



cutting through complexity

IT/BPO

# Forensic services

Helping to protect your business  
from fraud, misconduct and  
non-compliance

ADVISORY

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IT and ITeS companies face acute price competition, high attrition rates, consolidations and the quest to scale up rapidly. Simultaneously, they must deal with the risk of intellectual property infringements, complex partnerships / alliances and handle client sensitive data. These companies also run large expenses on account of facilities such as transport, cafeteria, infrastructure and other requirements. Multiple linkages with clients, prospects, vendors and other third parties can expose organizations to a number of fraud and misconduct-related risks.



## KPMG'S Forensic team can help

KPMG's Forensic team helps clients protect their business from fraud, misconduct and non-compliance that helps reduce reputational risk and commercial loss. We do this by providing independent, proactive and responsive services through our investigative, accounting and technology skills. The practice has overtime evolved into a team of over 680 professionals, each one bringing in not only rich and extensive experience but also a competitive and specific skill set.

## Has your organization experienced fraud, misconduct or malpractice?

### Fraud and misconduct investigation

KPMG's Forensic team has undertaken some of the largest fraud investigations in the IT/ITES industry. We can assist organizations in solving a range of fraud and misconduct situations including financial impropriety, bribery and corruption, funds embezzlement, falsification of expense claims, data theft and IP rights infringement among others. Our team is one of the largest investigative teams in the country consisting of professionals from diverse backgrounds such as qualified accountants, certified fraud examiners, former police officers, management graduates, forensic technology professionals, field investigators and social workers. Our experience of working on over 650 investigations across industry verticals and businesses helps us customize strategies to suit a cross section of organizations that have been hit by fraud.

### Fraud risk and loss management

IT and ITeS companies incur huge expenses on account of infrastructure, facilities management, recruitment, transportation and employee welfare. More often than not there are hidden losses in these operations due to frauds or operational inefficiencies. KPMG Forensic can support companies in their continuous efforts to prevent and detect such losses through the design, implementation and evaluation of anti-fraud programs and controls. With our extensive industry knowledge and experience with multiple fraud schemes we can develop a preventive framework and proactive programs to prevent or detect any form of misconduct.

### Incident response

Network security is an important aspect of maintaining the integrity of your information as well as that of your clients. Any breaches could result in defacement, security hazards or theft of confidential information on your IT networks. This in turn can result in legal suits as well as loss of reputation and business.

We can assist you in discovering and investigating intrusions into your network including hacking of websites, malicious e-Mail (carriers of malware) and data theft. Our technology teams can work with you in identifying the source of this intrusion as well as the impact thereof.



## Do you want to know the background of your vendor, employee or business associate?

### Pre-employment screening

Relying upon the credentials of new recruits is a recognized concern in the IT/ITeS industry. Often, due to pressures of large scale recruitment, companies may hire recruits who misrepresent various aspects of their profile such as education, skills, employment history and address. KPMG's centralized verifications hub conducts professional and impartial background checks on prospective candidates without violating their privacy. We help organizations base their hiring decisions on facts and not merely on the job seeker's representations or disclosures. These checks include employment history, education, reference, criminal records, address as well as drug testing.

### Know your vendor

The IT/ITeS industry has multiple relationships with vendors to cater to various requirements such as cafeteria, stationery, transportation and other conveniences. Entering into any kind of relationship without an awareness of the possible downside can expose organizations to financial and reputational risks. We can provide investigative due diligence to organizations seeking to screen prospective vendors for potential problems.

Awareness of the background, past performance, reputation and history of vendors can help organizations proactively decide or plan their relationship with them. By hiring vendors who behave ethically and stress on quality in their performance and behavior, organizations can help lessen their own exposure to liability, litigation, audits, financial loss and government investigations.

### Integrity due diligence on senior management

According to a recent global KPMG report, senior management personnel (directors and above) have greater propensity to commit fraud. The inherent responsibilities and trust associated with these positions, ability to override internal controls, internal knowledge and access to confidential company information that come with their position, create opportunities to commit fraud. KPMG Forensic can help you conduct integrity due diligence on your prospective senior management employees. We can help you gather public and non-public information about the individual that can help you take an informed decision.

We are among the market leaders in providing Integrity Due Diligence services to our clients, having completed over 600 cases across industries in 125 countries in the last three years. Our dedicated 40 member team is capable of conducting L1 checks (gathering information from publicly-available data) as well as L2 checks (gathering covert information from market intelligence on the targets). We are assisted by a large vendor network in India to help us collect information that is difficult to obtain.



## Are you worried about regulatory and contractual compliance?

### Software license compliance

Software publishers who have licensed their Intellectual Property (IP) to third parties may not be getting full returns on their licensing agreements due to inaccurate or mis-informed self-reporting by licensees. For the IP creator, this means loss of revenue, while for the licensee it means contractual non-compliance that may make the firm a potential target for legal action. We help clients monitor their license compliance so that they can recover revenue lost due to misreporting and stay compliant with the terms of the contract. Our practice has helped software firms recover millions of dollars of lost revenues by conducting business partner reviews and software end-user license reviews.

### Anti bribery and corruption compliance

Globally corruption is seen as a roadblock to doing business. With recent incidents of large scale corruption involving public and private entities, overseas firms have become cautious of their business relationships. For Indian firms, this calls for increased scrutiny and compliance with anti bribery and corruption legislation.

The US Foreign Corrupt Practices Act, 1977 (FCPA) and the UK Bribery Act (UKBA), 2010 are actively enforced regulations focused on anti-bribery and corruption. Companies can mitigate these risks by having an effective compliance framework in place that fulfills the requirements of various competing anti-bribery and corruption laws.

We can help clients develop and implement effective compliance programmes to prevent, detect and to respond to issues related to bribery and corruption and assist to align them with legislations (e.g. US FCPA and UKBA). Our framework can be used by companies to review their existing policies for anti-bribery and corruption compliance, set up procedures for continuous monitoring and conduct due diligence.

We have assisted clients in performing pre-acquisition anti bribery and corruption due diligence (focused on FCPA and UKBA), develop training programmes and conduct integrity due diligence on third parties and employees.



## Is your company embroiled in a commercial dispute?

### Quantification of losses and claims

We work to make complex business issues transparent and understandable. We help clients strategise and support their position in commercial disputes. We provide advice and expert opinion on damages or claims, with a robust and credible quantification by using accounting-based evidence, in the context of litigation or arbitration. This encompasses both quantification of the profits or consequential losses arising from a variety of business disruptions such as breach of contract or insured events and financial liability.

### Expert witness

KPMG in India has a wide range of experienced accounting and advisory professionals who provide impartial and independent testimony to assist in the resolution of disputes, whether in litigation, arbitration or mediation. Our expert witnesses are widely recognized as credible experts on the technical and financial aspects of disputes. Our compelling and easy-to understand reporting of issues at hand, opinions and conclusions are supported by credible, strong and robust oral evidence. We have provided evidence and have been cross examined in various forums in India and internationally. Our expert witnesses have courtroom experience in multiple jurisdictions on commercial arbitration and other legal and regulatory matters.

### E-discovery

KPMG's e-discovery capabilities can help ensure immediate and convenient access to evidence for review by legal teams and clients, irrespective of the format and volume. We collect, manage and process paper and electronic records. We also provide a variety of review tools to enable a swift and cost-effective review of the relevant material.



## Select credentials

### Leakage of information

A leading IT organization with India-focused business suspected leakage of information. We conducted a review of the internal controls, swept the premises for electronic listening devices and discovered that data was being leaked by senior employees. We provided recommendations to enhance control and data protection.

### Background check

Our clients are multiple IT/ITeS companies faced with large scale attrition and hiring. We conduct pre-employment and verification services on behalf of our clients to uncover any misrepresentation by prospective employees, thereby reducing the potential risk of hiring the wrong resources. We have a dedicated 500 seat verifications hub facts based out of Pune and undertake over 30,000 checks per month.

### Financial misrepresentation

We helped a leading information technology firm in analysing financial statement irregularities and in preparing restated financial statements. Using a combination of detailed investigations and forensic data analysis we gathered facts and circumstances relating to the potential accounting misstatements and ascertained the magnitude of accounting adjustments. We discovered senior management collusion in manipulating the financial accounts and unearthed evidence to identify the perpetrators.

### Inflation of expenses

Our client is a large IT services provider based in India. There were suspicions of some senior employees inflating their travel related expenses, resulting in financial loss to the organization. KPMG investigated the allegations and identified specific instances of inflated expenses and the employees responsible for the same.

### US FCPA review

KPMG Forensic helped an IT company in reviewing the distributor's books of accounts for the last five years to ascertain violations of the US FCPA provisions. We were able to identify potential facilitation payments and ascertain control gaps regarding US FCPA compliance. Inputs from KPMG Forensic provided clear guidance on the way forward to prevent violations.

### Kickbacks in contracts

A leading IT/ITeS company had significant spends in its administration and procurement function and wanted to assess potential opportunities for fraud. We were able to identify existing fraud perpetration in the organization including duplicate, excess and fictitious payments to vendors and kickbacks to certain employees in the function. We also collected intelligence on the vendors highlighting significant reputation issues and/or nexus with employees within the organization.

### Dispute advisory

Our client alleged breach of contract by its partner in the field of control, testing and measurement of information systems. There were also allegations of infringement of intellectual property rights. We assisted the client in establishing breach of contract and assessed the due losses. We also appeared as an independent expert witness in the court of law in the legal arbitration that followed.

### Fraud risk management

We conducted a fraud risk assessment for our client, a multinational IT services company, for their procurement functions. We identified risks and specific instances of misconduct through a collusion of the employees of the company with sub-contractors and transport vendors.

### Licensing reviews

We recently helped a medium-sized Indian bank to establish and operate its software asset management policy in order to derive maximum benefit from its contract while remaining compliant with regulatory and other contractual obligations. We benchmarked our assessment to the ISO-19770-1 and ITIL industry standards, which helped the bank fine tune its current processes but also set in place corrective measures to overcome operational inefficiencies. These measures over time can have direct and indirect financial benefits including, smoother operations, elimination of waste and redundancy, savings and tax benefits, better control over information and the ability to forecast and estimate future license requirements.

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