation from or synchronization with the sender".
- the perception that something has occurred or some state exists; "early detection can often lead to a cure"

# The Diversity of fraud

- Against public authorities, private organisations and individuals (fiscal and non-fiscal)
- Reasons for commission of fraud - financial gain/idealistic issues
- External influences - customers and suppliers
- Internal influences - internal compromise/corruption
- Fluid problem - method of fraud altered to fit economic picture

# Fraud Detection

- Will we ever eradicate the issue of fraud?
- So we need to reduce the risk
- Make our organisations and businesses less vulnerable
- Make members of the public more aware
- Make the job of the fraudster more difficult
- Detect and prevent crime

# Fraud Figures 2009

- 9% overall rise in fraud
- 32% surge in identity fraud
- 28% rise in facility takeover fraud
- 25,000 more victims of fraud

# Fraud Detection

- Identify relevant systems and controls
- Identify areas of weakness - Risk based approach - opportunity/incentive/risk
- Know your customer/know your business
- Maintain relevant data to establish organisational weaknesses
- Eradicate areas of previous susceptibility
- Report relevant issues to law enforcement

# Fraud Detection within law enforcement

- Fraud part of UK threat assessment
- Action Fraud set up in 2008
- Dedicated contact centre - telephone/web-based - report crime and seek advice
- Details of reports forwarded to NFIB
- Analyse information to identify fraudsters/potential victims
- Data mining to establish future trends in fraud

# The way forward

- Continued joint approach by organisations/individuals/law enforcement to collate and disseminate intelligence
- Assist in identifying potential issues and report at an early stage
- Identify new fraud processes
- Law enforcement able to use relevant legislation - Fraud Act 2006
- Law enforcement use powers within Proceeds of Crime Act 2002

And finally .....

“the best way to deal with fraud is to prevent it”

Peter Hirst (Head of UK Fraud Prevention) May 2010

Any Questions?