



Cracking the code: Fraud management



Continuous Audit Continuous Monitoring

DD Month 2022

KPMG Lower Gulf Limited



With you today



Simon Crowther

Partner, Head of Proactive Forensics

- Simon has over 20 years of professional experience across a broad range of clients.
- Simon is a specialist in the prevention and detection of fraud and serious non-compliance, with a unique background as an accountant, lawyer, federal agent (police detective) and senior executive in government.
- An experienced senior executive in the Australian government, Simon has overseen legal, compliance and investigation areas of large departments and has also held appointments as a regulator.



Hamdan Hamdan

Associate Director, Forensics

- Associate Director with 11 years of big four experience.
- Experience in Fraud Risk Management, Investigations, Dispute Advisory, Litigation Support, Anti-bribery & Corruption, FCPA & UK Bribery Act Investigations.
- Worked on many of the regions most pre-eminent investigation and dispute cases.
- Conducted investigations on behalf of GCC regulators, board of directors, and internal audit teams.



Why we're here today

01

Introduction

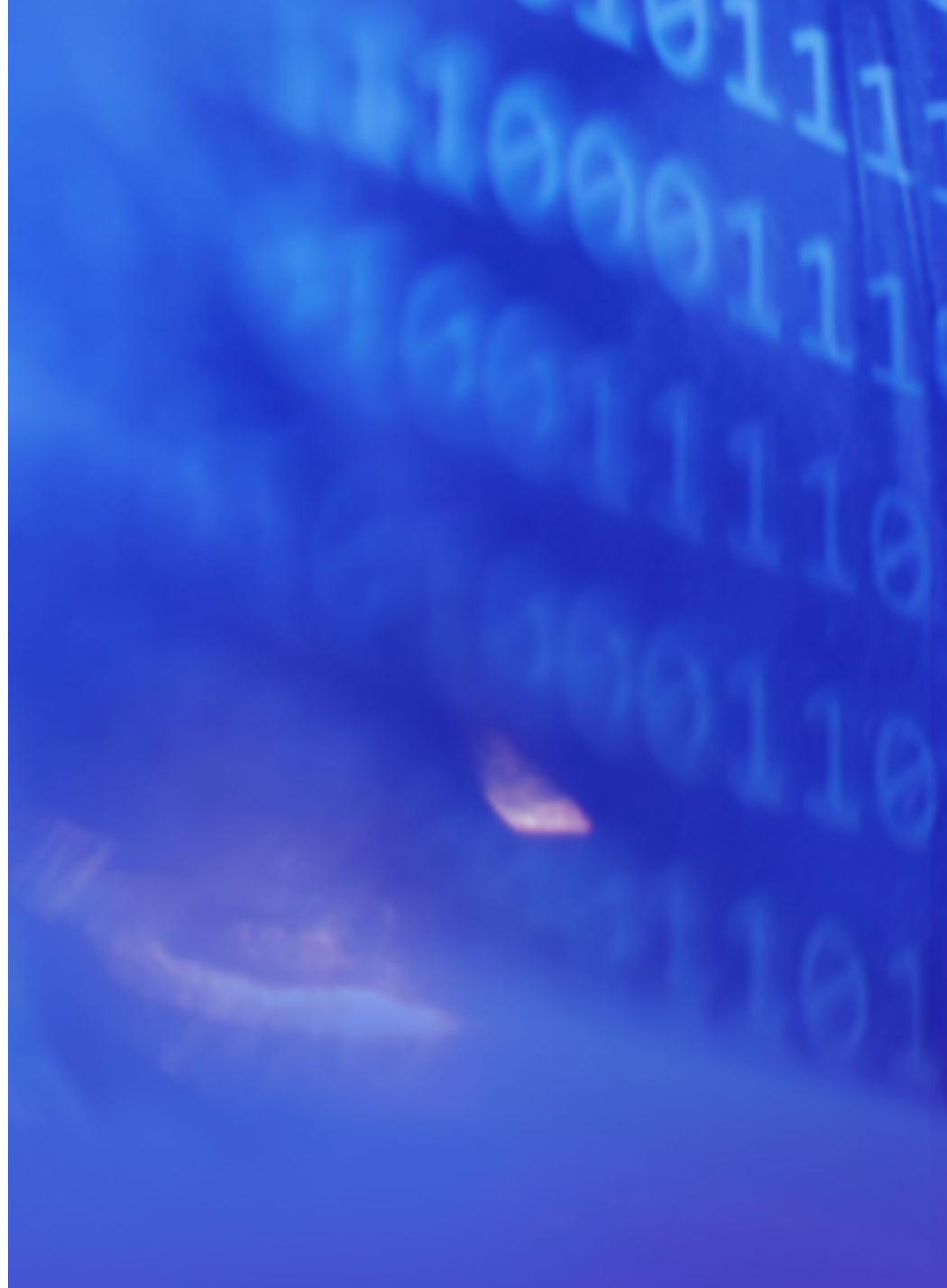
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Evolution of Forensics in the Region

03

Fraud Risk Management

- a. A fit for purpose fraud control framework and common challenges
- b. Responding to fraud
- c. War stories and experiences



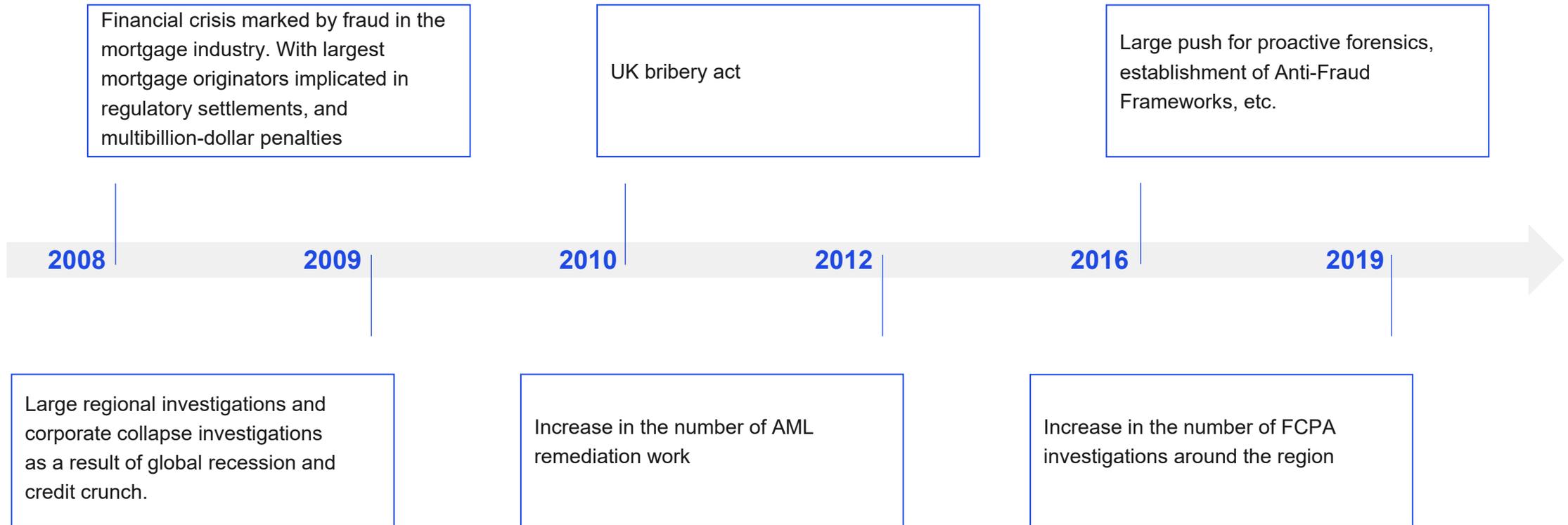


02

Evolution of Forensics
in the region



Evolution of Forensics in the region



The above events and driven by regulation



03

Fraud Risk Management

Why is it important - business needs or regulatory requirements?

Designing a 'fit-for-purpose' fraud control framework

Governance		Prevention			Detection		Response	
Design and Strategy	Policies and Procedures	People, Skills, and Due Diligence	Fraud Risk Assessments	Communication and training	Monitoring and testing	Technology and data analytics	Reporting	Issues management & investigation
Values, Tone at the Top and shared commitment	Mission, vision, values statements	Roles & responsibilities	Categorize inherent risk	Regular & frequent communications & training	Whistleblowing hotlines and consumer complaints	Technology to support fraud risk management	Periodic reporting to Management & Oversight committees	Investigation & Fraud Response Protocols
Structure and organization	Fraud & Misconduct Policies & Procedures	Third-party and employee due diligence	Control assessment	Culture/tone of E&C	Transactional, process & control testing	Predictive measures (KRIs)/(KPIs)	Record-keeping	Responsibility and Accountability for Investigations
Committee and Senior Management Engagement	Policy management activities	Performance management & compensation/ Incentives	Assess residual risk	Participation of third parties in training programs	Periodic fraud risk management program evaluation	Sources of intelligence (i.e. complaints, exit interviews)		Criteria for use of external investigation resources
Anti-Fraud Culture		Disciplinary enforcement & accountability						Remedial Actions and Disclosure Protocols
Information Technology and Record Management								



Ask yourself, does your organization have a robust fraud control framework?

- 01 Does the CEO and senior management team demonstrate commitment towards actively controlling fraud within the organisation?
- 02
- 03 Does the organisation run a comprehensive awareness program about fraud control and ethical framework?
- 04 Does the organisation have an ethics framework that most staff are aware of, and understand that they'll be disciplined for fraudulent or corrupt behaviour, and for policy breaches?
- 05 Does the organisation have the right policies and systems in place to ensure that third parties are appropriately checked and verified?
- 06 Are employees in the organisation aware of their responsibilities and the responsibilities of management concerning fraud control?
- 07 Are staff and third parties are encouraged to report alleged fraud in the organization?
- 08 Does the organisation have fraud control policies and procedures that guides its employees on how to deal effectively with the fraud risks we face?
- 09 Does the organisation systematically makes efforts to proactively detect fraud?
- 10 Are department and functions within the organisation regularly assessed to identify and address the fraud risks we face?
- 11 Are internal investigations of alleged fraud and corruption within the organisation carried out independently and to high standards?



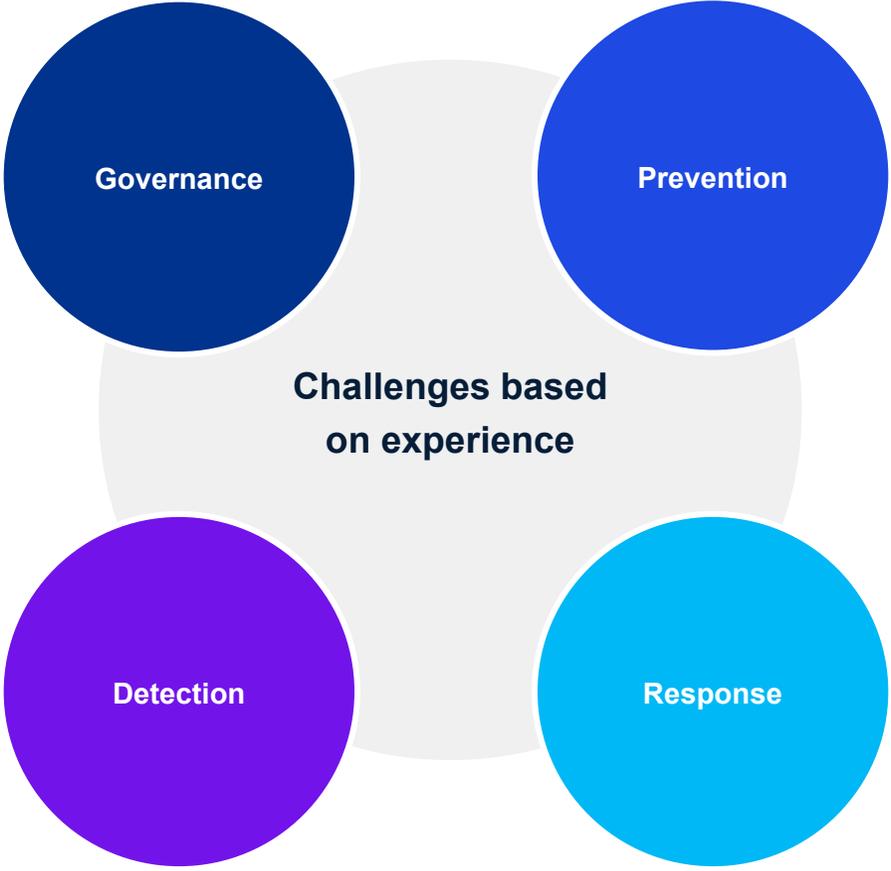
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Fraud Risk Management

Insights and common challenges faced



Challenges based on experience



Insights and challenges



Insight

- Establishing the tone from the top
- Establishing the culture within the organization both internally and externally



Challenges

- Leadership messages on the importance of combatting fraud are not cascaded regularly
- Talking about fraud or the potential of fraud occurring remains a sensitive topic



Designing a 'fit-for-purpose' fraud control framework



Insight

- Conducting Fraud Risk Assessments
- Developing fit for purpose policies and procedures
- Annual awareness trainings

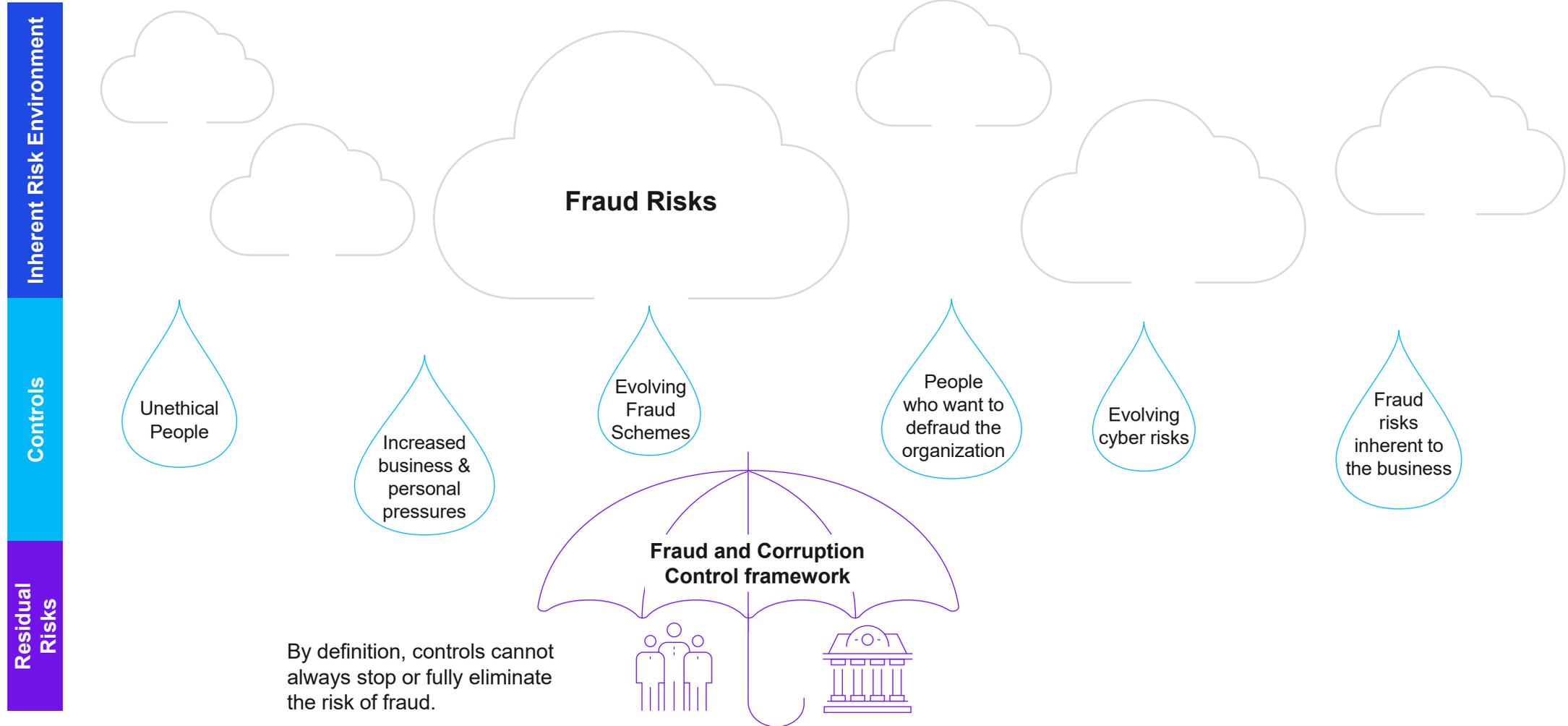


Challenges

- Understanding roles and responsibilities
- Third party due diligence
- Including fraud prevention within year end appraisals



Why conduct a Fraud Risk Assessment?





Designing a 'fit-for-purpose' fraud control framework



Insight

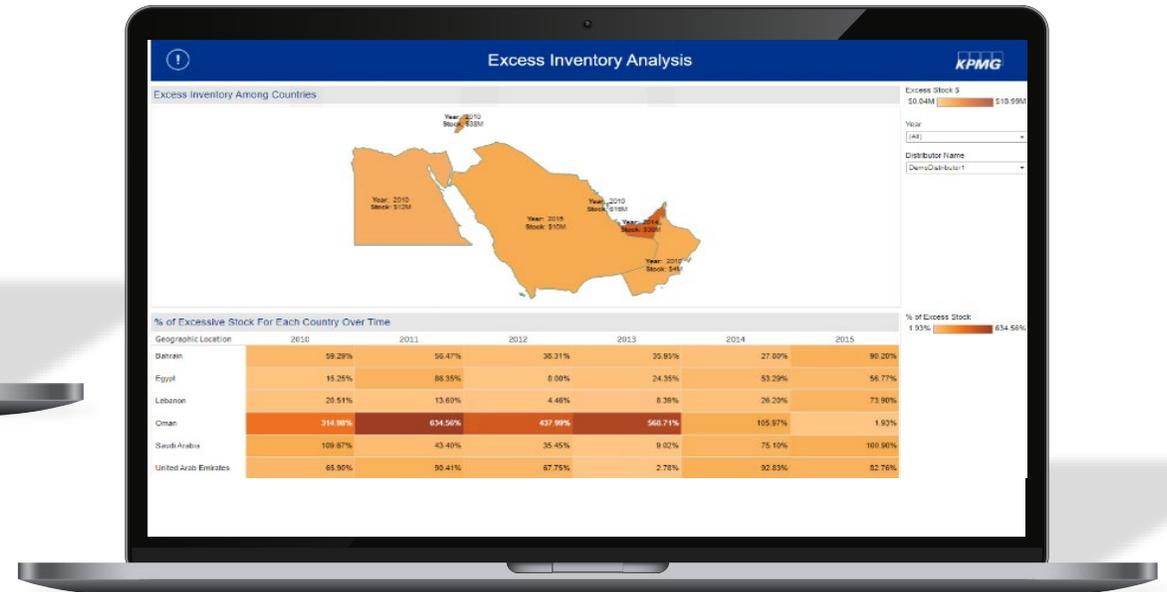
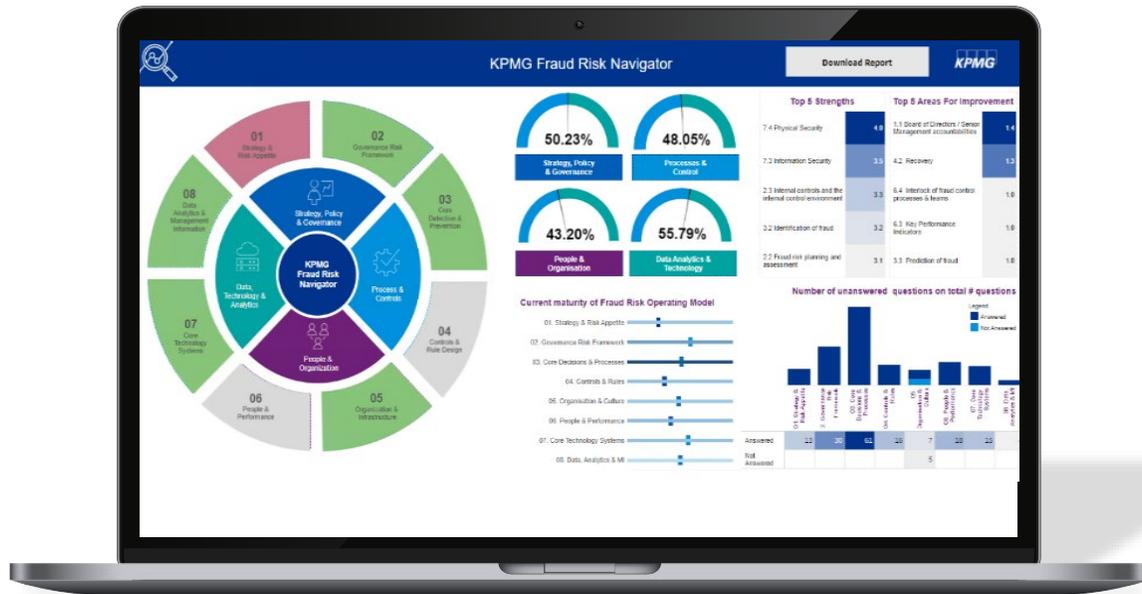
- Whistleblowing Hotlines
- Internal testing of processes
- Use of Data Analytics



Challenges

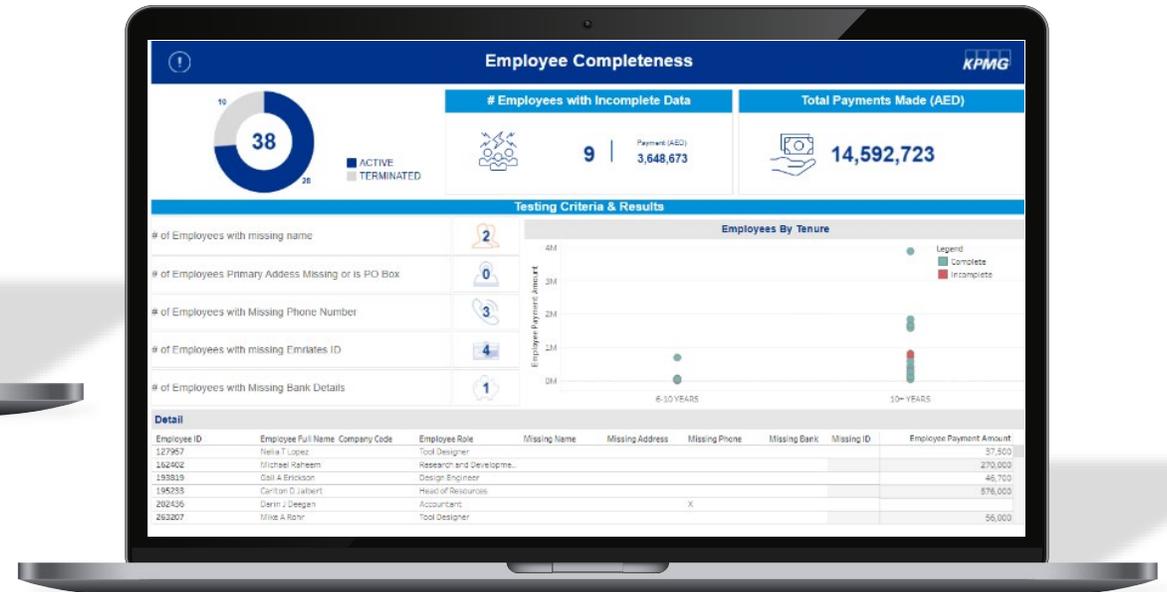
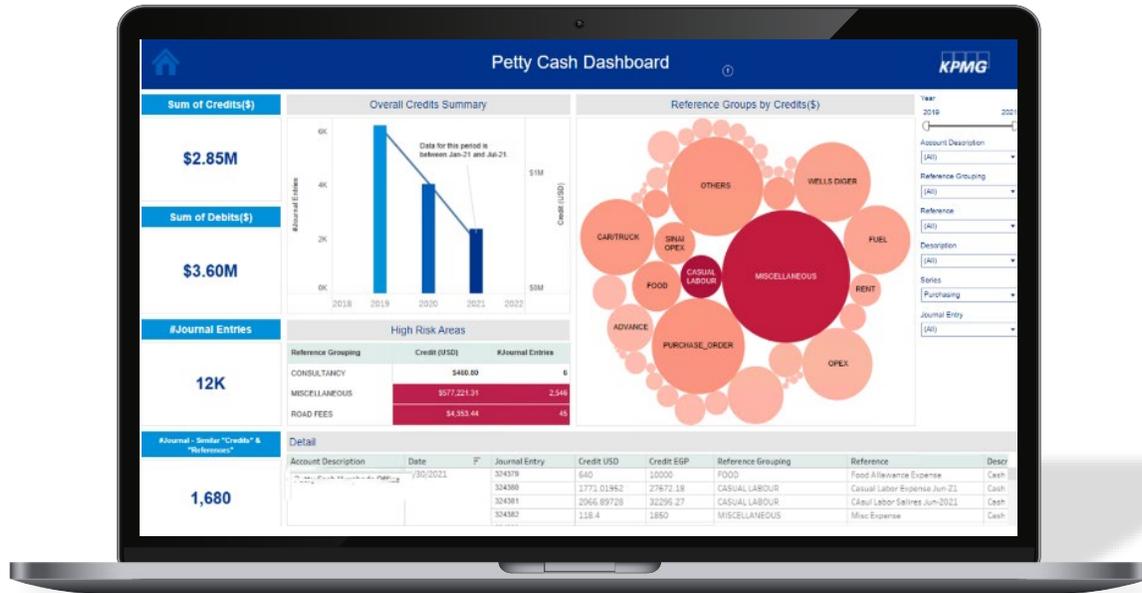
- Management of Whistleblowing Hotline systems
- How to use Data Analytics or should you be using Data Analytics

Using data analytics to detect fraud



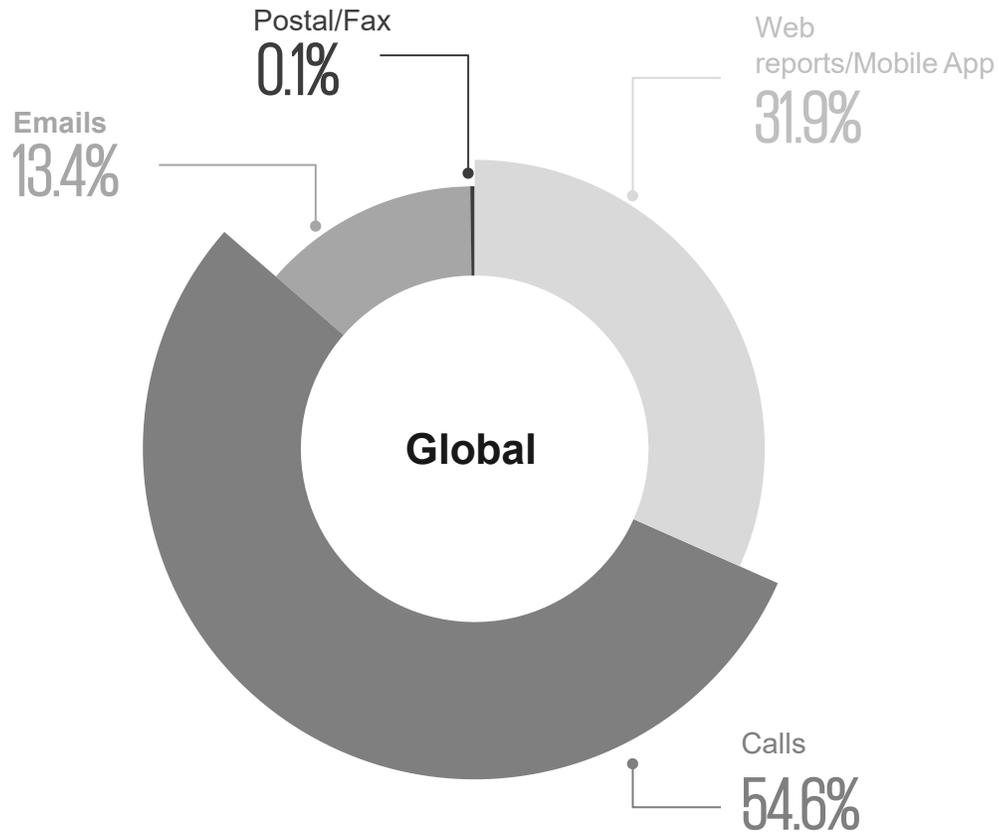


Using data analytics to detect fraud

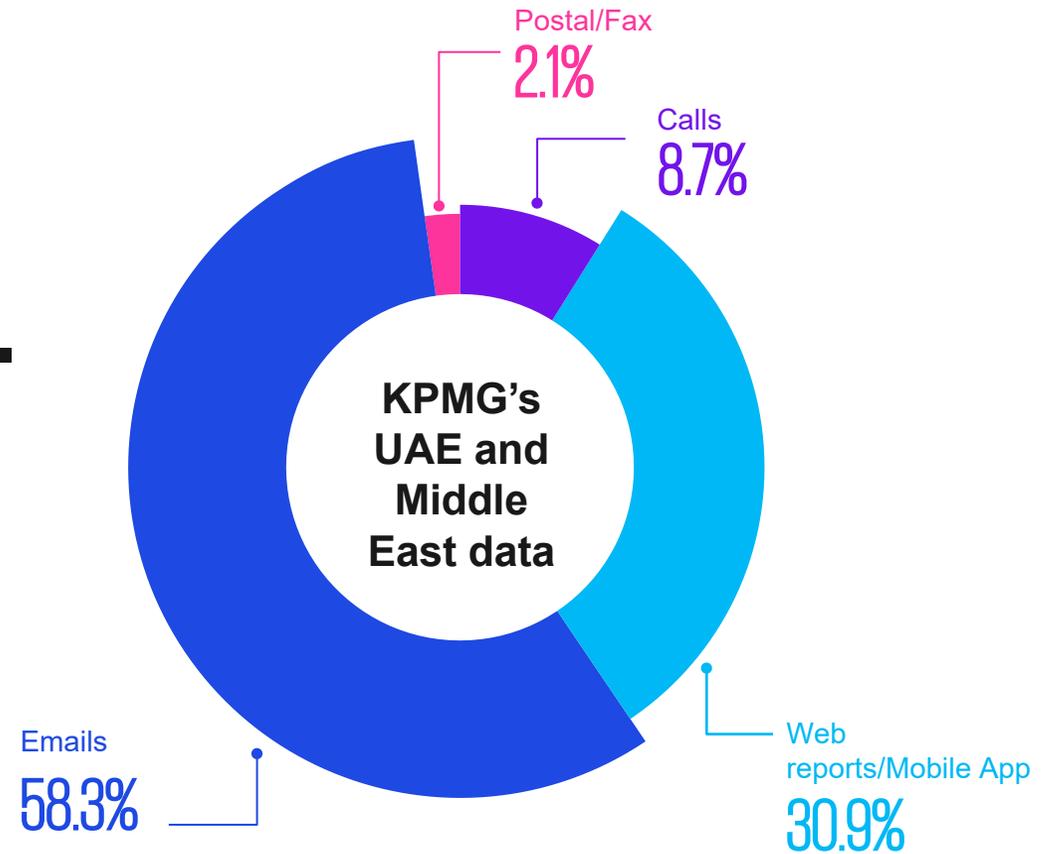




Our insights into Whistleblowing Hotlines

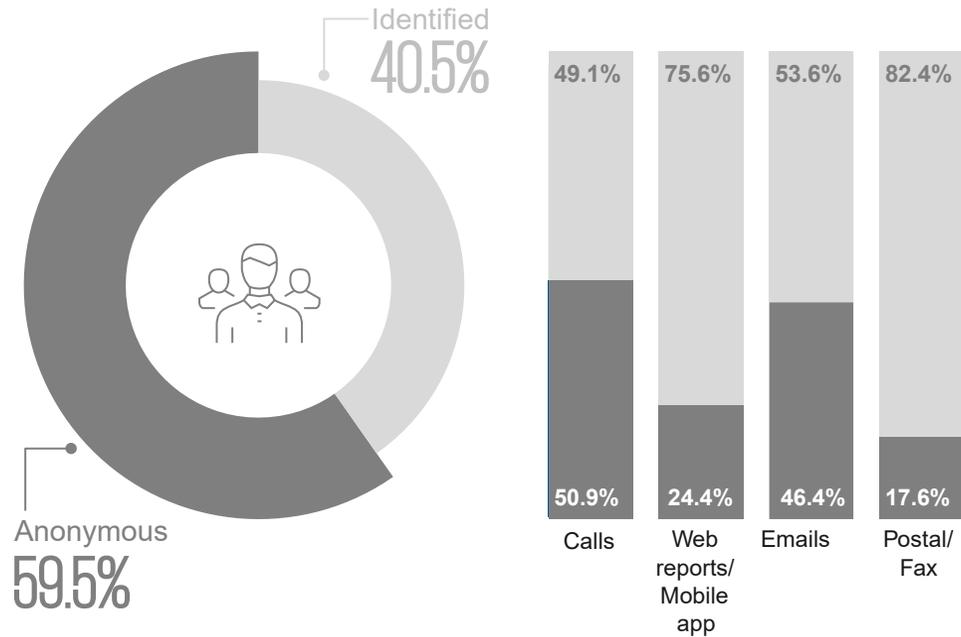


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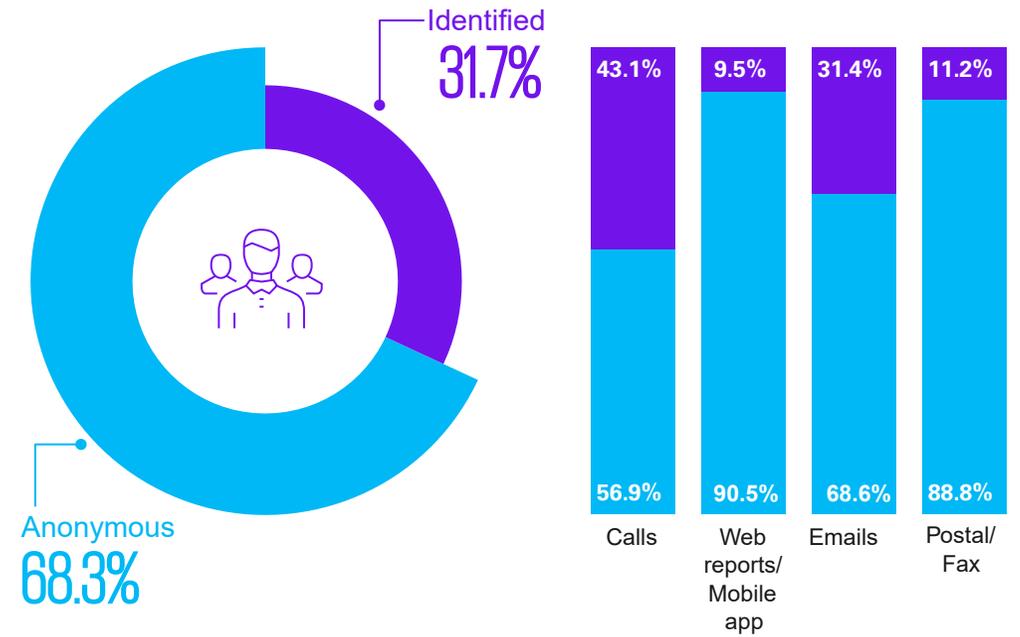




Our insights into Whistleblowing Hotlines

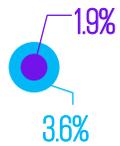


VS.

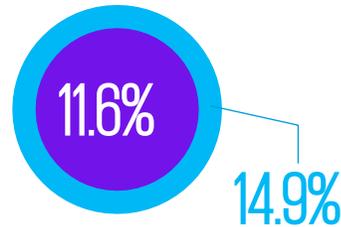




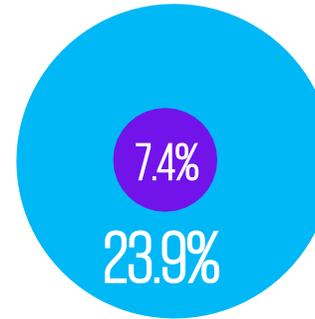
Our insights into Whistleblowing Hotlines



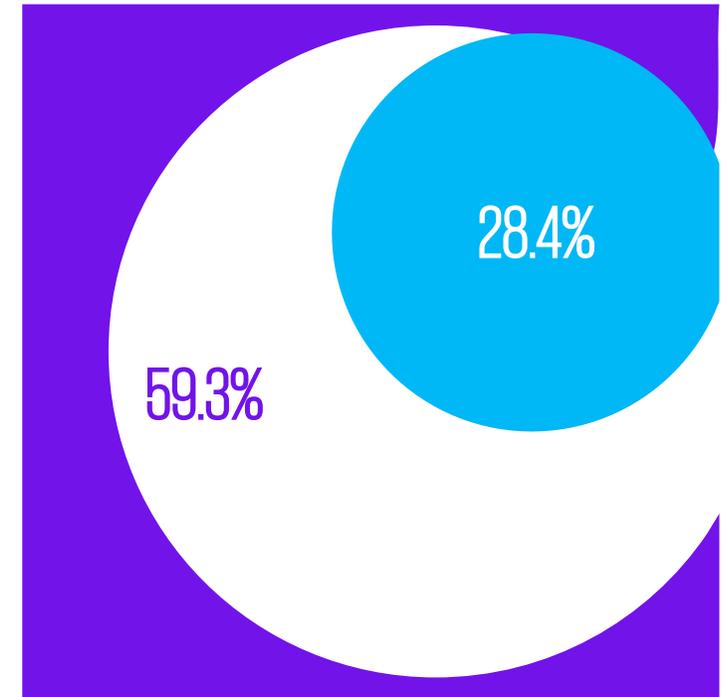
Accounting, Auditing and Financial Reporting



Bullying, Discrimination or Harassment — Including all forms of Discrimination, Harassment, Victimization and Abuse.



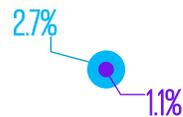
Others (include Payroll, Security Issue, Product or Service Integrity, etc.)



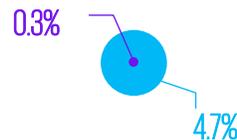
Human Resources, Diversity and Workplace Respect



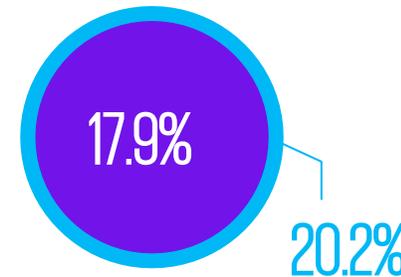
Conflict of Interest



Bribery & Corruption



Health & Safety / Environmental Safety



Misuse, Misappropriation of Corporate Assets

● KPMG's UAE and Middle East
 ● Global data



Designing a 'fit-for-purpose' fraud control framework



Insight

- Fraud Investigation Committees
- Insurance



Challenges

- Tip of the Iceberg
- Lack of availability of tools to assist in investigations
- Independence of individuals conducting the review

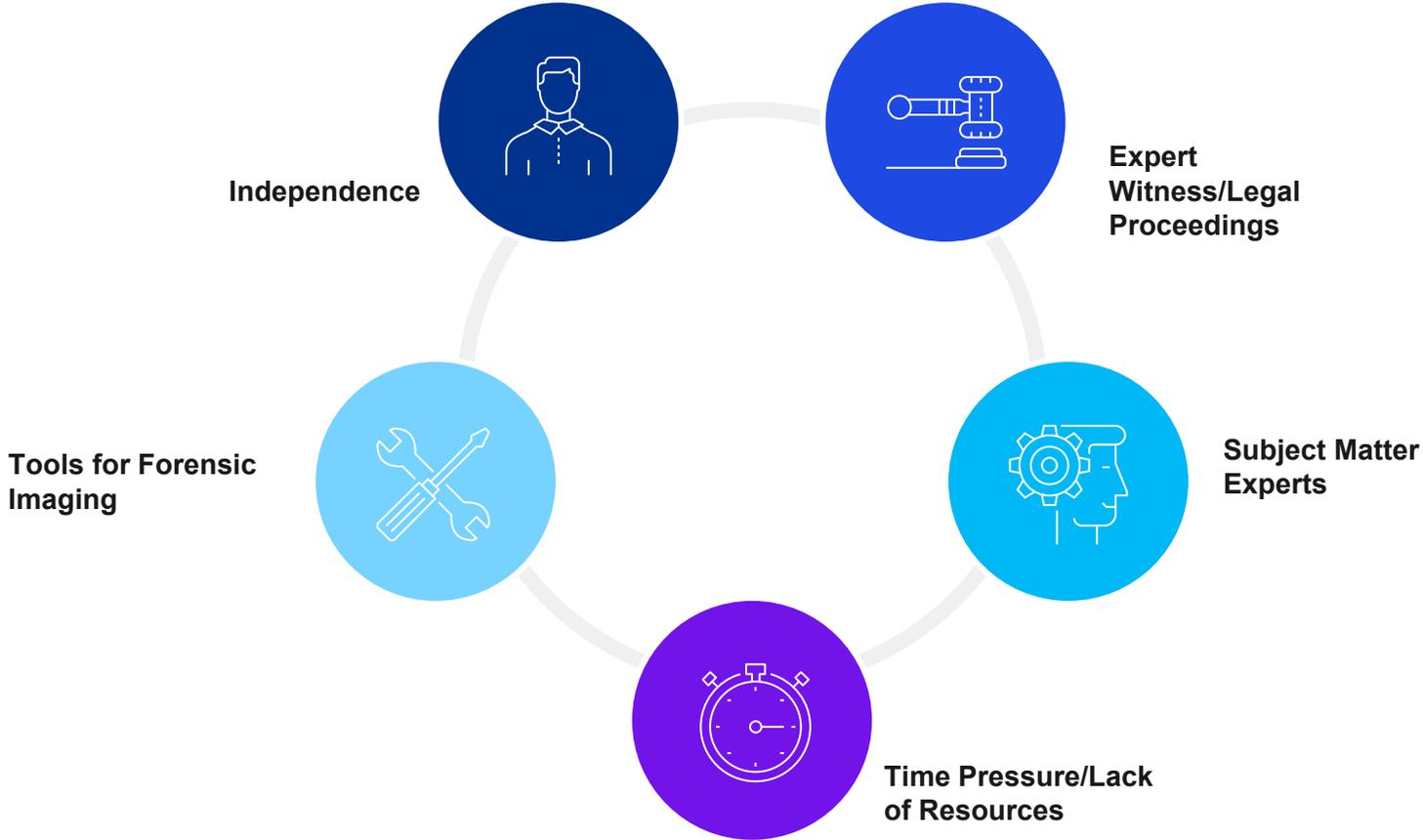


Tip of the Iceberg





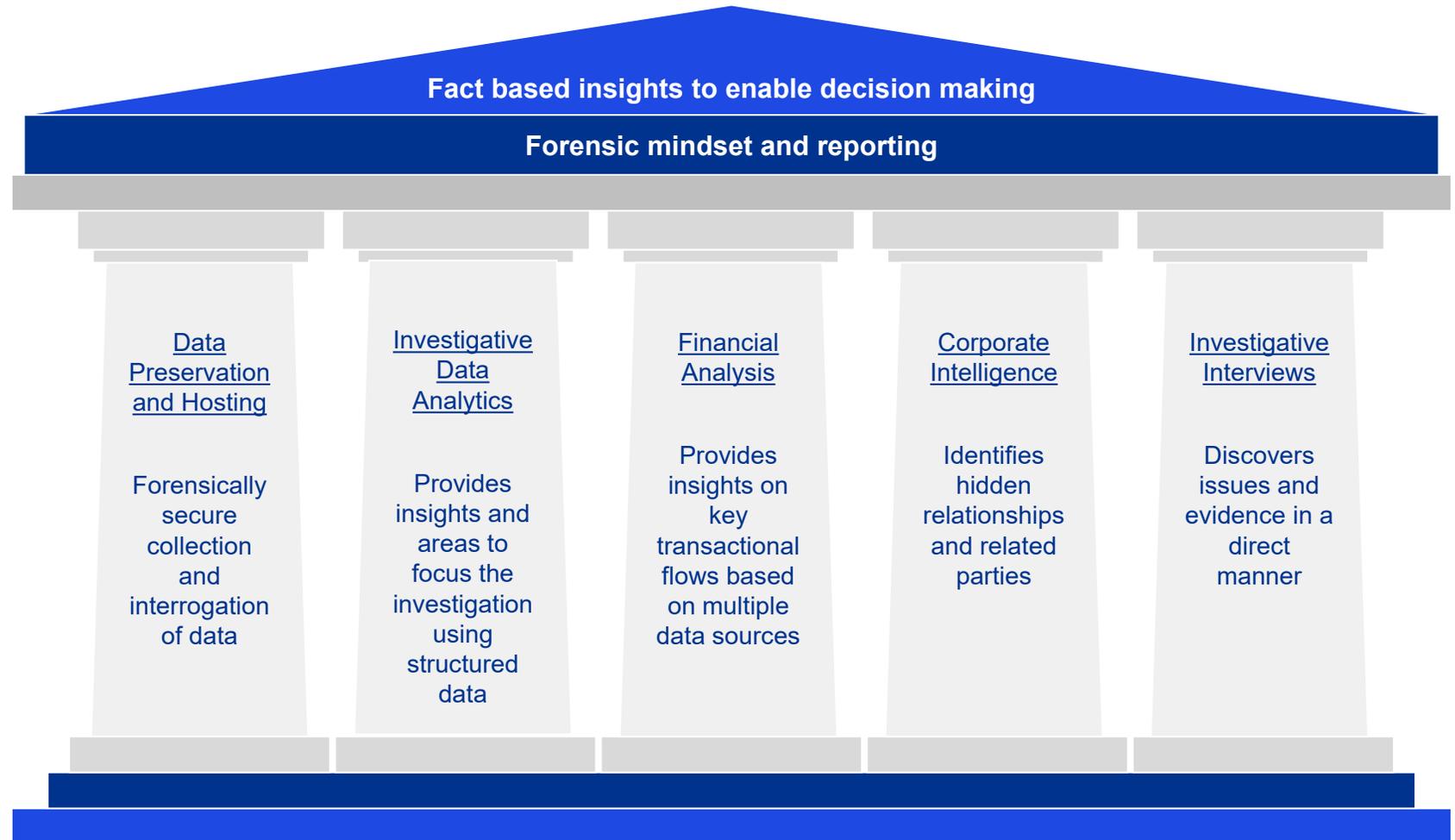
Responding to fraud - internal or external investigations?





Forensic tools

Multiple forensic tools and capabilities, managed by subject matter experts in each area, to enable the forensic team to execute our methodology in the most efficient manner.





Financial analysis

Objectives

Actions and expected outcomes

01

Understand various types of information.

Compare the results of our analysis across different data sources and interrogate the findings using multiple sources of evidence including original bank statements, accounting records and email communications.

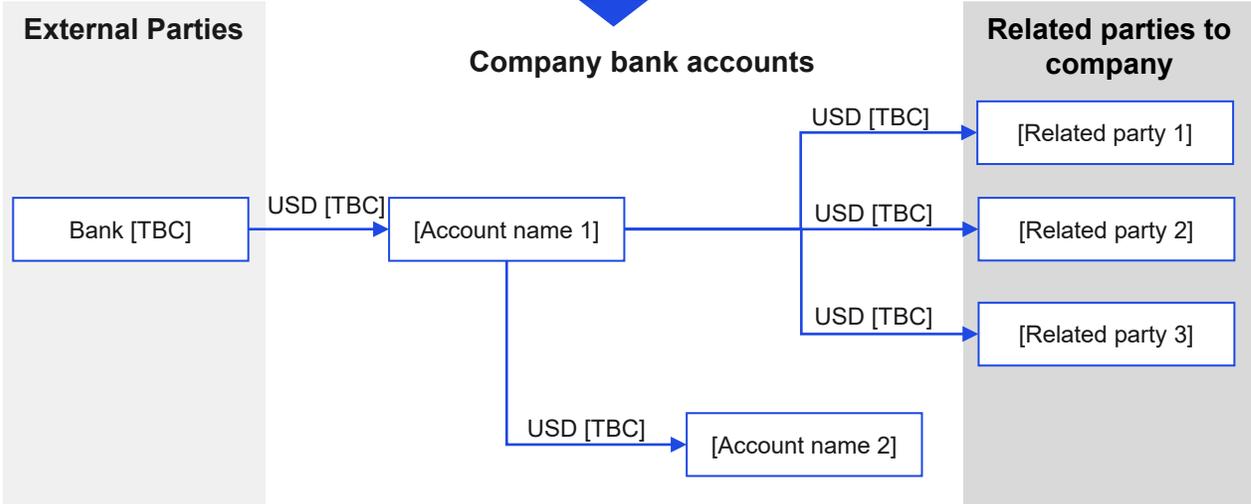
02

Identify trends or indicative information.



03

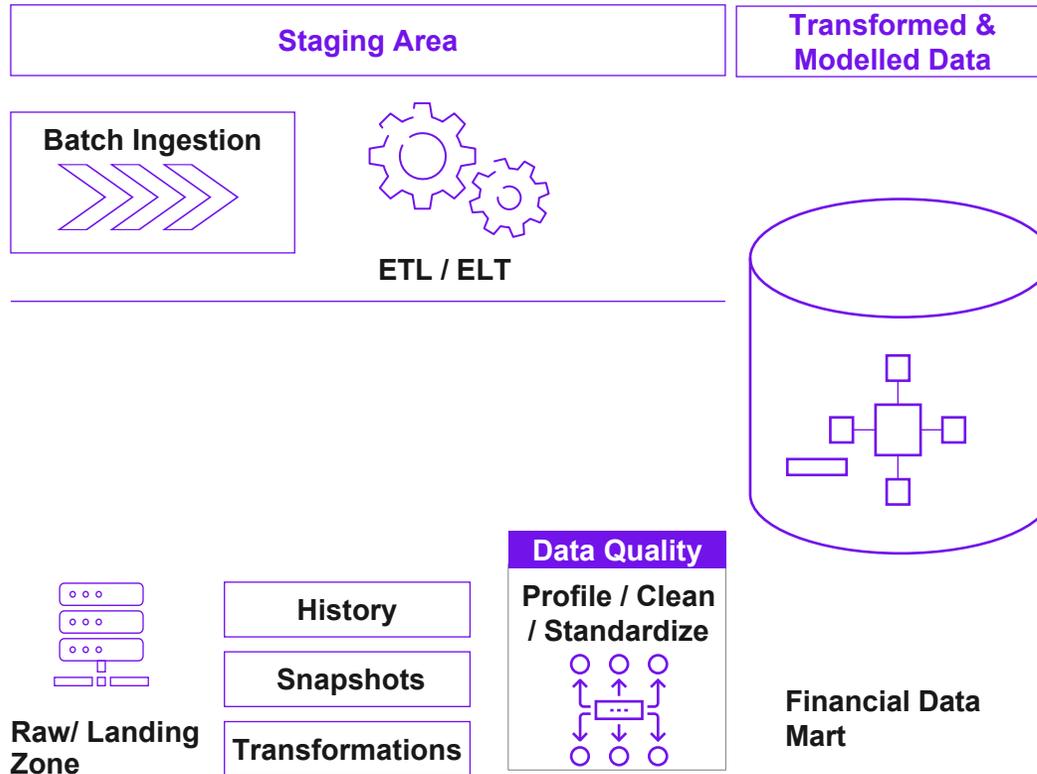
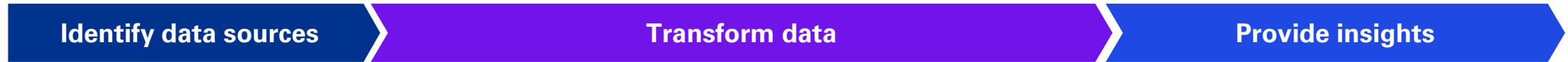
Consider historical data, trends and ratios to identify anomalies.



04

Drive the investigation based on the evidence gathered.

Using data analytics during investigations



Corporate intelligence

Objectives

What is the local reputation and integrity of your business partner, agent or other third party?

Does this business partner have the track record and credentials claimed?

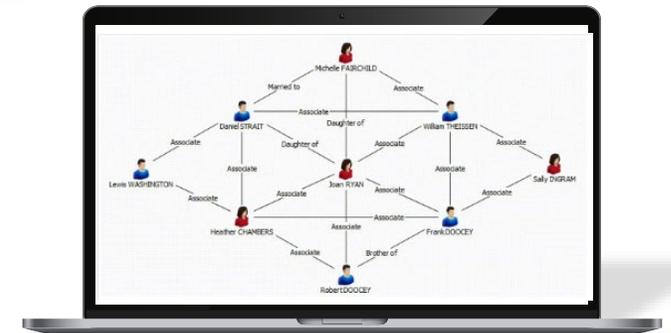
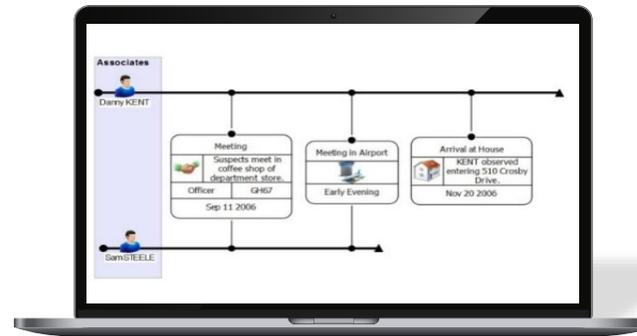
What hidden risks exist in a given transaction or relationship?

Does a transaction or relationship create risks relating to corruption or financial crime?

What are the country-specific political risks that may affect the longer-term success of a proposed venture?

Actions and expected outcomes

The corporate intelligence team will use a proprietary third party risk solutions to gather verifiable information associated with customers, suppliers, agents, and other counterparties. The information will be utilized as part of the analyses of matters under investigation.



Corporate intelligence

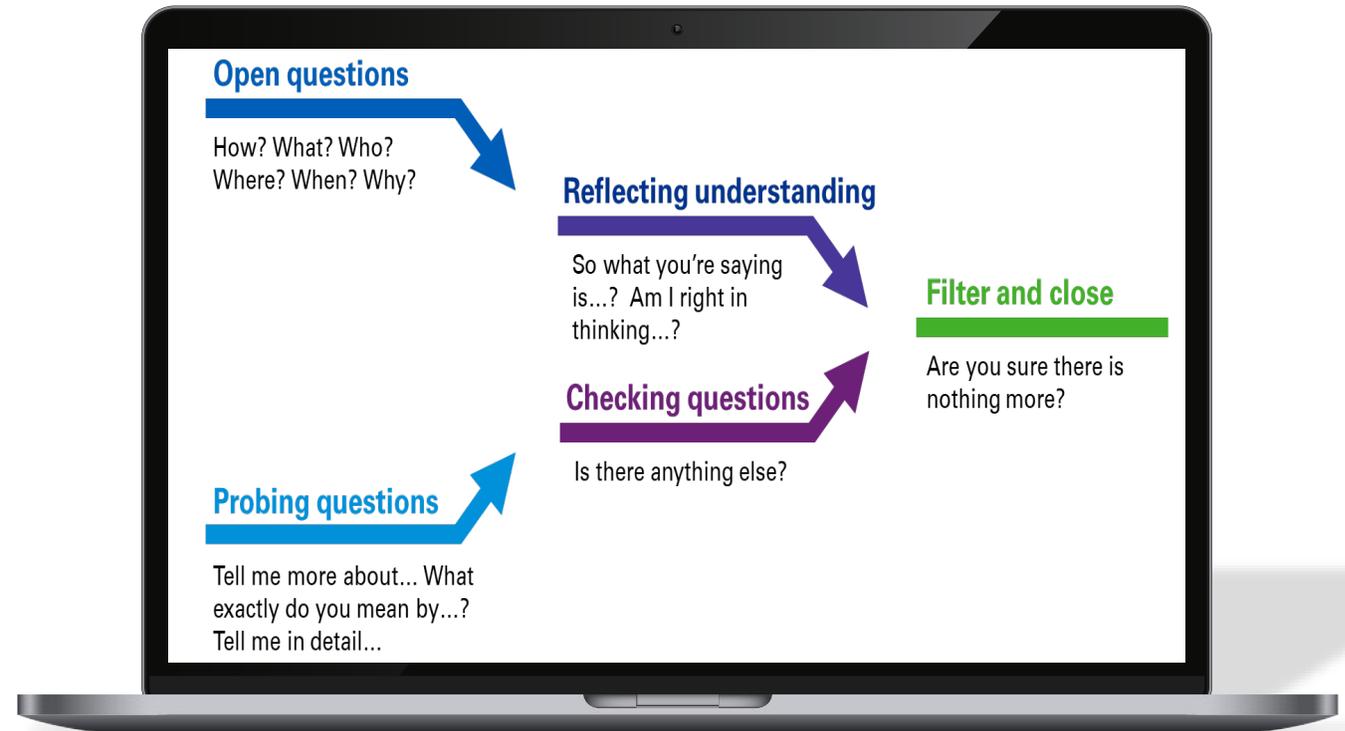
Objectives

Interviews are a good source of information to gather evidence through facts and other supporting information for use during the investigation and subsequent proceedings.

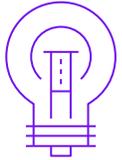
The objectives of investigative interviews are to:

- Obtain background information of aspects being investigated
- Obtain background information about witnesses and the identification of potential additional witnesses
- Obtain background information about potential suspects and the identification of potential additional suspects
- Test the available facts and identify additional facts that may assist in the investigation

Actions and expected outcomes

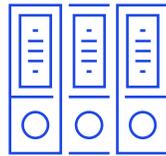


Data preservation and hosting



01 Identification

- Identify key data sources.
- Evaluate the costs and benefits of obtaining this data.



02 Preservation

- Develop defensible preservation plans to safeguard documents.



03 Collection

- Deploy an experienced team to collect the evidence.
- Document appropriate evidence handling and chain of custody procedures.



04 Processing

- Load, transform, consolidate, standardize, validate, and filter relevant data for analysis.
- Search and analyse using tailored culling techniques.



05 Review and early case assessment

- Provide information about the data to highlight data not collected or deleted.
- Use machine learning, including predictive models and Artificial Intelligence (AI)



06 Review support

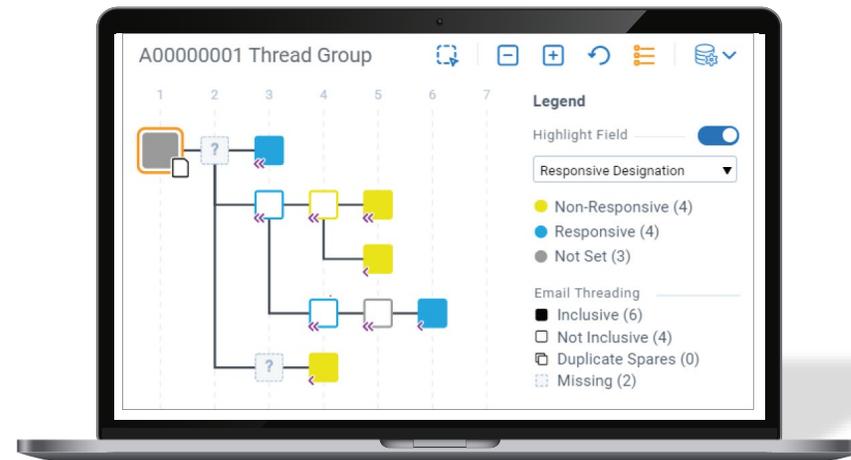
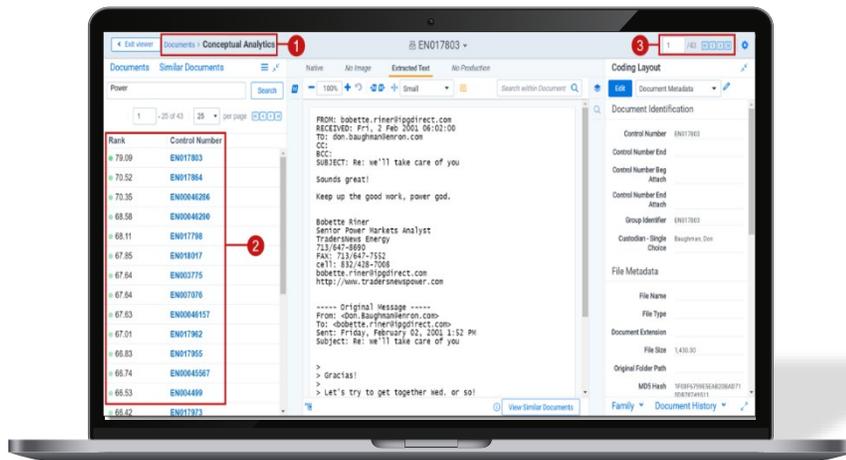
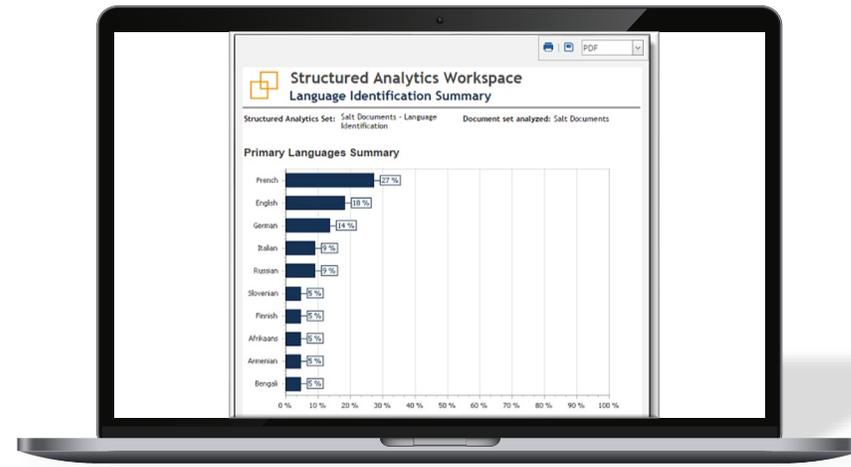
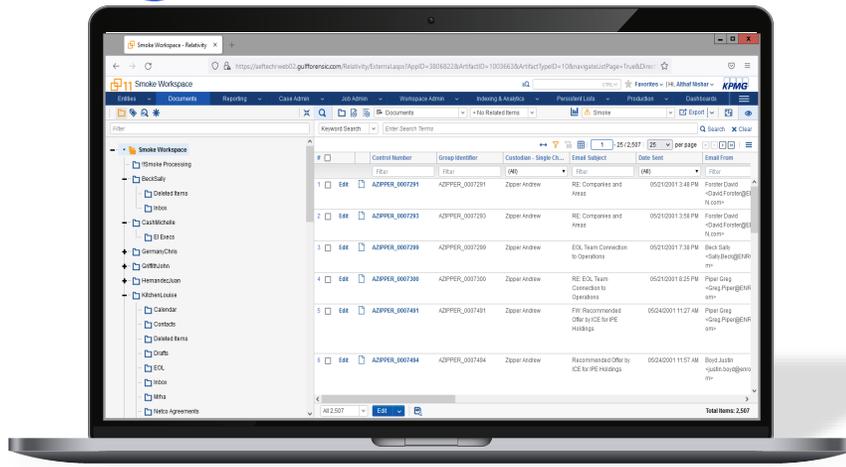
- Assist the investigative review throughout, providing smart searches, statistical sampling and AI to find relevant documents fast



Handling and indexing large amounts of paperwork and data

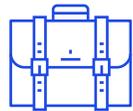


Electronic review platforms a solution for large data challenges





War stories 1/2



Firm	Confidential
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Industry	Multiple Industries
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Industry	Embezzlement of funds
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What happened?

- The manager of a subsidiary of the family conglomerate had siphoned billions of dollars into ghost companies that amounted to a gigantic Ponzi scheme.
- As a result of the 2008/ 2009 global economic crisis, credit markets and asset prices slumped, the manager of the subsidiary could no longer roll over the loans.
- Loans began to default and the banks began reach out to the alleged guarantors.

The value

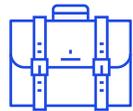
- Total outstanding liabilities to multiple creditors world wide amounted to around USD 9.2 billion.

The outcome

- Family conglomerate and its shareholders faced legal action by creditors to recover the missing cash from family assets.
- Family members had their assets frozen and travel bans were imposed on them.
- Resulted in multiple court cases around the world between the family and the manager of the subsidiary.



War stories 2/2



Firm

Confidential



Industry

Media



Industry

**Large legacy
receivables**

What happened?

- A large media company needed assistance in gaining insight into legacy receivables that have remained on their books.
- Legacy receivables date back to 2011 and in some cases are prior to that period.
- In order to collect or clear these outstanding receivables management wanted to understand why these receivables are still outstanding and to obtain any documentation to support collection efforts or justification for the outstanding receivables to be written off.

The value

- The total value of the outstanding receivables under question amounted to over USD 50 million.

The outcome

- Using forensic data technology were able to identify communications and documentation to assist the management in the company to start negotiations with debtors or allowed them to understand reasons why these receivables remained on their books.
- Company was able to collect aged receivables and understand inefficiencies in their invoicing and collection process.



Thank you



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