

**YOUNG INTERNAL AUDITORS SUMMIT**  
Future Leaders Adapting to New Landscape



Fraud and economic crime on spotlight

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# Agenda

**1**

**Fraud and other economic crime  
landscape in PH**

**2**

**Impact and perpetrators**

**3**

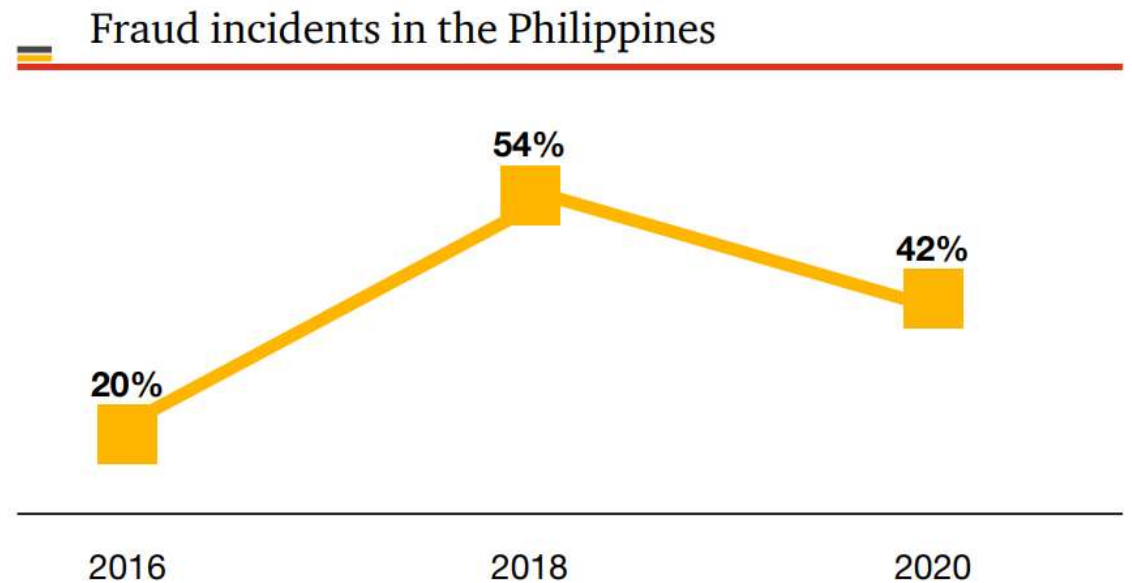
**From detection to recovery**

# Fraud incidents in the Philippines

## How much are we being defrauded?

**42%** or 42 respondents responded that they experienced fraud in the past 24 months

**12%** decline from 2018 survey but due to the increase in number of respondents, the number of incidents experienced increased from 32 (2018) to 42 (2020)





# Top 5 types of fraud, corruption, and economic crime in PH



## Asset misappropriation

- Form of misuse, usually immaterial in value
- Can be any form of asset (cash misappropriation is theft)
- Have authority, custody or access over the asset



## Bribery and corruption

- To gain something of value or obtain a favorable outcome
- Influence a person of power
- Usually called a kickback



## Customer fraud

- Commonly known as consumer fraud
- Use of deceptive and misleading business practices
- Usually motivated by KPIs or targets



## Procurement fraud

- Can be related to bribery and corruption to influence procurement
- Usually committed through fake invoices, overbilling, and substandard/fake goods/services



## Cybercrime

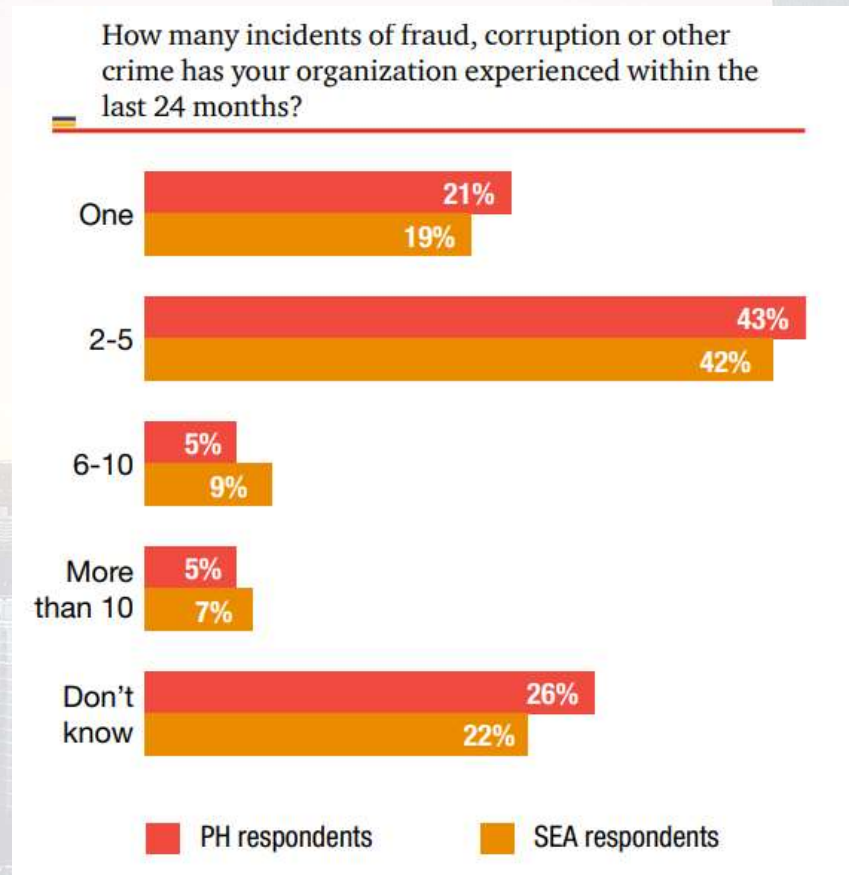
- Phishing is most common among cyber crimes
- Maybe in an instant or years of observing before an actual attack
- Security vulnerability is hacker's way in

# Average number of incidents

## 2 to 5 incidents

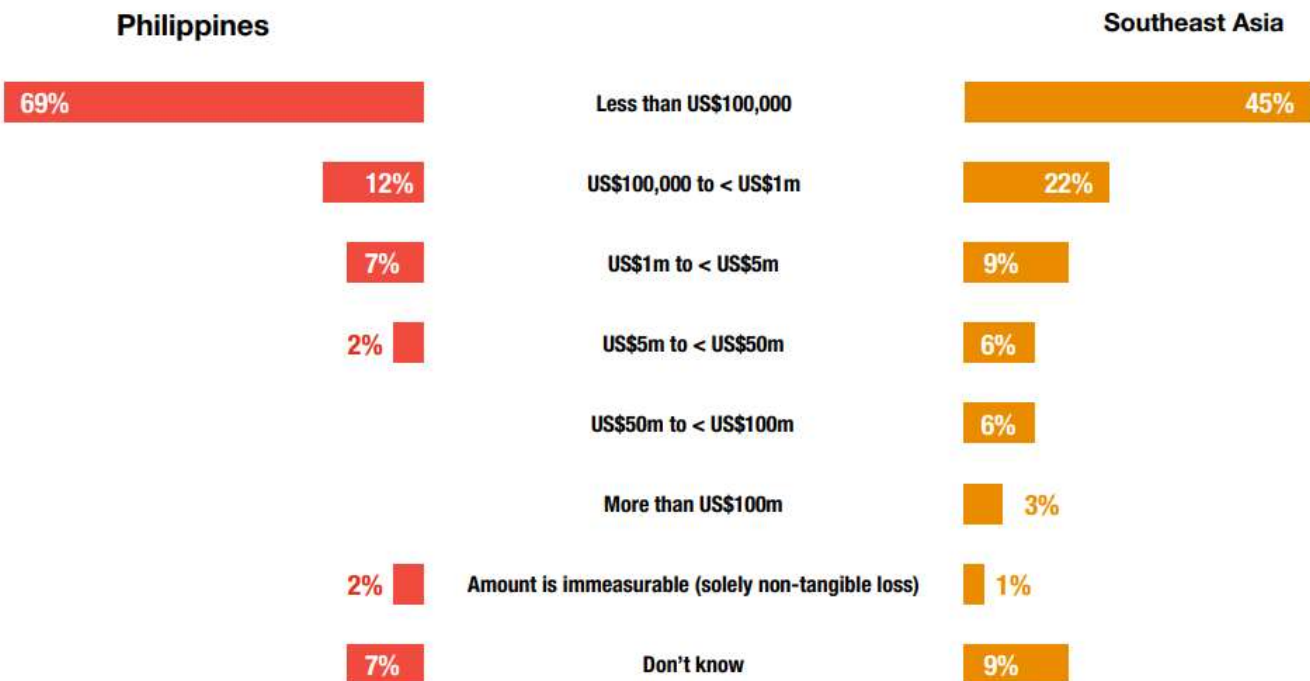
were reported to be the average number of fraud or other economic crime incidents that the respondents were aware of. However, **about quarter of the respondents** are not aware of any fraud or other economic crime incident they may have experienced.

**One (1) out of three (3) respondents said they were frustrated, worried and stressed out by fraud incidents in their company. No one said they were prepared.**

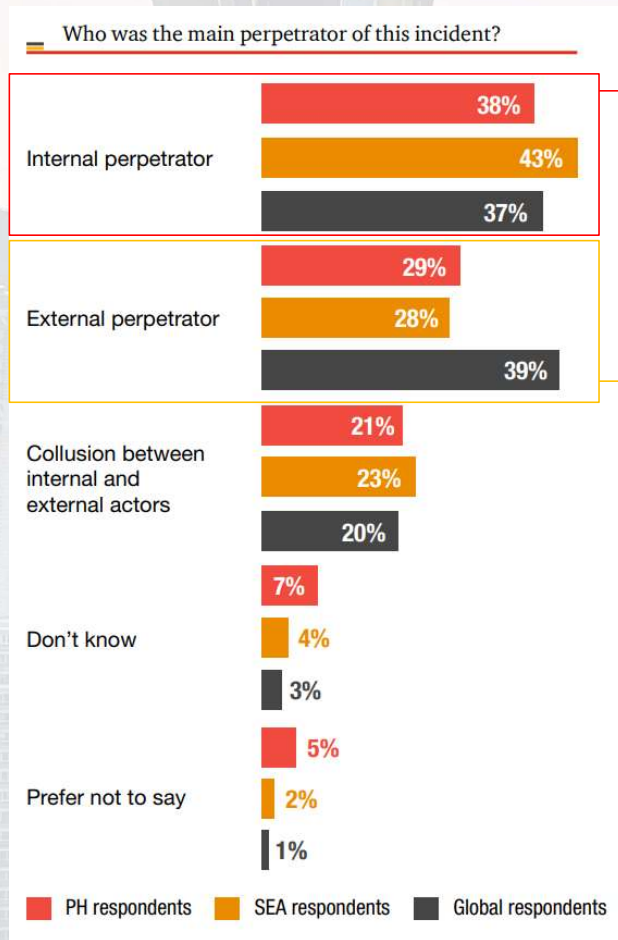


# Financial impact

In financial terms, approximately, how much do you think your organization may have directly lost through all incidents of fraud, corruption or other economic crime over the last 24 months?



# Who are the perpetrators?



## Commonly by middle management since:

- They have more access to detailed and valuable information
- They have more direct access to circumvent controls
- They are pressured by the senior management
- They have enough superiority and authority
- They are pressured by the operational staff

## Perceived to be commonly committed by:

- Vendors/suppliers
- Customers
- Hackers

Source: PwC Global Economic Crime Survey 2020 – Philippine report



# Top 3 detection, response, remediation actions



## Detection

- 1 Tip-off
- 2 Suspicious activity monitoring
- 3 Account reconciliation / document examination



## Response

- 1 Conducting investigation
- 2 Disclosing to board
- 3 Disclosing to auditor



## Remediation

- 1 Enhancing controls
- 2 Enhancing policies/procedures
- 3 Disciplining/terminating employees



# Tech trends in fraud and other economic crime prevention and detection



**Data analytics and artificial intelligence**



**Whistleblowing platforms**



**Risk management solutions**

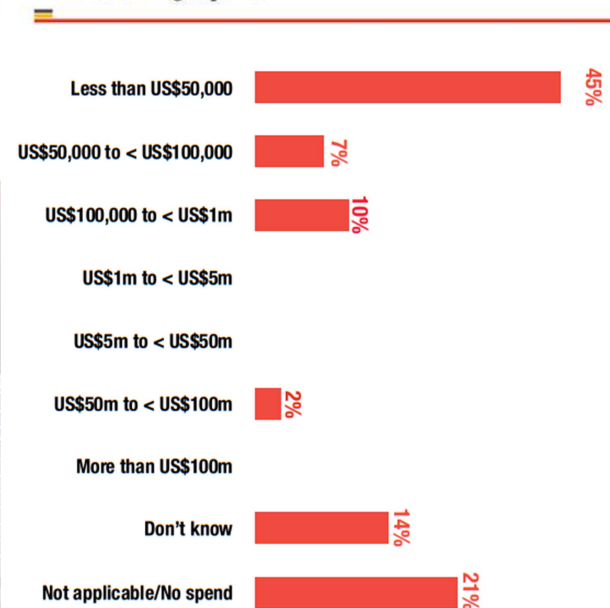
# Challenges in adopting tech trends in combatting fraud or other economic crime

**25%** refer to **COST** as a barrier in investing to new tools and adopting to digital way of fighting fraud

**13%** refer to the **lack of or insufficient digital skills/expertise** of resources that hampers the implementation of counter-fraud systems

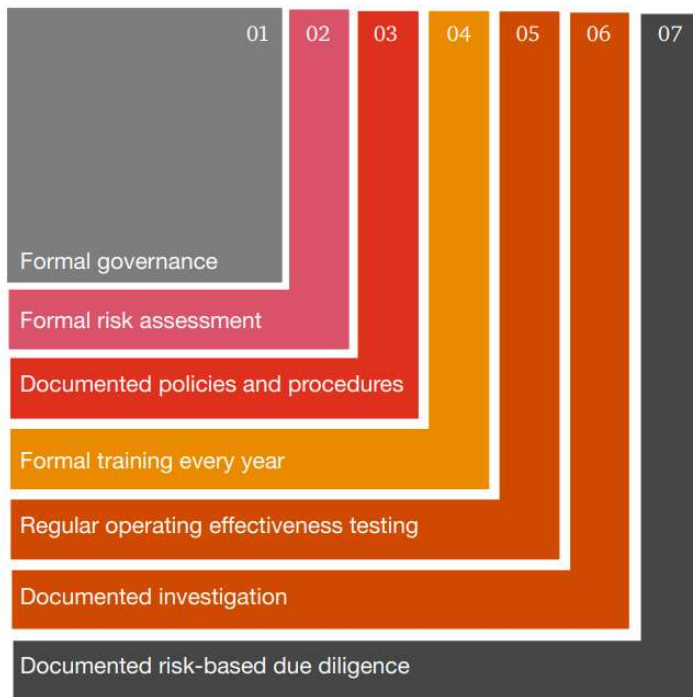
**12%** refer to the **limited resources to run/handle results** as a primary challenge to adopting advance and digital solutions

In relation to the incident experienced in the last 24 months, how much was spent by your organization on the following aspects?



# What counter-fraud elements to look for in an organization?

PHI trend with regard to overall fraud program



Critical areas to focus on:

- 1 Make use and sense of available data
- 2 Identify opportunities to defraud
- 3 Upskill people with technology
- 4 React effectively

**“Anticipation is prevention” – Global Economic Crime Survey 2020 (Philippine report)**

Source: PwC Global Economic Crime Survey 2020 – Philippine report

# Q&A

