INTRODUCTION

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 301 cases that occurred in Sub-Saharan Africa. This supplemental report focuses more closely on these 301 cases, providing a deeper view into the ways 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 Sub-Saharan Africa 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 Sub-Saharan Africa perpetrate their schemes.
How is occupational fraud committed in Sub-Saharan Africa?

- Asset misappropriation: 88%, $75,000
- Corruption: 56%, $123,000
- Financial statement fraud: 11%, $729,000

What are the most common occupational fraud schemes in Sub-Saharan Africa?

- Corruption: 56%
- Billing: 19%
- Noncash: 18%
- Cash on hand: 14%
- Skimming: 13%
- Expense reimbursements: 11%
- Cash larceny: 11%
- Financial statement fraud: 11%
- Check and payment tampering: 8%
- Payroll: 5%
- Register disbursements: 3%
Our study revealed how occupational frauds are most often detected in Sub-Saharan Africa, as well as insights on how fraud reporting hotlines and employee training can improve detection.
How is occupational fraud initially detected?

- Tip: 48%
- Internal audit: 14%
- Management review: 11%
- Other: 6%
- Account reconciliation: 4%
- External audit: 4%
- Documentation examination: 3%
- By accident: 3%
- Surveillance/monitoring: 2%
- IT controls: 2%
- Notified by law enforcement: 1%
- Confession: 1%

The top three sources of tips were:

- Employees: 40%
- Customers: 29%
- Anonymous parties: 24%
Effectiveness of hotlines

Victim organizations had hotlines $100,000 with hotlines $67,000 without hotlines

MEDIAN LOSS

Detection by tip was more likely at organizations with hotlines

50% of cases detected by tip
43% of cases detected by tip

Effect of EMPLOYEE FRAUD AWARENESS TRAINING on hotlines and reporting

Tips were slightly more likely at organizations with employee training

49% of cases detected by tip with training
45% of cases detected by tip without training

Use of hotline or formal reporting mechanisms increased with employee training

Tips with training 61%
Tips without training 44%

Tips were the most common detection method at both small and large organizations

<100 EMPLOYEES
48% cases detected by tip

100+ EMPLOYEES
44% cases detected by tip

WHISTLEBLOWERS USED A VARIETY OF REPORTING MECHANISMS

- Telephone hotline: 37%
- Email: 28%
- Web-based/online form: 20%
- Mailed letter/form: 16%
VICTIM ORGANIZATIONS

To gain a better understanding of the victim organizations in Sub-Saharan Africa in our study, we asked respondents to provide information about the victims’ type, size, and industry.
PRIVATE COMPANIES reported the most cases, while government organizations suffered the greatest median loss.

The top schemes in small and large organizations were:

**<100 EMPLOYEES**
- Corruption: 62%
- Billing: 36%
- Expense reimbursement: 27%
- Cash larceny: 20%
- Noncash: 20%

**100+ EMPLOYEES**
- Corruption: 55%
- Noncash: 18%
- Billing: 15%
- Cash on hand: 13%
- Skimming: 13%

The median loss in large organizations was two times higher than in small organizations.
WHAT INDUSTRIES WERE VICTIMIZED BY OCCUPATIONAL FRAUD IN SUB-SAHARAN AFRICA?*

- **Banking and financial services**
  - 82 cases (27%)
  - Median loss: USD 170,000

- **Government and public administration**
  - 34 cases (11%)
  - Median loss: USD 151,000

- **Insurance**
  - 19 cases (6%)
  - Median loss: USD 31,000

- **Health care**
  - 17 cases (6%)
  - Median loss: USD 58,000

- **Manufacturing**
  - 16 cases (5%)
  - Median loss: USD 31,000

- **Telecommunications**
  - 15 cases (5%)
  - Median loss: USD 350,000

- **Energy**
  - 14 cases (5%)
  - Median loss: USD 100,000

- **Religious, charitable, or social services**
  - 14 cases (5%)
  - Median loss: USD 48,000

- **Education**
  - 13 cases (4%)
  - Median loss: USD 70,000

- **Agriculture, forestry, fishing, and hunting**
  - 11 cases (4%)
  - Median loss: USD 29,000

*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 Sub-Saharan Africa 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 Sub-Saharan Africa?

- **External audit of financial statements**: 92%
- **Code of conduct**: 86%
- **Internal audit department**: 85%
- **Management certification of financial statements**: 82%
- **External audit of internal controls over financial reporting**: 79%
- **Management review**: 70%
- **Hotline**: 69%
- **Independent audit committee**: 69%
- **Anti-fraud policy**: 61%
- **Fraud training for employees**: 57%
- **Fraud training for managers/executives**: 54%
- **Dedicated fraud department, function, or team**: 49%
- **Employee support programs**: 49%
- **Surprise audits**: 48%
- **Formal fraud risk assessments**: 44%
- **Proactive data monitoring/analysis**: 31%
- **Job rotation/mandatory vacation**: 28%
- **Rewards for whistleblowers**: 21%
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 Sub-Saharan Africa?**

- **Management review:** 35% lower losses, 56% faster detection.
- **Surprise audits:** 9% lower losses, 50% faster detection.
- **Code of conduct:** 49% lower losses, 40% faster detection.
- **External audit of internal controls over financial reporting:** 3% lower losses, 33% faster detection.

**What are the primary internal control weaknesses that contribute to occupational fraud in Sub-Saharan Africa?**

- **Override of existing internal controls:** 26%
- **Lack of internal controls:** 24%
- **Lack of management review:** 13%
- **Poor tone at the top:** 11%
PROFILE OF A FRAUD PERPETRATOR

Our study includes data on the characteristics of fraud offenders in Sub-Saharan Africa, 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>Employee</td>
<td>41%</td>
<td>$40,000</td>
</tr>
<tr>
<td>Manager</td>
<td>37%</td>
<td>$100,000</td>
</tr>
<tr>
<td>Owner/Executive</td>
<td>18%</td>
<td>$979,000</td>
</tr>
</tbody>
</table>

**Where Did Perpetrators Work Within Their Organizations?**

These were the six most common departments:

- **19%** Operations
- **12%** Accounting
- **11%** Executive/Upper Management
- **7%** Customer Service
- **7%** Financing
- **7%** Purchasing

**Age**

Losses caused by fraudsters above the median age were **much larger** than losses caused by those below the median age.

**Median Age**

- **24 Years Old**: $53,000 (Median Loss)
- **40 Years Old**: $150,000 (Median Loss)
- **72 Years Old**: $53,000 (Median Loss)
Profile of a fraud perpetrator

**GENDER**

84% of frauds were committed by men

- **Male**
  - Median loss: $100,000
- **Female**
  - Median loss: $60,000

Losses caused by men were 67% larger than those caused by women.

**COLLUSION**

Median losses were 2x as large when fraudsters colluded

- **One Perpetrator**
  - Median loss: $50,000
- **Two or More Perpetrators**
  - Median loss: $100,000

**RED FLAGS**

92% of all fraudsters displayed at least one behavioral red flag

The five most common red flags were:

- **55%** Living beyond means
- **22%** Unusually close association with vendor/customer
- **21%** Financial difficulties
- **16%** Irritability, suspiciousness, or defensiveness
- **15%** Control issues, unwillingness to share duties

**TENURE**

Fraudsters who had been with their organizations for more than five years stole almost three times more.

- **5 Years’ Tenure or Less**
  - Median loss: $57,000
- **More Than 5 Years’ Tenure**
  - Median loss: $163,000

**ONLY 1%** of perpetrators had a prior fraud conviction.
CASE RESULTS

Survey respondents in Sub-Saharan Africa provided information on the results of the fraud investigation, including internal punishment, litigation results, and recovery of defrauded assets.
HOW DO VICTIM ORGANIZATIONS IN SUB-SAHARAN AFRICA PUNISH FRAUD PERPETRATORS?

- **Termination**: 58%
- **Probation or suspension**: 19%
- **Perpetrator was no longer with organization**: 13%
- **Permitted or required resignation**: 10%
- **Settlement agreement**: 7%
- **Other**: 6%
- **No punishment**: 4%

**RECOVERY**

50% of victim organizations did not recover any fraud losses

- **Recovered all losses**: 12%
- **Recovered nothing**: 50%
- **Made a partial recovery**: 38%

OWNERS/EXECUTIVES WERE LESS LIKELY TO RECEIVE INTERNAL PUNISHMENT

- **82%** Non-owners/executives punished
- **65%** Owners/executives punished

CRIMINAL LITIGATION

- **Cases referred to law enforcement**: 65%
- **Cases not referred to law enforcement**: 35%

**Median loss in cases with criminal referral:** $243,000

CIVIL LITIGATION

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

**Median loss in cases with civil suits:** $240,000

50% 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, 301 involved occupational fraud perpetrated against organizations in Sub-Saharan Africa; the data contained in this report is based solely on the information provided in these 301 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-statement (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.

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