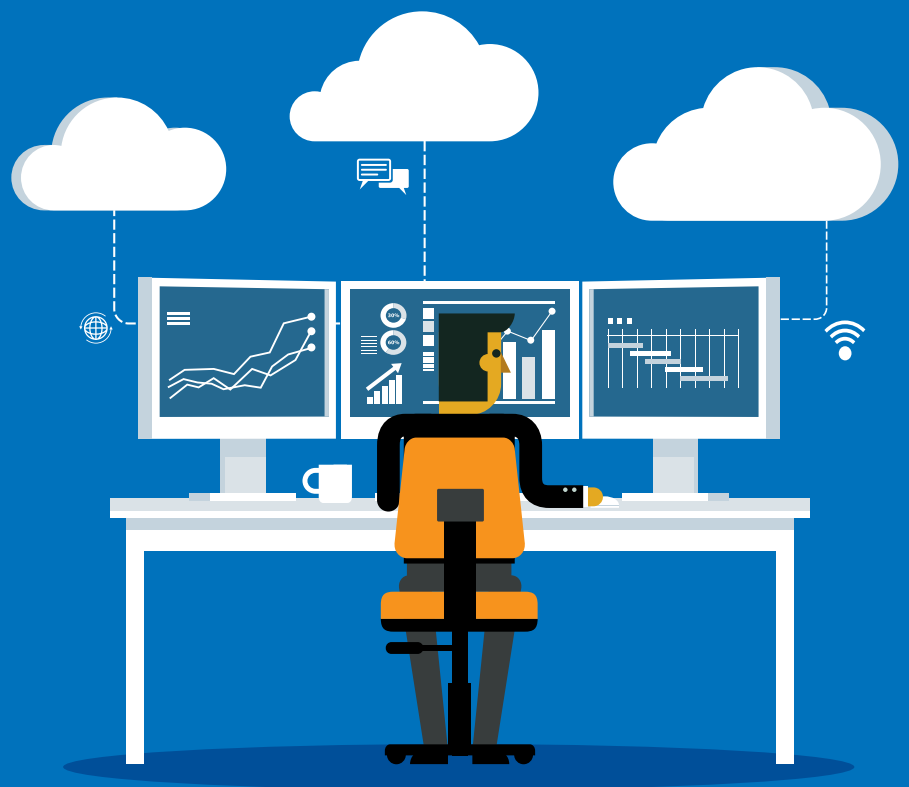




Forensic services for IT/ITeS sector

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

Risk Consulting



IT/ITeS sector overview

The Information Technology-Business Process Management (IT-BPM) industry in India expanded at a Compound Annual Growth Rate (CAGR) of 13.7 per cent over 2010–16, which is three to four times higher than the global IT-BPM growth, and is estimated to expand at a CAGR of 9.1 per cent to USD 350 billion by 2025. The sector ranks fourth in India's total FDI share and accounts for approximately 37 per cent of total Private Equity and Venture investments in the country, making it a sector lucrative for investments¹. The rapid movement towards digitisation and GST implementation is expected to further catalyse growth. The changing business, regulatory and technological environment invariably brings with it a gamut of new risks, which compel organisations to adopt different risk management strategies.

IT/ITeS industry trends

- Focus on non-linear revenue streams to reduce hiring
- Adoption of cloud-based services gaining momentum
- Shift from Time and Material (T&M) to Service Line Agreement (SLA) driven/ outcome based/ fixed price business model
- Companies expanding presence in tier-II and III cities
- Offerings migrating to higher-end strategic processes

Industry challenges and opportunities

With the dynamic and constantly changing technology landscape, the IT/ITeS sector faces a number of challenges

Cyber security	Pressure on margins	Cloud adoption	Growth in Global In-house Centers (GICs)	Disruptive technologies	Inverted duty gaps
Open source	Convergence	Currency fluctuations	Fraud	Superior customer expectations	Robotics/ Artificial Intelligence
Attrition/ wage inflation	Data theft	Taxation issues	Niche skills acquisitions	Big Data	Digitisation
Policy paralysis	Regulatory compliance	Intellectual Property (IP) management	Business recovery and resilience	New risks	Sustainability

Figure: KPMG in India's analysis 2017

1. IT & ITeS, India Brand Equity Foundation, January 2017

With opportunity comes threats

The looming threat of strengthening rupee and the decreasing outsourcing opportunities have brought Indian IT/ITeS firms under pressure, raising questions over their ability to deliver consistent results. The organisations in this sector face acute price competition, high attrition rates, consolidation and the quest to scale rapidly. Simultaneously, they must deal with the

risk of intellectual property infringements, complex partnerships / alliances and handling client sensitive data.

This pressure to perform and multiple linkages with clients, prospects, vendors and other third parties can expose organisations to a number of fraud and misconduct-related risks.

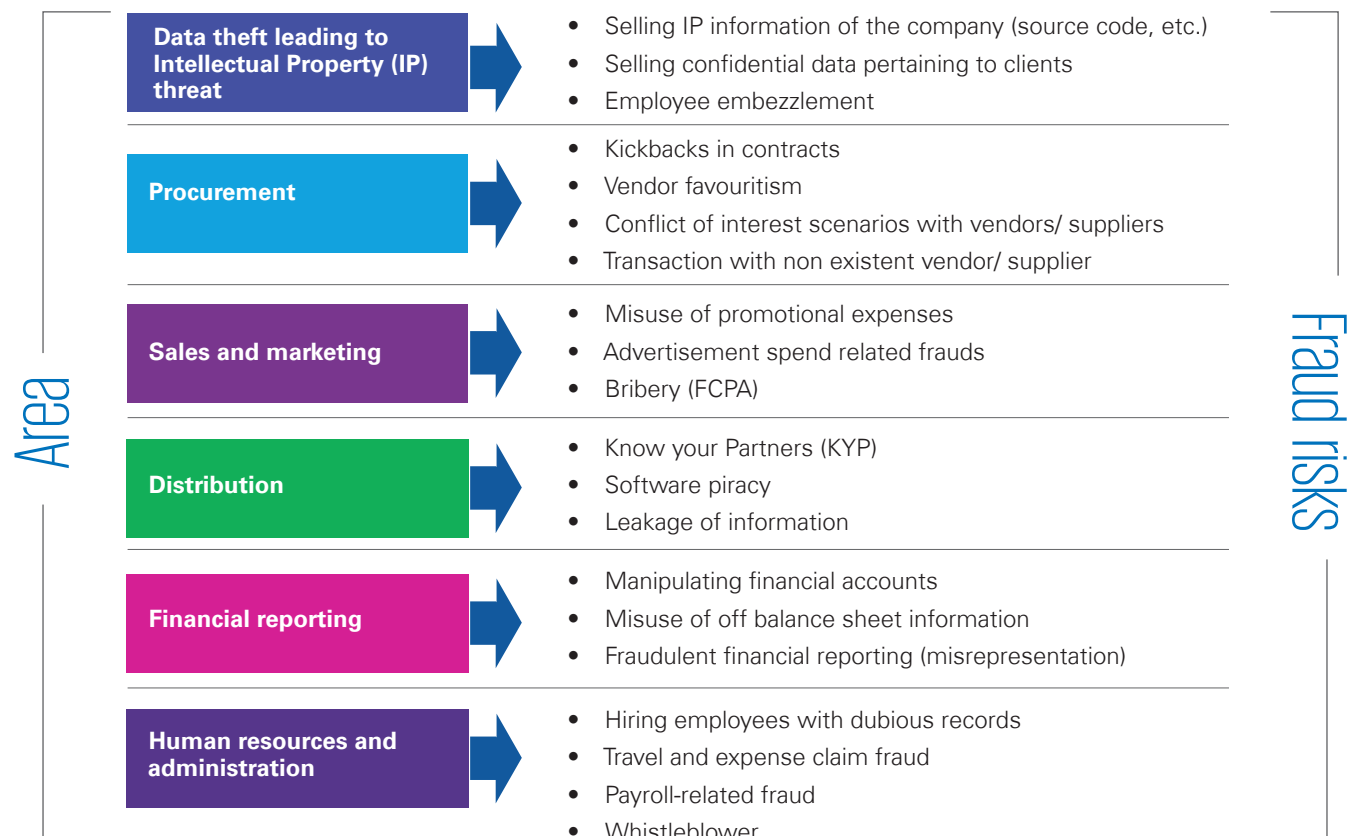
Did you know?

- Indian fraudsters are relatively younger, with 32 per cent of the perpetrators being in the age group of 26 to 35 years
- Indian fraudsters start early, with 27 per cent in service anywhere between one and four years
- Sixty two per cent of the frauds were committed in collusion
- Sixty-one per cent of the frauds were committed due to weak internal controls
- Thirteen per cent of cases checked by KPMG in India indicated discrepancies in resumé
- Around 59 per cent respondents in India have implemented a whistleblower mechanism/fraud reporting hotline to detect and prevent emerging frauds.



Source: Global profiles of the fraudster, KPMG International, 2016

Do these incidents sound familiar? It's time to act



How KPMG can help

Protect your organisation from fraud, misconduct and non-compliance risks

Anti-bribery and corruption compliance reviews: We can review existing policies for anti-bribery and corruption compliance, set up procedures for continuous monitoring and conduct due diligence under anti-bribery and corruption laws, including the US Foreign Corrupt Practices Act, 1977 (FCPA) and the UK Bribery Act, 2010 (UKBA).

Fraud risk management: Our approach to fraud risk management can help organisations assess where they are vulnerable to fraud and how to mitigate the risk of fraud. We assist clients in understanding the fraud risks they face, evaluating existing countermeasures, develop effective anti-fraud policies, systems and controls, and training staff to implement them.

Background check and verifications: Our employment screening service can help recruitment managers make more informed decisions by verifying the data provided by candidates in areas such as qualifications, references, skills, remuneration at prior employers, the tenure of prior employment, criminal records, residential address and drug tests. We also provide extensive 'Know Your Customer' checks that can help organisations in identifying gaps in client information and subsequently plug any associated risk exposure.

Vendor/supplier due diligence: The IT/ITeS industry has multiple relationships with vendors to cater to various requirements such as cafeteria, stationery, transportation and other conveniences. Entering into any kind of relationship

without an awareness of the possible downside can expose organisations to financial and reputational risks. We can provide investigative due diligence to organisations seeking to screen prospective vendors for potential problems.

License compliance advisory: KPMG's License Compliance Advisory (LCA) services can assist clients in proactively managing their software assets. This in turn can help enhance returns on investment by better utilisation of existing software, reducing risk and exposure.

Exit interviews: KPMG's Forensic team can conduct detailed interviews of exiting employees to gather specific information on the reasons for separation which is examined closely using data analytics providing trends and highlighting areas of concern for the HR team.

Intellectual property and contract compliance services: Organisations rely on multiple partnerships to create, market, distribute and/or sell their products and solutions. These partnerships, if not continuously monitored, can result in possible violations of IP rights/contractual obligations, impacting costs. Based on the client's organisation structure, we analyse key business relationships to identify any compliance related gaps or instances of under reporting and offer suitable recommendations for course correction. Our services include royalty compliance reviews, license compliance reviews, contract/agreement compliance reviews and reseller and distributor reviews.



Detect fraud, misconduct and non-compliance

Investigation services: KPMG's Forensic team has undertaken some of the largest fraud investigations in the IT/ITES industry. We assist organisations in solving a range of fraud and misconduct situations including financial impropriety, bribery and corruption, funds embezzlement, falsification of expense claims, data theft and IP rights infringement among others.

Ethics helpline: We help set up and manage a secure channel for employees, vendors and third parties to report suspicions of any malpractice. Complaints can be made via phone calls, email, fax and physical letters in major Indian languages.

Pre-exit digital forensics: Businesses are increasingly facing the brunt of IP theft and data leakage, industrial espionage, service disruptions on account employees. We provide pre-exit disk image forensic services that involve analysis of disk images obtained from the official laptops/desktops of key exiting employees a few days before their exit with an objective of detecting any malafide activities.

KPMG differentiators

Tools and methodologies

- Dedicated global methodologies to facilitate consistent and effective global service delivery capability
- Comparable data, technology, updated tools and strategic partnerships with international service providers to provide quality services
- Deep understanding of anti-bribery laws such as the Foreign Corrupt Practices Act (FCPA), UK Bribery Act (UKBA)
- A leader in process improvements and enhancements thereby challenging the traditional approach.

F-Tech capabilities

- A pioneer of Forensic Technology (F-Tech) solutions for the Indian market
- One of the largest F-Tech teams in India with progressive tools, techniques and modern technology.

Multidisciplinary team

- An established track record with the right skills and experience
- Over 900 dedicated forensic professionals, from varied backgrounds, including former law enforcement officials, former-police officers, former-CBI officials, certified fraud examiners, chartered accountants

Respond to fraud, misconduct and non-compliance

Data breach forensics: This helps clients respond to data breaches by identifying the source, potential motive and the perpetrator. In a preventive mode, this solution helps clients conduct assessments to help understand and remediate the key data leakage points in IT infrastructure and processes, and implement controls for the future.

Cyber fraud investigations: As clients increasingly face cybercrimes and frauds, our cyber fraud investigation services help you understand the modus operandi of the cyber fraud, the motive of the cybercrime/fraud and the impact of the fraud/ crime perpetrated.

- Over 1300 investigations completed, including high profile cases
- Experienced team with multi-lingual research capabilities and exposure of conducting in-depth public domain searches in various languages across the globe along with knowledge of key local sources for various jurisdictions
- The KPMG Ethics Helpline service is run and managed by forensic professionals with deep probing skills - no part of the service is outsourced.

Global jurisdiction capabilities and dynamic processes

- Dedicated ISO certified 500-seater verifications hub based out of Pune to conduct large-scale background checks
- KPMG in India is one of the few forensic service providers with large volume background screening capabilities undertaking more than 60,000 checks per month for more than 800 clients through our global delivery centre in Pune
- One of the largest practices in India conducting counter party due diligence reviews in the country with the extensive experience of producing more than 8000 reports in the last two years.

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