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## ***Press Release***

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## **42% of Romanian companies reported to have been the victims of economic crime in the past two years**

- The top three types of economic crime reported by Romanian companies are fraud committed by the consumer (44%), cybercrime (40%) and business misconduct (36%);
- 20% of Romanian organisations estimate losses as a result of economic crime of between \$100,000 and \$1 million, while 16% say more than \$1 million. At global level, the impact is even higher;
- Internal control weaknesses were responsible for more than half of frauds committed globally;
- Cybercrime is likely to be the most disruptive economic crime in the future. Technologies such as machine learning and artificial intelligence could be the key to fighting increasing levels of fraud.

According to this year's edition of PwC' Global Economic Crime and Fraud Survey, 42% of Romanian organisations reported to have been the victims of fraud or economic crime in the past two years, slightly lower than the global (49%) and Eastern European (47%) reported rates. However, not all companies are fully aware of the fraud risks they face and related consequences such as financial impact, reputational damages or personal and company liability.

“One can easily build an impression that economic crime has reached an all-time high, not just in Romania, but also globally. We believe the high reported rate is driven by the increased awareness around fraud nowadays and improved detection mechanisms which contribute to an enhanced level of effort to address this serious issue”, comments Ana Sebov, PwC Romania Forensic Services Leader.

20% of Romanian organisations estimate losses as a result of economic crime of between \$100,000 and \$1 million, while 16% say more than \$1 million. Across the globe, 19% of organizations have incurred losses over \$1 million — with 1% recording losses in excess of \$100 million over the past two years. Intangible costs associated with fraud, such as the negative influence on employees' morale or business relations, irreversible damage to reputation or brand can increase overall costs.

Costs related to fraud incidents can be significantly higher. The amount spent by 32% of Romanian organisations on investigations and other interventions was either the same as or higher than the



amount lost through the economic crime.

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### **Cybercrime and the role of technology in fighting fraud**

Romanian respondents have acknowledged cybercrime to have had the most disruptive effect on business operations in the last two years. According to our study, two out of three Romanian organizations have been targeted by cyber-attacks in the last 24 months. Most common mechanisms used by attackers reported by 37% of Romanian companies are phishing and malware.

In the current reality where most economic crimes have, to some extent, gone digital, and the technical sophistication of fraudsters continues to grow, investing in new technologies (i.e. artificial intelligence (AI) or advanced analytics) to combat fraud has become imperative.

“However, fraud is driven by a complex mix of factors and motivations, only some of which can be addressed by machines. One cannot ignore the returns from people initiatives. Just as fraud is not the product of a single condition, companies need to find the right formula of technology, processes and people measures to prevent, detect and combat fraud”, says Ana Sebov.

### **Perpetrators of fraud and economic crime and industries affected**

This year’s survey revealed a significant increase (+6% to 52%) in the share of economic crime committed by internal actors. However, there are regional variations. In Eastern Europe, while most reported crime was committed by internal actors (46%), the gap between internal and external perpetrators is slowly closing. At regional level, 44% of the incidents of economic crimes were committed by external parties.

“According to the conclusions of the survey, the majority of external perpetrators are “frenemies” of the organisation – agents, shared service providers, vendors and customers. It is thus paramount for organizations to have in place procedures to prevent and report fraudulent behaviours, but also regular fraud risk assessments and internal audit controls”, added Ana Sebov.

In the past surveys, financial services has traditionally proven to be the industry most threatened by economic crime. According to this year’s survey, Insurance (62%), Agriculture (59%); the Communications sector (including telecom) (59%); Financial Services (58%), Retail and Consumer Goods (56%) and Real Estate (56%) were amongst the sectors reporting the highest levels of fraud.

### **Assessment of fraud risks by organisations**

Despite higher levels of understanding and reporting of fraud, blind spots still prevail. One in ten Romanian respondents said their organisations have still not conducted any kind of fraud risk assessment. While the role of a fraud risk assessment is still largely underestimated, we see an encouraging development overall since our last survey, when 24% of respondents reported not having performed such an analysis.

“Understanding where risks really lie is a mandatory first step for businesses in the fight against fraud.



This differs from market to market, sector to sector and company to company. While we have seen an increased focus on mitigating the risk of fraud in the past years, there is definitely more room for improvement. Especially if we are considering the ever-evolving economic and geopolitical landscape and technological changes”, added Ana Sebov.

This year’s survey shows that budgeting for anti-fraud efforts remains rather conservative, only one in four of the Romanian respondents are considering some increase in their investigative and compliance spend. To increase awareness of companies as to the fraud risks they are exposed to and help them elaborate a mitigation plan, there is a need for quality guidance.

What steps should organizations take today to fight fraud more effectively:

1. Acknowledge that fraud risks exist and recognise it when it occurs;
2. Adopt a dynamic and proactive approach to get ahead of the fraudsters;
3. Use technology’s potential in the fight against fraud;
4. Invest in people, not just machines. Do not forget, people, not machines, commit frauds.

“Our survey is meant to provide a clearer picture on economic crime, what constitutes fraud and the measures that could be taken by Romanian organisations to prevent and detect it. Do not wait for coincidence to identify fraud”, concluded Ana Sebov.

### **About the report**

The Global Economic Crime and Fraud Survey is the largest report of its kind undertaken globally, with over 7,200 respondents from 123 countries. The survey is intended not only to describe the current state of economic crime, but also to identify trends and perception of future risks. In Romania, 60 companies from various industry sectors shared their experience and perception of the economic crime on doing business in Romania and worldwide. Organizations represented in this survey come from various industry sectors but predominantly from Financial Services, Manufacturing, Energy, Utilities and Mining, Technology, Automotive, Retail and Consumer and Pharmaceuticals.

The Romanian edition of the Global Economic Crime and Fraud Survey report can be downloaded at: <https://www.pwc.ro/en/publications/pwc-romania-gecfs-2018.pdf>

The global edition of the Global Economic Crime and Fraud Survey can be downloaded at: <https://www.pwc.com/gx/en/services/advisory/forensics/economic-crime-survey.html>

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