

# Perceptions of Owners and Senior Executives of Quebec Businesses regarding the Risk of Fraud

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Results of the **CALLOSUM** survey



Wherever business takes you

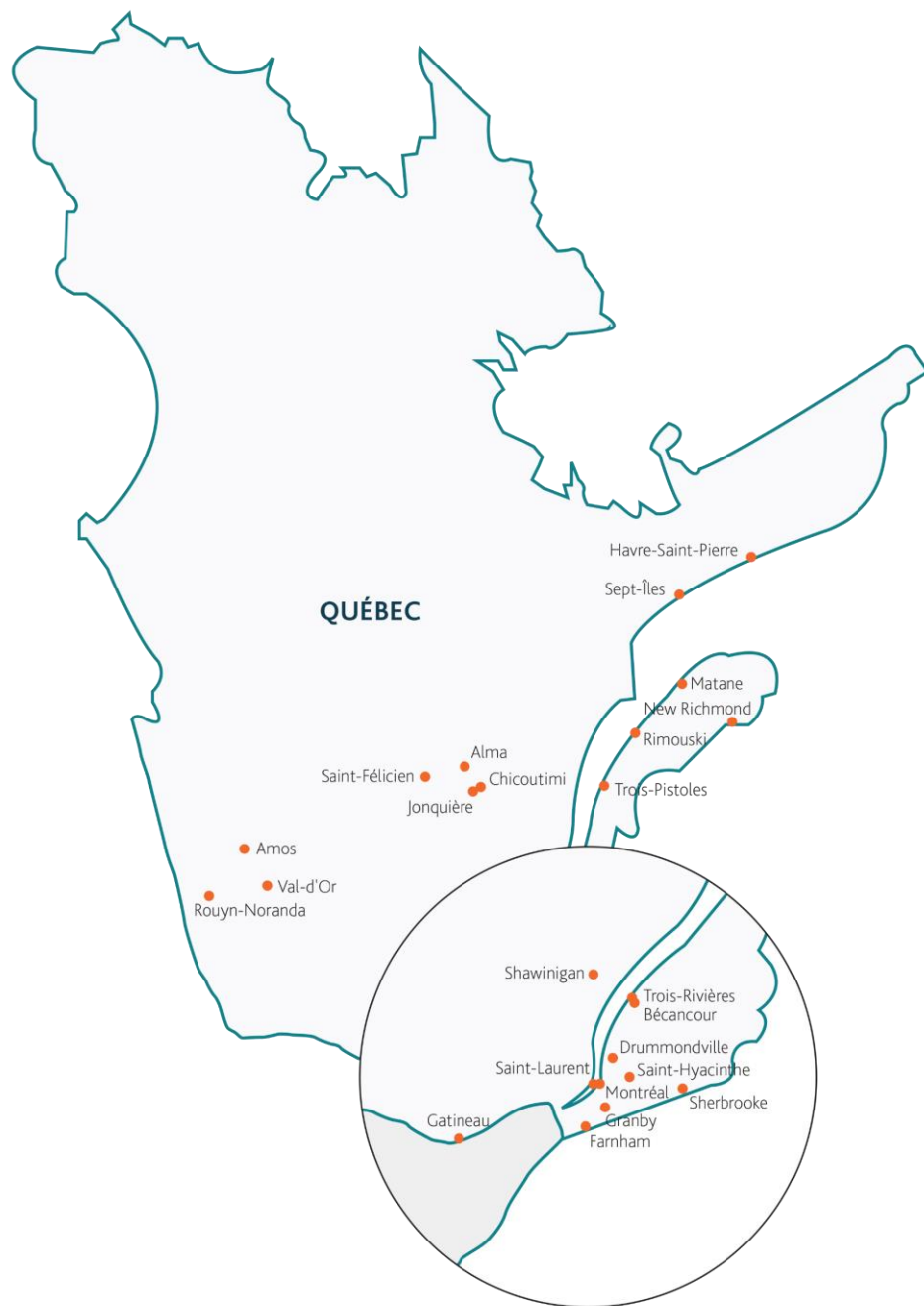
[MNP.ca](https://mnp.ca)

# Context

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MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the private, public and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help people and organizations succeed across the country and around the world.



## Québec presence

MNP has 24 offices in Québec and more than 125 offices across Canada which enables us to support businesses across the country.

# Project background

## Context

The MNP team had questions regarding the perception of risks of corporate fraud among small and medium-size companies. More specifically, MNP wanted to measure whether owners and senior executives of Quebec businesses feel well equipped in this regard and whether such incidents have occurred in the past.

Callosum's services were retained and a quantitative study was conducted. Callosum is a market research agency that has offices in Montréal and Toronto (<https://www.callosum.ca>).

## Research questions

- Do owners and senior executives of Quebec businesses feel well equipped to deal with fraud?
- Has the business experienced fraud in the past?
- What measures are in place to avoid this kind of problem?

# Research strategy

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# Respondents

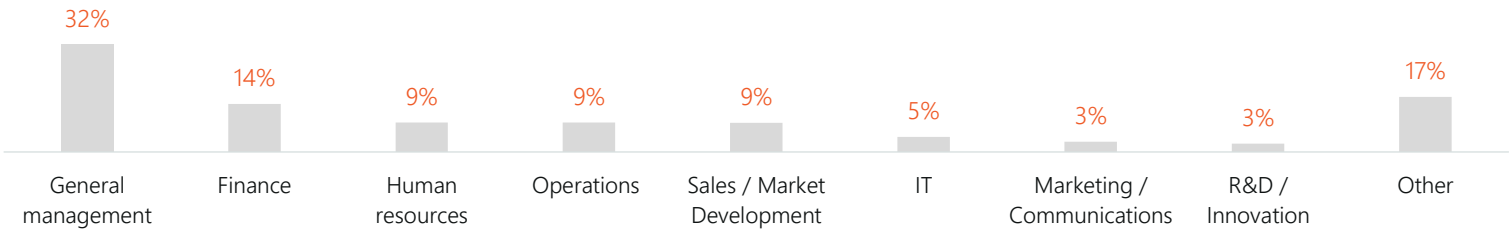
- 250 business owners or senior executives of Québec businesses (if senior executive: must have an impact on the company's decisions)
- Companies must have at least 25 employees within their organization



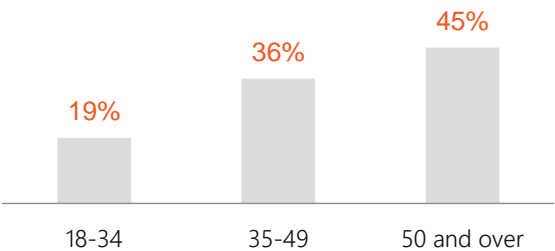
# Profile of Respondents

Position within their business	N	%
Owner, Entrepreneur	60	24%
Senior Manager: President, Vice-President, General Manager	85	34%
Controller, Director of Finance	43	17%
Deputy Director	62	25%
<b>Total</b>	<b>250</b>	<b>100%</b>

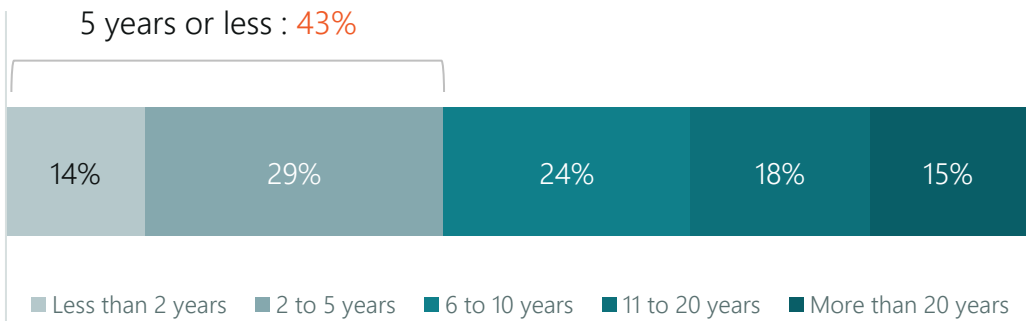
## Distribution



Estimated median age :  
46 ans



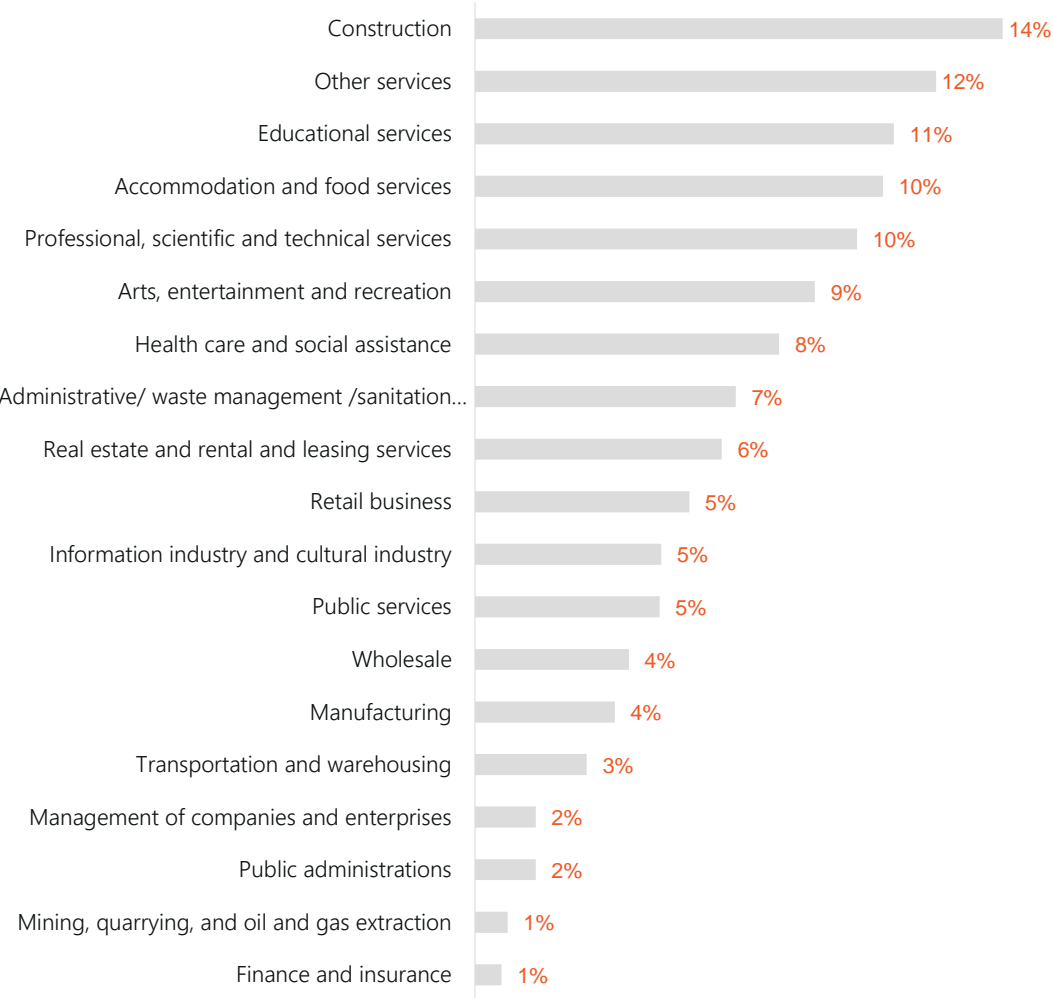
## Duration of the employment



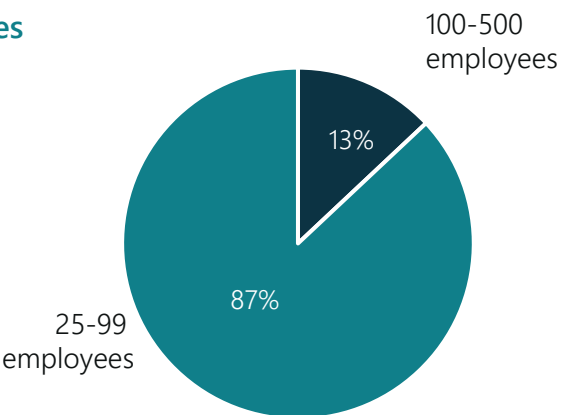


# Profile of respondents - Businesses

## Line of business



## Size of the businesses



## Regions of operation

Montréal: 32%  
Capitale-Nationale: 22%  
Montréal: 19%  
Laurentides: 9%  
Laval: 9%  
Lanaudière: 8%  
Center of Quebec: 7%  
Outaouais: 6%  
Chaudière-Appalaches: 6%



Saguenay-Lac Saint-Jean: 6%  
Mauricie: 6%  
Bas-Saint-Laurent: 6%  
Estrie (Eastern Townships): 6%  
Cote-Nord: 4%  
Abitibi-Témiscamingue: 3%  
Gaspésie/Îles-de-la-Madeleine: 3%  
Nord-du-Québec: 2%

# Research results

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# Research results

## Perceived risk of financial fraud

1

Overall, the perceived risk of fraud is low. 80% of respondents felt that the risk of financial fraud is low to moderate within their company.

2

About 3 out of 4 respondents felt that the pandemic had not changed or had even reduced the risk of financial fraud.

3

Many companies do not feel well prepared to deal with financial fraud. In addition, they do not seem to be able to properly target their fraud risks.

4

About 1 business out of 4 will be impacted by at least one financial fraud during its existence.

5

More than one in 5 businesses will be affected by financial fraud. Affected businesses will face more than one occurrence in their lifetime.

6

Many businesses are unable to provide details on how they are prepared to face fraud.

# Detailed results

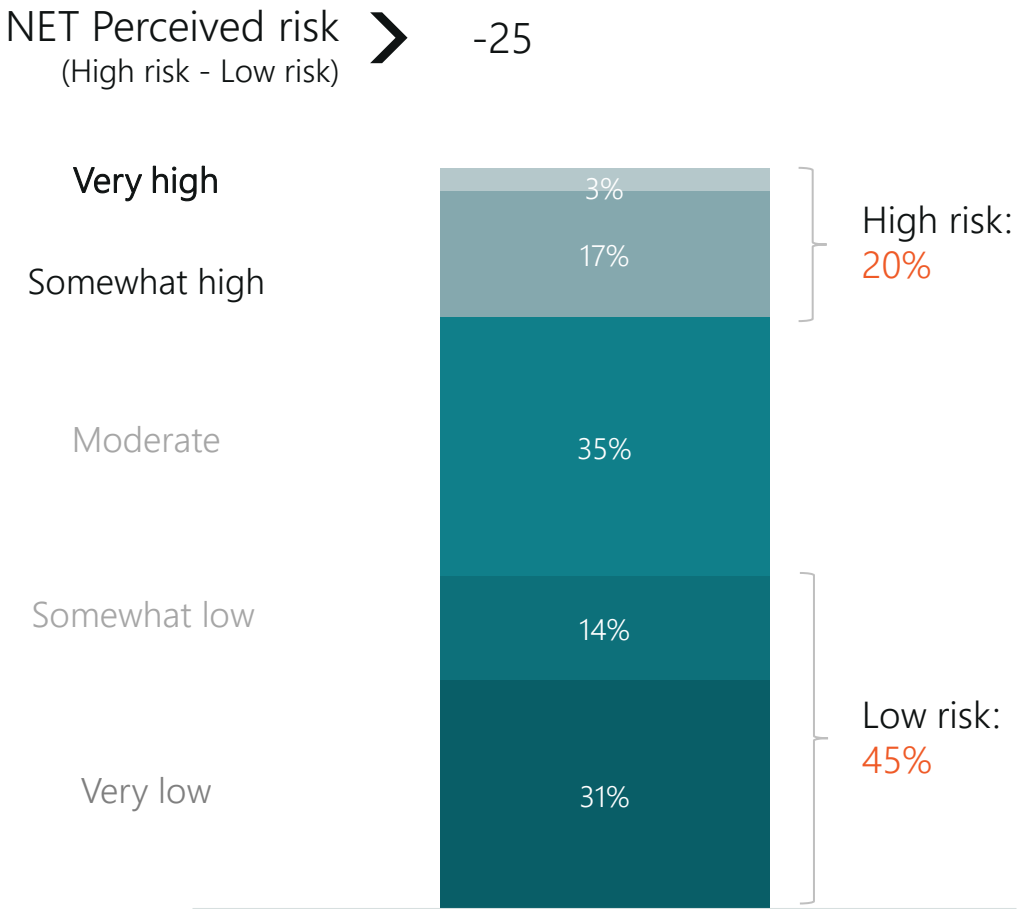
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# 1- Perceptions regarding the Risk of Financial Fraud among businesses

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# Perceived risk level of financial fraud

**So what?** The perceived level of risk regarding financial fraud is somewhat low according to owners and senior executives. In fact, only 2 respondents out of 10 consider their business being under a great level of threat regarding this type of fraud. Those who consider their business being at a high-risk level were more likely to be among the younger group of respondents. Those who have never experienced fraud in the past were more likely to think of the risk level as being low.



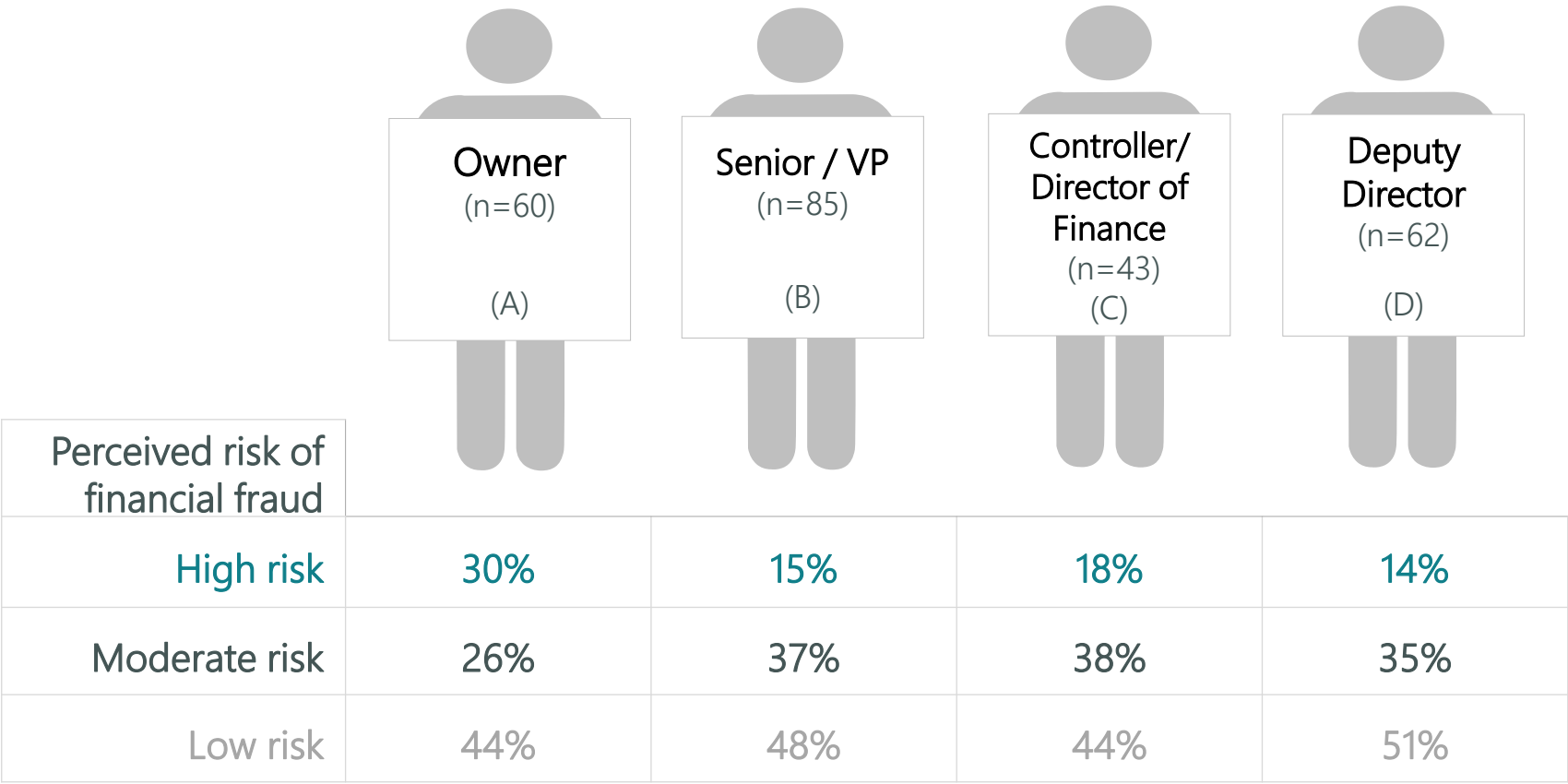
Significant differences – Perceived risk of financial fraud

		High Risk	Moderate Risk	Low Risk
Average		20%	35%	45%
Time in position within business	Less than 5 years (A)	23%	32%	45%
	6 to 10 years (B)	21%	47%	32%
	11 years and more (C)	15%	30%	56%
Age	18-49 (D)	30%	30%	40%
	50+ (E)	8%	41%	51%
Victim of fraud	Yes (F)	27%	48%	25%
	No (G)	14%	33%	53%
	Don't know / Not sure (H)	32%	30%	38%

Among all respondents n=250  
Q5. From your perspective, what is your business's level of risk regarding financial fraud?

# Perceived Risk Level of Financial Fraud – By Position within the Business

**So what?** Owners consider their businesses as being under a higher risk of financial fraud compared to other positions. Their experience in the field and the fact that it is their business might be reasons for a higher perceived risk on their part.



Among all respondents n=250  
Q5. From your perspective, what is your business's level of risk regarding financial fraud?

# Impact of the Pandemic on the Risk of Financial Fraud Among Businesses

**So what?** Nearly 3 out of 4 respondents indicated that the pandemic has not changed or even decreased the risk of fraud in businesses, while a quarter of owners and senior executives surveyed acknowledge that the risk of financial fraud to their business has increased since the start of the pandemic. Respondents who have been in their position for 10 years or less are more likely to consider that the financial fraud risk to their business has increased.



## Increased risk

Time in position	Less than 5 years	34%
	6 to 10 years	32%
	11 years and more	15%

## No changes

Time in position	Less than 5 years	53%
	6 to 10 years	47%
	11 years and more	69%

Perceived level of risk	High	41%
	Moderate	49%
	Low	69%

## Decreased risk

Age	18-49	21%
	50+	9%

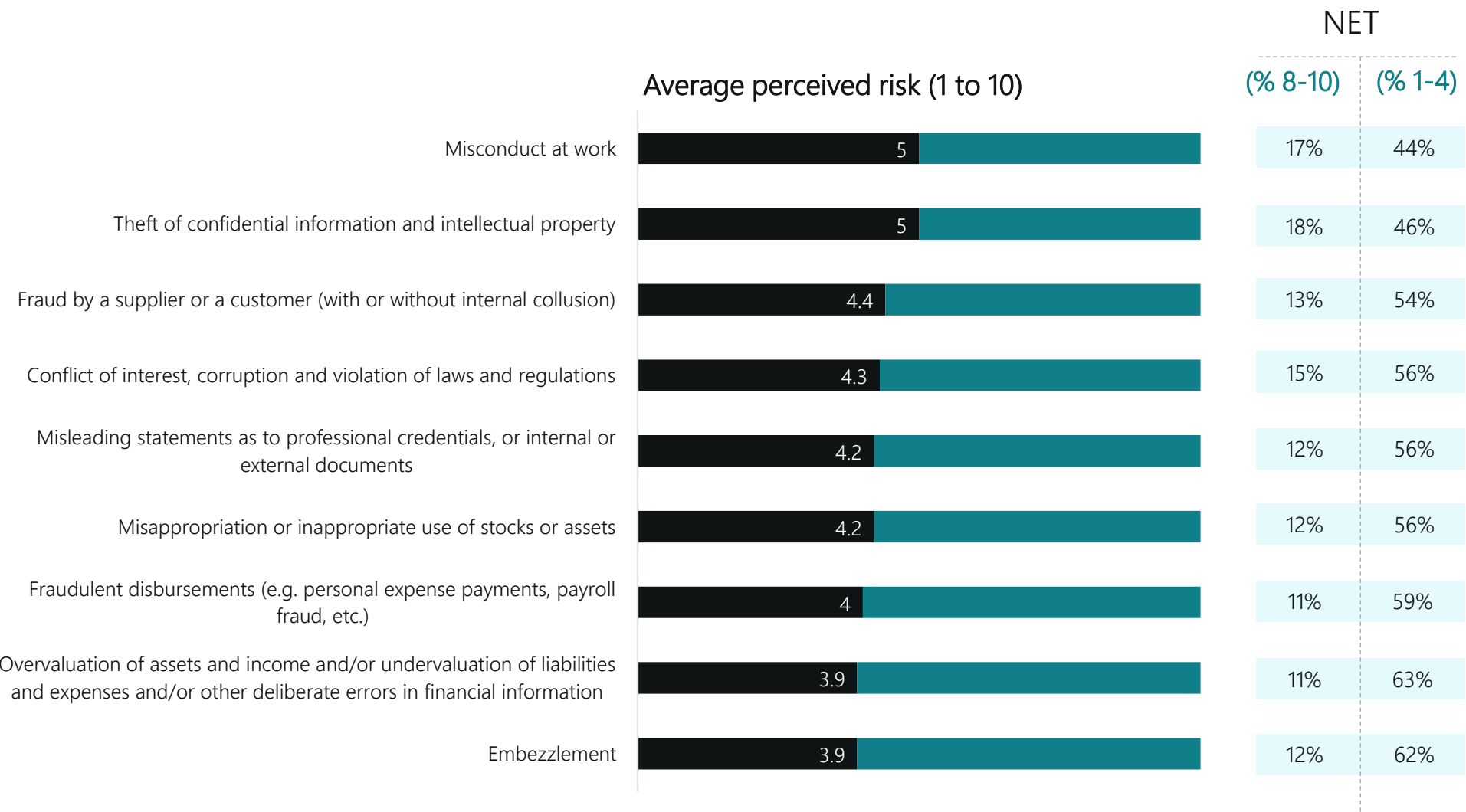
Perceived level of risk	High	30%
	Moderate	18%
	Low	9%

Among all respondents n=250  
Q13. Did the advent of the Covid-19 pandemic have an impact on the risk of financial fraud among businesses?



# Perceived Risk Level of Different Types of Financial Fraud

**So what?** The perceived risk of the following types of financial fraud is low. At the top of the chart, misconduct at work and theft of confidential information are the two elements which are seen as having the greatest risk. It should be noted that very few respondents estimated their risk between 8 and 10 out of 10.



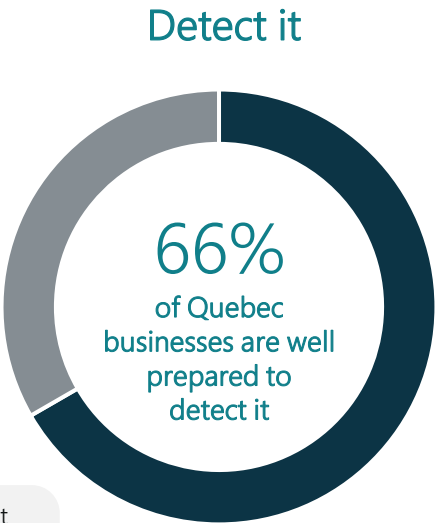
Among all respondents n=250  
Q6. To what extent do you think your business is at risk for the following types of financial fraud? (10 = very high level of risk, 1 = very low level of risk)

# Level of Preparation in the Event of Financial Fraud

## So what?

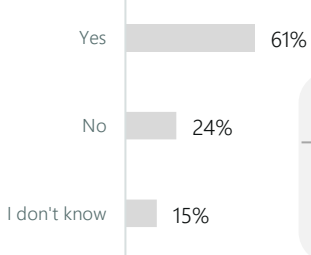
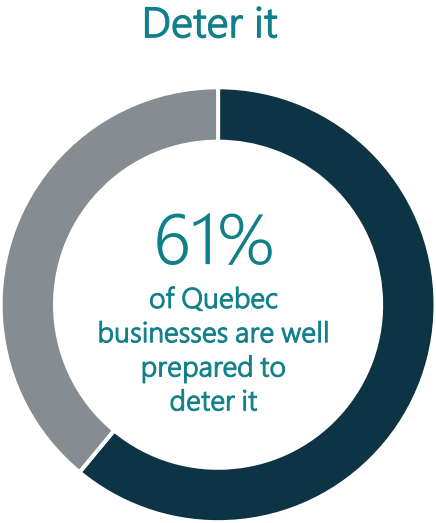
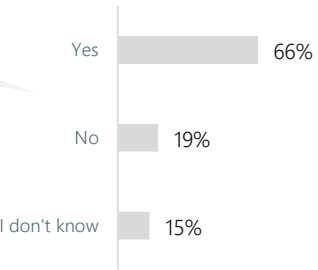
The majority of Quebec businesses feel well prepared to detect fraud, deter it and, if necessary, react to it. Results indicate however that a third of respondents do not feel prepared to detect it, to deter it and to react to it. Businesses which have been the victim of fraud in the past are often more prepared against the possibility of another financial fraud. Overall, 22% of respondents answered “No” to each of the three questions, which could indicate a real need to better prepare.

*Regarding financial fraud, are businesses well prepared to...?*



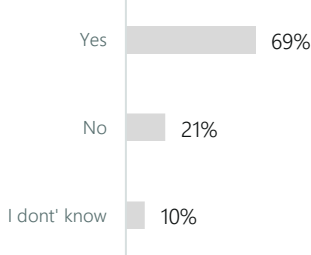
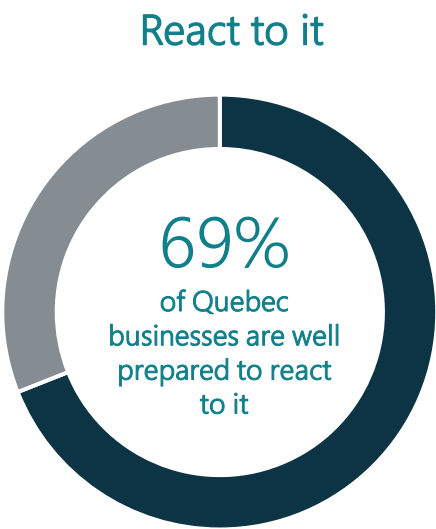
Not well prepared to detect it

Age	18-49	A	25%
	50+	B	13%



Not well prepared to deter it

Age	18-49	A	30%
	50+	B	17%



Said “Yes” to at least one (detect, deter or react):

**78%**

(this indicates that 22% said “No” to each of these questions)

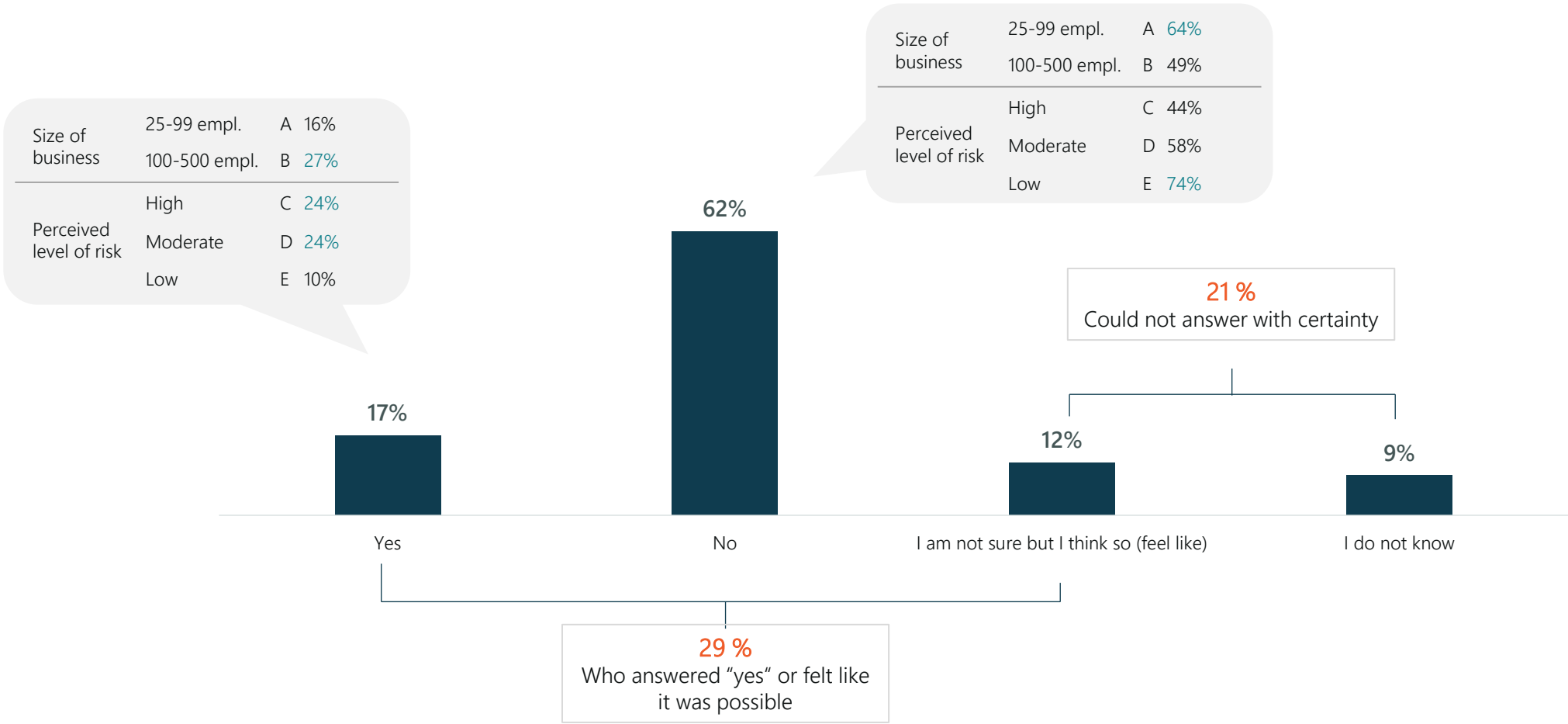
Among all respondents n=250  
Q7. Do you think your business is currently well prepared to detect a financial fraud?  
Q8. Do you think your business is currently well prepared to deter financial fraud?  
Q9. Do you believe that your business is currently well prepared to react in the event of a financial fraud?

## 2- Businesses' Experience with Financial Fraud

# Impacted by Financial Fraud in the Past

**So what?** Close to one business out of five has been the victim of financial fraud in the past. These are more likely to be medium-sized businesses (100-500 employees). In addition, 21% of respondents could not tell with certainty if their business had been impacted by financial fraud in the past or not. Considering that 12% feel as if it might have been possible, the proportion is between 17% and 29%, so roughly around a quarter of companies.

*Has their business been a victim of financial fraud in the past?*



Among all respondents n=250  
Q14. Has your business been a victim of financial fraud in the past?

# Last Event of Financial Fraud Within Business

**So what?** The majority of impacted businesses have dealt with financial fraud within their business over the past 3 years, and almost one third of impacted businesses dealt with one over the last year.

Estimated last occurrence of financial fraud to impacted businesses: **3 years and 10 months ago**



Among all respondents whose business was victim of financial fraud in the past n=44 (answered yes at Q14)  
Q15. When was the last time your business was a victim of financial fraud?

# Amount of Financial Fraud Suffered by Businesses

**So what?** Among the impacted businesses, around half of them have dealt with one financial fraud in their past while 54% have dealt with such an event more than once. Therefore businesses need to be well prepared against financial fraud if they wish to keep their losses to a minimum.

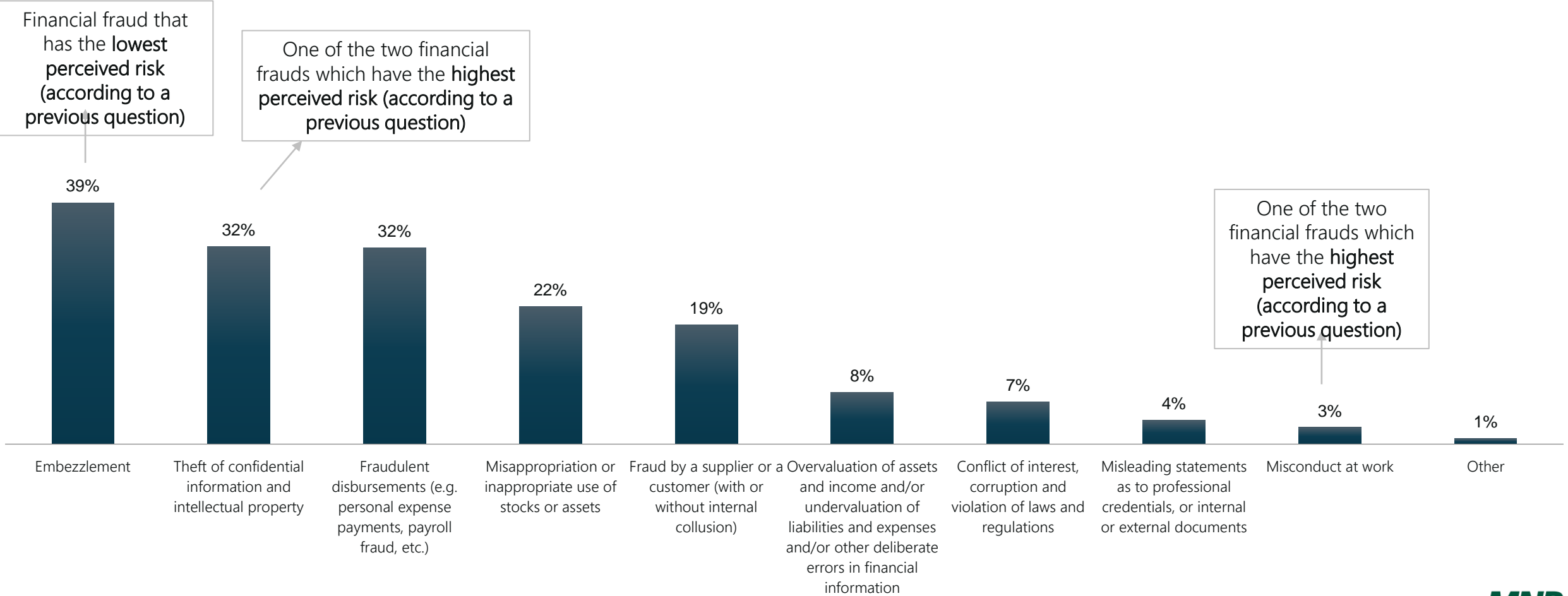
2 times on average  
per impacted business



Among all respondents whose business was victim of financial fraud in the past n=44  
Q16. And approximately how many times has your company been the victim of financial fraud since its existence (to the best of your knowledge)?

# Most Common Types of Financial Fraud to Impact Businesses

**So what?** Interesting fact, embezzlement is the type of financial fraud which has the lowest perceived risk by businesses, however it has impacted the most businesses. To be noted, the fraud that was spontaneously seen as the most likely to occur, which was misconduct at work, was the one that occurred the least frequently according to the impacted business.

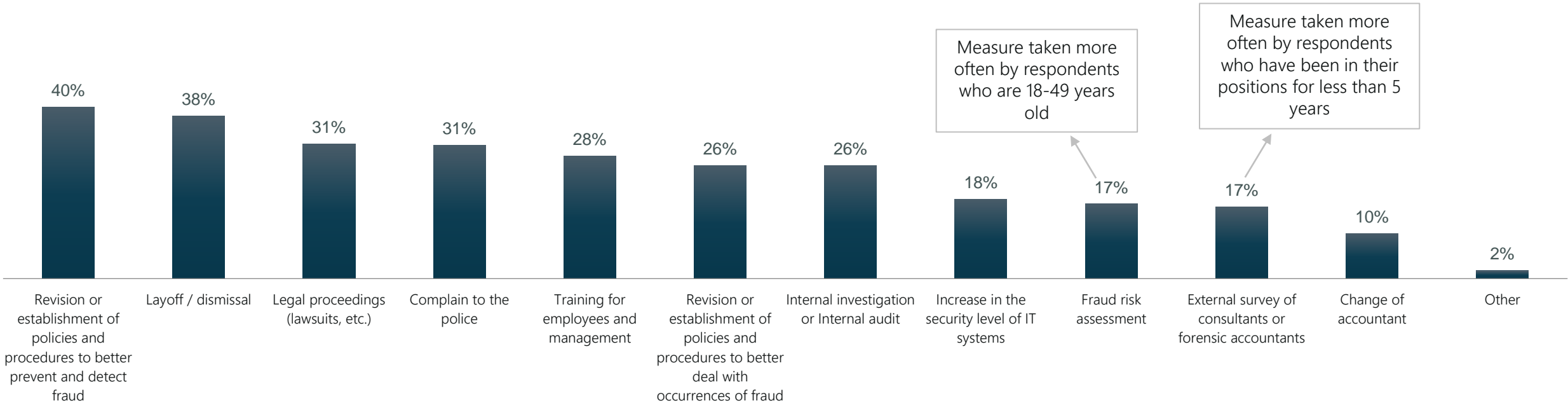


Among all respondents whose business was victim of financial fraud in the past n=44  
Q17. What type(s) of financial fraud has your business been the victim of?

# Most Used Measures Following Financial Fraud

**So what?** 8% of companies which experienced financial fraud did not change anything to prevent fraud in the future. Legal proceedings only comes in third place regarding steps taken after suffering from financial fraud, while fraud risk assessment were undertaken by a limited number of companies.

No measures taken: 8%



Among all respondents whose business was victim of financial fraud in the past n=44  
Q18. What steps have been taken following the financial fraud suffered in your business (if the business has suffered more than one fraud, please refer to the most recent one on the list)?



## 3- Measures in place

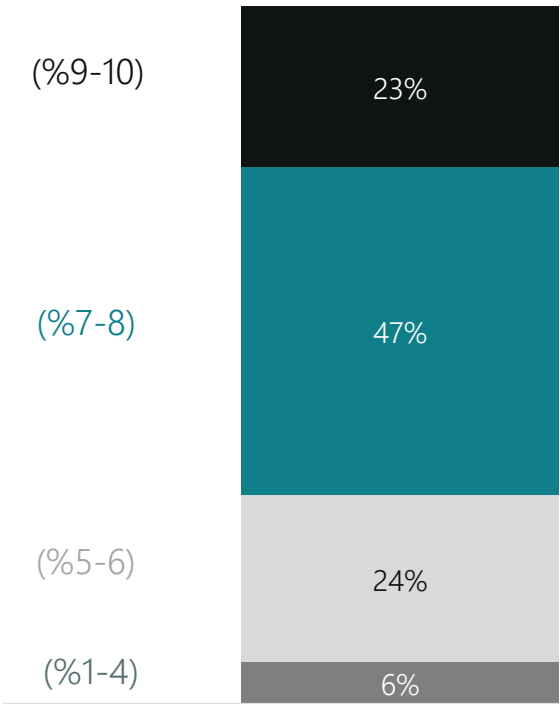
# Internal Controls of Businesses

## So what?

On average, respondents consider their business’s internal controls to be somewhat sufficient. However, there could be some more rigorous internal controls deployed within businesses to alleviate the risk of financial fraud. Older respondents who have been in their positions for more than 10 years are more likely to think their business’s internal controls are sufficient.

*Do they consider their business's internal controls, that are in place against financial fraud, sufficient?*

Average > 7.3



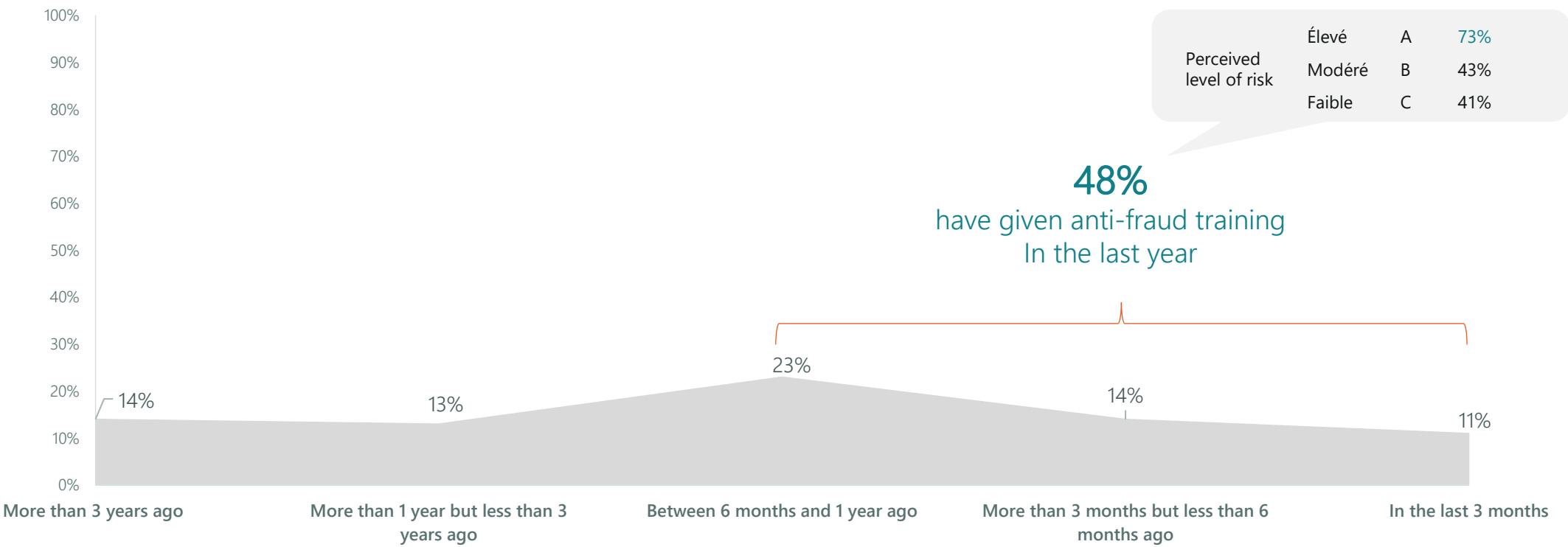
Significant differences –  
Average (1 to 10)

		Internal controls
Average		7.3
Time in position within business	Less than 5 years (F)	7.2
	6 to 10 years (G)	6.9
	More than 11 years (H)	7.6
Age	18-49 (K)	7.0
	50+ (L)	7.6
Victim of a fraud	Yes (M)	7.1
	No (N)	7.6
	Don't know / Not sure (O)	6.5
Perceived level of risk	High (P)	7.2
	Moderate (Q)	6.9
	Low (R)	7.6

Among all respondents n=250  
Q20. In your opinion, are your business’s internal controls in place against financial fraud sufficient? (1 = strongly disagree, 10 = strongly agree)

# Last Occurrence of Anti-Fraud Training Given to Employees

**So what?** One quarter of respondents never gave anti-fraud training to their employees. Respondents who think that their business is subject to a higher perceived level of fraud risk are more likely to have given anti-fraud training to their employees within the last year.



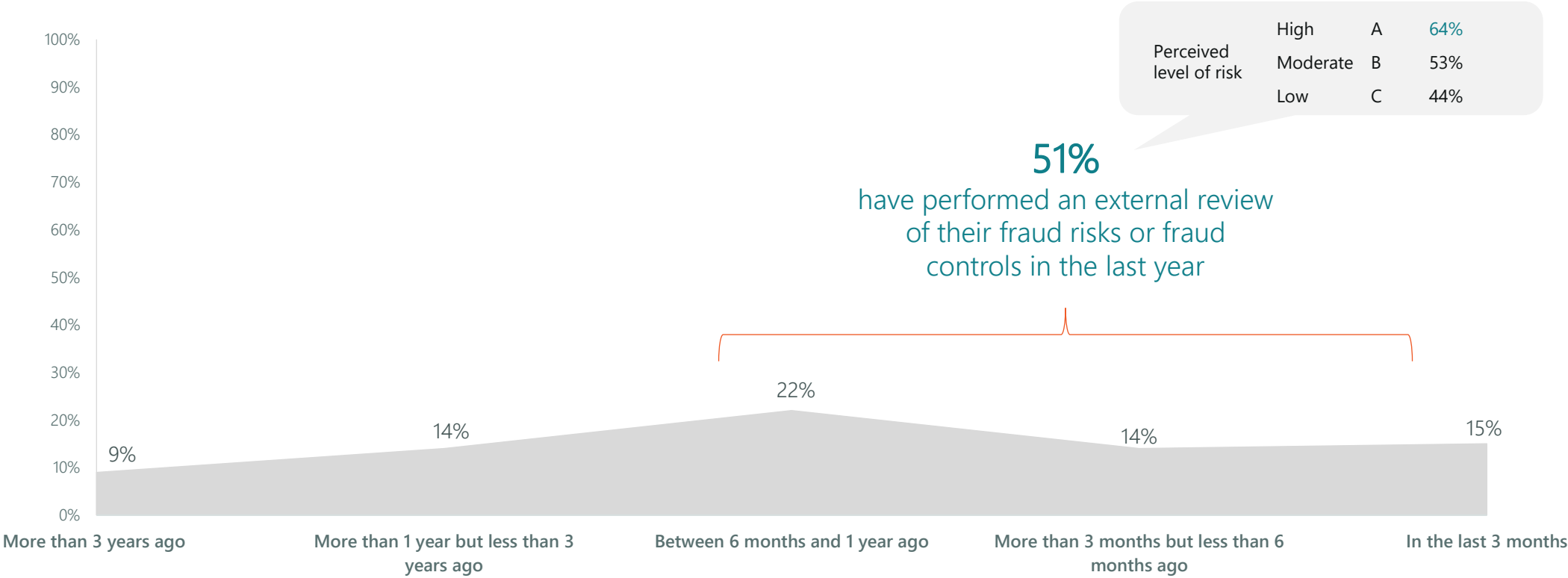
Never gave anti-fraud training to their employees: **25%**

Perceived level of risk	High	A	5%
	Moderate	B	32%
	Low	C	28%

Among all respondents n=250  
Q22. When was the last time anti-fraud training was given to your employees?

# Last Occurrence of an External Review of Fraud Risks or Fraud Controls

**So what?** Slightly more than half of businesses have performed an external review of their fraud risks or fraud controls in the last year, while more than one business out of four have never performed such a review. Smaller businesses that have 25 to 99 employees are more likely to have never performed an external review of their fraud risks or fraud controls.



Perceived level of risk	High	A	64%
	Moderate	B	53%
	Low	C	44%

Never performed an external review of their fraud risks or fraud controls: 26 %

Perceived level of risk	High	A	16 %
	Moderate	B	23 %
	Low	C	32 %
Size of the business	25-99 empl.	D	27 %
	100-500 empl.	E	13%

Among all respondents n=250  
Q24. When was the last time you performed an external review of your fraud risks or fraud controls?

# Appendix

# Callosum research strategy

## Methodology

Online survey

Province of Québec

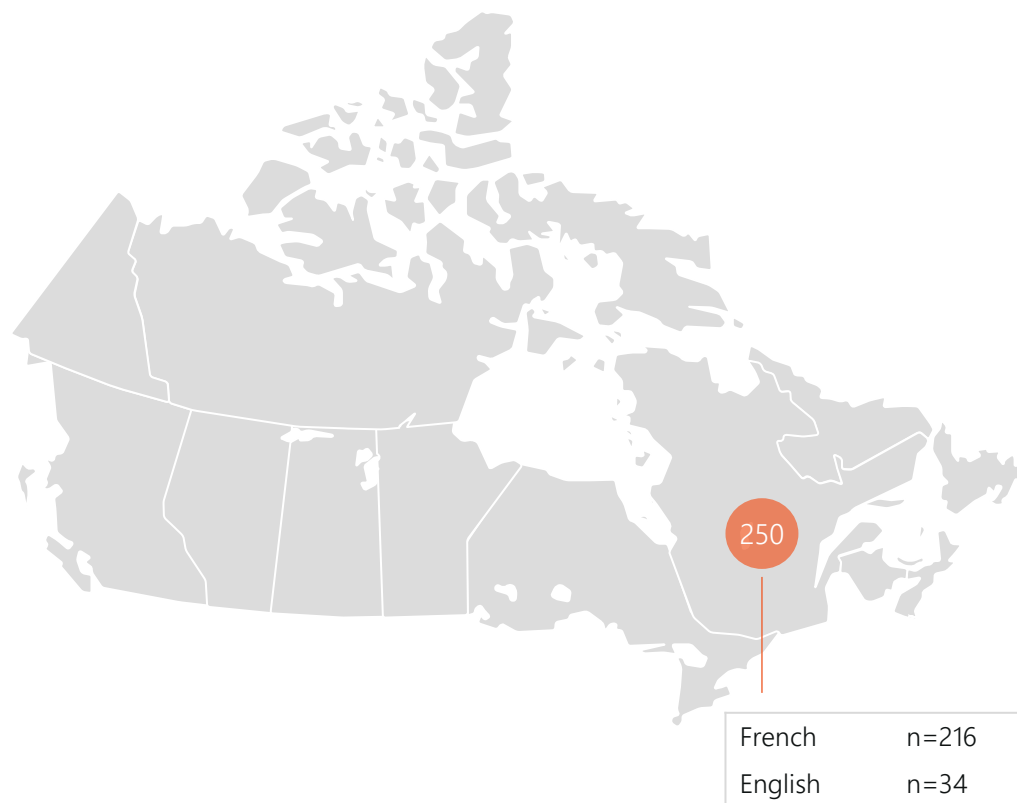
September 27<sup>th</sup> to October 7<sup>th</sup>, 2021

Target

- 250 owners or senior executives of Quebec businesses (if senior executive: must have an impact on the company's decisions)
- Companies must have at least 25 employees within their organization
- Usage of a B2B panel
- Survey administered in French and English

Weighting based on the businesses' size

## Sampling plan



# Contact our Investigation and Forensics team



## **Corey Bloom, CPA, CA, CA•IFA, CFE, CFF, ACFE REGENT EMERITUS**

### **Partner and Eastern Canada Leader, Forensics, Investigations and Disputes**

Corey Anne Bloom, CPA, CA, CA•EJC, CFF, CFE, ACFE Regent Emeritus is a partner and Eastern Canada Leader, Forensics, Investigations and Disputes for MNP.

Leader in her field, Corey Anne specializes in forensic accounting, fraud detection, investigations, anti-money laundering, fraud risk management and assessment, dispute resolution, workplace investigations, shareholder and multi-party disputes, including estates; fund tracing, forensic technology; and litigation support and auditing. She also provides forensic accounting and anti-fraud training.

Fully bilingual, with over 25 years of experience, she brings in-depth expertise gleaned from working on hundreds of engagements in numerous industries both with public and private sector clients in a wide range of industries. Corey has testified at Court and in front of administrative tribunals, she also holds a Secret Level Security Clearance at the Federal Government level.

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**MNP**

Thank you.



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