

VIGILANCE URGED ON FRAUD, CYBERCRIMES

Thai firms told to be proactive amid rising of complex activities

THE NATION

Thailand may lose its attractiveness as a safe place to do business if companies fail to adopt pre-emptive measures against fraud and cybercrime.

"Thai businesses are expected to see a rising trend of complex embezzlement, corruption and IT-related crimes over the next three to five years," Sira Intarakumthornchai, chief executive officer of PwC Thailand, said yesterday.

"We expect to see fraud risk grow in coming years unless businesses meet the challenge head-on."

Businesses need to be proactive and put in place fraud prevention measures such as whistleblower programmes and the proper monitoring of bidding and procurement. Otherwise, Thailand could prove to be a high-risk place to do business, he said.

According to PricewaterhouseCoopers' first-ever Thailand Economic Crime Survey, local companies face a rising threat of fraud and cybercrime, with 35 per cent reporting major fraud in the past 12 months.

The survey shows that economic or "white collar" crime takes many forms. Anti-competitive practices, including price fixing, bid rigging or market sharing, were reported by 25 per cent of respondents – more than triple the global average. And 79 per cent said fraud was internal, against 56 per cent globally.

Of internal fraudsters, Thai respondents said more than 80 per cent were in senior and middle management. The study polled businesses and found a growing trend of embezzlement, computer hacking and asset misappropriation, placing Thailand above global threat levels.

Vorapong Sutanont, a partner of PwC Forensics Advisory, said more than half of the Thai respondents reported that they had performed no fraud-risk assessment or had no knowledge of such an assessment at their firm. These findings show the need for greater preparedness.

"These results demonstrate that companies need to address fraud through both treatment and prevention – relying on accidental detection is not enough. One of the biggest obstacles is that fraud is often dealt with reactively and only when threats are reported or detected by happenstance," he said.

"Fraud is hidden in nature and detection by accident generally means it is too late, with greater severity in the magnitude of loss," he said.

IGNORANCE IS EXPENSIVE

The findings suggest that all industries are at risk, with automobile, chemicals, pharmaceuticals and logistics found to be the leading targets. With the Asean Economic Community (AEC) set to come into effect in 2015, Thai businesses must prepare strong anti-fraud and anti-bribery measures.

"Obviously, fraud has an adverse impact on every company's bottom line and becomes embedded as a cost of doing business. To remain competitive and ready for the AEC, loss due to fraud is a direct cost that companies must scrutinise," Vorapong said. "Ignorance is just too expensive."

Anti-corruption legislation, including the US Foreign Corrupt Practices Act and the British Anti-Bribery Act, are being rigorously enforced and the survey results show that companies need aggressive anti-corruption measures to protect themselves from prosecution and damage to their reputations.

"Companies don't have the luxury of blaming lower-ranking managers, suppliers or local partners – they need to adopt company-wide anti-bribery rules and procedures," Vorapong said.

Without stronger anti-corruption and anti-fraud measures, fraud risk can be expected to rise in Thailand, he said.

Cybercrime was also reported as a major threat, with 27 per cent stating that fraudulent acts such as hacking were on the rise and 67 per cent stating that the risk remains the same. The finance industry was found to be vulnerable to information-technology-based attacks through trojans, viruses and worms, putting corporations and individuals at risk.

Asset misappropriation topped the list of reported frauds (68 per cent), followed by bribery and corruption (54 per cent) and anti-competitive behaviour (25 per cent).

The global survey polled 3,877 executives from 72 countries, including 79 from Thailand between July and November last year.