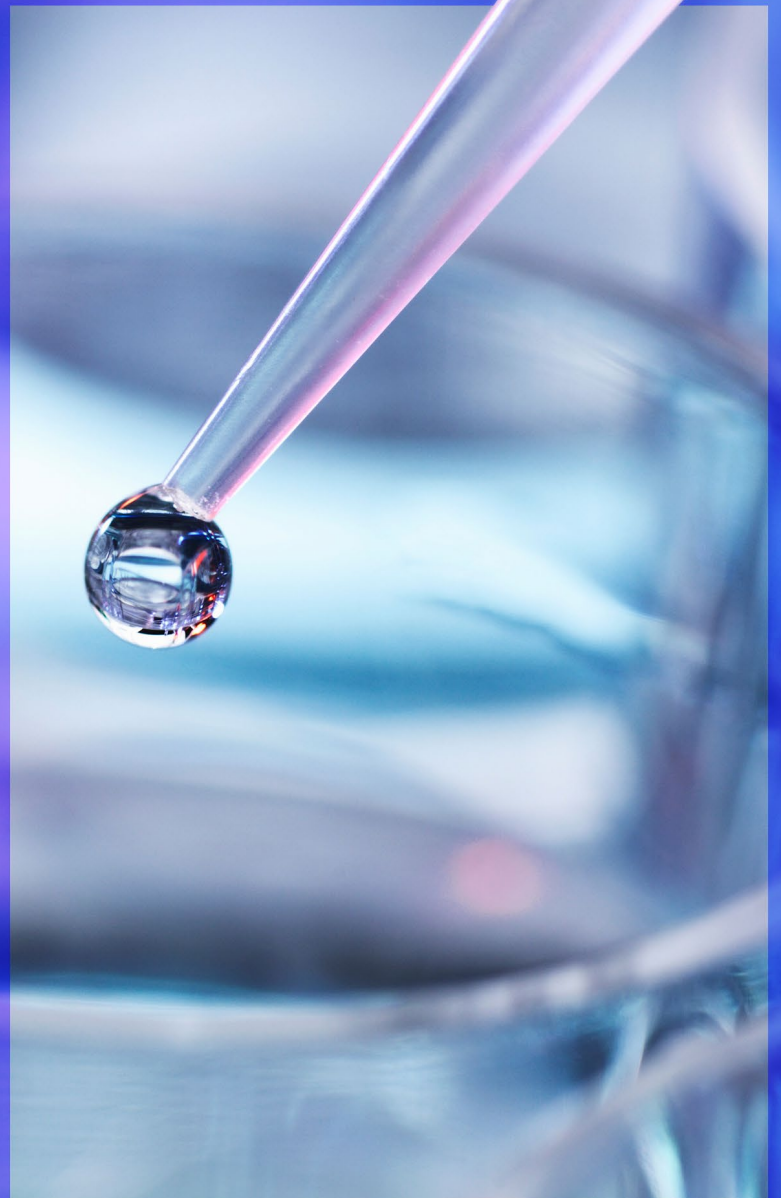




# Forensic services life sciences



October 2022  
KPMG Lower Gulf

# Introduction

**KPMG's global life sciences advisory practice has broad industry knowledge and globally delivers engagements to 100% of the top 25 life sciences companies.**

KPMG Lower Gulf Forensic has practical knowledge of industry issues across life sciences and intermediaries. Our leaders have significant experience across pharma, med-devices, consumer and healthcare franchises. Our team has passion and over a decade of experience working in this industry in the Middle East. Our leadership also frequently speaks and writes on compliance issues in the life sciences industry.

KPMG Lower Gulf Forensic offers clients tailored, scalable support to rapidly respond to crisis or proactive reviews.



# How KPMG Lower Gulf Forensic can help?

## On-call investigations

Responding quickly to allegations of fraud or bribery instances is critical but rarely easy, especially if wrongdoing is reported in foreign countries. Having resources with the right skills, fluency in the local language, knowledge of local customs and the ability to be deployed within days is a tall order for any organization. KPMG Lower Gulf Forensic helps clients find and assess the relevant facts concerning alleged or suspected fraud, misconduct or other improper ties such as violations of laws, regulations or organizational policies. Our professionals provide an impartial means for legal counsel, audit, special committees and executives to establish truths, evaluate implications, identify appropriate remedial actions, submit restatements, and communicate with regulators or outside auditors when needed.

### Our investigation engagements for life sciences include:

- Financial misreporting (including channel stuffing)
- Privileged matters for bribery and corruption escalations
- Hosting and managed document reviews (e-discovery support)
- Distributor excess compensation escalations (FOCs, discounts, marketing spend, expired stock)
- Product diversion escalations
- Employee frauds (including conflict of interest)

## Proactive services

Proactive work to assist a company in complying with relevant anti-bribery and corruption rules, regulations and legislation, including the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other overseas bribery rules and regulations.

Our proactive services include risk assessments, compliance program design and assessment, third-party management and screening, pre - and post - acquisition due diligence, compliance audits, design and implementation of reporting programs and systems, and training.

### Our proactive engagements for life sciences include:

- Distributor compliance audits
- Reviews for monitor led remediations
- Distributor integrity due diligence (including fair market value analysis)
- Data analytics for channel sales



# Forensic in life sciences

## Solutions



### Investigations



- Procurement
- Fee for services
- Revenue
- Supply chain



### Third party reviews

- Distributor audits
- Distributor analytical reviews



- Distributor debit notes
- Market sales



### Contract reviews



- PSP/PAP
- Clinical Trials



### Reconciliations and vetting



- Events
- Sponsorships
- Sales promotion



### Corporate intelligence



- Patents
- Third party risk

## Typical issues



Kick-backs



Distributor claims



Ghost patients



Fictitious CME events



IP theft



Conflict of interest



Sell-out monitoring



Fictitious studies



Foreign travel sponsorship



Counterfeit and parallels



Excess payments



Corruption in Public tendering



Excess payments for trials



FOCs, samples and discounts



Expense Fraud



Product registration and drug pricing controls



Distributor margins



Channel stuffing



Financial statement misappropriation



Improper payments for customs clearances

# KPMG at work



## US life sciences company – channel stuffing

KPMG assisted an in-house legal and internal audit department of a US life sciences company for allegations of channel stuffing and financial misstatement of Middle East revenue for over five years. KPMG performed a comprehensive forensic investigation including email reviews, corporate intelligence procedures, data analytics, financial reviews (testing the revenue recorded for the US GAAP revenue recognition rules) and conducting substantive interviews with the alleged senior employees of the client.

Our investigation identified evidence to verify the allegations of channel stuffing and overstated revenue of more than USD 50 million recorded by the client by selling excess products to their middle distributors. The verified allegations also included deferring contractually owned FOCs and not making accruals for refund liabilities arising from excess sales. This resulted in the company's restatement of its historical financial records.



## UK pharmaceutical company – product diversion

KPMG assisted a UK pharmaceutical company in investigating into suspected product diversion by one of their Saudi Arabia distributors. KPMG performed an onsite investigation and carried out data analytics on the sell-in and sell-out data, tested documents for sales transactions and assisted the client's external counsel on substantive interviews.

This investigation uncovered the counterfeiting of trade packaging of governmental tender stock for diversion into the retail market by the subject distributor. Based on the outcome of the investigation, the client terminated their distribution agreement and their relationship with the subject



## US medical devices company – FCPA investigation

KPMG assisted an external counsel for a US medical devices company for allegations of bribery payments to a government HCP in Saudi Arabia to retain tender sales. KPMG performed a comprehensive forensic investigation including email review, corporate intelligence procedures, data analytics, financial review and assisting the external counsel on forensic interviews.

This investigation uncovered value transfers made to a government healthcare professional (HCP) in the form of multiple sponsorships, speaker fees and high value products for the personal use of the subject HCP. The HCP used the products in private surgeries carried out at another private hospital. The HCP was also a key influencer for tender sales at a large government hospital chain in Saudi Arabia. Our analysis showed a significant spike in tender sales to the hospital chain where the HCP was employed. The client therefore discontinued all financial transactions (value transfers) with the subject HCP.



## EU pharmaceutical company – FCPA monitor led review

KPMG assisted a monitor appointed by the US SEC under FCPA enforcement action to test mandatory controls across the company's affiliates in several countries in the Middle East.

KPMG worked closely with the monitor on developing a list of mandatory controls to be tested, sampling approach and developing test scripts for testing. Through our testing and interviews, we confirmed the effectiveness and improvement areas of mandatory controls.

# KPMG Forensic methodologies

KPMG Forensic global proprietary methodologies ensure a consistent approach and delivery from all teams, facilitate communication and help ensure a process that is accepted by regulatory bodies.

1

**Global investigations methodology**

2

**FCPA/anti-bribery and corruption proactive methodology**

3

**FCPA/anti-bribery and corruption reactive methodology**

4

**Corporate intelligence methodology**

5

**Fraud risk management methodology**

**The extensive background and the competencies of KPMG set us apart and extend beyond forensic accounting.**

## **Forensic technology**

Forensic technology services (e-discovery services) help clients prepare for the identification, preservation, production, retention and disposition of records and information for regulatory and discovery matters. Our advanced facility, based in Dubai, acts as a hub for our Middle East South Asia (MESA) member firms. This ensures data stays within the region.

## **Data analytics**

We currently use advanced tools and technology to provide data analytics. Our services range from collecting, preserving and analyzing databases, to finding patterns which provide operational insight into a company's activities through intelligent analysis of data.

## **Corporate intelligence**

Corporate intelligence involves the collection and analysis of information regarding the background, business track record, reputation and integrity of individuals and organizations, generally in relation to prospective or existing business relationships.

Corporate intelligence is also provided during investigations on individuals or entities for identifying targeted information.

# KPMG Lower Gulf Forensic has a blend of forensic accountants and life sciences subject matter experts



## Establishment

KPMG is a global network of professional firms providing audit, tax and advisory services. KPMG Lower Gulf was established in 1973 and now consists of more than 1783 staff members, including approximately 190 partners and directors across offices in the UAE and Oman. In addition, KPMG is widely represented in the Middle East region with offices in Saudi Arabia, Bahrain, Qatar, Egypt, Jordan, the Lebanon, Palestine and Iraq.



## An international network of professionals

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes over 236,000 talented professionals in over 144 countries around the world. KPMG in the UAE is well connected with its global member network and combines its local knowledge with international expertise, providing outstanding sector and specialist skills required by our clients.



## Deep industry knowledge

KPMG was the first major firm to organize itself along industry lines – a structure which enabled us to develop in-depth knowledge of our clients' businesses and to provide them with an informed perspective. Over the years, KPMG has developed specialist industry and discipline groups to meet client requirement for professional services.

## KPMG Lower Gulf



Focused on localization



Approximately 1783 outstanding professionals



Commitment to communities and environment



Operates across offices in the UAE and Oman



Commitment to quality client service

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