

Survey: One in two Malaysian firms affected by fraud

By Karen Arukesamy

PETALING JAYA (Jan 12, 2010): Nearly half of Malaysian companies have been hit by fraud and this is expected to worsen over the next two years, accounting group KPMG's 2009 fraud survey has revealed.

KPMG Forensic Malaysia head Tan Kim Chuan, in presenting the survey findings here today, said 49% of Malaysian companies surveyed admitted to having experienced at least one incident of fraud.

He said 47% of those hit by fraud disclosed that the total losses suffered during the survey period totalled almost RM64 million while the rest were unsure of the amount.

"The cost of fraud reported could be far more than what was reported as not all respondents disclosed information on the number of fraud incidents and/or the value of fraud detected," said Tan.

The survey covered 175 companies listed on Bursa Malaysia. It showed 66% of the respondents perceived fraud to be a major problem for businesses in Malaysia, reflecting an increase of 4% from the 2004 survey findings.

About 42% of the respondents who reported fraud came from organisations with manufacturing, construction and engineering or consumer products as the main lines of business.

"A total of 714 separate cases of fraud were reported by 84% of the respondents who had experienced fraud within their organisations," Tan said.

The survey also revealed that the risk of fraud is expected to increase as a result of the current financial crisis with 78% of respondents saying that financial statement fraud will also rise.

"In a time of fragile economic conditions, managers and employees face even tougher challenges than ever before in the form of personal, financial and workplace pressures coupled by fear and uncertainty," Tan said.

"To some extent, these pressures can build on an individual, prompting him or her to commit fraud."

Securities Commission Malaysia chairman Tan Sri Zainah Anwar, who launched the survey report at the SC building, said there is a relatively high degree of awareness and concern about fraud within the business community. "On the other hand, it also shows that fraud is very often the product of both poor governance and a deficient corporate culture," she said in her speech.

The report showed the threat of fraud comes mostly from within the organisation, with internally-perpetrated fraud by management and non-management employees accounting for 88% of the total reported fraud value of over RM60 million.

It cited greed/lifestyle (62%) and personal financial pressure (39%) as the two most common motivations for fraud.

Theft of cash (39%), theft of inventory (31%) fraudulent expense claims (26%) followed by kickbacks (25%) were the most common types of fraud perpetrated.

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