

economic crime survey 2003 Belgium

Introduction



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I am pleased to present the results of the PricewaterhouseCoopers Economic Crime Survey 2003 for Belgium. Senior representatives of some 90 companies of different sizes spread over divers sectors have been interviewed in order to provide us with an insight into the perceptions, awareness and impact of economic crime on business in Belgium.

Economic crime is a more common situation in today's business world than most people would realise: 33% of the Belgian companies participating in the survey have been subject to economic crime in the past two years.

Overall, 57% of the Belgian business leaders estimate that their company will be subject to cyber crime, especially

with the developments in the contemporary business environment. Ranking on second and third place are respectively embezzlement (or employee fraud) and product piracy and counterfeiting, the latter being a more recent type of fraud. Economic crime thus is, and will remain a serious and costly, but also a confinable problem.

Fraud and economic crime in general still remains a very sensitive subject that companies rather internally deal with for obvious reasons. However public awareness and acknowledgement of the problem are prerequisites to tackling it effectively. This also goes for a strong culture of prevention and deterrence and decisive action when cases arise.

According to the Belgian business leaders economic crime prevention is in first instance the responsibility of the Board of Directors. Furthermore the internal audit department and the external auditors are held responsible for economic crime prevention. The same partition is found regarding economic crime detection. Corrective action

should be taken by the Board of Directors, by the internal audit or legal department and by external organisations. In 2003, 95% of the companies estimated that most economic fraud cases were detected through internal and external audits and established risk management systems.

PricewaterhouseCoopers already has many years of experience in the field of fraud investigation and prevention. This research has been a valuable learning experience for us in order to develop and refine the forensic services that we offer. I am convinced that this economic crime report will further open up this issue for public discussion. Together we will be able to develop ever-more effective ways of combating economic crime.

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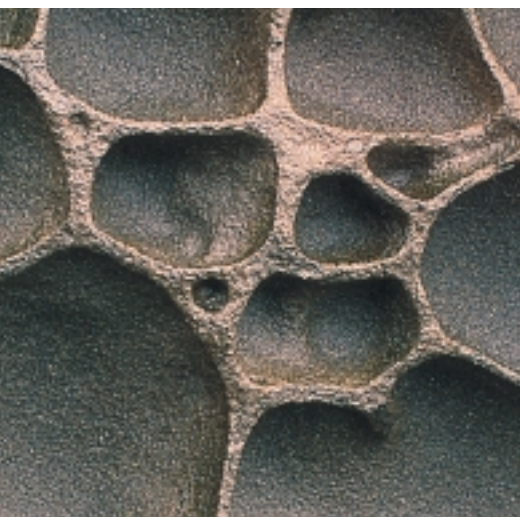
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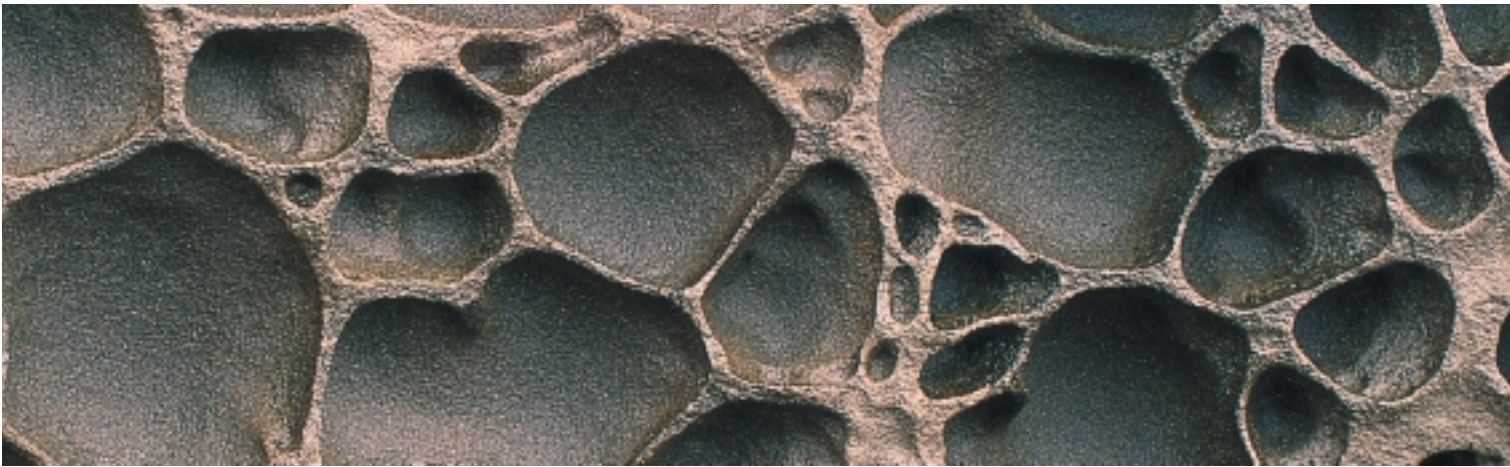
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Executive Summary

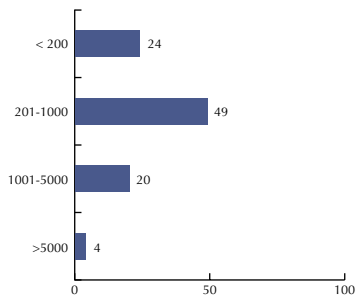
- 80% of the Belgian companies have been subject to asset misappropriation the past two years.
- Fraud occurs in every industry sector.
- Fraud has a negative financial impact on an organisation. But also, reputation, brand image, staff morale and business relationships can be seriously damaged.
- Recovery of fraud tends to be low. 56% of the companies estimate that all amounts are definitely lost.
- In 15% of the detected fraud cases, accidents play a significant role.
- 32% of the Belgian companies is very confident that adequate controls are in place to deal with significant potential financial losses or a damaged reputation. Also, 54% of the companies is very confident that the controls are stronger now than a year ago.
- Half of the Belgian companies has established insurance to cover for economic crime losses. However, 13% of the companies is not covered by insurance at all.
- Most common insurance covers concern employee (60% of the companies) and third party (70%) theft.
- Only 17% of the companies have provided their management with specific training in order to prevent fraud.
- Organisation ethics or a code of conduct and the consideration of fraud in risk management systems are the most popular measures for fraud-protection.





Belgian companies participating in the survey

Participating companies in Belgium by number of employees

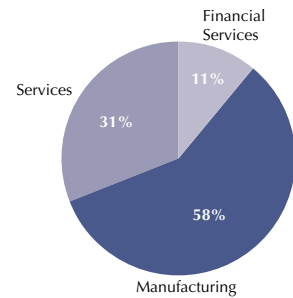


The Belgian companies participating in the survey are spread over different sectors and have different sizes.

The largest companies employ more than 25.000 people, while 73% of the participants have less than one thousand employees.

Manufacturing is the best-represented sector in the analysis: about two third of the companies are active in this business.

Industry sector of participating companies

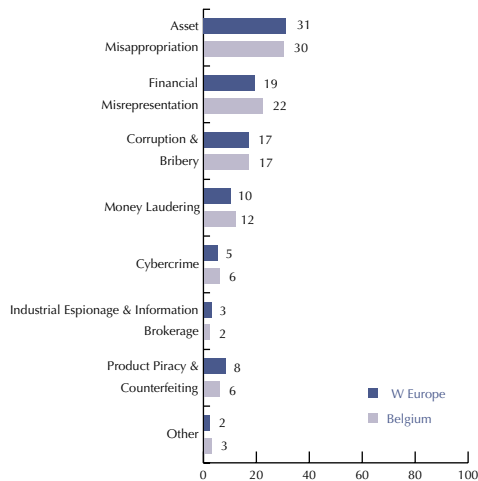


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"With 30%, embezzlement is the most prevalent economic crime in Belgium."

Situation in Belgium

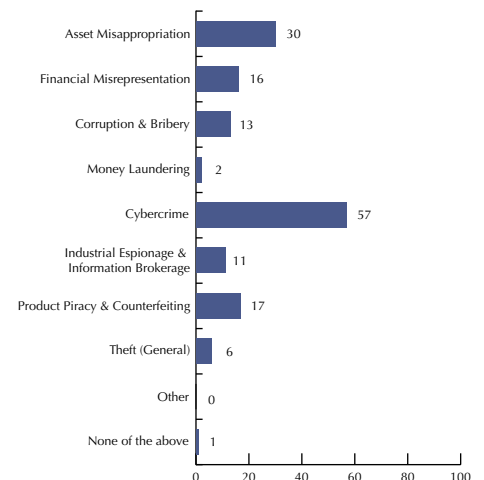
Embezzlement committed internally and externally in Belgium



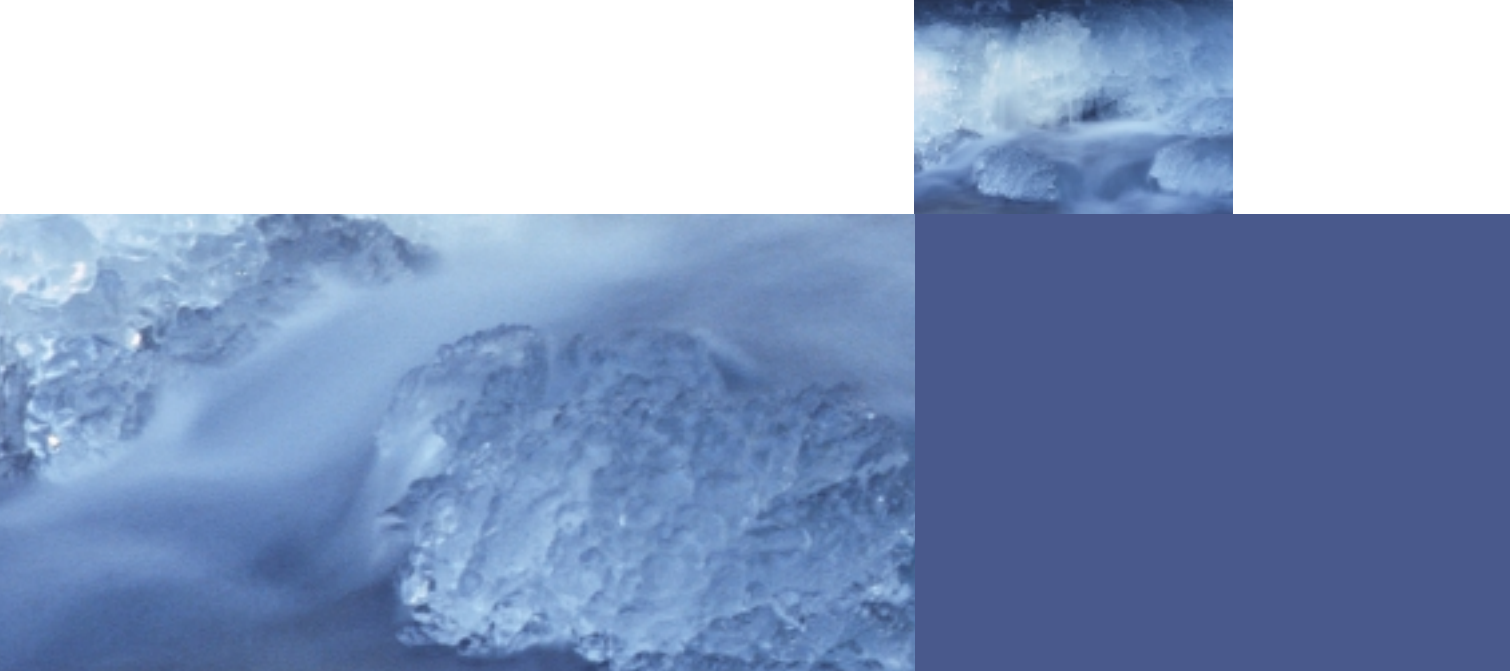
With 30%, embezzlement is the most prevalent economic crime in Belgium. Financial misrepresentation and corruption & bribery rank second and third with respectively 22% and 17%. Other types of recurring economic crime are money laundering (12%), cyber crime (6%) and product piracy (6%). This is also an observation at the European level.

Furthermore, 57% of the respondents think that cyber crimes will become the most vulnerable economic crime for their organisation.

Estimation of reported economic crime

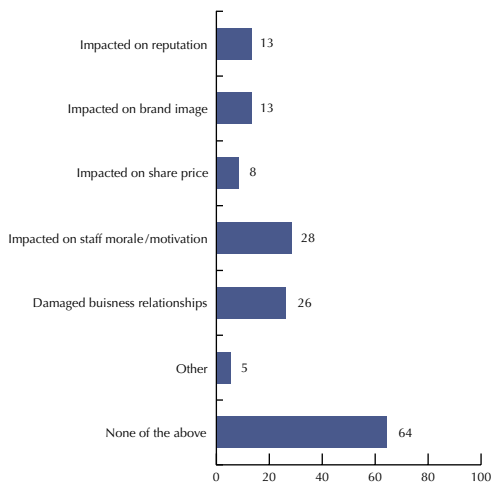


"57% of the respondents think that cyber crimes will become the most vulnerable economic crime for their organisation."



Recovery

Cost of embezzlement during the last two years (EUR)



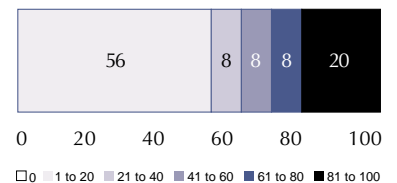
Fraud impacts organisations in other, less tangible ways than the most obvious damage of financial loss. The companies who took part in the survey identified the following potential damages of embezzlement:

- reputation: 13%
- brand image: 13%
- share price: 8%
- staff morale: 28%
- business relationships: 26%

Only 20% of the companies estimate that 80% to 100% of the amount lost has been recovered while 56% of the companies estimate that all losses are final. These numbers prove that any recovery of losses due to fraud is difficult to achieve.

It is clear that the recovering of losses due to fraud is very difficult. Therefore it is surprising that only 52% of the companies declare that they have established insurance coverage relating to their losses.

Amount recovered in terms of the amount lost

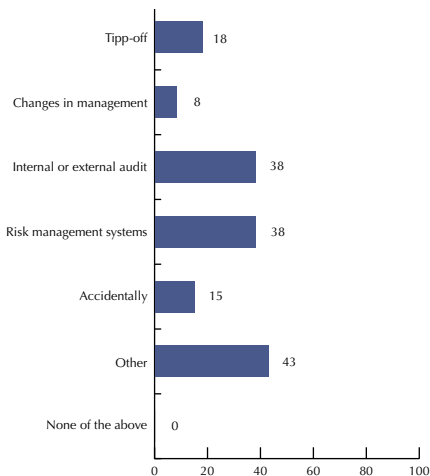


“Fraud impacts organisations in other, less tangible ways than the most obvious damage of financial loss.”

“Only 17% of the companies have provided their management with any specific training in economic fraud.”

Detection & prevention

How fraud is detected in Belgium



Fraud is, by its nature, difficult to uncover. However 32% of the companies are confident that they have adequate controls in place to deal with significant potential fraud. Moreover, 79% of the companies are convinced that they have taken corrective measures to ensure that their company is less exposed to economic crime.

Most common measures are organisation ethics or a code of conduct, consideration of fraud in risk management systems, pre-employment screening, information on a company from a publicly available source, raising staff awareness and training/retraining staff, a whistle blowing system, specific fraud training for management and tightening up all reporting, referral and security measures.

The performance of these detection systems is shown in the table.

In 38% of the detected fraud cases, the internal or external audit and the risk management systems are responsible for the economic crime detection.

Preventive measure undertaken by companies

