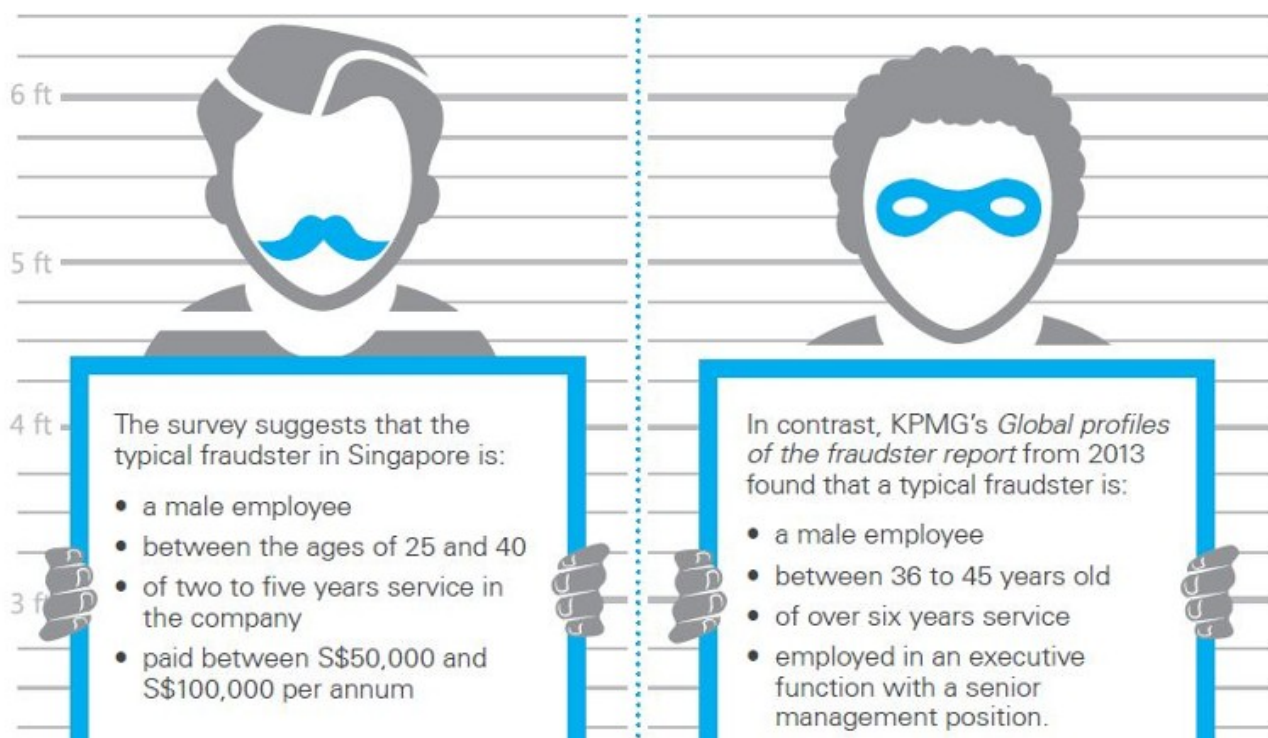


Corporate fraud in Singapore rising, employees main culprits: Survey

About 29 per cent of respondents in a KPMG-SMU survey said their organisations have experienced fraud in the past two years, and employees were identified as the main perpetrators of fraud.

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The comparison of a typical fraudster in Singapore versus a global profile. (Infographic: KPMG-SMU Singapore Fraud Survey 2014)

SINGAPORE: More than a quarter of companies surveyed have experienced corporate fraud in the past two years, a KPMG-Singapore Management University (SMU) study found.

The Singapore Fraud Survey 2014 report found that 29 per cent of respondents said their organisations had experienced fraud, up from 22 per cent in the 2011 survey. Internal fraud constitutes 75 per cent of fraud cases in 2014, up from 64 per cent from three years' ago, according to the report released on Wednesday (July 23).

KEY FINDINGS

FRAUD AFFECTS MORE THAN ONE IN FOUR COMPANIES IN SINGAPORE



29%

of respondents indicated at least one fraud incident had occurred in their organisation over the past two years

vs 22% in 2011



INTERNAL FRAUD HAS RISEN SINCE 2011 AND REMAINS THE MOST SIGNIFICANT THREAT

58%

of the fraud incidents reported in 2014 were perpetrated by employees

vs 47% in 2011

17%

of the fraud incidents reported in 2014 involved board members and senior management

unchanged from 2011

Employees were identified as the main perpetrators, with 58 per cent of respondents indicating so - a hike from 2011's 47 per cent. Fraud reported in 2014 involving board members and senior management remained unchanged from 2011 at 17 per cent.

About 53 per cent of respondents added that a combination of weak or over-ridden internal controls was the leading cause of fraud, according to the report.

The study also found that a typical fraudster in Singapore is a male employee between the age of 25 and 40. This person will have spent two to five years in the company, and is paid between S\$50,000 and S\$100,000 per annum.

"The increase in internal fraud since 2011 suggests that while many companies in Singapore already have anti-fraud controls in place, these controls are often inadequate," said Mr Bob Yap, Head of Advisory at KPMG Singapore.

The survey was conducted in the last quarter of 2013, with questionnaires sent to top companies incorporated in Singapore and those listed on the Singapore Exchange. The 103 executives who replied to the questionnaire include directors and senior executives across a broad range of industries and companies.

This is the first time KPMG and SMU are working together on the survey.

E-CRIME A GROWING CONCERN

The study also found that while companies recognise the threat of fraud, they can do more to implement anti-fraud measures.

About 85 per cent of respondents said fraud and ethics policies were communicated to employees, but only 59 per cent felt that the employees were well-informed of the risks of

fraud. In terms of managing third-party risks, 91 per cent of respondents said they were concerned about the conduct of external parties but only 41 per cent communicated their fraud and ethic policies to third-parties, the report stated.

Many of the respondents were also disconcerted at how their organisations were defending against electronic crimes. Just 20 per cent of respondents said they were completely satisfied with their companies' measures against online crime, the report found.



64%

were very concerned about employees misusing sensitive information



>50%

were very concerned about falsification and manipulation of company records, master data and/or electronic audit trails



50%

were very concerned about employees stealing company assets

using technology such as e-banking, indicating theft by electronic means is a growing worry (up from 30% in 2011).

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“E-crime is an emerging area of concern and tackling it is proving challenging in the absence of in-depth understanding of how e-crime occurs and how it can be prevented. The recent cyber attacks in Singapore clearly highlight the need for companies to develop a robust defense system to protect itself from the threats of the cyber world,” said Mr Yap.

STAMP OUT FRAUD FROM THE TOP

Ultimately, the organisation’s top brass needs to set a strong tone against corporate fraud, Mr Yap said.

“With 58 per cent of fraud being committed by employees, it is important to address this risk by setting a strong tone from the top – an organisation’s board of directors plays a critical role in the oversight of programmes to mitigate the risk of fraud and misconduct.”

He added that the board, together with the management team, is responsible for setting a “moral tone” and ensuring support for ethical and responsible business practices at the highest levels of the organisation.

Professor Pang Yang Hoong, Dean of School of Accountancy at SMU, echoed the sentiment, saying that the management team needs to lead by example to send out a message that fraud will not be tolerated.

“Board members need to be encouraged to speak to employees and customers to identify and discourage fraud,” he said.

- CNA/kk