



KPMG FORENSIC

# Integrity Survey 2008 – 2009

## Banking & Finance Results

ADVISORY

Name  
Title  
Date

AUDIT ■ TAX ■ ADVISORY

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# Objectives

- ◆ Provide a behind-the-scenes look at corporate fraud and misconduct in the post-Sarbanes-Oxley era
- ◆ Offer organizations insights as they consider:
  - Their exposures to fraud and misconduct risks
  - The effectiveness of programs and controls relied on to mitigate fraud and misconduct risks

# Methodology

- ◆ **Overall results include responses from 5,065 employees in the U.S. spanning:**
  - All levels of responsibility
  - 16 job functions
  - 13 industry sectors
  - 4 thresholds of organizational size
- ◆ **Total Banking & Finance respondents: 330**
  - Survey conducted July-September, 2008
- ◆ **Margin of error: +/- 1.4% overall; +/- 5.4% Banking & Finance**

# Key Findings

- ◆ **Prevalence of misconduct remains high**
  - 74% report that they have observed misconduct in the previous 12 months
- ◆ **The nature of observed misconduct remains serious**
  - 46% reported that what they observed could cause “a significant loss of public trust if discovered.” On par with previous years at the national level
  - By industry, employees working in banking and finance reported the highest prevalence of violations that could cause “a significant loss of public trust if discovered.” (60%)

# Key Findings

- ◆ **“Pressure to do ‘whatever it takes’ to meet business targets” continues to be most commonly cited driver of misconduct**
  - Over half of respondents reported that managers and employees feel pressure to do whatever it takes to meet business targets (59%)
  - 52% believe they will be rewarded for results, not the means used to achieve them
  
- ◆ **Whistleblower mechanisms are gaining traction**
  - Over half (57%) of respondents reported that they would feel comfortable using a hotline to report misconduct, which is up from 40% from 2000

# Key Findings

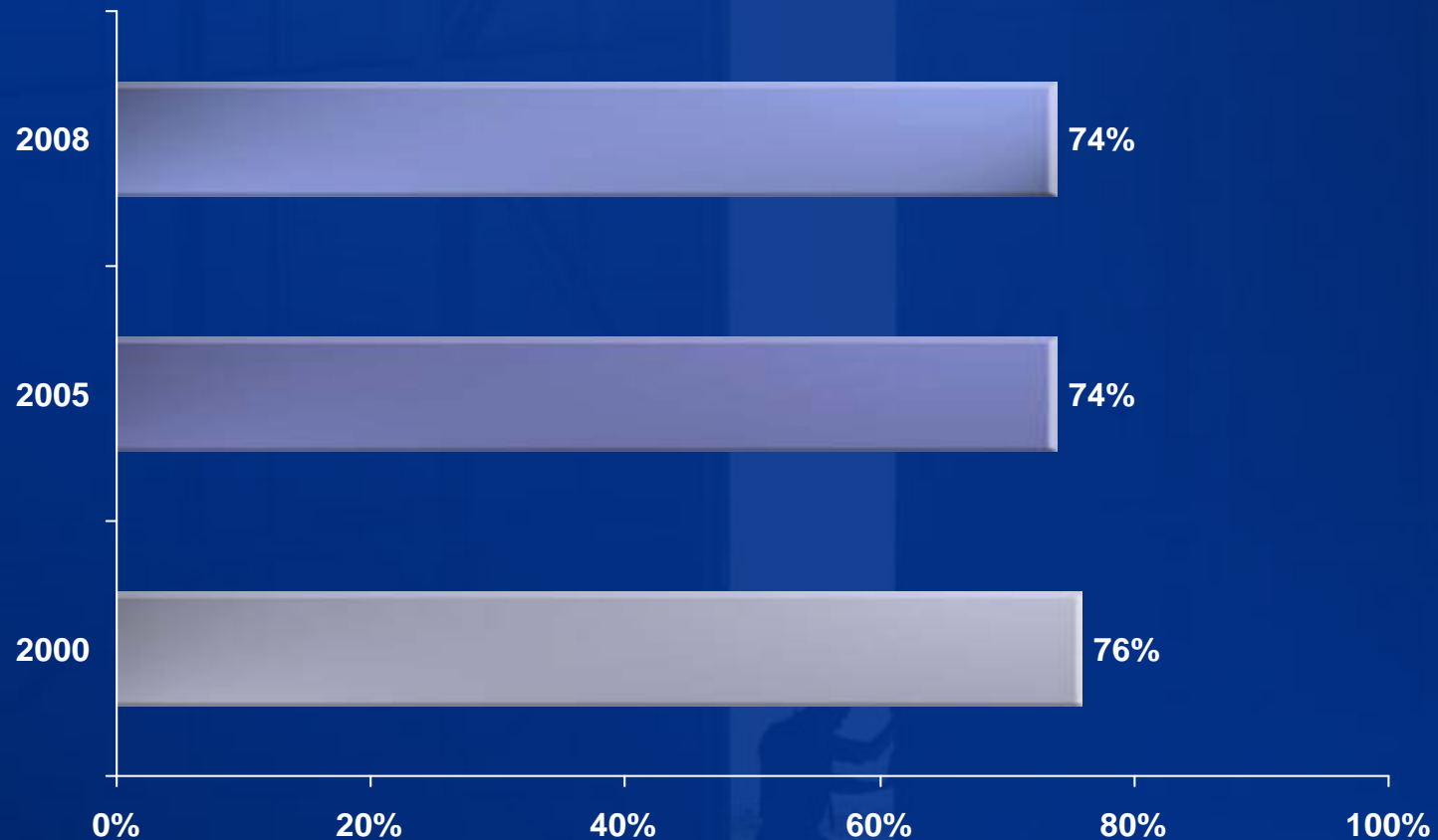
- ◆ **Continuing risk that boards and senior management may not learn about fraud and misconduct risk from distrustful employees**
  - Only half (53%) of respondents believed they would be protected from retaliation
- ◆ **Ethics and compliance programs continue to have a favorable impact on employee perceptions and behaviors across the board**
  - The percentage of respondents who report working in an environment in which people feel motivated and empowered to do the right thing doubles (from 43% to 90%) among employees who work in companies with comprehensive ethics and compliance programs versus those who do not



# ***Prevalence Of Misconduct***



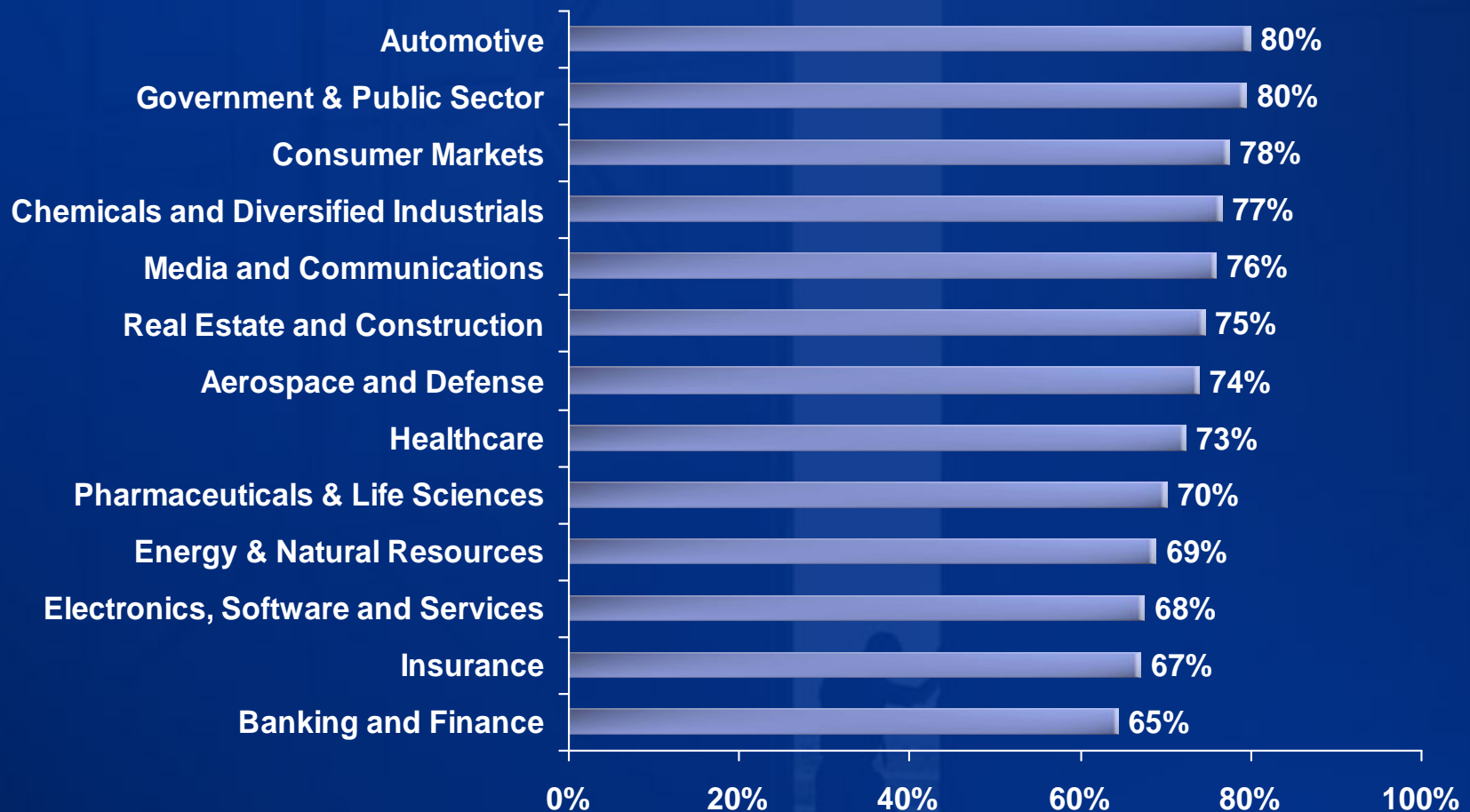
# Prevalence Of Misconduct During The Prior 12 Months



NA responses not included in calculations



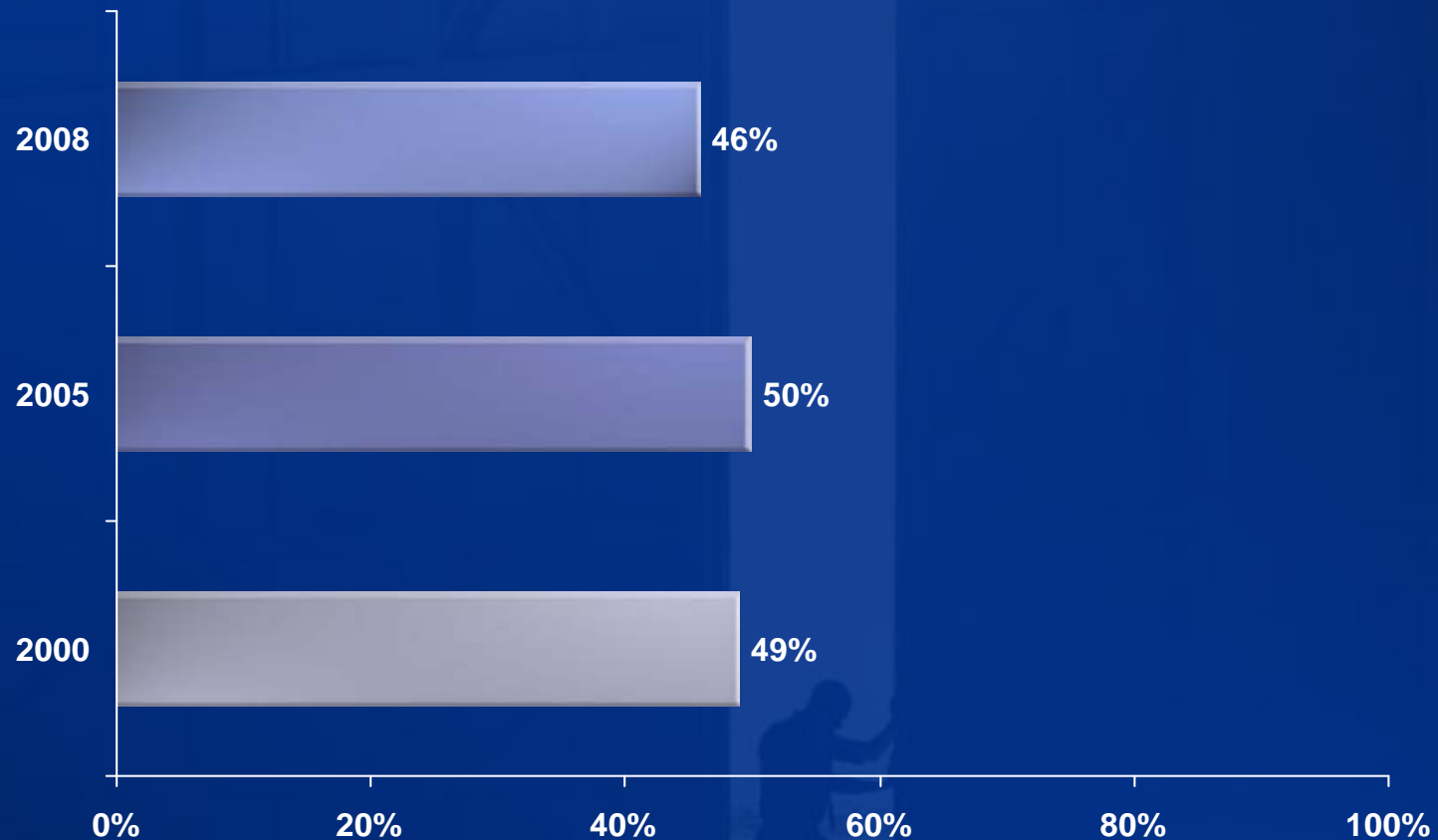
# Prevalence Of Misconduct During The Prior 12 Months By Industry



NA responses not included in calculations



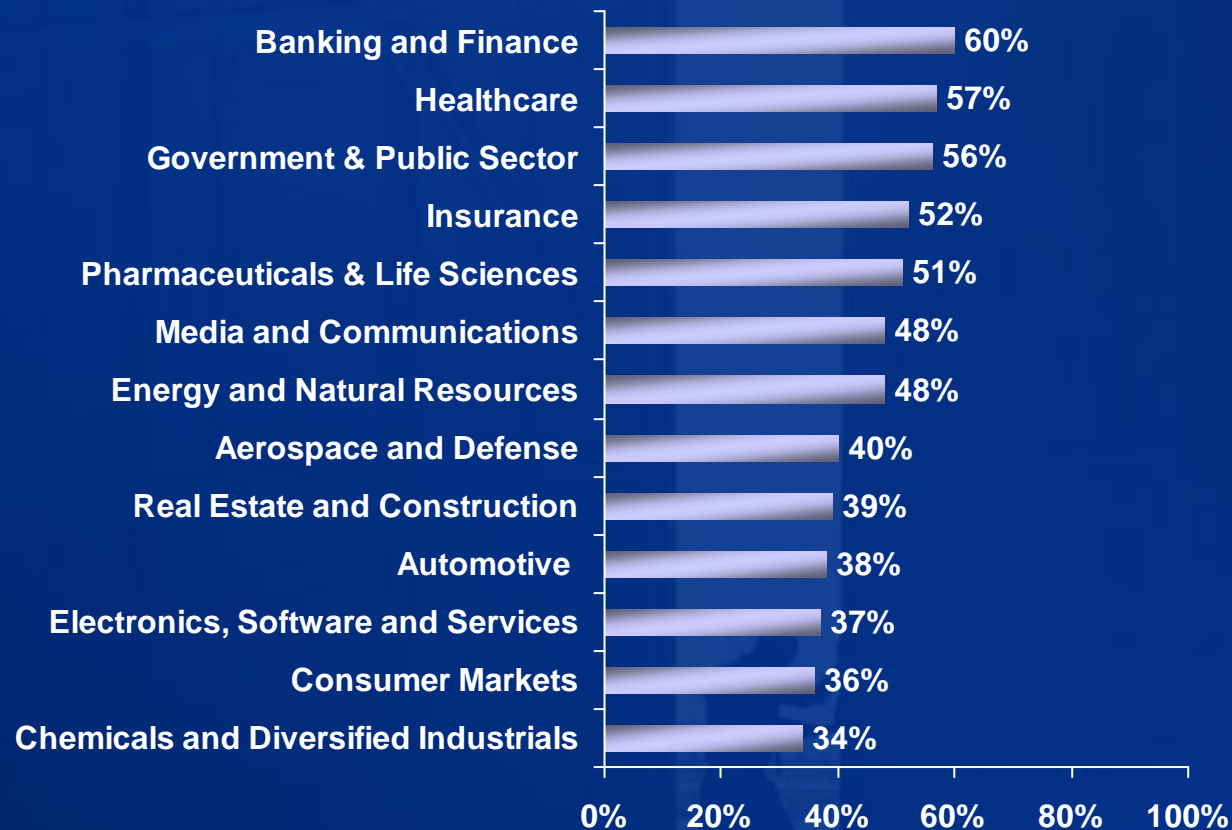
# Prevalence Of Violations That Could Cause A “Significant Loss Of Public Trust If Discovered”



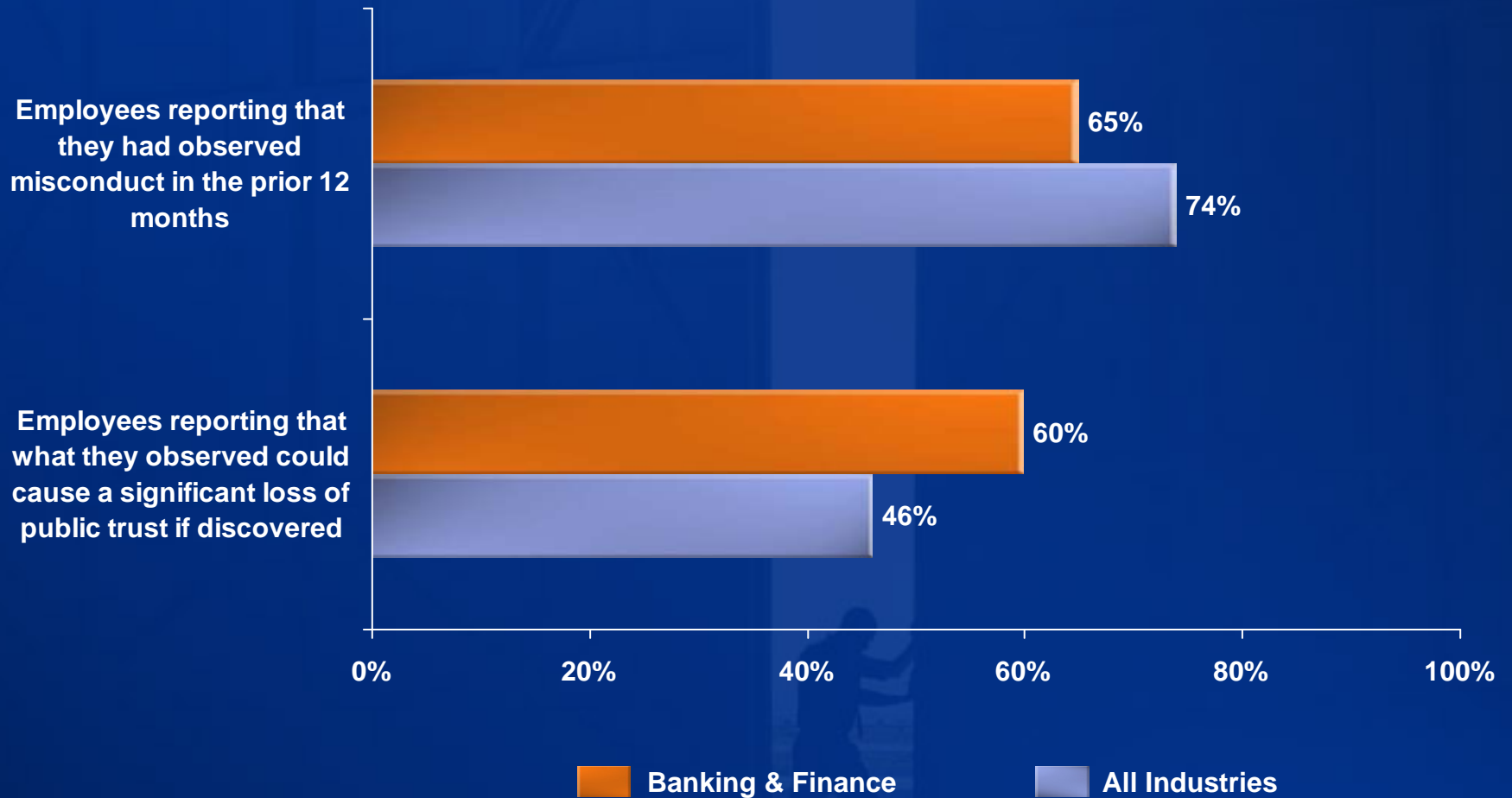
NA responses not included in calculations

# Prevalence Of Violations That Could Cause A “Significant Loss Of Public Trust If Discovered” By Industry

## Rating “Agree” And “Strongly Agree”



# Prevalence And Nature Of Misconduct



# Illustrative Observations

- ◆ **Specific observations reported by employees in the Banking & Finance industry included:**
  - Engaging in anti-competitive trade practices (e.g., market rigging)
  - Mishandling confidential or proprietary information
  - Violating environmental standards
  - Violating workplace health and safety rules
  - Violating or circumventing supplier selection rules
  - Stealing or misappropriating assets
  - Falsifying or manipulating financial reporting information



# ***Nature Of Misconduct By Job Function***

# Select Observations By Employees In Sales / Marketing Functions

Observations Of Misconduct	Percentage
Engaging in false or deceptive sales practices	27%
Improperly gathering competitors' confidential information	20%
Violating contract terms with customers	14%
Engaging in anti-competitive practices	12%
Submitting false or misleading invoices to customers	9%

NA responses not included in calculations



# Select Observations By Employees In Accounting And Finance Functions

Observations Of Misconduct	Percentage
Breaching computer, network, or database controls	22%
Entering into customer contract relationships without proper terms, contracts, or approvals	18%
Stealing or misappropriating assets	17%
Falsifying or manipulating financial reporting information	13%

NA responses not included in calculations



# Select Observations By Employees In Technology Functions

Observations Of Misconduct	Percentage
Breaching employee privacy	25%
Breaching computer, network, or database controls	23%
Mishandling confidential or proprietary information	22%
Breaching customer or consumer privacy	16%
Falsifying or manipulating financial reporting information	9%

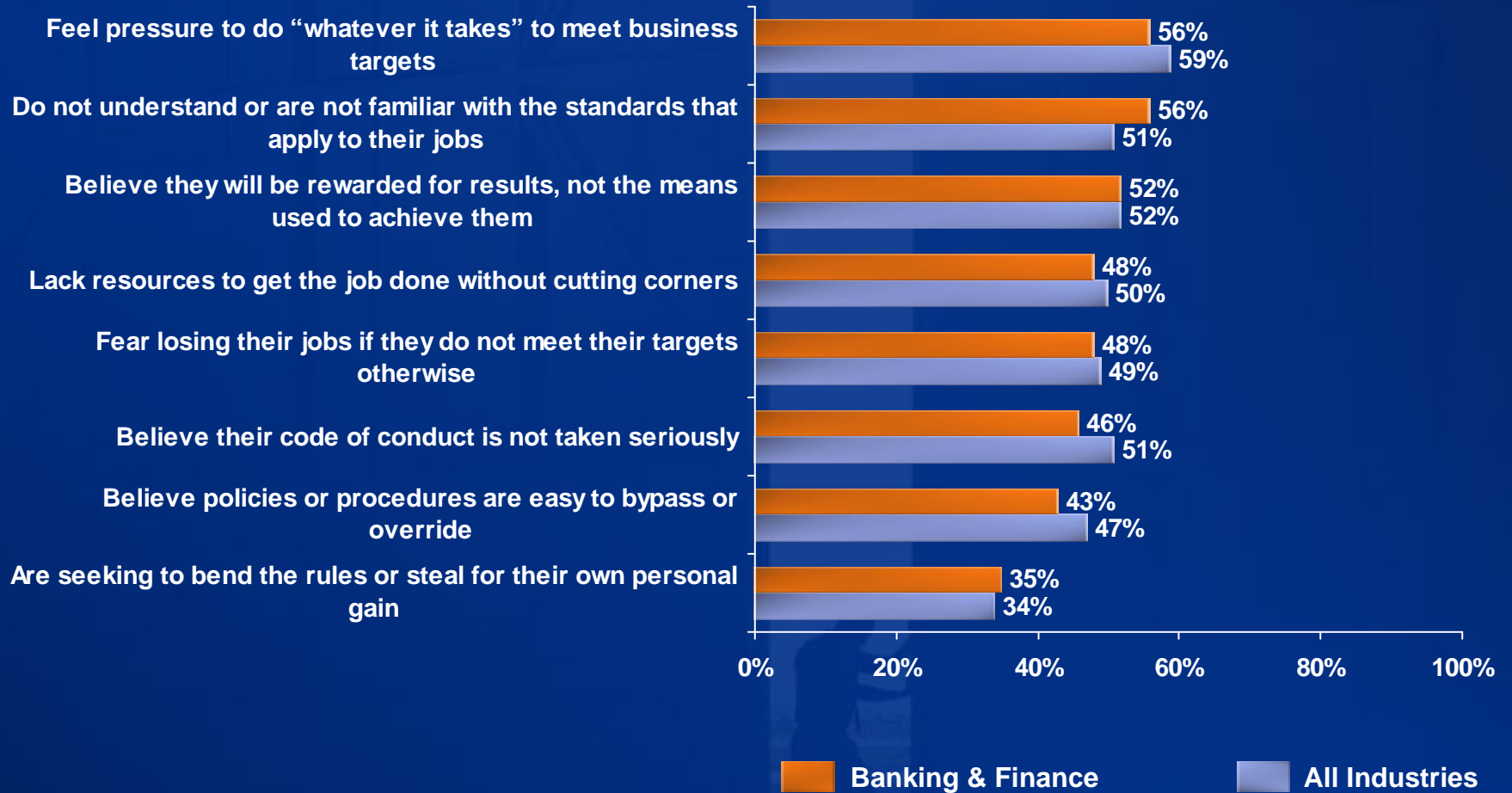
NA responses not included in calculations



# ***Preventing Misconduct***



# Root Causes Of Misconduct





# ***Detecting Misconduct***

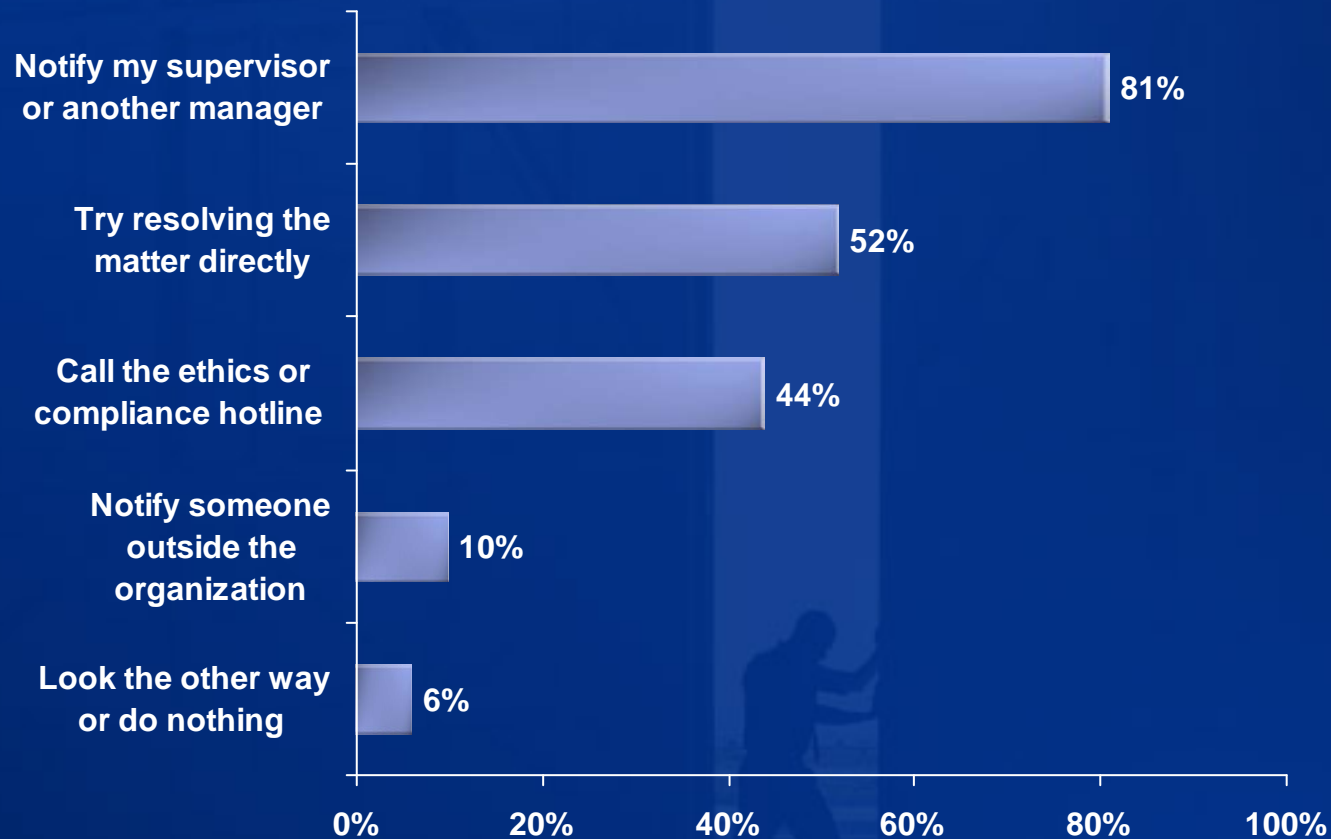


# To Whom Employees “Feel Comfortable” Reporting Misconduct



# Propensity To Report Misconduct

## Rating "Agree" And "Strongly Agree"



NA responses not included in calculations



# ***Responding To Misconduct***





# Perceived Outcomes Of Reporting Misconduct





# ***Perceived Tone And Culture***



# Perceptions About The CEO And Other Senior Executives



# Perceptions Of Local Managers And Supervisors



May not equal 100% due to rounding.

NA responses not included in calculations





# ***Impact Of Ethics And Compliance Programs***

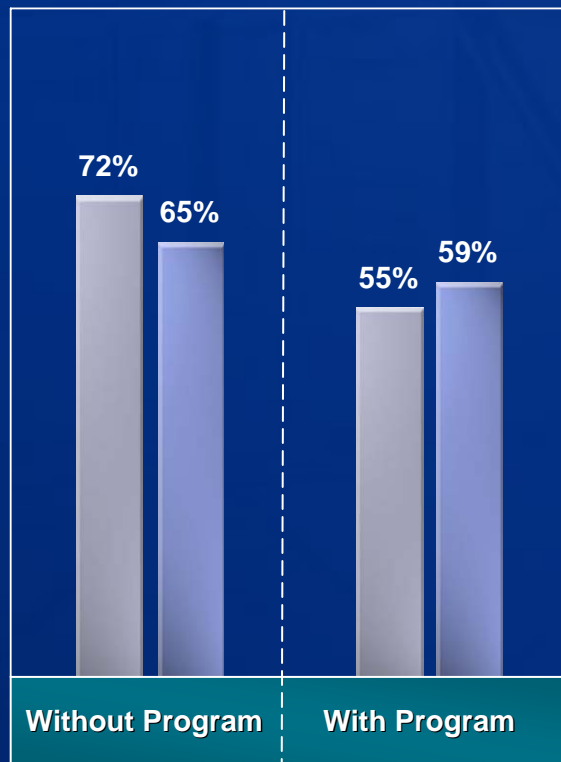


# Correlation Between Ethics And Compliance Programs And Behaviors / Perceptions

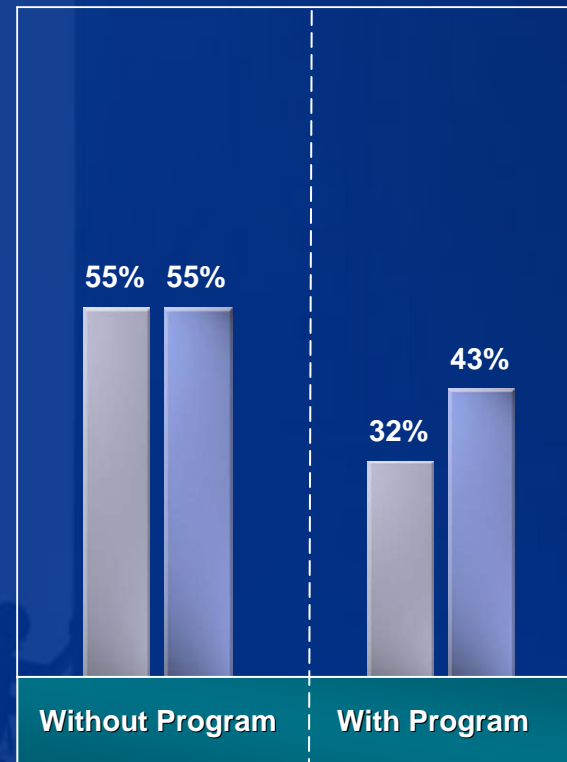
- ◆ **Ethics and compliance programs continue to be correlated with:**
  - Reduced prevalence of misconduct in organizations
  - Lower prevalence of conditions that give rise to misconduct
  - Increased employee willingness to report misconduct
  - More positive employee expectations regarding the outcomes of reporting misconduct
  - More positive employee perceptions of the tone at the top
  - More positive team culture and environment
  - Better guidance and communication of policies around misconduct
  - Increased level of trust and greater sense of ownership

# Prevalence Of Misconduct

Ethics and Compliance Programs Are Correlated With Reduced Prevalence Of Misconduct In Organizations  
Rating “Rarely”, “Sometimes”, “Often” And “Almost Always”



**Observed Misconduct (All)  
in the Prior 12 Months**

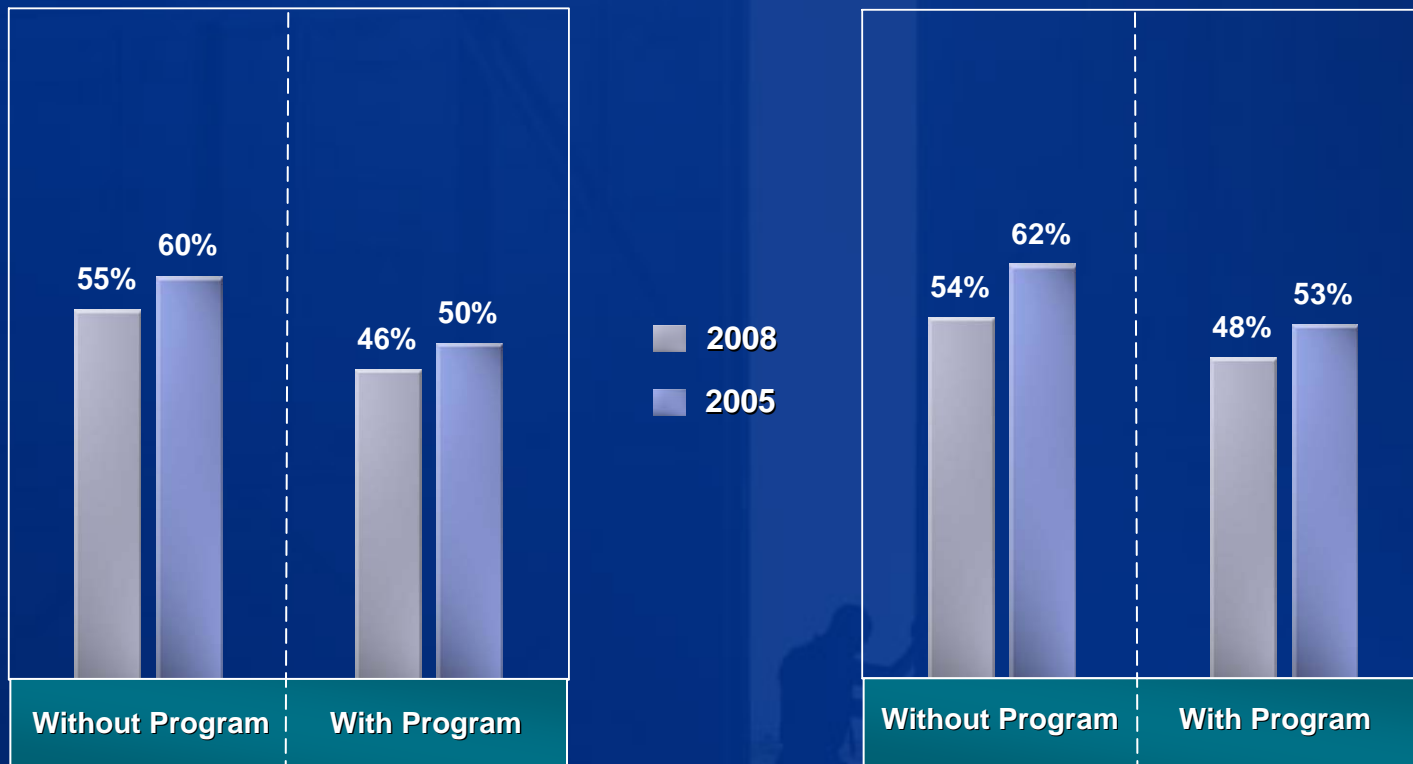


**Observed Violations of Organizational  
Values & Principles in the Prior 12 Months**

# Root Causes Of Misconduct

Ethics and Compliance Programs Are Correlated With Lower Prevalence Of Conditions That Give Rise To Misconduct

Rating “Sometimes”, “Often” And “Almost Always”



Feel Pressure to Do Whatever It Takes to Meet Targets

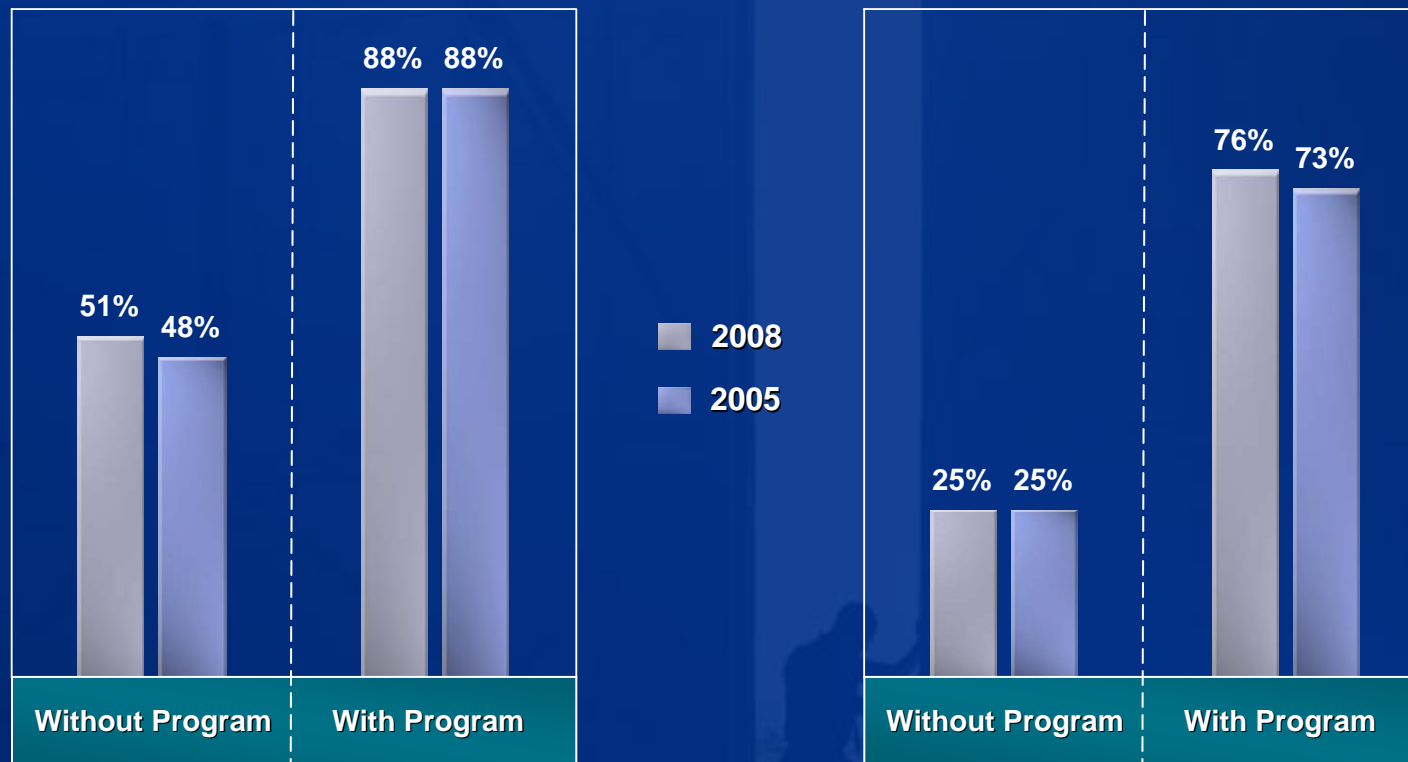
Lack Understanding of Standards That Apply to Their Jobs



# Detecting Misconduct: Channels For Reporting Misconduct

Ethics and Compliance Programs Are Correlated With  
Increased Employee Willingness To Report Misconduct

Rating "Agree" Or "Strongly Agree"



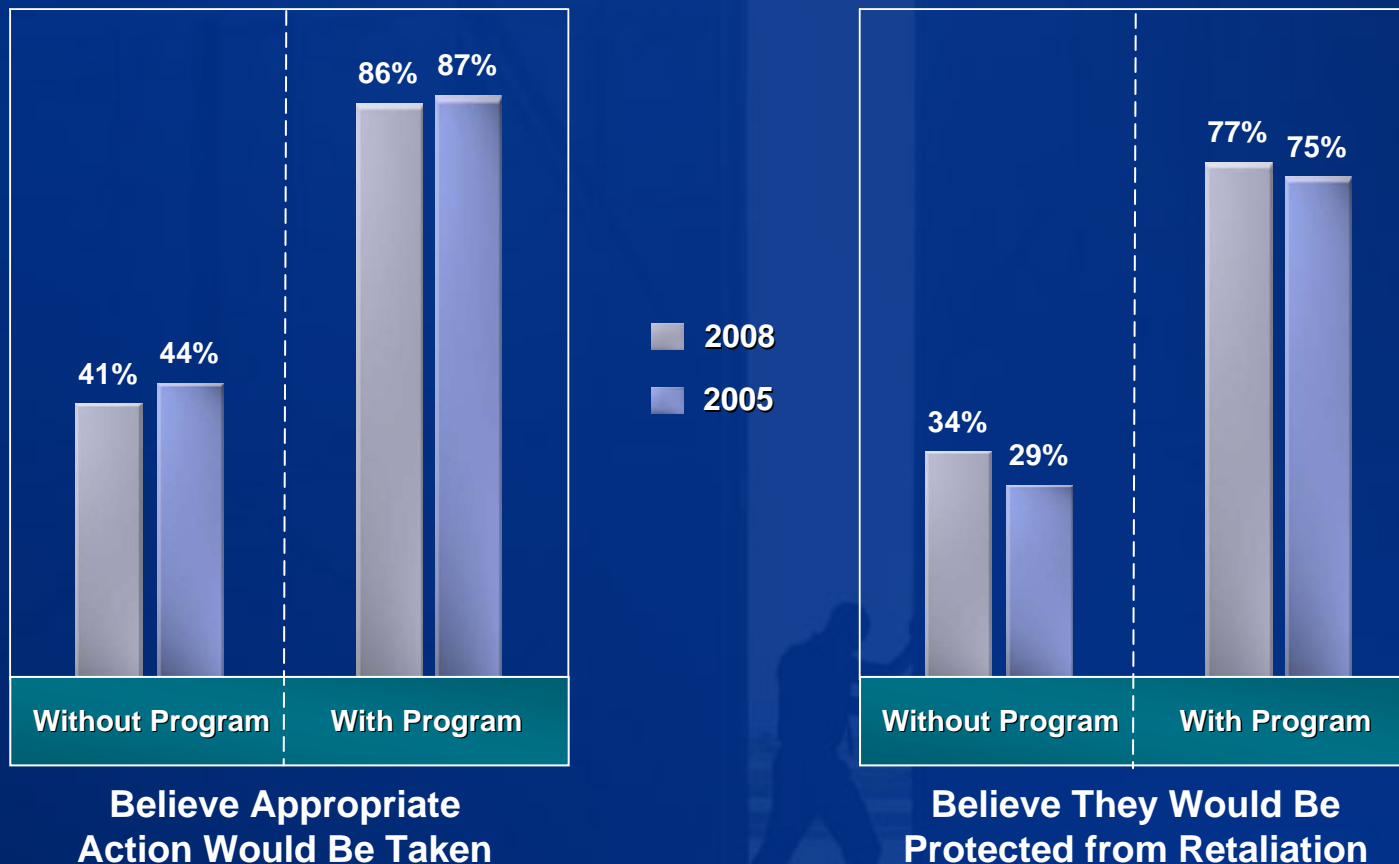
Would Feel Comfortable Reporting  
Misconduct to Supervisor

Would Feel Comfortable Reporting  
Misconduct to Legal Department

# Responding To Misconduct: Perceived Outcomes Of Reporting Misconduct

Ethics and Compliance Programs Are Correlated With More Positive Employee Expectations Regarding The Outcomes Of Reporting Misconduct

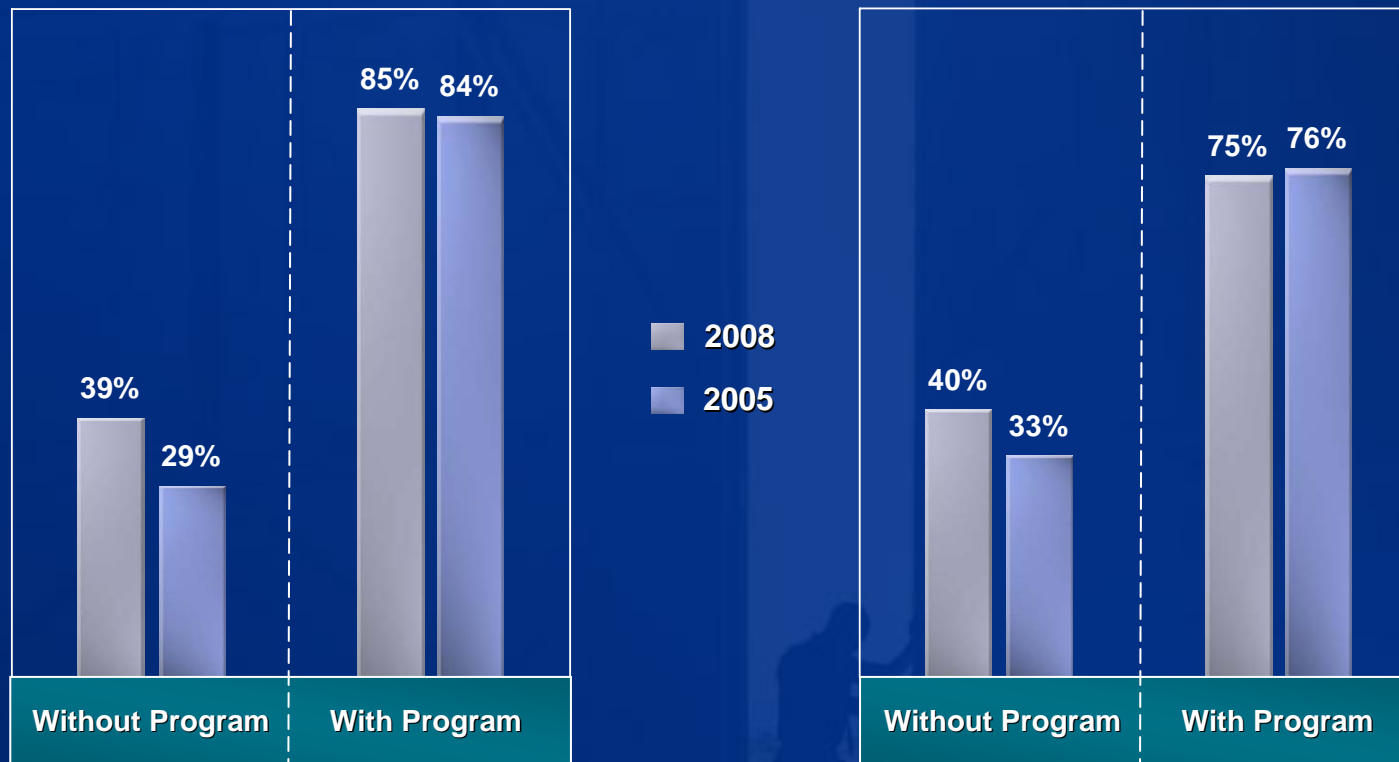
Rating "Agree" Or "Strongly Agree"



# Tone And Culture: Tone At The Top

Ethics and Compliance Programs Are Correlated With  
More Positive Employee Perceptions Of The Tone At The Top

Rating "Agree" Or "Strongly Agree"



Believe CEO & Other Senior Execs  
Set the Right "Tone at the Top"  
on Ethics & Integrity

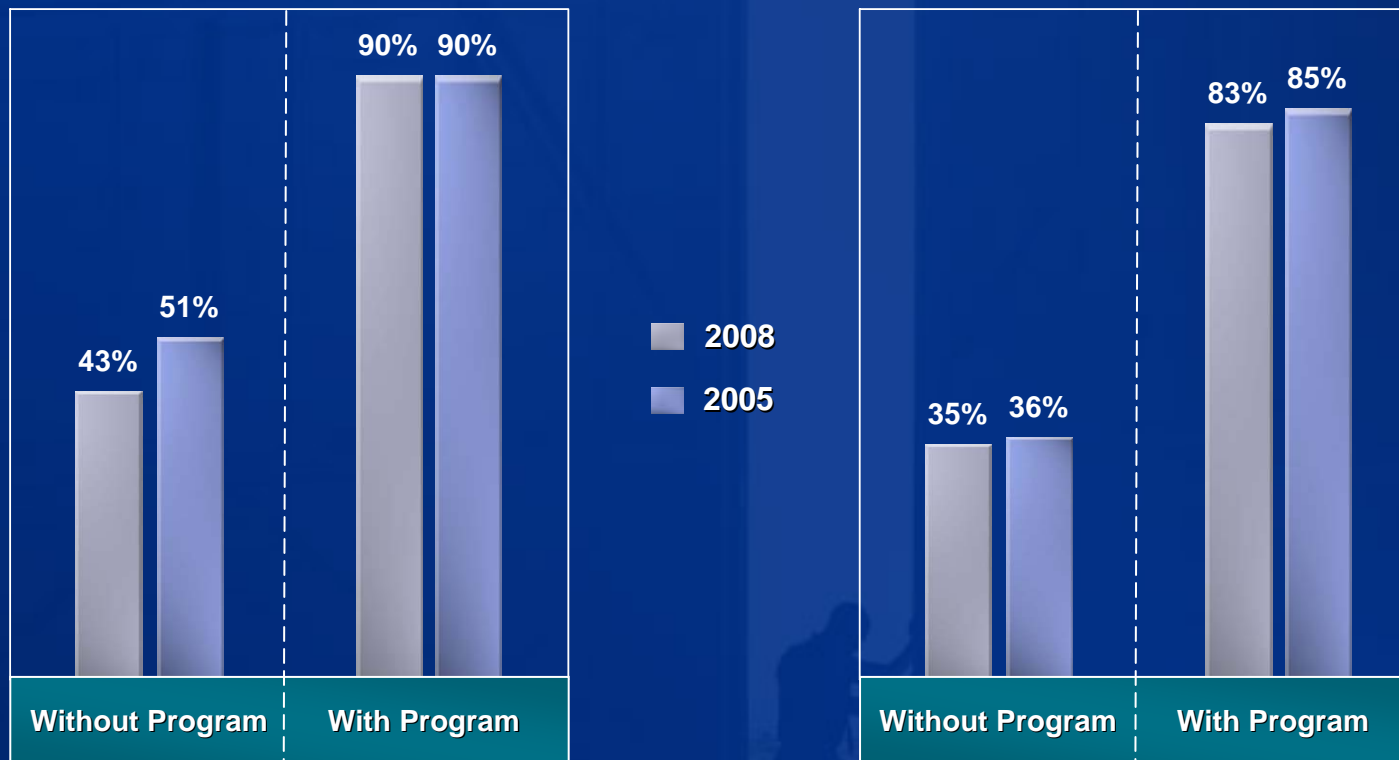
Believe CEO & Other Senior Execs  
are Approachable if Employees  
Have Ethics Concerns



# Tone And Culture: Team Culture And Environment

Ethics and Compliance Programs Are Correlated With  
More Positive Team Culture And Environment

Rating "Agree" Or "Strongly Agree"



People Feel Motivated & Empowered  
to "Do the Right Thing"

People Feel Comfortable Raising  
& Addressing Ethics Concerns





# ***Discussion***

