
News release

<i>Date</i>	19 March 2020
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Global economic crime rates remain high as customer fraud continues to rise

- *47% of companies report experiencing fraud in the last two years - the second highest reported level in 20 years*
- *Customer fraud sees the biggest increase in the last two years, up from 29% to 35%*
- *Customers, hackers and vendors/suppliers are responsible for 39% of all incidents in the last two years*

Fraud and economic crime rates remain at record highs, impacting companies in more ways than ever. PwC's bi-annual survey of business crime reports that fraud committed by customers tops the list of all crimes experienced (at 35%), up from 29% in 2018. Businesses report that customer fraud and cybercrime are the most disruptive of all the crimes.

Although fraud committed by customers is on the rise, it is also one of the types where dedicated resources, robust processes and technology have proven most effective for prevention.

The Global Economic Crime and Fraud Survey 2020 examines over 5000 responses from 99 countries. It reports on the overall insights from companies who have experienced on average six incidents over the last two years. The report provides insights into the threat, cost of fraud and what companies need to do to develop stronger proactive responses.

The report highlights the importance of prevention and how investing in the right skillset and technology can create an advantage. Nearly half of organisations responded to crime by implementing and enhancing controls, with 60% saying their organisations were better for it.

However nearly half of respondents did not conduct an investigation at all. Barely one third reported the crime to their board, but of the organisations who did, 53% ended up in a better place.



The perpetrators: Who's committing the fraud

Fraud hits companies from all angles - the perpetrator could be internal, external or in many instances there is collusion.

- In the last two years, 39% of respondents said external perpetrators were the main source of their economic crime incidents.
- One in five respondents cited vendors/suppliers as the source of their most disruptive external fraud.
- 13% of respondents who experienced fraud in the last two years reported losing more than US\$50 million.
- Antitrust, insider trading, tax fraud, money laundering, and bribery and corruption are reported as being the top five costliest frauds in terms of direct losses - sometimes compounded by the significant cost of remediation.

Taking action and being prepared

While technology is just part of the answer in fighting fraud, the report finds that more than 60% of organisations are beginning to employ advanced technologies such as artificial intelligence and machine learning to combat fraud, corruption or other economic crime. However, concerns about deploying technology are linked to cost, insufficient expertise and limited resources. 28% say it's because they struggle to see its value.

The benefit in using technology to fight fraud is undeniable but organisations must recognise that using tools or technology alone does not amount to an anti-fraud programme.

Grant Dennis, CEO of PwC Consulting Vietnam comments: "Whether you are a multinational organisation planning to have a footprint in Vietnam, or a local organisation, the threat of fraud is real and growing. Start by proactively knowing your risks and potential exposure, then you can take a more active stance in preparing to detect, prevent and respond to fraud."

"There is no one-size-fits-all solution. Organisations can consider a combination of approaches: be it through supplier and customer education, technology, upskilling, compliance processes, and a strong anti-fraud corporate culture. To fight against crime, it's important to see and reinforce the business as a whole." - Mr.Dennis added.

In this same view of technology application, Kristin Rivera, PwC Global Forensics Leader comments "Collecting the right data is just the first step. How the data is analysed is where companies will have an advantage when fighting fraud. Companies often fail to see the value in technology when they don't invest in the right skills and expertise to manage it".

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Notes:

1. Download the report at <https://www.pwc.com/gx/en/services/advisory/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 (e.g. mortgage fraud, credit card fraud).
3. Cybercrime features in the top three most disruptive crimes experienced in almost all industries reported in the survey - Financial Services (15%), Industrial Manufacturing and Automotive (15%), Technology, Media and Telecommunications (20%), Consumer Markets (16%), Government and public sector (17%), Health Industries (16%).
4. Globally, all regions report experiencing customer fraud in the last two years: Middle East (47%), Africa (42%), Asia Pacific (31%), Europe (33%), Latin America (33%), North America (41%).
5. PwC highlighted the global issue of upskilling in its 23rd CEO survey and identified that whilst retraining/upskilling was seen as the best way to close the skills gap, only 18% of CEOs have made 'significant progress' in establishing an upskilling programme. In order to take advantage of what technology can do for your organization, hiring the right people to work alongside new technologies is important. This is apparent even when hiring staff to support advanced technologies such as artificial intelligence and machine learning to uncover fraud.

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