KPMG

Profile of a fraudster

Technology enables and weak controls fuel the fraud

Media Conference

7 June 2016

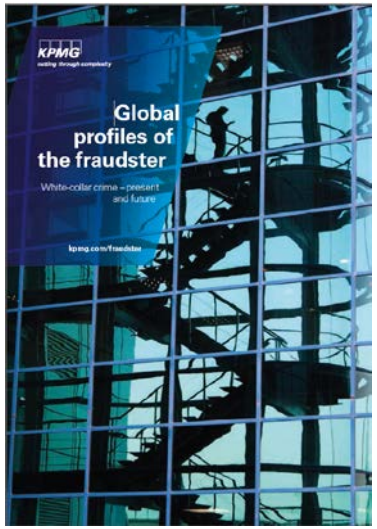
KPMG

Background

About the Global Profiles of a fraudster

Forensic Library

2010
348 cases in 69 countries



2013
596 cases in 78 countries

2016
750 cases in 81 countries

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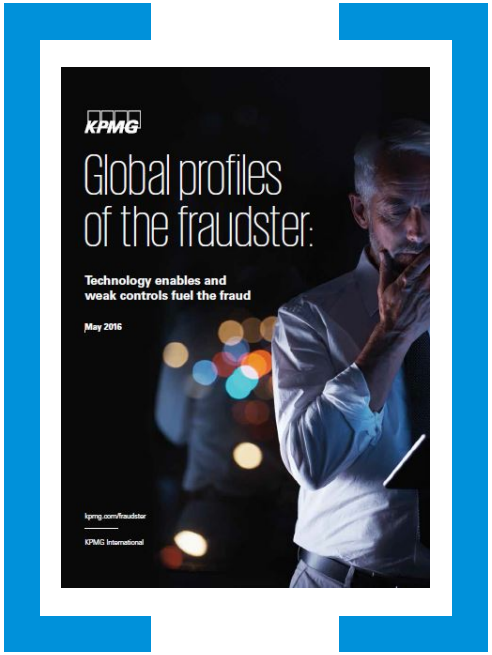
Methodology



2016

— 750 fraudsters from 81 countries.

— Frauds investigated from March 2013 to August 2015.

— Survey expanded to explore certain topics more deeply

— New in 2016 — delved into technology (enabler and detector) and added a series of questions around the characteristics of the cyber-fraudsters.

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Characteristics of a fraudster

Fundamental characteristics of a fraudster

Well respected **(38%),** nearly 4x more likely than someone with a low reputation

Autocratic, **3x** more likely to be regarded as friendly as not

36-55 years of age
Switzerland (CH): 46-55

Has a sense of superiority

79% **male**
CH: 82%

Has unlimited authority
44%

Holds an executive or management **level position** (66%)
CH: 55%

65% of fraud lasted between 1 and 5 years

Type of Fraud:
Misappropriation of Assets **(47%)**
Financial reporting fraud **(22%)**

Cost of Fraud:
Cost to company exceeding **$1M (27%)**

Source: Global Profiles of the Fraudster, KPMG International, 2016

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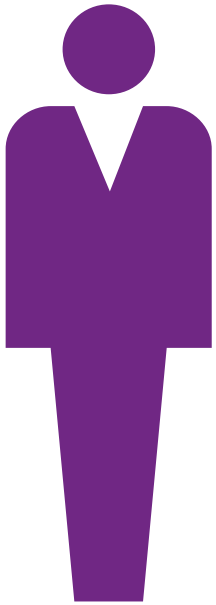
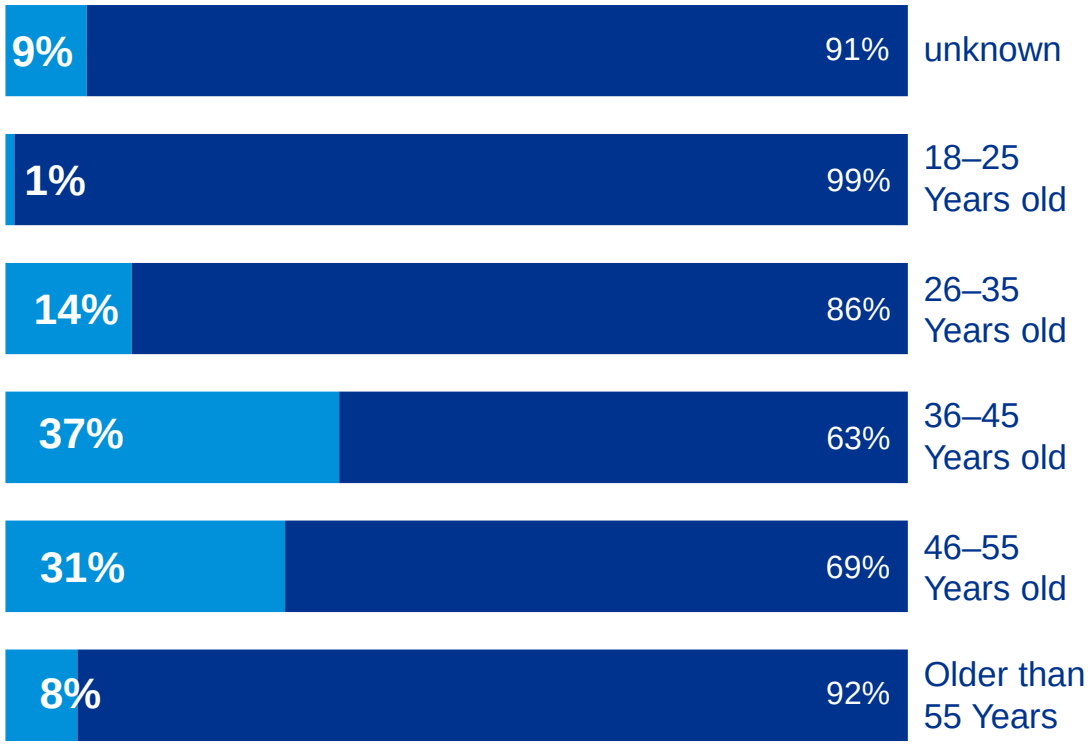
Age





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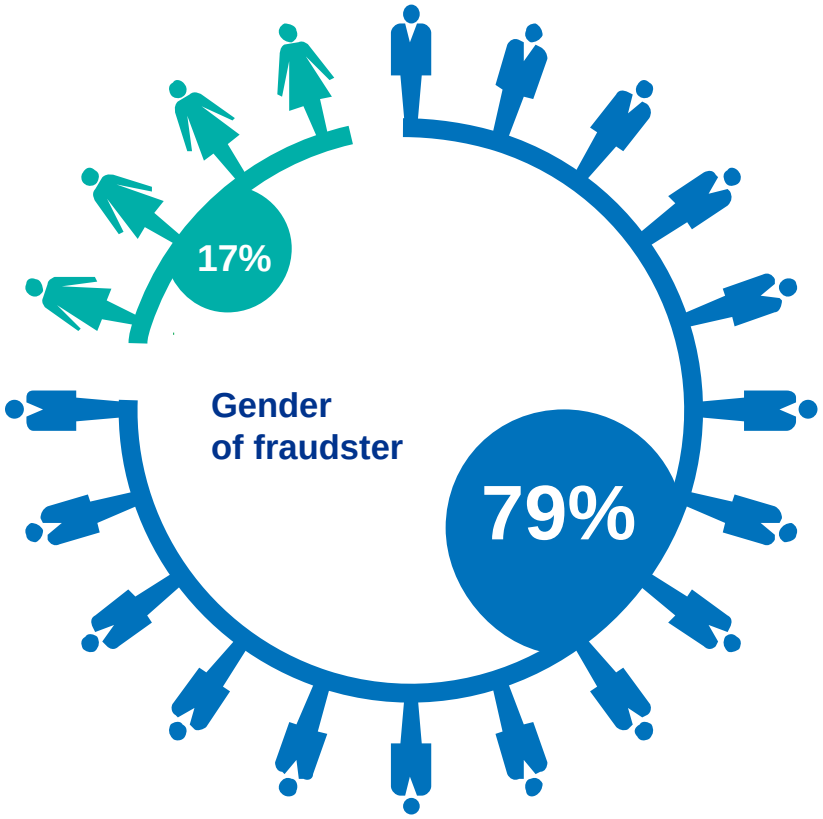
Gender



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Gender

Primary Function

Finance

Level of Seniority

Staff member

Alone or in Collaboration

Alone

Has debt

20%

Primary Function

Varied

Level of Seniority

Executive

Alone or in Collaboration

Collaboration

Has debt

8%

Source: Global Profiles of the Fraudster, KPMG International, 2016

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Years of service

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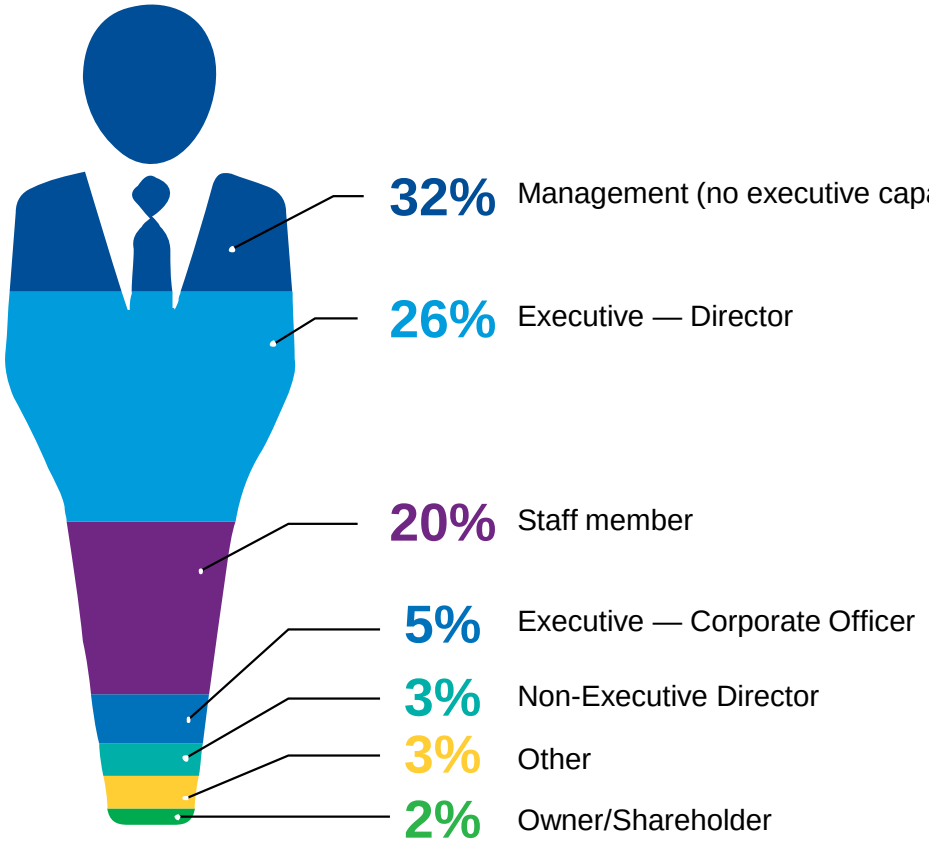
Level of seniority



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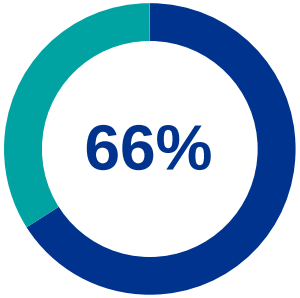
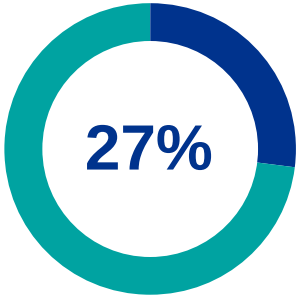
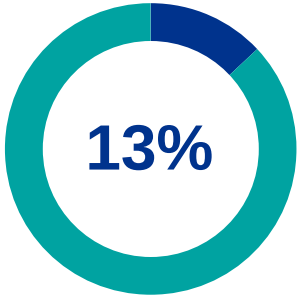
What was the overriding motivation?



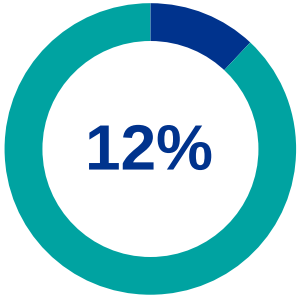
For personal financial gain and greed



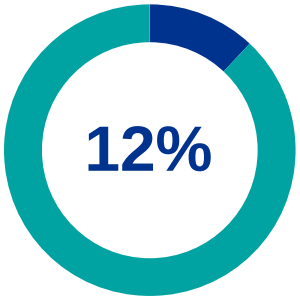
Eager/"Because I can"



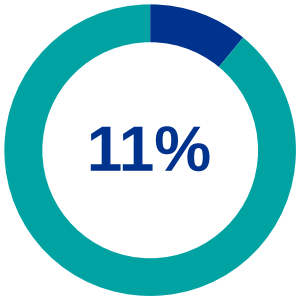
Organizational culture driven



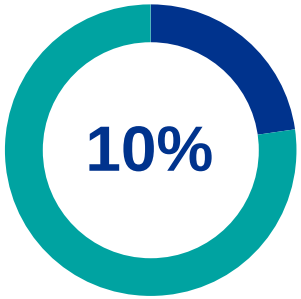
Desire to meet targets/hide losses to receive bonus



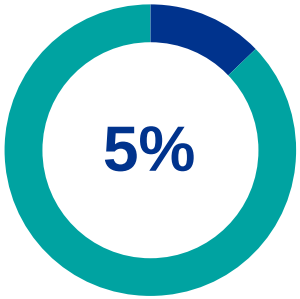
Desire to meet budgets/hide losses to retain job



Desire to meet targets /hide losses to protect the company



Other not listed above



Other motives (less than 5%) include: Loss of confidence, avoidance of regulatory compliance, ratings driven, publicity driven, disruption of operations

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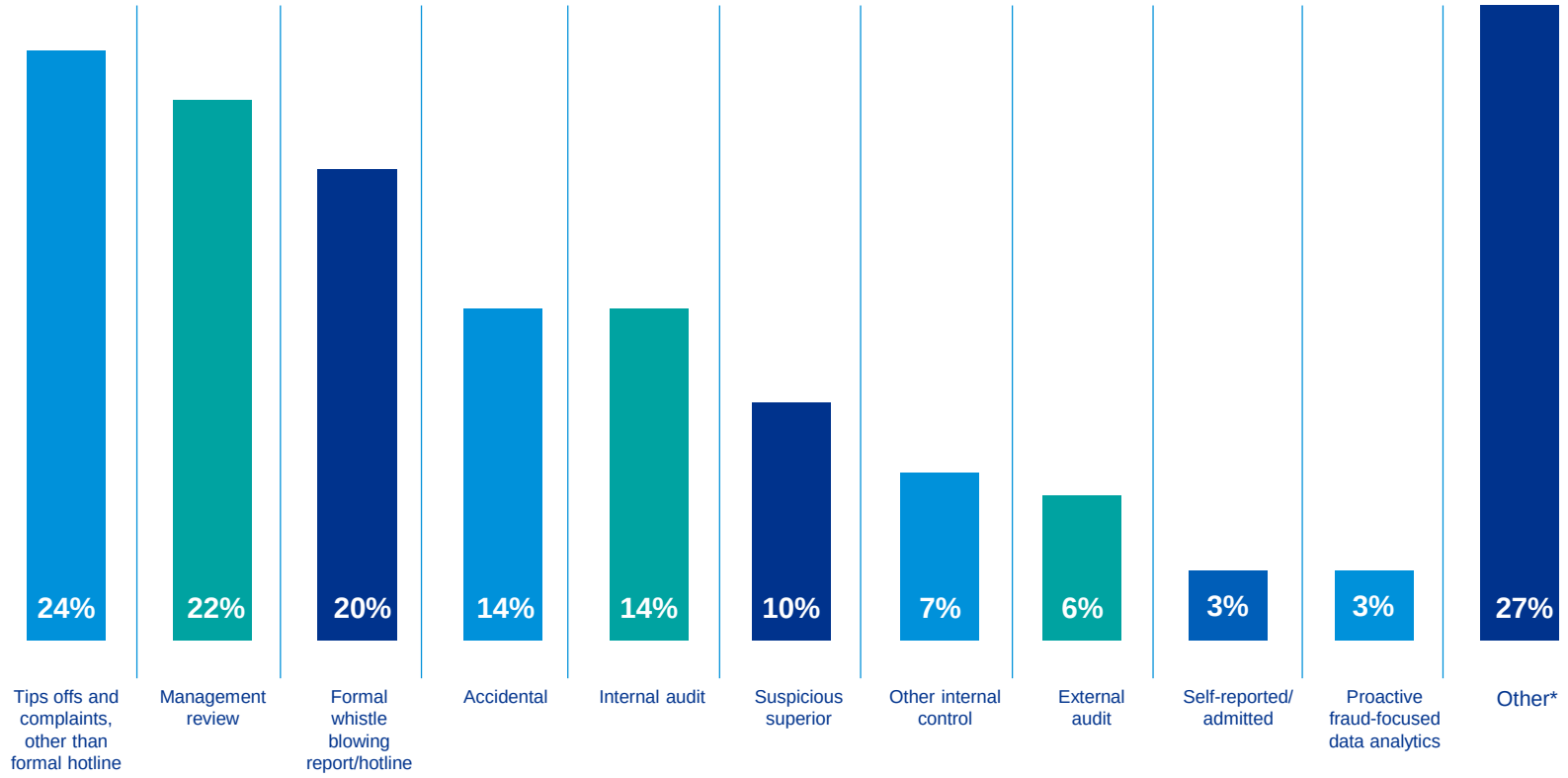
Methods of detection

Methods of detection

How the Frauds were detected?



*Social media, analyst relations, other external control, other

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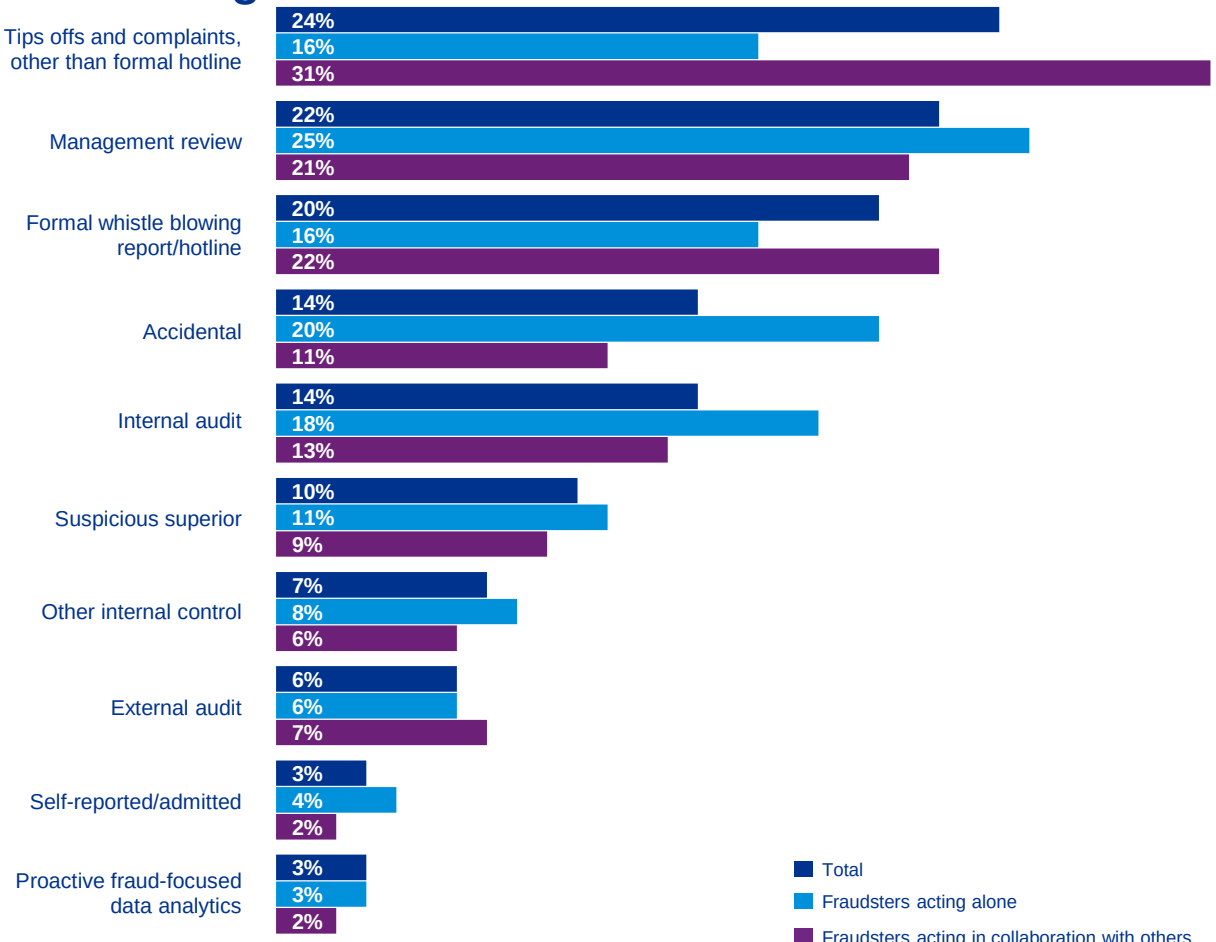
Methods of detection

Split between acting alone and in collaboration with others



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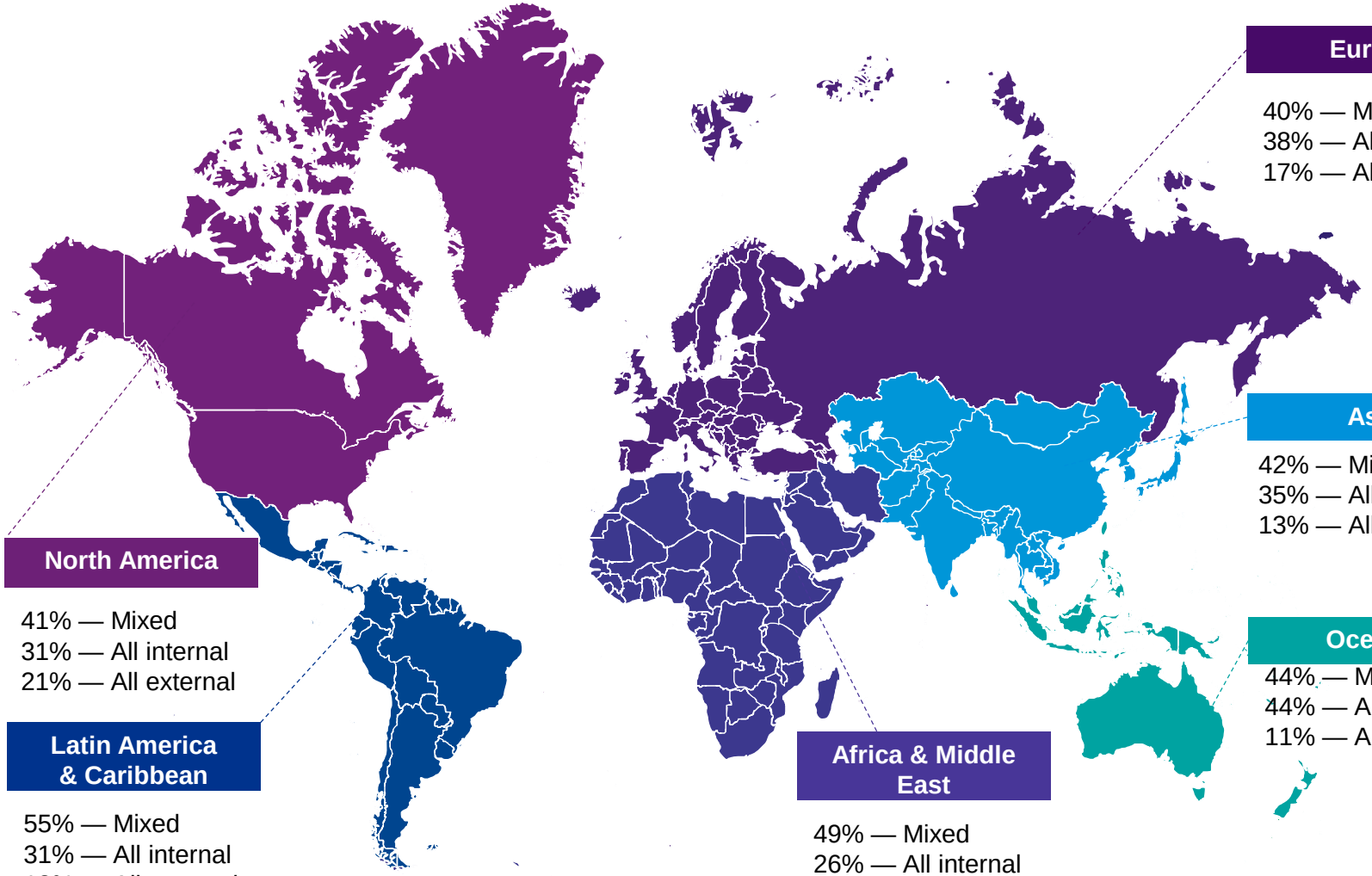
Types of fraud

Types of fraud: Collusion



Europe

40% — Mixed
38% — All internal
17% — All external

Asia

42% — Mixed
35% — All internal
13% — All external

Oceania

44% — Mixed
44% — All internal
11% — All external

North America

41% — Mixed
31% — All internal
21% — All external

Latin America & Caribbean

55% — Mixed
31% — All internal
13% — All external

Africa & Middle East

49% — Mixed
26% — All internal
24% — All external

Source: Global Profiles of the Fraudster, KPMG International, 2016

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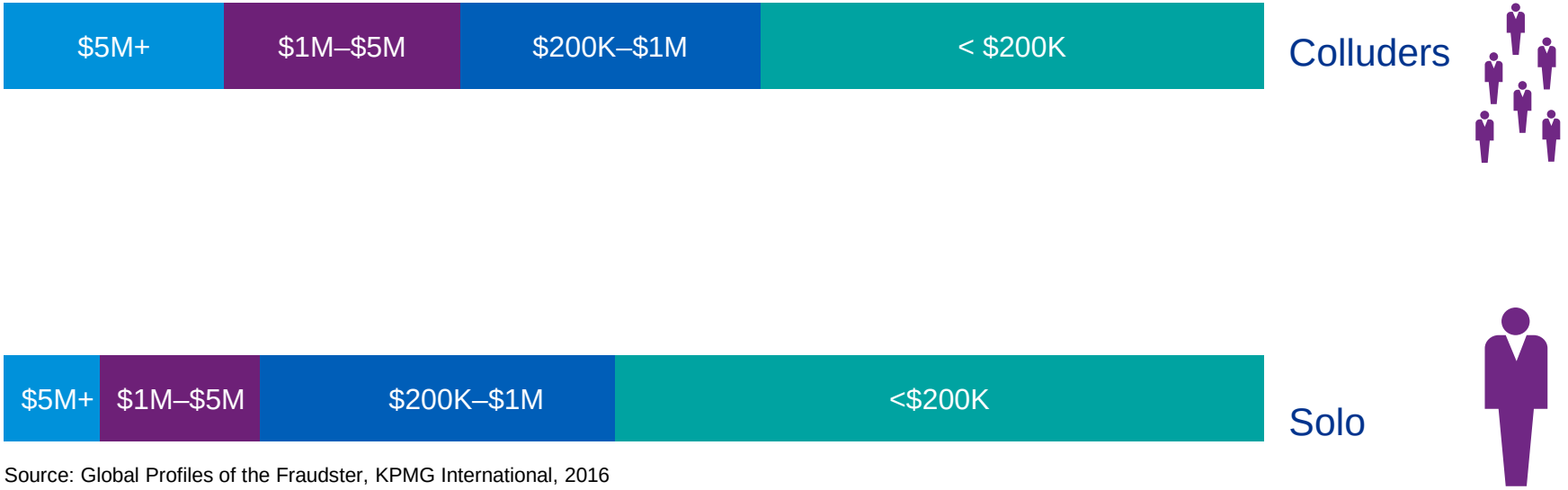
Types of fraud: Collusion

Cost of fraud



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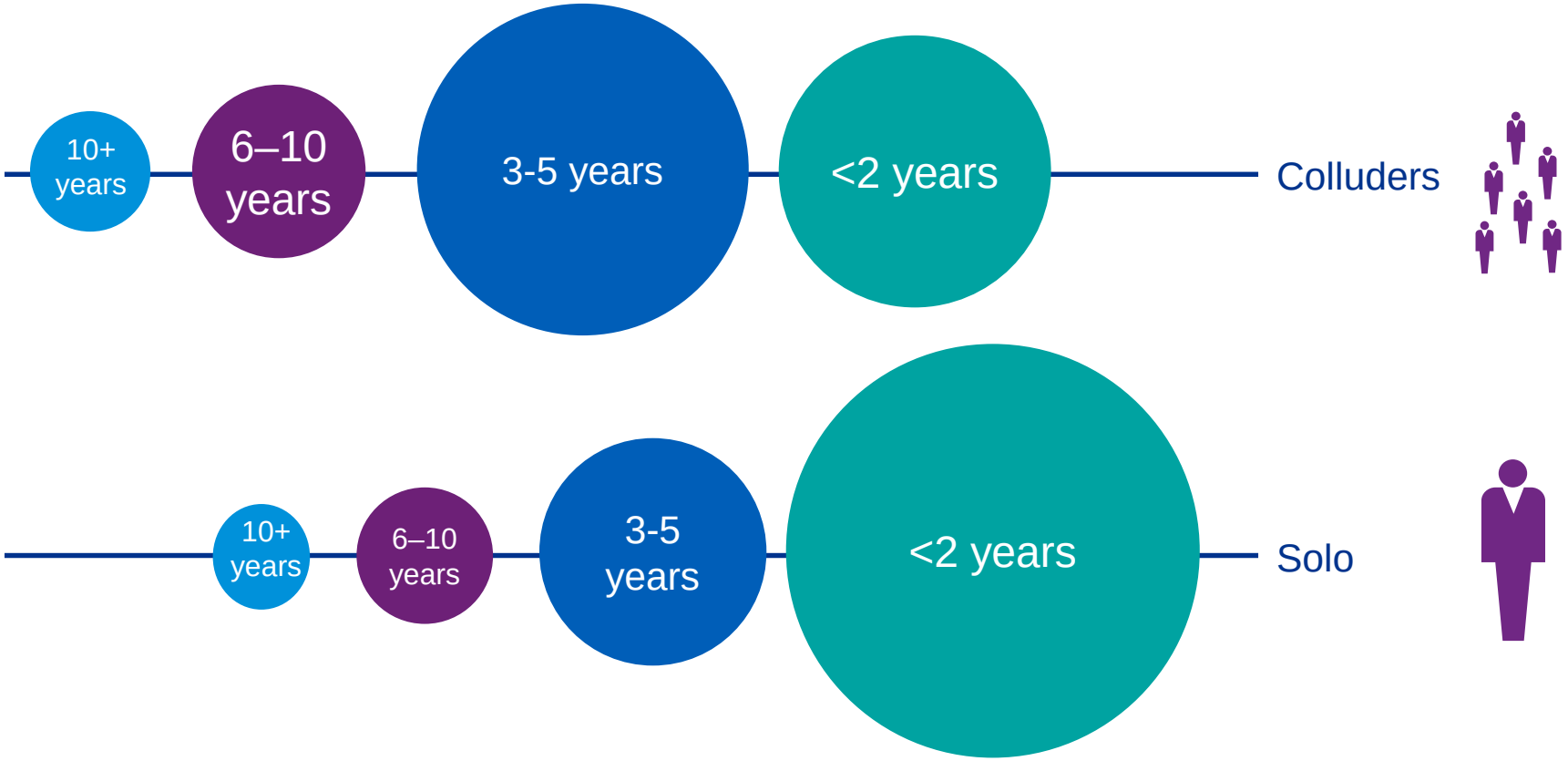
Types of fraud: Collusion

Term of service at company



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Types of fraud: Collusion

Whistle blowers and tip-offs have the highest incidence of uncovering **groups of five or more colluders**. Other forms of detections may be ineffective in detecting sizeable collusion schemes.

Weak internal controls are a bigger factor for **solo fraudsters** than colluders (66 percent versus 58 percent for colluders). More solo fraudsters are caught by accident (19 percent versus 10 percent for colluders).

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Types of fraud: Cyber

Characteristics

Tend to be younger

Less years of service

More likely to act alone

More likely to have a sophisticated Modus operandi

More likely to have conducted the fraud over shorter span (83% less than one year)

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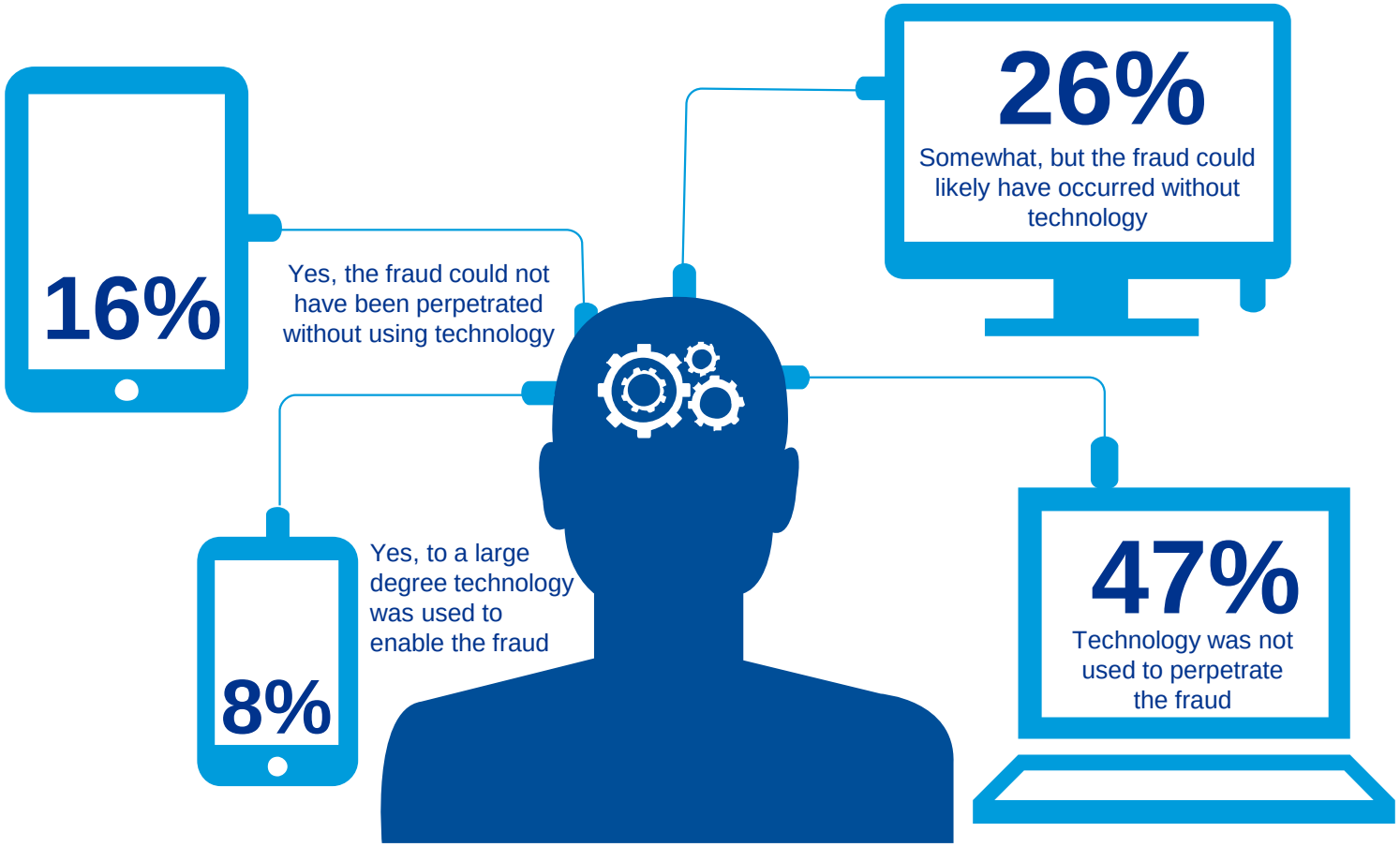
Enablers

Enablers - Technology

Was technology used as an enabler to perpetrate the fraud?



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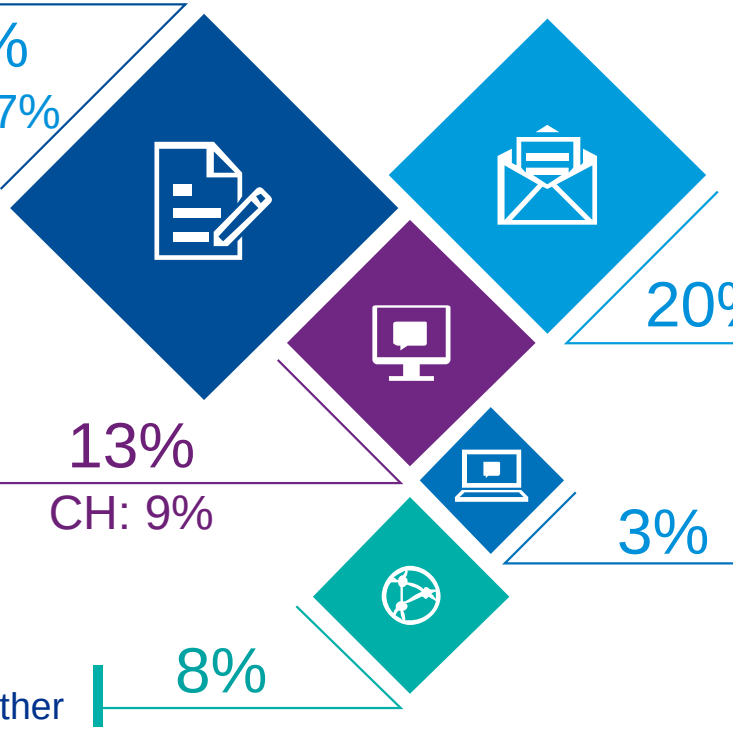
Enablers - Technology

Created false or misleading information in **accounting records**

24%

CH: 27%



20%

Provided false or misleading information via email or other **messaging platform**

Abused permissible access to organization's **computer systems**

13%

CH: 9%

3%

Obtained access to organization's **computer systems without permission**

Other

8%

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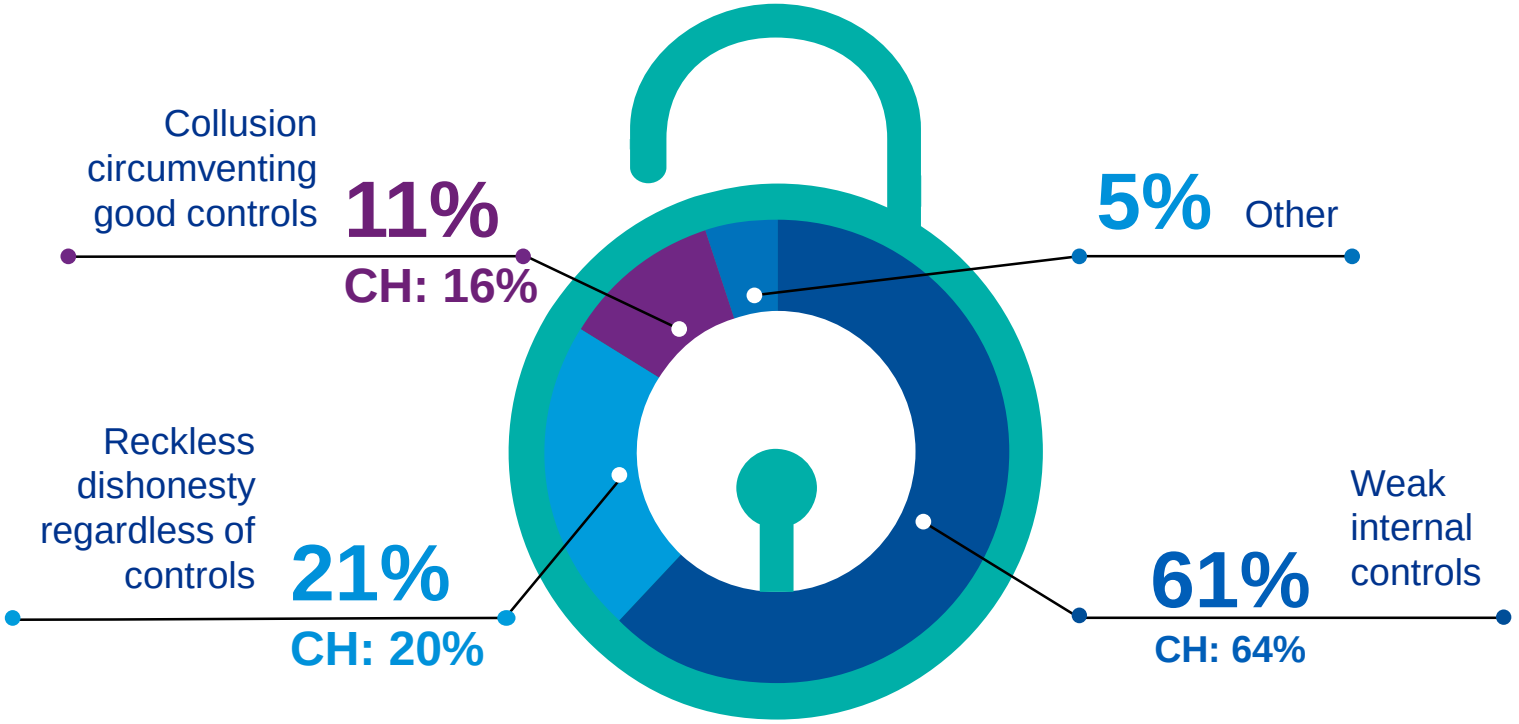
Enablers – weak controls



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Anti-fraud measures

Anti-fraud measures

Perform risk assessments

- Fraud Risk Management
- Regulatory positioning services

Fight back with technology

- Forensic technology
- Cyber security
- D&A

Know your business partners & third parties

- 3rd Party Risk Management
- Corporate intelligence/Astrus

Be vigilant with internal threats

- Investigations
- Forensic D&A
- Whistleblowing programs/outsourcing

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