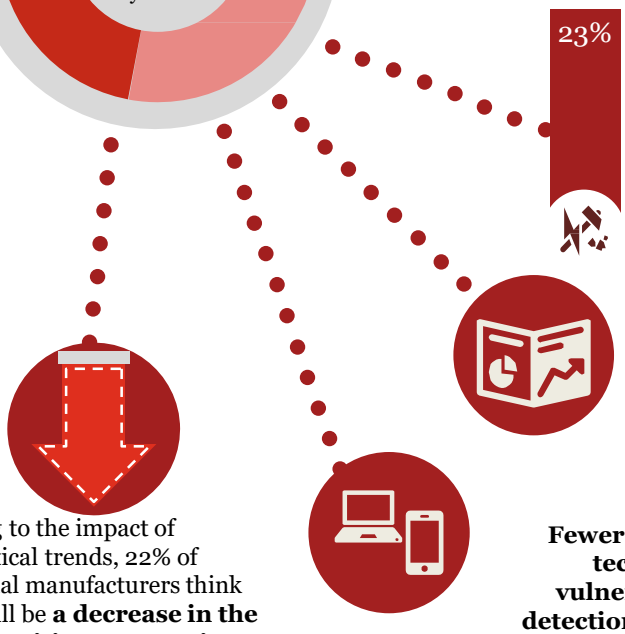
PwC's Global Economic Crime and Fraud Survey 2018

Insights for Industrial Manufacturing

What fraud trends should you be watching?



Looking to the impact of geopolitical trends, 22% of industrial manufacturers think there will be **a decrease in the opportunities to commit fraud**. This differs from the global aggregate. *Is this wishful thinking?*

Nearly one-fourth of industrial manufacturers globally **expect to be hit by cybercrime** in the next 24 months. *How are you addressing this?*

12% of industrial manufacturers have not conducted a fraud risk assessment in the last 24 months. An additional 12% do not know if they have. *How can you effectively fight fraud when you don't know where your risks are?*

Fewer industrial manufacturers use technology for cyber attacks and vulnerability, fraud detection, AML detection, and sanction screening than reported globally. *How are you using technology to prevent and detect fraud? Are you extracting full value?*

Survey Respondents

The GECS 2018 survey was in field online globally July-September 2017 with a mixture of PwC clients and third party panel participants providing responses in 18 languages.

- 53% Respondents were C-Suite, 27% Head of Division, and 21% Manager +Other
- Over 7,228 responses across all industries, world wide
- 818 industrial manufacturing respondents across the globe

1,150+ *PwC US people dedicated to industrial manufacturing*

How do you stack up to your peers? What can you do about it today?

Fraud outlook

- Industrial manufacturing respondents say that cybercrime would have the most serious impact on their organization in the next 24 months.
- More industrial manufacturers expect to be impacted by bribery and corruption, asset misappropriation and procurement fraud than global peers.

Monitoring techniques

- Industrial manufacturing companies **apply a high level of effort** to the business processes and medium to promotion & verification of individual employee ethical decision-making, and organizational & external influences in order to combat fraud internally.
- Industrial manufacturers lag the full global results in all additional due diligence as part of their acquisitions process.

Geopolitical trends

- 48% of Industrial manufacturing organizations predict an increase in the regulatory environment affecting their organizations, lower than the global total of 54%.
- 9% of industrial manufacturers report a decreased appetite to spend resources fighting fraud and economic crime.

9,500+ *industrial manufacturing specialists globally*

www.pwc.com/fraudsurvey

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Four recommended steps to fight fraud

PwC's 2018 Global Economic Crime and Fraud Survey shows that, while there is growing awareness of the perils of economic crime, too few companies are fully aware of the individual risks they face. So, what are the steps your organization can take today to fight fraud more effectively?

When establishing an approach to fraud, waste and abuse:

Recognize fraud when you see it

46% of industrial manufacturers globally **report being victims of fraud** in the last 24 months

- Leverage systems and data used for management, accounting and reporting and develop a comprehensive risk-based framework for fraud prevention and detection to protect margins and demonstrate compliance with applicable government and industry standards
- Establish a robust and repeatable fraud monitoring and surveillance program

Questions to answer:

- Who has primary responsibility for fraud detection and prevention in your organization?
- Have you completed a fraud risk assessment recently? If not, why not?
- How do you share alerts and findings on fraud across your entire organization?
- How do you test your internal controls to determine effectiveness?

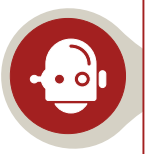
Take a dynamic approach

33% of industrial manufacturers predict an **increase in the appetite to spend** to fight fraud/economic crime

- Leverage data already available for financial and management reporting
- Report to executive leadership team, board of directors, and legal team
- Utilize internal and external resources to ensure the program is up to date on evolving trends
- Establish frameworks that guide remediation, but allow for flexibility to consider new fraud trends

Questions to answer:

- Do you have an integrated ethics and compliance program that includes fraud and anti-bribery and corruption procedures?
- Do you know the public perception of your company's brand and where potential threats may lie?
- Do you have a crisis response plan? If not, why not?



Harness the protective power of technology

53% of industrial manufacturers **use technology to monitor fraud detection**, lower than the global total of 62%

- Keep pace with the rapid speed of fraud development by using innovative technologies including predictive analytics, machine learning and artificial intelligence
- Incorporate human analysis and interpretation into technological tools

Questions to answer

- How are you evaluating where technology can replace old processes?
- Have you considered using fraud monitoring technologies and tools not just reactively, but predictively?

Invest in people, not just machines

Industrial manufacturing companies **apply a medium level of effort** to the promotion & verification of individual employee ethical decision-making, and organizational & external influences in order to combat fraud internally

- Establish a culture with the appropriate tools and resources that promote ethical behavior
- Educate employees on fraud warning signs to raise the level of organizational awareness

Questions to answer:

- How have you probed your internal culture for potential trouble spots?
- Have you reduced the number of internal reviews or scaled back resources that were previously dedicated to fraud prevention?
- How does your organization embrace training to reinforce compliance and ethics across the globe?

For more information on fraud and economic trends and how we can help your organization prepare, respond and emerge stronger from these threats, please contact our team:

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