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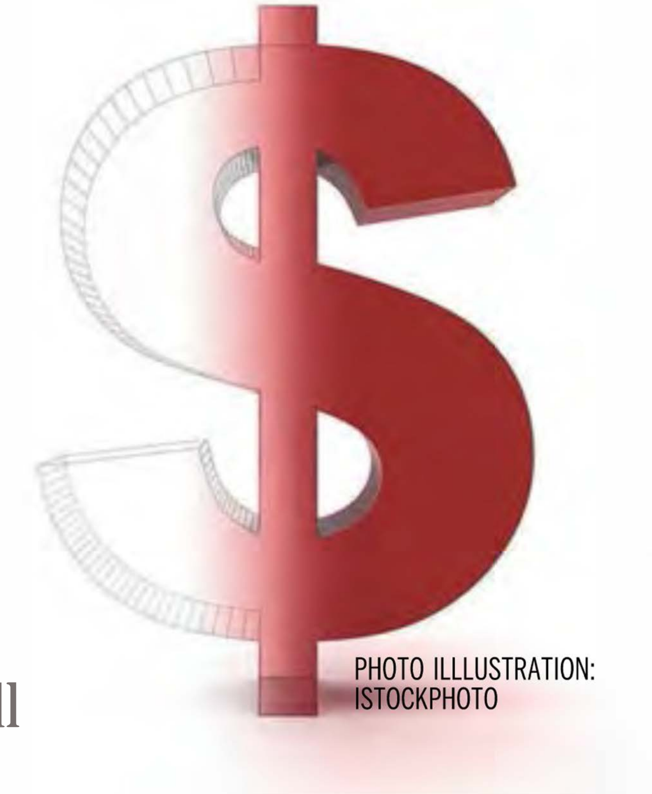

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It leaps 238% to $22m this year from $6.5m in 2011: Poll

By GRACE LEONG

MORE large transactions and more funds washing about in the financial services sector may have contributed to a significant jump in the cost of fraud incidents in recent years, experts say.

The cost of these incidents has increased by a whopping 238 per cent to $22 million this year from $6.5 million in 2011, according to the KPMG Singapore Fraud 2014 Survey released yesterday.

The survey, done for the first time in conjunction with the Singapore Management University, found that 58 per cent of fraud incidents this year were perpetrated by employees, up from 47 per cent in 2011, and the average cost of such incidents per employee was $457,000.

Mr Owen Hawkes, KPMG partner in forensic, said that unauthorised trades are a likely reason for the high fraud costs per employee.

He said: "These trades run up huge losses in a very short period of time, and the financial services sector presents significant opportunity for that type of activity.

"Because of the significant jump in the cost of employee fraud and the proportion of fraud incidents committed by employees, we've provided, for the first time, a breakdown of the average cost of such incidents per employee."

The financial services sector has come under greater scrutiny by regulators in recent years.

Mr Hawkes cited the Monetary Authority of Singapore's censure last year of 133 traders who were found to have engaged in trying to influence financial benchmarks, although there was no conclusive evidence that key local interest rates and foreign exchange benchmarks were rigged.

Twenty banks were also censured for deficiencies in governance, risk management, internal controls and surveillance systems relating to benchmark submissions.

The KPMG survey showed that the average number of incidents reported per organisation among those hit by fraud was 8.2 this year, compared with 8.9 incidents in 2011. Fraud incidents involving board members and senior management remained unchanged from 2011 at 17 per cent.

One in four survey respondents was aware of at least one fraud incident within his company over the past two years, up from 22 per cent in 2011.

Seventy-five per cent of frauds were "inside jobs", up from 64 per cent in 2011, making internal fraud the most significant threat.

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

One in 10 survey respondents said that fraud incidents were first detected by data analytics or other investigative procedures.

"As the power and prevalence of data analytics increase, it is likely that the use of technological solutions to identify fraud will continue to grow," said Mr Yap.

The survey also found that fraud perpetrators in Singapore are, on average, five to 10 years younger than their global counterparts.

"One reason may be that Singapore has a relatively young workforce, compared with those in other countries, such as European economies. The increasing use of technology in the past decade to improve productivity in the workplace tends to be more familiar to younger employees," Mr Yap said.

"Singapore also has a larger-than-average financial services and trading sector, which tends to involve younger workers but is also associated with higher levels of fraud risk, compared with other sectors such as manufacturing," he said.

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From the KPMG survey

- The average number of incidents reported per organisation among those hit by fraud was 8.2, compared with 8.9 incidents in 2011.
- Fraud incidents involving board members and senior management was unchanged from 2011 at 17 per cent.
- One in four survey respondents was aware of at least one fraud incident within his company over the past two years, up from 22 per cent in 2011.
- 75 per cent of frauds were "inside jobs", up from 64 per cent in 2011.