



# Profile of a Fraudster:

**The picture in Central  
and Eastern Europe**

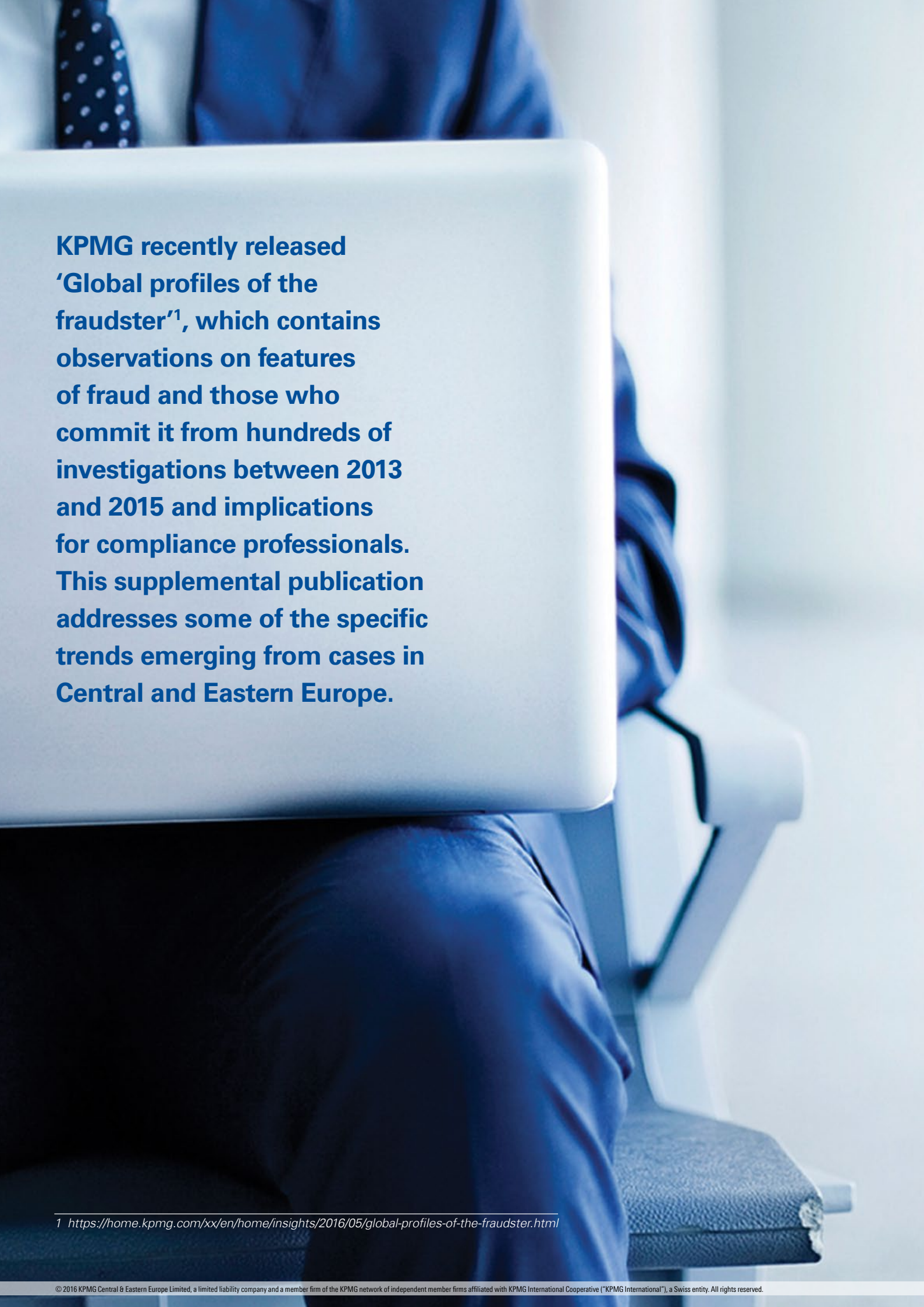
**June 2016**

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KPMG in Central  
and Eastern Europe





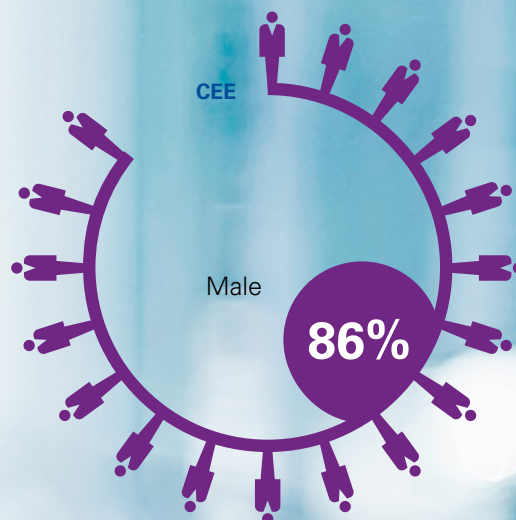
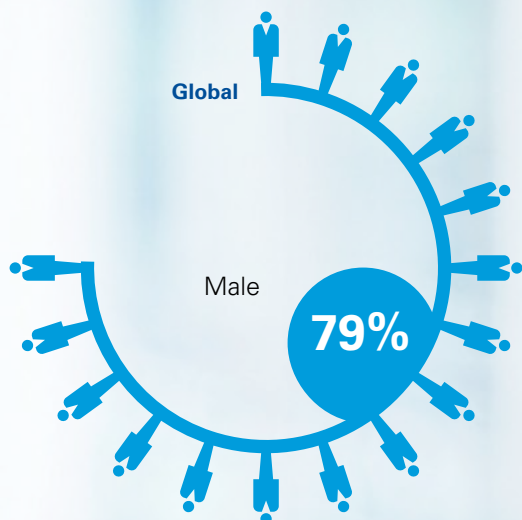
**KPMG recently released 'Global profiles of the fraudster'<sup>1</sup>, which contains observations on features of fraud and those who commit it from hundreds of investigations between 2013 and 2015 and implications for compliance professionals. This supplemental publication addresses some of the specific trends emerging from cases in Central and Eastern Europe.**

<sup>1</sup> <https://home.kpmg.com/xx/en/home/insights/2016/05/global-profiles-of-the-fraudster.html>

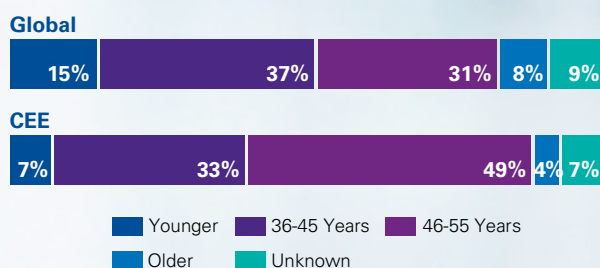


## Characteristics of a fraudster

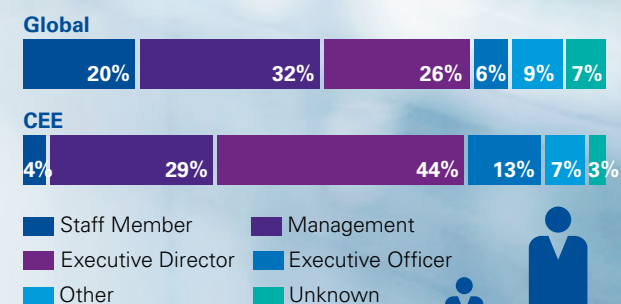
### Sex



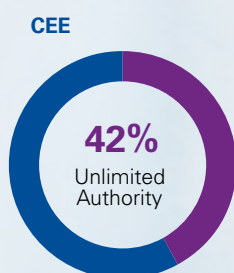
### Age



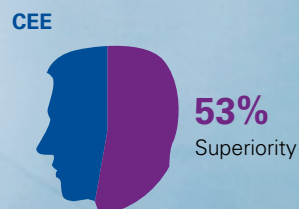
### Position



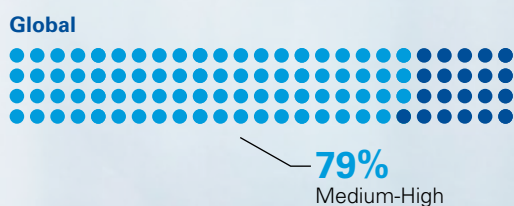
### Enablers



### Personality Traits



### Reputation



Sources: Global Profiles of the Fraudster, KPMG International, 2016  
Profiles of a Fraudster, KPMG in Central and Eastern Europe, 2016

## There are strong similarities between the typical fraudster that emerges globally and that which emerges from the CEE data.

Globally, the fraudsters we investigated were predominantly **male**. In CEE, the gender gap was even more stark: 87% of those investigated were men, compared to 79% globally. Furthermore, the vast majority of fraudsters were **employees** at the time of the fraud (100% in CEE; 86% globally).

Compared to the typical fraudster in the global population, the fraudsters we looked at in CEE tended to be **older**: more than 50% of those investigated were over 46 years old compared to 39% globally. This is also a big leap in the number of older fraudsters compared to our last survey, where just 34% were in this age group.

Reflecting their greater age, CEE fraudsters were more likely than their global counterparts to have **spent a lot of time at the organisation**: 56% had spent more than 6 years at their organisation compared to 38% globally. This was also a big step up from our last survey, where only 39% of CEE fraudsters fell into this category.

As last time, CEE fraudsters commonly occupied **senior management positions**: 58% with executive capacity compared to 31% globally. Of these, 38% were employed in a CEO or equivalent position compared to 16% globally. The proportion of frauds committed by staff below management grades is also much lower than the global average: just 4% compared to 20% globally. Similar to the global picture and to the last survey, CEE fraudsters also often had **unlimited authority** which helped them to commit the fraud (42%).

We see that, like their global counterparts, many CEE fraudsters worked in **finance roles** (20% compared to 16% globally), but **sales roles** were comparatively more common (18%; 10% globally).

### Collaboration reaps greater rewards

CEE fraudsters were even more likely to have **collaborated with others** to commit their crimes than their global counterparts (80%; 61% globally). The CEE statistics confirm the global trends – greater losses are experienced with collusion and frauds remain undetected for a longer period.

### How is fraud detected? Formal whistleblowing mechanisms on the rise

Since our last survey, there has been a marked swing away from informal tip-offs (16%, down from 29% in 2013) and an increase in the number of fraudsters alerted by formal whistleblowing mechanisms (27%, up from 20% in 2013). This may reflect the increasing trend for organisations to offer formal whistleblowing mechanisms for employees to raise concerns without fear of retribution.

There was also a significant decline in frauds detected by internal audits (7%, down from 21% in 2013) and a rise in the proportion of frauds picked up by management reviews (31%, up from 16% in 2013).



Companies worry that creating official channels for anonymous reports will lead to abuse. However, by clearly communicating the purpose of whistleblowing mechanisms this risk can be minimised. Employees who may have been sceptical about the treatment of informal tip-offs may be encouraged to come forward with their concerns once a clear process is put in place.”

*Agnieszka Gawronska-Malec, Director,  
KPMG in Poland*

### Contributing factors

Weak internal controls were a factor enabling fraudsters in CEE even more frequently than their global counterparts (87% vs 60% and up from 44% last time).

In CEE only 13% of cases involved technology to a large degree or where the fraud could not have been perpetrated without technology (compared to 24% globally). Nevertheless, fraudsters often leave traces of their activity in company accounting and email systems.

“

Most businesses now hold their accounting records electronically and much corporate communication is carried out through email or instant messaging. Few frauds can be committed without leaving electronic traces.”

*David Watterson, Senior Manager,  
KPMG in Central and Eastern Europe*

Globally, weak IT Controls enabled the fraudster to either

- Abuse permissible access to the organisation's computer systems (13% of cases), or
- Obtain access to the organisation's computer systems without permission (3% of cases).

**Motivation factors: competitive pressures a significant issue**

Market competitiveness was a factor in a large and increasing proportion of investigated cases in CEE (67%, up from 37%<sup>2</sup>). Corporate competitiveness was also up (42%, up from 21% in 2013<sup>3</sup>).

As in the previous survey, an aggressive sales environment was present more frequently in CEE than globally (49%; 29% globally).

“

Many businesses in Central and Eastern Europe are under pressure to deliver growth in a sluggish economy. In this environment, unrealistic targets can create a major temptation for executives and employees in sales and finance to cut corners.”

*Maros Holodnak, Director,  
KPMG in the Czech Republic*

<sup>2</sup> Assessing as 4 or 5 on a 5-point scale.

<sup>3</sup> As above.





“

Fraud requires opportunity. While some fraudsters are determined enough to find ways around existing controls, many simply observe gaps and exploit them. If they are able to do this successfully once, they may become bolder, seeking larger amounts.”

*Jimmy Helm, Head of Forensic,  
KPMG in Central and Eastern Europe*

#### **Greed still a common motivator, but saving face shouldn't be discounted**

While it is unsurprising that CEE fraudsters shared their global counterparts' **personal financial ambitions**, for a significant minority **meeting budgets or targets or hiding losses** were also assessed as motivations. Furthermore, opportunism (“because I can”) was also relatively common (42%; 27% globally).

#### **Personality and reputation**

There is no clear pattern in terms of personality traits:

- A sense of superiority on the part of the fraudster was quite common in the examined cases (54% in CEE; 44% globally, slightly up from 2013).
- The proportion of fraudsters exhibiting friendly characteristics was also up (42%; 31% in 2013, closely mirroring the global results).
- As we saw in the last survey, CEE fraudsters were more likely to be described as ‘autocratic’ than their global counterparts (31%; 18% globally).
- However, there was a marked increase since last time in the proportion of CEE fraudsters characterised as ‘entrepreneurial’ (36%; 10% in 2013).

The proportion of fraudsters with low reputation has declined since last time (down to 0% from 30% in CEE; down to 10% from 27% globally).

#### **Consequences to victims; consequences to fraudsters**

The frauds encountered in CEE were more likely to have been perpetrated over a longer period than globally (69% lasting 3 or more years compared to 48% globally; up from 49% in CEE last time).

In terms of types of fraud, misappropriation of assets is still the most prevalent (71%, down from 79% in 2013): especially procurement fraud (40%, up from 33% in 2013). However, the threats posed by commercial sabotage, theft of information and theft of victim trade secrets appear to be increasing (22%, up from 4% in 2013).

As we saw last time, fraudsters – both globally and in CEE – were likely to pay for their crimes with their jobs (60% in CEE; 51% globally). The number of fraudsters facing litigation – civil or criminal – fell slightly (22%, down from 26% in 2013).

“

Information is a valuable asset to a business. However, we're increasingly seeing cases where that information which has not been adequately protected is passed to competitors.”

*Michael Peer, Partner,  
KPMG in Central and Eastern Europe*



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KPMG firms in CEE work closely together to meet the needs of international, regional as well as local clients. Shared centres of excellence and infrastructure help to ensure a high level of client service throughout the region.

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For further information about the services offered by the Forensic team of KPMG in Central and Eastern Europe please contact us.



**Jimmy Helm**

Partner, Head of Forensic

**T:** +420 222 123 430

**E:** [jhelm@kpmg.com](mailto:jhelm@kpmg.com)



**Michael Peer**

Partner, Forensic

**T:** +420 222 123 359

**E:** [mpeer@kpmg.com](mailto:mpeer@kpmg.com)

**Responsible for communication:**

**Andrea Dintser**

Director, CEE Marketing & Communication  
and Collaboration & Knowledge

**T:** +36 1 887 7216

**E:** [adintser@kpmg.com](mailto:adintser@kpmg.com)

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

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

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