

The Pandemic's Impact on Occupational Fraud

Recent research has shown that fraud committed by employees or occupational fraud is the most common form of fraud and is likely the costliest financial crime globally. According to the latest findings of the Occupational Fraud 2022: A Report to the Nations (“the 2022 Report”)¹, the global loss to occupational fraud was estimated to be more than US\$4.7 trillion or HK\$36.9 trillion per year.

Occupational fraud is defined as any fraud committed at work. It is the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organization's resources or assets.

In the last two years, the pandemic has caused many changes in the business environment and has impacted on the situation of occupational fraud. “In the current situation, companies are looking for cost-saving by cutting jobs or reducing wages”, said Barry Tong, President of the Association of Certified Fraud Examiners, Hong Kong Chapter (“ACFE HK”). “As history tells us, this may create motivation for employees to commit fraud especially when they are working remotely. For examples, theft of company's sensitive data with unsupervised and enhanced access to company's information, or falsifying records by logging more hours than actually spent working.” In fact, half of all fraud cases in the 2022 Report were affected by the pandemic in some way and organisational staffing changes, which amounted to 42%, were the most common pandemic-related factor that had contributed to occupational fraud.

Fraud is typically triggered by the fraud triangle, which includes the financial pressure, a rationalisation for the act, and the opportunity to commit fraud. The

¹ Occupational Fraud 2022: A Report to the Nations is based on the results of the ACFE 2021 Global Fraud Survey, an online survey of Certified Fraud Examiners conducted from July 2021 to September 2021.

best way to avoid occupational fraud to a company is to create anti-fraud controls and train employees how to use them. The 2022 Report has highlighted that a robust anti-fraud programme is critical to a company in preventing the loss resulting from potential occupational fraud. “Not until you have put in place and executed an effective fraud prevention programme, you do not know where the vulnerabilities to fraud in your company are” said Albert Ho, the Chairman of ACFE HK Research Committee and the Director of ACFE HK. “A robust fraud prevention programme in fact also increases the confidence of investors, stakeholders, partners and auditors in your company”. The 2022 Report revealed that the overall usage of anti-fraud methods had been increasing over the past 10 years, particularly the adoption of hotlines, fraud trainings, anti-fraud policies and fraud risk assessments.

To deter or reduce occupational fraud, intervention of law enforcement is also crucial. However, only 58% of cases were referred to law enforcement for further action according to the 2022 Report. The number has been slowly declining over the past years and the top reasons cited for not reporting were “internal discipline sufficient” and “fear of bad publicity”. For most of the cases detected, employers responded by terminating the employment with the perpetrators. “Occupational fraud is, in many ways, equivalent to theft, and there must be a strong deterrent. Employers are encouraged to report such fraudulent conduct to law enforcement as appropriate”. Barry Tong says.

2 September 2022



ACFE HK runs regular training courses on fraud investigation and prevention to members in Hong Kong in collaboration with the Centre of Criminology, Faculty of Social Science, University of Hong Kong. Photo shows participants attending a specialized training on the legal aspects of anti-money laundering in Hong Kong.



The Research Committee examined and discussed research papers and data relating to the global situation of occupational fraud in a meeting. Photo shows the meeting attended (from the left) by Ms Jenny Lor, Director of Training, Mr Albert Ho, Chairman of ACFE HK Research Committee and Director of ACFE HK, Mr Barry Tong, President, ACFE HK, and Mr Daniel Chow, Treasurer, ACFE HK.

About the Association of Certified Fraud Examiners, Hong Kong Chapter (ACFE HK)

The ACFE HK, which is a not-for-profit organization, holds social and training activities on a regular basis to connect anti-fraud professionals and promote professional advancement in the prevention, deterrence, detection and investigation of fraud in Hong Kong.

The Association of Certified Fraud Examiners ("ACFE") is the world's premier provider of anti-fraud training and education. Together with nearly 90,000 members in over 150 countries, the ACFE is reducing business fraud worldwide and leading the fight against white collar crime.

To learn more, visit www.hkacfe.com and www.acfe.com.

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Supplementary Information (Provided in English only)

1. Occupational Fraud 2022: A Report to the Nations (“the 2022 Report”) is available for download online at [ACFE.com/RTTN](https://www.acfe.com/RTTN).
2. Previous training organised by the ACFE Hong Kong Chapter, 2020-2022
3. Occupational Fraud Report 2022 – Interpret the trend in APAC
4. Impact from the pandemic – extracted from the 2022 Report
5. Anti-fraud controls – extracted from the 2022 Report
6. Law enforcements – extracted from the 2022 Report

Supplementary information (1)

Please go to the ACFE website at <https://legacy.acfe.com/report-to-the-nations/2022/> to download the “Occupational Fraud 2022: A Report to the Nations”

Supplementary information (2)

Previous training organised by the ACFE Hong Kong Chapter, 2020-2022

Date	Training event
9 Jul 2022	Fraud Investigation Training - A Fuller Picture - Fraud and Due Diligence Investigation
16 Jul 2022	Fraud Investigation Training - Fraud Examiners’ Role in Suspended Trading Companies
23 Jul 2022	Fraud Investigation Training - Recovering Stolen Funds and Unfreezing Frozen Assets: Recent Legal Developments
30 Jul 2022	Fraud Investigation Training - Digital Investigation for Fraud Examiners
3 May 2022	Russian Sanctions – What Companies Should Do?
1 Mar 2022	International Cooperation for Fraud Investigations in the Post National Security Law (NSL) Era
20 Nov 2021	Fraud Investigation Training - Handling investigations in the digital era: a legal update
27 Nov 2021	Fraud Investigation Training - Exploring the application of digital forensics and intelligence research to detect and respond to fraud
4 Dec 2021	Fraud Investigation Training - Interview skills for private investigations
11 Dec 2021	Fraud Investigation Training - Fraud investigations with digital evidence management tool
18 Nov 2021	ICAC Talk on the Guardian Role of Professionals in Upholding Ethical Governance
29 Sep 2021	Morning Webinar - Fraud Prevention: "Process Design & Corporate Culture Development"
7 Aug 2021	Fraud Investigation Training - What to do if your Bank account funds have been inadvertently frozen
14 Aug 2021	Fraud Investigation Training - Cyber fraud and corporate fraud in listed companies a legal perspective
24 Jul 2021	Fraud Investigation Training - Investigations - Hunting Dishonesty
31 Jul 2021	Fraud Investigation Training - Convergence between cyber and fraud investigations

27 May 2021	Morning Webinar - Bribery & Fraud: Threats to Corporate Governance and Restructuring
30 Mar 2021	Morning Webinar - Latest Developments in On-line Scam Investigations
2 Mar 2021	Tradecraft Training: How to Use the Dark Web for Your Investigations
15 Dec 2020	ICAC Talk on the Guardian Role of Professionals in Upholding Ethical Governance
7 Nov 2020	Fraud Investigation Webinar - A Practical Approach to the Prevention and Detection of Fraud
14 Nov 2020	Fraud Investigation Webinar - Trust, Social Harm, and Investment Fraud
21 Nov 2020	Fraud Investigation Webinar - Outside In: Discreet Information Gathering in Contentious Situations, Fraud and Disputes
28 Nov 2020	Fraud Investigation Webinar - "Do's and Don'ts" in presenting evidence; Thinking Ahead about Artificial Intelligence (AI) and Data Privacy
29 Sep 2020	Morning Webinar - From Fraud to Money Laundering: Financial Crime Investigation Techniques Using "Free Data"
1 Aug 2020	Fraud Investigation Webinar 2020 - Execution and Management of Economic/ Financial crime investigation from a Public Officer perspective
8 Aug 2020	Fraud Investigation Webinar 2020 - Applications of Artificial Intelligence for Effective Management of Financial Crime Risk
18 Jul 2020	Fraud Investigation Webinar 2020 - "Let's talk..." - Investigative Interviewing "You need to hear this"
25 Jul 2020	Fraud Investigation Webinar 2020 - Private Initiated Investigation
15 May 2020	Morning webinar - "The Role of Ethics in the Context of Organizational Fraud Prevention"

A full list of our upcoming and previous trainings can be found at <https://www.hkacfe.com/events>

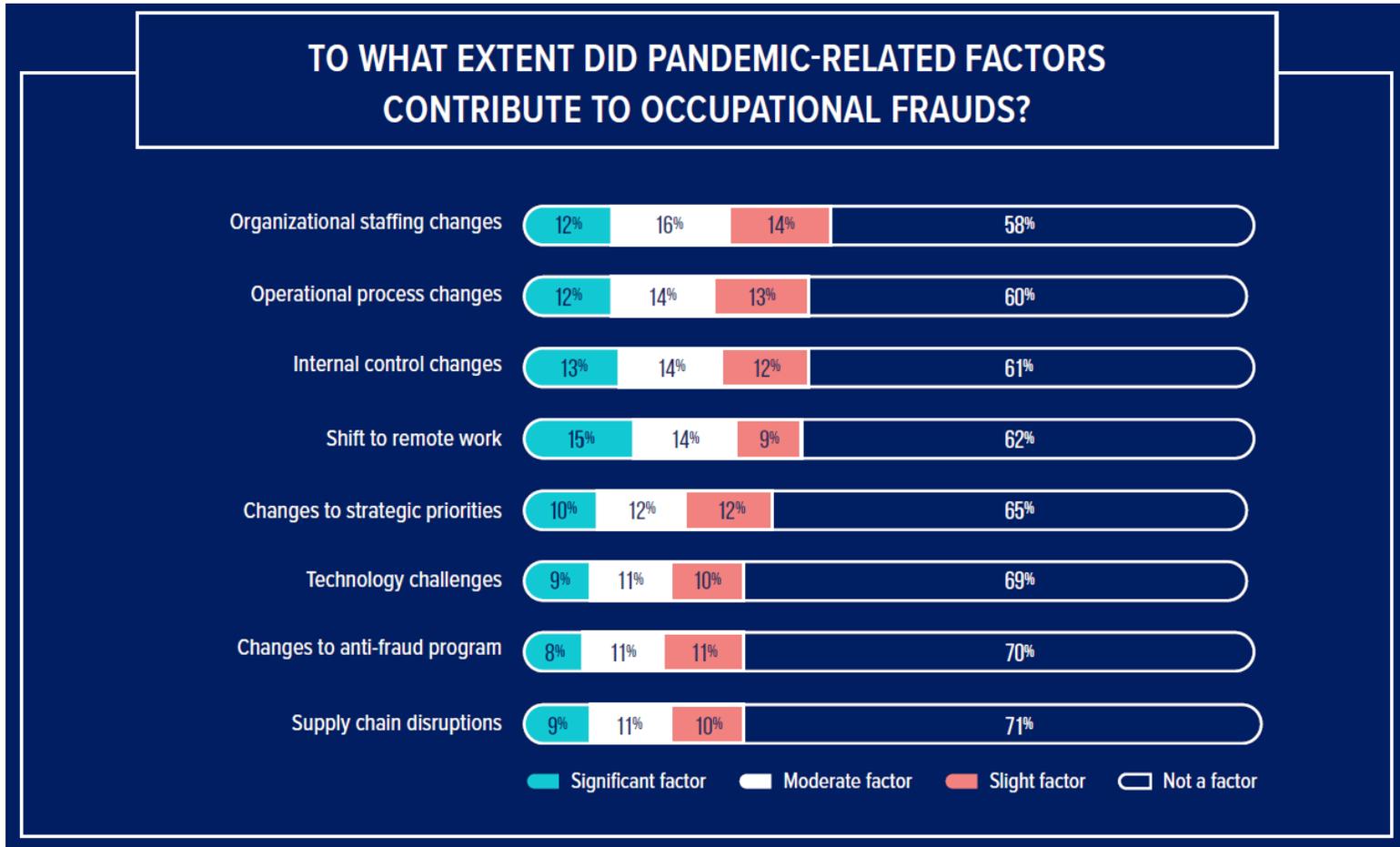
Supplementary information (3)

Please read the attached document entitled "Occupational Fraud Report 2022 – Interpret the trend in APAC" at

https://www.hkacfe.com/resources/Documents/2022-09-02_OccupationalFraudReport_APACtrend.pdf.

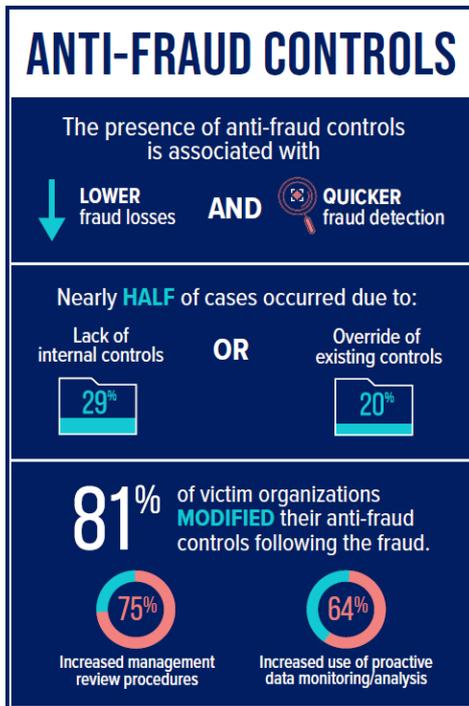
Supplementary information (4)

Impact from the pandemic – extracted from the 2022 Report



Supplementary information (5)

Anti-fraud controls – extracted from the 2022 Report



These five have **INCREASED** the most:

	2012	2022	Increase
 Hotline	54%	70%	16%
 Fraud training for employees	47%	61%	14%
 Anti-fraud policy	47%	60%	13%
 Fraud training for managers/executives	47%	59%	12%
 Formal fraud risk assessments	36%	46%	11%

Supplementary information (6)

Law enforcement – extracted from the 2022 Report



Why does a company decline to refer cases to law enforcement?

% of cases	Report 2018	Report 2020	Report 2022
Internal discipline sufficient	33%	46%	50%
Fear of bad publicity	38%	32%	30%
Private settlement	21%	27%	28%
Too costly	24%	17%	20%
Lack of evidence	12%	10%	10%

Internal responses to fraud

% of cases	Report 2018	Report 2020	Report 2022
Termination	65%	66%	61%
Perpetrator no longer with organization	11%	11%	12%
Probation/ suspension	8%	9%	12%
Permitted/ required resignation	10%	10%	11%
Settlement agreement	12%	11%	10%