



Economic crime in the manufacturing sector

The manufacturing sector continues to face high exposure to economic crime risks. The most recent Association of Certified Fraud Examiner's global study on occupational fraud ranked the industrial sector as having the second highest number of reported cases, with average losses of US\$240,000. The nature and extent of this fraud is attributable to the often complex and diverse nature of the industrial sector.

Furthermore, many organisations operating in this sector are exposed to economic crime risks such as bribery and corruption, breaches of economic sanctions, export control violations and facilitation of tax evasion as well as compliance with statutes that regulate wider social issues such as modern slavery and child labour.

Why the sector is at particular risk of economic crime



Decentralised operations and storage of inventory



Complex supply chains



Distributors and agents



Licenses, permits and regulatory clearances



Legislative, regulatory and political exposure in multiple jurisdictions



Complex corporate structures

Specific economic crime challenges



Bribery and Corruption

Corruption risk in overseas operations when selling to state-owned customers or when engaging with public officials to facilitate the movement of goods.



Trade Sanctions

Challenges in navigating the sanctions landscape due to global nature of supply and distribution chains.



Loss of Intellectual Property or Confidential Information

Data breaches and leaks of corporate IP such as trade secrets.

Spotlight on: Fraud risks

As manufacturers become increasingly automated in their operations, so have the employees and systems controlling them. From GPS tracking on delivery trucks to inventory management programs and the adoption of Industry 4.0, the evolution of the industrial sector creates new internal and external fraud threats.

The advances of technology, in particular the availability of big data, also create opportunities for manufacturers to more easily detect and investigate fraud. However, if not adequately prevented, detected and investigated, the potential financial and reputational damage to corporates through the misappropriation of assets remains significant.

Helping our clients take action

Integrity Due Diligence

A UK based manufacturing group sought greater understanding of the reputation and integrity of its contractual partners throughout the world. We conducted integrity due diligence on their partner network and also implemented a streamlined 'compliance' process to help screen high volumes of third parties in a cost-effective manner to meet FCPA/ UKBA obligations. This work enables our client to quickly 'on-board' such contractual partners without breaching its economic crime compliance policies.

Data Management for a Large Investigation

We are working with a major manufacturing client on a large, multi-jurisdictional investigation involving the preservation, collection, processing and review of data covering thousands of custodians and sources. Our work has involved assisting in the custodian interviews, extracting data, managing the data review and producing data to multiple regulatory bodies and parties such that our client is able to meet its regulatory and legal obligations throughout the investigation and litigation lifecycles.

Anti-Bribery and Corruption Compliance Reviews

A blue chip global aerospace and defence group engaged Deloitte to perform ethical conduct forensic audits of its highest risk third party agents and representatives. This work provides our client with insights into its economic crime risk and regulatory exposure as a result of contracting with these third parties and enables the client to take decisions concerning the renewal or termination thereof.



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