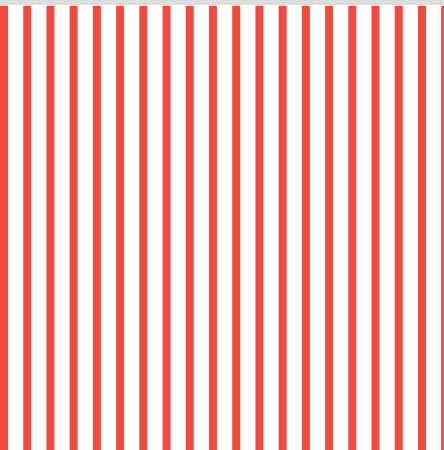


PwC's Global Economic Crime Survey 2024 – India outlook



Addressing risks smartly to survive and thrive



Companies worldwide are facing – and fighting – economic crime in diverse forms. According to PwC’s Global Economic Crime Survey 2024 conducted earlier this year, 59% of the organisations surveyed in India said they had faced financial or economic fraud in the past 24 months. While a majority of them said they were taking measures to safeguard their businesses, doing so intelligently is critical for meeting tomorrow’s challenges.

About the survey

PwC’s Global Economic Crime Survey 2024 analysed the responses of 2,446 heads of organisations across the world, of which 91 were from India, on the most disruptive economic crimes affecting their sector and ways of mitigating risks of fraud and non-compliance.

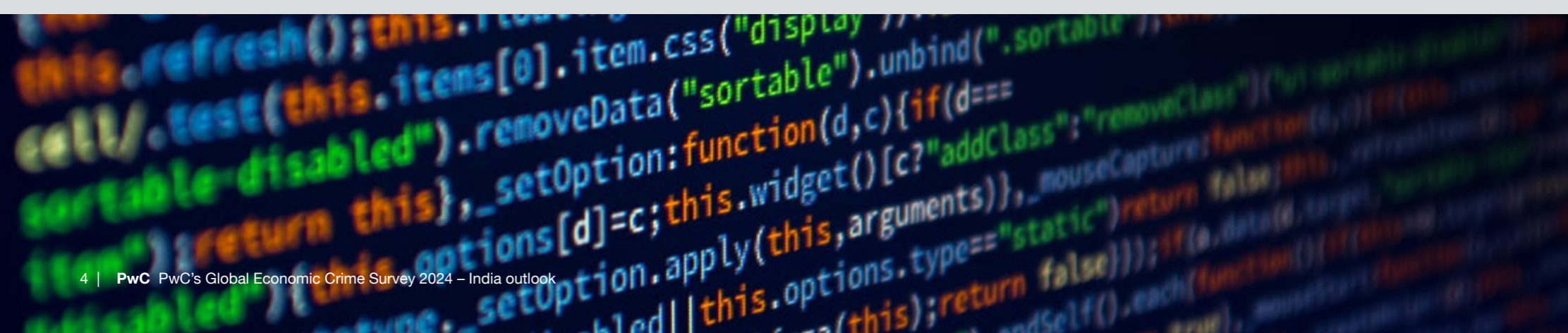
More than 50% of the respondents held top positions and comprised board members, CEOs, managing directors and presidents.

Respondents in India represented 91 organisations spanning a wide spectrum of industries including consumer products and retail, industrial and manufacturing, automotive, technology and healthcare.



Table of contents

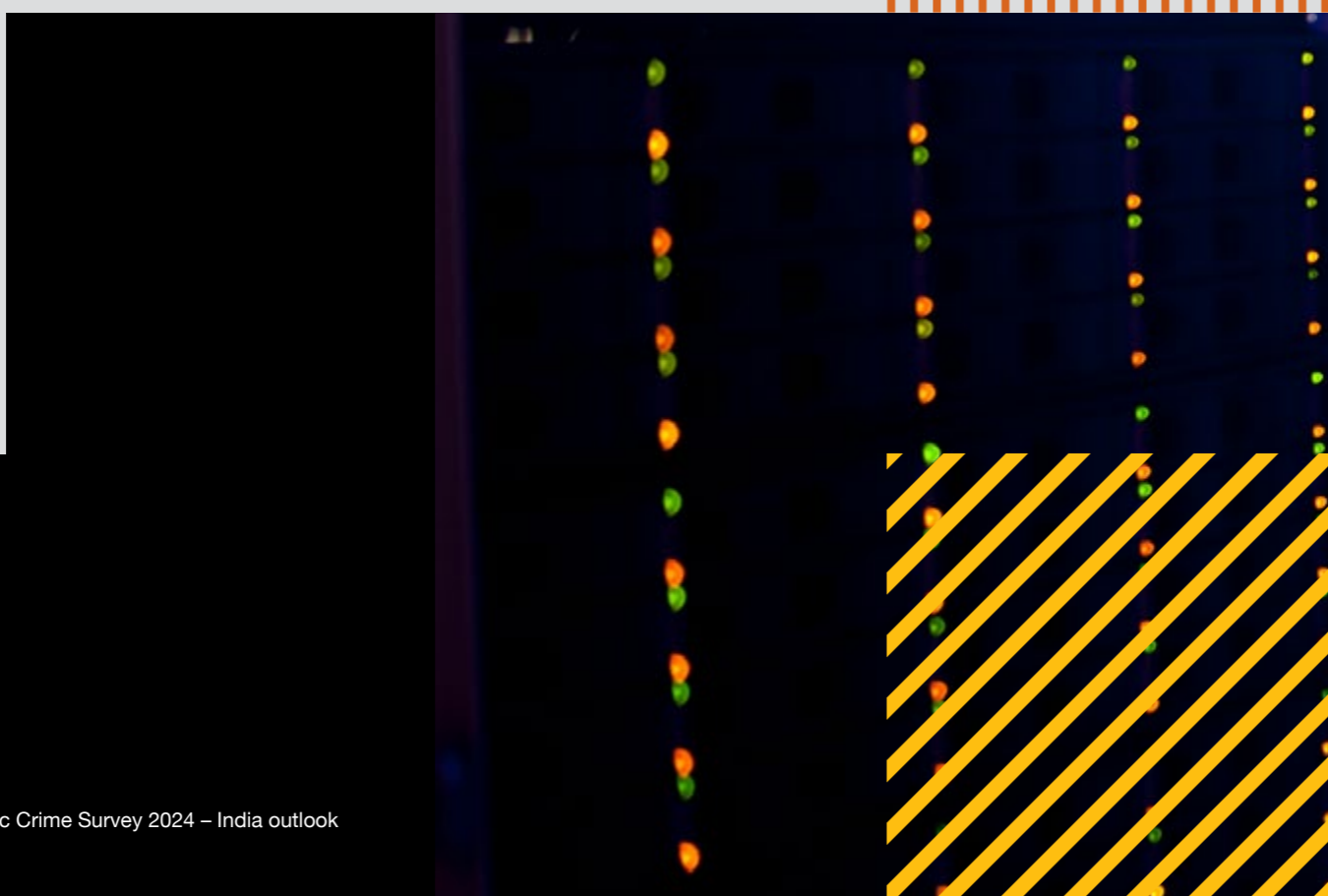
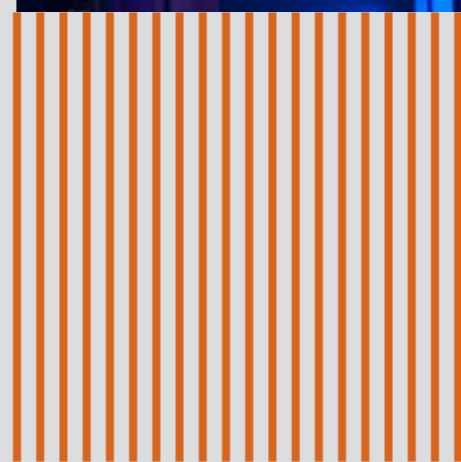
I.	Rise in economic crimes in India	06
II.	Preventing economic crimes	
1.	Procurement fraud – India’s primary concern	10
2.	Raising the bar on corporate compliance to counter corruption and bribery	18
3.	The risk of forced labour behind multi-tiered and opaque supply chains	26
4.	Looking beyond borders to navigate risks associated with export controls and sanctions	32
III.	Safeguarding against economic crimes	36





I.

Rise in economic crimes in India



In today's interconnected world, opportunities often come riding on risks. The free flow of capital, goods and services across international borders, in addition to creating opportunities, throws up its share of challenges. In these times, a persistent and pervasive challenge that businesses have to routinely deal with is economic crime.

As companies enter new markets, there is a greater risk of bribery and corruption. Geopolitical conflicts in Europe and West Asia have disrupted supply chains and intensified the risks of sanctions and export controls. Procurement fraud is another matter of serious concern. Furthermore, there is widespread global concern over forced labour and environmental, social and governance (ESG) responsibilities. Long supply chains and the use of third parties also call for increased vigilance.

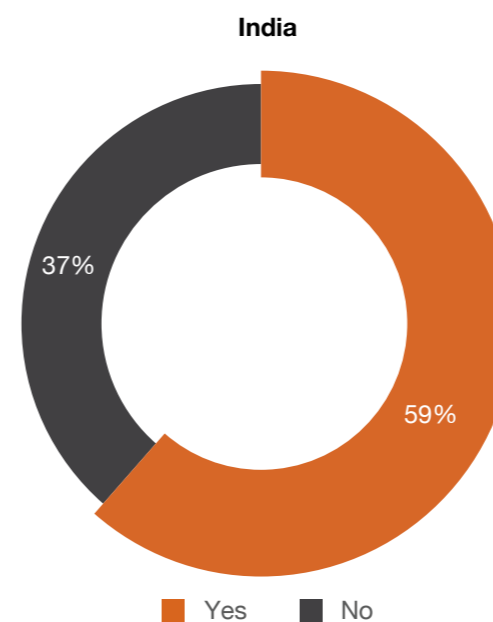
Mitigating risks, and doing so intelligently, is imperative for sustainable businesses. With this objective in mind, PwC conducted its annual Global Economic Crime Survey 2024 with 2,446 respondents, including CEOs and managing directors as well as investigation, risk and compliance heads. The spectrum of questions posed to the top business leaders was meant to assess the threat of economic crime and gauge how companies were dealing with it. In India, company heads across 91 organisations were asked questions on the most disruptive economic crimes impacting their respective sectors and ways of mitigating risks of fraud and non-compliance.

The India respondents stressed that economic fraud was rampant in the country. Their perception of this threat to their businesses was higher than that of their global counterparts.

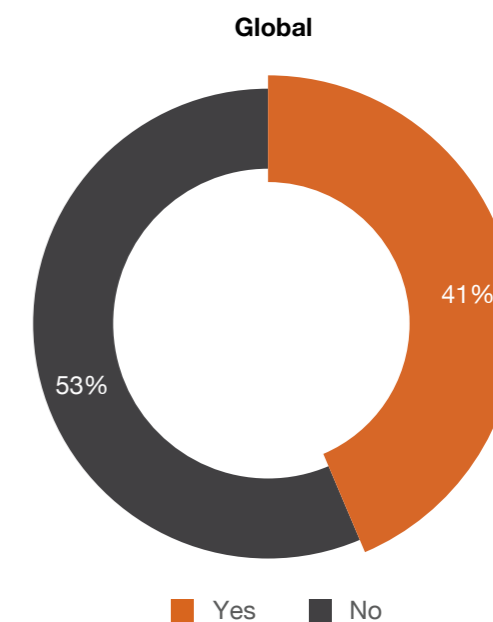
About 59% executives in India said their company had faced some form of financial or economic fraud in the past 24 months, as against 41% executives in global companies.



Has your organisation experienced any fraud, corruption or other economic/financial crime in the last 24 months?



This percentage has increased as compared to the results of our previous survey in 2022, where 52% of Indian organisations had stated that they experienced fraud or economic crime within the last 24 months.¹



While companies have introduced some intelligent measures to safeguard against economic crime, there is still considerable ground to cover.

¹ <https://www.pwc.in/assets/pdfs/consulting/forensic-services/pwcs-global-economic-crime-and-fraud-survey-2022-v3.pdf>

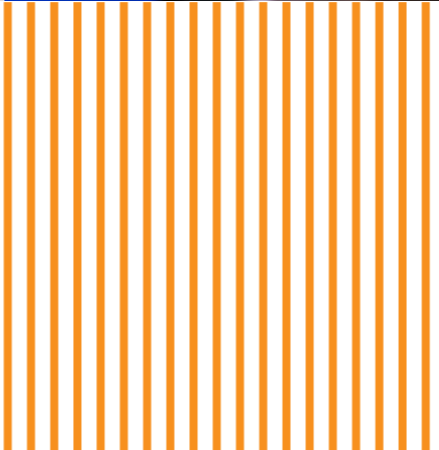


II.

Preventing economic crimes

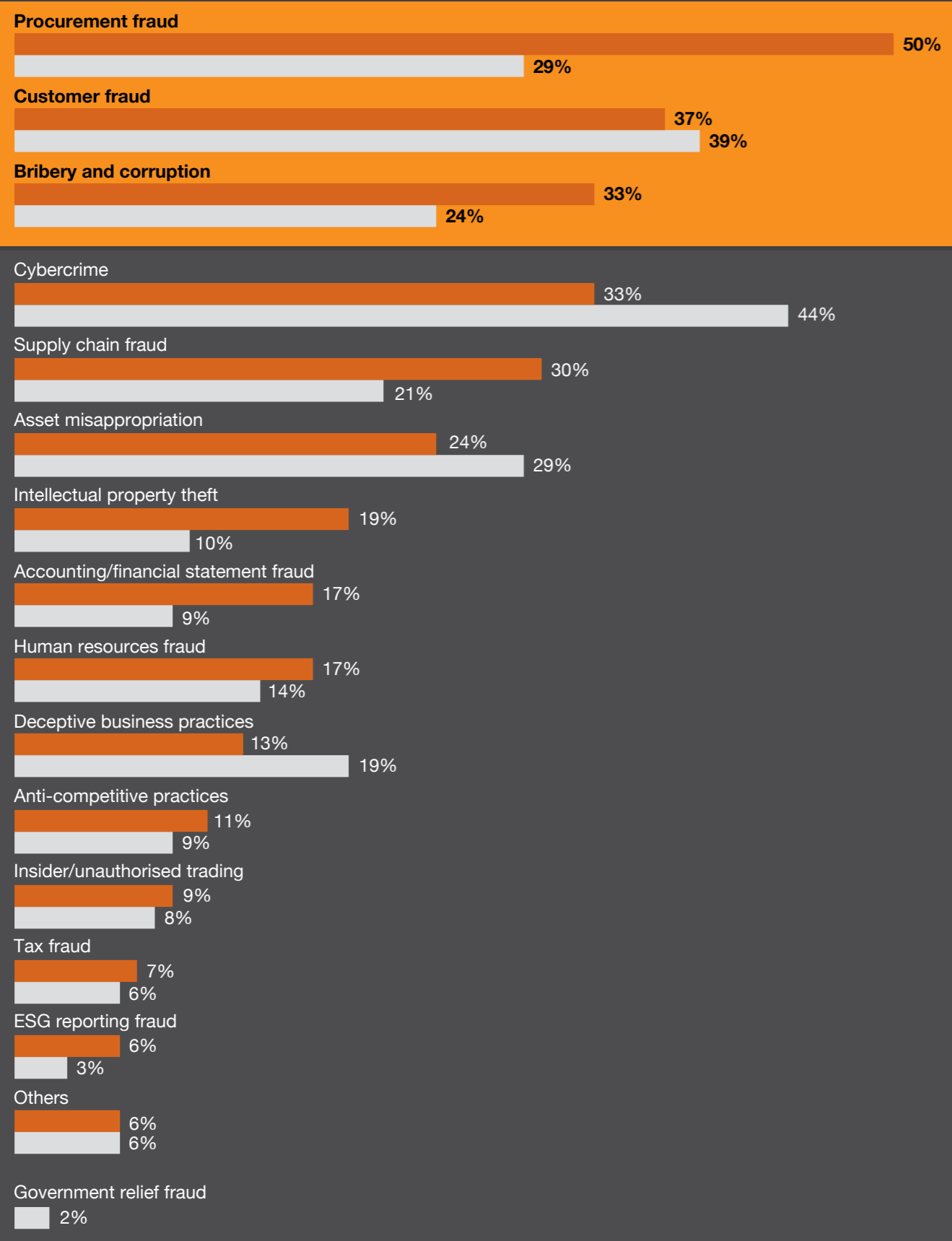
1.

Procurement fraud – India's primary concern



Nearly 50% of senior executives surveyed in India cited procurement fraud as the biggest problem faced by businesses, while 44% of global leaders highlighted cybercrime as the top concern.

What types of fraud, corruption or other economic crime has your organisation experienced in your country within the last 24 months?



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The types of risk faced by Indian companies have been evolving over time. In 2022, customer fraud (i.e. frauds involving mortgage, claims, credit cards, cheques) was the top fraud reported by 47% of the surveyed companies.² But in this year's survey, procurement fraud has surpassed customer fraud as the biggest risk Indian companies need to safeguard against.

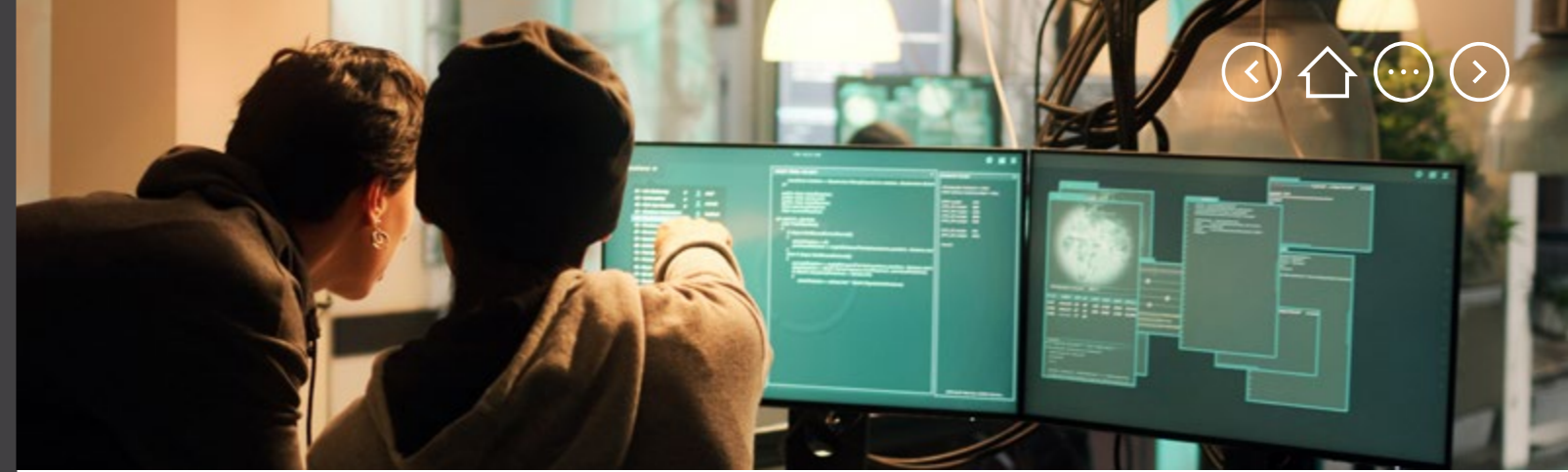
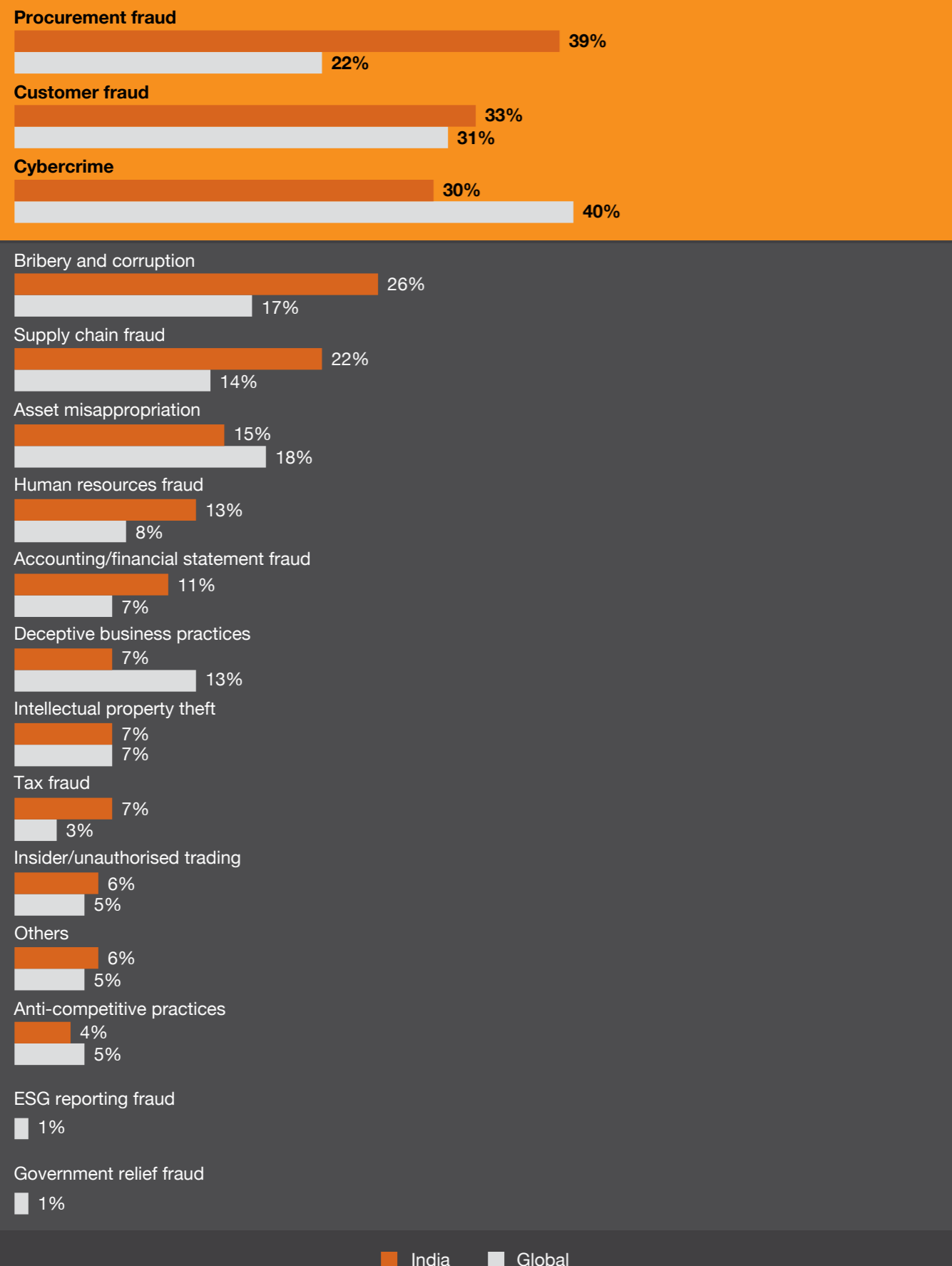
Procurement fraud, or illegal manipulation of the procurement process for financial gain, is one of the oldest forms of economic crime, impacting large and small businesses alike. This year, 5 out of 10 respondents believe that it is a major concern in India.

In PwC's 2022 Global Economic Crime and Fraud Survey, procurement fraud ranked fifth (26%) among economic crimes faced by companies in India. In the 2024 survey, about 50% of senior executives in India cited it as the biggest problem businesses faced, with 39% describing it as the most disruptive economic crime. In contrast, only 29% of global companies that had faced economic fraud in the past 24 months flagged procurement fraud as a major concern. For 44% of global leaders, cybercrime emerged as the top concern.

² <https://www.pwc.in/assets/pdfs/consulting/forensic-services/pwcs-global-economic-crime-and-fraud-survey-2022-v3.pdf>

Of the fraud, corruption or other economic/financial crimes experienced by your organisation in the last 24 months, which three matters were MOST disruptive/serious in terms of the impact on your organisation (monetary or otherwise)?

Asked to those who indicated they had experienced fraud in their country.



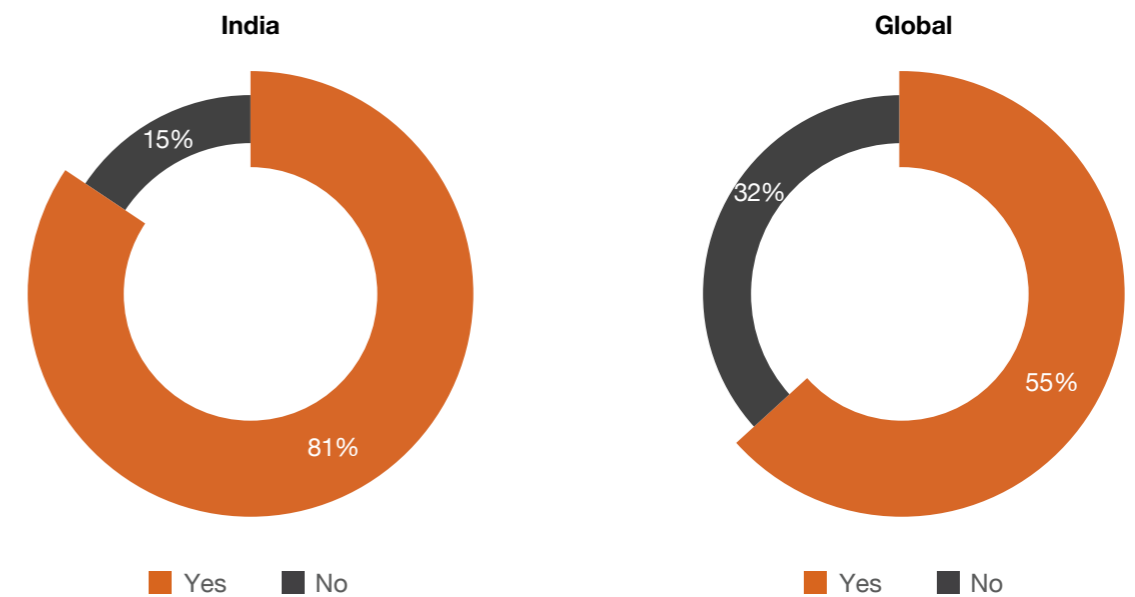
Procurement fraud is clearly a growing problem, with respondents referring to it as the most serious and disruptive economic crime businesses face in India. Usually difficult to detect, procurement fraud can crop up at any stage of business – from the time of bidding to the point of delivery of goods and services – and assume different forms:

- inflated or fake invoices
- buyer-supplier collusion – when a conflict of interest is not declared, such as a link between an employee from the buyer organisation and the vendor
- changing specifications of goods and services, which may not be in the best interest of an organisation and may favour a particular bidder in return for a kickback.

‘Procurement fraud cuts across industries and processes, being one of the most disruptive economic crimes. The integrity of the procurement process is of paramount importance, as a company’s reputation rests on it.’

Puneet Garkhel
Partner and Leader, Forensic Services

Is procurement fraud a widespread concern amongst businesses?



The adverse impacts of procurement fraud are well established. These may include:

- financial losses
- compromise in the quality of goods and services delivered
- disrepute to the organisation
- legal consequences.

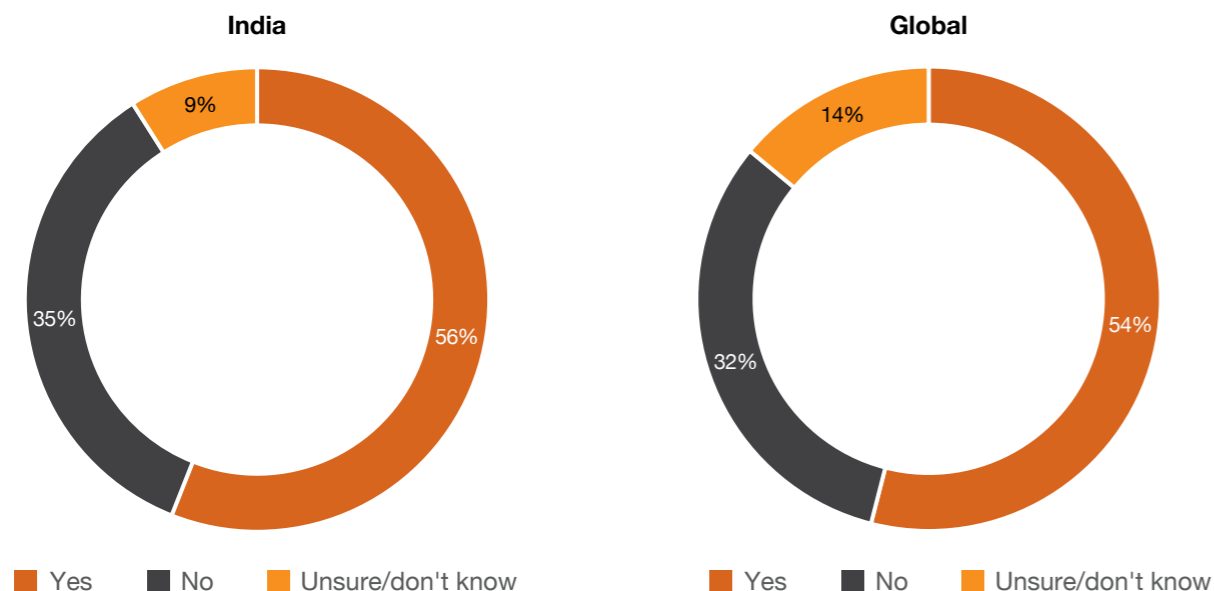


Examining the role of third parties to mitigate procurement fraud risks

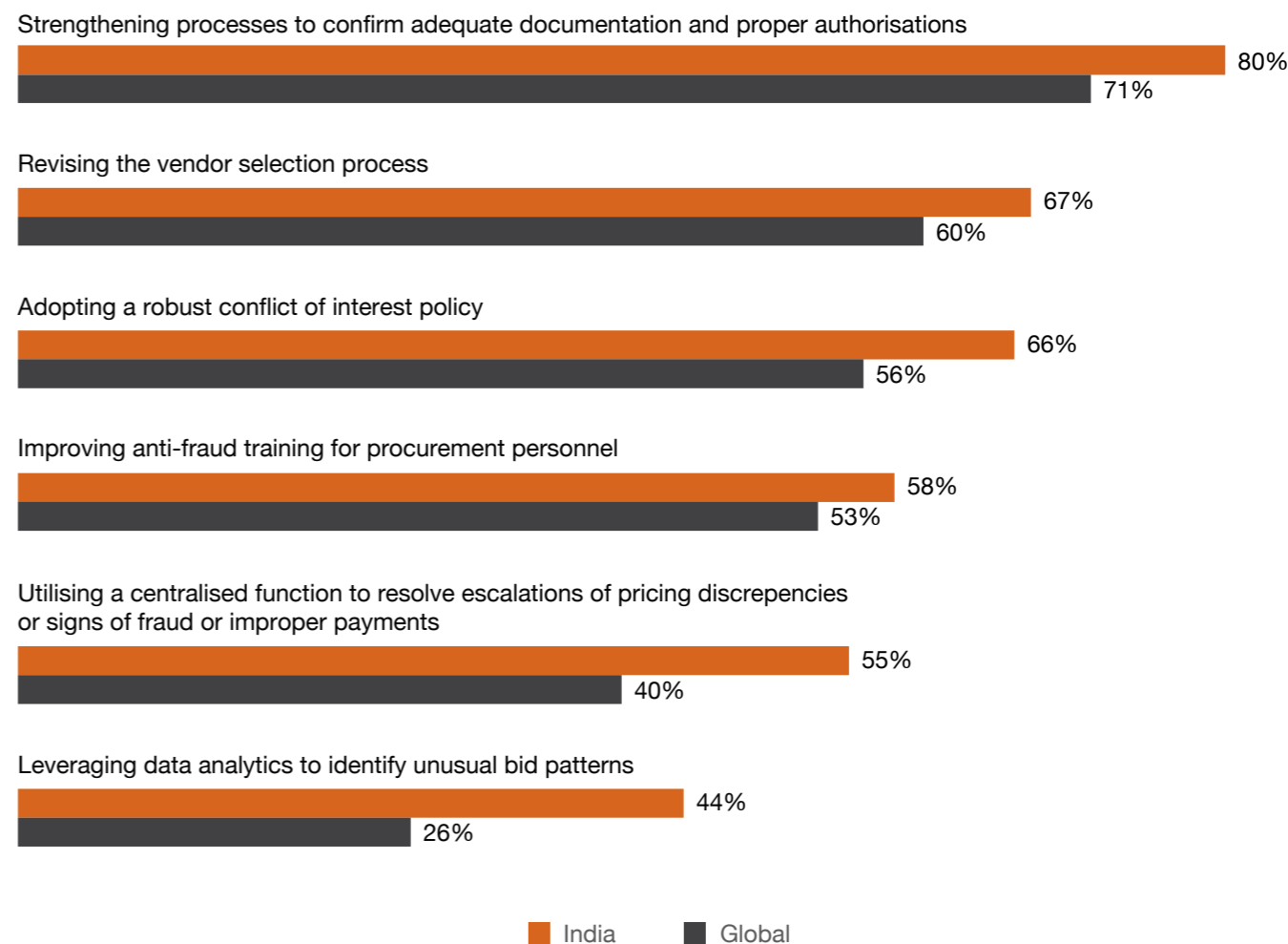
Businesses must assess the role of third parties – such as vendors, suppliers, distributors or customers, and companies acting on their behalf. PwC’s survey highlights the confidence of business heads in India in this regard: 52% respondents said they were

confident their company had a complete and accurate understanding of the third parties involved, while 26% said they were very confident. Moreover, 56% respondents in India said their third-party management programme included risk-scoring of third parties.

Does your organisation’s third-party risk management programme include risk-scoring of its third parties?



What steps, if any, is your organisation taking to mitigate the risk of procurement fraud?



Using data analytics for fraud detection

Indian companies have increasingly been using data analytics to identify procurement fraud, waste or abuse. In the survey, 52% of respondents said they analysed their transactions before a deal was closed, while 46% said it was done after the deal. However, only 37% of the respondents said they utilised data analytics to monitor payments in real time, with the ability to block outgoing payments.

Advanced transaction monitoring solutions that use sophisticated algorithms and machine learning technology to detect suspicious activities and patterns in procurement transactions can identify potential fraud. Combined with graph analytics, such solutions could help understand and analyse the complex relationships among entities such as suppliers, employers and third parties. Data analytics can also be leveraged to

highlight anomalies such as an abnormal rise in invoice volumes, discrepancies between purchase orders and deliveries, multiple payments to vendors without any corresponding services rendered, unusually low or high bid prices, and a sudden rise in consumer complaints.

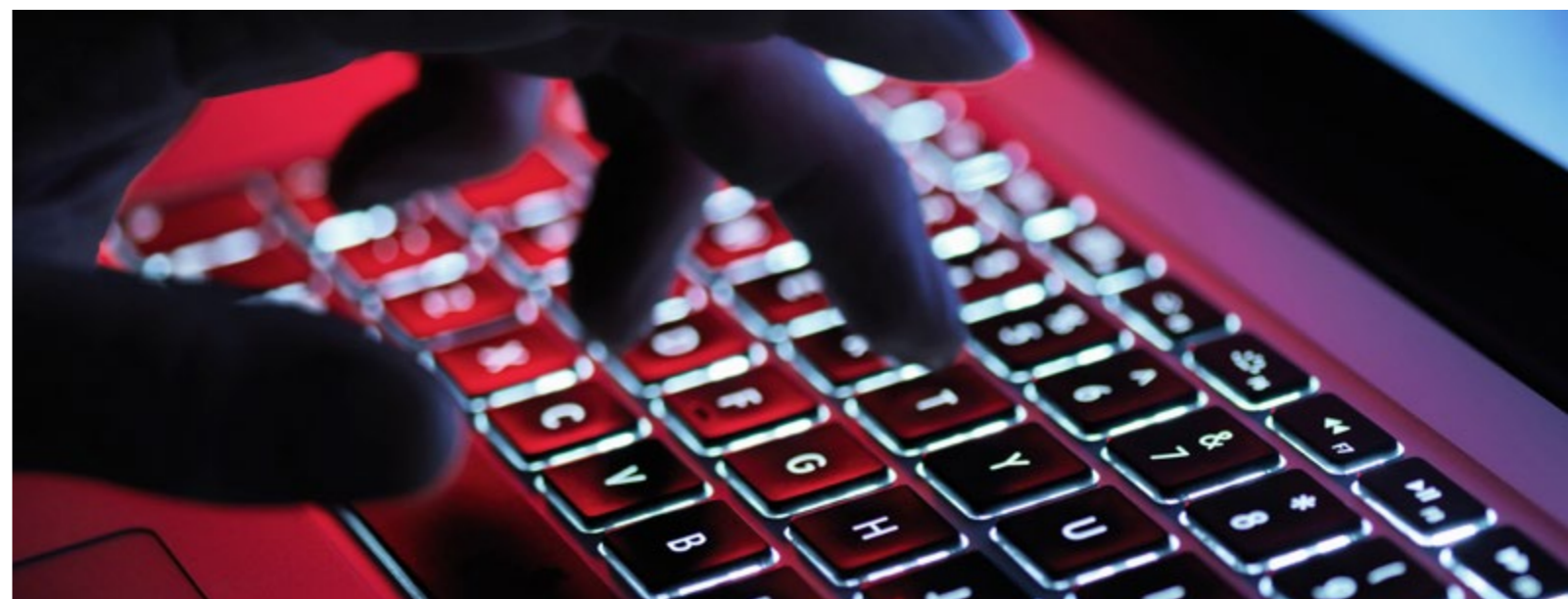
Our survey found that a majority of the companies identified and prevented procurement fraud by:

- strengthening processes
- revising vendor selection processes
- adopting robust conflict of interest policies
- training procurement personnel.

Only 44% Indian respondents used data analytics to identify unusual bid patterns.

In addition to being instrumental in conducting third-party risk assessments, data analytics plays a crucial role in fraud investigations.

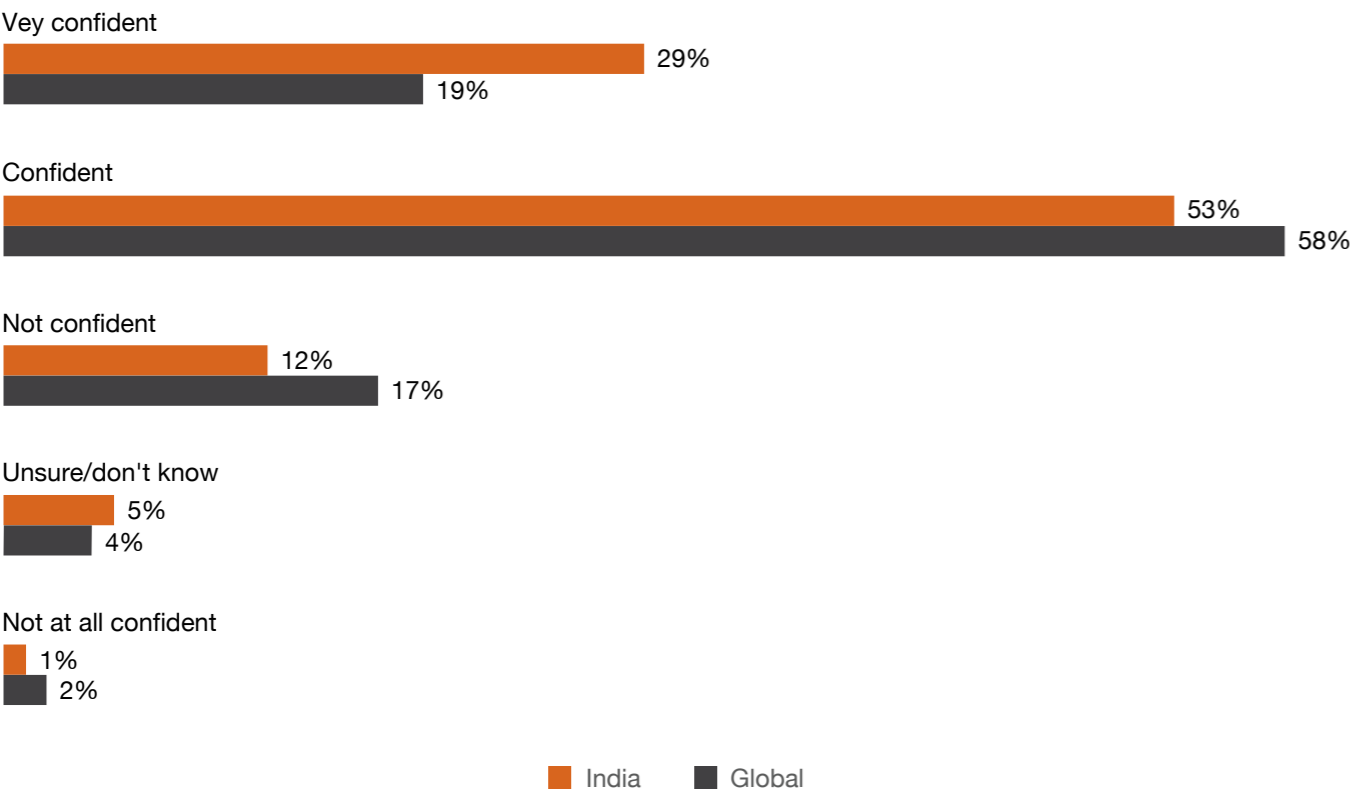
Although there is a pressing need for organisations to quantify their losses to procurement fraud, most companies said they did so infrequently – if at all.



2. Raising the bar on corporate compliance to counter corruption and bribery

About 82% of respondents in India said they were confident or very confident about their company's compliance programmes to mitigate corruption risks. On the global front, 77% business leaders said they were confident or very confident about their company's efforts in this regard.

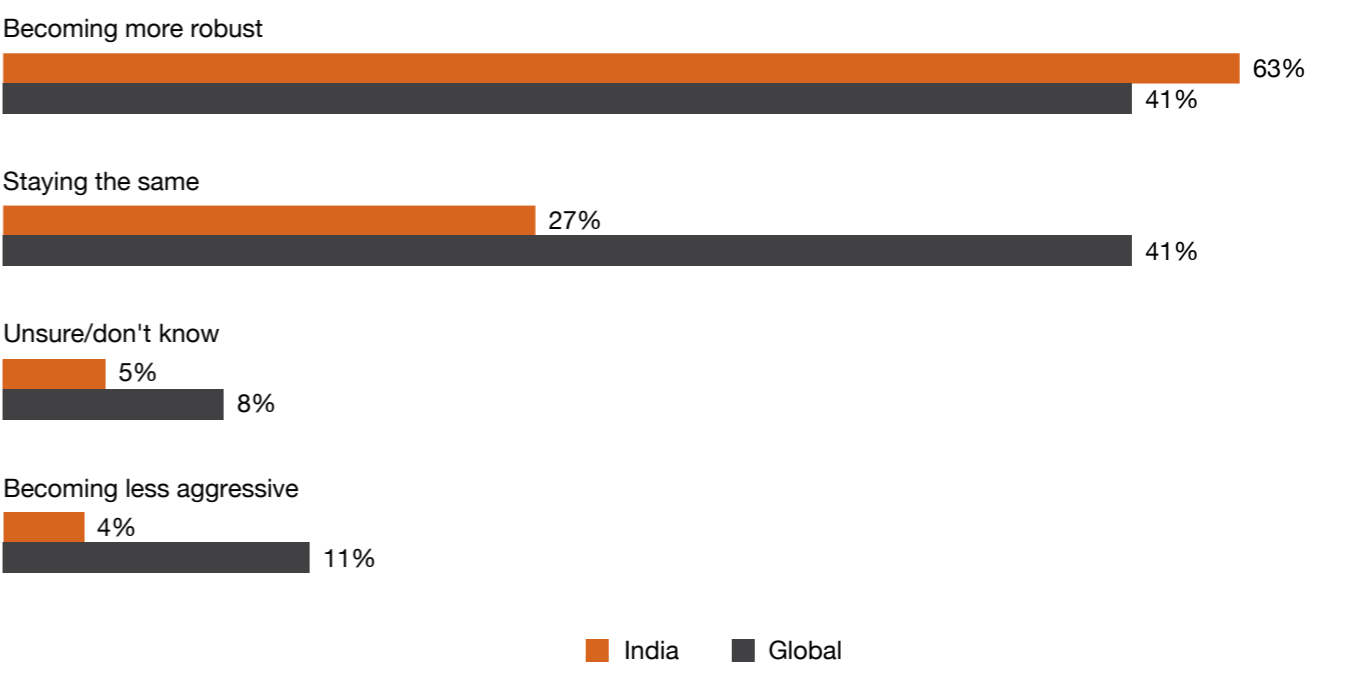
How confident are you that your organisation's compliance programme is capable of mitigating emerging corruption risks?



The strengthening of anti-corruption laws and their robust implementation has been encouraging news for corporate houses. In India, nearly 63% of business leaders stated the laws were now more robust in the country. Although strict law enforcement may be a strong deterrent, our survey findings indicate that is

not quite adequate to mitigate risks. About 33% of all economic crimes are related to corruption and bribery, while 26% of the respondents in India found it to be one of the top three disruptive economic crimes in the past 24 months in their respective industries.

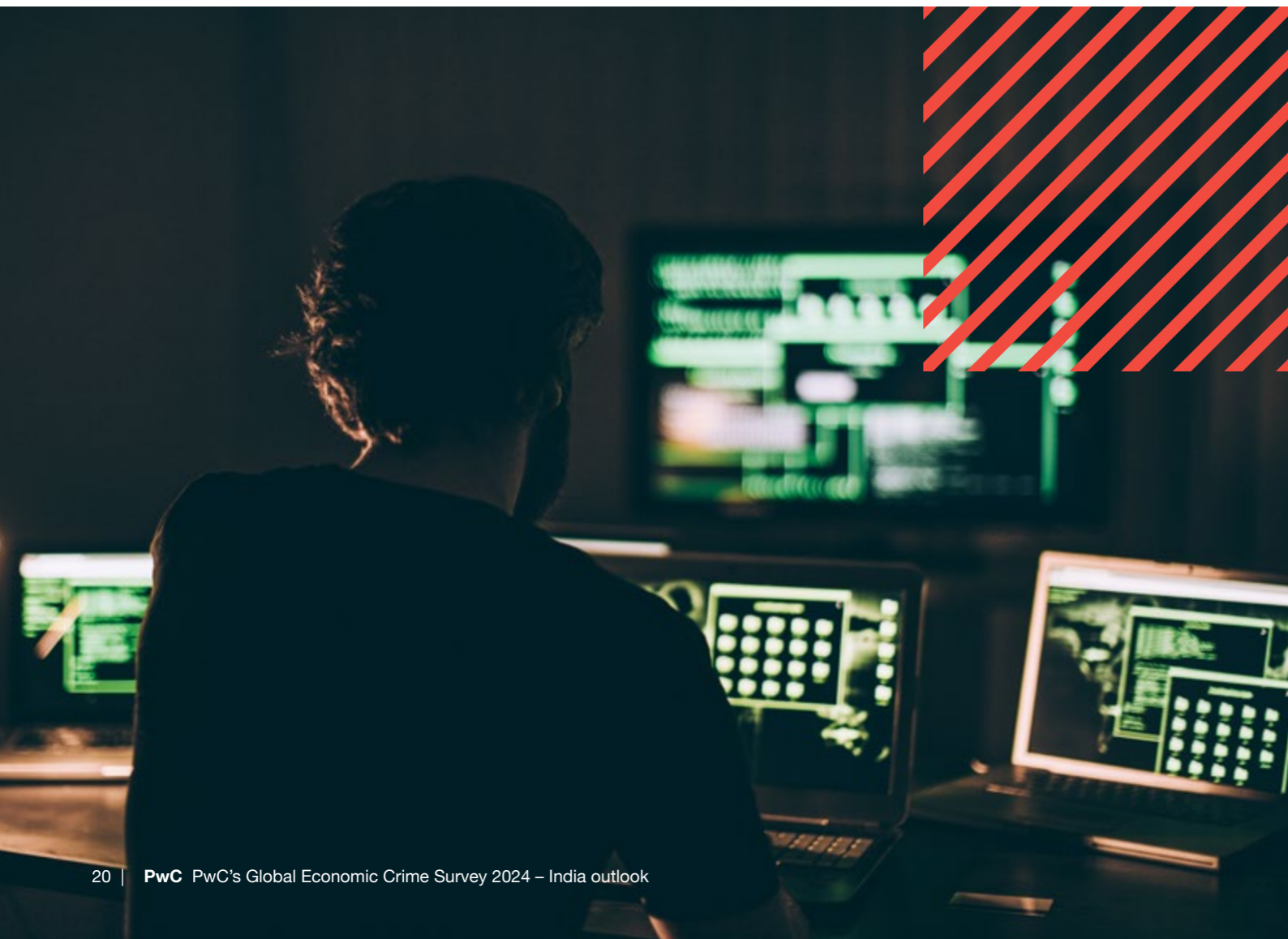
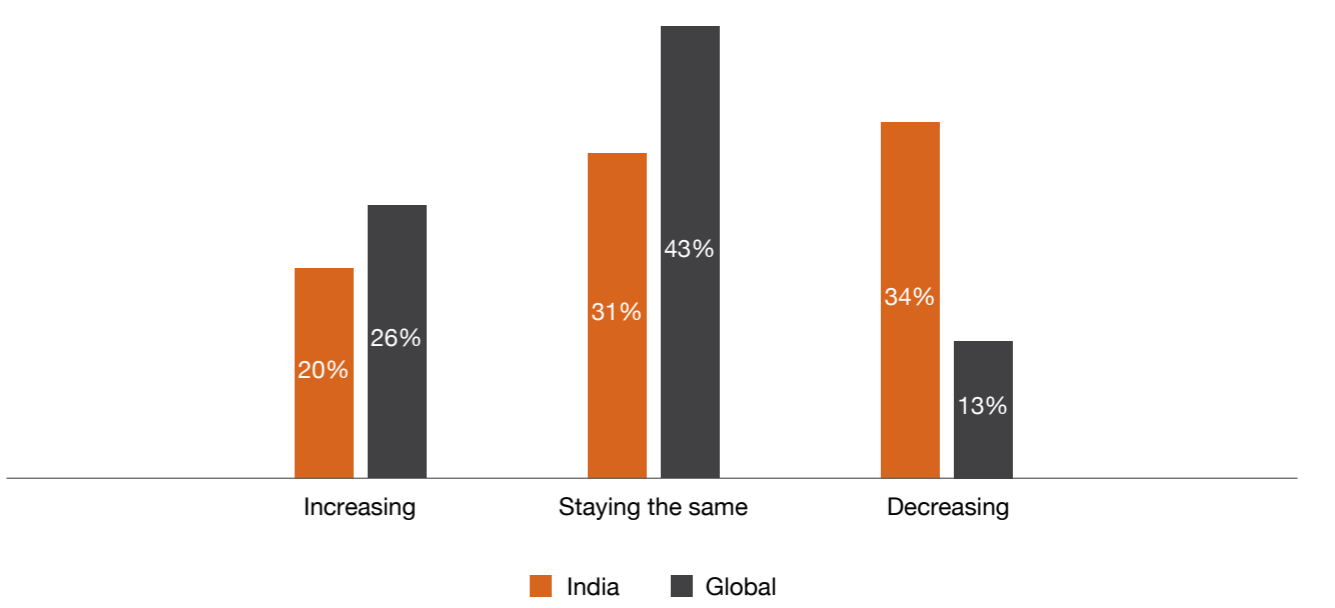
How are government efforts to enforce anti-corruption laws changing?



About 20% of company heads in India believed corrupt practices – i.e. those associated with corrupt or improper payments to government officials and/or

commercial customers – had increased in the past 12 months, while 34% said corruption had decreased.

In your opinion, were risks associated with corrupt or improper payments to government officials and/or commercial customers in the last 12 months?

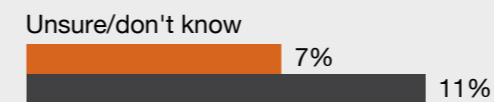
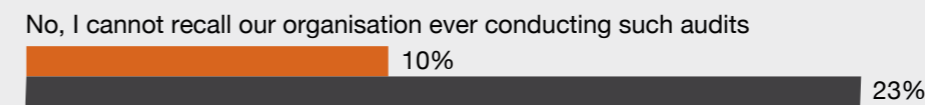
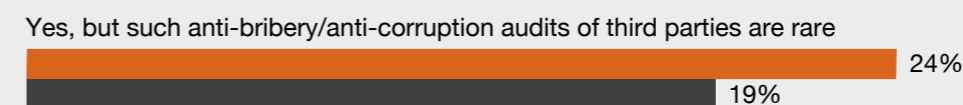
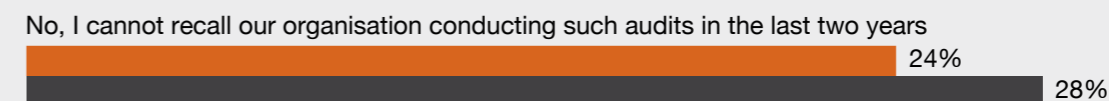
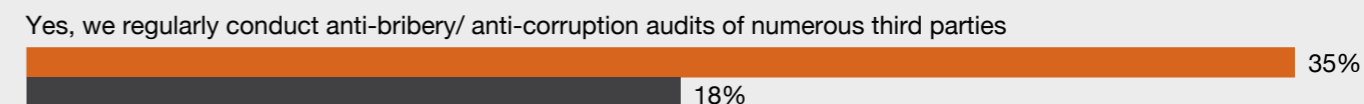




According to the survey, in India, while most companies were concerned about the threats posed by corruption and bribery, 34% of companies did not even conduct anti-corruption/anti-bribery audits of third-party vendors. Furthermore, 24% said they had not done so in the

past two years and 10% said they had never conducted such an audit. About 35% said such an audit had been conducted in the past two years. The situation was not very different globally – only 18% of respondents said such audits had been conducted in the last two years.

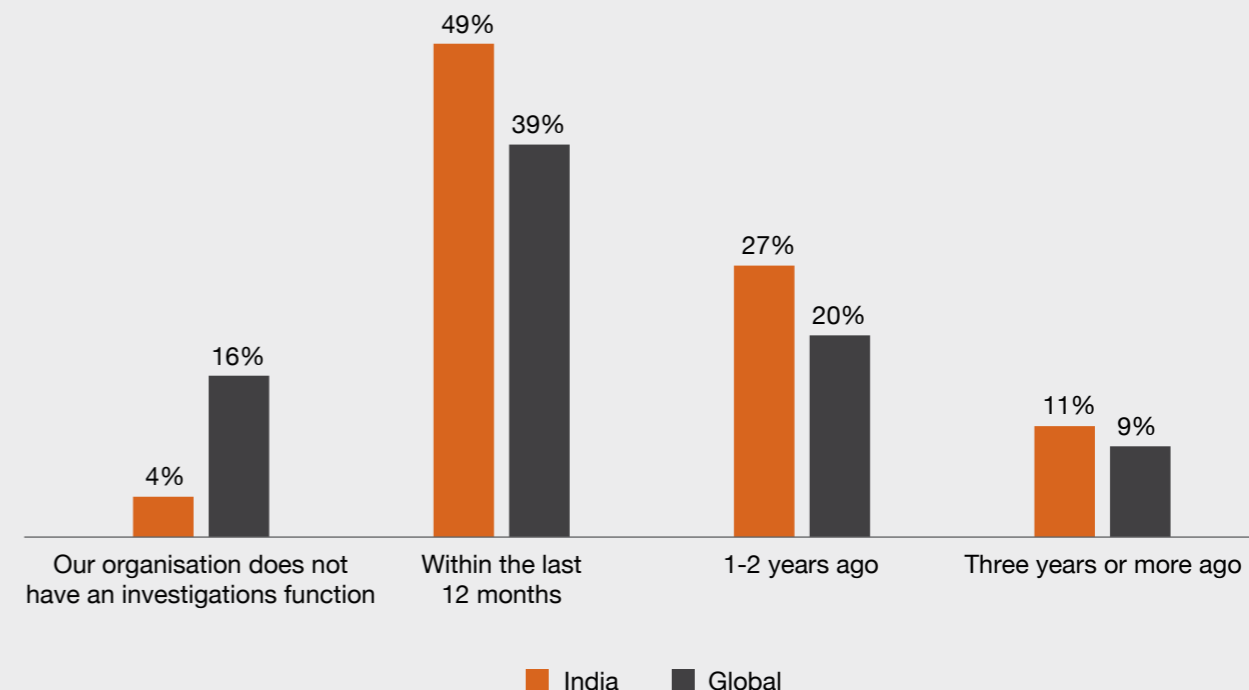
Has your organisation conducted an anti-bribery/anti-corruption audit at one or more of its third parties in the last two years?



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However, nearly half of the organisations surveyed in India (49%) mentioned that they had reviewed their investigation process in the past 12 months, while 27% had done so a year/two years ago.

When was the last time your organisation reviewed its investigation process?



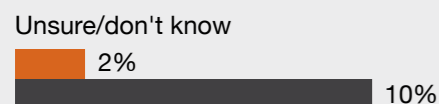
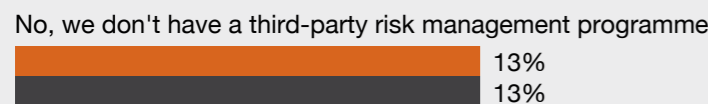
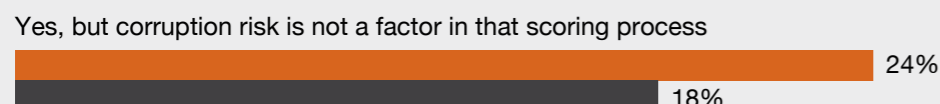
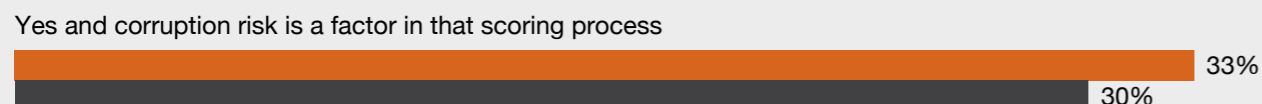
India Global

Developing a framework to risk-score third parties to mitigate risks associated with corruption and bribery

To tackle corruption, companies need to first recognise the core problem and then address it. The surveyed executives said they were aware of corruption and were seeking to mitigate it. Risk-scoring, third-party management and investigations are essential if companies have to fight corruption in their ecosystem. However, a majority of those surveyed either did not

risk-score each of their third parties or did not have corruption as one of the factors in risk scoring. In India, some (13%) did not even have a third-party risk management programme. Only one-third (33%) of the respondents had a risk-scoring programme, with corruption risk as a factor in the scoring process.

Does your organisation assign a risk score to each of its third parties as part of its third-party risk management programme?

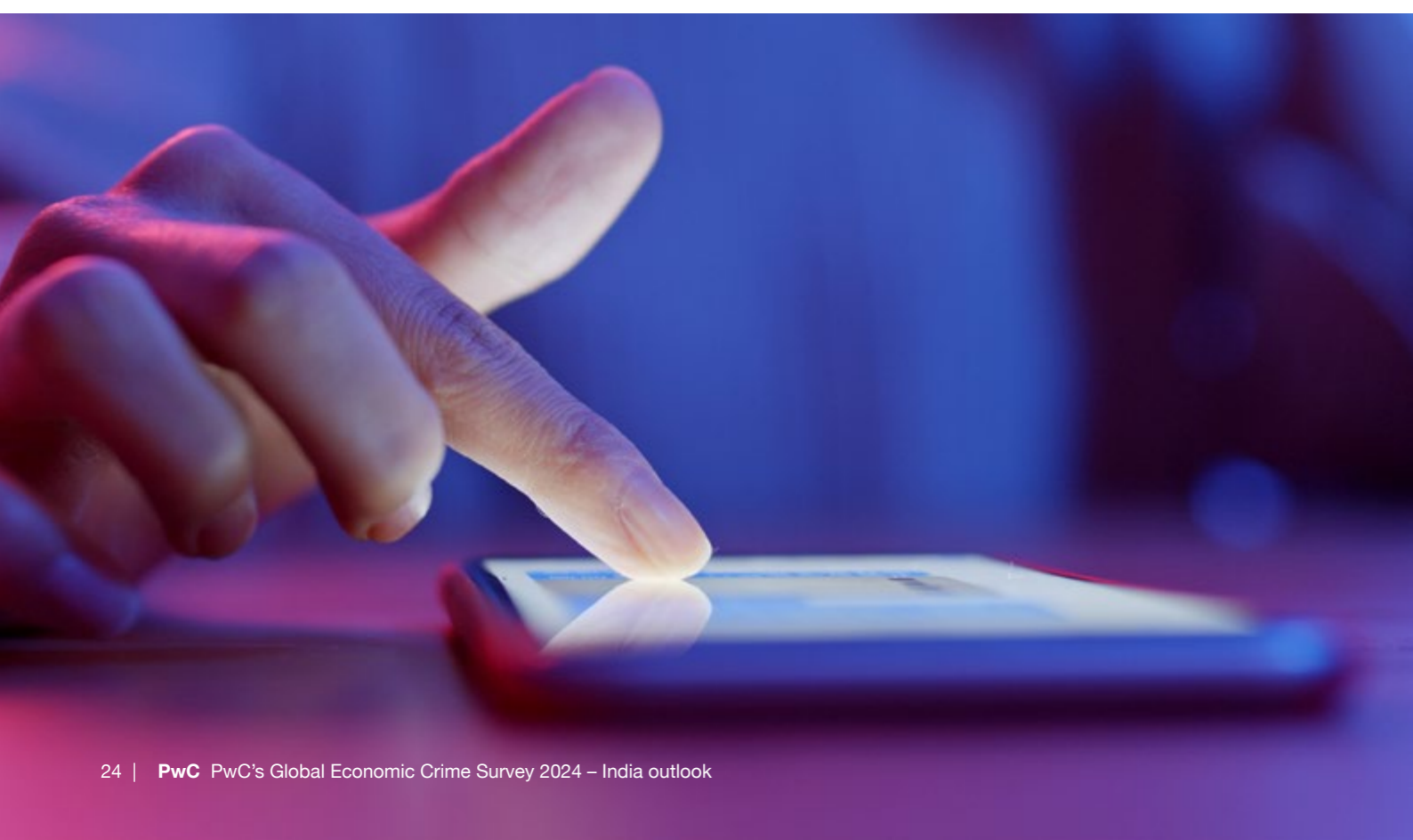
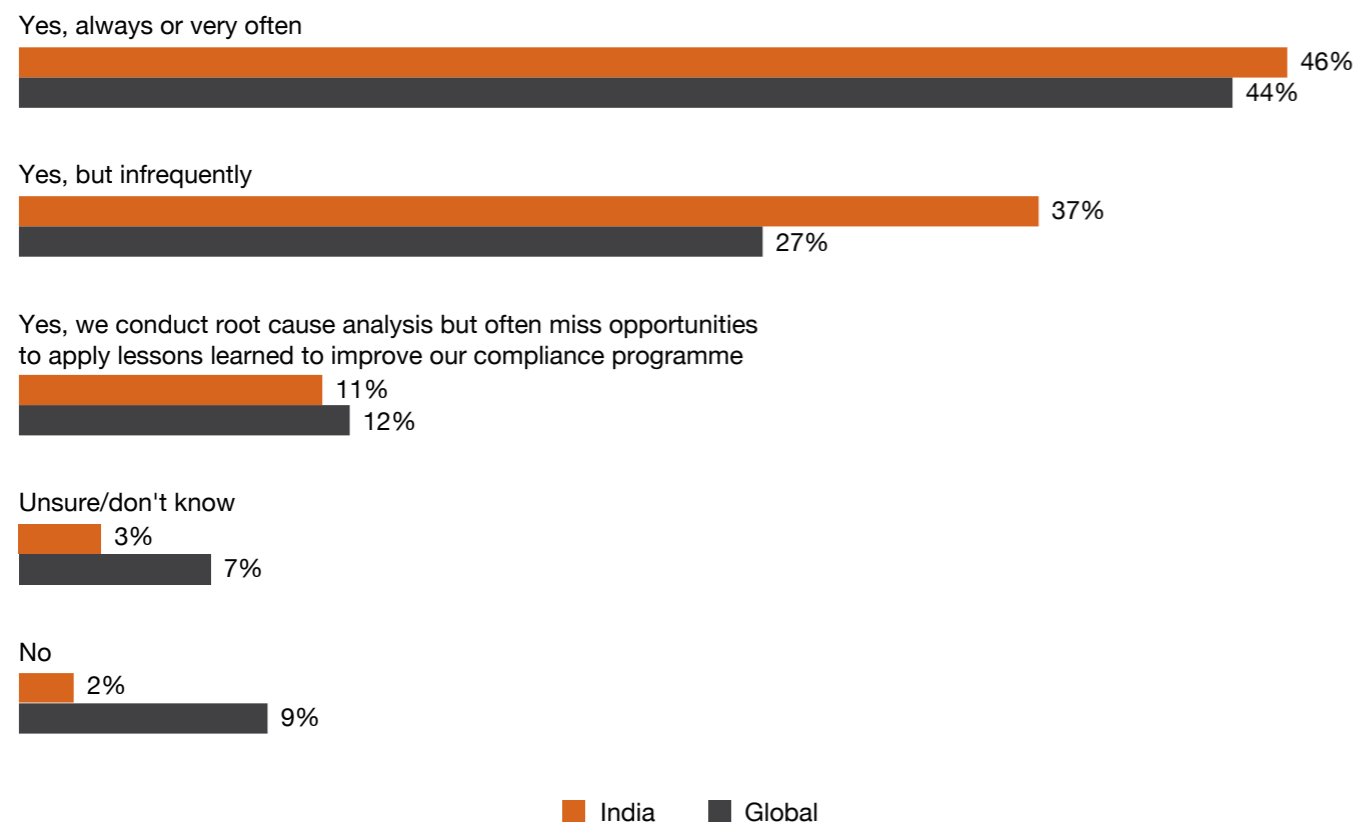


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Also, in India, 46% said that following instances of corruption, their organisation always or very often conducted a root cause analysis. The lessons learnt from this exercise were applied to improve the

company's compliance programme. However, nearly 11% said that even after such an analysis, their company often failed to leverage the insights to avoid such instances in the future.

Following instances of fraud, bribery or other improper conduct, does your organisation routinely conduct root cause analysis and apply lessons learned to improve your organisation's compliance programme?



Detecting and measuring corruption with data analytics

Using data analytics has proved to be a game changer in detecting and measuring corruption. About 47% of those surveyed in India revealed that they leveraged a data aggregation tool or technology for both compliance monitoring and providing insights to improve programme

effectiveness. While 47% used data analytics in the continuous monitoring of certain types of transactions, 43% used it for the ad hoc retrospective analysis of transactions.

How does your organisation use data analytics in support of its anti-corruption compliance objectives?

By leveraging data aggregation tool or technology to both enable compliance monitoring and provide insights to improve programme effectiveness



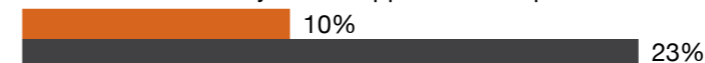
Continuous monitoring of certain transaction types



Ad hoc retrospective analysis of transaction



Do not use data analytics to support the compliance function



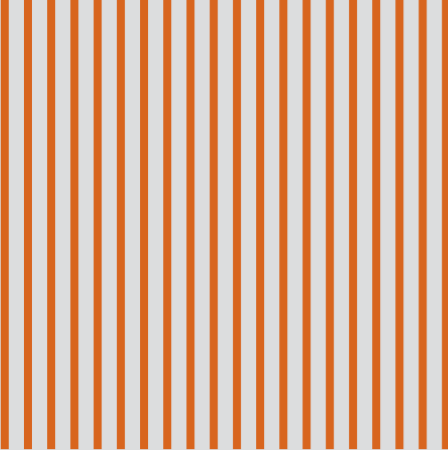
Unsure/don't know



India Global

'Whistleblowers have a role to play in exposing corruption, and therefore need to be protected.'

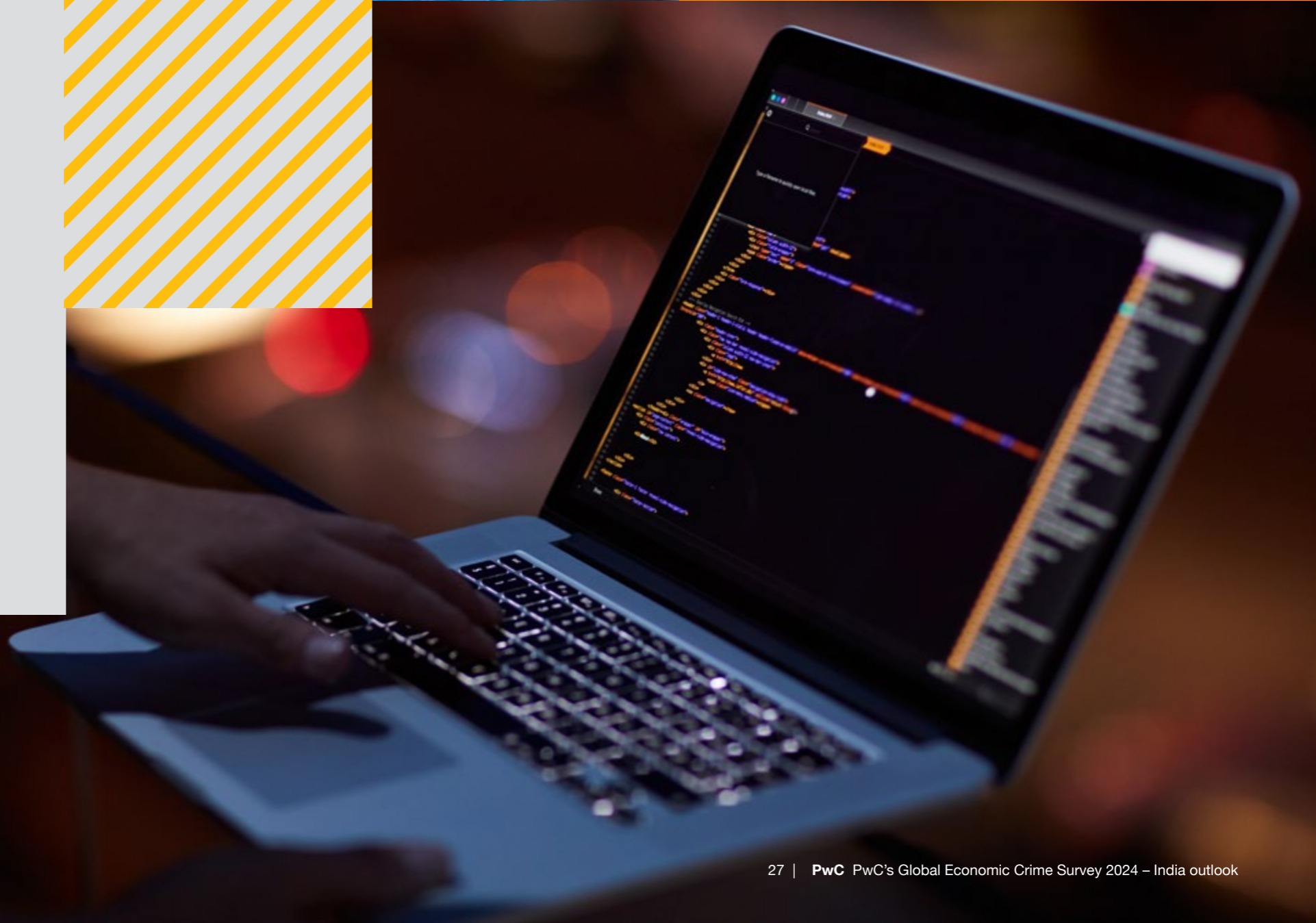
Puneet Garkhel
Partner and Leader, Forensic Services



Nearly 26% of those surveyed in India did not know if forced labour was a priority for their company; 19% reported that while they considered it a priority, there were no plans of assessment yet.

3.

The risk of forced labour behind multi-tiered and opaque supply chains



From manufacturing to fashion, hospitality to domestic work, agriculture to the seafood industry, forced labour is an all-pervasive issue. According to the International Labour Organization (ILO), forced labour includes withholding of wages, abusive working and living conditions, excessive overtime, restriction of movement, and deception.³ The ILO estimates that 27.6 million people were in forced labour across the world and 17.3 million were engaged in the private sector.⁴ This 'hard-to-see' economic crime often hides behind complex, multi-tiered and opaque supply chains that may span countries.

PwC's survey found that the risk of forced labour was a priority for 16% of the companies in India, while 24% had either assessed or were in the process of assessing

the risk. However, the concerning part is that 26% did not know if it was a priority for their company and 19% reported that while they considered it a priority, there were no plans of assessment yet.

Nevertheless, there is growing awareness among businesses that consequences of non-compliance with forced labour laws can result in more than financial penalties. Non-compliant companies can face civil and criminal penalties, lose market opportunities, and face restrictions and bans on their products. To this end, companies have realised that they need to keep a close watch on their supply chains, conduct regular audits to mitigate third-party risks and thoroughly investigate any allegations of non-compliance.

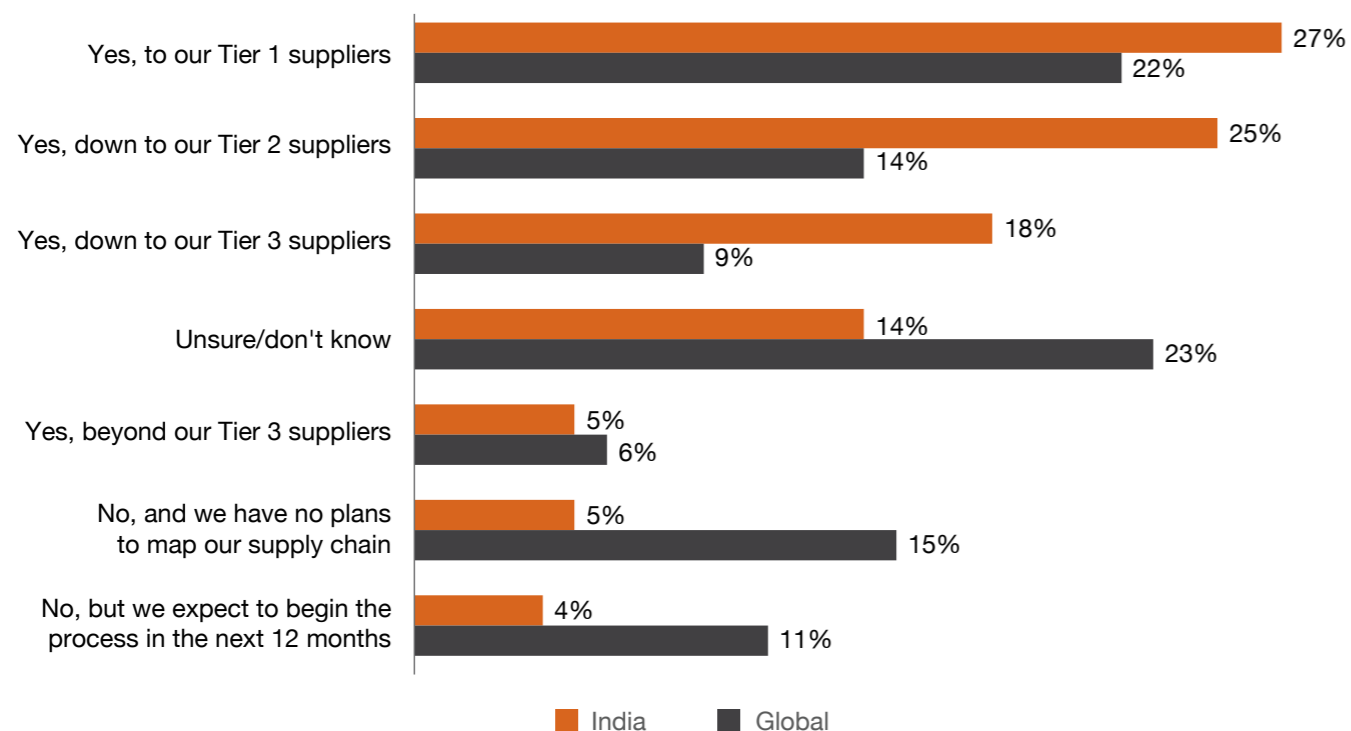


Mapping supply chains to mitigate the risk of forced labour

In India, many companies have introduced supply chain mapping, though only 5% went beyond tier 3 suppliers. About 52% have mapped their supply chains to tier 1 or tier 2 suppliers. To assess the compliance of their

third parties with forced labour regulations, 59% of the surveyed companies conducted audits, but only 27% did so regularly.

Has your organisation mapped its supply chain?



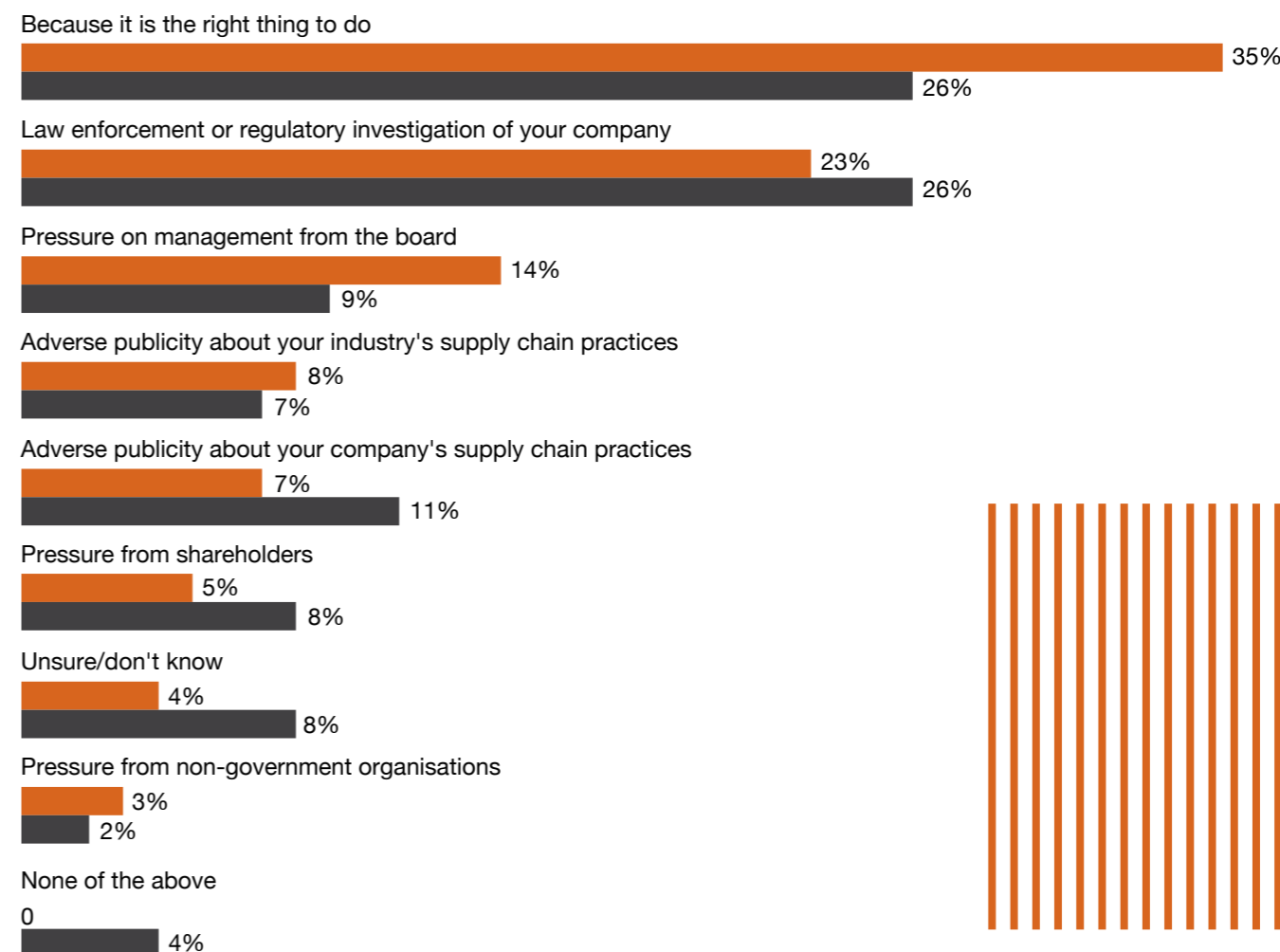
³ https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcms_203832.pdf

⁴ International Labour Organization, Data on forced labour

In India, about 35% of respondents said they conducted third-party audits because they thought it was the right thing to do. Law enforcement and regulatory investigations prompted 23% of respondents to

conduct audits, while many others said they did so under pressure from the board or shareholders, or fear of adverse publicity.

Which of the following would lead your organisation to implement a robust programme of third-party audits regarding forced labour?



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The need for companies with subsidiaries or business operations in the European Union (EU) to align with global reporting standards

PwC's survey also tried to gauge the impact of the EU's Corporate Sustainability Reporting Directive (CSRD) on Indian companies.

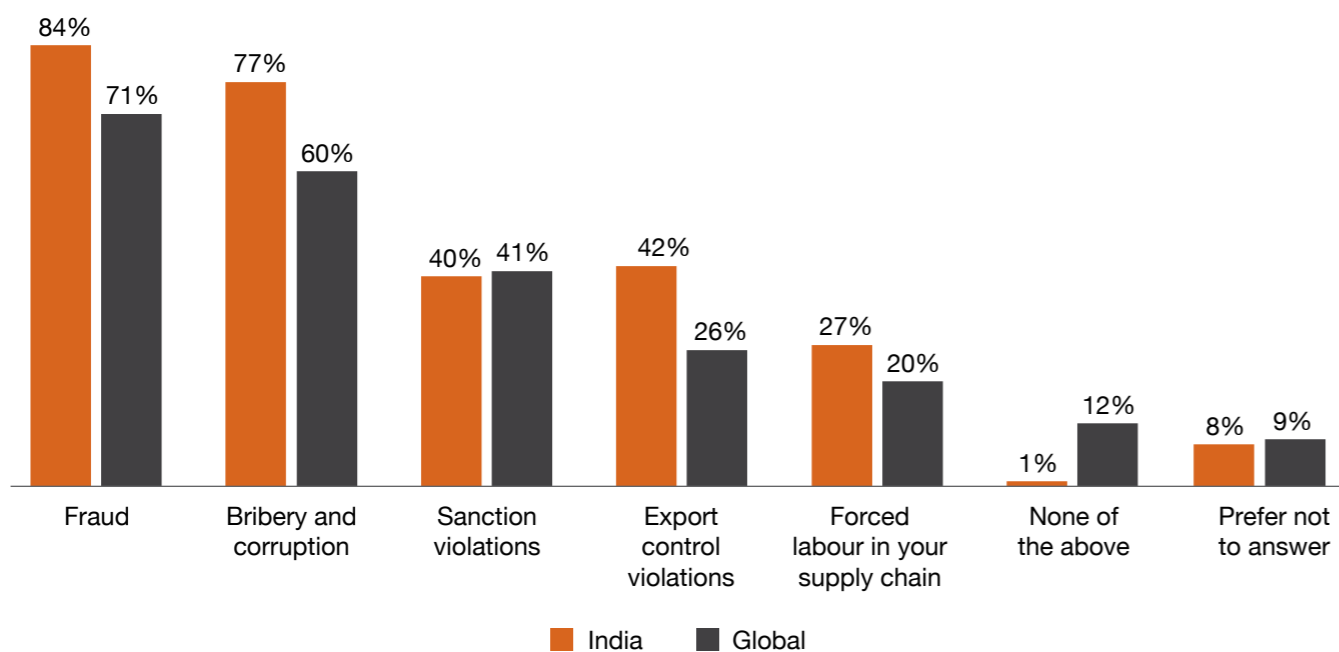
This set of standards, which came into effect in January 2024, requires companies to disclose a broad range of sustainability information, including human rights

and forced labour issues. Non-compliance is likely to affect companies which have subsidiaries or business operations in the EU. Although 26% of our survey respondents in India reported that their organisation was impacted by the CSRD, 46% had not heard of or studied it so far.

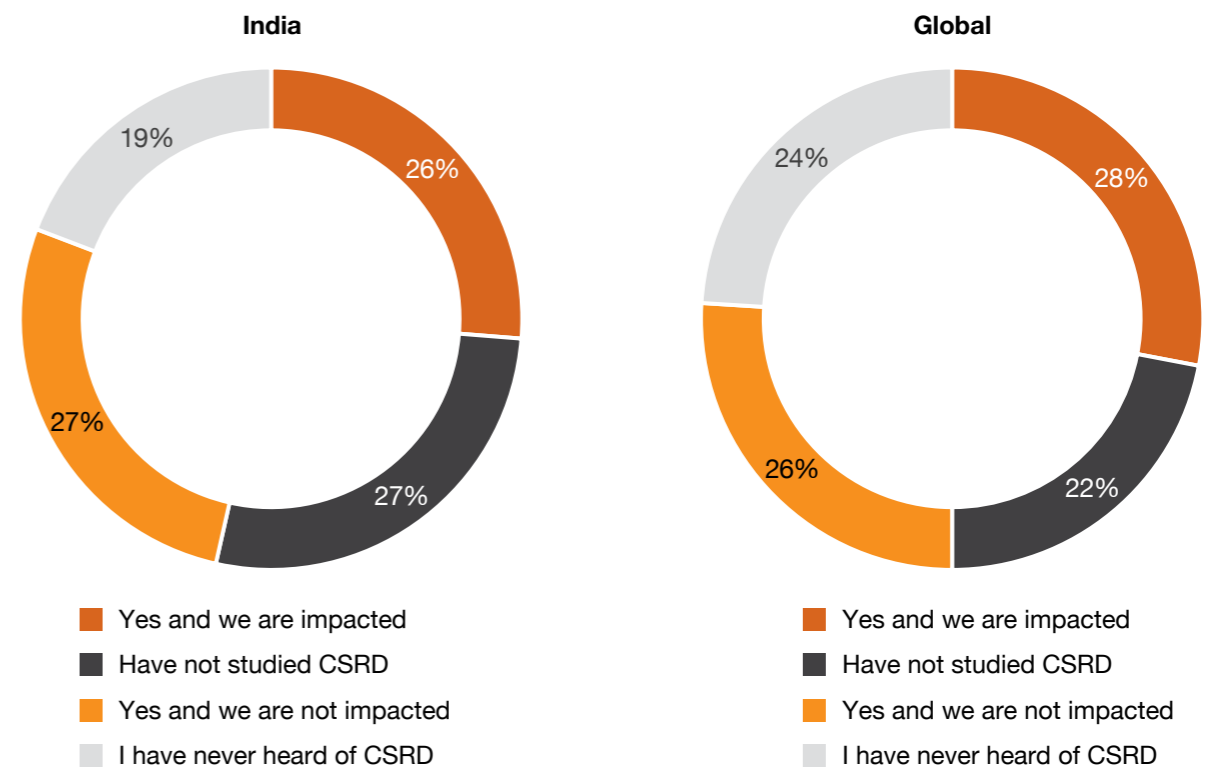
About 27% sent regular updates to their boards on investigations into forced labour practices in the supply chain.

Does your board receive regular updates on your organisation's efforts to investigate allegations of and/or mitigate the risk of the following incidents:

(asked to those who indicated that they present to the board often or occasionally)



Has your organisation concluded whether it is impacted by CSRD?



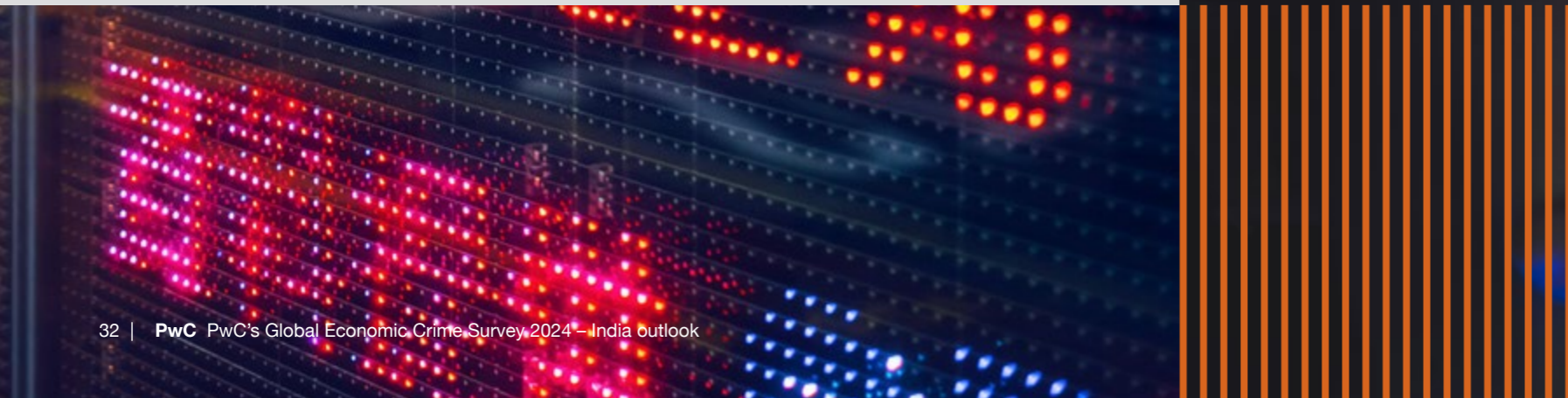
Industry leaders believe that it is in the interest of Indian companies to align with the EU's CSRD. In fact, the Securities and Exchange Board of India (SEBI)

has already established Business Responsibility and Sustainability Report that encourages Indian companies to voluntarily disclose ESG-related information.



4. Looking beyond borders to navigate risks associated with export controls and sanctions

Nearly 74% of respondents in India said their companies had a robust export controls risk assessment process.



Companies need to look beyond their borders or realm of operation in order to deal with issues pertaining to export controls and sanctions. Geopolitical tensions in various regions across the globe have highlighted the need for government action in these areas and further added to the complexity of corporate compliance.

Most respondents said that governments in many countries were enforcing robust export controls. Nearly 75% of companies stated that managing risks associated with export controls was a priority in their industry, while 76% agreed that it was a priority in their own company.



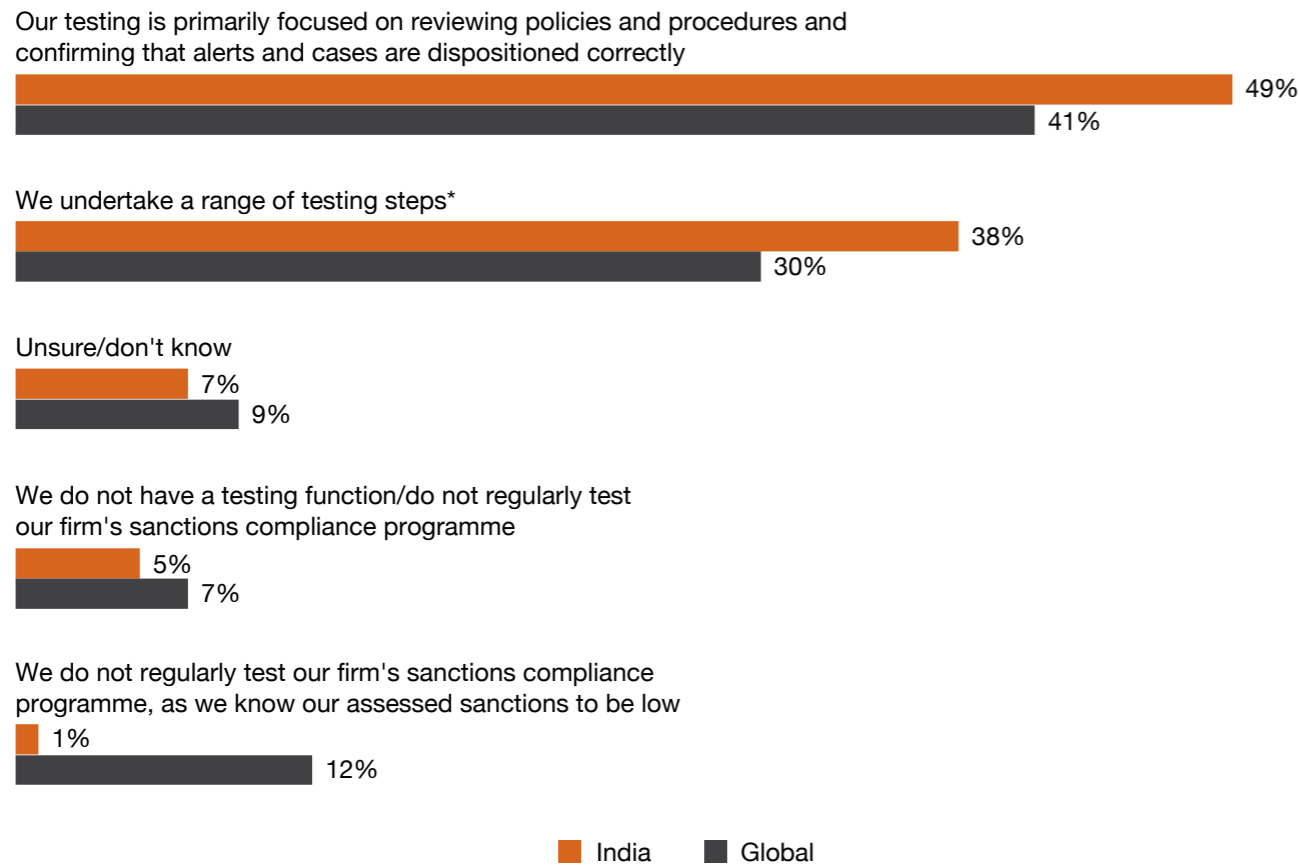
Prioritising trade control compliance

Keeping in mind the legal risks of non-compliance, boards must regard trade control compliance as a top priority. In 48% of the companies surveyed in India, the board or senior leadership were regularly briefed on sanction-related risks, and key elements of the compliance programme were reviewed. To test the

strength of their sanctions compliance, 49% said their approach focused on reviewing policies and procedures and confirming that alerts and cases were dispositioned correctly. In addition to these, 38% tested their sanction systems, including data lineage and system performance.

Which of the following best describes your organisation's approach to testing the strength of your sanctions compliance programme?

(asked to those who indicated they had a sanctions risk compliance process)



***Testing steps:** These include reviewing our policies and procedures, confirming that staff are dispositioning sanctions alerts and cases correctly via testing and/or QA/QC, and testing our sanctioned systems, including data lineage and system performance.



To what extent is sanctions risk compliance a priority within your organisation?

Significant priority - we have a team dedicated to confirming our organisation addresses sanctions risk compliance



Moderate priority - we have a nominated team which comes together on a regular basis to address sanctions risk compliance



Not currently a priority - there is no formal sanctions risk compliance process within the organisation

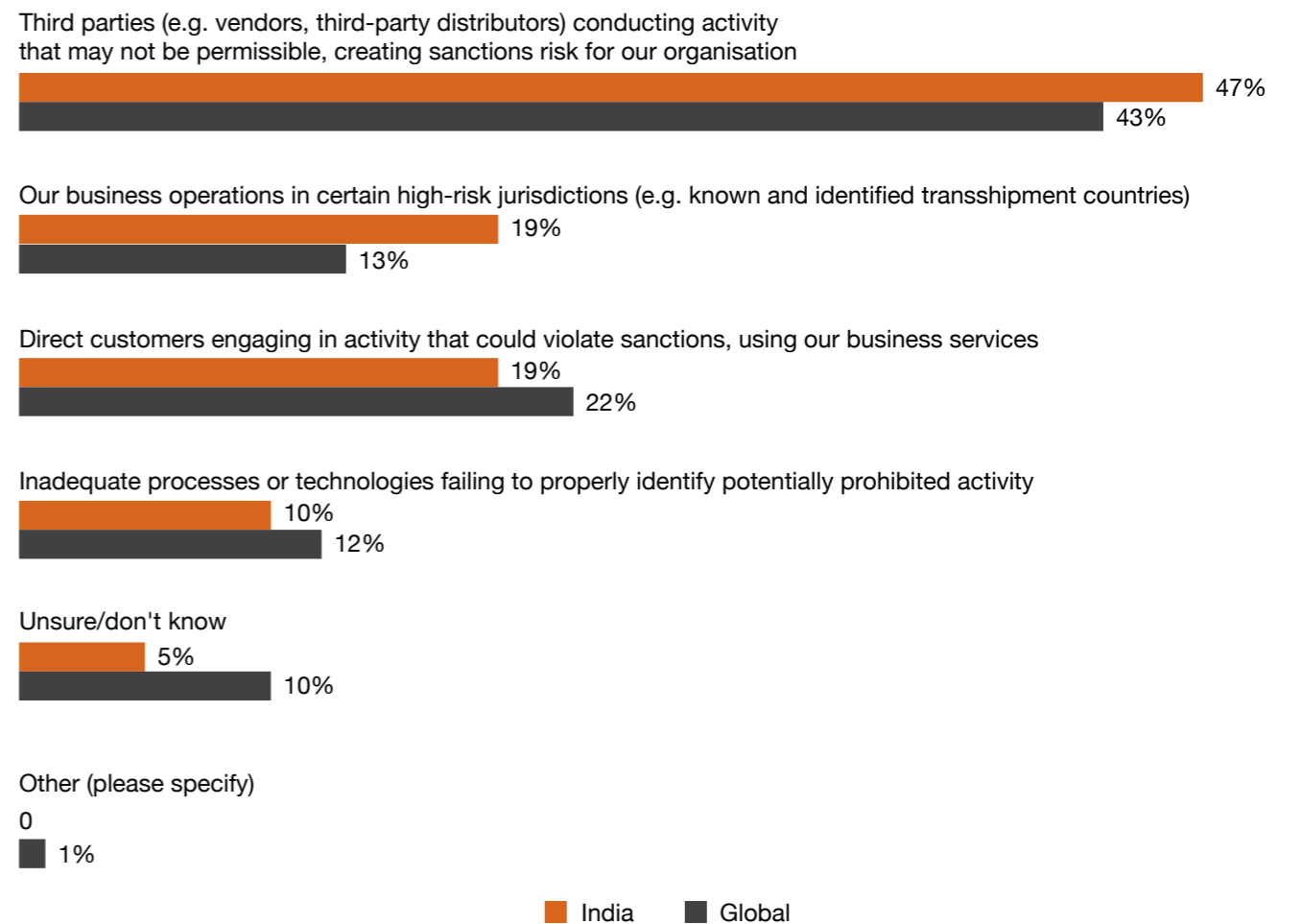


Low priority - we have an informal team which meets on an ad-hoc basis to address sanctions risk compliance as and when any issue arises

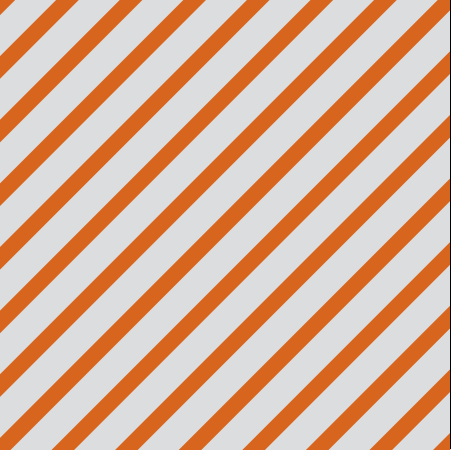


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Which of the following do you think poses the greatest sanctions compliance risk for your organisation?




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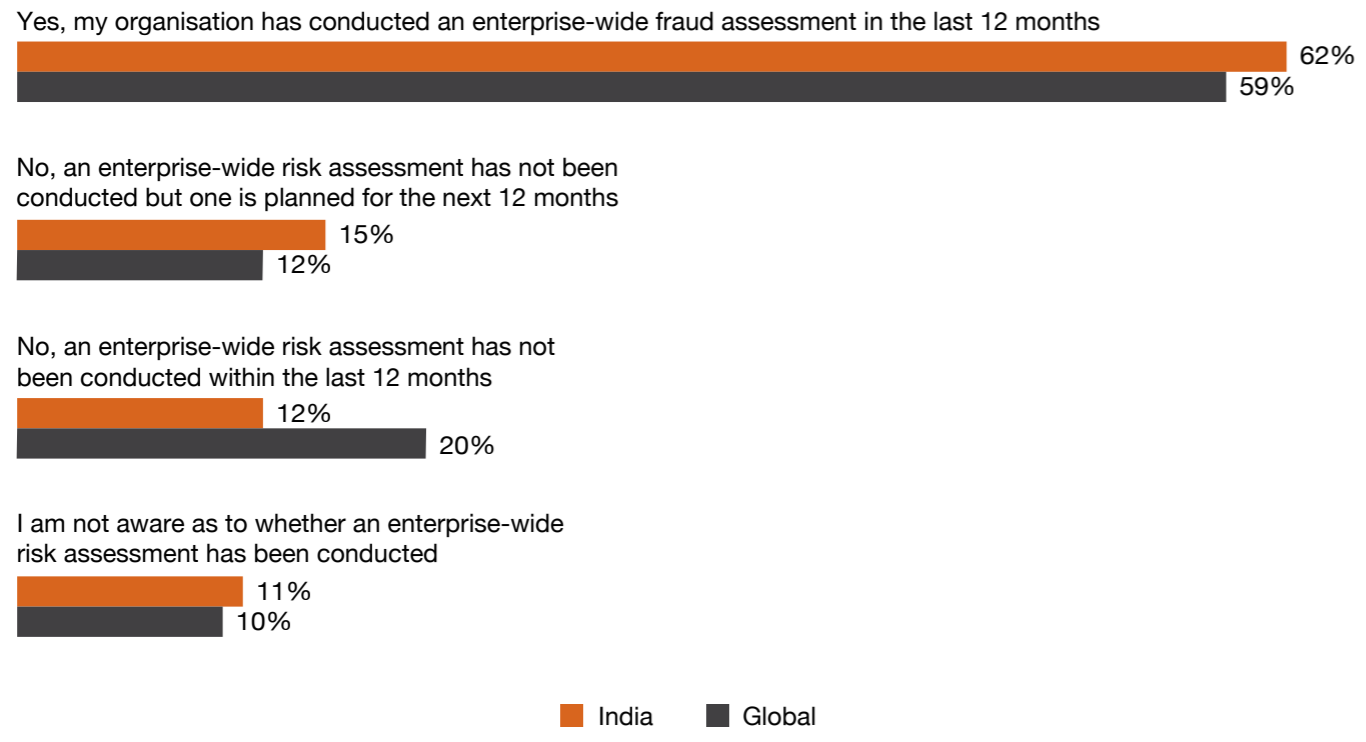
III.

Safeguarding against economic crimes



About 62% of companies surveyed in India said that they had conducted an enterprise-wide fraud risk assessment in the past 12 months. Another 15% were planning such an exercise in the next 12 months.

Has your organisation conducted an enterprise-wide fraud risk assessment in the last 12 months?



Considering the rise in economic fraud, some companies have been taking proactive measures to prevent crime. Thus, due diligence with background checks of third parties – i.e. vendors, suppliers, distributors, customers and others acting on a company’s behalf – is crucial. These checks can ensure transparency in the business deals of associates, highlighting their interests, associations, related parties and possible conflicts of interest.

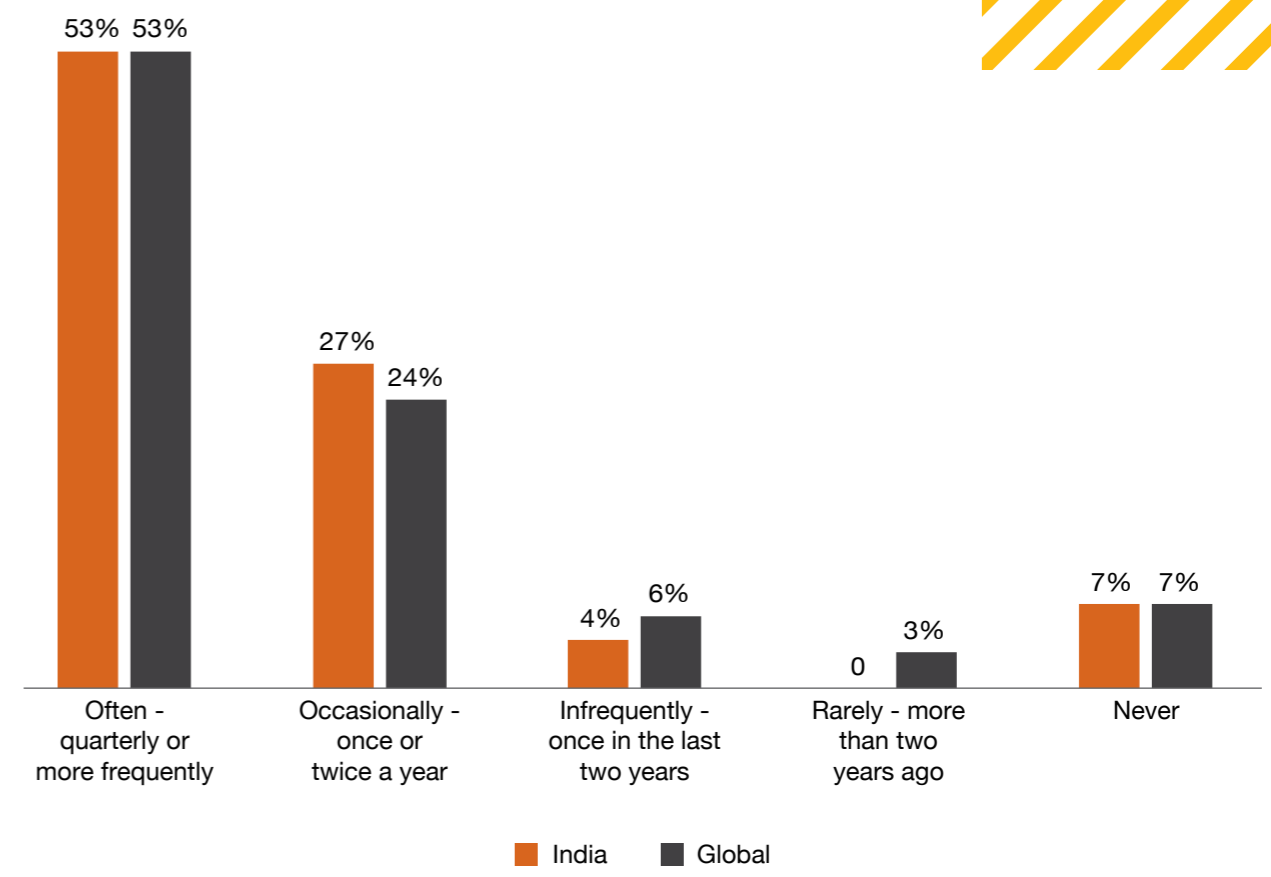
In India, 78% of respondents said they were confident or very confident that their organisation had a complete and accurate understanding of all its third parties, while 16% said they were not confident. Third-party risk management programmes, including risk-scoring of third parties, were marginally higher in India at 56% than the global level of 54%.

Internal investigation processes help companies recognise and address corruption. However, while it is of utmost importance to have such processes in place, it is equally important to review them thoroughly.

Checks and balances seem to be in place in the Indian territory. Almost one in every two leaders surveyed said their company had reviewed its investigation process within the past 12 months, and another 27% said it had been done within the last two years. Only 4% said that their company did not have an investigation process.

The survey’s findings also highlighted that companies were regularly updating boards on their organisations’ efforts to investigate incidents or even allegations of fraud. Most companies have realised that they need to keep a close watch on procurement processes to prevent fraud. Nearly 84% of respondents reported that their boards received regular updates on their respective organisation’s efforts to investigate allegations of fraud and efforts to mitigate such risks.

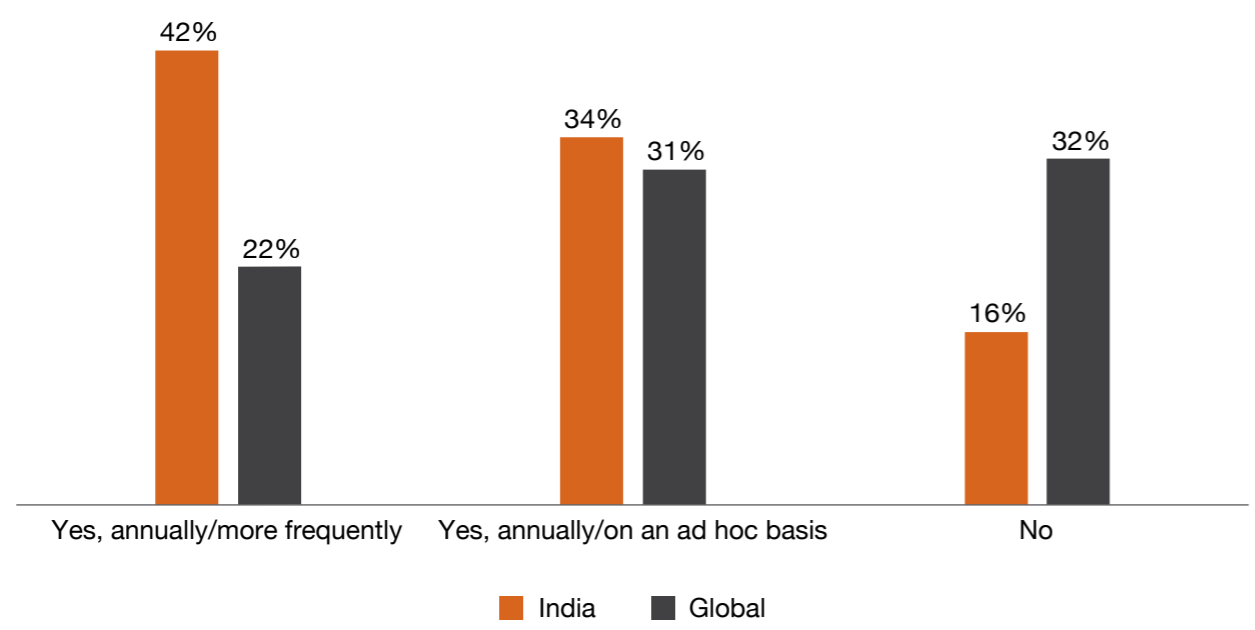
How often do you present to your organisation’s Board of Directors?



Companies are also aware that quantifying losses would be a motivating factor in preventing fraud. About 42% India leaders said their companies attempted to quantify

their losses from procurement fraud annually or even more frequently, while 34% stated it was infrequent or done on an ad hoc basis.

Does your organisation attempt to quantify its losses to procurement fraud?



Companies need to undertake internal investigation processes to recognise and address corruption.

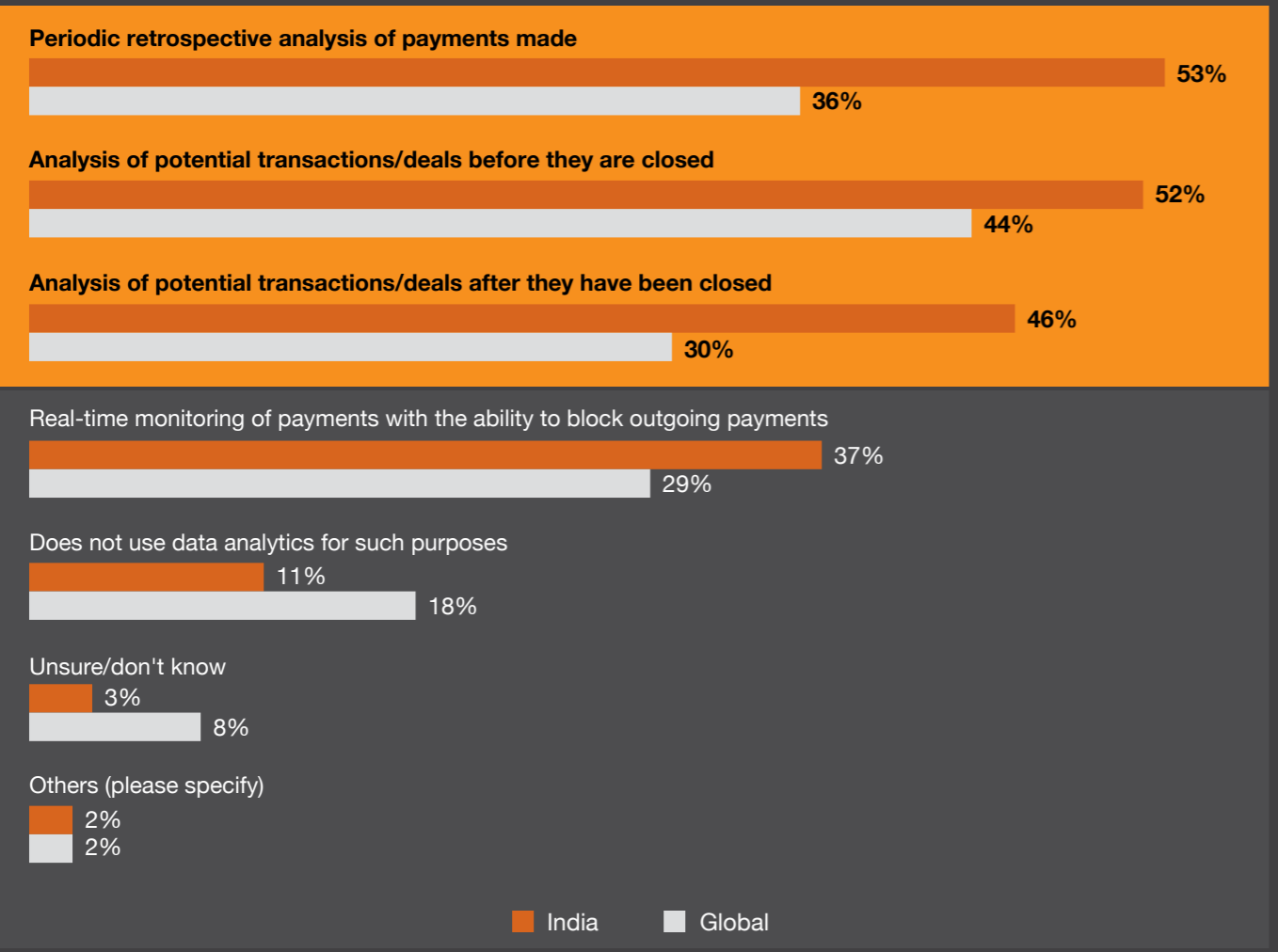
It is important for companies to look within – and outside – to be able to effectively tackle economic fraud and financial crime. The survey zeroed in on some key measures that are being adopted, and ones that may be strengthened:

- Conduct internal investigations to recognise and address corruption. Effective investigative functions contribute to both risk mitigation and compliance. Boards of directors should direct management to revisit their internal investigation function with a specific focus on collecting and reviewing data, performing root cause analyses and imbibing lessons learned to facilitate continuous improvement.
- Identify and reduce risks related to the use of third parties. For higher-risk third parties, companies should consider on-site visits to the third-party facilities to assess their compliance programme and transaction testing from their books and records.
- Conduct regular enterprise-wide fraud risk assessments and improve efforts to risk-score vendors. Refresh risk score more frequently for vendors with the highest risk.

- Increase scrutiny on the use of forced labour and undertake ESG responsibilities in companies and supply chains.
- Carry out social and third-party audits in companies to assess the situation on the ground.
- Quantify losses as a motivating factor to prevent fraud.
- Identify risks that plague business processes, and recognise and prevent third-party risks with the help of data analytics.
- Involve senior executives and boards for effective sanctions compliance. Ensure that they are regularly briefed and made aware of risk indicators, such as increases in sanctions alerts or levels of exposure.

Risks are inevitable and an essential part of growth. It is thus imperative for companies to adhere to best practices and identify and address anomalies. Businesses that can foresee risks – and take adequate measures to mitigate them – are the ones that will gain a competitive edge.

How does your organisation use data analytics to identify procurement fraud, waste or abuse?





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