

Fraud schemes in FS industry and preventive measures

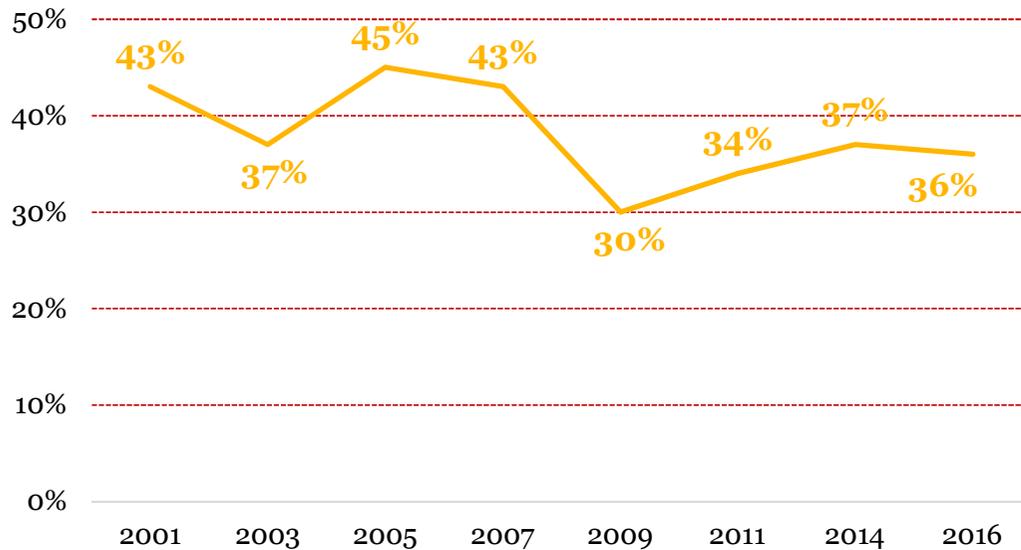


Agenda



1. The Big Picture (1/2)

Evolution of reported rate of economic crime



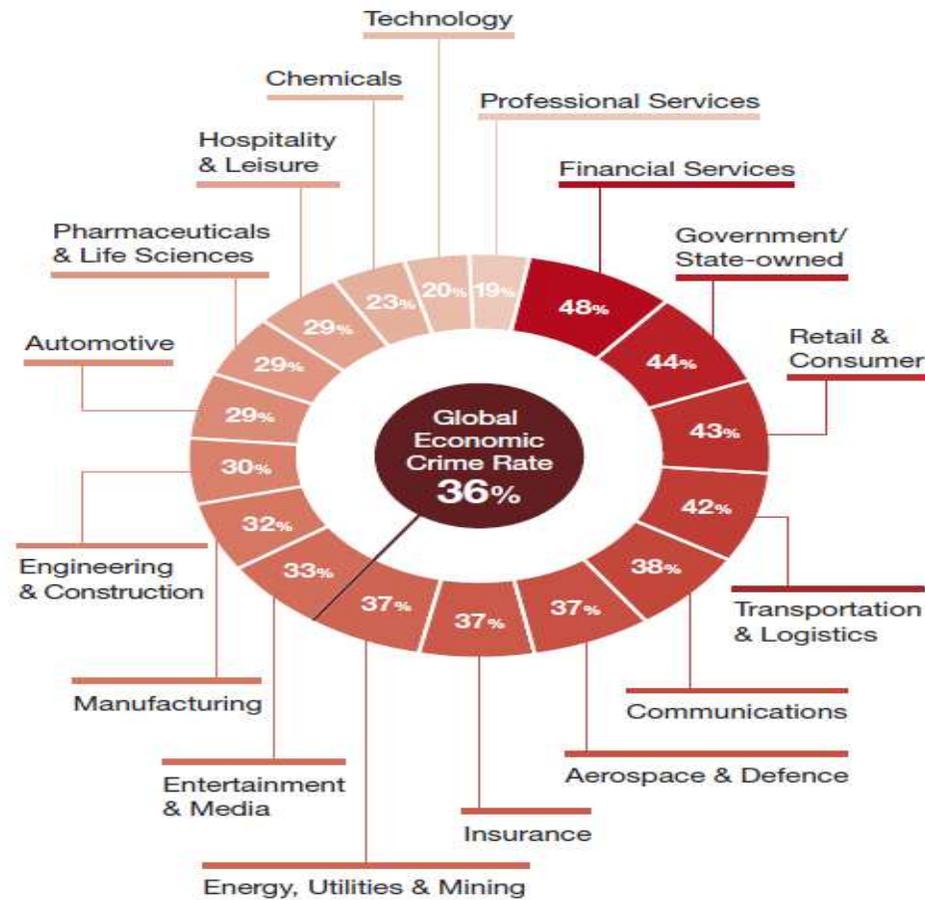
A worrying trend may be getting masked: Economic crime may be changing significantly, but detection and controls programmes are not keeping up with the pace of change.

Source: 2016 PwC Global Economic Crime Survey

- 46% serious economic crime perpetrated by internal parties**
- 36% of responding organisations that experienced economic crime**
- 1 in 5 banks have experienced enforcement actions by a regulator**
- 1 in 5 organisations have not carried out a fraud risk assessment in the past 24 months**
- 76% of companies rely on internal audit to ensure effectiveness of their programs**
- 14% of respondents suffered losses of more than \$1 million**

1. The Big Picture (2/2)

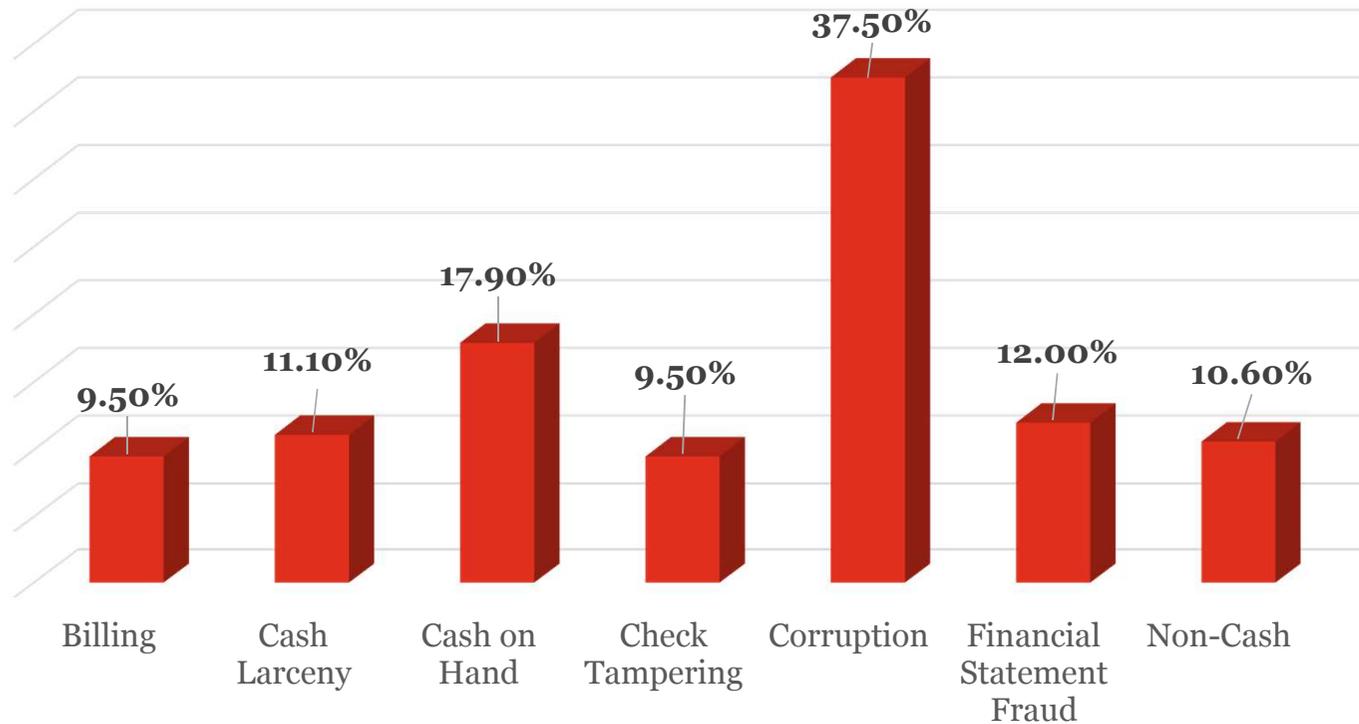
Industries at risk



(% of all respondents who experienced economic crime over the survey period)

Source: 2016 PwC Global Economic Crime Survey

2. Fraud schemes in FS sector



World-wide corruption was one of the two most common scheme types

Corruption was more prevalent in larger organizations (40.2% of cases) than in small businesses (29.9% of cases)

Source: 2016 ACFE Report To The Nations On Occupational Fraud And Abuse

3. Is your programme fit-for-purpose?

"There are risks and costs to any program of action. But they are far less than the long-range risks and costs of comfortable inaction." John Fitzgerald Kennedy

1. People and culture

... maintaining a values-based system, measuring and rewarding desired behaviour?

2. Roles and responsibilities

... ensuring they are correctly aligned with current risks?

3. High-risk areas

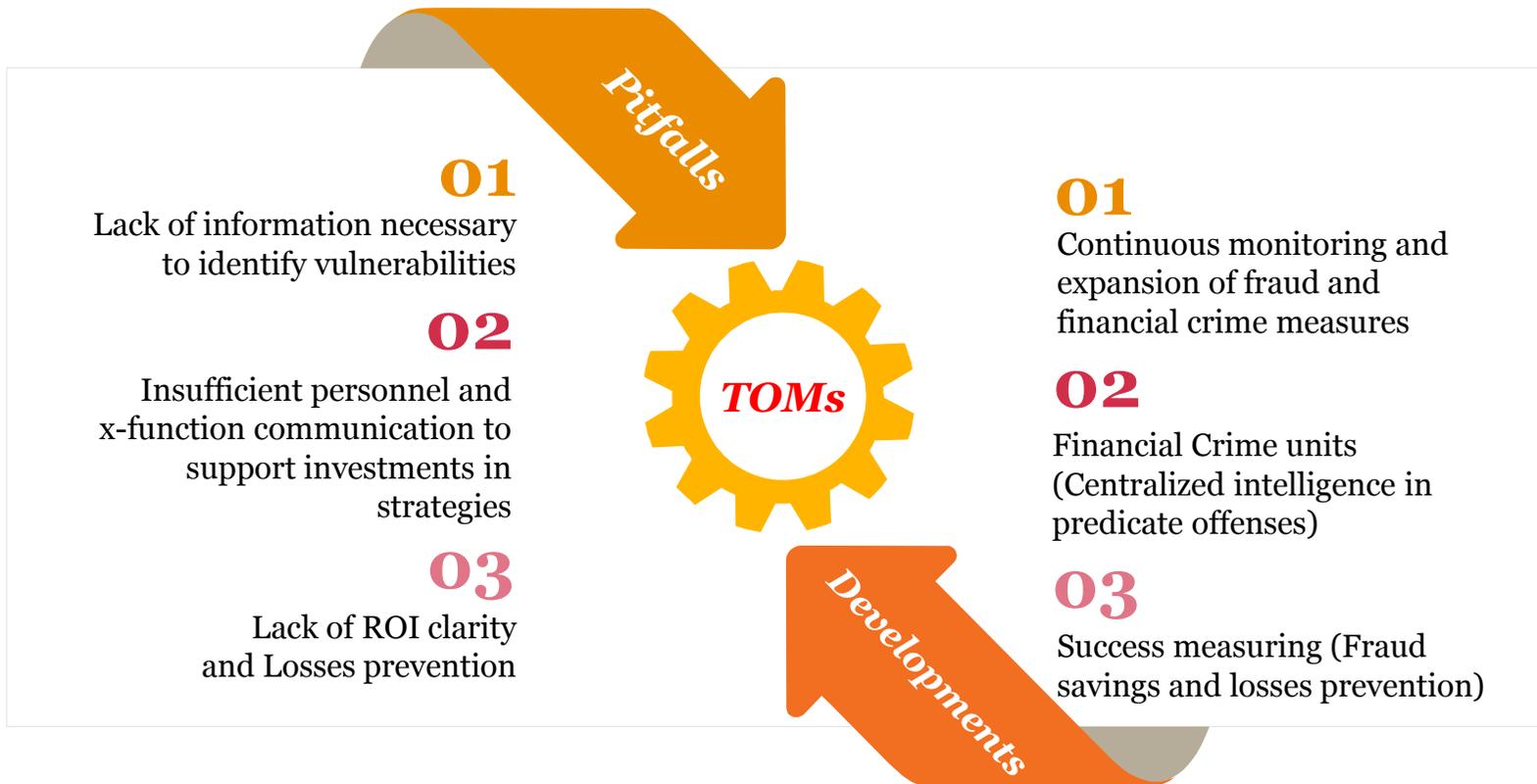
... tested in high-risk markets and divisions

4. Technology

... using detection and prevention tools, including big data analytics



4. Common pitfalls and developments in implementing TOMs (target operating model)



5. Innovation to support internal structures

1

Conduct periodic fraud risk assessment

- Identify key fraud risks
- Proactively monitoring fraud threats
- Create fraud detection and prevention methodologies that organically mature with changes in the threat landscape

2

Risk-based target operating model (TOM)

Centralized data is used to build predictive models that estimate the probability of future fraud attacks

3

Assess fraud performance using metrics

Dashboards that provide leadership with a streamlined and real-time view of metrics, helping the identification of fraud trends and management decisions

4

Streamline fraud monitoring and invest in analytics

- Increase the quality of fraud alerts
- Optimize the performance of monitoring tools
- Identify emerging fraud threats and use this information to develop controls

5

Implement an insider threat program

- Whistle-blower mechanism without negative repercussions from co-workers or management
- Background investigations and ongoing due diligence



The integration of technology into the financial services industry is a major factor in the current increasing prevalence of fraud.

Thank you for your time

Codina Petrescu, ACCA

Senior Manager, Forensic Services

codina.petrescu@ro.pwc.com

+40 726 104 086



Lavinia Gheorghe, ACCA, CFE

Manager, Forensic Services

lavinia.gheorghe@ro.pwc.com

+40 723 244 791



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Management Consultants SRL, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2017 PricewaterhouseCoopers Management Consultants SRL. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Management Consultants SRL which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.