



**GLOBAL MID-MARKET  
CORPORATE FRAUD  
LANDSCAPE**

DECEMBER 2022



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# EXECUTIVE SUMMARY

Cyber-related corporate fraud is a pervasive threat in today's increasingly digital business environment. Dedicating appropriate attention to anti-fraud measures, including training, hotlines, recruiting, internal control and attitude are keys for minimising losses, but are organisations fully prepared?

More than 2,000 respondents from 131 countries participated in our global mid-market corporate fraud survey. Their responses reveal key facts about current threats, the consequences suffered by organisations, and protective actions needed.

## AWARENESS AND IDENTIFICATION

Of the participants detecting and reporting fraud, an average of 32 frauds were detected by our survey participants in 2021. Our survey respondents noted cyber fraud as the most common type of fraud they encountered. Respondents also indicated that whistle-blower hotlines and technology-driven internal controls are significant mechanisms for identifying and mitigating fraud.

With the most significant losses often exceeding \$1 million dollars, fraudulent schemes present a dire threat to organisational resilience. The losses generated by fraud impact all stakeholders, including but not limited to owners, employees, and communities.

## PREVENTION AND DETERRENCE

The duration of the fraudulent scheme matters. When a fraudster strikes, organisations must act swiftly to identify the fraud, attempt to minimise losses, and fix security and control gaps. Catching fraud in its early stages can prevent small losses from becoming catastrophic.

Participants overwhelmingly reported that their organisation changed processes and internal controls after identifying fraudulent schemes. Still, only 31% stated they expect their organisation's investment in anti-fraud measures to increase in the next year.

## CHANGING THE LANDSCAPE

Robust anti-fraud controls can be powerful deterrents of fraud and corruption. Significant expansion of anti-fraud programmes following best international practices could increase corporate fraud detection and prevention or at least mitigate its impact.

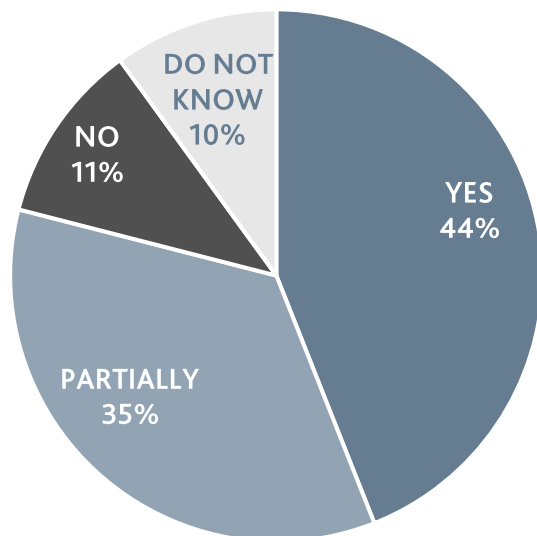




# IS YOUR ORGANISATION READY?

**DO YOU CONSIDER YOUR ORGANISATION SUFFICIENTLY PREPARED TO PREVENT, DETECT AND DETER CORPORATE FRAUD?**

**46%** of respondents consider their organisation partially prepared or not prepared at all to prevent, detect, and respond to fraud. Another 10% do not know whether their company is ready or not.



# PROFILE OF THE SURVEY PARTICIPANTS

**2,006** Respondents



**131** Countries



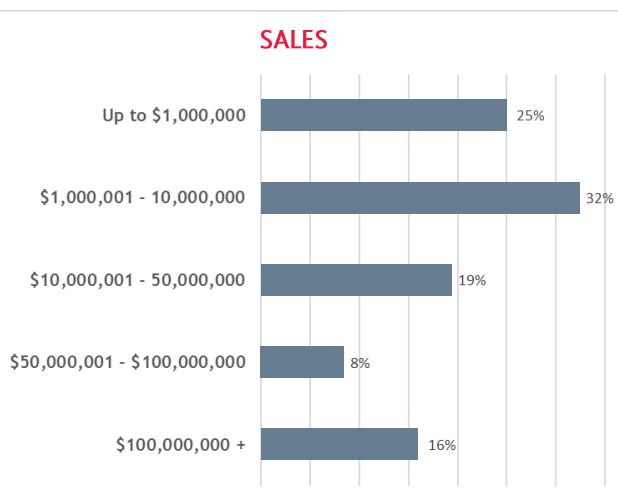
**68%**

Of the survey respondents operate in only one country or region. Their companies covered a wide range of private and public companies.

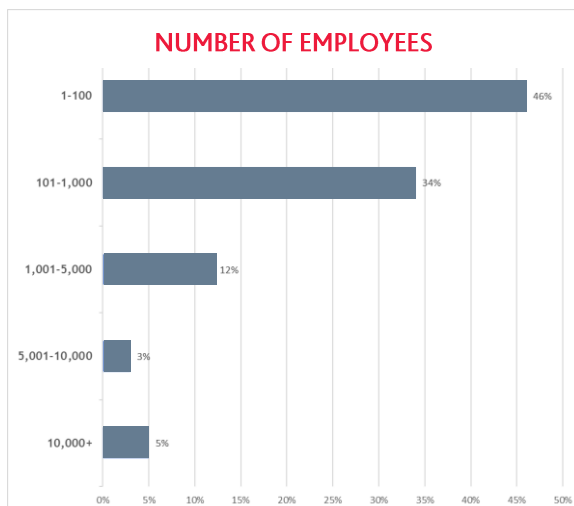
## ORGANISATIONS

- 52%** Operate in only one country or region, privately held
- 16%** Operate in one country or region only, public
- 10%** Multinational company with public listing
- 9%** Privately held multinational company
- 7%** Government or state-owned company
- 6%** NGO and other non-profits

## SALES



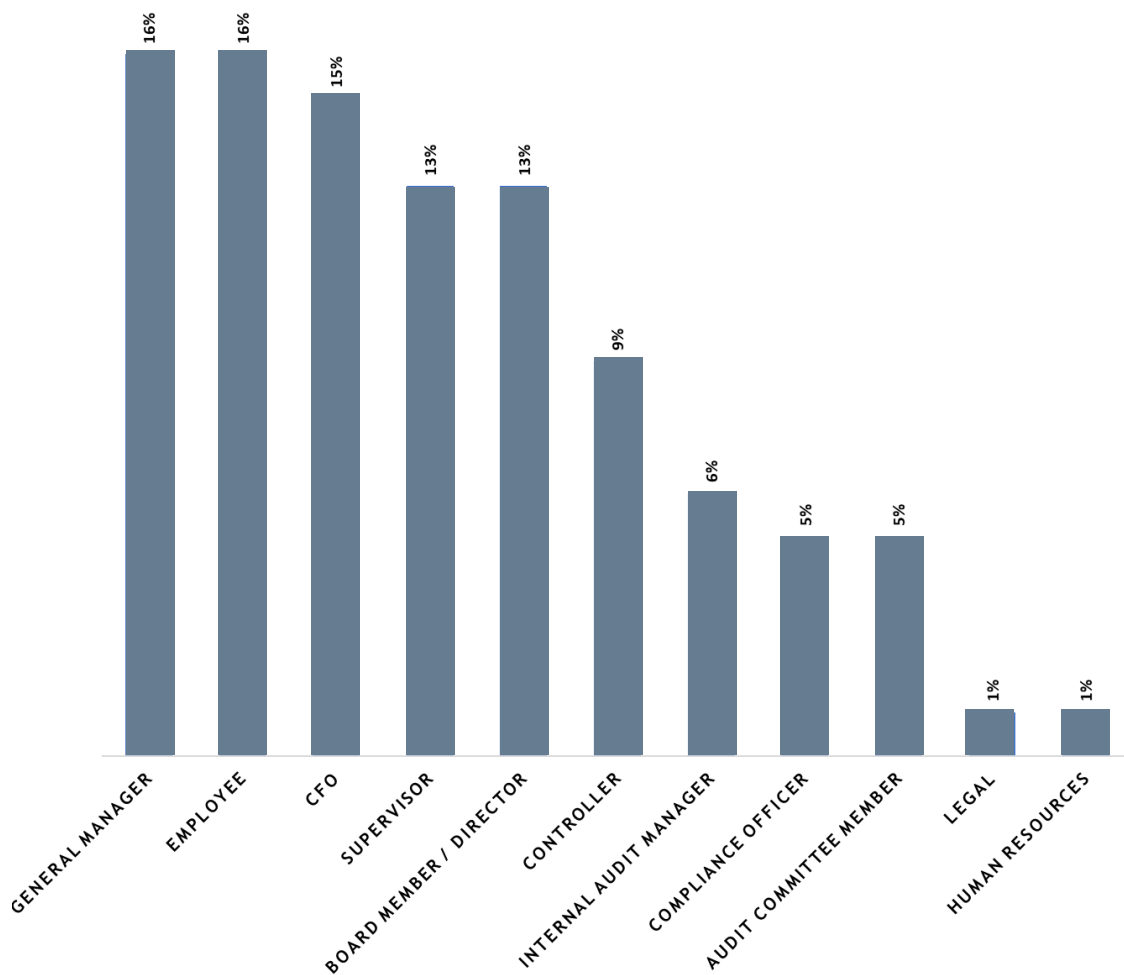
## NUMBER OF EMPLOYEES





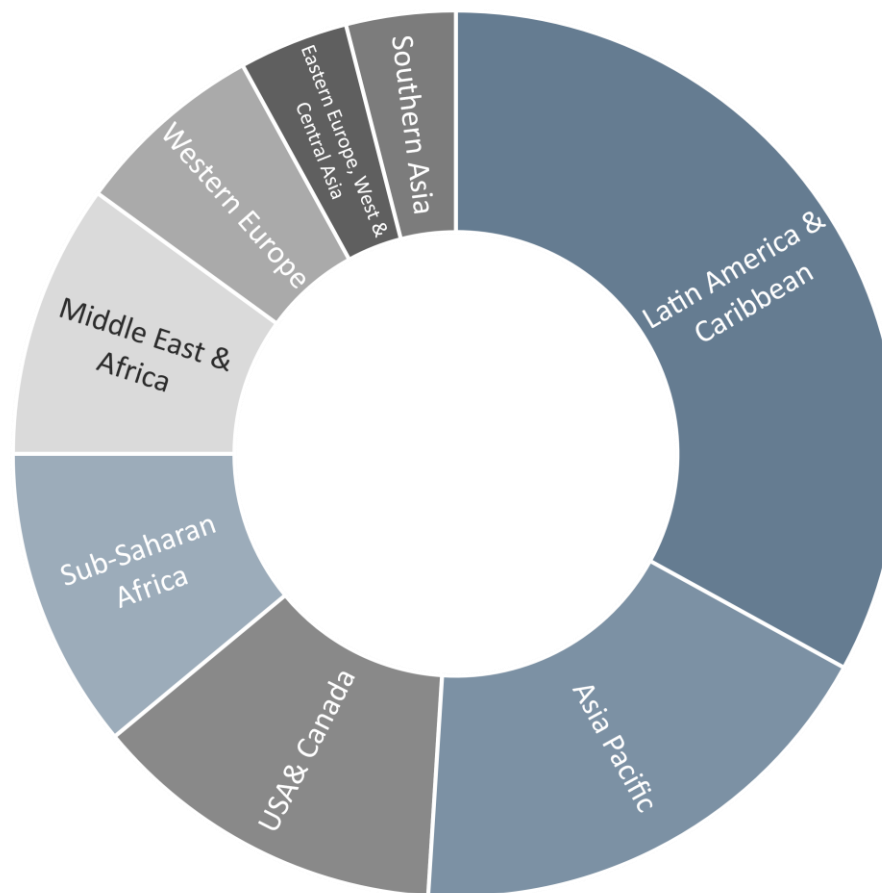
### WHAT IS YOUR ROLE IN YOUR ORGANISATION?

The parties completing the survey provide a diversity of perspectives.



### IN WHICH REGION DO YOU WORK?

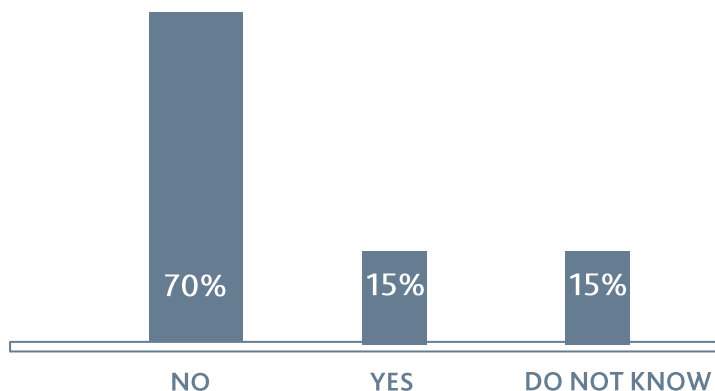
Participants from developing countries comprised **80%** of total survey participants, with 33% located in Latin America.





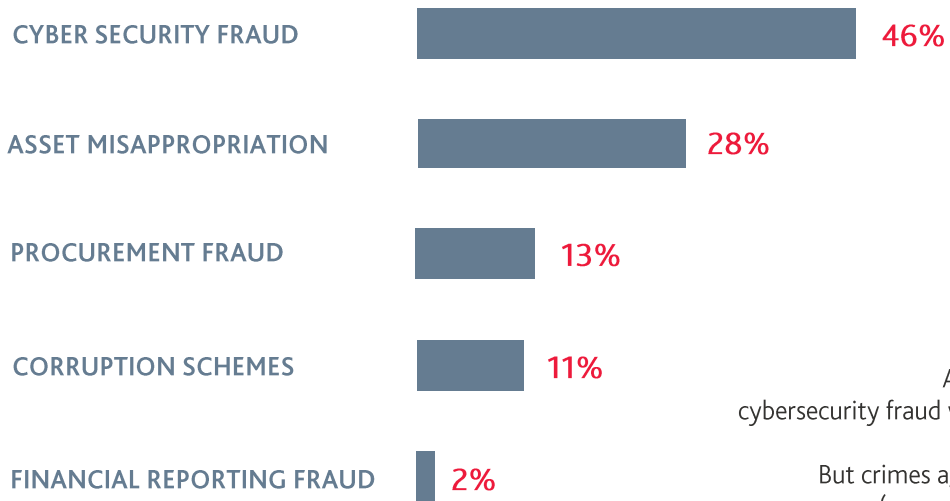
# GLOBAL CORPORATE FRAUD REPORTED BY RESPONDENTS

## WAS YOUR ORGANISATION A VICTIM OF FRAUD IN 2021?



**15%**  
of survey participants stated that fraud occurred at their organisation

## WHAT TYPES OF FRAUD OCCURRED AT YOUR COMPANY DURING 2021?



At **46%** cybersecurity fraud was the most common reported fraud. But crimes against the organisation (procurement fraud and asset misappropriation) continue to proliferate at 41% of organisations surveyed.



## FRAUD DETECTION

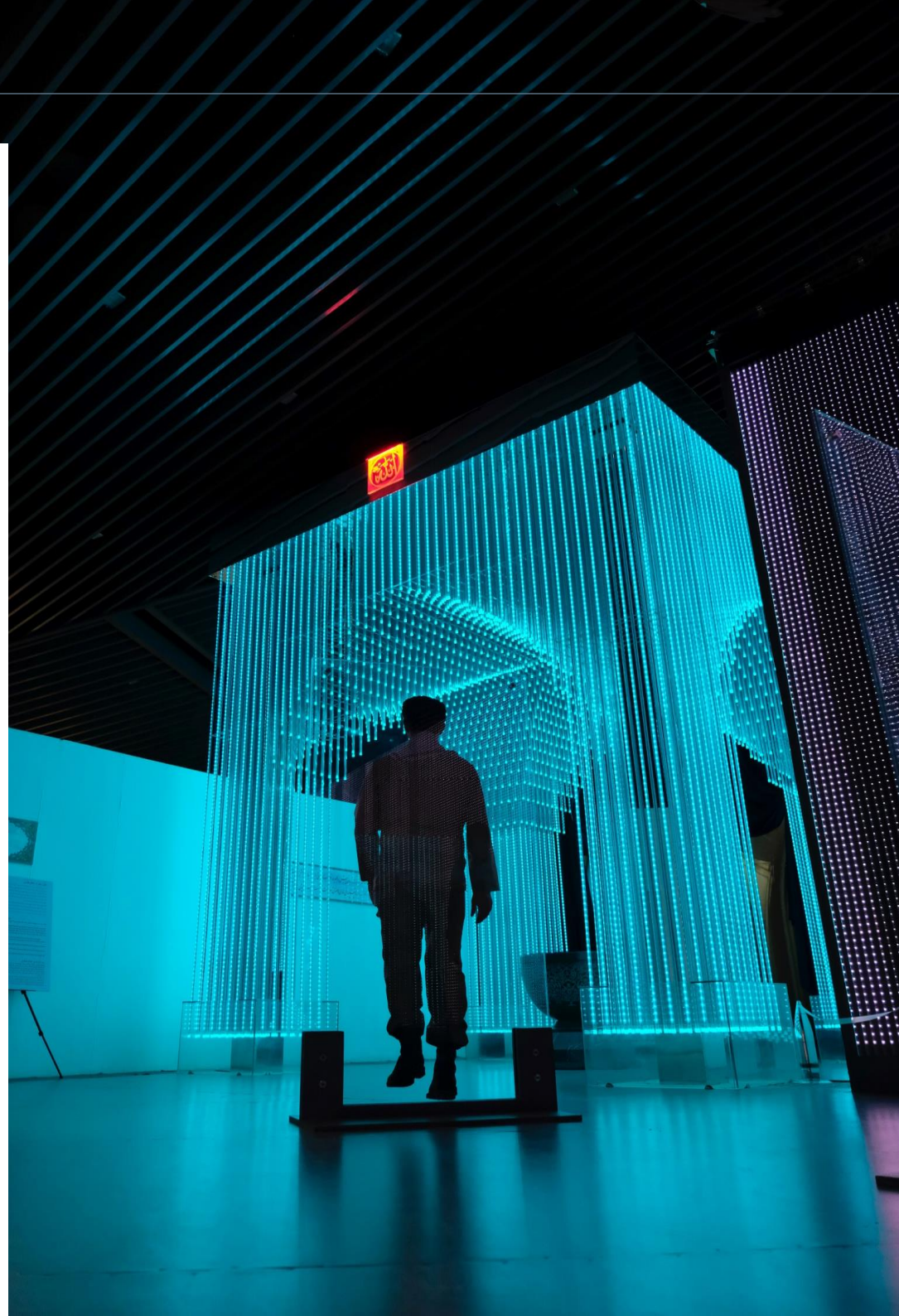
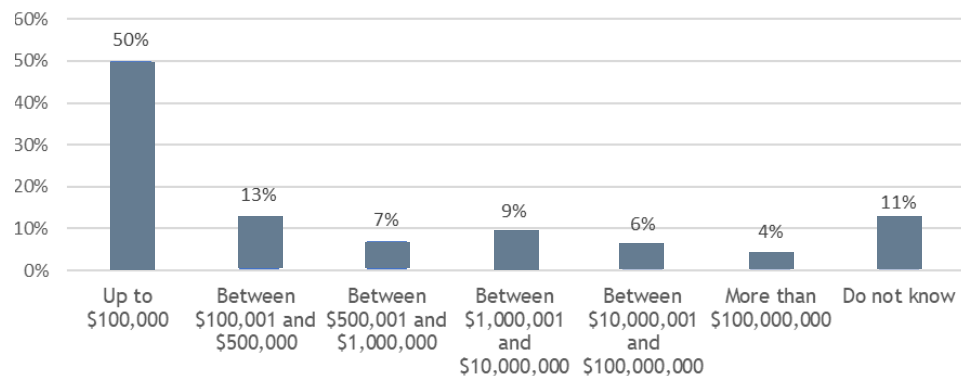
Survey respondents identified **36%** of the fraudulent schemes through a whistleblower. Technology-based controls accounted for 44% of detected frauds.

Methods of Identifying Fraud	
Through technology-based controls	44%
Complaint through an Ethics Hotline	20%
Anonymous complaints (without using an Ethics Hotline)	11%
Through a Fraud Prevention Unit	5%
Non-anonymous complaints (without using an Ethics Hotline)	5%
Internal Audits	4%
Internal Controls	4%
Unknown	2%
By chance	1%
Other	4%

## COST

According to survey participants, **50%** of fraud cases they detected involved losses greater than \$100,000. In 4% of the cases, respondents reported losses greater than \$100 million USD. Losses from corporate fraud can profoundly affect an organisation's resilience.

### WHAT WAS THE AGGREGATE LOSS AMOUNT (IN USD) CAUSED BY THE DETECTED FRAUD BEFORE RECOVERIES?





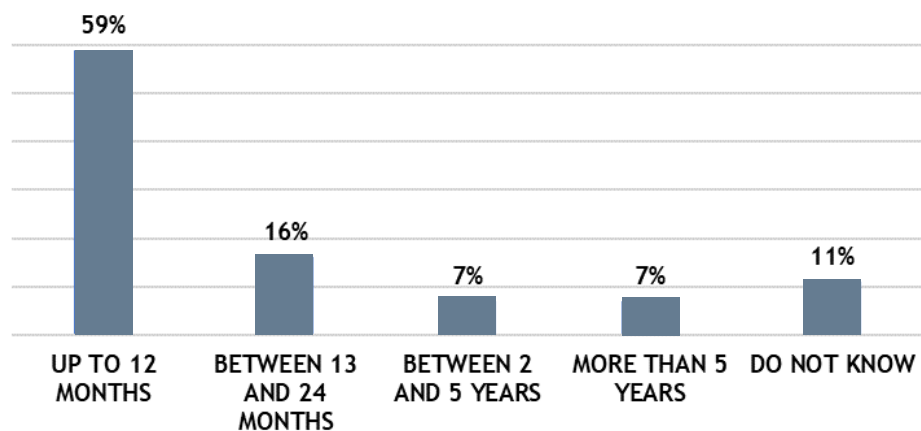
## CONTRIBUTING FACTORS

**58%** of survey participants reported that deficient internal controls contributed to fraud at their organisation.

Factors	
Deficient internal controls	58%
Poor supervision by management or senior management	52%
Violation of existing internal controls	37%
Absence of internal control	24%
Collusion with third parties	23%
Collusion between internal personnel	19%
Managers who did not inspire an ethical culture	16%
Unknown	5%

## DETAILS OF THE MOST SIGNIFICANT FRAUD CASES REPORTED

WHAT WAS THE APPROXIMATE AVERAGE DURATION OF THE MOST SIGNIFICANT IDENTIFIED FRAUD SCHEME?



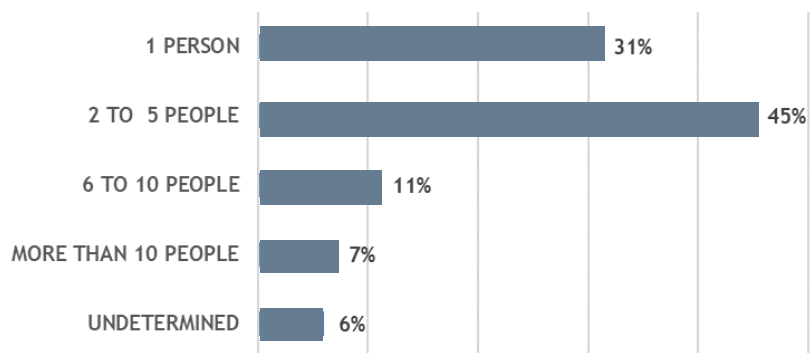
The organisation's most significant fraud lasted no more than a year (59%).

But **30%** corresponded to long-term schemes, while a duration was not identified in 11% of the detected frauds



**63%** of the responding organisations' most significant fraud was carried out by more than one person. However, in 6% of cases, survey participants were not able to determine the total number of perpetrators.

### How many people participated in the most significant fraud?



## CONSEQUENCES OF THE LARGEST FRAUD INVESTIGATION

**81%** of survey respondents cited "Changes in processes and internal controls" as the most common action following a fraud. Another 20% reported strengthening compliance functions in response to corporate fraud.

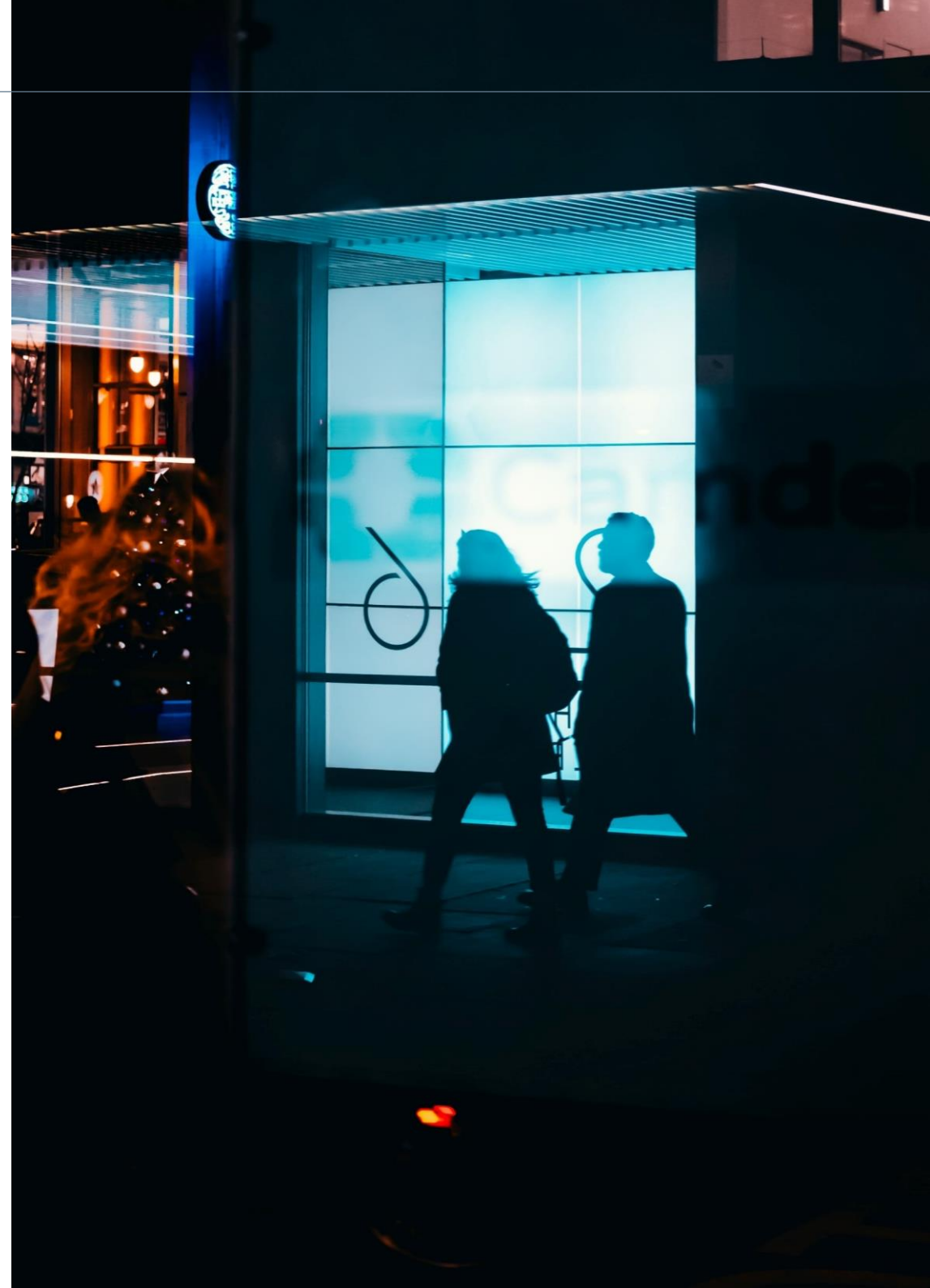
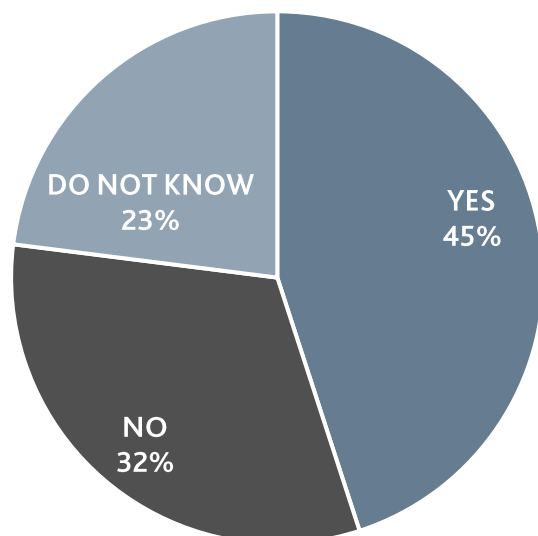
Changes in processes and internal controls	81%
Termination of employees	47%
Internal sanctions	21%
Strengthening of the Internal Audit function	20%
Strengthening of the Compliance function	20%
Financial Statement/Restatement	9%

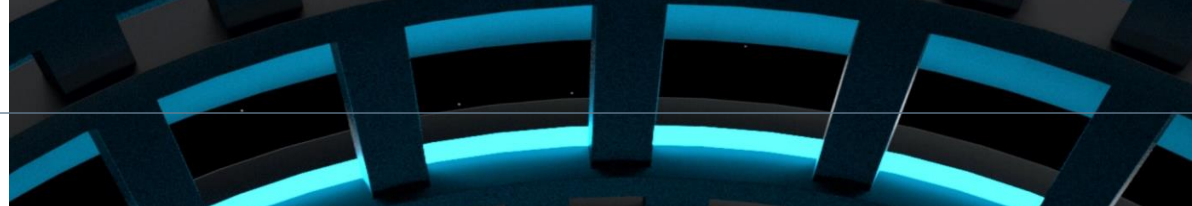


# ELEMENTS OF ANTI-FRAUD AND ANTI-CORRUPTION PROGRAMMES

## IS YOUR ORGANISATION SUBJECT TO ANY ANTI-CORRUPTION REGULATIONS?

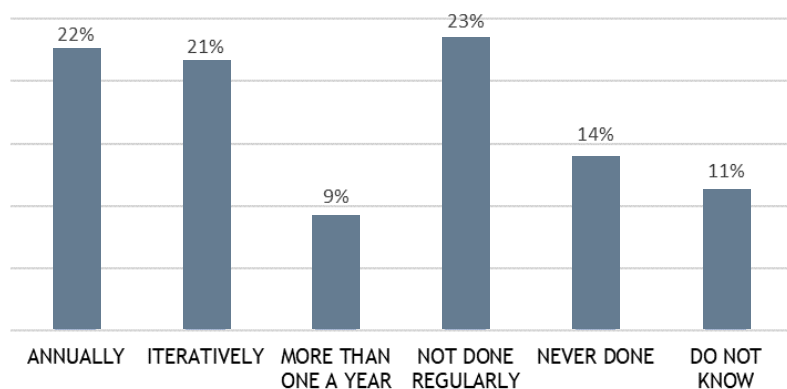
Only **45%** of surveyed organisations acknowledged being subject to anti-corruption regulations. This response rate may reflect a significant lack of awareness of the organisations' local and global anti-corruption responsibilities





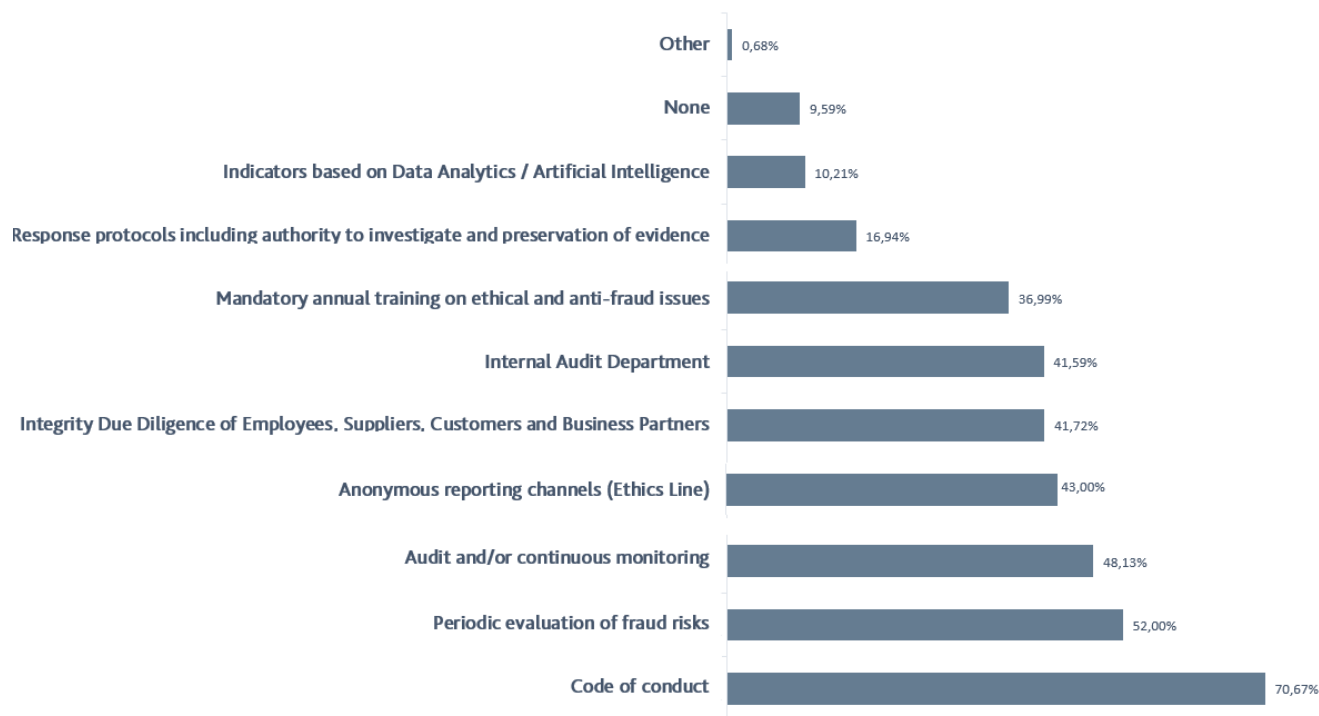
**52%** of surveyed organisations are conducting fraud/corruption risk assessments at least annually. However, 37% have never conducted such assessment or have not performed them regularly.

**HOW OFTEN DOES YOUR COMPANY CONDUCT ANTI-CORRUPTION / ANTI-FRAUD RISK ASSESSMENTS?**



Companies use a variety of methods to thwart corporate fraud. **71%** of respondent organisations have a Code of Conduct, but only 37% require employees to participate in mandatory annual ethics and anti-fraud training. Data analytics, one of the more effective means for combatting fraud, was specifically identified by only 10% of respondents, but other methods of corporate fraud management may also employ tech solutions. 10% of surveyed organisations do not use a fraud and corruption risk management programme.

**WHICH OF THE FOLLOWING COMPONENTS OF A FRAUD AND CORRUPTION RISK MANAGEMENT PROGRAMME DOES YOUR ORGANISATION HAVE?**



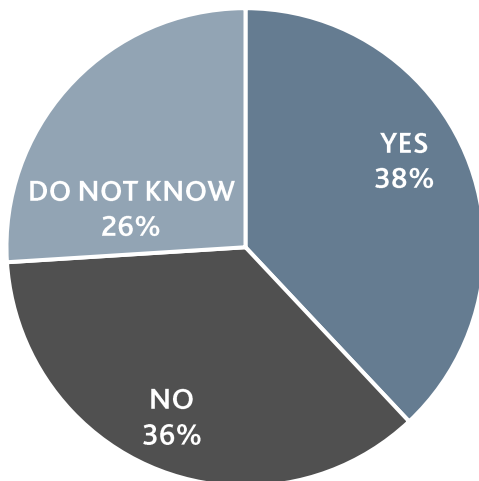




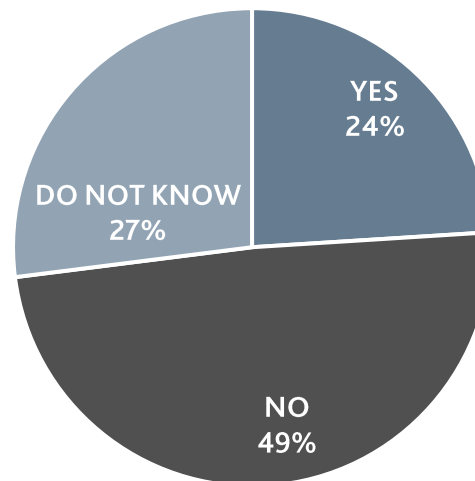
## BACKGROUND CHECKS

Pertaining to the most significant fraud cases, only **38%** of survey respondents had conducted a background check on the eventual fraudster before hiring.

**IN THE MOST SIGNIFICANT FRAUD DETECTED, WAS AN EMPLOYMENT BACKGROUND CHECK CONDUCTED ON THE FRAUDSTER?**

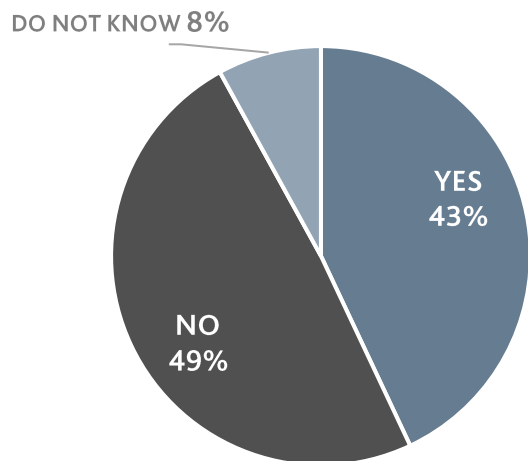


**REGARDING THE MOST SIGNIFICANT FRAUD DETECTED, WAS AN EMPLOYMENT BACKGROUND CHECK UPDATED ON THE PERSON WHO LED THE FRAUD?**





## WHISTLEBLOWING SYSTEMS

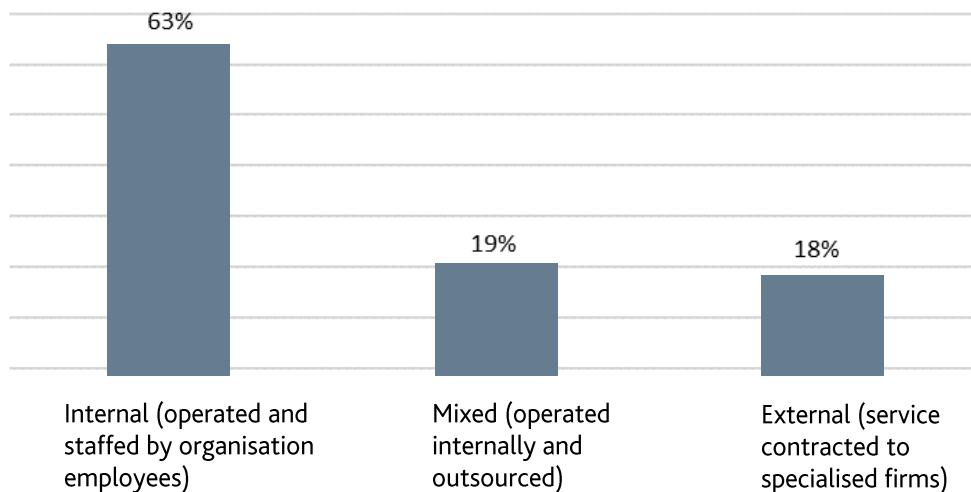


### DOES YOUR ORGANISATION HAVE A WHISTLEBLOWING SYSTEM?

Despite being an effective element of anti-fraud and anti-corruption programmes,

only **43%** of respondents indicated that their organisation had implemented a whistle-blower system. Most of the organisations with whistle-blower systems ran their programmes without outside assistance (63%).

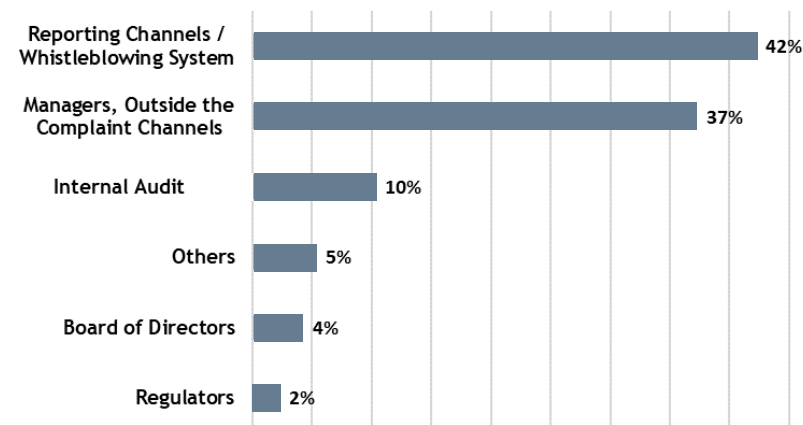
### HOW IS THE WHISTLEBLOWING SYSTEM IMPLEMENTED?



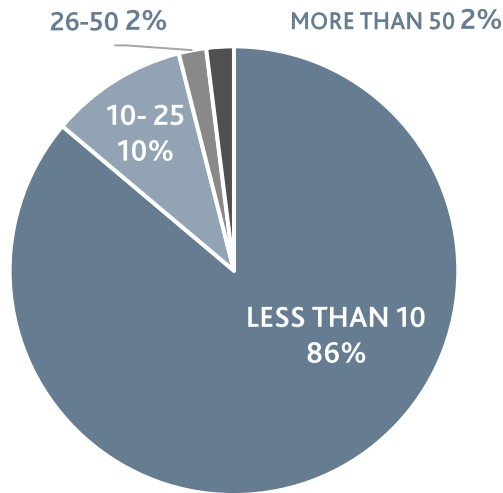
## CONSEQUENCES OF THE LARGEST FRAUD INVESTIGATION

According to survey participants, employees used their organisation's existing whistle-blower channel to report unethical behaviour in 42% of potential fraud cases. Only 2% of reports went directly to regulators.

### DURING 2021, WHAT WAS THE CHANNEL MOST USED BY EMPLOYEES TO REPORT UNETHICAL BEHAVIOR?







**DURING THE LAST 12 MONTHS, HOW MANY COMMUNICATIONS RELATED TO CORPORATE FRAUD DID YOUR WHISTLEBLOWING SYSTEM RECEIVE?**

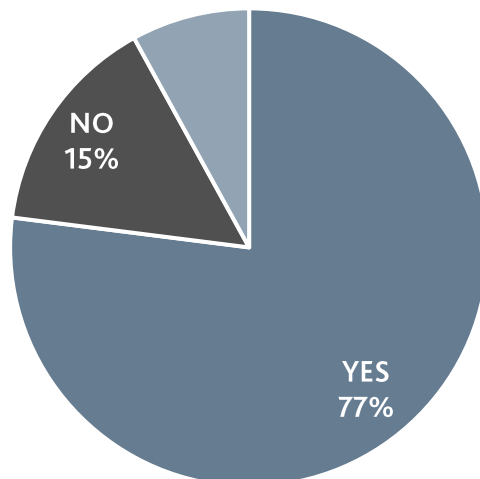
**87%** of respondents' whistleblowing systems received less than 10 communications in the past 12 months.



**ARE THE EMPLOYEES OF YOUR ORGANISATION FAMILIAR WITH THE WHISTLEBLOWING SYSTEM?**

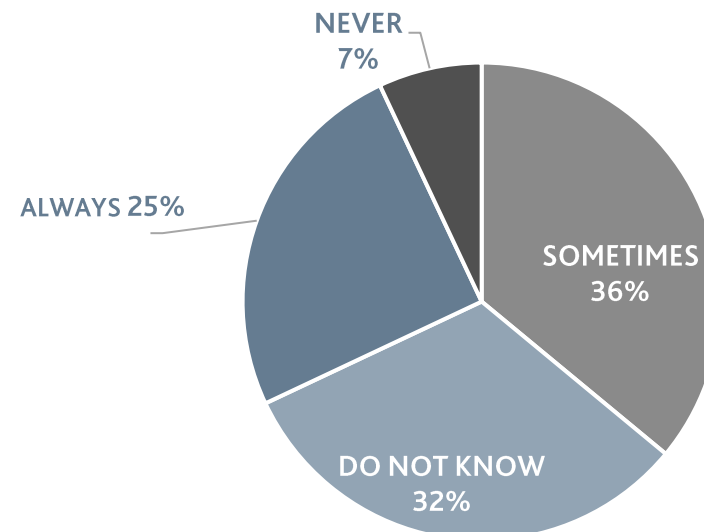
**77%** of organisations believe their employees are familiar with the organisation's whistleblowing system.

DO NOT KNOW 8%



**DO YOU THINK THAT EMPLOYEES OF YOUR ORGANISATION WOULD REPORT POTENTIALLY SIGNIFICANT ACTS OF FRAUD THROUGH THE WHISTLEBLOWING SYSTEM?**

Finally, **75%** of survey respondents lacked confidence that their employees would report fraud through their whistleblowing system.

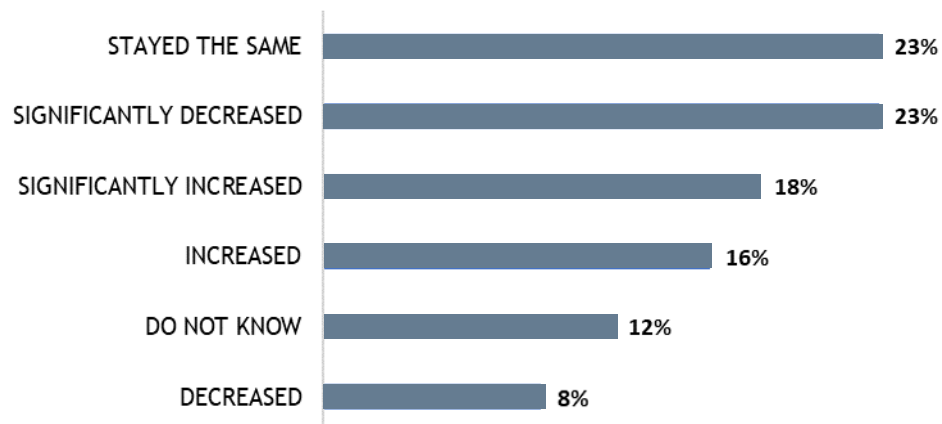


# ECONOMIC IMPACT AND FUTURE INVESTMENTS FOR SURVEY PARTICIPANTS



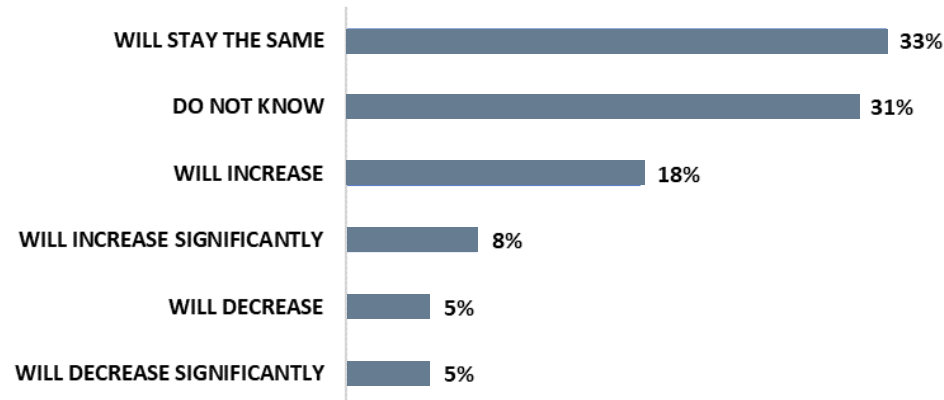
Survey participants reported on the economic impact of fraud on their organisations with **57%** stating the impact remained the same or increased.

## THE ECONOMIC IMPACT OF FRAUD ON YOUR ORGANISATION DURING THE PREVIOUS 12 MONTHS:



Estimates of economic impact due to fraud ranged from **10%** believing it will decrease to 33% expecting no change to their organisation.

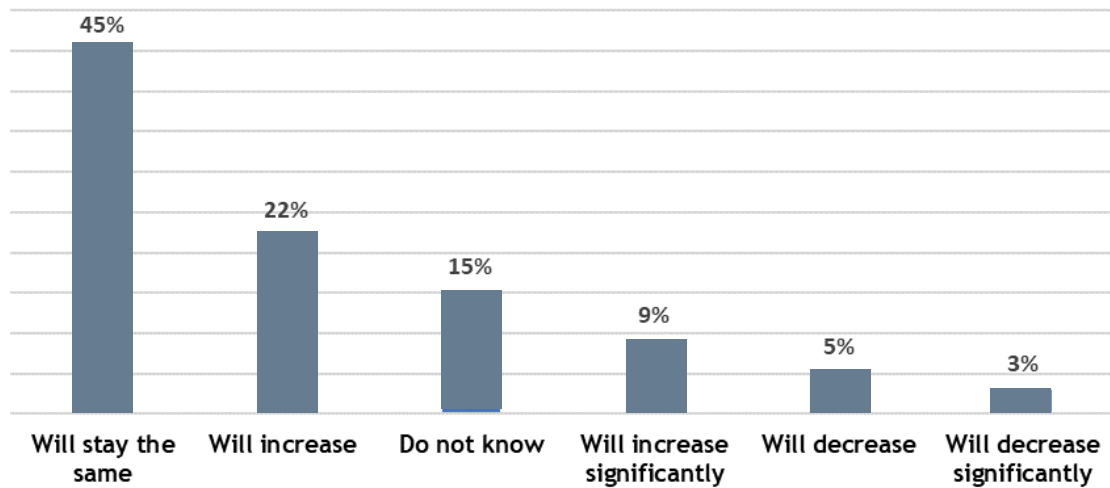
## OVER 2022, DO YOU ESTIMATE THAT THE ECONOMIC IMPACT OF FRAUD INCIDENTS:





**37%** of respondents with an opinion expect their anti-fraud investment to increase.

**WILL YOUR ORGANISATION'S INVESTMENT IN ANTI-FRAUD MEASURES CHANGE IN THE NEXT YEAR?**



# KEY RECOMMENDATIONS



With corporate fraud's prevalence and costliness, it's clear that organisations must act. Up-to-date technology, comprehensive policies, and employee awareness can work together to stop fraud at any point in its lifecycle.

But nearly half of respondents and over half of respondents with an opinion believe their organisation is not fully prepared to prevent, deter or detect such schemes. Based on survey responses, the following actions might prepare organisations for the challenges associated with corporate fraud:



## IDENTIFY THE RISKS.

Deterring and preventing fraud begins with understanding where vulnerabilities exist. Identifying risks like unsecured egress and ingress points could prevent unauthorised data sharing and data transfers that allow some schemes to occur.

It's also important to determine whether gaps exist in an organisation's protective technology that open the door to both external and internal threats.



## ANALYSE CURRENT SYSTEMS AND PROTOCOLS.

Threats also may be detected or defeated using protocols, guides, and controls that aid in early detection or even prevention of fraudulent schemes. In fact, many survey respondents reported deficient or non-existent internal controls as contributing factors to corporate fraud.

A thorough review of current policies could reveal weaknesses that can be exploited by unscrupulous employees and third parties.



## DEVELOP AND IMPLEMENT STRONGER CONTROLS.

Our respondents reported that technology-based systems accounted for 44% of detected frauds. Software and strong cybersecurity protocols could protect an organisation's data, as well as maintain compliance with employee and customer privacy laws.

When instituting new protocols and guidelines, consider integrating data protection procedures like pseudonymisation and encryption and using privacy-friendly profile settings.



## TRAIN EMPLOYEES.

Organisations can empower employees to detect fraudulent behaviour by training them on new protocols. Staff also should receive regular instruction about privacy regulations.

Finally, information about anti-corruption programmes, fraud hotlines, and whistle-blower channels should be readily available to all workers.



## MAINTAIN VIGILANCE.

Catching a fraudster once does not mean the risk of corporate fraud is over. Monitoring should be ongoing, with annual fraud assessments as well. Swift action to investigate reports of unethical behaviour is imperative, whether the information comes from hotlines, whistle-blowers, or internal audits.

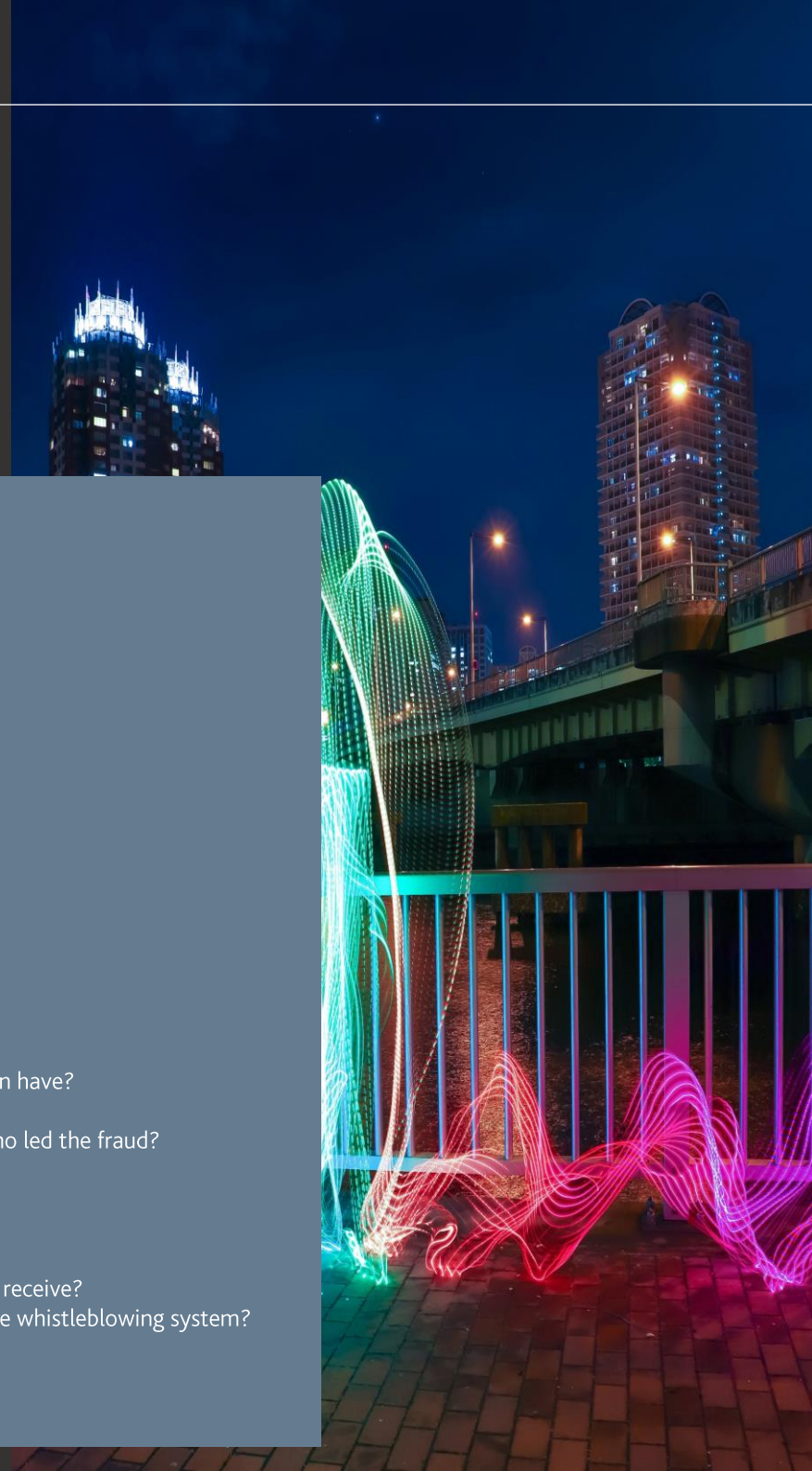
At BDO Global, our professionals dedicate themselves to helping organisations develop anti-fraud and anti-corruption programmes. When problems like litigation or government investigations arise, we strive to offer our clients the resources and support they need.



# SURVEY METHODOLOGY & QUESTIONS

More than 100 member firms disseminated the global fraud survey to their contacts.  
More than 2000 respondents from 131 countries answered the following questions:

1. Do you consider your organisation sufficiently prepared to prevent, detect and deter corporate fraud?
2. Do you consider your organisation private, public, non-profit, etc.
3. Please indicate the number of employees working in your organisation
4. In what range do your organisation's annual sales fall?
5. What is your role in your organisation?
6. In which region do you work?
7. Was your organisation a victim of fraud in 2021?
8. What types of fraud occurred at your company during 2021?
9. How were the investigated frauds discovered?
10. What was the aggregate loss amount (in usd) caused by the detected fraud before recoveries?
11. How were the investigated frauds discovered?
12. What was the approximate average duration of the most significant identified fraud scheme?
13. How many people participated in the most significant fraud?
14. What actions were taken as a result of the investigation of the most significant fraud that occurred during 2021
15. Is your organisation subject to any anti-corruption regulations?
16. How often does your company conduct anti-corruption / anti-fraud risk assessments?
17. Which of the following components of a fraud and corruption risk management programme does your organisation have?
18. In the most significant fraud detected, was an employment background check conducted on the fraudster?
19. Regarding the most significant fraud detected, was an employment background check updated on the person who led the fraud?
20. Does your organisation have a whistleblowing system?
21. How is the whistleblowing system implemented?
22. During 2021, what was the channel most used by employees to report unethical behavior?
23. Are the employees of your organisation familiar with the whistleblowing system?
24. During the last 12 months, how many communications related to corporate fraud did your whistleblowing system receive?
25. Do you think that the employees of your organisation would report potentially significant acts of fraud through the whistleblowing system?
26. The economic impact of fraud on your organisation during the previous 12 month:
27. Over 2022, do you estimate that the economic impact of fraud incidents:
28. Will your organisation's investment in anti-fraud measures change in the next year?



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### BDO FORENSIC SERVICES

**ANALYTICS APPLIED TO  
CORPORATE FRAUD  
ANTI-CORRUPTION  
COMPLIANCE &  
INVESTIGATIONS  
COMPLIANCE MONITORING  
SERVICES  
CORPORATE  
INVESTIGATIONS  
DUE DILIGENCE  
E-DISCOVERY  
FALSE CLAIMS ACT**

**FINANCIAL REPORTING  
DISPUTES  
FORENSIC ACCOUNTING  
AND FRAUD  
INVESTIGATIONS  
FORENSIC TECHNOLOGY  
SERVICES  
FRAUD PREVENTION  
PREVENTION OF MONEY  
LAUNDERING  
RESOLUTION OF CROSS-  
BORDER CONFLICTS**