

# REPORT TO THE NATIONS™

2020 GLOBAL STUDY ON OCCUPATIONAL FRAUD AND ABUSE

MIDDLE EAST AND NORTH AFRICA EDITION

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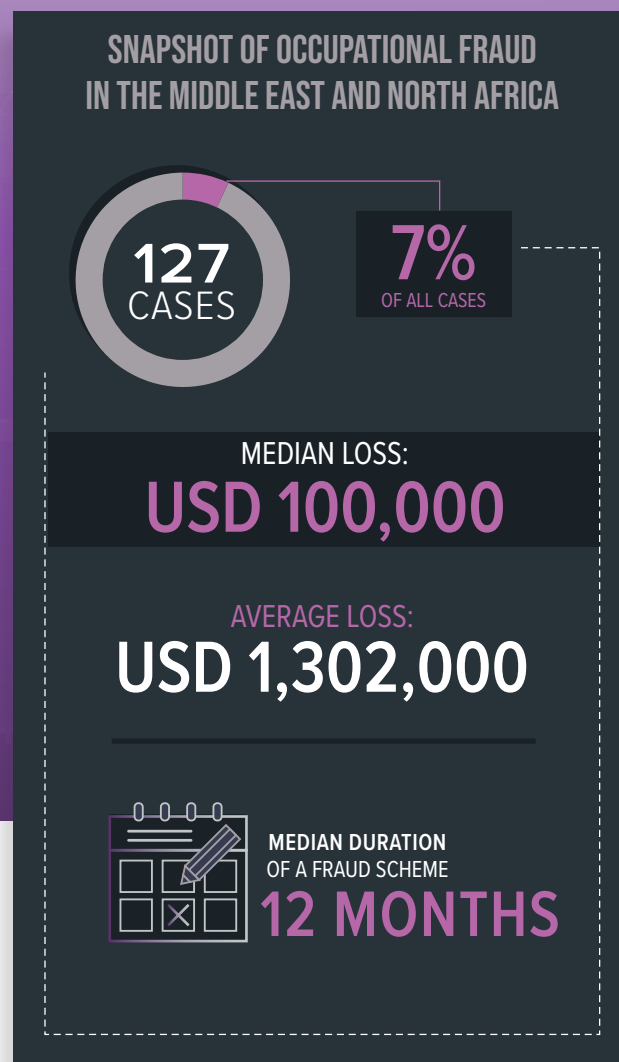
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# INTRODUCTION



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 127 cases that occurred in the Middle East and North Africa. This supplemental report focuses more closely on these 127 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 Middle East and North Africa as they design and implement their programs to protect against the harms of occupational fraud.



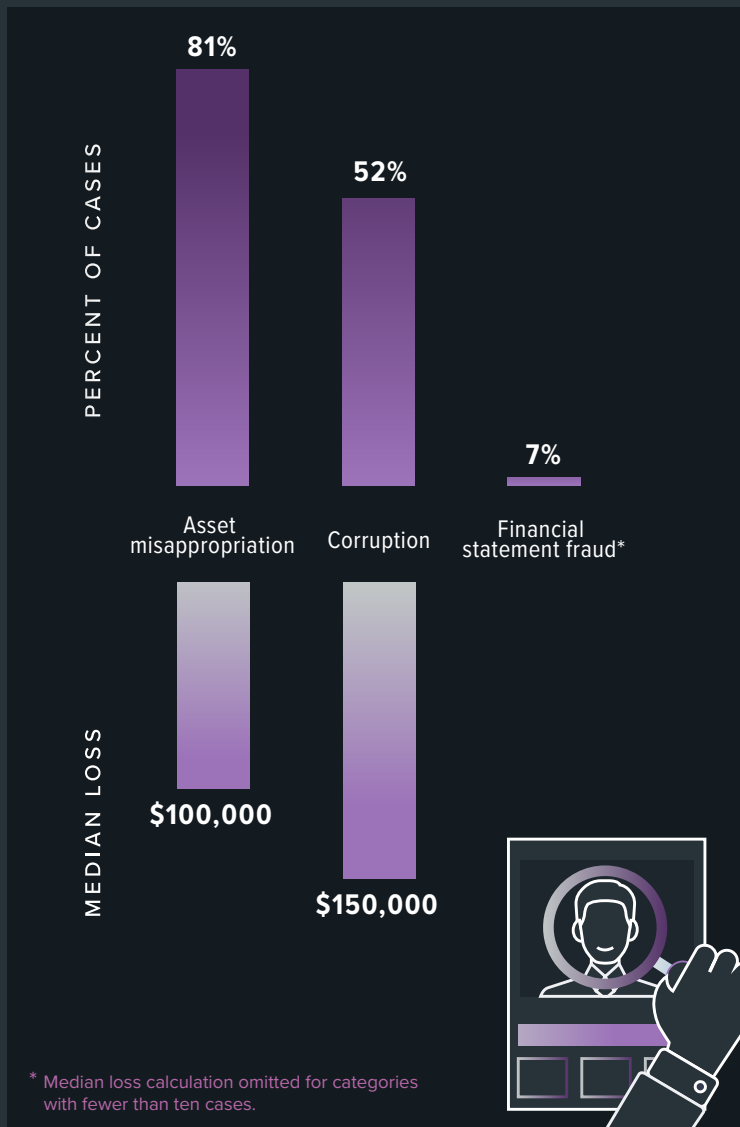


# HOW OCCUPATIONAL FRAUD IS COMMITTED

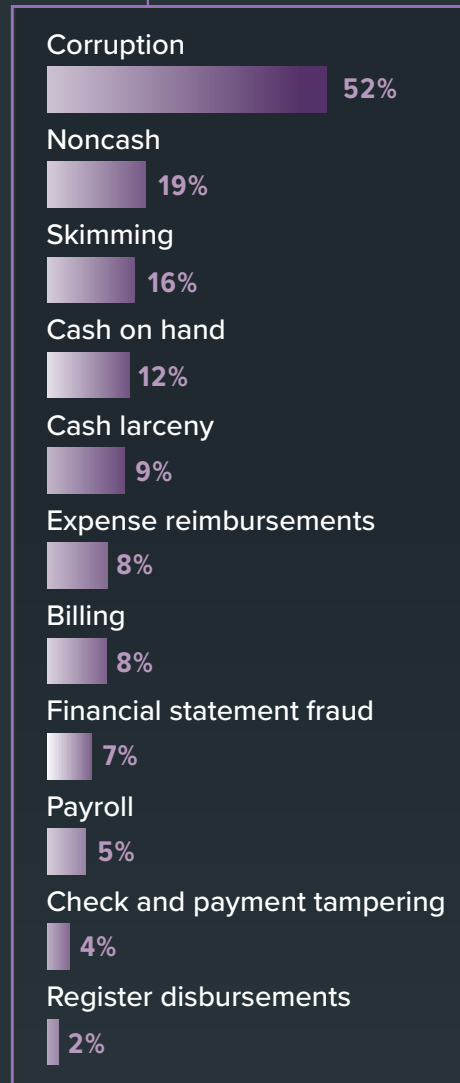
Our study examined the methods by which occupational fraudsters in the Middle East and North Africa perpetrate their schemes.

# HOW OCCUPATIONAL FRAUD IS COMMITTED

## HOW IS OCCUPATIONAL FRAUD COMMITTED IN THE MIDDLE EAST AND NORTH AFRICA?



## WHAT ARE THE MOST COMMON OCCUPATIONAL FRAUD SCHEMES IN THE MIDDLE EAST AND NORTH AFRICA?

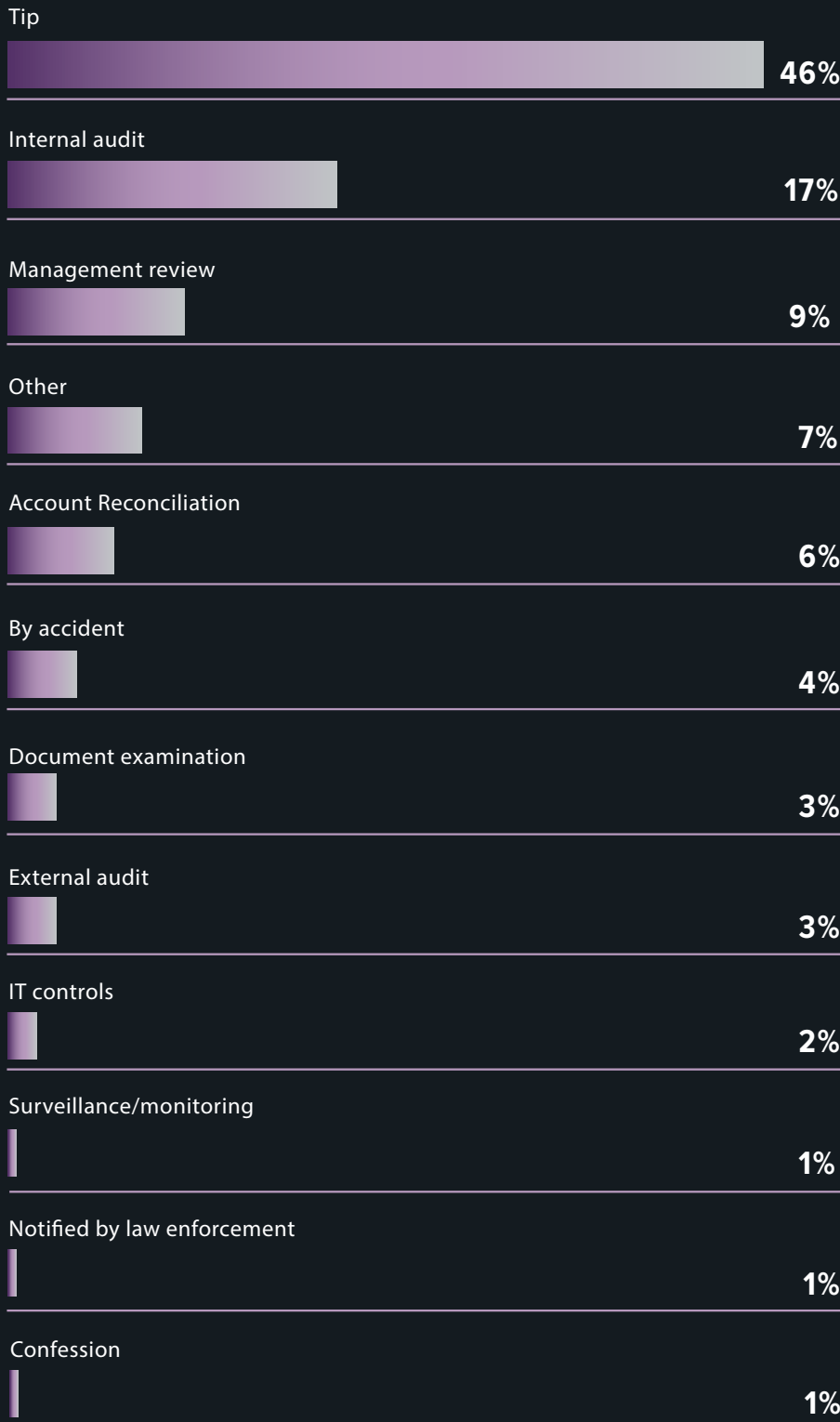




# DETECTION

Our study revealed how occupational frauds are most often detected in the Middle East and North Africa, as well as insights on how fraud reporting hotlines and employee training can improve detection.

### HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?



THE TOP 3 SOURCES OF TIPS WERE:



# DETECTION

## Effectiveness of hotlines

 **72%** OF VICTIM ORGANIZATIONS had hotlines

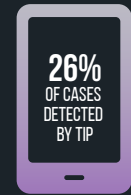
### MEDIAN LOSS



DETECTION BY TIP WAS **HIGHER** AT ORGANIZATIONS WITH HOTLINES.



HOTLINES

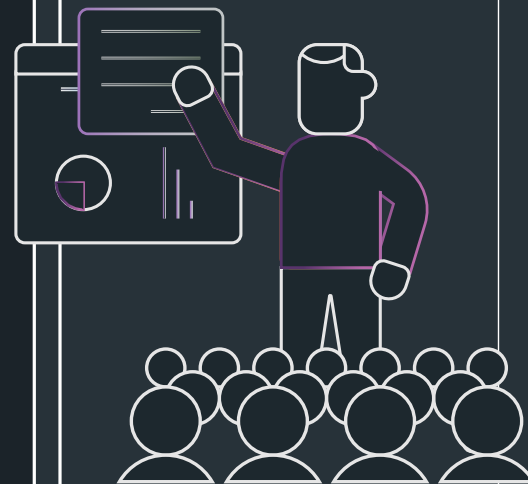


NO HOTLINES

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

Detection by tip was **more likely** at organizations **with employee training**

The percentage of tips that were made via **formal reporting mechanisms** **increased** with employee training



**55%** of cases detected by tip with training

tips with training

**53%**

**36%** of cases detected by tip without training

tips without training

**47%**

Detection by **tip** was much more common at **large organizations**.



## WHISTLEBLOWERS

USED A VARIETY OF REPORTING MECHANISMS

Email	37%
Telephone hotline	37%
Web-based/online form	27%
Mailed letter/form	13%



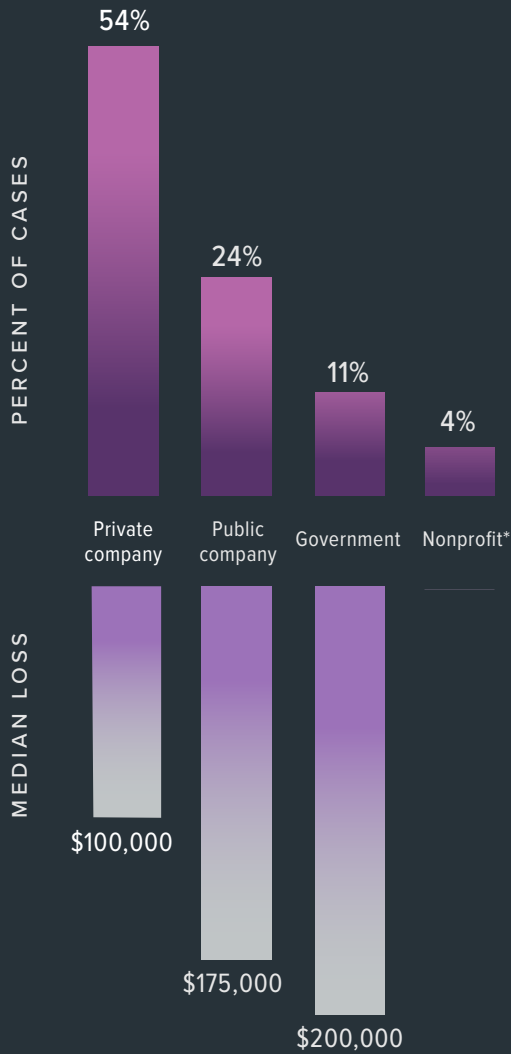


# VICTIM ORGANIZATIONS

To gain a better understanding of the victim organizations in the Middle East and North Africa, we asked respondents to provide information about the victims' type, size, and industry.

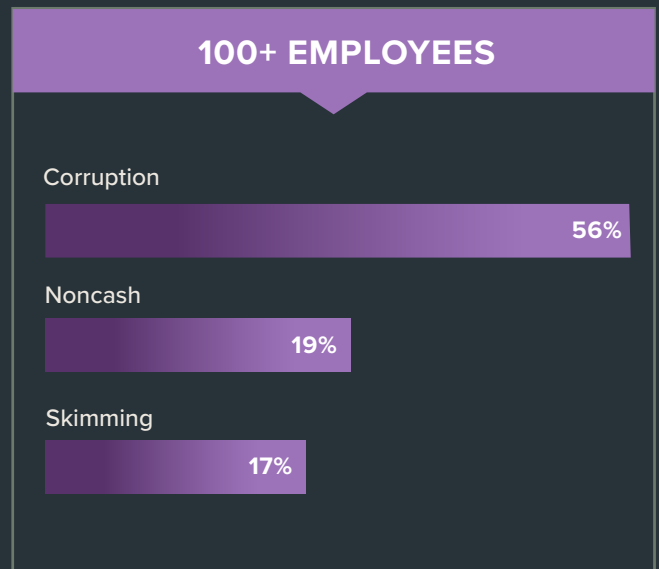
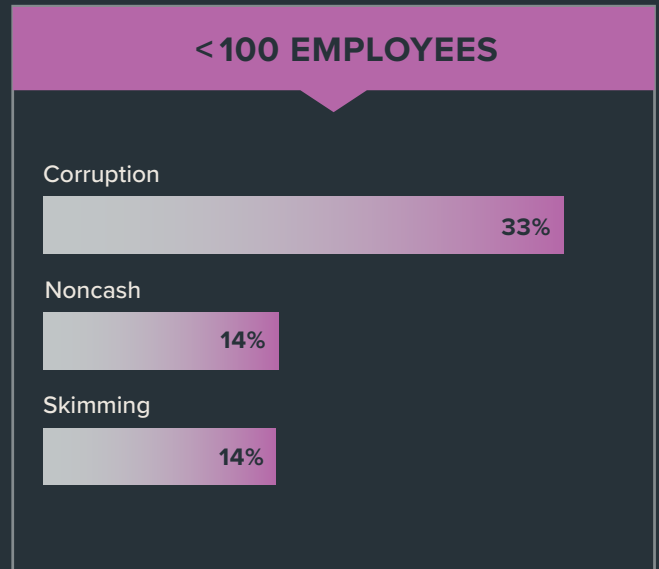
# VICTIM ORGANIZATIONS

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



\*Median loss calculation omitted for categories with fewer than ten cases.

THE **TOP SCHEMES** IN SMALL AND LARGE ORGANIZATIONS WERE:



THE **MEDIAN LOSS** IN SMALL ORGANIZATIONS WAS **2X HIGHER** THAN IN LARGER ORGANIZATIONS.



# VICTIM ORGANIZATIONS

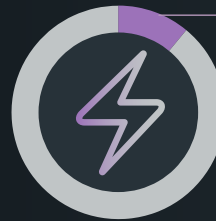
WHAT INDUSTRIES WERE VICTIMIZED MOST OFTEN BY OCCUPATIONAL FRAUD IN THE MIDDLE EAST AND NORTH AFRICA?



Banking and financial services

**24%** of cases

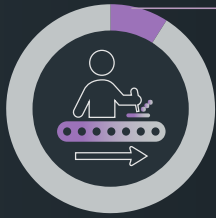
MEDIAN LOSS:  
**\$150,000**



Energy

**11%** of cases

MEDIAN LOSS:  
**\$100,000**



Manufacturing

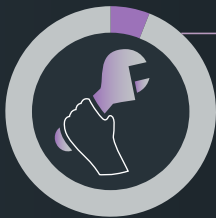
**9%** of cases

MEDIAN LOSS:  
**\$200,000**



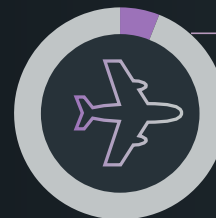
Retail\*

**7%** of cases



Construction\*

**6%** of cases



Transportation and warehousing\*

**6%** of cases

\*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 the Middle East and North Africa had in place at the time the frauds occurred, as well as the internal control weaknesses that contributed to the frauds.

## ANTI-FRAUD CONTROLS

WHAT ANTI-FRAUD CONTROLS ARE THE **MOST COMMON** IN MIDDLE EAST AND NORTH AFRICA?

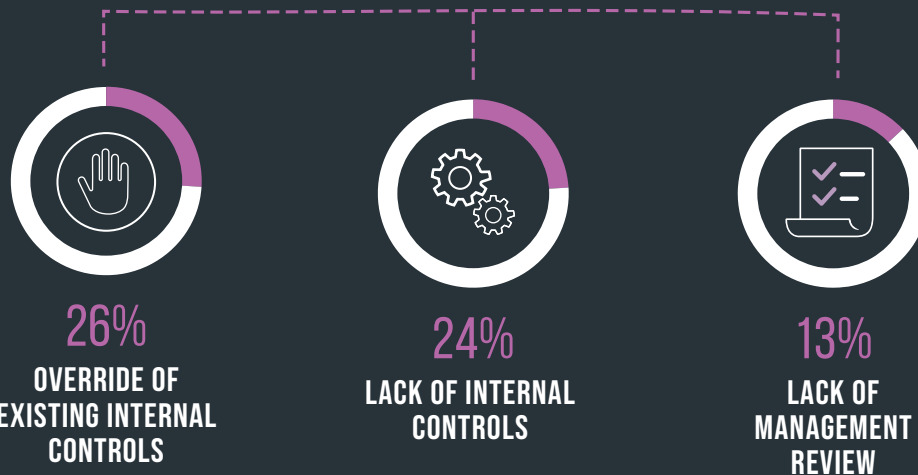


# ANTI-FRAUD CONTROLS

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 THE MIDDLE EAST AND NORTH AFRICA?



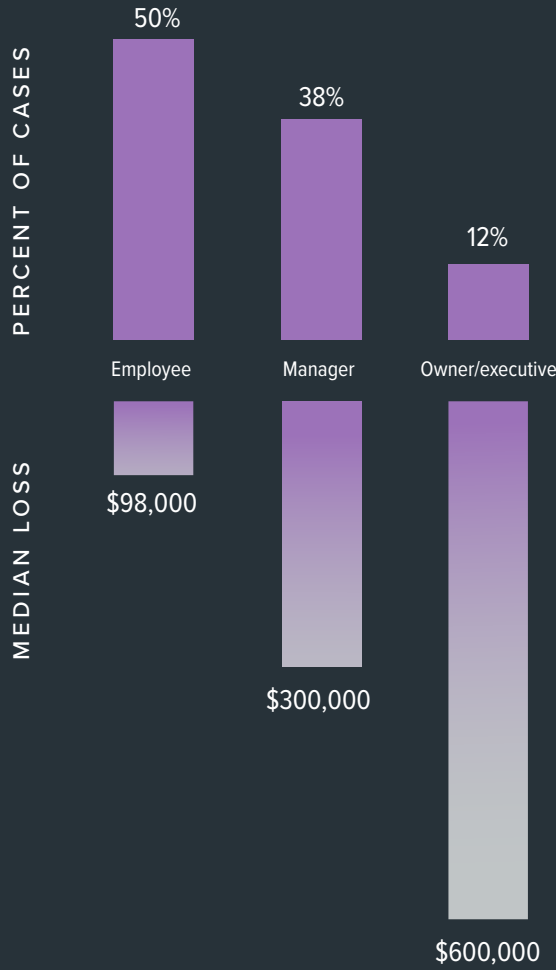


# PROFILE OF A FRAUD PERPETRATOR

Our study includes data on the characteristics of fraud offenders in the Middle East and North Africa, which can help organizations assess their internal fraud risk.

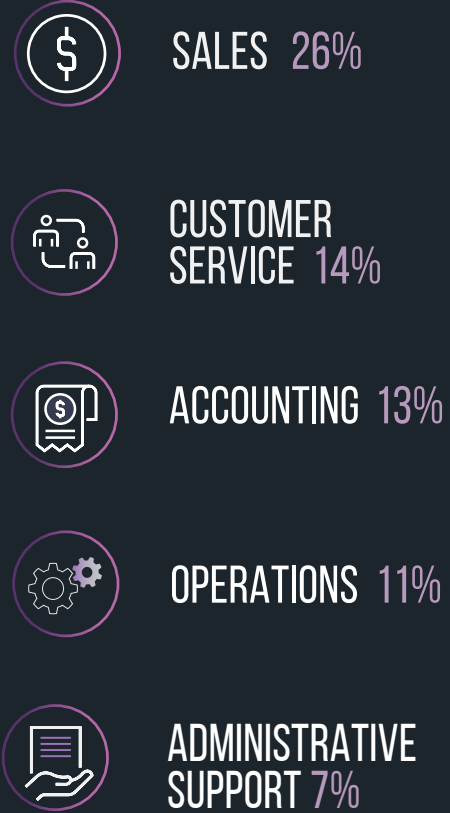
# PROFILE OF A FRAUD PERPETRATOR

## HOW DOES THE PERPETRATOR'S LEVEL OF AUTHORITY RELATE TO OCCUPATIONAL FRAUD?



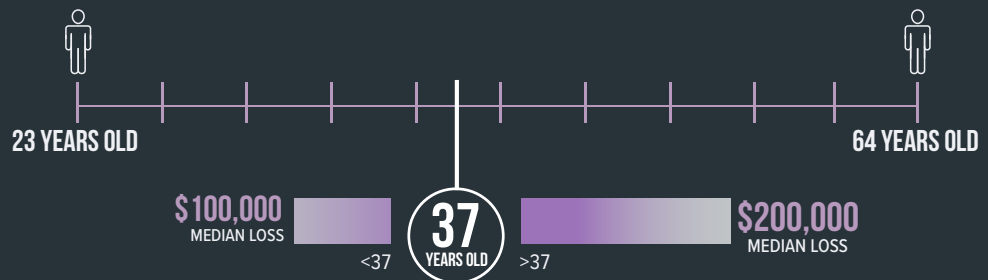
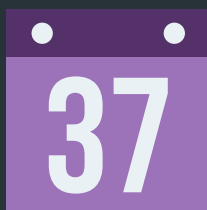
## WHERE DID PERPETRATORS WORK WITHIN THEIR ORGANIZATIONS?

These were the five most common departments:



**AGE** Losses caused by fraudsters above the median age were **2X LARGER** than losses caused by those below the median age

### MEDIAN AGE





# PROFILE OF A FRAUD PERPETRATOR

## GENDER



93%

OF FRAUDS WERE  
COMMITTED  
BY MEN

## COLLUSION

Median losses were much larger when fraudsters colluded

45%  
of cases



## ONE PERPETRATOR

\$93,000 Median loss

55%  
of cases



## TWO OR MORE PERPETRATORS

\$250,000 Median loss

## THE 5 MOST COMMON RED FLAGS

82%  
OF ALL  
FRAUDSTERS  
displayed at least one  
BEHAVIORAL RED FLAG



41%

Living beyond means



27%

Financial difficulties



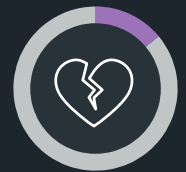
25%

Unusually close association with vendor/customer



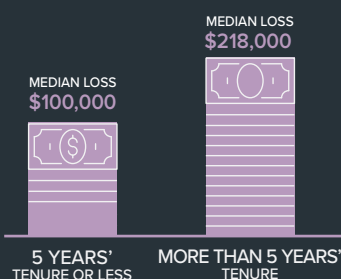
16%

Control issues, unwillingness to share duties



14%

Divorce/family problems



## TENURE

Fraudsters who had been with their organizations for more than five years stole over **2x** more

ONLY 7% OF PERPETRATORS HAD A PRIOR FRAUD CONVICTION



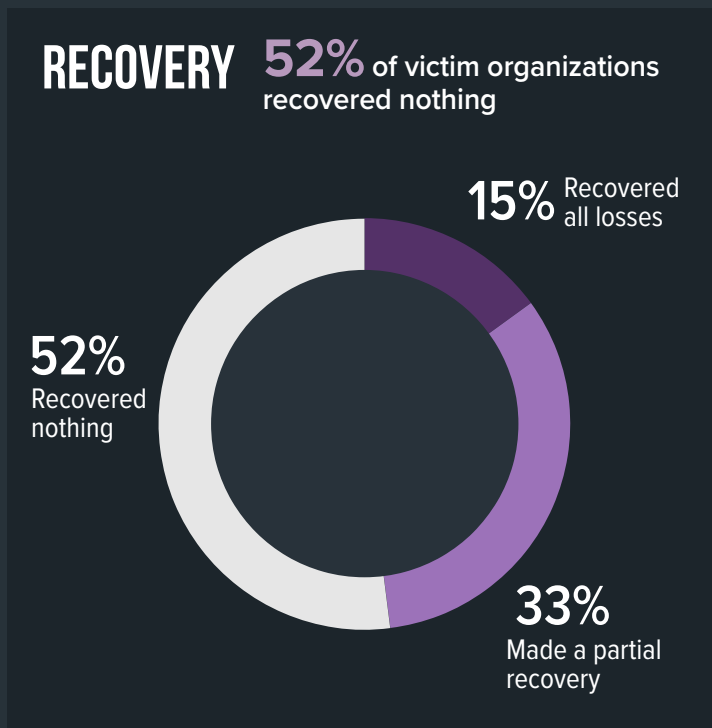
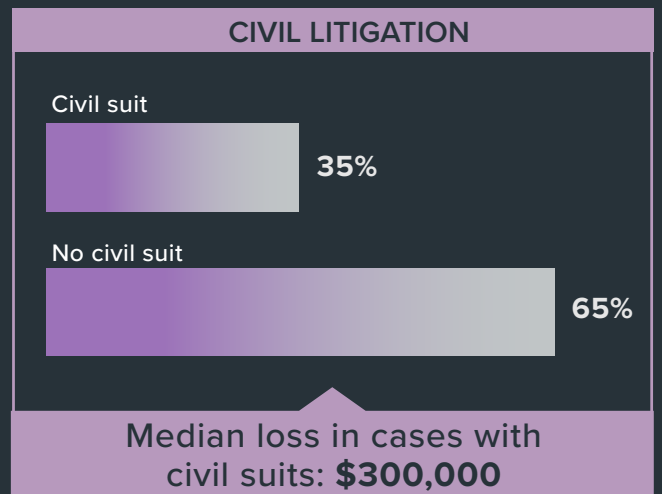
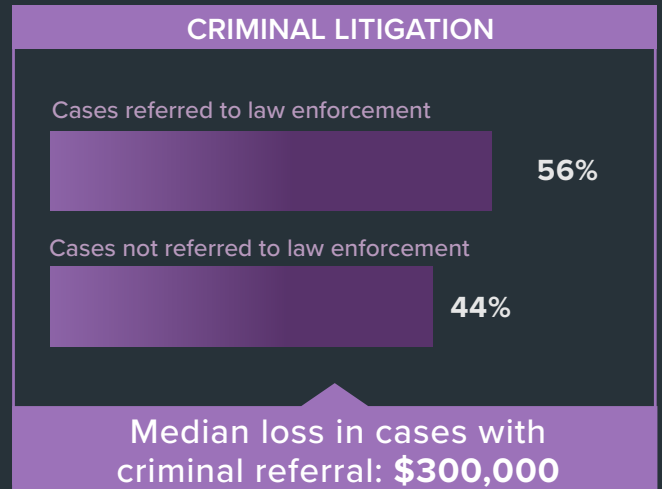
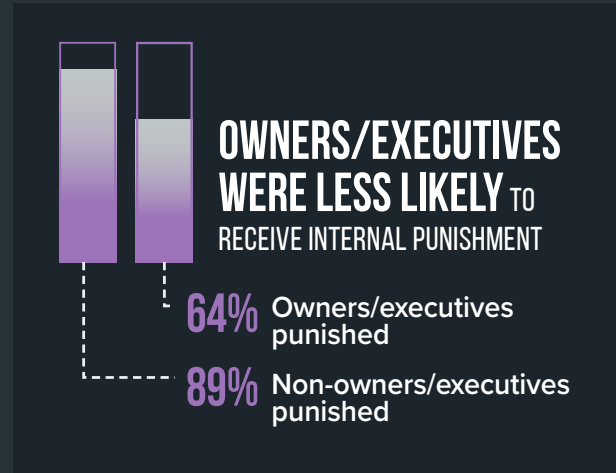
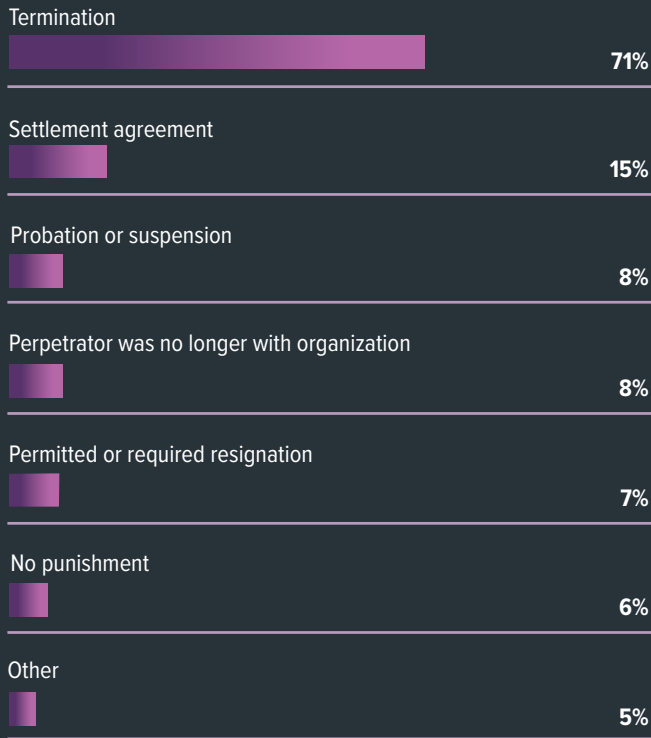


## CASE RESULTS

Survey respondents in the Middle East and North Africa provided information on the results of the fraud investigation, including internal punishment, litigation results, and recovery of defrauded assets.

# CASE RESULTS

## HOW DO VICTIM ORGANIZATIONS IN THE MIDDLE EAST AND NORTH AFRICA PUNISH FRAUD PERPETRATORS?



# 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. 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.) Additionally, 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, 127 involved occupational fraud perpetrated against organizations in the Middle East and North Africa; the data contained in this report is based solely on the information provided in these 127 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 he or she works).
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](https://www.acfe.com) or call (800) 245-3321 / +1 (512) 478-9000.

## Contact

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