



TEİD
Etik ve İtibar Derneđi
Ethics & Reputation Society

Profiles of a Fraudster

2024

KPMG Türkiye

kpmg.com.tr



Foreword

Professional fraud is defined as the misuse of duties and powers for illegal or unethical financial gain. Essentially, it involves acts of deception by individuals against their employers. These unethical practices pose significant threats to organizations and society at large, leading to severe economic burdens.

Despite various preventive measures implemented by organizations, fraud persists, with laws, regulations, and company policies frequently violated. Fraudsters continually adapt to countermeasures, devising new methods that make detection increasingly challenging.

As KPMG, we have published comprehensive reports analyzing the profiles and characteristics of fraudsters. Drawing on extensive data from previous years, these reports help identify trends in the industry. Our 2020 “Profiles of a Fraudster” report, in particular, has served as a vital reference for companies globally.

Building on this, we collaborated with TICE this year to examine the fraud landscape in Türkiye. Our report delves into fraud cases and profiles of fraudsters, leveraging Turkish data to provide sector-specific insights. By comparing findings with previous reports, we aim to illuminate the evolving dynamics.

To ensure the report’s reliability, we conducted a 39-question web-based survey targeting carefully selected employees from leading companies in Türkiye. This survey explored key aspects such as fraud types, detection methods, and preventive measures. Additionally, we examined the role of technology in shaping fraud dynamics.

I hope this report contributes meaningfully to discussions on combating fraud and its broader impacts. I extend my gratitude to the KPMG Türkiye Integrity and Compliance Services team and TICE for their collaboration in preparing this report. Together, we aim to enhance understanding of the industry’s challenges and foster effective solutions.



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Foreword

Founded in 2010, the Turkish Integrity Center of Excellence (TICE) is dedicated to fostering ethical principles and values in the business world. Our mission focuses on providing data-driven analyses on ethics and compliance, sharing insights with stakeholders, and guiding society in these critical areas. Our vision is to promote a culture of transparency, accountability, responsibility, and sustainability, thereby contributing to the development of reliable and ethical business environments.

Fraud, defined as the unethical misuse of duties and powers for personal or financial gain, continues to be a significant threat to the business world. These acts not only undermine the financial stability and reputation of organizations but also damage societal structures. Despite advancements in fraud prevention, perpetrators adapt their methods, making detection increasingly challenging for organizations.

This report builds upon our previous series examining the profiles of fraudsters. In collaboration with KPMG Türkiye, this new study delves deeper into Türkiye's current fraud landscape. It focuses on the characteristics of individuals committing fraud, the areas most affected, methods for detecting fraudulent activities, and preventive measures implemented.

We believe this survey and report will offer valuable insights to the Turkish business community and serve as a guiding resource in combating ethics and compliance violations. We extend our heartfelt thanks to the organizations that participated in our survey and shared their feedback, as well as to the teams at KPMG Türkiye and TICE for their contributions to this report.

Kind regards,

Turkish Integrity Center of Excellence

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Survey Participant Profile

Approximately 82% of the 190 respondents to the 2024 survey are employees of joint-stock companies. Among the respondents, 67% work for international companies operating in multiple countries, while 33% work for local companies operating exclusively in Türkiye.

Sectoral representation among respondents indicates that 16% work in manufacturing, 14% in banking/finance, and 8% in the energy sector.

Among multinational companies surveyed, 65% have more than 1,000 employees, whereas 81% of local companies employ fewer than 1,000 individuals.

“Profiles of a Fraudster 2024” report examines 49 cases of professional fraud in Türkiye over the past two years. It provides an in-depth analysis of the most common types of fraud, the sectors most affected, and the demographic and behavioral characteristics of fraudsters.

Additionally, the report explores the features of companies most susceptible to fraud. The primary objective is to deliver a comprehensive assessment of professional fraud in Türkiye, contributing valuable insights to both the business community and broader society.



82%

Employee of a joint stock company



67%

Employee of an international company



33%

Employees of companies operating exclusively in Türkiye



16%

Manufacturing sector



14%

Banking and Finance Sector



8%

Energy Sector

Corporate Profiles

Demographic Profiles of Fraudsters

Impact and Financial Losses from Fraud

Behavioral Traits and Motivations of Fraudsters

Methods for Fraud Detection and Investigation

The Intersection of Fraud and Technology

Research Topics

1

Corporate Profiles



2

Demographic Profiles of Fraudsters



3

Impact and Financial Losses from Fraud



4

Behavioral Traits and Motivations of Fraudsters



5

Methods for Fraud Detection and Investigation



6

The Intersection of Fraud and Technology



Corporate Profiles

Demographic Profiles of Fraudsters

Impact and Financial Losses from Fraud

Behavioral Traits and Motivations of Fraudsters

Methods for Fraud Detection and Investigation

The Intersection of Fraud and Technology



Corporate Profiles



One in four companies has encountered at least one incident of fraud in the past two years.

Based on responses to the Profiles of a Fraudster 2024 survey, 27% of multinational companies and 24% of local companies have experienced at least one incident of fraud in the past two years.

Chart 1: Proportion of fraud in the past two years that damaged the reputation of companies or caused financial losses

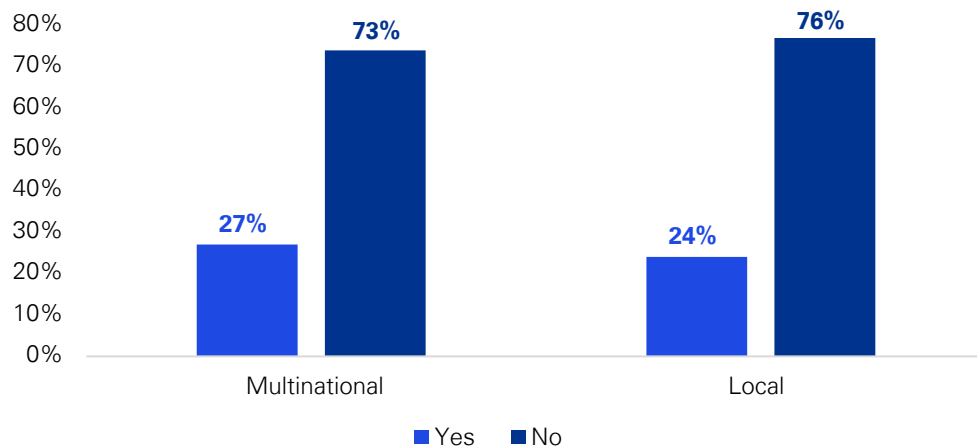
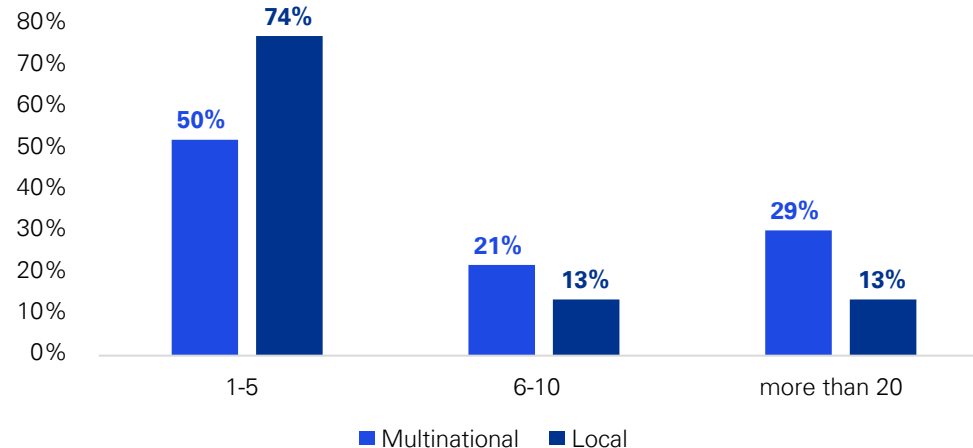


Chart 2: Number of fraud cases in participating companies in the past two years



According to Chart 2, among respondents who have experienced fraud in their organizations over the past two years, 50% of those working for multinational companies and 74% of those working for local companies have encountered 1-5 incidents of fraud. When considering the responses to the other options, it is evident that the number of fraud incidents in international companies is higher than in local companies.



Image 1: Number of employees of companies



21%
Companies with **over 10,000** employees



29%
Companies with **101-1,000** employees



29%
Companies with **1,001-10,000** employees



21%
Companies with **1-100** employees

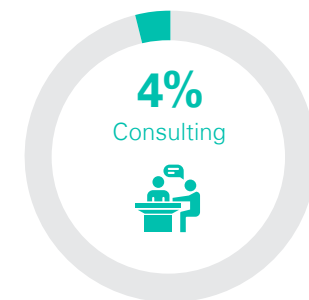
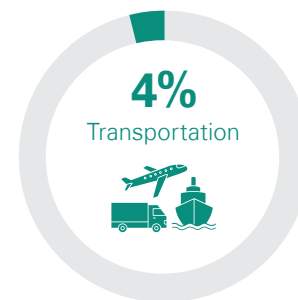
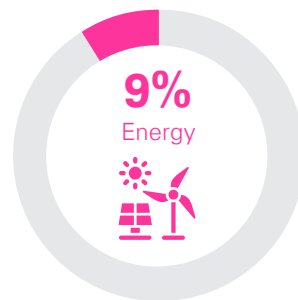
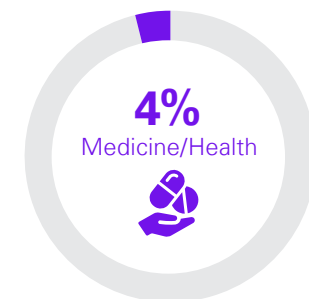
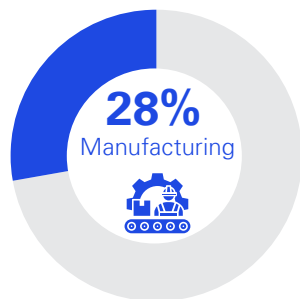
When the relationship between the incidence of fraud and the number of employees is analyzed, it is observed that fraud is more prevalent in companies with between 100 and 10,000 employees compared to other organizations. This can be attributed to the fact that these organizations are not small enough to have a centralized control system that oversee the entire operation, nor large enough to have fully developed corporate governance structures.



Sectors with the Most Fraud Incidents: Manufacturing Sector Ranks First

Based on the responses of the survey participants, the sectors with the highest number of fraud incidents in Türkiye in the past two years were identified as manufacturing, banking/finance, energy and sales/marketing.

Image 2: Sectors in which companies operate and rates of fraud





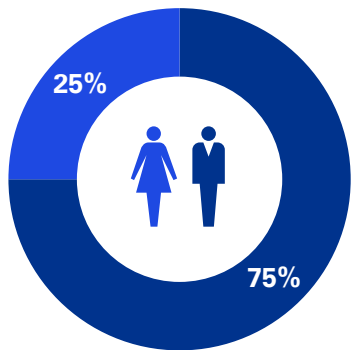
Demographic Profiles of Fraudsters



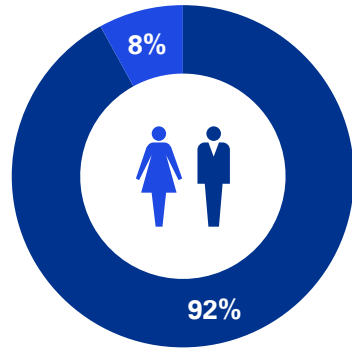


75% of Fraudsters are Male

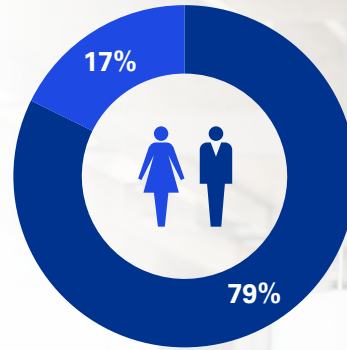
Image 3: Gender distribution of fraudsters



Profiles of a Fraudster, KPMG Türkiye 2024



Profiles of a Fraudster, KPMG Türkiye 2020



Profiles of a Fraudster, "KPMG Global 2016

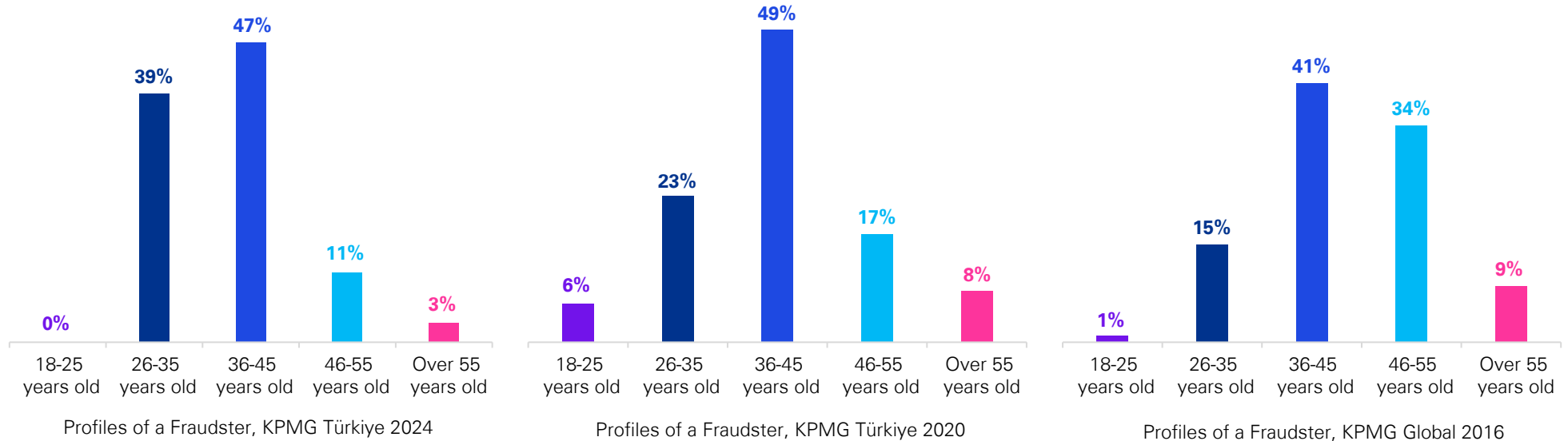
As shown in Image 3, the gender ratio of fraudsters indicates that fraud cases are predominantly committed by men. According to the 2016 global survey, 79% of fraudsters were male and 17% were female, while KPMG Türkiye's 2020 survey reported 92% male and 8% female fraudsters. In the 2024 Türkiye survey, 75% of fraudsters were male and 25% were female, highlighting that men are more frequently involved in fraud cases than women.





The risk of fraud increases in the 26-45 age group.

Chart 3: Age distribution of fraudsters



According to the 2024 survey results, it is understood that 47% of the fraudsters are between the ages of 36-45, 39% between 26-35, and 11% between 46-55. Similar to 2024, according to the results of the study conducted in 2020 in Türkiye, it was observed that frauds are commonly committed by individuals between the ages of 26-45.

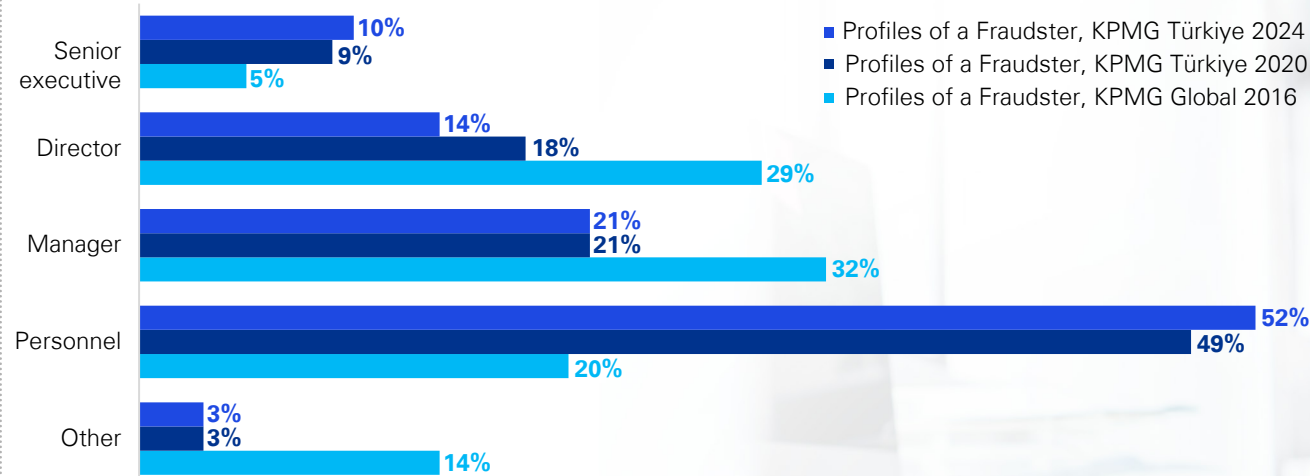
The results of the 2016 global survey differ from the results obtained in Türkiye. While in Türkiye, fraudsters are generally between the ages of 26-45, in the global survey results, they are between the ages of 36-55. This suggests that a more experienced employee group is more likely to engage in fraud globally.



Half of the fraudsters hold positions below the managerial level.

The survey examined at which title level fraud cases are most common and whether managerial positions or sub-managerial positions pose a greater threat to organizations in terms of fraud potential.

Chart 4: Fraudsters' titles within the company



As shown in Chart 4, 52% of the fraudsters are employees who do not have managerial authority.

When the results of the 2020 and 2024 surveys conducted in Türkiye are compared, it is clear that the rate of fraud committed by employees without managerial authority has remained similar, increasing slightly from 49% in 2020 to 52% in 2024.

In contrast, the 2016 global survey results indicate that more experienced and managerial employees are more prone to committing fraud, a trend that aligns with the findings in the age chart.



Impact and Financial Losses from Fraud

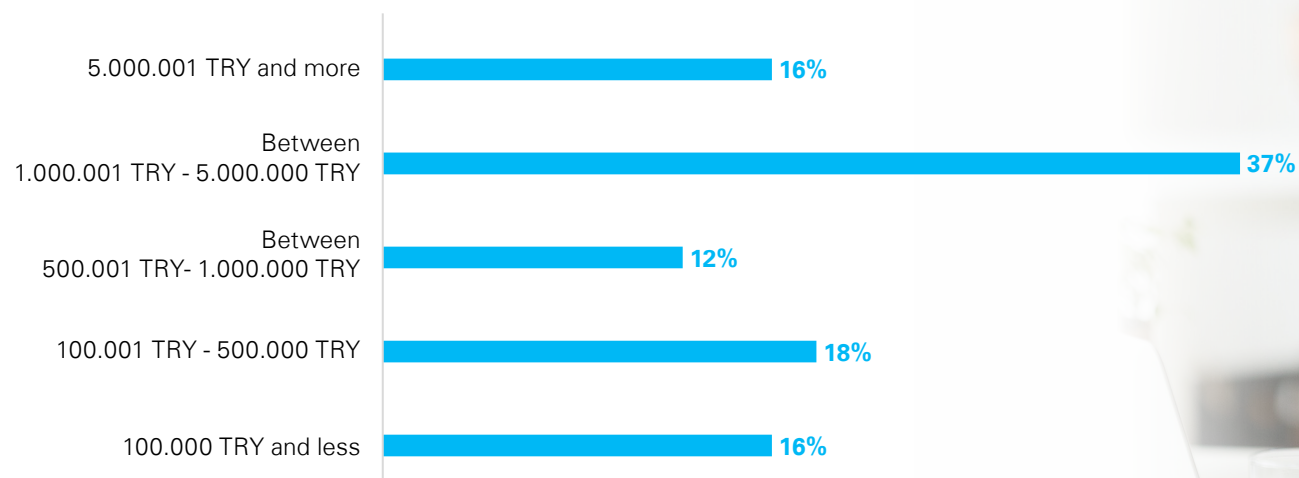


Over the past two years, half of the companies have suffered losses of at least TRY 1 million due to fraud.

Fraud is a global problem affecting all organizations worldwide. Professional fraud is often undetected and unreported, making it challenging to fully assess the scale of global losses. However, available data indicate that this problem is of significant magnitude. According to international studies conducted by ACFE, it is estimated that companies lose 5% of their annual revenue to fraud.

From this point of view, when we examine the losses incurred by companies due to fraud cases that respondents have encountered in the past two years, we reach remarkable results.

Chart 5: The financial extent of the losses incurred by companies due to fraud



When examining the losses suffered by organizations due to fraud cases, it is observed that more than half of the fraud cases resulted in financial losses of more than 1 million TRY.

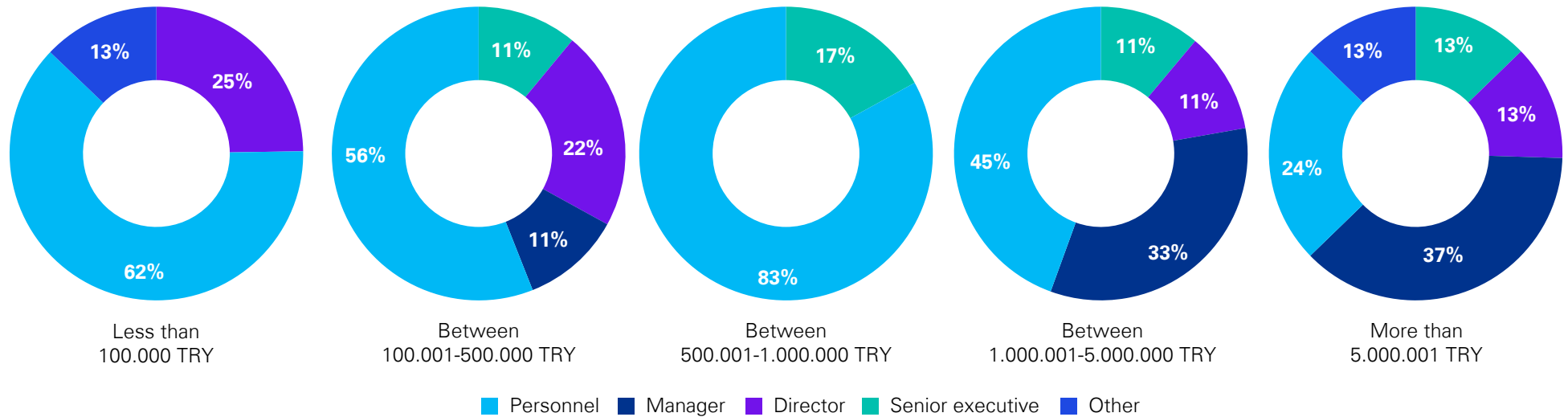


The Financial Impact of Executive Fraud Exceeds That of Other Title Levels

An analysis of the losses incurred due to fraud reveals that the impact of employees with the title of Manager is particularly high in cases of fraud resulting in financial losses of over 1 million TRY. This highlights the critical role of organizational structure and management processes.

Employees with the title of manager and above often play a key role in strategic decision-making processes and bring with them the risks to which the organization is exposed as a result of insufficient or ineffective implementation of the necessary audit and control mechanisms against such fraud. In addition, their level of authority may cause delays in the detection of fraudulent activities, leading to increased financial losses.

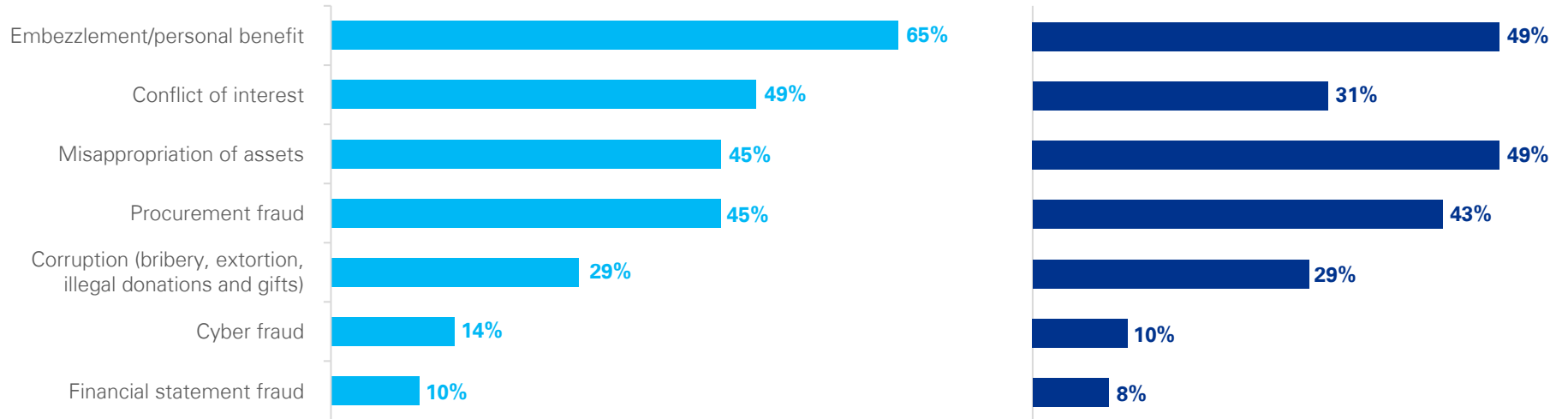
Chart 6: Financial impact of fraud across different title levels





The Most Common Types of Fraud: Embezzlement Ranked First

Chart 7: Main areas where fraud cases occur



Profiles of a Fraudster, KPMG Türkiye 2024

Profiles of a Fraudster, KPMG Türkiye 2020

As shown in Chart 7, the most common type of fraud in Türkiye is embezzlement or personal benefit with 65%. This is followed by conflict of interest at 49% and misappropriation of assets and procurement frauds at 45%.

On the other hand, financial statement fraud, which is often associated with senior management fraud and can have significant financial and reputational consequences, was not as prevalent in 2024 compared to other types, similar to the trend observed in 2020, remaining at 10%.



Behavioral Traits and Motivations of Fraudsters



As the number of employment years increases, so does the potential for fraud.

Image 4: Fraudsters' years of experience

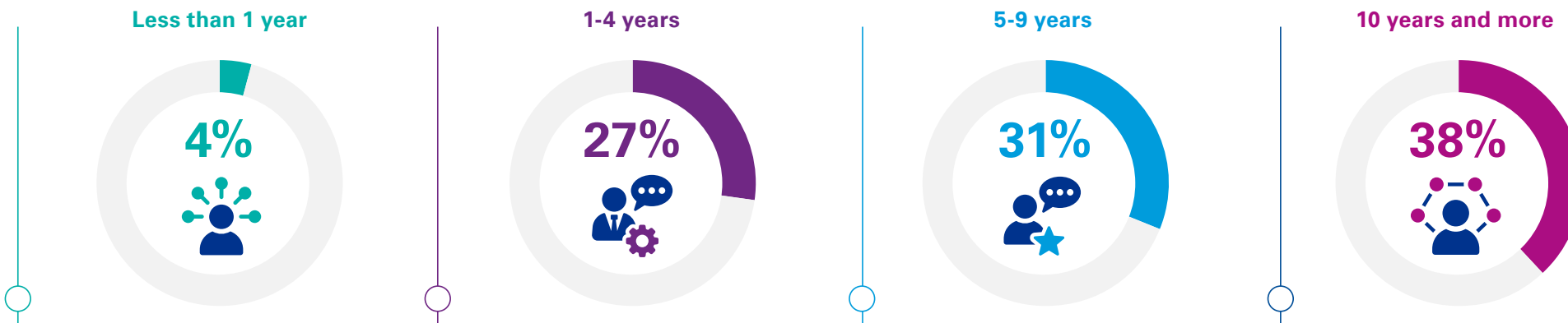
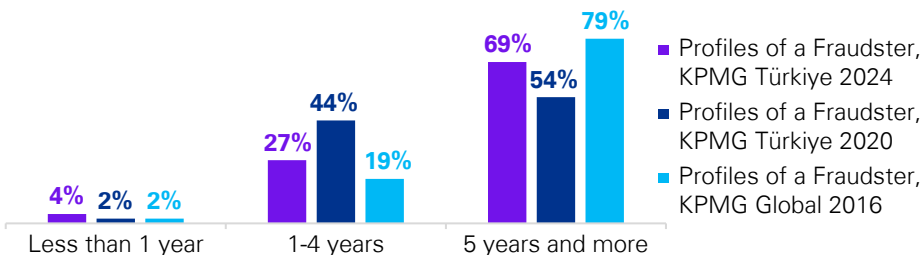


Chart 8: Fraudster's tenure in the company



When examining the 2024 survey results, it becomes clear that as an employee's experience increases, so does the potential for fraud. According to the findings, nearly 40% of fraud cases were committed by employees who had been with the company for 10 years or more.

An analysis of the years of employment within the victim company reveals that the majority of fraudsters have worked at the company for more than 5 years.

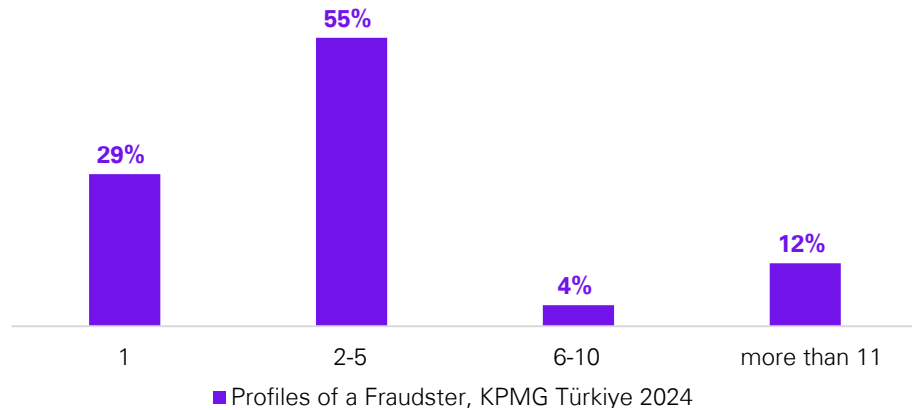
These figures indicate that the potential for fraud tends to increase in line with both the length of an employee's experience and their tenure at the company.



It takes two to tango.

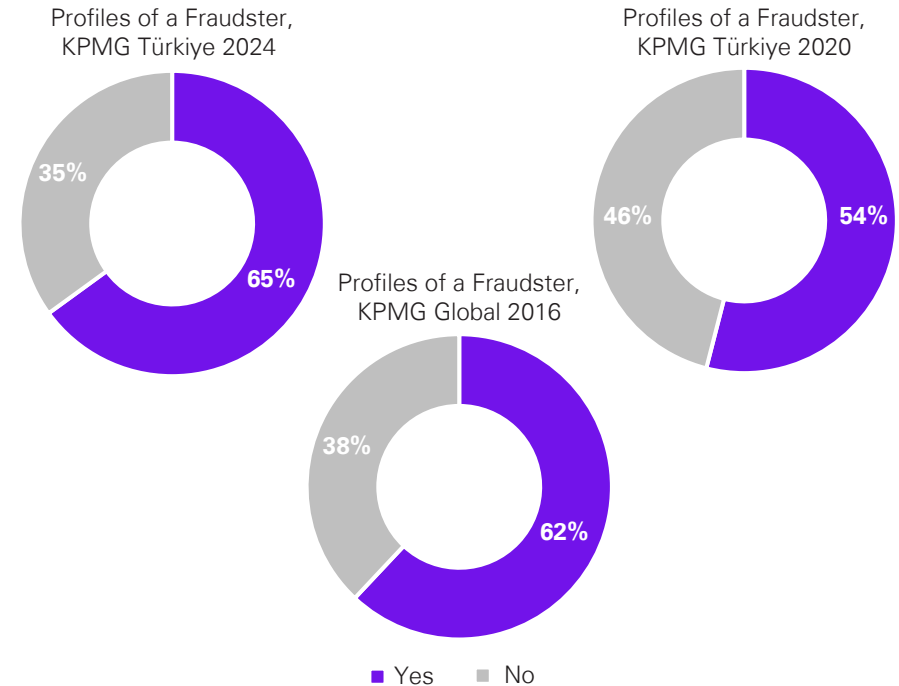
While many people perceive fraudsters as lone wolves who rely solely on their own ingenuity and cunning to commit their crimes, survey results reveal that criminals often enlist the help of others during the commission of fraud.

Chart 9: Numbers of people involved in separate fraud cases



When examining the numbers of people in cooperation groups in Chart 9, it is evident that collaborations involving 2-5 people constitute a significant portion of all fraud cases, followed by frauds committed individually. The findings indicate that fraud is frequently carried out in collaboration.

Image 5: Need for cooperation in fraud





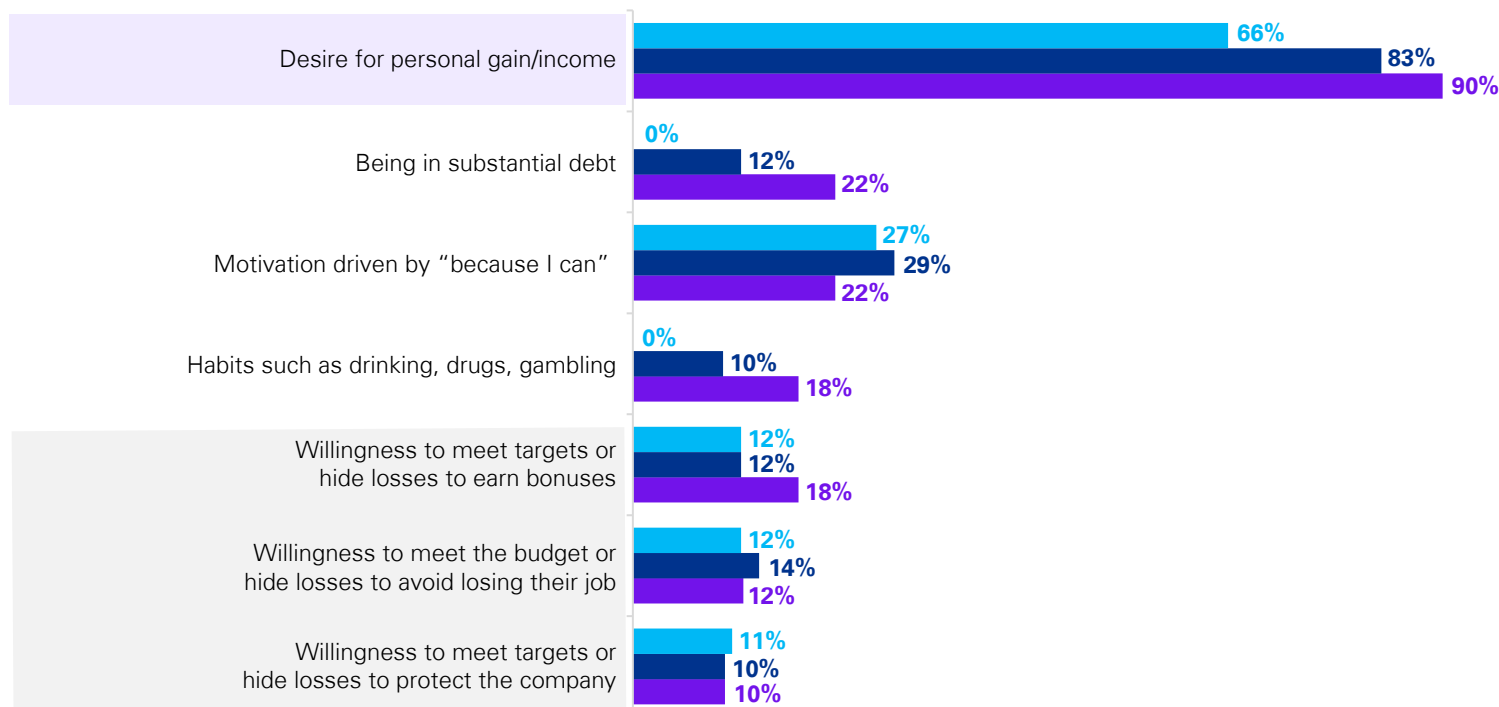
The Primary Motivation for Fraud: Seeking Personal Benefits

When examining the survey results, it becomes clear that the strongest motivation behind fraud is the drive to gain personal benefit or income.

As shown in Chart 10, it is apparent that many fraud cases arise when fraudsters realize what they can achieve when the right conditions align.

Additionally, the desire to conceal losses for various reasons is another significant motivator for individuals to commit fraud.

Chart 10: The Primary Motivation for Fraud



■ Profiles of a Fraudster, KPMG Global 2016 ■ Profiles of a Fraudster, KPMG Türkiye 2020 ■ Profiles of a Fraudster, KPMG Türkiye 2024



The Two Sides of the Coin: The Visible and Hidden Faces of Fraudsters

It may be assumed that individuals who commit fraud are predominantly lonely, despotic, and rigid employees. However, the reality is quite different...

Image 6: Visible characteristics of fraudsters



The responses describe fraudsters as predominantly friendly, well-liked by those around them, and possessing strong persuasive abilities. It is also evident that these social and persuasive traits enable fraudsters to carry out their fraudulent activities more easily.



Methods for Fraud Detection and Investigation



Weak Internal Controls: The Primary Cause of Fraud

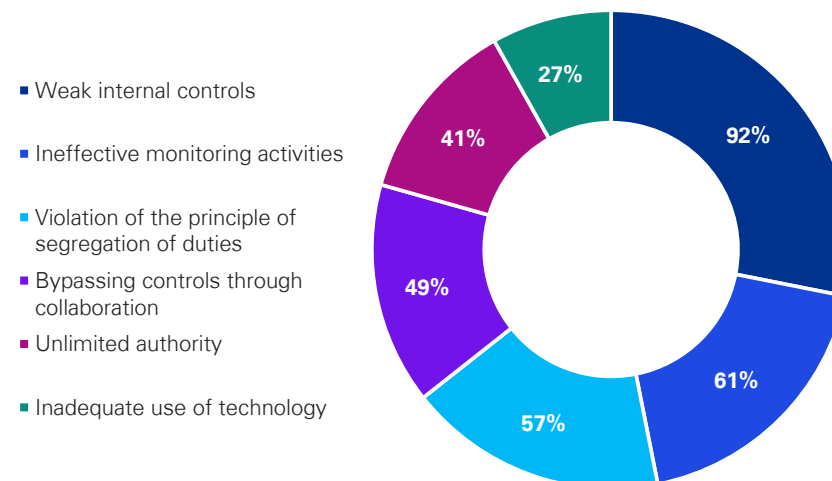
Occupational fraud is a critical issue that requires prevention across all organizations. Addressing this problem demands greater investment than ever before, along with the establishment of new and effective controls within processes.

In our survey, participants were asked questions to understand the internal control structures implemented in response to fraud cases and to assess the effectiveness of these controls.

Chart 11 shows that 92% of the responses identify a weak internal control environment as the primary factor contributing to the emergence of fraud. This is followed by ineffective monitoring activities at 61% and violation of the principle of segregation of duties at 57%.

As indicated by the responses, instances where fraud is attributed to inadequate use of technology are less frequent compared to other factors. Therefore, addressing fundamental control deficiencies and implementing basic internal controls—rather than relying solely on advanced technological tools—can establish a more effective line of defense against fraud.

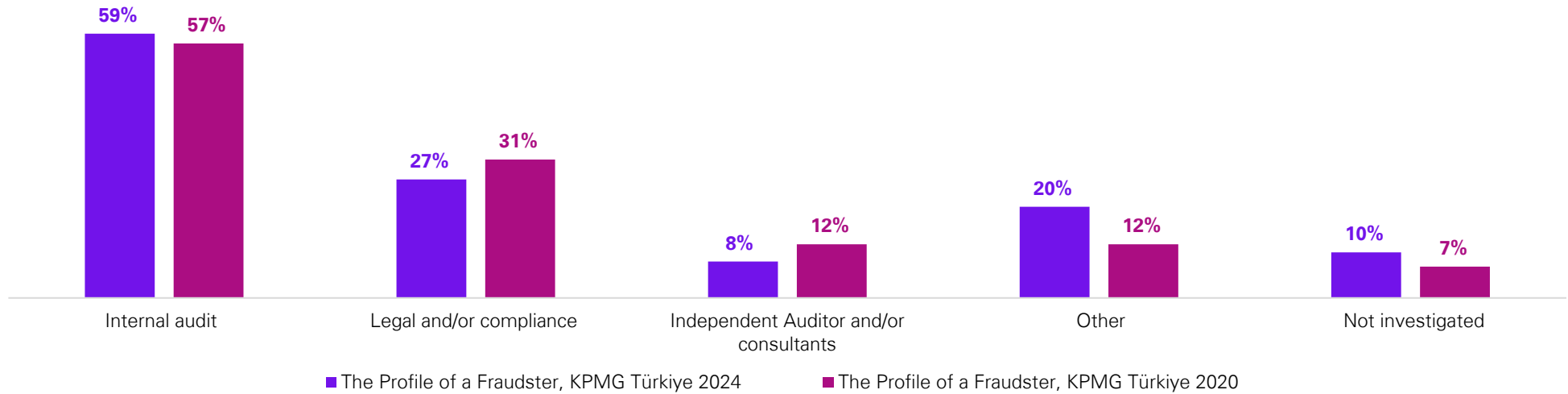
Chart 11: Factors that cause fraud





The Role of Internal Audit Departments is Critical in Investigating Fraud Cases

Chart 12: Units that investigate fraud



It is observed that detected fraud cases are primarily investigated by internal audit departments, accounting for 59% of the cases. In contrast, 27% are assessed by legal and/or compliance units, while 8% are investigated by auditors and/or independent consultants. This aligns with the findings of the 2020 research conducted in Türkiye, highlighting that these three parties are generally the key players in investigating fraud cases.

Additionally, it is noted that 10% of fraud cases remain uninvestigated. This oversight may result in potential risks being overlooked and fraudulent activities continuing unchecked. Therefore, systematically addressing these cases and strengthening audit processes are crucial steps toward enhancing the financial security of organizations.

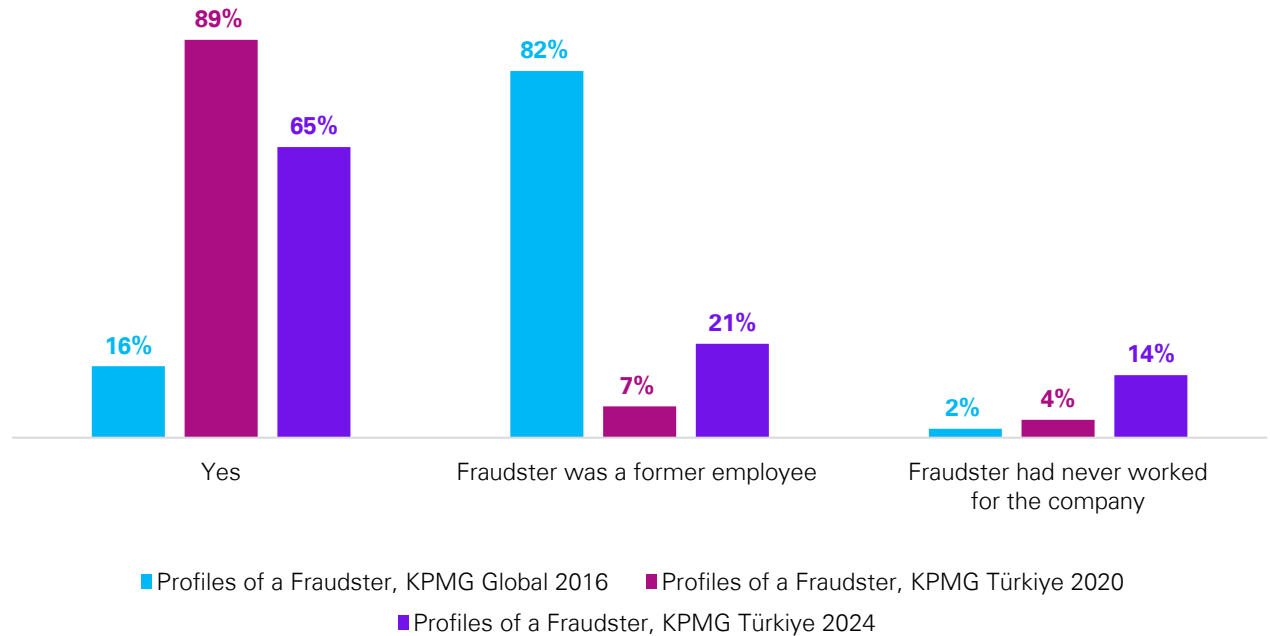


Fraudsters are now leaving the company: The Percentage of those who continue to work for the company has decreased from 89% to 16% in 4 years.

According to the KPMG Türkiye 2024 report, Profiles of a Fraudster, 16% of fraudsters are employees of the victim company, compared to 89% in the 2020 Türkiye survey results and 65% in the KPMG Global 2016 survey results. This shift over the years suggests that more decisive actions, including the termination of employment contracts, are being taken against fraud in Türkiye.

The 2024 survey also indicates that 2% of fraudsters are external individuals, down from 4% in the 2020 Türkiye survey. While fraud is often committed by employees, it is important to recognize that other stakeholders also present a significant risk.

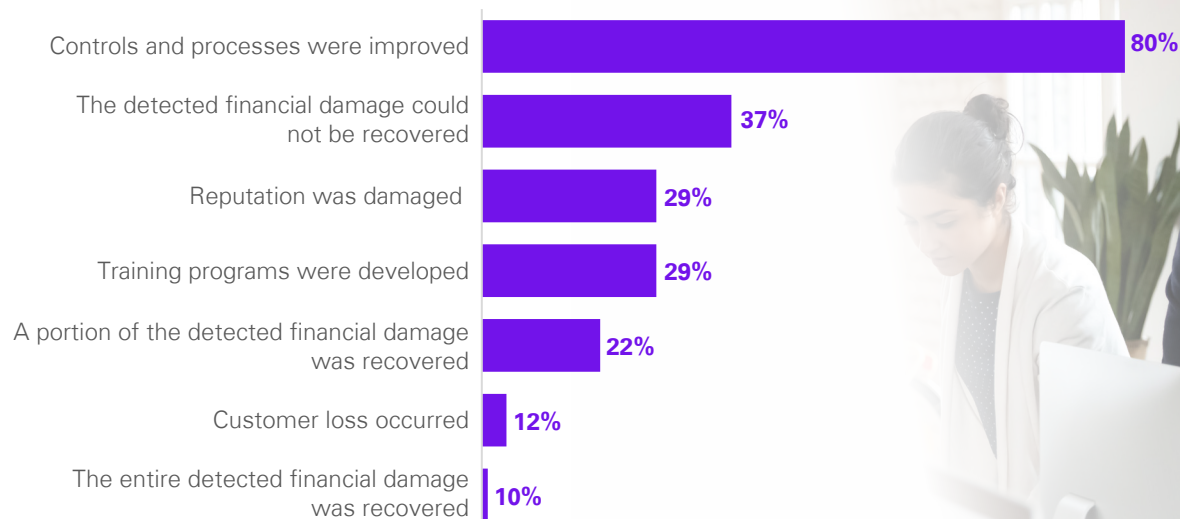
Chart 13: Percentages of fraudsters' relation to the company (soldan sağa sırayla)





Process improvements as the leading post-fraud action.

Chart 14: Actions taken and insights gained from the investigation conducted



It is evident that after fraud cases are detected, companies exposed to fraud take significant precautionary measures, with a primary focus on improving controls and taking disciplinary actions or initiating legal processes.

However, it is observed that approximately 37% of the companies could not recover any of the financial damage they had suffered, while 22% managed to recover a portion. In contrast, only 10% of the companies were able to recover the entire financial damage.



The Intersection of Fraud and Technology





Technology: A Double-Edged Sword for Fraudsters

When examining the frequency of technology use in fraud cases, it is observed that 41% of respondents believe fraud can be committed without the use of technology. These results indicate that, while technology is not yet perceived as a predominant tool for fraud, there has been a notable increase in its use for fraudulent purposes in Türkiye since 2020.

The findings reveal that technology has progressively become a more frequently employed tool in Türkiye, reflecting international trends observed since 2016. While traditional methods of committing fraud remain possible, it is essential to recognize that technology not only creates new opportunities but also drives the evolution of fraudulent practices.

Image 7: Use of technology as a facilitator for fraud

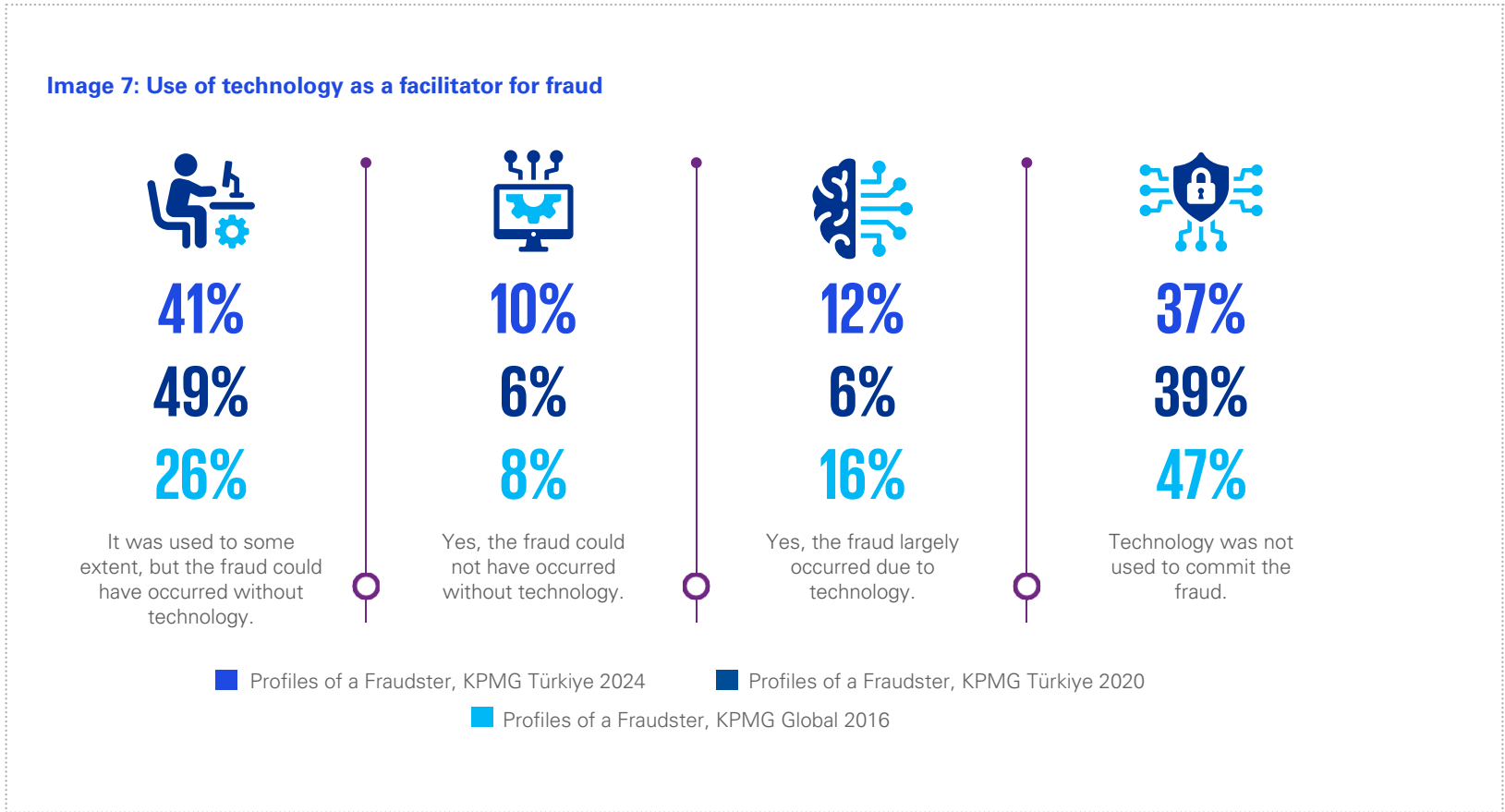
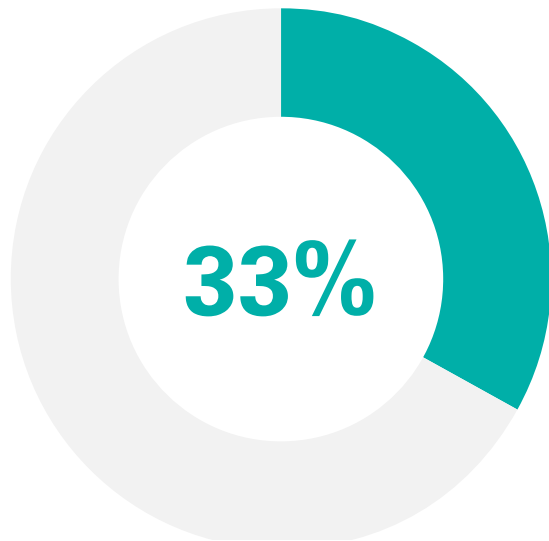


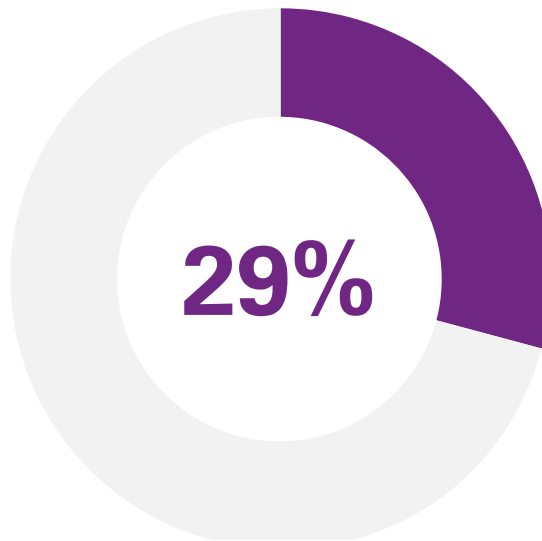


Image 8: Use of technology in committing fraud

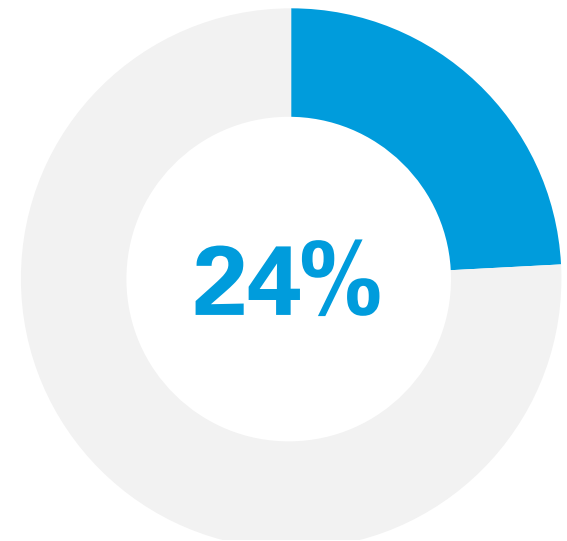
False or fraudulent information provided via email or other messaging platform



False or fraudulent information created in accounting records



Access permissions to company computer systems abused



While technological advances assist companies in developing stronger mechanisms to combat fraud, they can also serve as tools for fraudsters to exploit vulnerabilities. According to the research findings, 33% of fraud cases involved falsifying reporting and notification processes, 29% involved falsifying accounting records, and 24% were related to gaining unauthorized access to systems.

Lessons Learned from Fraud Cases and Roadmap

Fraud results in significant financial and reputational harm to companies, while also eroding trust among stakeholders. This study focuses on analyzing the risks faced by organizations and identifying key strategies for effectively managing these risks by examining the various dimensions of fraud.

The findings of the study indicate that fraud predominantly occurs in companies with weak internal control environments and insufficient monitoring and auditing mechanisms. It is observed that internal employees, motivated by personal gain and an inclination to exploit opportunities, are primarily responsible for fraud. Furthermore, the likelihood of fraud increases with employees' tenure, suggesting that long-term employees, often viewed as trusted assets, can pose higher risks to the organization.

Fraud incidents not only cause financial losses but also tarnish corporate reputations. Each unaddressed or ignored instance of fraud exacerbates existing risks and diminishes the ethical foundation of the corporate culture. Additional contributing factors include inadequate monitoring practices and violations of the principle of segregation of duties, both of which amplify the risks.

To mitigate and prevent fraud risks, companies must prioritize strengthening their internal control systems and ensuring strict adherence to the principle of segregation of duties. Weak control frameworks and ineffective workflow oversight are directly linked to heightened fraud risks. Complementing these measures with regular employee training focused on fraud awareness and ethical behavior can positively influence corporate culture and help deter unethical practices.

Moreover, leveraging technological tools to enhance monitoring and auditing processes is crucial for the early detection of fraud risks. Research confirms that preventive strategies such as robust internal controls, adherence to duty segregation principles, and ethical training are indispensable for mitigating fraud risks. Investments in these areas are significantly less costly than the financial and reputational damages caused by fraud. Integrating technology into oversight processes not only aids in the early identification of risks but also reinforces ethical values, fostering a stronger corporate culture.



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