# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>How Occupational Fraud Is Committed</td>
<td>4</td>
</tr>
<tr>
<td>Detection</td>
<td>6</td>
</tr>
<tr>
<td>Victim Organizations</td>
<td>8</td>
</tr>
<tr>
<td>Anti-Fraud Controls at the Victim Organization</td>
<td>12</td>
</tr>
<tr>
<td>Profile of a Fraud Perpetrator</td>
<td>15</td>
</tr>
<tr>
<td>Case Results</td>
<td>18</td>
</tr>
<tr>
<td>Methodology</td>
<td>20</td>
</tr>
<tr>
<td>About the ACFE</td>
<td>21</td>
</tr>
</tbody>
</table>
In April 2020, the ACFE released the 2020 Report to the Nations, the latest in our global studies on the costs and effects of occupational fraud (i.e., fraud committed by individuals against the organizations that employ them). The 2020 global study examined 2,504 cases of occupational fraud reported from 125 countries throughout the world—including 198 cases that occurred in the Asia-Pacific region. This supplemental report focuses more closely on these 198 cases, providing a deeper view into the ways that these frauds were perpetrated, the means by which they were detected, the demographic characteristics of the victim organizations, the profiles of the perpetrators, and the results of the cases after the frauds were discovered. We hope this report will be useful to anti-fraud professionals and organizations throughout the Asia-Pacific region as they design and implement their programs to protect against the harms of occupational fraud.

SNAPSHOT OF OCCUPATIONAL FRAUD IN THE ASIA-PACIFIC REGION

- **Median Loss:** USD 195,000
- **Average Loss:** USD 1,988,000
- **Median Duration of a Fraud Scheme:** 14 Months

198 Cases (10% of all cases)
HOW OCCUPATIONAL FRAUD IS COMMITTED

Our study examined the methods by which occupational fraudsters in the Asia-Pacific region perpetrate their schemes.
HOW IS OCCUPATIONAL FRAUD COMMITTED IN THE ASIA-PACIFIC REGION?

<table>
<thead>
<tr>
<th>Percent of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset misappropriation</td>
<td>$112,000</td>
</tr>
<tr>
<td>Corruption</td>
<td>$239,000</td>
</tr>
<tr>
<td>Financial statement fraud</td>
<td>$3,000,000</td>
</tr>
</tbody>
</table>

WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN THE ASIA-PACIFIC REGION?

- Corruption: 51%
- Noncash: 18%
- Expense reimbursements: 16%
- Billing: 15%
- Financial statement fraud: 14%
- Cash on hand: 11%
- Payroll: 8%
- Skimming: 8%
- Check and payment tampering: 7%
- Cash larceny: 4%
- Register disbursements: 2%

Report to the Nations: Asia-Pacific Edition
DETECTION

Our study revealed how occupational frauds are most often detected in the Asia-Pacific region, as well as insights on how fraud reporting hotlines and employee training can improve detection.
### How is Occupational Fraud Initially Detected?

<table>
<thead>
<tr>
<th>Source</th>
<th>Detection Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tip</td>
<td>44%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>15%</td>
</tr>
<tr>
<td>Management review</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td>External audit</td>
<td>7%</td>
</tr>
<tr>
<td>Account reconciliation</td>
<td>5%</td>
</tr>
<tr>
<td>By accident</td>
<td>3%</td>
</tr>
<tr>
<td>Surveillance/monitoring</td>
<td>3%</td>
</tr>
<tr>
<td>IT controls</td>
<td>2%</td>
</tr>
<tr>
<td>Document examination</td>
<td>2%</td>
</tr>
<tr>
<td>Confession</td>
<td>2%</td>
</tr>
<tr>
<td>Notified by law enforcement</td>
<td>1%</td>
</tr>
</tbody>
</table>

**The Top 3 Sources of Tips Were:**

- **Employees**: 48%
- **Customers**: 28%
- **Anonymous Parties**: 20%
**Detection**

**Effectiveness of hotlines**

- **72%** of victim organizations had hotlines.
- **$156,000** with hotlines.
- **$262,000** without hotlines.

**Detection by tip was more than TWICE AS LIKELY at organizations with hotlines.**

- **53%** of cases detected by tip with hotlines.
- **24%** of cases detected by tip without hotlines.

**Effect of EMPLOYEE FRAUD AWARENESS TRAINING on hotlines and reporting**

- Tips were more than TWICE as likely at organizations with employee training.
- **53%** of cases detected by tip with training.
- **25%** of cases detected by tip without training.

**Use of hotline or formal reporting mechanisms increased with employee training.**

- **63%** tips with training.
- **53%** tips without training.

**Tips** were the most common detection method at small organizations.

- **<100 EMPLOYEES**
  - 50% cases detected by tip.
- **100+ EMPLOYEES**
  - 26% cases detected by tip.

**Internal audit** was the most common detection method at larger organizations.

- **<100 EMPLOYEES**
  - 12% cases detected by tip.
- **100+ EMPLOYEES**
  - 29% cases detected by tip.
VICTIM ORGANIZATIONS

To gain a better understanding of the victim organizations in the Asia-Pacific region in our study, we asked respondents to provide information about the victims’ type, size, and industry.
PRIVATE COMPANIES REPORTED THE MOST CASES AND SUFFERED THE GREATEST MEDIAN LOSS.

THE TOP SCHEMES IN SMALL AND LARGE ORGANIZATIONS WERE:

**< 100 EMPLOYEES**

- **Corruption**: 39%
- **Billing**: 24%
- **Financial statement fraud**: 24%
- **Cash on hand**: 21%
- **Expense reimbursement**: 21%

**100+ EMPLOYEES**

- **Corruption**: 53%
- **Noncash**: 18%
- **Expense reimbursement**: 15%
- **Billing**: 13%
- **Financial statement fraud**: 12%

THE MEDIAN LOSS IN SMALL ORGANIZATIONS WAS HIGHER THAN IN LARGER ORGANIZATIONS.
WHAT INDUSTRIES WERE VICTIMIZED BY OCCUPATIONAL FRAUD IN THE ASIA-PACIFIC REGION?*

Banking and financial services
- 37 cases
- Median Loss: $150,000

Government and public administration
- 26 cases
- Median Loss: $135,000

Manufacturing
- 26 cases
- Median Loss: $400,000

Technology
- 11 cases
- Median Loss: $124,000

Energy
- 10 cases
- Median Loss: $875,000

Retail
- 10 cases
- Median Loss: $50,000

*Industries with fewer than ten cases were omitted.
ANTI-FRAUD CONTROLS AT THE VICTIM ORGANIZATION

We analyzed the anti-fraud controls that the victim organizations in the Asia-Pacific region had in place at the time the frauds occurred, as well as the internal control weaknesses that contributed to the frauds.
WHAT ANTI-FRAUD CONTROLS ARE THE **MOST COMMON** IN THE ASIA-PACIFIC REGION?

<table>
<thead>
<tr>
<th>Anti-fraud Control</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>External audit of financial statements</td>
<td>93%</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>88%</td>
</tr>
<tr>
<td>Internal audit department</td>
<td>84%</td>
</tr>
<tr>
<td>Management certification of financial statements</td>
<td>80%</td>
</tr>
<tr>
<td>Management review</td>
<td>78%</td>
</tr>
<tr>
<td>External audit of internal controls over financial reporting</td>
<td>75%</td>
</tr>
<tr>
<td>Hotline</td>
<td>72%</td>
</tr>
<tr>
<td>Independent audit committee</td>
<td>71%</td>
</tr>
<tr>
<td>Fraud training for employees</td>
<td>64%</td>
</tr>
<tr>
<td>Fraud training for managers/executives</td>
<td>62%</td>
</tr>
<tr>
<td>Anti-fraud policy</td>
<td>59%</td>
</tr>
<tr>
<td>Employee support programs</td>
<td>50%</td>
</tr>
<tr>
<td>Dedicated fraud department, function, or team</td>
<td>50%</td>
</tr>
<tr>
<td>Formal fraud risk assessments</td>
<td>45%</td>
</tr>
<tr>
<td>Proactive data monitoring/analysis</td>
<td>43%</td>
</tr>
<tr>
<td>Surprise audits</td>
<td>36%</td>
</tr>
<tr>
<td>Job rotation/mandatory vacation</td>
<td>32%</td>
</tr>
<tr>
<td>Rewards for whistleblowers</td>
<td>15%</td>
</tr>
</tbody>
</table>
The presence of several anti-fraud controls was associated with notable reductions in both losses and duration of fraud.

### HOW DOES THE PRESENCE OF AN ANTI-FRAUD CONTROL RELATE TO THE MEDIAN LOSS AND DURATION OF FRAUD IN THE ASIA-PACIFIC REGION?

<table>
<thead>
<tr>
<th>Control</th>
<th>Loss Reduction</th>
<th>Detection Speed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit department</td>
<td>68% Lower Losses</td>
<td>33% Faster Detection</td>
</tr>
<tr>
<td>External audit of financial statements</td>
<td>20% Lower Losses</td>
<td>33% Faster Detection</td>
</tr>
<tr>
<td>Formal fraud risk assessments</td>
<td>44% Lower Losses</td>
<td>14% Faster Detection</td>
</tr>
<tr>
<td>Rewards for whistleblowers</td>
<td>32% Lower Losses</td>
<td>14% Faster Detection</td>
</tr>
<tr>
<td>Job rotation/mandatory vacation</td>
<td>36% Lower Losses</td>
<td>67% Faster Detection</td>
</tr>
</tbody>
</table>

### WHAT ARE THE PRIMARY INTERNAL CONTROL WEAKNESSES THAT CONTRIBUTE TO OCCUPATIONAL FRAUD IN THE ASIA-PACIFIC REGION?

- **Lack of Internal Controls**: 31%
- **Override of Existing Internal Controls**: 23%
- **Lack of Management Review**: 14%
- **Poor Tone at the Top**: 12%
PROFILE OF A FRAUD PERPETRATOR

Our study includes data on the characteristics of fraud offenders in the Asia-Pacific region, which can help organizations assess their internal fraud risk.
Profile of a fraud perpetrator

**HOW DOES THE PERPETRATOR’S LEVEL OF AUTHORITY RELATE TO OCCUPATIONAL FRAUD?**

<table>
<thead>
<tr>
<th>Level of Authority</th>
<th>Percent of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner/executive</td>
<td>21%</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Manager</td>
<td>35%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Employee</td>
<td>40%</td>
<td>$73,000</td>
</tr>
</tbody>
</table>

**WHERE DID PERPETRATORS WORK WITHIN THEIR ORGANIZATIONS?**

These were the five most common departments:

- **SALES** 18%
- **OPERATIONS** 15%
- **EXECUTIVE/UPPER MANAGEMENT** 11%
- **ACCOUNTING** 10%
- **PURCHASING** 7%

**AGE**

Losses caused by fraudsters above the median age were **MUCH LARGER** than losses caused by those below the median age.

**MEDIAN AGE**

- 22 YEARS OLD: $70,000
- 40 YEARS OLD: $500,000
- 65 YEARS OLD: $1,200,000

---

*Report to the Nations: Asia-Pacific Edition*
**Profile of a Fraud Perpetrator**

**Gender**

78% of frauds were committed by men.

- Male: $200,000 median loss
- Female: $100,000 median loss

Losses caused by men were **twice as large** as those caused by women.

**Collusion**

Median losses were far greater when fraudsters colluded.

- One Perpetrator: $100,000 median loss
- Two or More Perpetrators: $500,000 median loss

**The 5 Most Common Red Flags**

84% of all fraudsters displayed at least one behavioral red flag.

- Living beyond means: 33%
- Unusually close association with vendor/customer: 22%
- Financial difficulties: 19%
- Addiction problems: 13%
- Control issues, unwillingness to share duties: 10%

**Tenure**

Fraudsters who had been with their organizations for more than five years stole **59% more**.

**Only 6% of perpetrators had a prior fraud conviction.**
CASE RESULTS

Survey respondents in the Asia-Pacific region provided information on the results of the fraud investigation, including internal punishment, litigation results, and recovery of defrauded assets.
HOW DO VICTIM ORGANIZATIONS IN THE ASIA-PACIFIC REGION PUNISH FRAUD PERPETRATORS?

<table>
<thead>
<tr>
<th>Punishment Type</th>
<th>Owners/executives punished</th>
<th>Non-owners/executives punished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Termination</td>
<td>84%</td>
<td>73%</td>
</tr>
<tr>
<td>Perpetrator was no longer with organization</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Settlement agreement</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Permitted or required resignation</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Probation or suspension</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>No punishment</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

CRIMINAL LITIGATION

- Cases referred to law enforcement: 53%
- Cases not referred to law enforcement: 47%

Median loss in cases with criminal referral: $307,000

CIVIL LITIGATION

- Civil suit: 32%
- No civil suit: 68%

Median loss in cases with civil suits: $737,000

RECOVERY

- 54% of victim organizations did not recover any fraud losses
- 32% Made a partial recovery
- 14% Recovered all losses

54% Recovered nothing

54% of victim organizations did not recover any fraud losses
METHODOLOGY

The 2020 Report to the Nations is based on the results of the 2019 Global Fraud Survey, an online survey opened to 51,608 Certified Fraud Examiners (CFEs) from July 2019 to September 2019. As part of the survey, respondents were asked to provide a narrative description of the single largest occupational fraud case they had investigated since January 2018. Additionally, after completing the survey the first time, respondents were provided the option to submit information about a second case.

Respondents were then presented with 77 questions regarding the particular details of the fraud case, including information about the perpetrator, the victim organization, and the methods of fraud employed, as well as fraud trends in general. (Respondents were not asked to identify the perpetrator or the victim.) We received 7,516 total responses to the survey, 2,504 of which were usable for purposes of our global study. Of those usable responses, 198 involved occupational fraud perpetrated against organizations in the Asia-Pacific region; the data contained in this report is based solely on the information provided in these 198 survey responses.

Analysis Methodology

Percentages
In calculating the percentages discussed throughout this report, we used the total number of complete and relevant responses for the question(s) being analyzed. Specifically, we excluded any blank responses or instances where the participant indicated that they did not know the answer to a question. Consequently, the total number of cases included in each analysis varies.

In addition, several survey questions allowed participants to select more than one answer. Therefore, the sum of percentages in many figures throughout the report exceeds 100%. The sum of percentages in other figures might not be exactly 100% (i.e., it might be 99% or 101%) due to rounding of individual category data.

Loss Amounts
All loss amounts are expressed in terms of U.S. dollars, which is how respondents reported this information in the Global Fraud Survey. Unless otherwise indicated, all loss amounts discussed throughout the report are calculated using median loss rather than mean, or average, loss. Using median loss provides a more conservative—and we believe more accurate—picture of the typical impact of occupational fraud schemes. Additionally, we excluded loss calculations for categories for which there were fewer than ten responses.

Because the direct losses caused by financial statement frauds are typically spread among numerous stakeholders, obtaining an accurate estimate for this amount is extremely difficult. Consequently, for schemes involving financial statement fraud, we asked survey participants to provide the gross amount of the financial statement mis-statements (over- or under-statement) involved in the scheme. All losses reported for financial statement frauds throughout this report are based on those reported amounts.
ABOUT THE ACFE

Founded in 1988 by Dr. Joseph T. Wells, CFE, CPA, the Association of Certified Fraud Examiners (ACFE) is the world’s largest anti-fraud organization and premier provider of anti-fraud training and education. Together with more than 85,000 members, the ACFE is reducing business fraud worldwide and providing the training and resources needed to fight fraud more effectively. The ACFE provides educational tools and practical solutions for anti-fraud professionals through events, education, publications, networking, and educational tools for colleges and universities.

Certified Fraud Examiners

The ACFE offers its members the opportunity for professional certification with the Certified Fraud Examiner (CFE) credential. The CFE is preferred by businesses and government entities around the world, and indicates expertise in fraud prevention and detection. CFEs are anti-fraud experts who have demonstrated knowledge in four critical areas: Financial Transactions and Fraud Schemes, Law, Investigation, and Fraud Prevention and Deterrence.

Membership

Members of the ACFE include accountants, internal auditors, fraud investigators, law enforcement officers, lawyers, business leaders, risk/compliance professionals, and educators, all of whom have access to expert training, educational tools, and resources. Whether their career is focused exclusively on preventing and detecting fraudulent activities or they just want to learn more about fraud, the ACFE provides the essential tools and resources necessary for anti-fraud professionals to accomplish their objectives.

To learn more, visit ACFE.com or call (800) 245-3321 / +1 (512) 478-9000.

Contact

Association of Certified Fraud Examiners
Global Headquarters
716 West Ave | Austin, TX 78701-2727 | USA
Phone: (800) 245-3321 / +1 (512) 478-9000
ACFE.com | info@ACFE.com

TERMS OF USE:
The Report to the Nations is available for use free of charge as a public service of the ACFE. You may download, copy and/or distribute the Report to the Nations for personal or business use on the following conditions:

1. No portion of the Report to the Nations may be sold or otherwise licensed, shared or transferred to any party for a fee, or included in any work that is to be sold, licensed, shared or transferred to any party for a fee, without the express written consent of the ACFE. The foregoing notwithstanding, you are permitted to use the Report to the Nations as part of a speech or presentation for which an admission fee is charged.

2. The Report to the Nations must be properly attributed to the ACFE, including the name of the publication. An example of proper attribution is: “2020 Report to the Nations: Asia-Pacific Edition. Copyright 2020 by the Association of Certified Fraud Examiners, Inc.”