



cutting through complexity

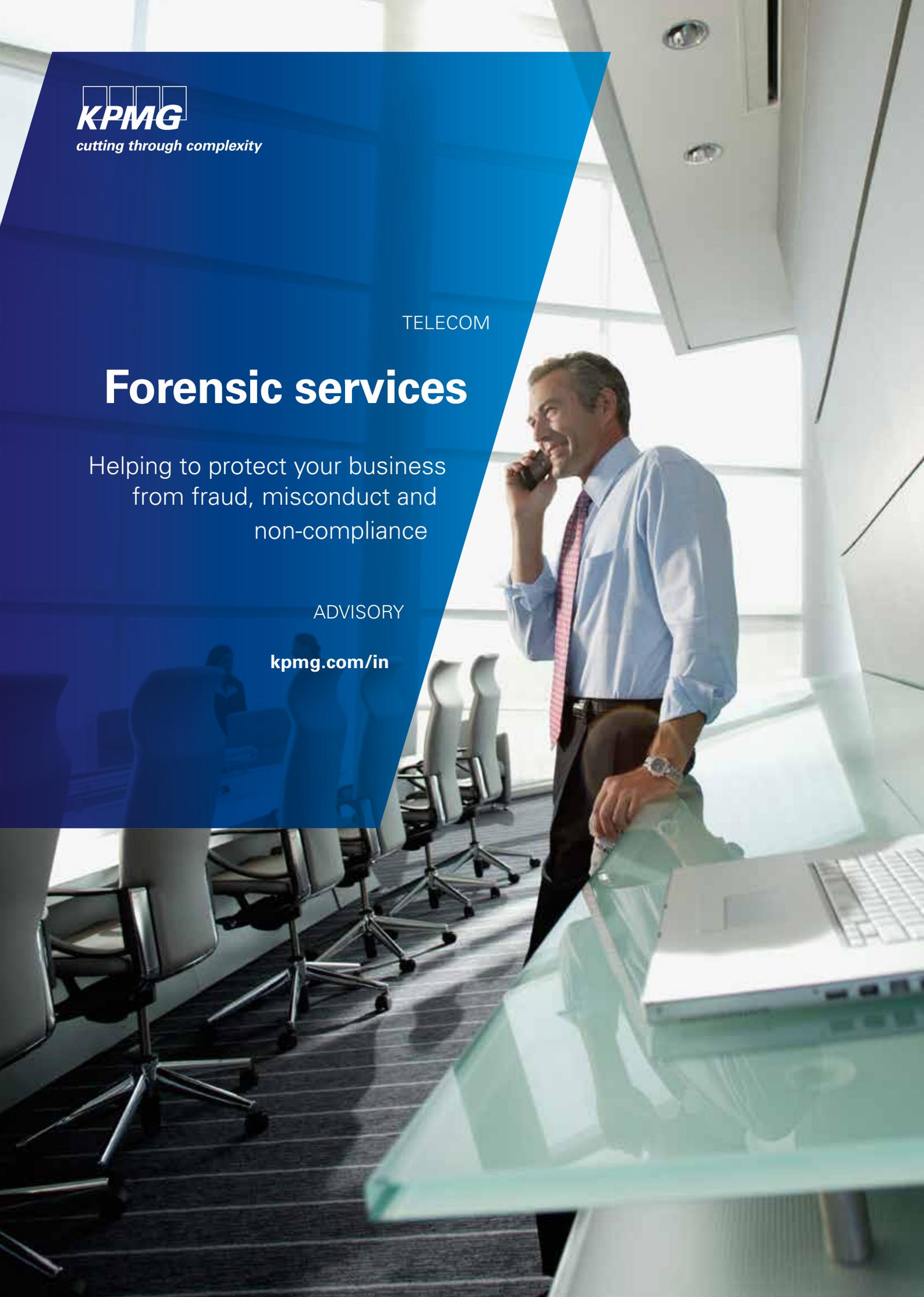
TELECOM

Forensic services

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

ADVISORY

kpmg.com/in



The Indian telecom industry has undergone a revolution in the last decade, characterised by unprecedented subscriber growth, intense competition, business innovation (outsourced/ managed services) and the evolving regulatory environment. While this presents an opportunity for fast growth, companies must understand that growth and margins can be challenged by significant exposure to fraud and non-compliance arising from relatively little attention given to internal processes and controls. Additionally, the limited maturity of business processes and controls in this sector, evolving regulatory measures, relatively high level of contractual disputes and revenue leakage only increase the risk exposure that companies face in this sector.

The telecom industry today is encountering different types of frauds such as subscription frauds, unauthorized use of network, leakage of sensitive information, accounting and reporting irregularities, revenue leakage, customer bad debt, interconnect billing problems and challenges associated with internal and/ or external misconduct in procurement. However, like other business risks, 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 business from fraud, misconduct and non-compliance, this helps organisations reduce reputation risk and commercial loss. We provide independent, proactive and responsive services through our telecom focused investigative, accounting and technology capabilities delivered through a team that comprises of chartered accountants, management professionals with extensive experience of the telecom sector, industry experts, technology professionals, former police officers and field agents. We have effectively used these skill-sets to create better value for our clients by identifying and plugging revenue and cost leakages, saving redundant/ unnecessary costs and in achieving optimal resolution of commercial/ regulatory disputes.

Our team has more than 650 professionals, including over 250 core investigation professionals.

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

Fraud risk management

Given the high growth potential and dynamic business environment, Indian telecom companies are primarily focused on sustaining growth. In such a scenario, companies are susceptible to fraudulent activities in both purchase to pay and revenue cycle leading to high risk. While acknowledging that no single approach to fraud risk management can fit every organization's needs, KPMG Forensic helps clients by bringing key practices that organizations have generally found effective while drafting a company-specific antifraud program, and offers a **strategic approach** to aligning corporate values with performance.

We follow an effective, **business-driven fraud risk management approach** encompassing controls that serves three objectives: Prevention, Detection and Response. This helps clients assess their vulnerability to fraud, reduce fraud loss and revenue leakage by evaluating their existing counter-measures, and developing effective anti-fraud policies, systems and controls.



Data analytics-based proactive fraud management

The vast volumes of data residing within telecom companies, can be analysed to help them identify red flags, make well informed decisions on various fronts, including fraud risks and improving their business. Our data analysis team is experienced in the **analysis** of vast and diverse data streams **to generate meaningful business insights** covering both revenue and other business streams such as cash procure to pay, cash and banking transactions etc.

With our extensive telecom industry knowledge and experience with multiple fraud schemes we can help companies interpret results and devise strategies for fraud risk mitigation and business innovation.

- Proactive fraud management to acquire, correlate and transform data into insightful and actionable information through analytics, enables telecom companies and their business partners to make better and more timely decisions
- MIS dashboards for procure to pay reviews, analyzing service usage and billings, can provide insight into subscriber behavior and proactively raise red flags.

Fraud and misconduct investigation

KPMG Forensic can assist companies in detecting fraud by combining the forensic and investigative experience of its professionals along with the use of technology. With over 250 dedicated fraud investigation professionals, we are one of the largest investigative teams in the country. Using our experience and the knowledge of your organisation's particular circumstances, we can conduct **event-led investigations** by gathering and analysing data to help identify instances of impropriety, the parties involved as well as uncover the modus operandi. We also help gather evidence that can be presented in a court of law and assist the client in litigation.

KPMG Forensic has successfully helped telecom companies in combating frauds by

- Identifying involvement of key internal/external parties
- Identifying the modus operandi and vulnerabilities in process and technology
- Gathering evidence against perpetrators
- Estimating the fraud exposure.

Prevalent high risk frauds in telecom companies

- Bribery and inducement in procurement
- Theft/misuse of inventory
- Impersonation/fake subscription
- Exploitation of dealer commission
- Tampering of service provisioning
- Fraudulent billing and waivers
- Premium Rate Services.

Fraud management systems (FMS)

Many telecom companies have deployed fraud management tools such as Subex-Nikira, cVidya, ecTel, etc., aimed at fraud prevention and detection, system operation and fraud management reporting to senior management. However, the challenge is to consistently maintain the efficiency of these systems in the fast changing business environment to detect early warning signals, improve detection and help prevent more frauds.

KPMG Forensic can help companies to **effectively utilize fraud management tools**, put in place key performance measures, minimise fraud revenue loss and obtain the required return on investment through the following fraud management services:

- **Periodic Reviews** – Review of system utilizations with a view to identify gaps and provide recommendations that optimize the potential of the fraud management tool.
- **Managed Services** – Running FMS operations end-to-end as an outsourced service and keeping FMS responsive, efficient and updated for new and existing frauds.
- **FMS Setup** – Complete implementation of fraud management solutions from definition of business requirements till final installation including configuration of Tools and resource training.

Incidence response management services

Telcos have a large number of applications and information systems across various functions which while serving business requirements, are exposed to multiple threats such as theft/leakage of sensitive information, malicious emails, intrusion/hacking into systems, unexplained interruption in services, and derogatory/fraudulent content about the company. This can cause great financial and reputation loss and/or regulatory non-compliance. The vulnerability of these incidences to Telcos increases due to the increasing trend of using outsourcing/shared services/ Internet for service delivery.

To enable Telcos to handle such sporadic incidences in their ecosystem, KPMG offers Incidence Response Management Services as a continuous ongoing support service which allows Telcos quick turnaround time for incidence resolution, flexible access to domain specialized skillsets, and is based on KPMG's structured approach to Investigation.

KPMG's Fraudulent Activity Reporting Service (K-FARS)

Our fraudulent activity reporting service, which leverages our expertise in the telecom industry, and market intelligence help telecom service providers to get an outsider's view of fraudulent activities targeted at them. This supplements the service provider's routine inward focus on fraud management activities so as to provide proactive inputs for follow up action.

Today some of the key sources of information related to fraud are available on social media such as blogs, Facebook, MySpace, etc, besides regular discussions on the grey markets conducted across cities. It is imperative for service providers to have a robust mechanism to continuously track such discussions and to be able to get inputs to plug loopholes at their end.

Are you concerned about regulatory risks?

- Proactive regulatory advocacy can help in safeguarding business interest.
- Regulatory non-compliance can lead to long drawn litigation and heavy penalties.

Regulatory compliance

The telecom industry is characterised by a large number of compliance requirements by the telecom regulatory body (Telecom Regulatory Authority of India-TRAI) and the licensor/policy maker (Department of Telecom - DoT), each focused on different aspects of compliance. Non compliance with regulatory/licensing requirements could result in severe penalties thus affecting the company reputation, stability and growth. KPMG Forensic can help clients review their compliance status, identify areas of concern and suggest necessary steps to achieve regulatory compliance.

We bring in specialized knowledge on regulatory compliance from in-house expertise and our association with senior ex-DoT personnel with practical insights on DoT compliances.

Another area of concern for service providers is calls to premium rate services, primarily to lesser known international destinations, that results in significant revenue loss. It is thus important to continuously track websites of premium rate solution providers, monitor traffic to test number ranges and block them to minimise losses.

K-FARS, offered as a subscription service, helps clients track and monitor relevant discussions, websites and any other content on fraud activities.

Network intrusion and malicious e-mail tracing

Network security is an important aspect of maintaining the integrity of information and any breaches could result in defacement, security hazards or theft of confidential information stored in IT networks. KPMG's Forensic technology teams can work with clients in identifying the source of such intrusion as well as impact thereof. We can also assist clients in tracing malicious e-mails that could spread rumors, harm reputation as well as be carriers of malware.

Ethics helpline

Our ethics helpline service assists clients by providing an independent conduit for employees to report incidents of unethical practices. The helpline is managed by trained call handlers and not interactive voice response systems, thus ensuring that a wide range of concerns are addressed. The helpline numbers can be generic or customised to client requirements (subject to availability with the service provider).

We provide ethics helpline services to over 130 clients across Asia, Africa, Australia and Latin America. While maintaining the whistleblower's confidentiality, we provide customized reporting as per the needs of our clients based on their industry, business and approach to issue resolutions.

Regulatory advocacy

The uncertainties arising from changing regulatory road map in the sector can pose immense business risk. Telecom companies need to express their points of view on various aspects of telecom regulations proactively or in response to the consultation process directly to TRAI and DoT and/or through various forums and associations (COAI, AUSPI, ISPAI, TEMA, ACTO etc.). KPMG Forensic can assist clients through research based study, supported by international precedents and quantitative analysis in presenting their point of view to TRAI and DoT so as to achieve their business objectives.

Compliance with Anti-bribery and corruption regulation

Compliance with the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act is challenging in developing countries, particularly in countries where corruption is prevalent. We help clients develop and implement effective compliance programs to prevent, detect and respond to issues related to US FCPA and UK Bribery Act. KPMG Forensic has not only investigated various cases involving bribery/corruption but has also helped clients in FCPA due diligence and conducting integrity due diligence on third parties and employees.

Is your company embroiled in a commercial/regulatory dispute?

Dispute advisory services

Telecom companies encounter disputes with different parties including the TRAI/DoT, inter-operator and other Government agencies on various issues under the purview of telecom regulation. KPMG Forensic can help you with analysis and quantification of facts and also in presenting opinions and conclusions backed by credible evidence to the arbitrators (Telecom Dispute Settlement Appellate Tribunal - TDSAT) or any other relevant authority. We can provide accounting advice to assist in the resolution of disputes and in the processes of arbitration, litigation, mediation, transaction disputes and insurance claims.

e-Discovery services

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

Do you want to know the background of your employee, distributor, vendor or customer?

Pre-employment screenin

Often, due to the pressures of high employee attrition and large scale recruitment in the telecom industry, certain employees get hired who misrepresent various aspects of their profiles. KPMG Forensic can conduct professional and impartial background checks on prospective candidates without violating their privacy. We help organisations base their hiring decisions on facts and not on job seekers' representations or disclosures. We conduct checks including education checks, employment checks, reference checks and criminal checks through our dedicated verifications hubs.

Know your distributor and vendor

KPMG Forensic can provide investigative due diligence to organisations seeking to screen prospective distributors and vendors for potential problems. Awareness of distributor and vendors' background, past performance, reputation and history can help organisations proactively decide or plan on their relationship with them. KPMG also helps monitor the integrity of supply chain by conducting in-depth investigations, assisting clients in understanding and mapping illegal supply chain, identifying key players that operate within the supply chain and taking corrective action against the perpetrators.

Know your customer

With increasing security concerns Know Your Customer norms have suddenly become the key focus area for regulators. KPMG can assist organisations in conducting background checks on their prospective customers to help ensure the credibility of information submitted and reconciling them with subscriber additions.

Mystery shopping of distributor and vendor

KPMG's Mystery Shopping services helps our clients to covertly assess if all agreed norms & parameters are being adhered to by distributors and vendors. Mystery shopping could be in areas related to customer experience, service levels, look & feel across outlets/showrooms, distributor or vendor specific schemes. Our mystery shoppers visit the allocated outlets, assess the areas under review and fill a pre-prepared questionnaire which is used for detailed on ground reporting to the client.



Our value proposition

Vast forensic experience, backed by specific telecom industry experience

KPMG is one of the pioneer and market leaders of Forensic services in India with a vast client base and one of the largest teams and significant market share. We have investigated over 650 cases of economic crime of various kinds including some of the most high profile cases featured in leading financial dailies. We have over a decade of experience of working with telecom operators, vendors, tower companies and other telecom value chain players for various engagements including forensic services spanning both purchase to pay and revenue cycle. We have worked extensively with regulators and gained deep understanding of the regulatory environment in India.

Dedicated trained resources

Our team comprises of management professionals with in depth experience in the telecom industry, certified fraud examiners, former police officers, chartered accountants, engineers, 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 service offerings

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 procurement frauds in telecom equipment vendors and operators

KPMG Forensic has helped various companies in the telecom domain (both operators and vendors) in investigating fraud related to procurement like purchases of transportation and vendor services, site procurement, office supplies/consumables, employee expenses, advertising expenditure, etc. KPMG has helped clients by investigating whistleblower allegations, determining the modus operandi, identifying the perpetrators and quantifying the fraud using a combination of latest technological tools, field investigation and data analytics.

Setting up a fraud management program

KPMG assisted a telecom service provider in setting up a revenue risk and fraud management program and in the development of detailed standard operating procedures related to revenue assurance and fraud management covering the GSM and PSTN business units. This engagement involved assessment of the current state of various functions, conducting gap analysis, identification of core initiatives including developing a prioritised roadmap and conducting training programs on revenue risk and fraud management for select personnel.

Investigation of fraud in international calling

Our client, a leading telecom services provider, had observed a dramatic increase in the number and value of international calls. During our investigations we identified the perpetrators and their modus operandi. Insiders and distributor staff colluded to obtain multiple connections and established a parallel network to provide ISD services to the public. We helped in collecting evidence of detailed planning and conducted dry runs.

Regulatory compliance for other service provider

KPMG is currently working with a captive of a service provider for the review of regulatory compliance of service conditions as required by DoT and also the related corporate laws under Companies Act 1956. The work includes identification of existing gaps in regulatory compliance and areas of improvement. The assignment also includes developing recommendations with regards to the necessary action steps for the company.

Investigation in the pre-paid segment

Our client suspected fraudulent activities and usage abuse in the prepaid segment. We estimated the nature, extent and cause of the fraud, reviewed the company's organisation structure, undertook a detailed study of the existing technology and data security aspects. The team identified the purpose of fraud, internal/external parties perpetuating the fraud, modus operandi as well as recognized the vulnerabilities in technology and process involved. KPMG also assisted the client in collecting the primary evidence and preparing of police complaint.

Investigation of grey market issue in handset sales

A leading telecom company had concerns about the grey market exports of their mobile phones from India to various international markets. KPMG's Forensic team was engaged to carry out focused investigations in multiple cities in India to ascertain if the grey market exists, and if validated, to identify key individuals/entities involved within all elements in supply chain and establish the modus operandi adopted. We used intelligence based on market surveys in the retail/wholesale markets across cities to ascertain the scale of the problem and identified key players involved in the illegal trade. We helped develop a long-term brand protection strategy for the client.

Pre-launch risk assessment of m-Commerce product

KPMG Forensic assisted a leading telecom service provider in pre launch risk assessment for their m-commerce product. KPMG Forensic team was engaged to review the business processes, policies and IT architecture and security to identify the business and fraud risks for the product and provide recommendations to mitigate them. The engagement also involved assessment and review of regulatory compliance requirements for the launch of the m-commerce product.

Incidence response management services

We are engaged with a leading telecom service provider in India for Incidence Response Management Services and have handled incidences related to unauthorized access to provisioning and billing systems, objectionable content broadcasted to customers, sensitive data leakages etc. Each incidence report covers root cause analysis, identification of perpetrators and recommendations for future prevention.

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