



## Economic crime in the telecommunications sector

The telecoms industry has long been subject to regulatory scrutiny. It is an industry exposed to numerous economic crime threats, from bribery and corruption due to the level of interaction with public officials, the potential for the telecoms network to be used to facilitate illegal activity, as well as the risk of fraud and misstatement faced by all large organisations.

Missing Trader Intra-Community fraud (sometimes known as carousel fraud) is a particular issue in the telecoms industry. A number of significant industry players have been fined by local tax authorities across Europe for their unwitting part in facilitating this type of indirect tax fraud.

### Why the sector is at risk of economic crime



Fast moving and rapidly changing environment



Highly regulated industry with significant regulatory pressures



Significant facilitator for all business activities



Significant volumes of sensitive customer data



Competing demands for ever increasing technical performance



Increasing public perception of bandwidth as a utility increases the risk of reputational damage if service is interrupted

### Specific economic crime challenges



#### Cyber security

Cyber security and the possible impacts of a breach are significant.



#### MTIC fraud

Missing trader fraud remains a significant issue and is difficult to both detect and resolve.



#### Spectrum

The need to acquire spectrum, and its limited availability, creates an increased corruption risk compared with industries not dependent on access to a publicly owned asset.



#### Security vs surveillance

Public opinion is unlikely to favour the level of surveillance needed to fully mitigate risks of illicit activity.

## Spotlight on: Huawei

The placing of Huawei on the 'entity list' by the US government (limiting the business that US companies could do with it) makes clear the extent to which global politics can have significant implications for telecoms companies.

Huawei's competitors and collaborators could be forced into a costly rethink of their global strategy and operations, whereas any diminution of Huawei's influence could slow the rate of development of competitors' products.

## Helping our clients take action

### Unallocated customer funds

We performed a forensic investigation for a major telecoms company, following whistle-blower allegations regarding accounting misstatement, revenue recognition and the misappropriation of funds by management for personal use. Our work involved a series of investigative interviews, the capture, search and review of electronic data and the analysis of accounting information. As a result of our investigation, the business was able to conduct disciplinary action against a number of their employees.

### Overseas bribes

A mobile provider engaged us to investigate an alleged MTIC fraud at their subsidiary in Spain. We also investigated the level of knowledge of senior management and the previous owners of the alleged fraud. We performed investigative interviews, an email review and analysis of certain financial information which substantiated some of the allegations. Following our investigation, we supported the client in preparing for meetings and reaching a settlement with the Spanish Tax Authorities.

### Phishing attack

Following allegations of accounting fraud at a subsidiary of a quoted telecoms company, we completed a thorough forensic review of the subsidiary's balance sheet, ensuring that the accounting treatment adopted was consistent and conformed to the group's expectations. Our work included interviewing key members of the subsidiary's local board and financial accounting team. We also assisted the client with an AI-enabled review of electronic data, conducted using Brainspace and Relativity. Our reviews helped the client to understand the circumstances around local financial accounting decisions and to have confidence in a revised balance sheet taking into account the results of the review. The findings from our investigation were used by the client's legal and HR teams to evaluate the performance of former senior executives and to take appropriate action to safeguard the company's interest.



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