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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 103 cases that occurred in Southern Asia. This supplemental report focuses more closely on these 103 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 Southern Asia as they design and implement their programs to protect against the harms of occupational fraud.
HOW OCCUPATIONAL FRAUD IS COMMITTED

Our study examined the methods by which occupational fraudsters in Southern Asia perpetrate their schemes.
HOW IS OCCUPATIONAL FRAUD COMMITTED IN SOUTHERN ASIA?

- 72% of cases involve Asset misappropriation with a median loss of $102,000
- 76% of cases involve Corruption with a median loss of $150,000
- 12% of cases involve Financial statement fraud with a median loss of $300,000

WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN SOUTHERN ASIA?

- Corruption: 76%
- Noncash: 23%
- Billing: 17%
- Financial statement fraud: 12%
- Expense reimbursements: 10%
- Skimming: 8%
- Payroll: 4%
- Cash larceny: 3%
- Cash on hand: 2%
- Check and payment tampering: 1%
- Register disbursements: 1%
DETECTION

Our study revealed how occupational frauds are most often detected in Southern Asia, as well as insights on how fraud reporting hotlines and employee training can improve detection.
TIPS ARE BY FAR THE MOST COMMON DETECTION METHOD.

<table>
<thead>
<tr>
<th>How is Occupational Fraud Initially Detected?</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tip</td>
<td>48%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>18%</td>
</tr>
<tr>
<td>Document examination</td>
<td>6%</td>
</tr>
<tr>
<td>Management review</td>
<td>5%</td>
</tr>
<tr>
<td>Surveillance/monitoring</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>Notified by law enforcement</td>
<td>4%</td>
</tr>
<tr>
<td>IT controls</td>
<td>3%</td>
</tr>
<tr>
<td>External audit</td>
<td>3%</td>
</tr>
<tr>
<td>Account reconciliation</td>
<td>3%</td>
</tr>
<tr>
<td>By accident</td>
<td>2%</td>
</tr>
<tr>
<td>Confession</td>
<td>1%</td>
</tr>
</tbody>
</table>

The Top 3 Sources of Tips Were:

- **Employees**: 55%
- **Vendors**: 14%
- **Customers**: 8%
Effectiveness of hotlines

- **Median Loss**
  - Without hotlines: $80,000
  - With hotlines: $400,000

- **66% of victim organizations** had hotlines.

Tips submitted through hotline or formal reporting mechanisms increased with employee training.

- Tips with training: 62%
- Tips without training: 46%

Detection by **tip** was more common at small organizations.

- <100 employees: 59% cases detected by tip
- 100+ employees: 45% cases detected by tip

**Whistleblowers used a variety of reporting mechanisms.**

- Email: 42%
- Web-based/online form: 38%
- Mailed letter/form: 27%
- Telephone hotline: 15%
VICTIM ORGANIZATIONS

To gain a better understanding of the victim organizations in Southern Asia in our study, we asked respondents to provide information about the victims’ type, size, and industry.
PRIVATE COMPANIES EXPERIENCED THE MOST CASES, WHILE PUBLIC ORGANIZATIONS SUFFERED THE GREATEST MEDIAN LOSS.

**PERCENT OF CASES**
- Private company: 50%
- Public company: 27%
- Nonprofit: 11%
- Government*: 7%

**MEDIAN LOSS**
- Private company: $79,000
- Public company: $175,000
- Nonprofit: $100,000
- Government*: Median loss calculation omitted for categories with fewer than ten cases.

PRIVATE COMPANIES EXPERIENCED THE MOST CASES, WHILE PUBLIC ORGANIZATIONS SUFFERED THE GREATEST MEDIAN LOSS.

THE TOP SCHEMES IN SMALL AND LARGE ORGANIZATIONS WERE:

### <100 EMPLOYEES

- Corruption: 65%
- Noncash: 29%
- Billing: 24%
- Financial statement fraud: 24%
- Skimming: 18%

### 100+ EMPLOYEES

- Corruption: 79%
- Noncash: 21%
- Billing: 15%
- Expense reimbursement: 10%
- Financial statement fraud: 10%

THE MEDIAN LOSS IN LARGE ORGANIZATIONS WAS SLIGHTLY HIGHER THAN IN SMALL ORGANIZATIONS.
WHAT **INDUSTRIES** WERE VICTIMIZED MOST OFTEN BY **OCCUPATIONAL FRAUD** IN SOUTHERN ASIA?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Median Loss</th>
<th>Percentage</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and financial services</td>
<td>$100,000</td>
<td>20%</td>
<td>20</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$100,000</td>
<td>15%</td>
<td>15</td>
</tr>
<tr>
<td>Health care*</td>
<td></td>
<td>9%</td>
<td>9</td>
</tr>
<tr>
<td>Telecommunications*</td>
<td></td>
<td>6%</td>
<td>6</td>
</tr>
<tr>
<td>Construction*</td>
<td></td>
<td>5%</td>
<td>5</td>
</tr>
<tr>
<td>Energy*</td>
<td></td>
<td>5%</td>
<td>5</td>
</tr>
</tbody>
</table>

*Median loss calculation omitted for categories with fewer than ten cases.
ANTI-FRAUD CONTROLS AT THE VICTIM ORGANIZATION

We analyzed the anti-fraud controls that the victim organizations in Southern Asia 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 SOUTHERN ASIA?

<table>
<thead>
<tr>
<th>Control</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>External audit of financial statements</td>
<td>88%</td>
</tr>
<tr>
<td>Internal audit department</td>
<td>86%</td>
</tr>
<tr>
<td>Management certification of financial statements</td>
<td>86%</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>81%</td>
</tr>
<tr>
<td>External audit of internal controls over financial reporting</td>
<td>76%</td>
</tr>
<tr>
<td>Management review</td>
<td>72%</td>
</tr>
<tr>
<td>Independent audit committee</td>
<td>70%</td>
</tr>
<tr>
<td>Hotline</td>
<td>66%</td>
</tr>
<tr>
<td>Anti-fraud policy</td>
<td>64%</td>
</tr>
<tr>
<td>Fraud training for managers/executives</td>
<td>55%</td>
</tr>
<tr>
<td>Fraud training for employees</td>
<td>51%</td>
</tr>
<tr>
<td>Employee support programs</td>
<td>43%</td>
</tr>
<tr>
<td>Surprise audits</td>
<td>43%</td>
</tr>
<tr>
<td>Dedicated fraud department, function, or team</td>
<td>36%</td>
</tr>
<tr>
<td>Formal fraud risk assessments</td>
<td>35%</td>
</tr>
<tr>
<td>Proactive data monitoring/analysis</td>
<td>34%</td>
</tr>
<tr>
<td>Job rotation/mandatory vacation</td>
<td>29%</td>
</tr>
<tr>
<td>Rewards for whistleblowers</td>
<td>20%</td>
</tr>
</tbody>
</table>
The presence of several anti-fraud controls was associated with notable reductions in both losses and duration of fraud.

**WHAT ARE THE PRIMARY INTERNAL CONTROL WEAKNESSES THAT CONTRIBUTE TO OCCUPATIONAL FRAUD IN SOUTHERN ASIA?**

- **32%** Lack of internal controls
- **18%** Poor tone at the top
- **15%** Lack of management review
- **12%** Override of existing internal controls
PROFILE OF A FRAUD PERPETRATOR

Our study includes data on the characteristics of fraud offenders in Southern Asia, 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>Role</th>
<th>Percent of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>23%</td>
<td>$28,000</td>
</tr>
<tr>
<td>Manager</td>
<td>42%</td>
<td>$117,000</td>
</tr>
<tr>
<td>Owner/executive</td>
<td>31%</td>
<td>$575,000</td>
</tr>
</tbody>
</table>

**Where did perpetrators work within their organizations?**

These were the six most common departments:

- Operations: 18%
- Executive/Upper Management: 12%
- Purchasing: 8%
- Sales: 8%
- Accounting: 7%
- Board of Directors: 7%

**Age**

Losses caused by fraudsters above the median age were nearly 2X larger than losses caused by those below the median age.

**Median Age:** 43

**24 years old**

$73,000 median loss

**75 years old**

$140,000 median loss
Fraud CONVICTION

Profile of a fraud perpetrator

GENDER

96% of frauds were committed by men

COLLUSION

Median losses were far greater when fraudsters colluded

ONE PERPETRATOR

$65,000 Median loss

TWO OR MORE PERPETRATORS

$125,000 Median loss

THE 5 MOST COMMON RED FLAGS

82% of all fraudsters displayed at least one behavioral red flag

42% Living beyond means
25% Unusually close association with vendor/customer
13% Irritability, suspiciousness, or defensiveness
13% Control issues, unwillingness to share duties
12% Excessive pressure from within organization

TENURE

Fraudsters who had been with their organizations for more than five years stole 67% more

ONLY 6% of perpetrators had a prior fraud conviction

MEDIAN LOSS

$75,000

5 YEARS’ TENURE OR LESS

MEDIAN LOSS

$125,000

MORE THAN 5 YEARS’ TENURE
CASE RESULTS

Survey respondents in Southern Asia provided information on the results of the fraud investigation, including internal punishment, litigation results, and recovery of defrauded assets.
HOW DO VICTIM ORGANIZATIONS IN SOUTHERN ASIA 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>58%</td>
<td>89%</td>
</tr>
<tr>
<td>Settlement agreement</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Permitted or required resignation</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Probation or suspension</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Perpetrator was no longer with organization</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>No punishment</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>15%</td>
</tr>
</tbody>
</table>

CRIMINAL LITIGATION

- Cases referred to law enforcement: 41%
- Cases not referred to law enforcement: 59%

Median loss in cases with criminal referral: $200,000

CIVIL LITIGATION

- Civil suit: 30%
- No civil suit: 70%

Median loss in cases with civil suits: $200,000

RECOVERY

- 47% of victim organizations did not recover any fraud losses
- 43% Made a partial recovery
- 10% Recovered all losses
- 47% Recovered nothing

OWNERS/EXECUTIVES WERE LESS LIKELY TO RECEIVE INTERNAL PUNISHMENT

- Owners/executives: 58%
- Non-owners/executives: 89%

47% of victim organizations did not recover any fraud losses

Case results | Report to the Nations: Southern Asia Edition 19
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. 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.) After completing the survey the first time, respondents were provided the option to submit information about a second case.

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, 103 involved occupational fraud perpetrated against organizations in Southern Asia; the data contained in this report is based solely on the information provided in these 103 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 misstatement (over- or under-statement) involved in the scheme. All losses reported for financial statement frauds throughout this report are based on those reported amounts.

**Cases submitted were required to meet the following four criteria:**

1. **The case** must have involved occupational fraud (defined as fraud committed by a person against the organization for which they work).

2. **The investigation** must have occurred between January 2018 and the time of survey participation.

3. **The investigation** must have been complete at the time of survey participation.

4. **The respondent** must have been reasonably sure the perpetrator(s) was (were) identified.
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

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