

Economic crime is on the rise - but you can fight back

**PwC 2014 Global Economic Crime Survey
Canadian Supplement**

June 26, 2014

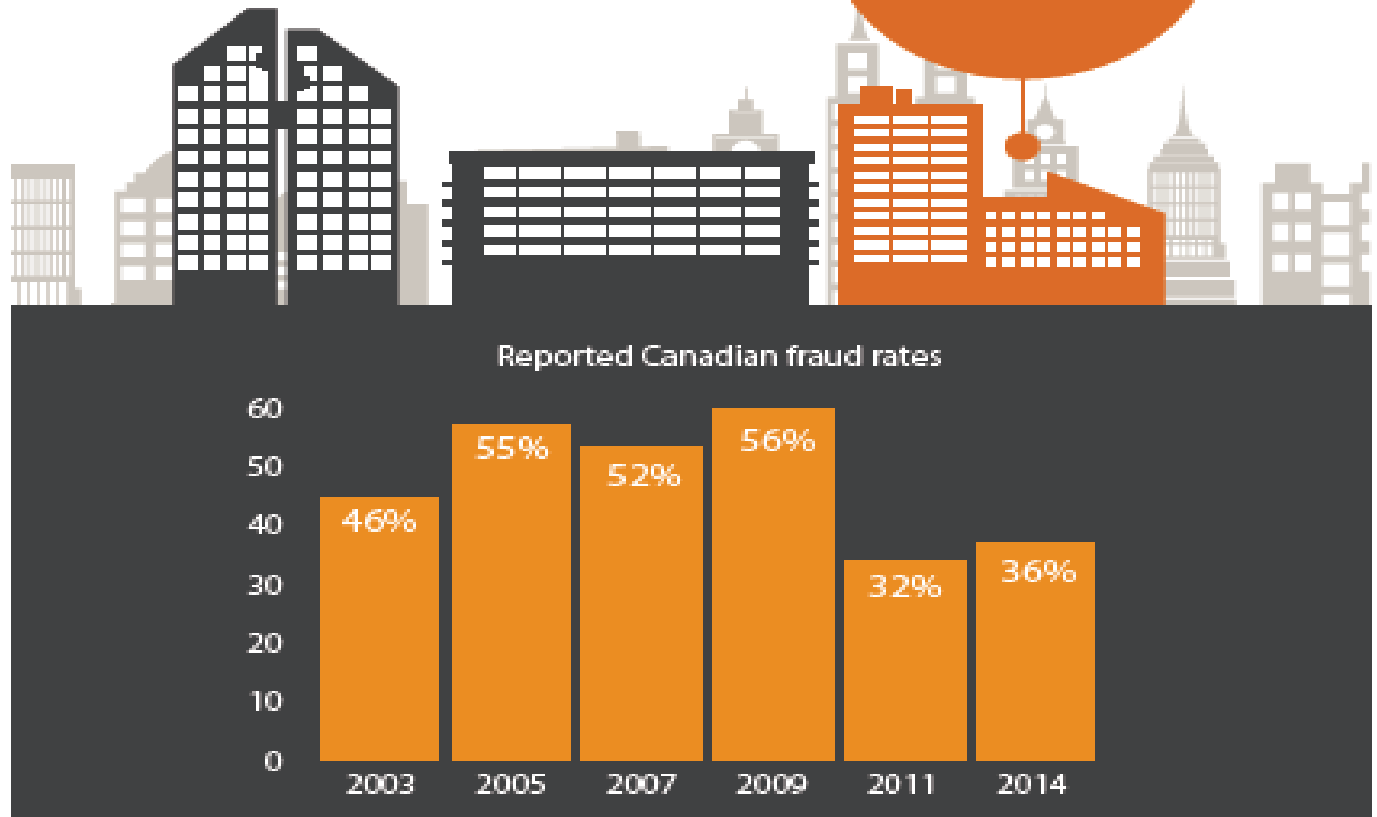
Headlines

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2. **Doing Business in Global Markets – Bribery and Corruption**
3. **Cybercrime in our Networked World**
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5. **Internal vs. External Fraudster**
6. **Perception of Economic Crimes**

1. The Big Picture

Economic crime continues to be a major concern for organizations of all sizes, across all regions and in virtually every sector. One in three Canadian organizations reports being hit by economic crime.

36%



2014 Global Economic Crime Survey

Economic Crime – what you need to know

- In our survey of over **5,128 global representatives** from **99 countries**, **37%** of were victims of economic crime;
- **36%** of Canadian respondents reported being victims of economic crime; and
- In **Canada**, economic crime has risen by 4% since our 2011 survey.

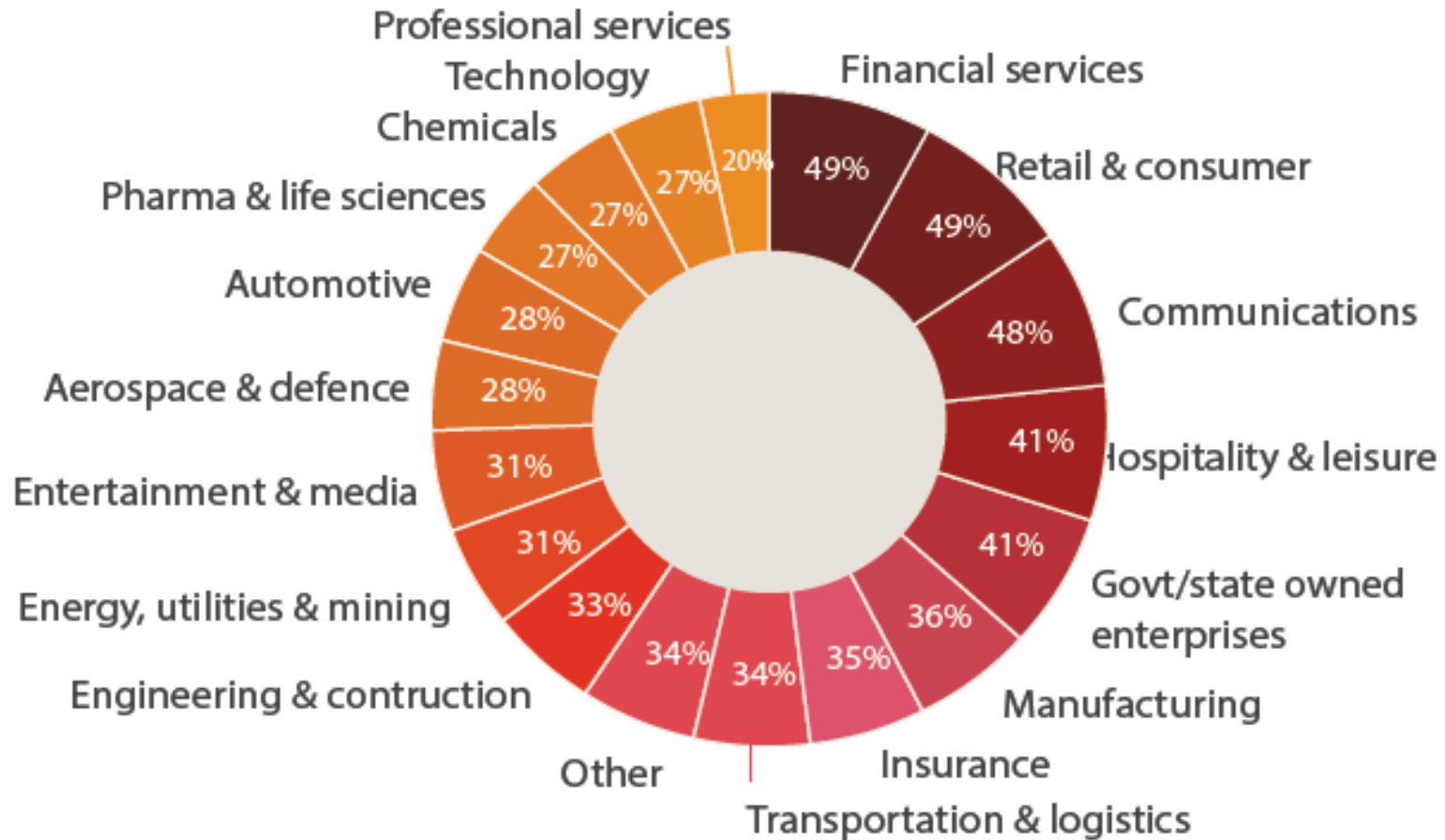
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Where does economic crime occur?



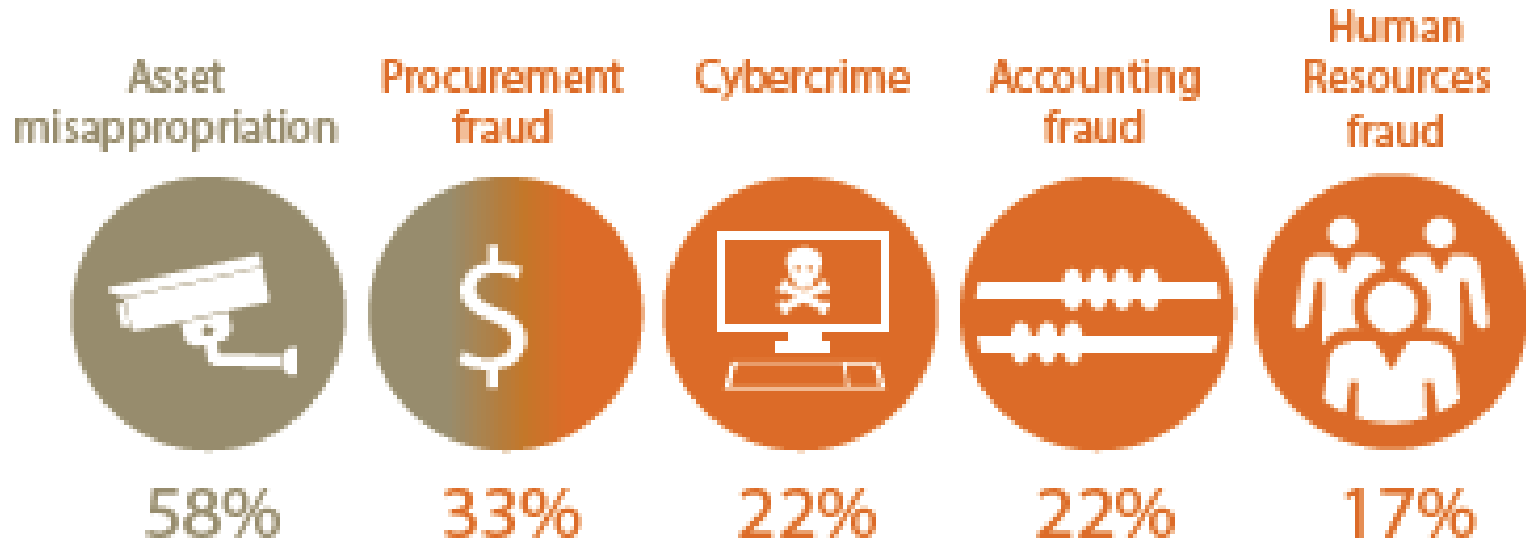
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Globally, which industries are at risk?



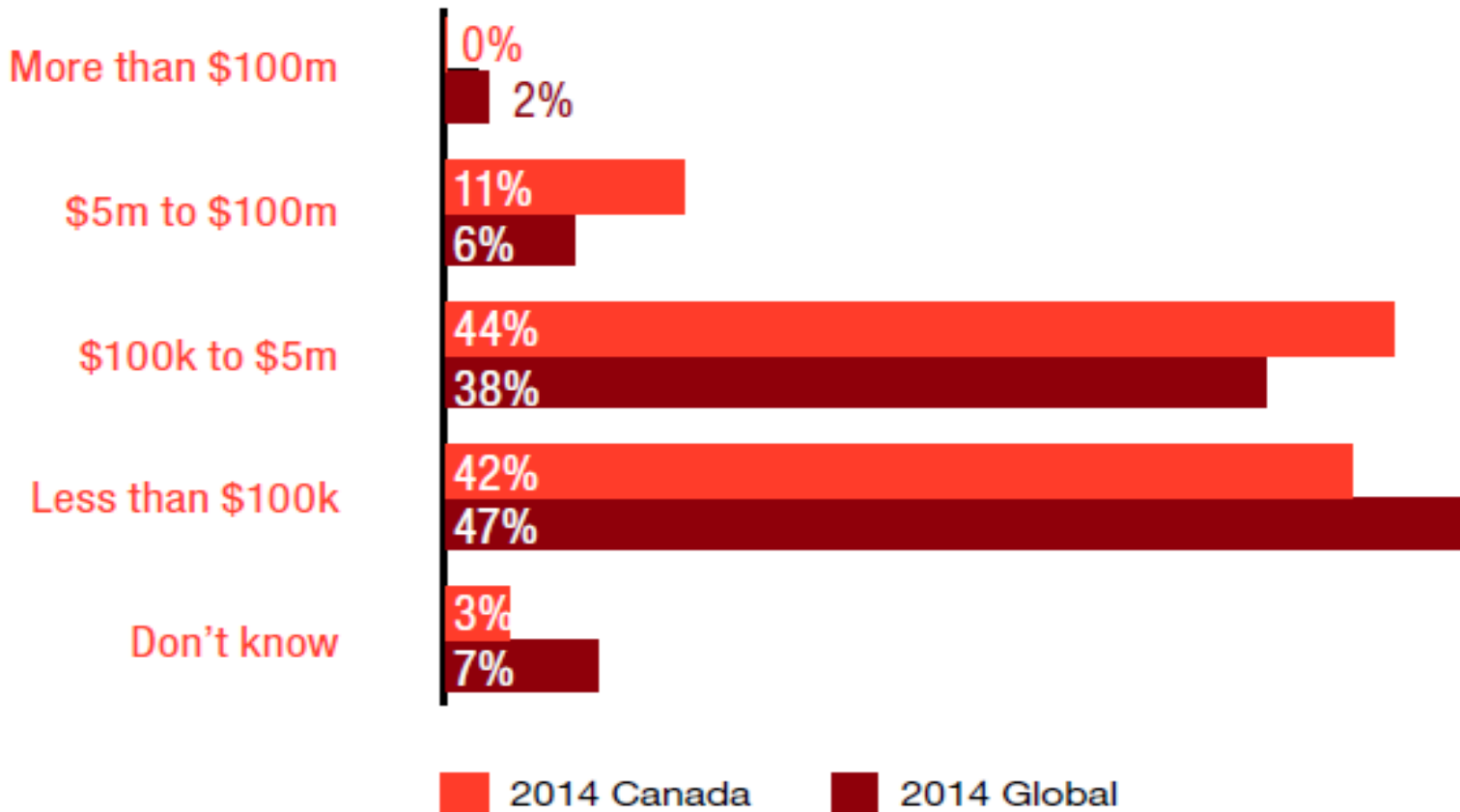
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Most commonly reported types of economic crime



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Financial losses



2. Doing Business in Global Markets – Bribery and Corruption



Corruption charges laid against Brockman Mining CEO

THE WALL STREET JOURNAL

« PREVIOUS



January 24, 2013, 9:32 AM

Corruption Currents: Griffiths Energy to Pay Record Fine for Bribery

THE GLOBE AND MAIL

June 24, 2011

Niko Resources pleads guilty in Bangladesh bribery case

BBC NEWS

BUSINESS

14 August 2013 Last updated at 07:31 ET

Indonesia arrests oil and gas regulator boss Rubiandini

Indonesian authorities have named the head of the country's oil and gas regulator, SKK Migas, as a suspect in a bribery case.

Oil Giants Launch Bribe Probes

Eni, Chevron, BG Group Investigating Whistleblower's Allegations of Payments to Kazakh Officials

THE GLOBE AND MAIL

August 15, 2013

Canadian executive convicted in Indian bribery conspiracy

THE WALL STREET JOURNAL
WSJ.com

September 2, 2011, 5:51 PM ET

Mounties Raid SNC-Lavalin In Corruption Probe

thestar.com

Business

Cuba convicts 12 of corruption in nickel industry

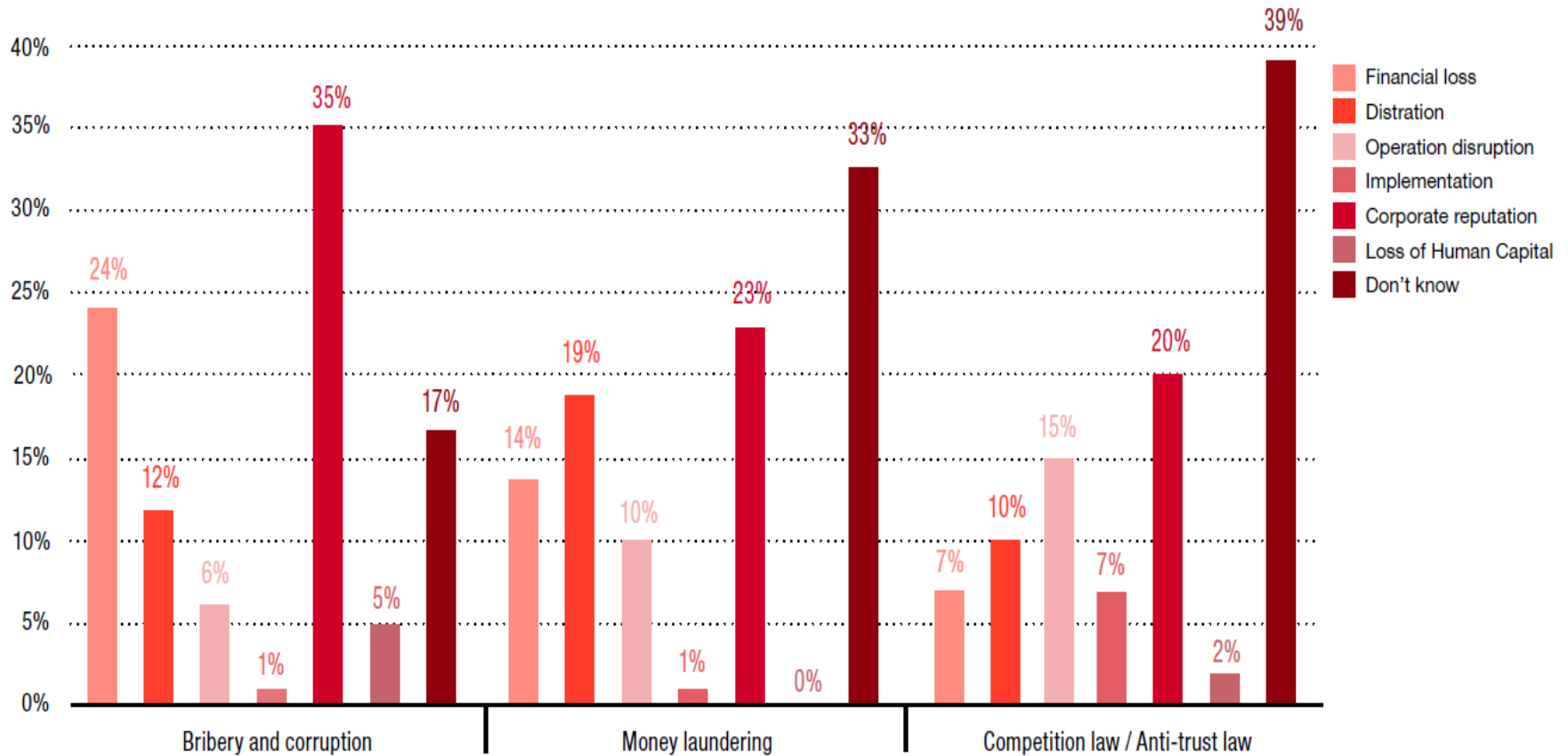
THE GLOBE AND MAIL

August 29, 2011

RCMP raid Calgary miner over bribery allegations

Doing Business in Global Markets

Bribery and Corruption, Money Laundering, and Anti-Trust Law



2014 Canada

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PwC

Doing Business in Global Markets

Quantified losses

Bribery and Corruption

- 13% of Canadian respondents reported losses over US\$100,000 and 4% reported losses as high as US\$5 million to US\$100 million;

Money Laundering

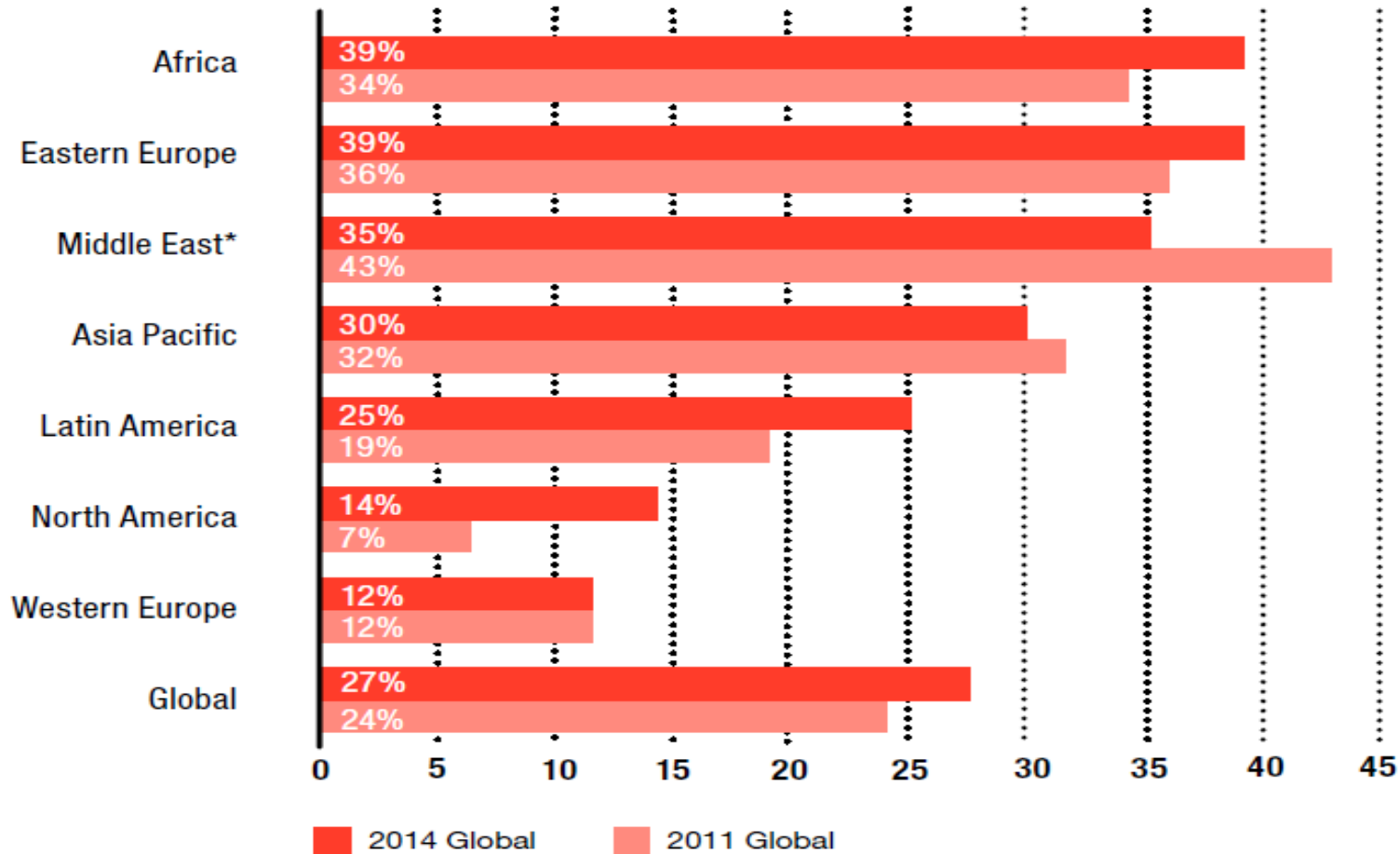
- Four percent of Canadian respondents reported losses as high as US\$100,000 to US\$1 million; and

Competition Law/Anti-Trust Law

- Four percent of Canadian respondents reported losses over US\$100,000 and 1% reported losses as high as US\$5 million to US\$100 million.

Doing Business in Global Markets

Corruption by region



* Middle East was included in the "Asia Pacific" region in 2011

Doing Business in Global Markets

Confronting the risk

1) Management and tone at the top

- Setting the tone of the company must start at the top.

2) Risk assessment

- Your business and the compliance environment are constantly evolving, it is essential that you conduct periodic risk assessments.

3) Control environment

- Staying on the right side of risks requires both robust communication and vigilant internal enforcement procedures (i.e. written code of conduct, employee training etc..)

4) Evaluating effectiveness

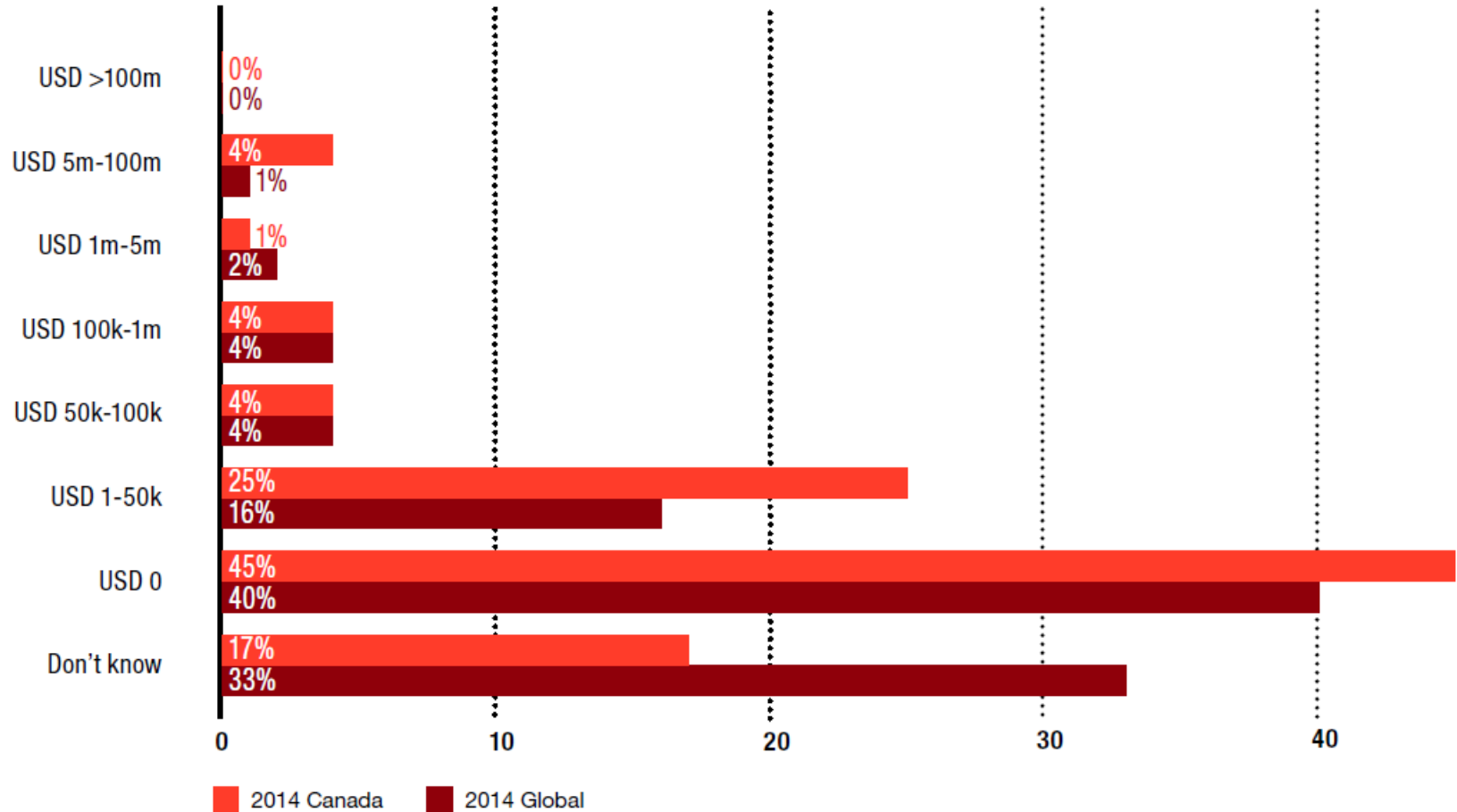
- Risk assessments and control plans alone don't lead to compliance. Perform periodic visits, due diligence, follow-up on incidents of fraud and corruption, and re-evaluate risks.

3. Cybercrime in our Networked World



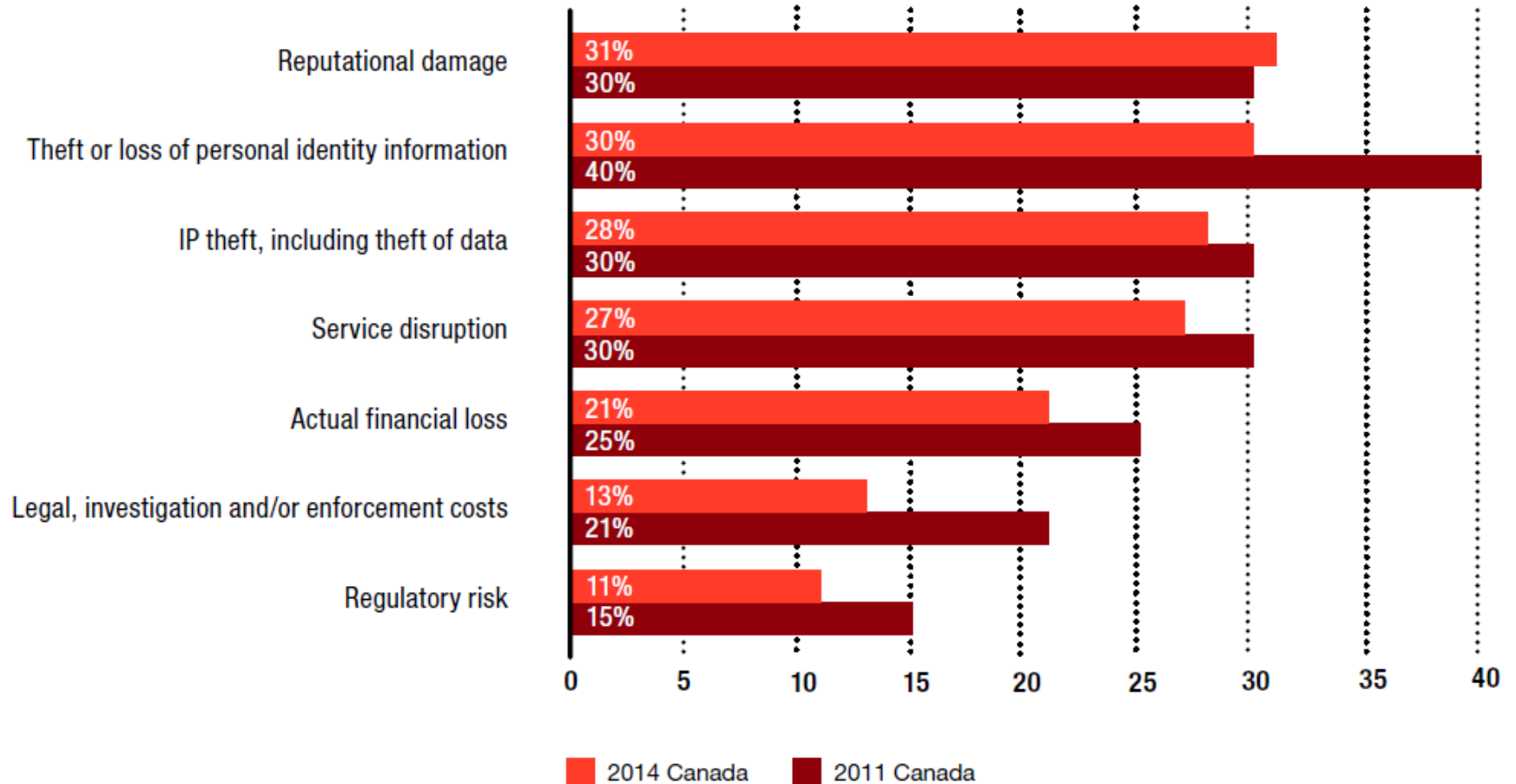
Cybercrime in our Networked World

Cybercrime: Estimated Loses



Cybercrime in our Networked World

What do organizations care about?



Cybercrime in our Networked World

Defense against cyber attacks

1) The perceived future

- 47% of respondents said their perception of cybercrime risk increased at their organization, only 1% of respondents noted a decrease.

2) What you don't know can hurt you

- Much of the damage caused by cybercrimes is not disclosed, either because it's not known, is difficult to quantify, or because it's not shared.

3) Data integrity is under attack

- Your critical data is distributed throughout the network, and the integrity and stability of your business is dependent on your data network.

Cybercrime in our Networked World

Defense against cyber attacks

4) Cybercrime is not a technology problem

- Ultimately, it is a human problem involving both strategy and process.

5) How can you defend against cyber attacks?

- Get the CEO and the Board of Directors involved as they need to be aware of and understand cyber threats;
- Reassess your cybersecurity;
- Build awareness of the emerging cyber environment;
- Create a response team; and
- Educate all employees and take a more active and transparent stance.

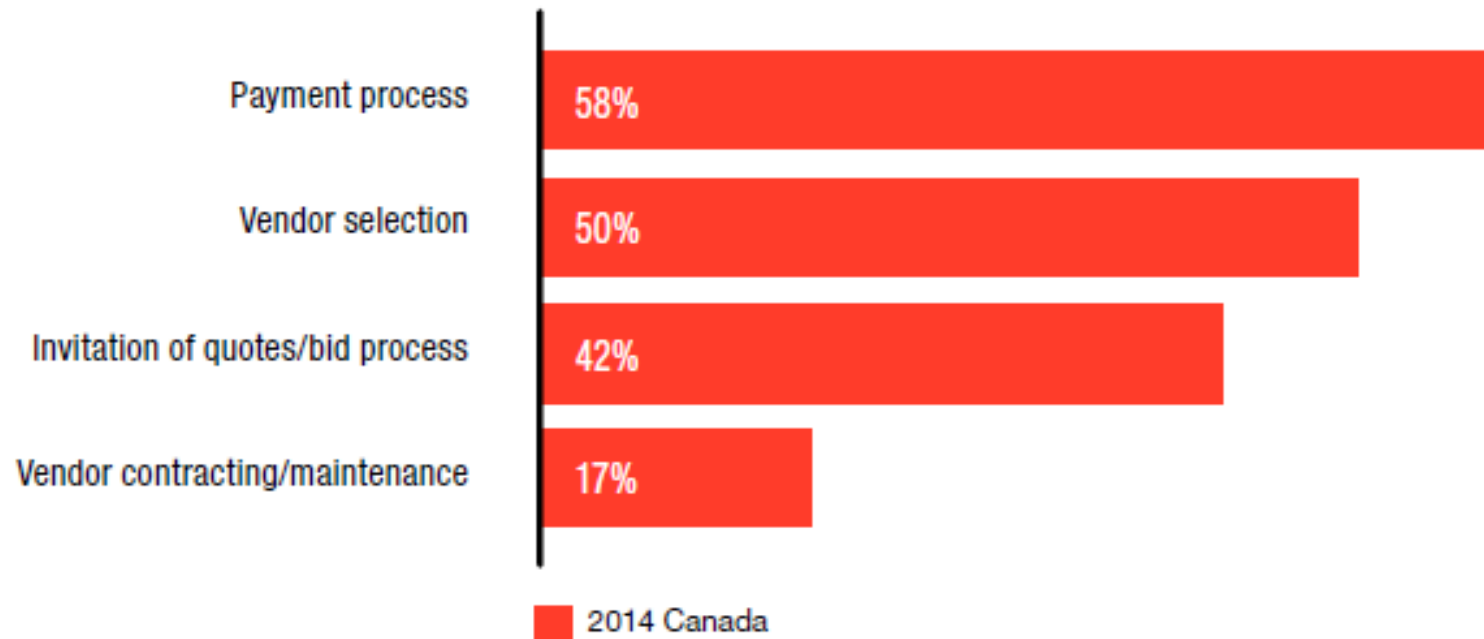
4. High Impact Economic Frauds



High Impact Economic Frauds

Procurement fraud

Where does procurement fraud take place?



High Impact Economic Frauds

Procurement fraud

Fighting Back

By implementing a few strategies such as the following, organizations can reduce the risk of procurement fraud:

- Solicit sealed bids revealed before a group of people;
- Segregation of duties within purchasing/procurement; and
- Usage of different vendors for different projects.

High Impact Economic Frauds

Accounting fraud

The Persistent Threat

- From a Canadian standpoint, 22% of respondents reported having experienced accounting fraud;
- One of the most commonly reported economic crimes; and
- Due to the pervasive use of financial statements and financial data in business operations, this kind of economic crime impacts a variety of business processes.



High Impact Economic Frauds

Asset misappropriation

(Not) Falling off the Back of a Truck

- Asset misappropriation was the most common economic crime experienced by 58% of our Canadian respondents.

Fighting Back Against Asset Misappropriation

To combat asset misappropriation, organizations should implement the following common sense procedures:

- Know your employee;
- Know your vendor;
- Segregate job duties; and
- Implementation of a well-conceived and designed fraud risk management plan.

5. Internal vs. External Fraudster





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Typical Internal Fraudster

61% of the economic crimes reported were perpetrated by an employee.

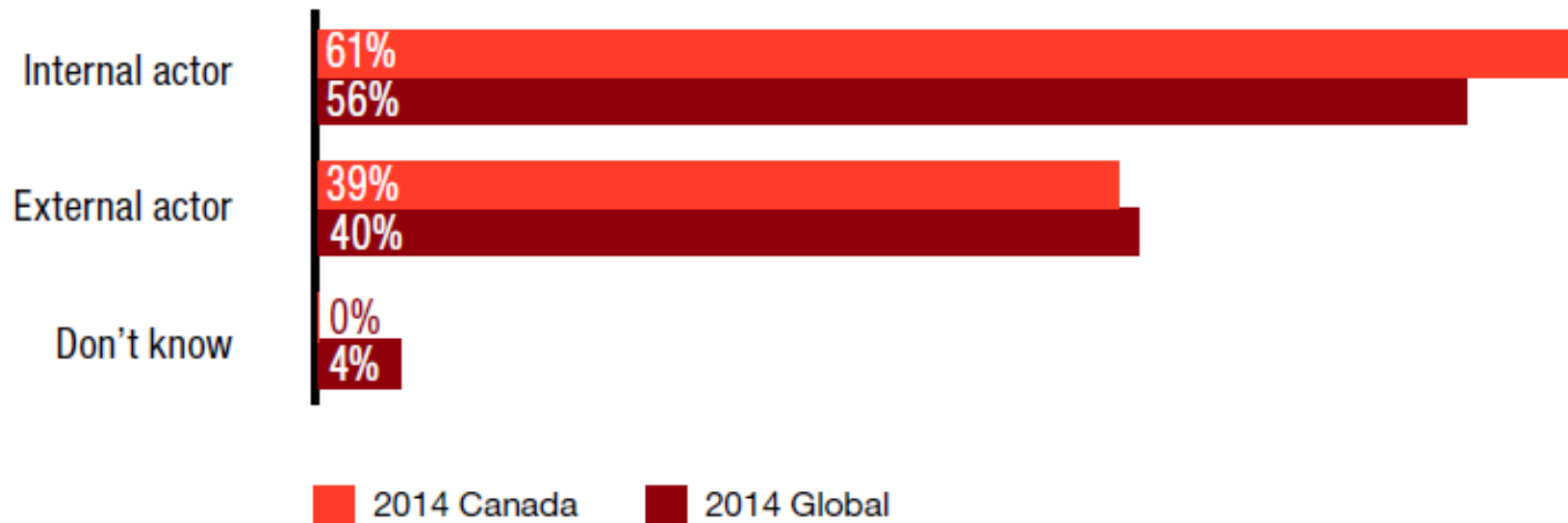


Profile of a typical internal fraudster

Age	41-50 years
Length of service	More than 10 years
Education level	1st graduate / postgraduate

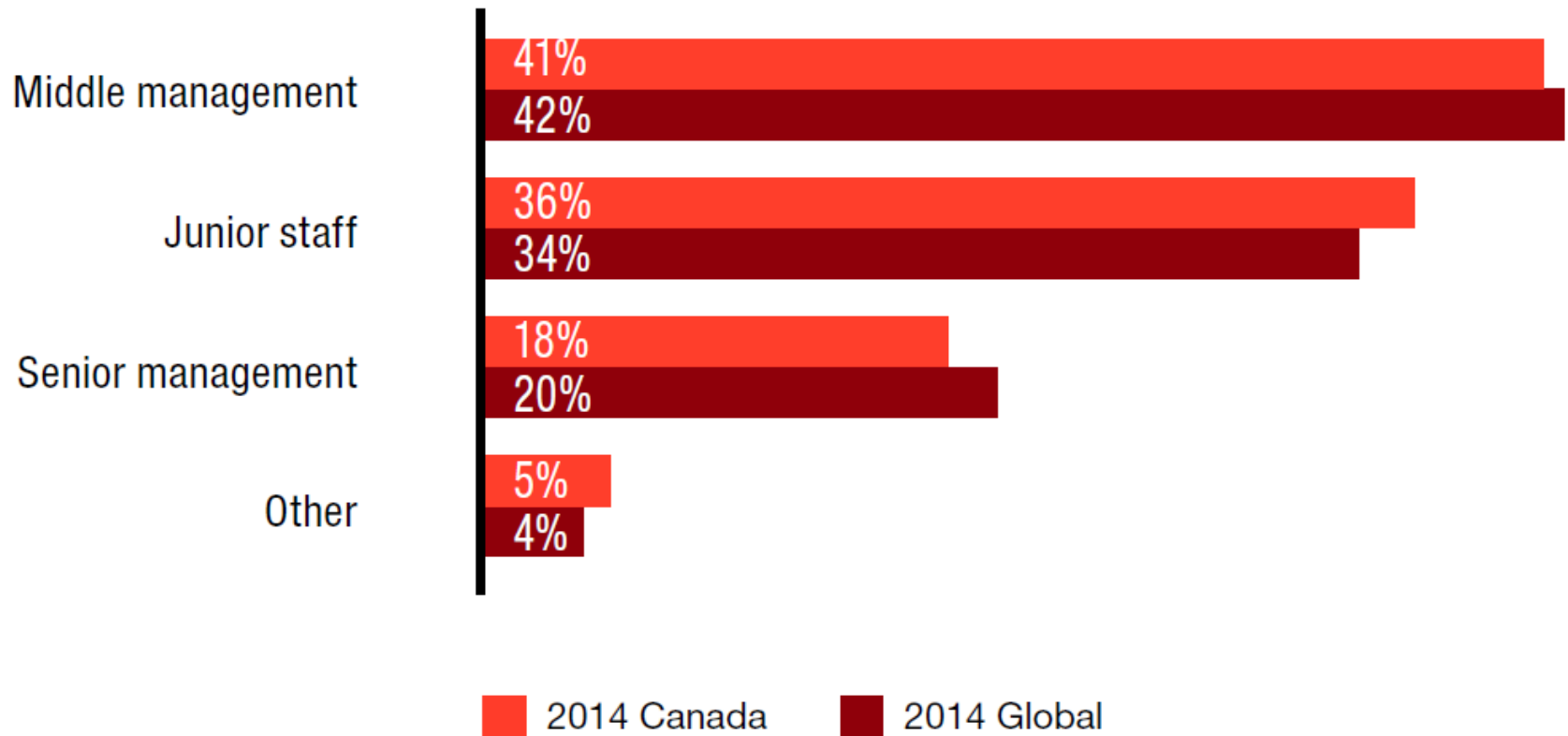
Internal vs. External Fraudster

Who's committing fraud?



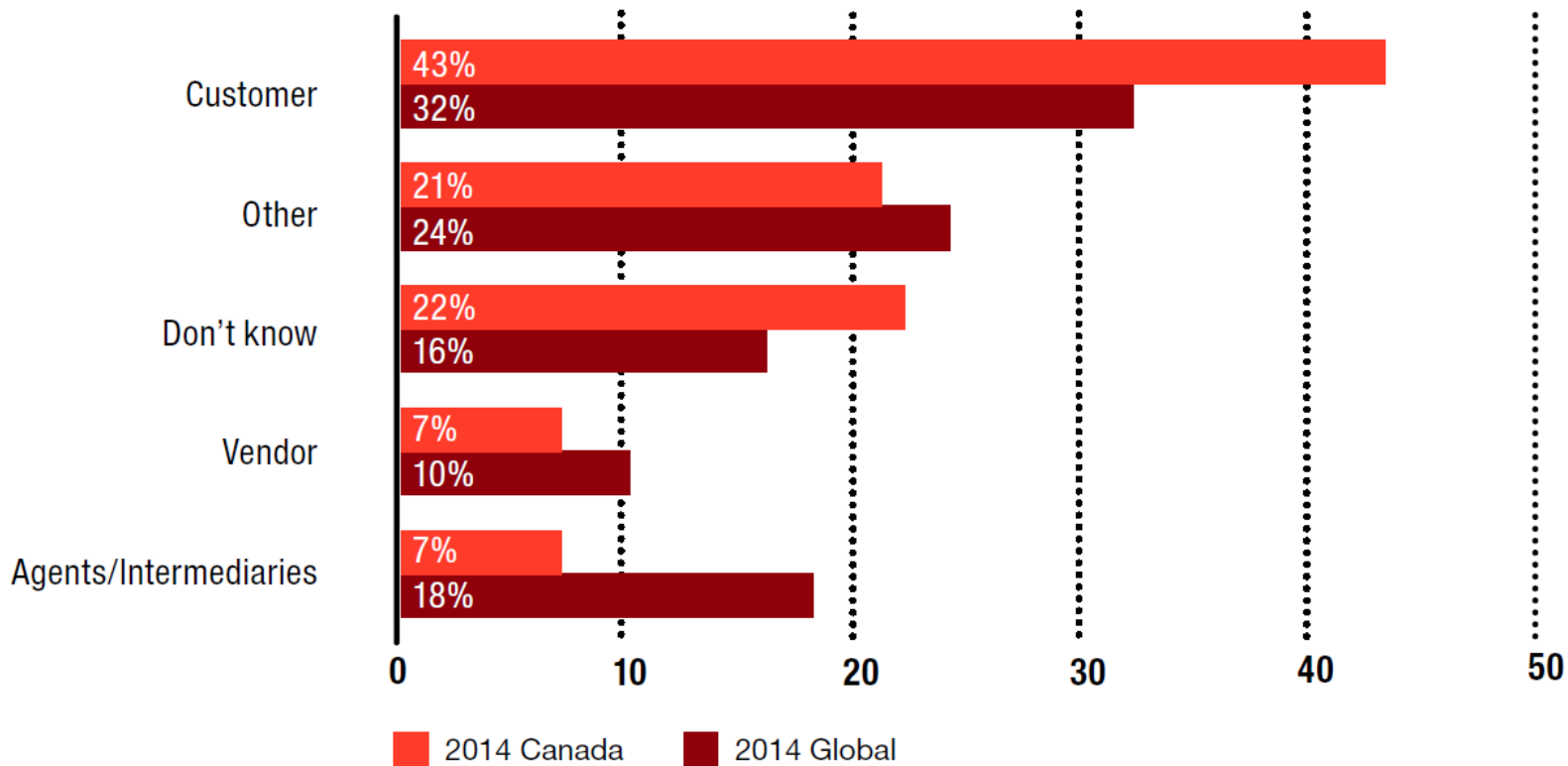
Internal vs. External Fraudster

Internal perpetrator (staff level)



Internal vs. External Fraudster

External perpetrator (role)



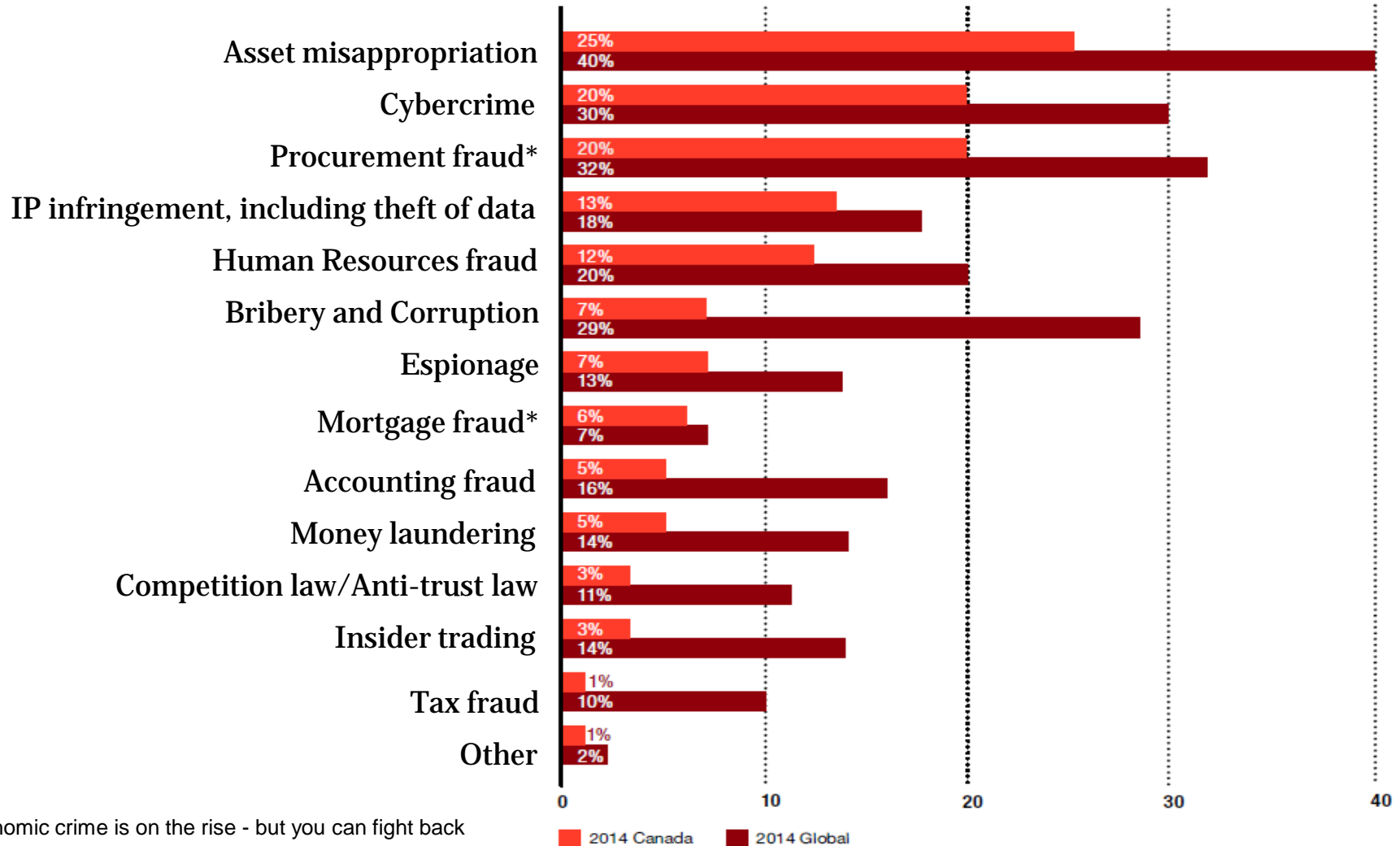
The most common action taken against the external perpetrator at 86%, was to inform law enforcement (64% for internal perpetrators).

6. Perception of Economic Crimes



Perception of Economic Crimes

Perception of fraud over the next 24 months



Thank you

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