
Press release

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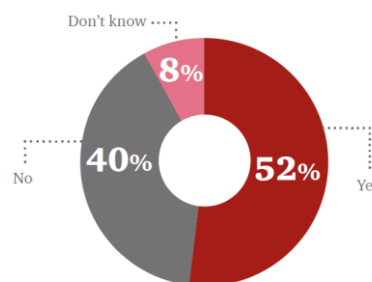
PwC Survey: Fraud is a big concern in Vietnamese organisations, yet formal countermeasures lag behind

- *Approximately half of respondents in Vietnam have suffered economic crime/fraud in the past two years.*
- *Asset Misappropriation and Bribery & Corruption are the most common types of economic crimes.*
- *Almost half of the Vietnamese respondents said they had been targeted by cybercrime in the previous two years.*
- *The most common ways that fraud was identified were through internal tip-offs and by accident.*

For the first-time ever, PwC has launched a Vietnamese economic crime report based on the format of its biennial Global Economic Crime and Fraud Survey.

The 2018 Vietnamese survey indicates 52% of companies in Vietnam experienced fraud during the last two years, slightly higher than the rates in the Asia-Pacific region (46%) and at the global level (49%). We note that 40% of respondents indicated they had not experienced any fraud, however, we also note many organisations simply may not have detected any fraud yet.

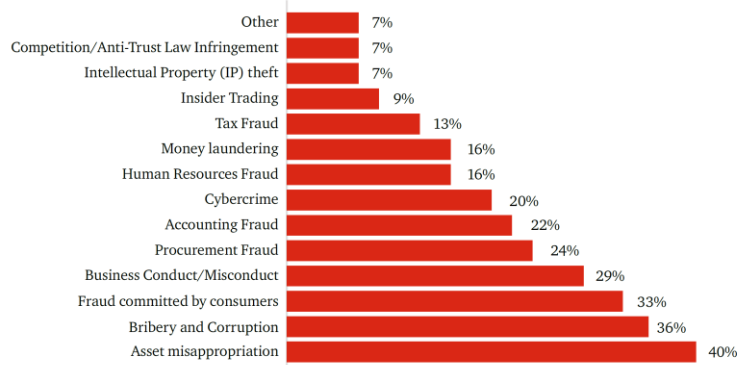
Fraud experienced by respondents in Vietnam



Source: Global Economic Crime and Fraud Survey 2018

The most common types of economic crime reported by Vietnamese respondents were Asset Misappropriation (experienced by 40% of respondents) and Bribery and Corruption (36%). Fraud committed by consumers (33%) and business misconduct (29%) followed closely behind.

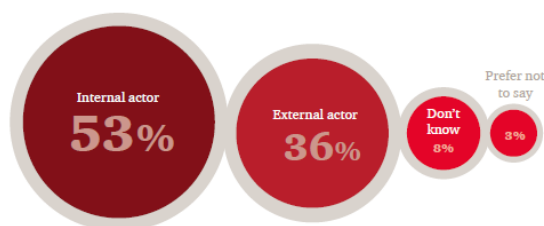
Types of fraud experienced in past 24 months



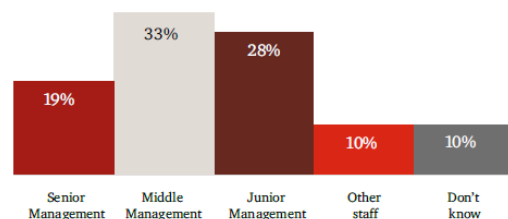
Source: Global Economic Crime and Fraud Survey 2018

PwC's Vietnam survey indicates the majority (53%) of fraud is perpetrated by internal actors, with middle and junior management staff committing a combined total of 61% of the economic crimes. By contrast, the percentage of reported economic crimes that are blamed on external actors (including customers, vendors, agents, hackers, etc.) is 36%.

Who Was the Main Perpetrator of the Fraud?



At what level was the main perpetrator of the internal fraud within your organisation?

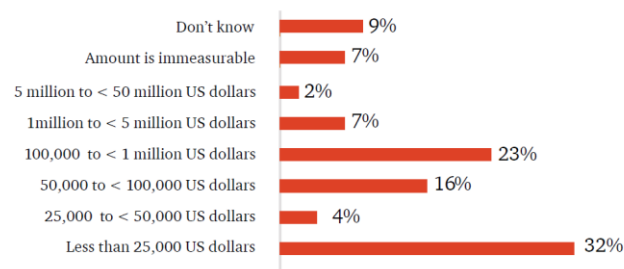


Source: Global Economic Crime and Fraud Survey 2018

Organisational damage

Damages from economic crimes can be classified into financial and non-financial. In terms of financial impact, 53% of Vietnamese companies in our survey reported losses of less than \$100,000 (approximately VND2.3 billion) as a result of economic crimes over the last two years. Just under one third of the respondents (32%) estimated they lost more than \$100,000 to fraud in the same period.

Financial damage reported



Source: Global Economic Crime and Fraud Survey 2018



Among the non-financial impacts, the most severe threat the Vietnamese survey respondents identified was to their reputation/brand strength (28%). This was followed by employee morale and business relations, where 23% and 21% of respondents, respectively felt the greatest impact.

Commenting on the varying impacts of fraud, Marcus Paciocco, Director of Forensics Services at PwC Consulting Vietnam said:

“There are several types of quantifiable financial damages from fraud, including remediation costs, legal fees, actual monetary losses, and even criminal penalties. However, even though the non-financial damages may not be quantifiable, they can lead to potentially worse consequences than financial loss for the fraud victims, such as irreversible damage to their organisation’s reputation and employee morale.”

Detecting fraud

The survey revealed the majority of fraud and other economic crimes were detected via internal tip-offs or by accident, each of which accounting for 16% of detected frauds. At the global level, where Internal Audit is a regular feature of the business landscape, the detection rate of fraud by Internal Audit is 14%. In Vietnam, meanwhile, a mere 3% of frauds were detected by Internal Audit.

Similarly, whistle-blower hotlines in Vietnam only resulted in the detection of 3% of frauds, while the Asia-Pacific and global levels rate is 7%.

“Companies in Vietnam could substantially improve their control environments and reduce fraud by implementing effective Internal Audit functions and whistleblowing hotlines. This is clearly an area that Vietnamese companies could further explore in order to mitigate the risks to achieving their strategic objectives. The downside of rapid economic development is that companies focus on sales growth and therefore such internal controls are often overlooked as a priority,” commented Mr. Paciocco.

On a more positive note, companies in Vietnam have purportedly undertaken fraud risk assessments regularly during the past two years, with just under half of the respondents advising they had performed such an assessment (46%). However, fewer respondents have performed assessments that focused on specific risk areas, such as Anti-Bribery and Corruption (35%) or Cyber-attacks (29%).

Anti-money laundering

Money laundering is a global concern. Vietnam, being a largely cash-based economy, is considered a prime target for money laundering criminals, as cash leaves no audit trail. Encouragingly, Vietnamese organisations appear to be aware of AML regulations, as 86% of the respondents reported that their organisations are subject to AML regulations.

As with all fraudulent activities, it is preferable to prevent money laundering, rather than to “cure” after the fact. The 2018 survey suggests that Vietnam actually has a markedly higher rate of organisations that conduct the Anti-Money Laundering and Combat Financing of Terrorism (75%) assessments than at the global (62%) or Asia-Pacific levels (61%) levels.

AML regulations subjection rate



Source: Global Economic Crime and Fraud Survey 2018

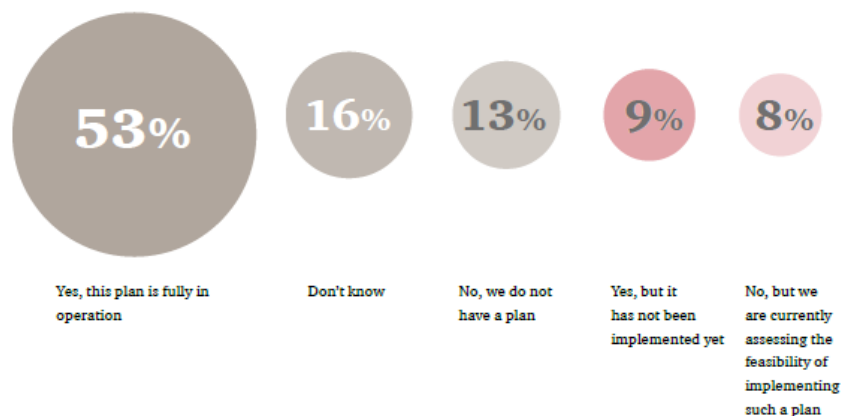
Response to cybercrime

Advancements in digital technology are reshaping how businesses operate both locally and on a global scale. As one might expect, economic criminals and fraudsters are also using technology to enable crimes. In fact, almost half of the surveyed respondents (47%) advised they had been targeted by cybercrime in the past two years, with the most common methods being malware and phishing.

To counter cyber-attacks, many organisations possess a cyber-incident response plan. However, 37% of the Vietnamese respondents said that they: a) did not know whether they had a cybersecurity programme or not (16%); b) did not have such a programme (13%); or c) were only now assessing the feasibility of implementing such a programme (8%).

Due to the nature of cybercrime, where the methods of attack are relatively consistent, one of the best defences is to keep up with the latest threats and vulnerabilities that are being utilised by cyber fraudsters. This, however, requires victims to share information about how they are being targeted and attacked. Amongst our survey respondents, however, only one third advised they would be likely to share information regarding potential cyber-attacks with government/law enforcement agencies.

Availability of a Cybersecurity Programme



Source: Global Economic Crime and Fraud Survey 2018

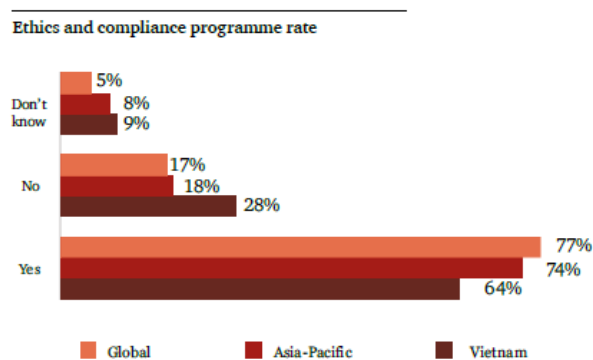
Catching up with global practices



We recommend that organisations take advantage of technology to detect and monitor economic crime. Technological tools have become more powerful and less expensive, and some useful tools are freely available to users in a limited/reader format. However, PwC's survey found the Vietnamese respondents lag well behind the rest of the world when it comes to using key technologies to protect themselves by detecting fraud.

Yet, while technology has become a useful tool in fraud monitoring and detection, when it comes to blocking the 'last mile' of fraud, the role of people initiatives should not be underestimated.

Approximately 64% of the respondents believe that a formal business ethics and compliance programme is an urgent need for their organisation. This lags behind the Asia-Pacific region by 10%, and by 13% against the global survey respondents, where 77% of respondents stated they already have a formal Ethics and Compliance programme in place.



Source: Global Economic Crime and Fraud Survey 2018

Companies operating in Vietnam would benefit from the adoption of a formal Ethics and Compliance programme in the coming years, as it's likely to be an expectation not just of regulatory bodies but also of foreign business partners and investors.

Grant Dennis, CEO of PwC Consulting Vietnam advised:

"As often occurs in rapidly developing economies, anti-fraud measures may not develop at the same pace as the economy. Foreign investors, particularly those from developed economies, may not be prepared to face some of the difficulties that are present in such a dynamic, challenging environment."

"We do see organisations in Vietnam investing a high level of effort in improving their business processes in order to fight fraud. Fewer, however, are employing other anti-fraud measures such as promoting and verifying ethical decision making by individual employees. Vietnamese organisations should recognise that it takes a diverse set of tools to succeed in preventing and combatting fraud," Mr. Dennis added.

Notes

1. The Global Economic Crime and Fraud Survey 2018 examined over 7,200 respondents from 123 countries.
2. The survey respondents in Vietnam include personnel in various roles, ranging from C-suite individuals to Internal Audit and Risk Management executives, representing companies from various industries, including key sectors of the Vietnamese economy such as Financial Services and Manufacturing. The ownership structure of these companies is diverse and includes publicly listed companies, private companies, and majority state-owned enterprises.



3. Download the survey report here: <https://www.pwc.com/vn/crimesurvey-2018>

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