

Fraud Risk Management



Fraud scandals in recent years have had a major impact on our society. One of the consequences is that the control of fraud risks has moved higher up the management agenda. Business leaders are increasingly aware of the need to create company-specific antifraud measures to address internal corporate fraud and misconduct. Practice shows that managers often underestimate the vulnerability to fraud in their own organization. Identifying the respective risks properly requires experience.

How can we help?

Depending on the engagement, KPMG puts together a team that encompasses the knowledge and experience of fraud investigation specialists, auditors, behavioral scientists, business ethicists and lawyers. KPMG's advice is based on "best practices," which in turn are based on extensive international experience with fraud investigations, fraud risk analysis as well as behavioral studies. In this context, KPMG takes the specific business objectives, strategies and processes of the client as point of departure.

Our approach

An effective, business-driven fraud risk management approach encompasses controls that have three objectives:

Prevention	Detection	Response
<ul style="list-style-type: none"> • Board/Audit committee oversight • Executive and line management functions • Internal audit and compliance functions 	<ul style="list-style-type: none"> • Fraud and misconduct risk assessment • Code of conduct and related standards • Employee and third-party due diligence • Communication and training • Process-specific fraud risk controls 	<ul style="list-style-type: none"> • Hotlines and whistle-blower mechanisms • Auditing and monitoring • Proactive forensic data analysis • Internal investigation protocols • Enforcement and accountability protocols • Disclosure protocols • Remedial action protocols

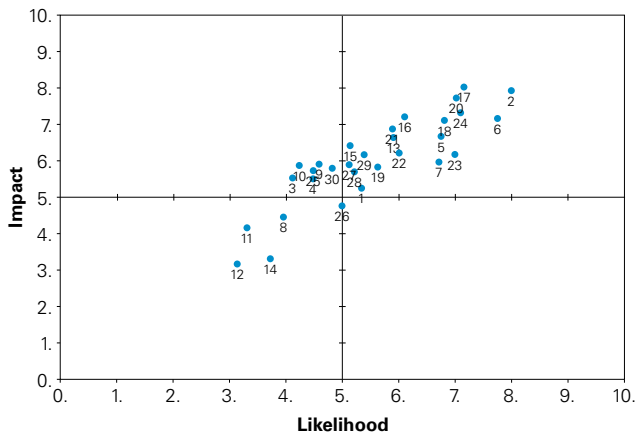


1. Prevention

Preventative controls are designed to reduce the risk of fraud and misconduct from occurring in the first place.

Example: Fraud and misconduct risk assessment

Fraud risks are being identified and analyzed. This is not done exclusively on the basis of theoretical concepts: KPMG much rather identifies the risks by taking the perspective of the fraudster and is therefore able to track down the potentially applied fraud schemes.



Example of a risk assessment

2. Detection

Detective controls and instruments are designed to uncover fraud and misconduct when it occurs.

Example: KPMG Ethicsline for reporting misconduct

Questions relating to misconduct, violations and fraud, should first and foremost, be dealt with by direct line managers. However, employees can be hindered by barriers when it comes to raising certain issues. The KPMG Ethicsline enables employees to report incidents of unethical practices. The hotline can also serve as a living suggestion box to manage a range of unethical practices that do not fall within the specific category of criminal conduct.

3. Response

Response controls designed to take corrective action and remedy to the harm caused by fraud or misconduct.

Example: developing a fraud response plan

Whatever measures are taken, there will always remain a certain possibility of fraud that cannot be dealt with completely. But the development of a fraud response plan prepares the organization to react to cases of fraud in the most effective way possible. The fraud response plan aims at preventing unnecessary damage – including damage to the reputation of your organization as well as subsequent actions to be undertaken such as investigation, disclosure or enforcement.

Why KPMG?

- KPMG has the required expertise and experience to assist in meeting your current and future responsibilities and objectives.
- KPMG stands for integrity and confidentiality.
- KPMG has many years of experience in fraud and misconduct risk management and forensic investigations which flows into preventative projects around fraud risk management.
- The KPMG Fraud Risk Management uses well-developed and internationally acknowledged methodologies and tools. We can access a global fraud risk management database aggregating worldwide fraud and misconduct information.
- KPMG Forensic Switzerland comprises around 40 multidisciplinary professionals. We can build on a global network of KPMG member firms that can assist our clients in their efforts to achieve the highest levels of business integrity.

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