News release

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**PwC Survey Finds Economic Crime Rising Globally,**

**All Business Sectors, Regions Suffer from Impact**

*Nearly 40% of respondents say they are victims of fraud,*

*25% report cybercrimes*

**New York, 19 Feb 2014 ‑‑** Economic crime against businesses and other organisations continues to rise around the world. Some 37% of respondents, a 3% rise since 2011, say they have been victims of economic crime*,* according to PwC's *2014 Global Economic Crime Survey.* And, about 25% say they have been victims of cybercrime, as fraudsters increasingly turn to technology as their main crime tool.

PwC’s global survey, the most extensive on the subject, found that theft remains the most common form of economic crime, reported by 69% of respondents. It is followed by procurement fraud, 29%, bribery and corruption, 27%, cybercrime, 24%, and accounting fraud, 22%. Other reported crimes include human resources fraud, money laundering, intellectual property or data theft, mortgage fraud and tax fraud.

The exact direct loss associated with economic crime is difficult to assess. Among crime victims, a total of 20% place the financial impact of economic crime on their organisation at more than US$1 million; and 2% of victims – representing 30 organisations -- put the impact at more than US$100 million each.

For the first time this year, the survey measures procurement fraud, reported by nearly 30% of respondents. Procurement fraud is seen as a double threat, victimising businesses both in their acquisition of goods and services and in their efforts to compete for new opportunities.

Respondents also report significant collateral damage in such areas as employee morale, cited by 31%, and in corporate reputation and business relationships, both reported by 17%. Despite the financial and collateral effects of crime, just 3% of respondents said incidents of fraud have impacted their company’s share price.

“Like a stubborn virus, economic crime persists despite ongoing efforts to combat it. No organisation of any size anywhere in the world is immune to the impact of fraud and other crimes,” said Steven Skalak, PwC Forensic Services partner and lead editor of the survey. “Those committing economic crime succeed by adapting to shifting global conditions like reliance on technology and the expansion of emerging economies.”

“Even worse than the direct financial impact of economic crime is its threat to a wide range of business systems that are the lifeblood of corporate operations. Economic crime damages internal processes, erodes the integrity of employees and tarnishes reputation,” he added.

**Where Does Economic Crime Occur?**

Economic crime is a pervasive, global threat. Regionally, economic crime is most prevalent in Africa, where 50% of respondents say they have been victims, though down from 59% in 2011. It is followed by North America, 41%, Eastern Europe, 39%, Latin America and Western Europe, each 35%, Asia Pacific, 32%, and the Middle East, 21%.

Respondents from 65 countries and territories reported that they have experienced economic crime. South African respondents report the highest level, 69%, up from 60% in 2011. Crime is also growing rapidly in the Ukraine, 63% up from 36% three years ago*,* Russia, 60% vs. 37% in 2011, and Australia, 57% vs. 47% in 2011.

The survey identified eight emerging economies – Brazil, Russia, India, China, South Africa, Turkey, Mexico and Indonesia – where 40% of total respondents said they have experienced economic crime, reflecting in part a shift in wealth to those countries.

**Which Industries are Most Affected?**

By industry, economic crime is most common in the financial services, retail and consumer and communications sectors. Nearly 50% of respondents in each said they have been crime victims. Financial services organisations are victims of high levels of cybercrime and money laundering, while retail and consumer and communications companies have suffered from most from theft. Hospitality and leisure, and government both 41%, also report high crime levels.

**Who commits fraud?**

Typically economic crime is committed when three conditions are present: life pressure, opportunity and personal rationalisation for the crime. According to the survey, 56% of economic crime is committed by someone inside the company, while 40% is external. There are wide variances by industry, however. In financial services, for example, nearly 60% of crime comes from outside the company, while 36% is internal.

Globally, a fifth of economic crime is committed by those in senior management, 42% by middle managers and 34% by junior staff.

The profile of the typical fraudster is middle-aged males with a college degree or higher level of education who have been with their organization for a substantial period. Globally, almost half of all frauds are committed by employees with six or more years of experience and almost a third are committed by employees with three to five years of experience.

**How is Fraud Found?**

The survey found that 55% of economic crime is discovered through corporate controls such as reporting of suspicious transactions, internal audit, or fraud risk management. Whistle-blowing systems or tips offs uncover about a quarter of reported crimes, and about one-fifth is uncovered by other means such as law enforcement, the media, or by accident.

The survey finds that respondents expect economic crime will continue to increase in the future among nearly all categories. This result was also found in PwC’s 17th Annual CEO Survey. CEOs globally also recognise the impact of economic crime; 50% said ‘lack of trust’ was a key issue in the marketplace, a sharp increase from 37% a year ago. Bribery and corruption also are ranked among CEOs’ top concerns.

**Notes to Editors:**

The 2014 Global Economic crime Survey was completed by 5,128 respondents from 95 countries between August and October 2013. Of the respondents, 50% were senior executives, 35% represented publicly listed companies, and 54% were from organizations with more than 1,000 employees.

For more information: [www.pwc.com/crimesurvey](http://www.pwc.com/crimesurvey).

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