

# Greedy young men help fraud survive

**The Age**

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Fraud is alive and well in Australia and New Zealand, says a new survey in which the typical fraudster was identified as a greedy 31-year-old man.

In Australia and New Zealand more than \$456 million was lost in 27,657 incidents of fraud reported by 221 organisations between April 2002 and March 2004, said KPMG's 2004 Fraud Survey.

KPMG Forensic National Managing Partner David Van Homrigh said organisations that failed to take a proactive approach to fraud control were prime targets for fraudsters.

"Especially as the perpetrator will typically come from within the organisation, have no known history of dishonesty," Mr Van Homrigh said.

The survey said the profile of the typical fraudster was a 31-year-old man, acting alone, usually in a non-management position at the victim organisation and with no known prior dishonesty.

His motivation was usually greed, with gambling a close second, and he will usually misappropriate about \$337,734 before he is detected by a colleague 13 months after the commencement of the fraud.

The company usually recovered only 21 per cent of the proceeds of the fraud, KPMG said.

Organisations experiencing at least one fraud lost an average of \$2.07 million - but only seven per cent of the 491 respondents believed fraud was a major problem for them.

Mr Van Homrigh said he was surprised so few companies believed fraud was a problem given 45 per cent of respondents had experienced at least one fraud.

"(Also given) the number of larger organisations that suffered from multiple frauds (79 per cent reported two or more frauds) and the losses sustained," Mr Van Homrigh said.

"This may suggest that fraud although acknowledged by 39 per cent of respondents as a major problem for business generally involves losses that are not regarded as significant by the organisation."

Alternatively, it could mean businesses believe their own systems and controls were more effective than prevailing standards, he said.

KPMG Forensic executive director Dean Newlan said non-management employees accounted for the highest number of fraud incidents, but fraud by senior executives, such as the falsification of financial statements, could be more costly on a per incident basis.

"Of the seven incidents of financial statement fraud reported, three were nominated by the respondents as the largest single fraud incident in the survey period," said Mr Newlan.

The amount of the financial statement fraud across the seven cases reported varied from \$1,500 to \$10 million per incident.

KPMG said effective internal controls were crucial to preventing and detecting fraud.

Preconditions for fraud included situations where internal controls were weak or could be overridden, a weak or non-existent corporate ethics policy and lax hiring practices.

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