

# REPORT TO THE NATIONS™

2020 GLOBAL STUDY ON OCCUPATIONAL FRAUD AND ABUSE

## WESTERN EUROPE EDITION



# CONTENTS

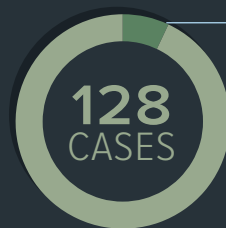
Introduction	3
How Occupational Fraud Is Committed	4
Detection	6
Victim Organizations	8
Anti-Fraud Controls at the Victim Organization	12
Profile of a Fraud Perpetrator	15
Case Results	18
Methodology	20
About the ACFE	21

# 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 128 cases that occurred in Western Europe. This supplemental report focuses more closely on these 128 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 Western Europe as they design and implement their programs to protect against the harms of occupational fraud.

## SNAPSHOT OF OCCUPATIONAL FRAUD IN WESTERN EUROPE



7%  
OF ALL CASES

MEDIAN LOSS:

**USD 139,000**

AVERAGE LOSS:

**USD 2,113,000**



MEDIAN DURATION  
OF A FRAUD SCHEME

**18 MONTHS**

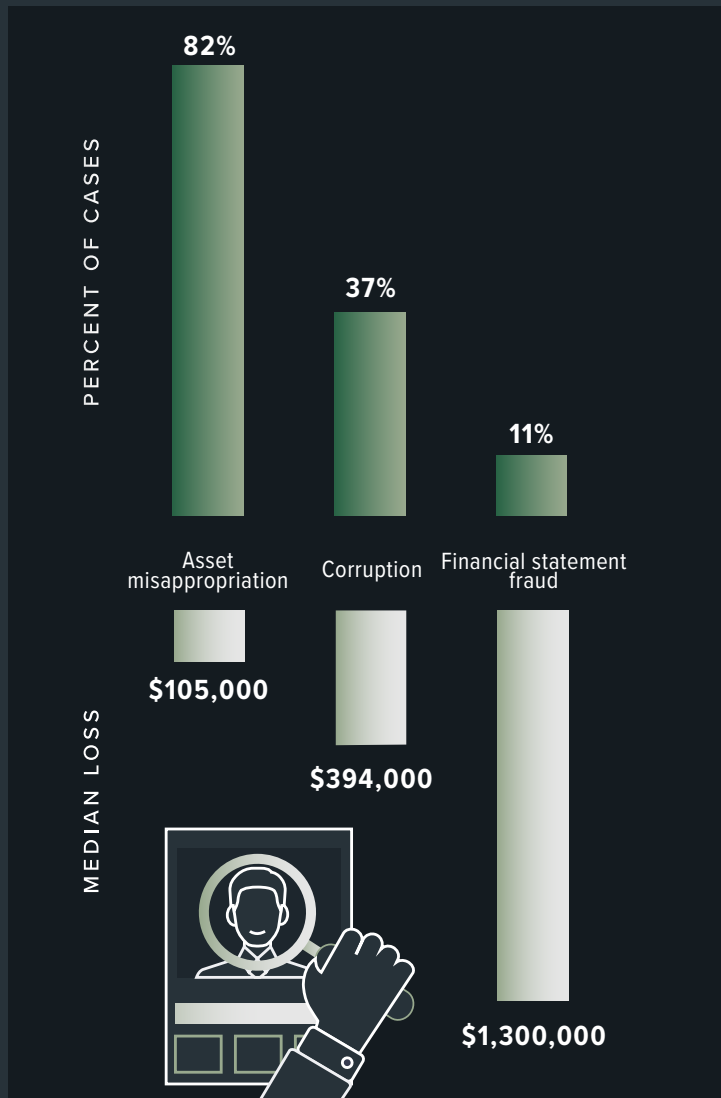


# **HOW OCCUPATIONAL FRAUD IS COMMITTED**

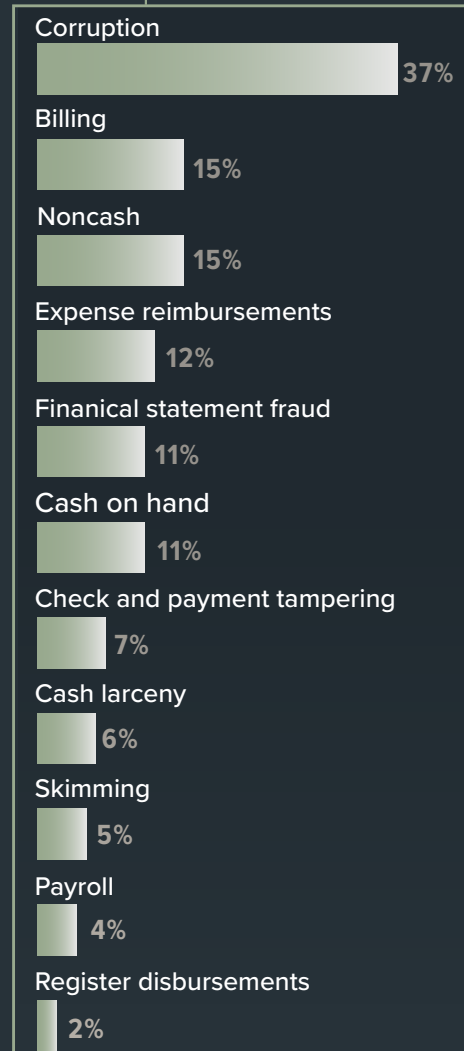
Our study examined the methods by which occupational fraudsters in Western Europe perpetrate their schemes.

## HOW OCCUPATIONAL FRAUD IS COMMITTED

### HOW IS **OCCUPATIONAL FRAUD** COMMITTED IN WESTERN EUROPE?



### WHAT ARE THE **MOST COMMON** OCCUPATIONAL FRAUD SCHEMES IN WESTERN EUROPE?

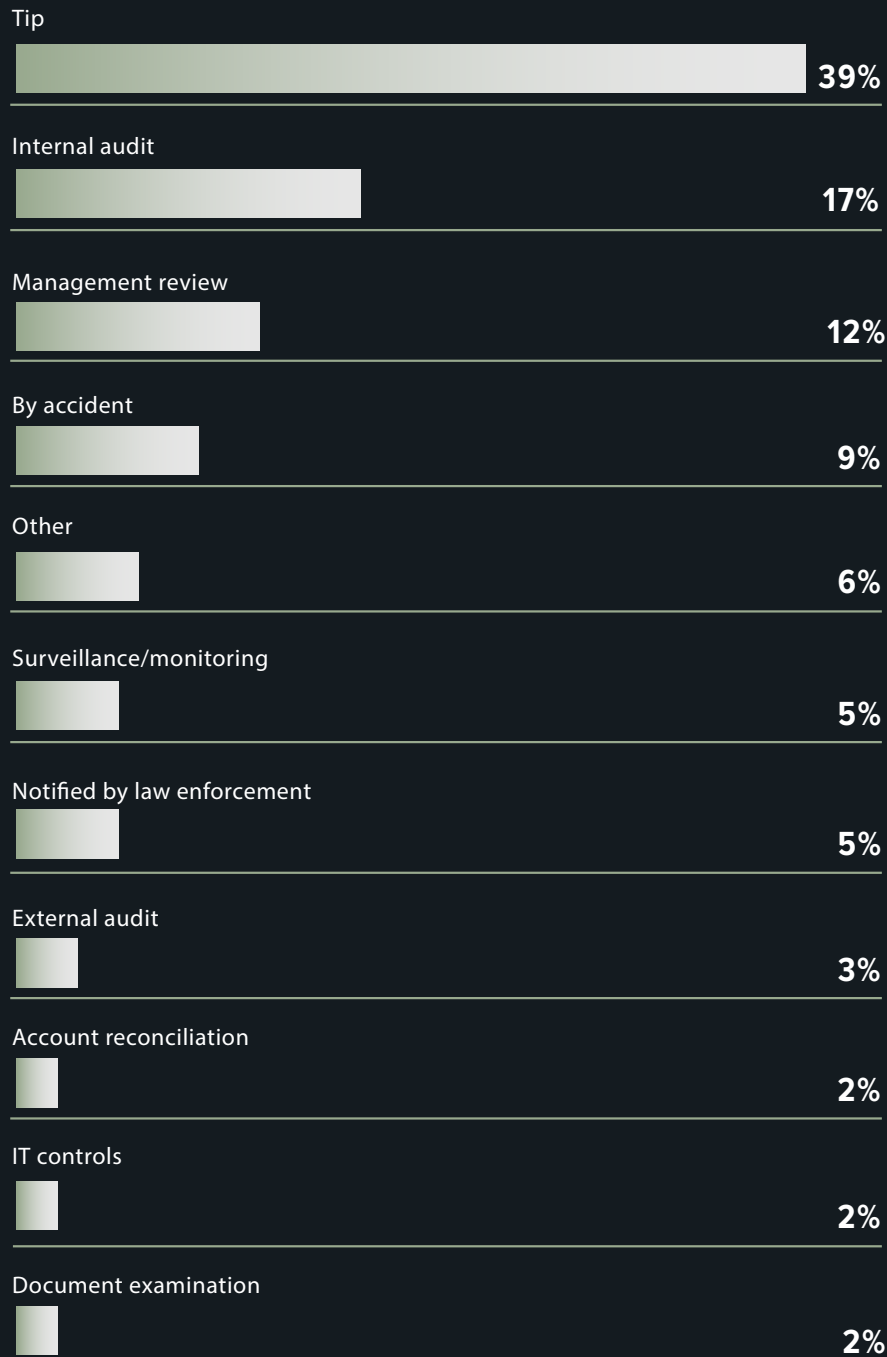




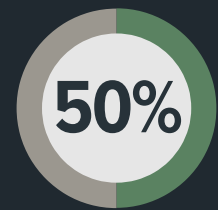
# DETECTION

Our study revealed how occupational frauds are most often detected in Western Europe, as well as insights on how fraud reporting hotlines and employee training can improve detection.

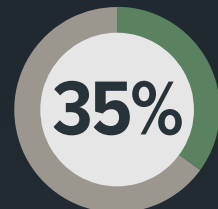
## HOW IS **OCCUPATIONAL FRAUD** INITIALLY DETECTED?



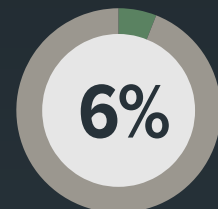
## THE TOP 3 SOURCES OF TIPS WERE:



EMPLOYEES



CUSTOMERS



VENDORS

## DETECTION

### Effectiveness of hotlines

 **65%** 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

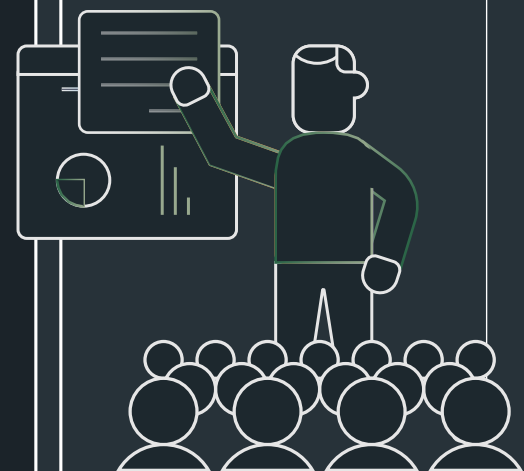
**45%**

of cases detected  
by tip with training

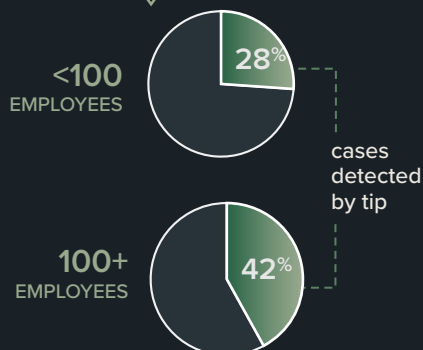
**35%**

of cases detected by  
tip without training

Tips submitted through hotline or formal reporting  
mechanisms **INCREASED** with employee training



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



**WHISTLEBLOWERS**  
USED A VARIETY OF REPORTING  
MECHANISMS



Web-based/online form	30%
Email	30%
Mailed letter/form	15%
Telephone hotline	10%
Fax	5%



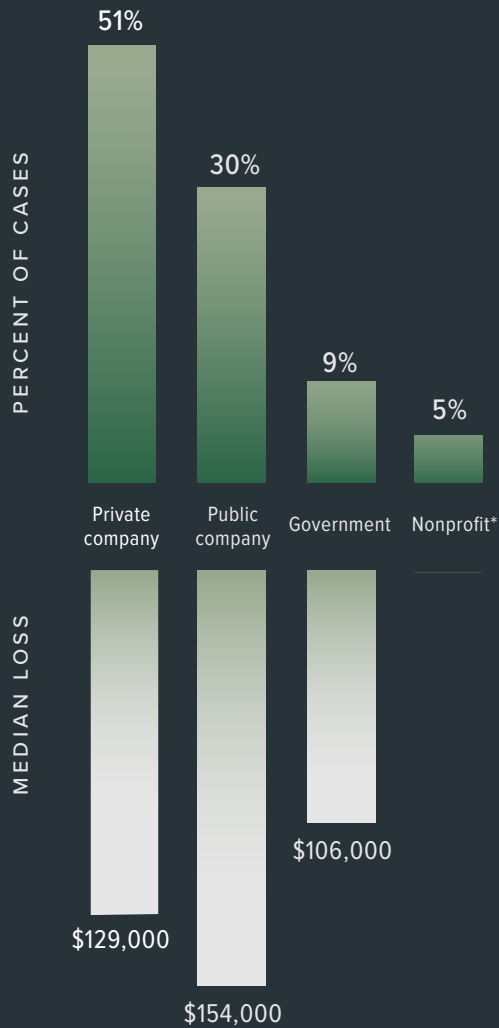


# **VICTIM ORGANIZATIONS**

To gain a better understanding of the victim organizations in Western Europe in our study, we asked respondents to provide information about the victims' type, size, and industry.

## VICTIM ORGANIZATIONS

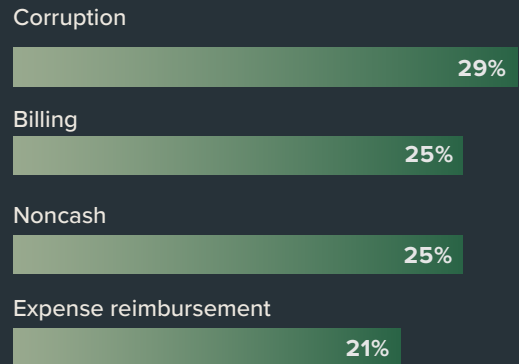
**PRIVATE COMPANIES** REPORTED THE **MOST CASES**, WHILE PUBLICLY TRADED COMPANIES SUFFERED THE **GREATEST MEDIAN LOSS**.



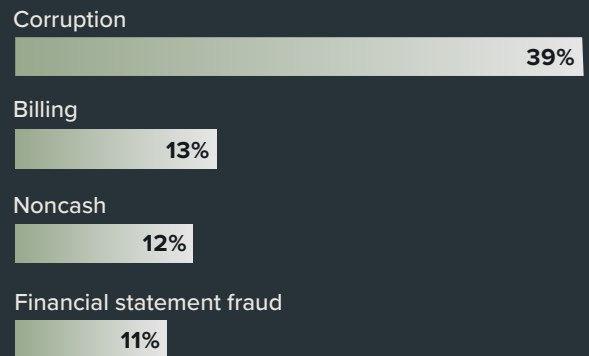
\*Median loss calculation omitted for categories with fewer than ten cases.

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

### <100 EMPLOYEES



### 100+ EMPLOYEES



THE **MEDIAN LOSS** IN  
LARGE ORGANIZATIONS  
WAS **HIGHER**  
THAN IN SMALL ORGANIZATIONS.



## WHAT INDUSTRIES WERE VICTIMIZED MOST OFTEN BY OCCUPATIONAL FRAUD IN WESTERN EUROPE?



Banking and financial services

**31%** of cases

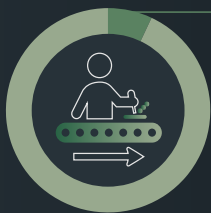
MEDIAN LOSS:  
\$106,000



Health care

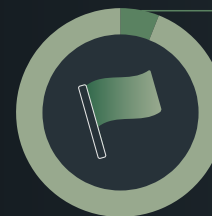
**8%** of cases

MEDIAN LOSS:  
\$165,000



Manufacturing\*

**7%** of cases



Government and public administration\*

**6%** of cases



Insurance\*

**5%** of cases



Telecommunications\*

**5%** of cases

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

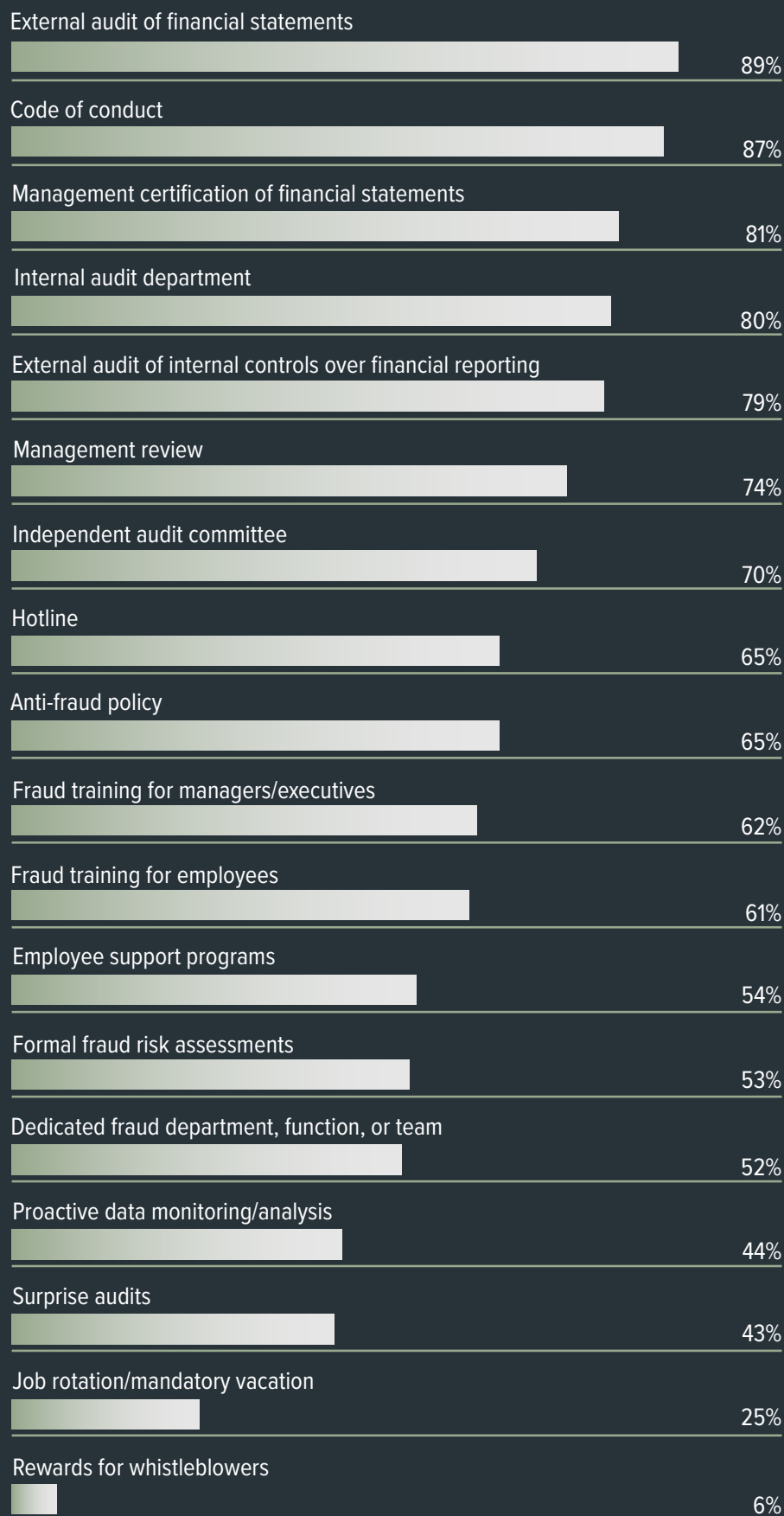


# **ANTI-FRAUD CONTROLS AT** **THE VICTIM ORGANIZATION**

We analyzed the anti-fraud controls that the victim organizations in Western Europe had in place at the time the frauds occurred, as well as the internal control weaknesses that contributed to the frauds.

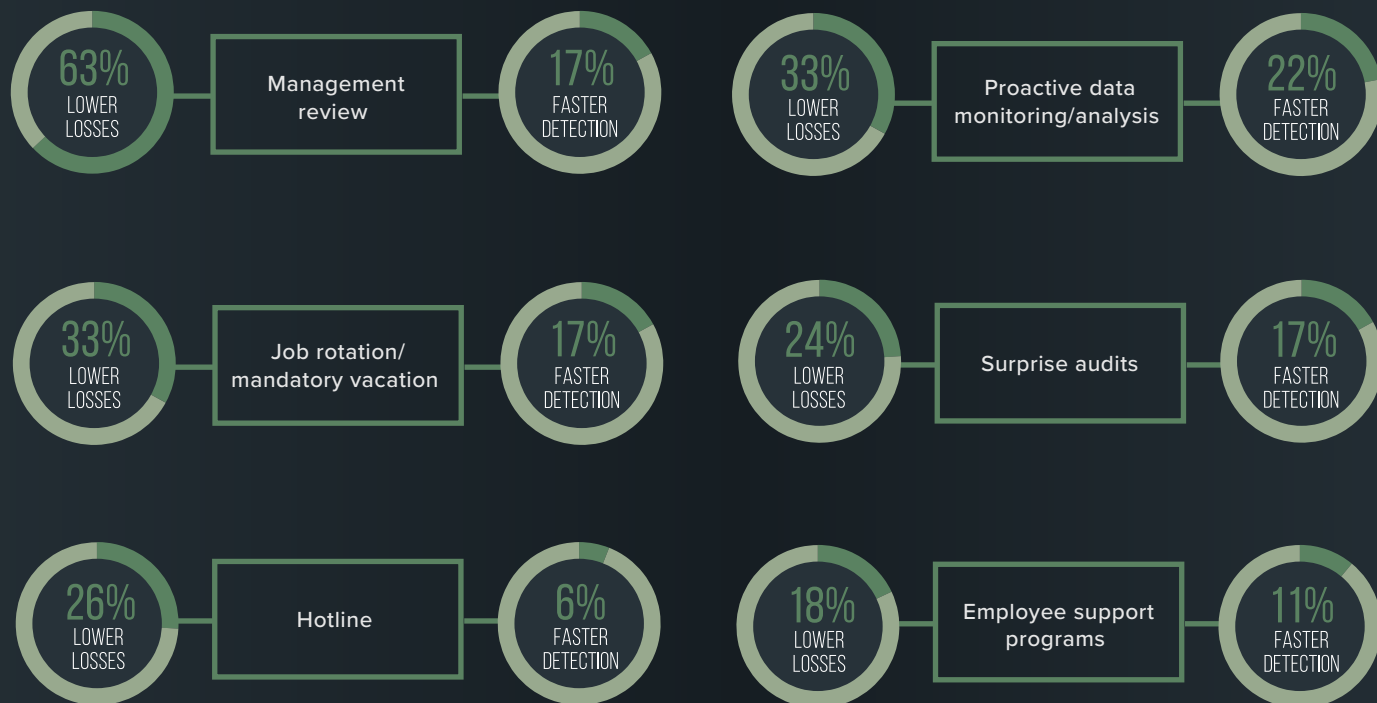
## ANTI-FRAUD CONTROLS

### WHAT ANTI-FRAUD CONTROLS ARE THE **MOST COMMON** IN WESTERN EUROPE?

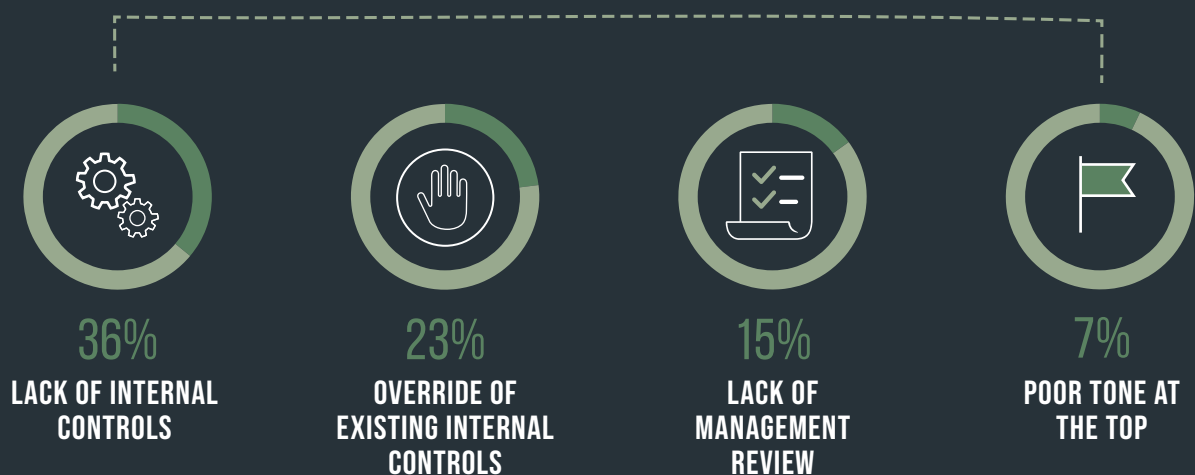


## ANTI-FRAUD CONTROLS

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 WESTERN EUROPE?



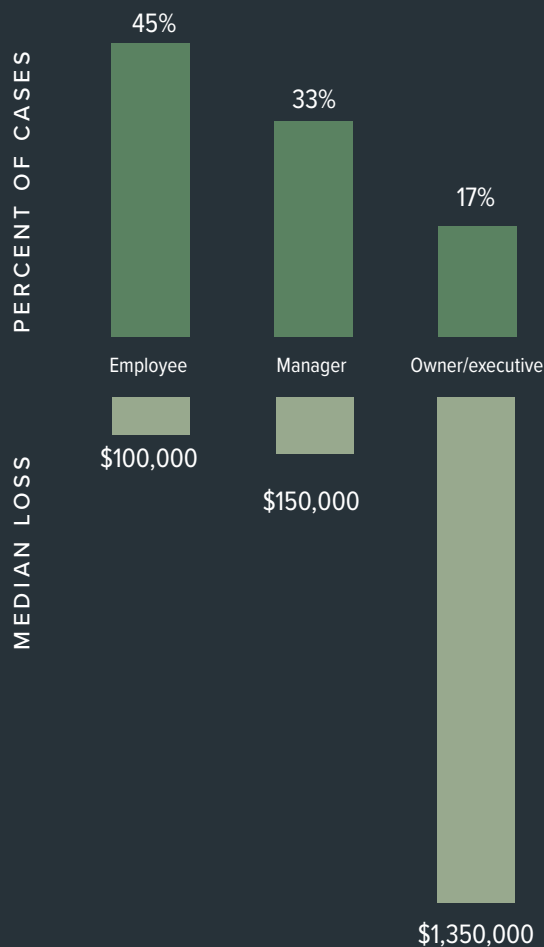


# **PROFILE OF A FRAUD** **PERPETRATOR**

Our study includes data on the characteristics of fraud offenders in Western Europe 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:



CUSTOMER SERVICE 17%



ACCOUNTING 13%



OPERATIONS 12%



SALES 9%

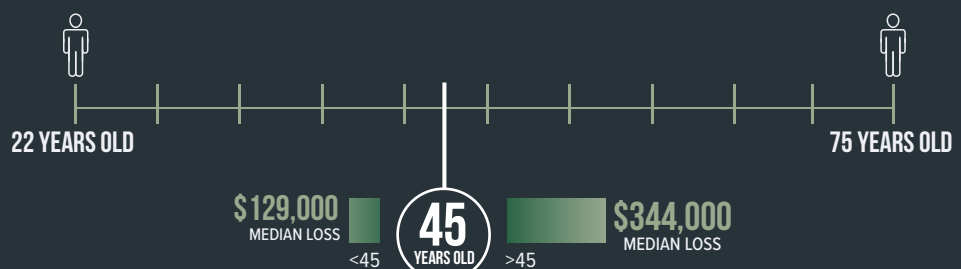


EXECUTIVE/UPPER MANAGEMENT 7%

### AGE

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

MEDIAN AGE





## PROFILE OF A FRAUD PERPETRATOR

### GENDER

**73% OF FRAUDS WERE COMMITTED BY MEN**



MALE  
**\$200,000**  
Median loss



FEMALE  
**\$93,000**  
Median loss

Losses caused by men were  
**MORE THAN 2X**  
those caused by women

### COLLUSION

Median losses were far greater when fraudsters colluded

57%  
of cases



**ONE PERPETRATOR**

**\$97,000** Median loss

43%  
of cases



**TWO OR MORE PERPETRATORS**

**\$400,000** Median loss

## THE 5 MOST COMMON RED FLAGS

**76%** OF ALL  
FRAUDSTERS  
displayed at least one  
**BEHAVIORAL RED FLAG**



**30%**

Living beyond means



**25%**

Financial difficulties



**20%**

Unusually close association with vendor/customer



**19%**

Divorce/family problems



**15%**

Irritability, suspiciousness, or defensiveness

**ONLY 4%** OF PERPETRATORS  
HAD A PRIOR  
**FRAUD CONVICTION**



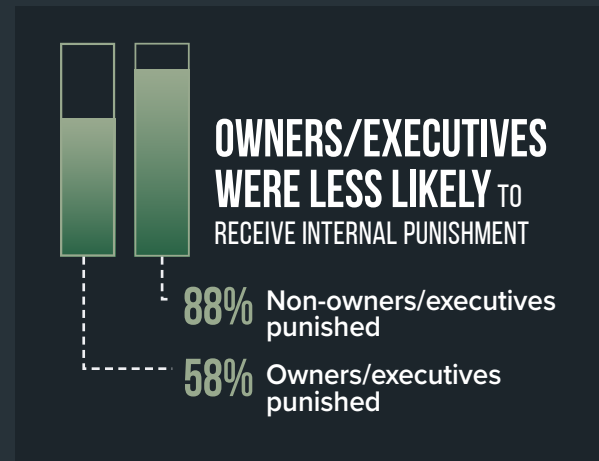
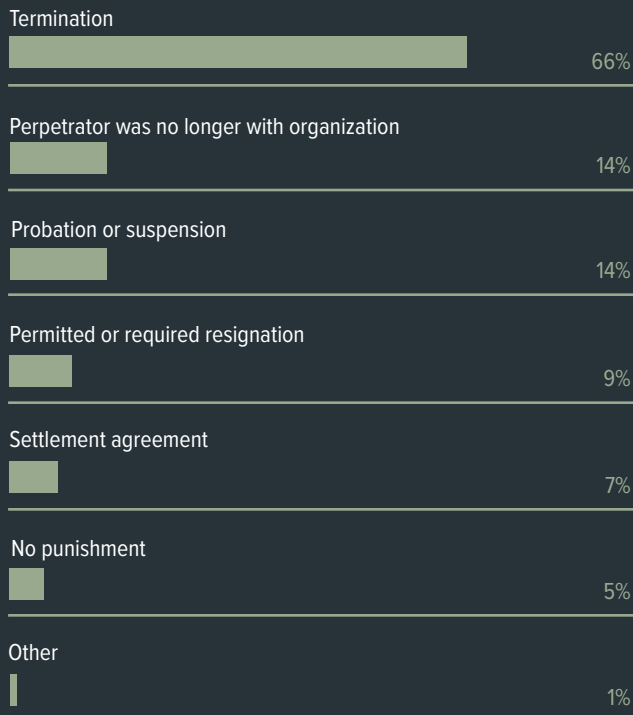


# **CASE RESULTS**

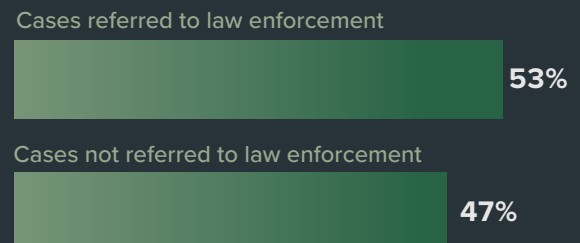
Survey respondents in Western Europe provided information on the results of the fraud investigation, including internal punishment, litigation results, and recovery of defrauded assets.

## CASE RESULTS

### HOW DO VICTIM ORGANIZATIONS IN WESTERN EUROPE PUNISH FRAUD PERPETRATORS?



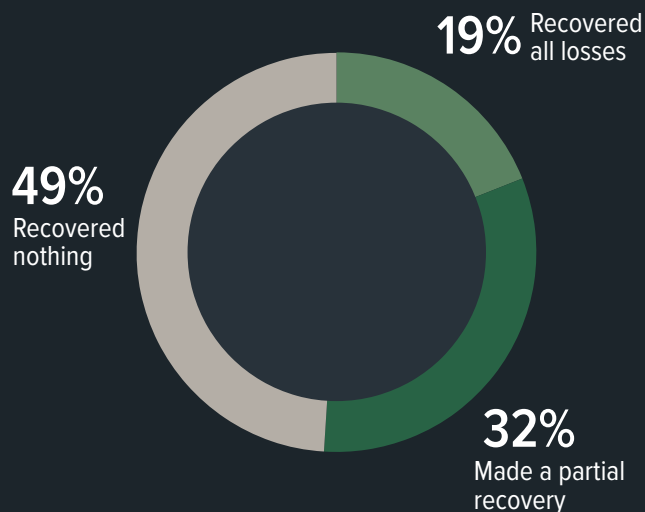
### CRIMINAL LITIGATION



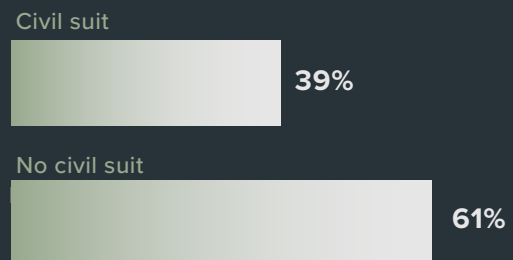
Median loss in cases with criminal referral: **\$213,000**

### RECOVERY

49% of victim organizations did not recover any fraud losses



### CIVIL LITIGATION



Median loss in cases with civil suits: **\$228,000**



# 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, 198 involved occupational fraud perpetrated against organizations in Western Europe; 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 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

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](https://www.acfe.com) | [info@ACFE.com](mailto: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: Western Europe Edition*. Copyright 2021 by the Association of Certified Fraud Examiners, Inc."