



*cutting through complexity™*

INFRASTRUCTURE AND GOVERNMENT

# Forensic Services

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

ADVISORY

[kpmg.com/in](https://kpmg.com/in)

## / Introduction

Indian infrastructure sector is growing at a rapid pace backed by growing investments in the sector and increasing levels of participation from private players in infrastructure projects. While this growth indicates opportunity, it could also expose companies to challenges. Since the private management of Indian infrastructure assets is relatively at an early stage, the business processes and controls are less mature leading to the risk of revenue leakage at various levels. Further, contractual disputes is another growing area of concern given the evolving nature of regulations in the sector and the rising cost pressures on contractors and developers. Such factors make the sector highly vulnerable to the risk of fraud and misconduct related incidents.

However, like any other business risk, fraud and non-compliance risks too can be effectively controlled through an appropriate risk management strategy.

# KPMG's Forensic team can help

KPMG's Forensic team helps clients protect their businesses from fraud, misconduct and non-compliance, which in turn helps organizations reduce reputation risk and commercial loss. We do this by providing independent, proactive and responsive services through our investigative, accounting and technology capabilities.

Our team has more than 680 professionals, each one equipped with a competitive and specific skill set.



## Do you suspect that fraud or other financial loss has taken place in your business?

### Fraud and misconduct investigations

Incidence of fraud in the real estate and infrastructure industry has increased significantly in the last few years, according to a majority of respondents to the recent KPMG India Fraud Survey Report. Procurement is perceived to be a high risk process in the sector while supply chain fraud, and bribery and corruption are identified as other key fraud risks.

We can conduct event-led investigations for clients by gathering and analyzing data in cases of suspected fraud, helping them in identifying perpetrators and uncovering the modus operandi.

We also help gather evidence that can be presented in a court of law and assist the client in litigation.

### Common fraudulent practices in the infrastructure industry

- ▶ Collusion in metering/ billing/ collection in power distribution
- ▶ Power theft
- ▶ Material mismanagement and pilferage
- ▶ Accounting and financial frauds
- ▶ Corruption in project procurement
- ▶ Misconduct/leakages in transportation

## Fraud risk and loss management services

With companies focusing primarily on growth, internal processes and controls tend to receive less than the required amount of attention, thus exposing companies to significant fraud risks.

We can help clients reduce their vulnerability to fraud by evaluating business processes, identifying control gaps that make processes vulnerable and recommending solutions to mitigate fraud risks. Our solutions encompass technology and people drivers linked to process life cycles that are in turn benchmarked against industry best practices. We can also assist clients in augmenting counter-measures, training staff by conducting fraud awareness workshops as well as ethics and compliance training programs, and developing effective anti-fraud policies, systems and controls.

---

## Data-driven business intelligence

The vast volumes of data residing within infrastructure companies can be analysed to help them make decisions on various fronts. Our professionals use Forensic technology to analyse various data streams and generate meaningful insights.

For the road sector, we can devise strategies to enable project owners to monitor toll collection on their desktop and get early warning signals for any possible leakages; and provide insights into traffic patterns. In the power sector, we can assist organizations in preparing an operational loss reduction strategy that is effective at the field level.

---

## Are you concerned about regulatory or contractual non-compliance?

### Regulatory compliance

The industry is characterized by a large number of regulators including Central Electricity Regulatory Commission, National Highways Authority of India, Airport Economic Regulatory Authority and Competition Commission – each focused on a different aspect of compliance.

With increasing international exposure, firms (and their vendors) must also comply with the US Foreign Corrupt Practices Act, the UK Bribery Act and their respective provisions.

Based on our extensive and varied experience of regulated markets, in many jurisdictions, we can help clients in adhering to regulatory and compliance arrangements, including sector-specific compliance requirements, FCPA compliance, UK Bribery Act compliance, compliance with Concession Agreements and compliance with social and environmental norms.

### Contract compliance

Infrastructure sector is characterized by multitude of contracts at different levels. Firms need to monitor their own compliance and also ensure that vendors and contractors/ sub-contractors comply

## Key fraud risk management issues

- ▶ Weak controls in metering, billing and collection in distribution utilities
- ▶ Toll collection/ leakages on road projects
- ▶ Misconduct in project implementation
- ▶ Weak controls in vendor selection, vendor payments, site selection
- ▶ Lack of stringent processes in debtor management
- ▶ Lax vendor management practices, especially in the transportation function
- ▶ Absence of whistle blower mechanism and code of conduct

---

## Key business intelligence issues

- ▶ Data collection from multiple locations (toll booths, meters, etc.)
- ▶ Data analysis on multiple streams of data to establish linkages
- ▶ MIS dashboards to analyse consumption pattern and billings to provide potential red flags and insights into customer/employee/ vendor behaviour.

---

## Key regulatory compliance issues

- ▶ Compliance with sector regulations
- ▶ Compliance with concession agreements
- ▶ FCPA compliance
- ▶ Compliance with social and environmental norms
- ▶ Airport development fee – How much?
- ▶ Revenue sharing in ports/ airports – What is revenue?
- ▶ Tariff setting for ports and power companies – what are allowable costs?

---

with their respective contracts to deliver an end product that is in line with compliance requirements and helps mitigate reputation, commercial and regulatory risks.

Misunderstanding over critical contractual issues such as revenue sharing, quality criteria and performance guarantees, contract pricing and timelines, and suspension and termination of contracts can stall a project and have adverse financial impact.

We can help companies monitor compliance with respect to the Concession Agreement as well as other commercial contracts and advise them on infrastructure contract parameters and periodicity of timelines to reduce non-compliance risks arising on the part of the company as well as those coming from the performance of vendors and contractors/ sub-contractors.

## Do you need support to effectively handle your disputes?

### Dispute advisory services

Businesses may encounter disputes due to the performance of parties under a contract, default on payments (at vendor level), deviation from the proposed results or violation of compliance needs. Litigation delays project completion, resulting in losses. It is therefore important to present evidence in a manner that will help resolve the case fast and favourably.

We can provide accounting/commercial/ financial advice to assist in the resolution of commercial disputes, transaction disputes, insurance claims and regulatory disputes to smoothen the processes of arbitration, litigation and mediation. We work closely with clients and legal teams to provide realistic and authoritative assessments of key accounting, commercial and financial issues and/or quantum in dispute. This can help you make decisions about the case and negotiate from a position of strength. We can also independently quantify claims for our clients and testify as an expert witness.

### Common issues of dispute

- ▶ Termination of contracts/ concession agreements
- ▶ Breach of agreements by vendor/ sub contractor
- ▶ Differences on performance of obligations under the contract
- ▶ Disputes between joint venture partners or joint developers in the real estate industry

---

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

### e-Discovery services

While trying to unearth evidence in connection with litigation, it is important to review all data within an organization so as to find relevant and conclusive facts. 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 relevant material.

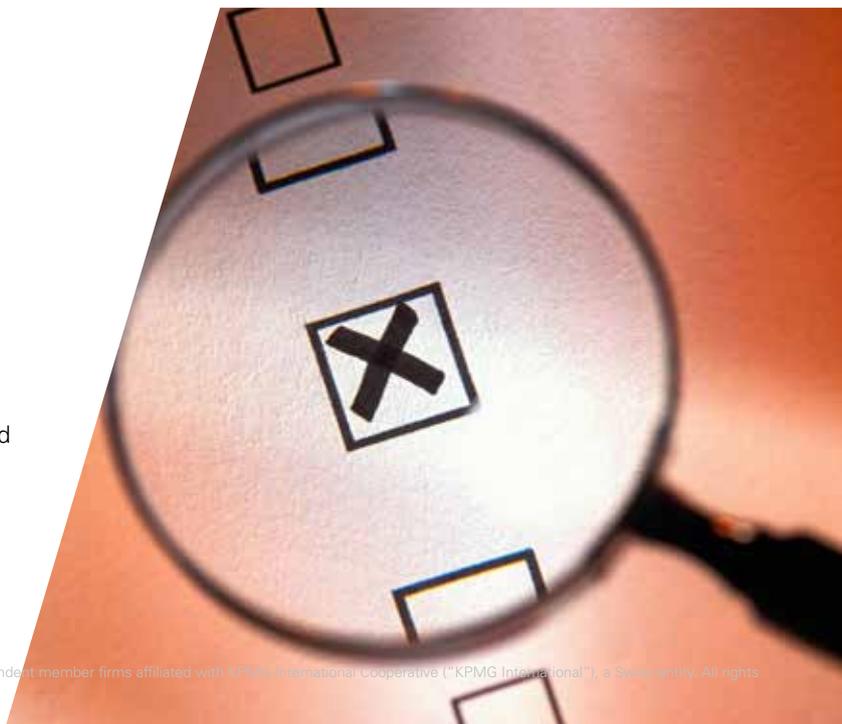
We have access to a wide range of information sources in India and abroad which allows us to obtain records and information on companies and individuals. We can help companies make informed decisions by identifying any hidden factors or red flags that may impact their businesses. We also highlight issues of concern that may cause potential reputational or financial damage to a company, its directors and its shareholders.

### Employee verification services

In a growing industry, people shape processes; therefore, it is paramount to pick the right persons for the job. We conduct professional and impartial background checks on employment candidates without violating their privacy. We help you base your hiring decisions on facts and not on the job seeker's representations or disclosures. We conduct checks including education checks, employment checks, reference checks and criminal checks through our dedicated verification hubs.

### Integrity due diligence

Entering into any kind of relationship without an appreciation of the possible downside can expose organizations to financial and reputation risks. We help our clients make informed decisions on: investing in a business; recruiting a new vendor, franchisee, supplier or distributor; acquiring, merging or partnering with a business or hiring senior management personnel.



# Our value proposition

## ▶ **Vast experience**

We have investigated over 400 cases of economic crime of various kinds including some of the most high profile cases featured in leading financial dailies. Our services are proactive and reactive, addressing a wide range of issues including kickbacks and bribes, financial misrepresentations, accounting frauds, fraud in malicious emails, data theft, internet fraud and funds siphoning.

## ▶ **Dedicated and trained resources**

Our team comprises of management professionals with in depth experience in the infrastructure industry, certified fraud examiners, former police officers, chartered accountants, certified public accountants, business ethics professionals, environment specialists, social workers, technology professionals and analysts. They are supported by our on-site investigation team that verifies facts in person, thereby increasing the credibility of our services.

## ▶ **Technology-backed solutions**

We produce accurate and objective reports with fast turnaround time, by using Proprietary technology tools. Our dedicated forensic technology laboratory can mine and analyse large volumes of data in paper and electronic formats in minutes and effectively support on-site investigations.



# Select credentials

## ▶ Investigation of potential irregularities in operations, sales and debtors, marketing and procurement functions of a leading logistics and freight company

A leading logistics and freight forwarding company suspected irregularities and wanted an investigation into their suspicions, besides a systemic fraud risk assessment. KPMG conducted an investigation and unearthed frauds being perpetrated. We also provided constructive recommendations to improve controls in relation to fraud risk management.

## ▶ Design and implementation of a comprehensive fraud risk management program for a leading renewables power equipment manufacturing company

A leading equipment manufacturing company in the renewable energy sector appointed us to assess, evaluate, strengthen and institutionalise the integrity value system covering process, people and technology. The engagement included analyzing the existing process design and control framework, recommending additional controls to mitigate fraud risk, evolving a whistleblower mechanism and operationalising it and aligning work culture with company values on ethics and integrity in business practices.

## ▶ Forensic review of critical functions in managing three transport assets of a large Indian infrastructure group

The management of a large Indian infrastructure group suspected irregularities in key functions of its transport assets. KPMG was appointed to conduct investigation in key functions of two such assets to ascertain existence of irregularities, identify the individuals perpetrating these irregularities and to understand the modus operandi. KPMG also conducted a comprehensive fraud risk assessment for key functions of these assets to identify fraud risks and create a preventive framework to manage and mitigate these risks.

## ▶ Review of toll collection process for a large engineering and infrastructure company

A large engineering and infrastructure company appointed us to review toll operations for one of its subsidiaries. The engagement included a review of systems, software, personnel, management operations and whistleblower policies. KPMG identified process weaknesses and suggested improvements to plug possible revenue leakages arising from it.

## ▶ Investigation of potential irregularities in the procurement department of a large Indian infrastructure group

The management of a large Indian infrastructure company received a whistle blower complaint on prevalence of impropriety in the procurement department.

KPMG conducted an investigation and established presence of fraudulent practices in assigning capital contracts. We also identified control lapses in the procurement process and recommended suitable controls to improve the process.

## ▶ Forensic review of project implementation for a large power company

A large power company in India mandated KPMG to conduct a forensic diagnostic review of its project operations to ensure that the project was being implemented within parameters of best ethical practices. Our review included appointment of a logistic company and inquiry into acquisition of land for railway line within the project premises. We found that global best practices for competitive bidding were not being used and the appointment of logistics firm was in return for financial favors.

## ▶ Dispute advisory services for a leading real estate company on award of contract

A leading construction and real estate company was awarded a contract by a state Government in one of the largest land deals in the country. An unsuccessful bidder filed a petition in the Supreme Court against the award of contract. KPMG was mandated by the winning bidder to provide an expert accountant's report on the qualifying criteria and eligibility of our client in the bidding process. Our report has been submitted in the Supreme Court and we acted as expert witness in the case.

## ▶ FCPA review for a US company entering into partnerships or acquiring Indian companies

Our client, a US-based multinational, was considering acquiring partnership firms and private companies in India. KPMG was engaged to conduct a review of FCPA-related policies and procedures as well as compliance with FCPA provisions. Based on the complete information at the pre-acquisition stage, the company was able to evaluate the risks involved in the transactions and was able to develop counter measures for the identified risks.

## ▶ Integrity due diligence review of a JV partner for a leading shipping agency

A leading shipping agency in India (JV between Indian and overseas principal) entered into a shared services agreement with the Indian joint venture partner. The company suspected that the services were not being provided as per the agreement. KPMG reviewed the agreement and conducted enquiries to assess extent of services provided and charged. Based on our report, the company recovered the excess charges paid under the agreement. We also suggested improvements in operations and IT systems.

## Contact us

### **Sandeep Dhupia** **Partner and Head**

Forensic services  
M: +91 124 3345 008  
E: sdhupia@kpmg.com

### **Jagvinder Singh Brar** **Partner**

Forensic services  
M: +91 124 3074 000  
E: jsbrar@kpmg.com

### **Shobhit Agarwal** **Partner**

Forensic services  
M: +91 124 3345 011  
E: shobhita@kpmg.com

[www.kpmg.com/in](http://www.kpmg.com/in)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG, an Indian Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Printed in India.