



KPMG Turkey - Forensic

## Fraud in Turkey From Executives' Point of View

risks, effects and lessons should be taken

ADVISORY



# Executive Summary

Fraud in Turkey from executives' point of view: The report of risks, impacts and lessons to learn is the first report including opinions of executives from various prominent companies in Turkey regarding concept of fraud, prevention, detection and investigation and measures taken against fraudulent acts. This report consists of 146 interviews which are realized via face to face meetings and online surveys. Information of participant executives and companies would be strictly confidential. The brief summary of our findings that are detailed in the report are presented below.

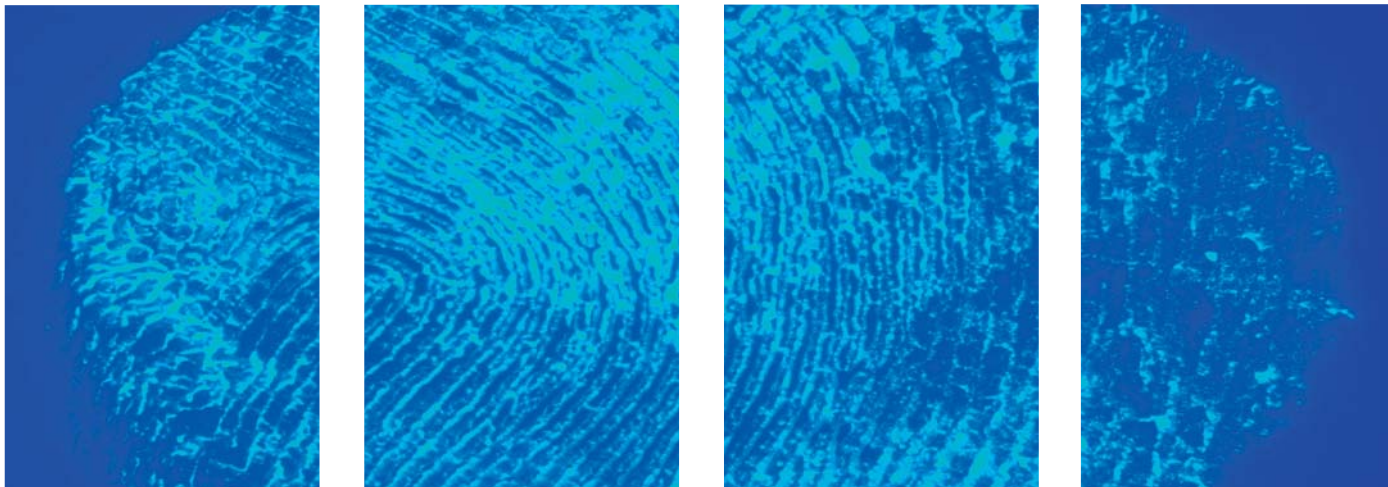
## **Fraud Risks Overview:**

*Among all participants;*

- 93% of participants pointed out that fraud is a considerable issue of Turkey.
- 57% of participants pointed out that fraud risks are going to increase within two years time.
- 92% of participants pointed out that fraud is not a considerable issue for their company.
- 81% of participants pointed out that they have faced with fraud at least once throughout their career.
- 23% of participants pointed out that they have faced with more than ten fraud cases throughout their career.
- 96% of participants pointed out that fraud cases would have a negative effect on employee's morale and motivation.
- 30% of participants who pointed out that they have faced with at least one fraud case, also remarked that the identified lost have been more than TL 500,000 as for the fraud cases they have faced.
- Although fraud risk levels differ in various sectors, it is an impending threat for all sectors and companies. As the most risky sectors and companies in terms of fraud questioned to the participants, construction, finance and health care sectors are stated in top three rows.

## **Who, Why, What: Fraudsters and Fraud**

- Approximately 40% of participants consider that fraud can be committed by employees and executives in their company. This ratio is followed by suppliers and service providers with the proportion of 33%.
- The ratio of organizations that pay more than TL 1,000,000 each year to service providers which are considered as one of the most risky third parties in terms of fraud is 43%. 66% of companies consider that payments to the service providers are effectively controlled.
- According to the participants, most important facilitators in the occurrence of fraud are insufficient proactive control environment, insufficient importance attached to the controls by the management, inexistence or disuse of business procedures.
- Most commonly encountered fraudulent act types are theft of company assets, corruption and counterfeit.



## **Prevention, Detection and Investigation**

- 30% of participant executives pointed out that their companies are not subject to any sort of fraud risk; they are also not forecasting any fraud risks by the forthcoming three years.
- 66% of participants consider that the internal control function within their organization is adequate to prevent fraudulent acts.
- Fraudulent acts occurred in the companies that participated in our survey have mostly detected by internal controls, whistle blowing and coincidences were following internal controls.
- 64% of detected fraud cases are investigated by the internal teams within the companies.
- Actions that have been taken upon the detection of fraudulent act are respectively termination of fraudsters' employment and reviewing the adequacy of control environment against fraudulent acts within the company.

## **Fraud Risk Management**

*Among all interviewee executives;*

- 71% of participants pointed out that no fraud risk management plan exists within the company they are working for.
- 42% of participants pointed out those proactive controls against fraudulent acts are assumed to be a responsibility of internal control departments.

## **Our survey results also indicate that;**

- *the most common three steps to prevent fraud are; controlling the correctness of employees' resumes, identifying fraud risks and whistle blowing mechanism and the management systems about those risks.*
- *only 11% of participants have specific departments to fight with fraud risks*
- *54% of participants pointed out that the organizations don't have special systems that employees can report their suspicion concerning doubtful events*
- *45% of participants pointed out that the incidents are followed via legal ways*
- *Approximately 50% of participants pointed out that the organizations are not aware of the whether there is an increase of the claims made in last two years about fraud, corruption, bribe, and etc.*
- *66% of participants pointed out that the organizations do not use any advanced computer programs to figure out the risky areas*
- *72% of participants pointed out that the organizations do resume check when hiring new employees*
- *61% of participants pointed out that the organizations particularly check the employment history of the candidate*
- *79% of participants pointed out that the organizations consider that resume check is necessary for all employees and %19 of them consider that it is necessary for employees who have permission to access strategic information*
- *95% of participants pointed out that the organizations are aware of the importance of the corporate intelligence and integrity work done about their strategic partners*
- *85% of participants pointed out that the organizations consider that evaluation of the integrity before partnership is a crucial part of the process*
- *82% of participants pointed out that the organizations having whistle blower/hot lines remark that these lines are managed by organization employees*
- *According to our survey, 50% of the reported issues to those lines, are resulted with investigation.*
- *86% of the organizations using forensic technologies, remark that they believe the efficiency of those programs*
- *84% of the organizations using forensic technology tools remark that those systems like real time data analysis are sufficient and beneficial to detect fraud*
- *88% of the organizations consider that in Turkish business world bribe is given under the name of 'gift'*
- *13% of the organizations cite that they get offers from their foreign partners to implement bribe protection program*
- *64% of the organizations have policies against corruption and fraud*



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