

# Economic Crime in the UAE



27%

of UAE respondents had reports of economic crime within their organisations.

## The highlights

- 27% of respondents in the UAE reported economic crime within their organisations, significantly above the average for the Middle East of 21%.
- Asset misappropriation is the most commonly reported economic crime, followed by cybercrime, procurement fraud and bribery & corruption.
- 56% of UAE respondents reported that their organisation lost between USD 100,000 and USD 5 million due to incidents of economic crime. 3% indicated the cost was in excess of USD 100 million which is higher than the global average of 2%.
- Approximately half of the UAE respondents indicated that economic crime has been damaging to their organisation's market reputation and that it has impacted business relationships.
- The most common profile of a fraudster is a male staff member, aged 31-40 in a senior management position with tenure of 3-5 years with the organisation.

## Detection and Prevention of economic crime in the UAE

- Suspicious transaction reporting is the most effective method of fraud detection in the UAE, followed by tip-offs and whistleblowing. 12% of frauds were detected by accident.
- 48% of UAE respondents have not performed a fraud risk assessment or did not know if one had been conducted.

## The future of economic crime

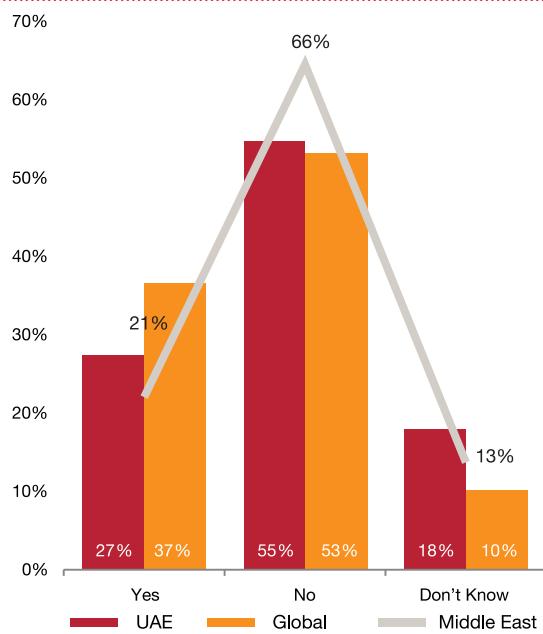
- Respondents believe the economic crime they are most likely to suffer in the next 24 months is bribery & corruption.

## Economic Crime in the UAE

27% of respondents in the UAE reported experiencing at least one instance of economic crime in the past 24 months, according to the results of the 2014 PwC Global Economic Crime Survey.

This is a greater proportion than reported on average across the Middle East region, where 21% of respondents indicated that they had reports of some form of economic crime, but well below the global average of 37%.

Figure 1 : Levels of economic crime suffered



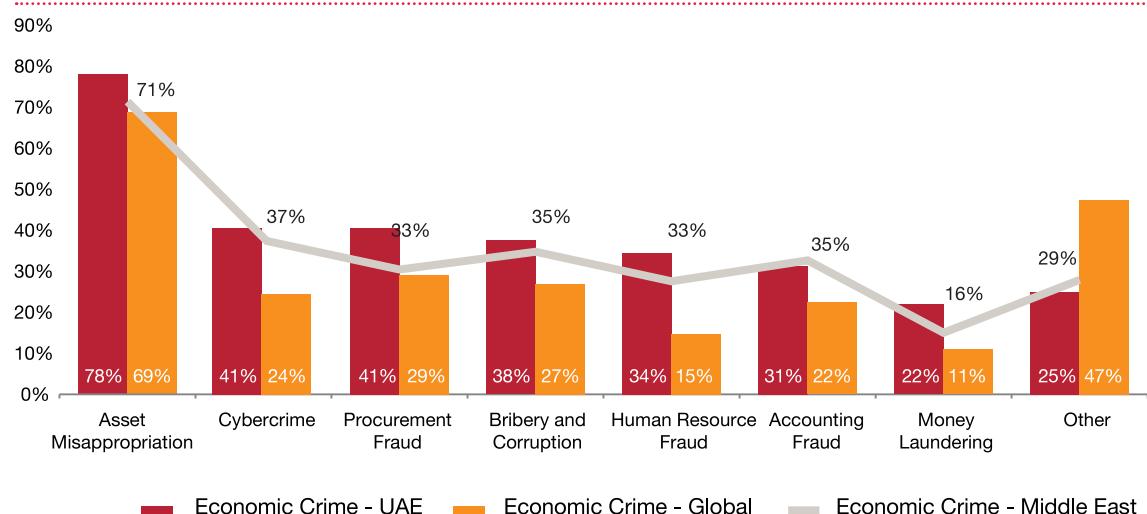
In addition to this low level of reported crime by comparison to the global trend, individual organisations also reported few instances of fraud: 63% of those who experienced economic crime in any form suffered fewer than 10 incidents, and 31% suffered between 10 and 100 incidents.

Whilst the low level of reported frauds is encouraging, it is important to note that there is always an element of undetected fraud which must be taken into consideration when interpreting these results.

**Asset misappropriation is the most common economic crime in the UAE, followed by cybercrime, procurement fraud and bribery and corruption.**

## Types of economic crime in the UAE

**Figure 2: Types of economic crime suffered**



The findings for the UAE are consistent both with the results across the Middle East region and globally, where asset misappropriation is also the most commonly reported fraud by a considerable margin.

Cybercrime remains a pervasive threat to organisations in the UAE, with 41% of our respondents indicating that it had impacted them in the past 24 months.

Cybercrime continues to be pervasive both regionally and internationally. Of the total number of respondents to our survey across the entire Middle East region who reported suffering some form of economic crime, 37% suffered from cybercrime, making it the second most common type of fraud reported across the region. Globally the figure in 2014 was 24%, up one percentage point from 2011.

Globally and nationally, organisations still struggle to understand and mitigate the risks of cybercrime. This is due to the fact that networks are not protected in a sophisticated manner and the rapid pace of technological change also limits the organisations ability to keep up with the new methods of sophisticated fraudsters.

## The Cyber Crimes Law 2012:

In August 2012 His Highness Sheikh Khalifa Bin Zayed Al Nahyan issued Federal Legal Decree No. 5 for 2012 on combatting information technology crimes, which came into effect in December 2012. The law built on the Cyber Crimes Law of 2006 and introduces a range of new offences, as well as significantly higher penalties for certain types of offence. In the same year Federal Legal Decree No. 3 established the National Electronic Security Authority with the stated objective to "organise protection for the communication network and information systems in the state and develop, amend and use the necessary security methods in the electronic security domain". Taken together, these laws represent a significant advancement of the legal framework surrounding cybercrime in the region.

41% of our survey respondents suffered from procurement fraud in the past 24 months. This type of fraud was introduced for the first time as a standalone category in the 2014 survey, in recognition of its significance globally. It is interesting to note the significant level of procurement fraud reported in the survey, particularly in light of the traditionally rigid procurement tendering processes that are used in this region. The result for the UAE is significantly above the Middle East regional results (33%) and the global average of 29%.

To provide further context, we asked respondents to indicate which stage of the procurement process was most prone to fraud. An overwhelming majority indicated that, despite the tender processes currently employed, fraud was most likely to occur in the bid tendering or vendor selection stages.

This provides an interesting contradiction and highlights the need for a more holistic approach to procurement tendering, including greater focus on due diligence and background checks into potential vendors at the tendering stage.

Bribery & corruption was also reported by nearly 40% of respondents. 13% of UAE respondents reported that their organisations have been approached to pay bribes and 23% believe that their organisations have lost business opportunities to competitors who have paid bribes.

## Looking to the Future

We asked our survey respondents for their perceptions of the likely future trends in economic crime in the UAE.

When looking ahead respondents appeared pessimistic: a greater proportion believed they would fall victim to some form of economic crime in the coming 24 months than actually experienced it in the past.

The most significant perceived risk came from bribery & corruption, which 40% of respondents believed they would experience in the next 24 months. More than 30% believed they would suffer procurement fraud, asset misappropriation or cybercrime.

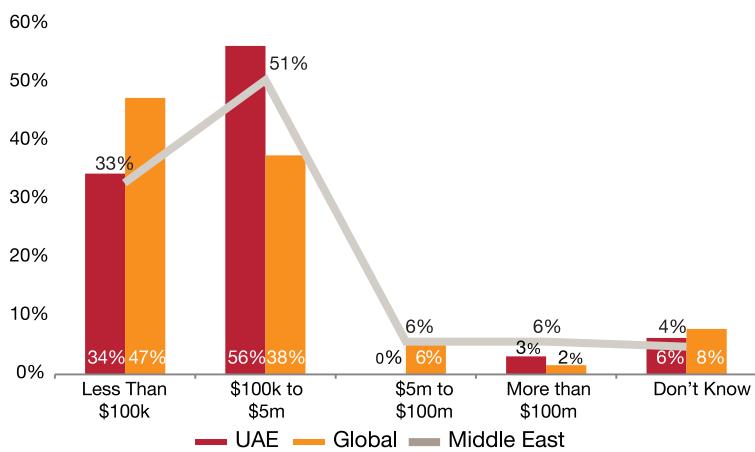
**56% of UAE respondents stated that their organisations have lost between USD 100,000 and USD 5 million through economic crime.**

## The true impact of economic crime

We asked our respondents to quantify the financial impact of economic crime on their organisations.

56% indicated that the cost to their organisation was between USD 100,000 and USD 5 million, whilst 3% reported that the cost was in excess of USD 100 million. This figure exceeds the global average and highlights the significant risk which UAE organisations face, reinforcing the need to focus on effective methods of fraud prevention and detection.

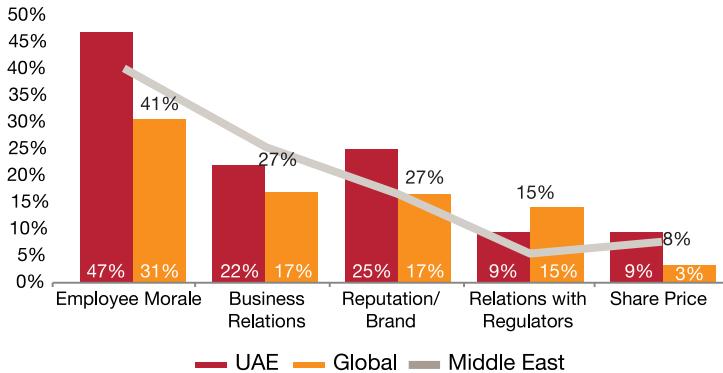
**Figure 3: Financial impact of economic crime**



Economic crime also has a fundamental non-financial impact on organisations.

47% of survey respondents believe that the greatest collateral damage from economic crime is on employee morale, whilst damage to business relationships and reputation are also of concern.

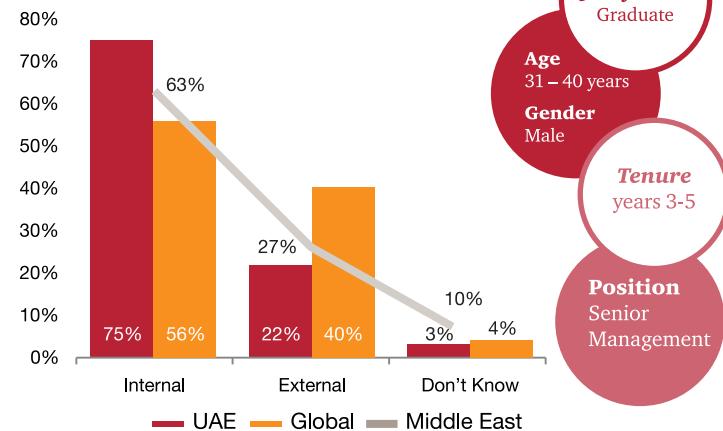
**Figure 4: Non-financial impact of economic crime**



## Who's committing fraud?

75% of fraud experienced by the respondents in the UAE is perpetrated by internal staff at a senior management level. 22% indicated that the perpetrators were external, and where this was the case a variety of counterparties were implicated: vendors (29%), customers (14%) and agents/intermediaries (14%).

**Figure 5: The perpetrators of fraud**



When asked what factor respondents felt had contributed the most to economic crime committed by internal staff, 92% of our UAE respondents blamed "opportunity" to commit economic crime.

This profile of the internal fraudster with an opportunity to commit fraud presents an interesting challenge to UAE respondents. The influence of corporate controls should be most effective in restricting internal frauds, and yet this appears not to be happening in practice.

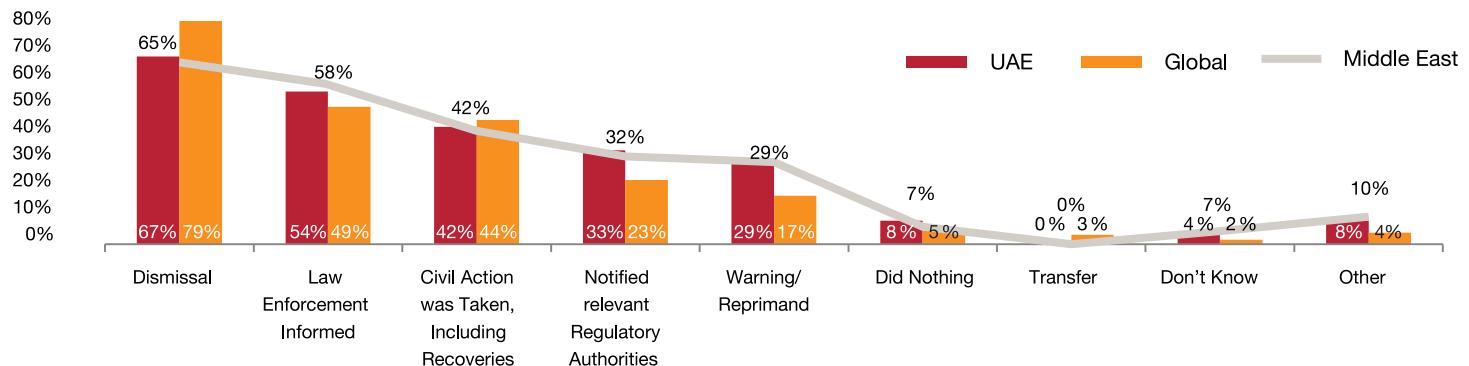


## What are organisations doing with fraudsters?

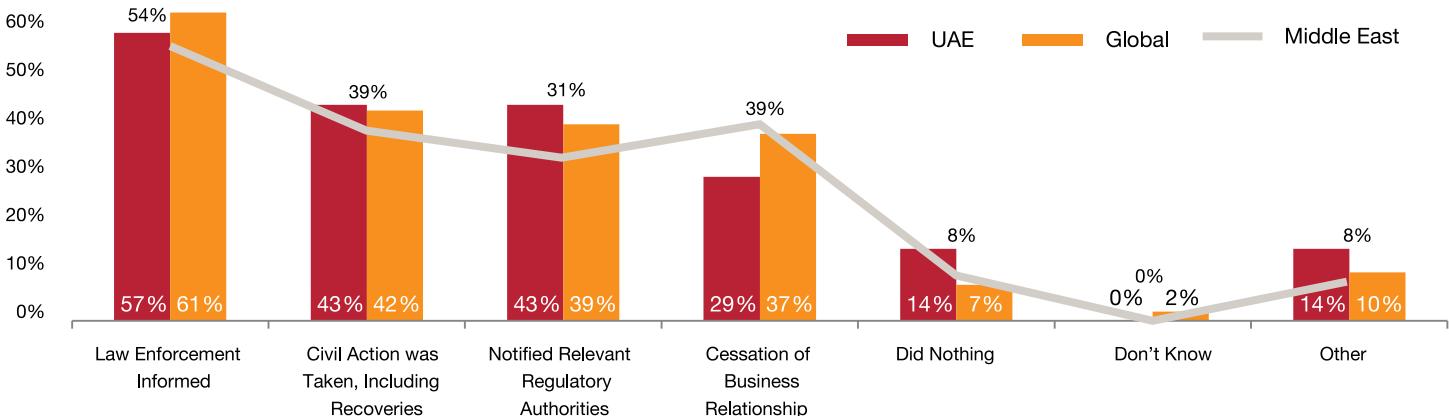
Our survey findings for the UAE show that organisations are taking a firm approach to disciplining internal perpetrators, with the most common responses being dismissal (67%), informing law enforcement agencies (54%) and civil action (42%).

The action taken against external perpetrators was equally decisive, with the most common responses being to inform law enforcement (57%), taking civil action (43%) or informing relevant regulatory authorities (43%).

**Figure 6: Actions taken against internal perpetrators**



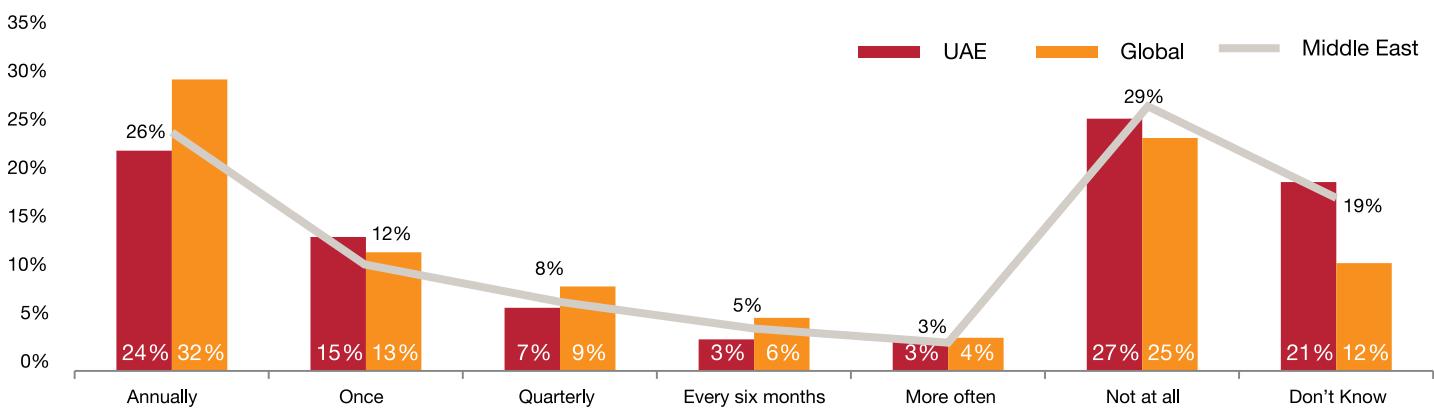
**Figure 7: Actions taken against external perpetrators**



## Detecting and preventing fraud

Fundamental to the development of effective fraud risk controls is conducting a detailed fraud risk assessment on a regular basis. We asked our respondents to indicate how often they had conducted a fraud risk assessment in the past 24 months.

**Figure 8: Frequency of Fraud Risk Assessment**

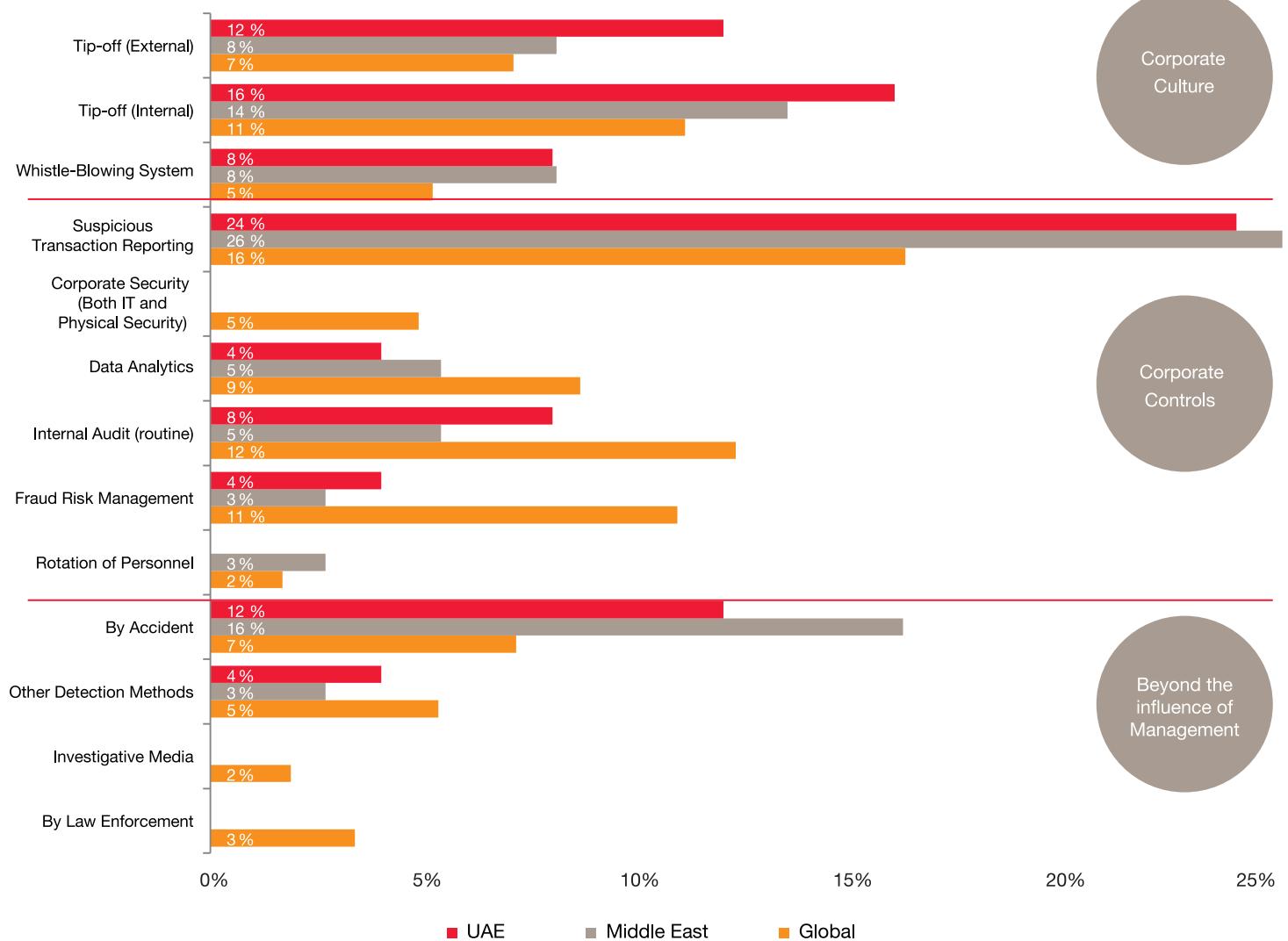


37% of respondents indicated that an assessment was conducted at least annually – which is below the regional average of 42% and substantially below the global rate of 51%. In addition, it is concerning to note that 48% of UAE respondents either did not conduct an assessment or did not know if one had been conducted.

When asked why they had not conducted a fraud risk assessment, 44% responded that there was a perceived lack of value from the process and 16% were not sure what a fraud risk assessment involves. Cost was only cited as a reason by 6% of respondents.

Without a fraud risk assessment, organisations in the UAE are not able to design internal controls specifically to mitigate fraud risk, and as a result may be less able to detect and prevent frauds when they do occur. The results of our survey also show that there is still a significant amount of work to be done to improve detective controls.

**Figure 9: Fraud detection methods**



Suspicious transaction reporting is clearly the most effective method of fraud detection implemented in the UAE. Of the remaining detection methods, corporate culture plays the next most significant role in the UAE, including whistleblowing systems and tip-offs.

Regrettably other manageable controls such as data analytics (including continuous transaction monitoring), corporate security and fraud risk management techniques appear to be ineffective.

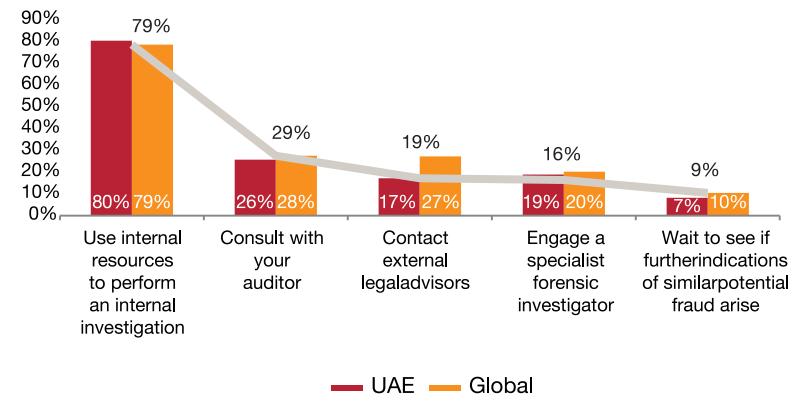
Even more concerning is the low success rate of internal audit in detecting frauds over the period, which implies that additional work is needed both to incorporate fraud auditing into the regular internal audit cycle and also to train internal audit staff in fraud detection techniques.

The action taken by UAE respondents when a fraud is detected is also significant. In line with their strong stance in dealing with the perpetrators of fraud, UAE organisations are prepared to take steps to investigate issues as they arise.

80% said that they would use internal resources to conduct a fraud investigation, a figure in line with the global average.



**Figure 10: Action on discovering a fraud**



## Methodology and acknowledgements

### About the survey

We carried out our seventh Global Economic Crime Survey between August 2013 and February 2014. The survey had four sections:

- General profiling questions
- Comparative questions looking at what economic crime organisations had experienced
- Cybercrime fraud threats
- Corruption/bribery, money laundering and competition law/anti-trust law

Of the total number of respondents, 50% were senior executives in their respective organisations, 35% represented listed companies and 54% represented organisations with more than 1,000 employees.

The 2014 Global Economic Survey: Middle East was completed by 232 respondents from nine countries in the region, of which 117 were from the UAE. Comparative indicators for respondents in the Middle East are provided below.

### Job titles of participants

	% respondents
Manager	34
Head of Department	15
Chief Financial Officer/Treasurer/Comptroller	11
Senior Vice President/Vice President/Director	10
Chief Executive Officer/President/Managing	9
Director	
Other C-level Executive	8
Head of Business Unit	7
Chief Information Officer/Technology Director	1
Chief Security Officer	1
Don't know	1
Others	3

### Function (main responsibility) of participants in the organisations

	% respondents
Audit	22
Finance	20
Compliance	10
Advisory/Consultancy	9
Executive management	9
Marketing and sales	8
Risk management	4
Information technology	3
Legal	3
Customer service	2
Operations and production	2
Research and development	2
Human resources	1
Security	1

### Participating organisation types

	% respondents
Private	48
Listed on a stock exchange	26
Government/state-owned enterprises	21
Others	4

### Size of participating organisations

	% respondents
More than 10,000 employees	41
5,000 – 1,001 employees	21
10,000 – 5,001 employees	13
1,000 – 501 employees	9
500 – 101 employees	8
Up to 100 employees	7
Don't know	2

### Participating industry groups

	% respondents
Financial services	22
Energy, utilities and mining	11
Engineering and construction	9
Professional services	9
Retail and consumer	7
Technology	6
Manufacturing	5
Transportation and logistics	5
Government / state-owned enterprises	4
Entertainment and media	3
Hospitality and leisure	3
Automotive	3
Chemicals	2
Insurance	2
Pharmaceuticals and life sciences	2
Aerospace and defence	1
Communication	1
Other industries/business	5

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