
News release

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Economic fraudsters is on an uptrend

- *Nearly two-thirds of tech, media and telecommunications (TMT) businesses experienced some form of fraud, the highest incidence of any industry*
- *46% of organisations reported experiencing fraud or financial crime over the last 24 months. 70% of those organisations that did encounter it experienced new incidents of fraud as a result of COVID-19 disruptions*
- *Surveyed economic crime rates remain stable, but impacts are substantial for companies with revenues exceeding \$10 billion, with one in five reporting a fraud incident costing more than \$50 million*
- *Emerging risk like environmental, societal and governance (ESG) reporting fraud has the potential to cause greater disruption over the next few years*

Cybercrime tops the list of current threats facing businesses, while emerging risks from ESG-reporting fraud and platform fraud could impact businesses more in the future. TMT sector experienced the highest incidence of fraud across all industries according to **PwC's Global Economic Crime and Fraud Survey 2022**, which shows organisations' perimeters are vulnerable, and external fraudsters are becoming a bigger threat as attacks increase and become more sophisticated.

The survey of 1,296 business leaders from across 53 countries found that cybercrime, customer fraud and asset misappropriation were the most common crimes experienced by organisations, regardless of revenue.

Larger companies are at greater risk for fraud

While just under half of organisations (46%) reported experiencing fraud or economic crime within the last 24 months, the impact of these crimes have been more substantial. Among companies with global annual revenues over \$10 billion, 52% experienced fraud during the past 24 months. Within that group, nearly one in five reported that their most disruptive incident had a financial impact of more than \$50 million. The share of smaller companies



(those with less than \$100 million in revenues) affected was lower; 38% experienced fraud, of which one in four faced a total impact of more than \$1 million.

The growing maturity of the TMT sector helped it identify a significant increase in fraud activity since 2020 with nearly two-thirds of companies experiencing some form of fraud, the highest incidence of all industries.

Cybercrime tops the list of threats

Cybercrime poses the biggest threat to small, medium, and large businesses, after the impact of hackers rose substantially over the last two years. The rise of digital platforms opens the door to a myriad of financial crime risks, and 40% of those encountering fraud experienced some form of platform fraud. This year, cybercrime came in ahead of customer fraud, the most common crime in 2020, by a substantial margin. 42% of large businesses reported experiencing cybercrime in the period, while only 34% experienced customer fraud.

An emerging risk

An emerging risk like ESG reporting fraud (the act of altering ESG disclosures so that they do not truly reflect the activities or progress of an organisation) has the potential to cause greater disruption in the next few years. Just 8% of those organisations encountering fraud experienced ESG reporting fraud, however, as ESG continues to increase in importance to stakeholders, the incentive to commit fraud in this area may grow.

Defence against external threats requires new thinking

The survey finds that threats from external entities are increasing, with perpetrators quickly growing in strength and effectiveness. Nearly 70% of organisations experiencing fraud reported that the most disruptive incident came via an external attack or collusion between external and internal sources. Respondents indicated they are strengthening internal controls, technical capabilities, and reporting to prevent and detect fraud.

Commenting on this, Vo Tan Long, General Director of PwC Consulting Vietnam said: “Over the years, we have seen many businesses in Vietnam encounter some form of economic crime. One thing remains clear, fraud remains a serious concern. There is a need for continued vigilance, effective and consistent responses to allegations. With proper planning, policies, procedures and controls, companies can reduce the risk of fraud, detect it early and minimise financial and reputational loss. Without such an approach, fraud can be a costly experience both in its own right, and by the fact it seriously can divert management's attention from business as usual.”

With a similar view, Kristin Rivera, PwC Global Forensics Leader comments: “Organisations need to be more agile than ever to respond to these converging threats, and adopt new approaches and technologies to predict and prevent fraud. Understanding the end-to-end lifecycle of customer-facing products, striking the proper balance between user experience and fraud controls, and having a holistic view of data will help arm businesses in the never-ending fight against fraud.”



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Notes:

1. Download the report at <https://www.pwc.com/gx/en/services/forensics/economic-crime-survey.html>
2. Customer fraud is defined as fraud against a company through illegitimate use of, or deceptive practices associated with, its products or services by customers or others.
3. Cybercrime is one of the most prevalent crimes regardless of industry, features in the top most disruptive crimes experienced in almost all industries reported in the survey - Financial Services (38%), Industrial Manufacturing (32%), TMT (50%), Retail & Consumer (27%), Government and public sector (36%), Health Industries (40%).
4. PwC also highlighted that cyber risks are ranked as the top threat to growth in its 25rd CEO survey and identified that CEOs are most worried about the potential for a cyberattack to undermine the achievement of their company's financial goals. Many CEOs worry that cyber risks could inhibit innovation as well as sales. Leaders recognise the importance of these outcomes, but they may give them short shrift because of top-line pressures.

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