



The UK's Fraud Prevention Service

Press Release

Preventing employee fraud protects us all

A lie is something no-one likes to be told. Yet, personally, aren't we hurt more by lies told to us by people we know and trust, than those of a complete stranger? Isn't it even worse when we are lied to by someone in a position of responsibility – in whom we have placed our good faith and trust?

Society has adopted a number of terms to express its dislike for this, and especially those who betray us by lying: Judas, quisling, traitor etc. But what if the term to use, instead, turned out to be 'colleague'? Or 'boss'? Or 'friend'? How do we feel then?

The threat from within – 91% of those surveyed are concerned about staff fraud

Increasingly, the concern is that the fraudster could be the person that you chat to every day in the canteen, while waiting for the lift or when on the stairs.

While it goes without saying that most staff in any organisation are honest and trustworthy, there is a growing awareness and concern about the very real threat posed by the few who act dishonestly to defraud their employer. Fraud in the workplace can lead to an organisation experiencing a substantial internal impact, financial losses and unquantifiable damage to reputation. Most importantly, insider fraud is increasingly one of the biggest concerns for employers: Deloitte's 2007 Global Financial Services Security Survey found that 91% of the respondents (from a range of 169 major global financial institutions) were concerned about the risks arising internally.

Insider fraud can take many forms: from deception through to stealing customer data and selling it on to organised criminals. Even at recruitment stage, fraud can be a problem, with lies included in application forms or on CVs.

Arjun Medhi, CIFAS Staff Fraud Adviser, comments: "The Risk Advisory Group found that 1 in 4 CVs or application forms contained some form of 'material falsehood', from overstating of qualifications and responsibilities through to false employment histories. This is exacerbated by problems with obtaining references – some employers including many public sector organisations are no longer willing to provide any reference other than to confirm the dates that an individual was employed. For others, there can be a lack of 'quality control'. Furthermore, in the current climate, the temptation to commit fraud - for example, by inflating expenses claims - is increased. BDO Stoy Hayward's recent figures show that fraud committed by employees has risen to 11% of all fraud cases, compared with just 2.5% in the same period last year. This demonstrates the very real danger posed by the small handful of dishonest colleagues not only to their organisation and its customers or service users, but also to their friends and colleagues."

Facts, not suspicion!

CIFAS – The UK’s Fraud Prevention Service – has 20 years of experience in data-sharing to prevent fraud. As a not-for-profit organisation it is in a market-leading position to use its expertise in tackling the problem of the staff fraudster. CIFAS is now able to help responsible employers to address the problem of internal fraud and theft and, at the same time, to prevent malicious accusations damaging innocent individuals.

The CIFAS Staff Fraud Database operates within clearly defined boundaries to exacting standards and procedures. Those employers who join this data-sharing scheme can use the database to file and access internal fraud cases. This allows them to check whether an individual has been previously recorded for committing fraud. To create a record on this database, however, a clear and demonstrable burden of proof is essential.

This means that information must be factually accurate and that the employer who creates the record must have sufficient clear evidence of wrongdoing to have reasonable grounds to press criminal charges. The employer should be willing to make a full report to the police for any identifiable criminal offence. Mere suspicion is not enough to file an entry to the database. This equally helps to minimise the risk of employing an individual with a history of fraud, and having the finger of suspicion unjustifiably pointed at anyone.

As CIFAS and its Members are subject to the Data Protection Act, anyone applying for a role in a company that is a Staff Fraud Database Member will be informed (by the company) as to how their personal data will be used. These Fair Processing Notices are included on application forms, employment contracts etc. and in themselves form a powerful deterrent to fraud, while also safeguarding individuals from incorrect use of their personal data.

The CIFAS membership, Financial Services Authority and the Chartered Institute for Personnel and Development have all welcomed the establishment of the CIFAS Staff Fraud Database.

A case study

The CIFAS Staff Fraud Database is already proving invaluable to the 100+ participating companies from a variety of business sectors. A recent example of a CIFAS Member saving money and reducing the movement of a fraudster, by using the database concerns a senior cashier (at a branch of a well known bank) who was caught stealing cash from a customer’s account. The bank dismissed the cashier and created a record on the database. Court proceedings were initiated. Months later, this person applied for a similar position at another well known bank. Fortunately, this bank was a CIFAS Staff Fraud Member which checked the details on the database and identified the match. They investigated further to make sure that it was the same person. It was. The application form also claimed the individual had never worked at the previous bank and was on holiday at the time! After completing proper due diligence, the individual’s application was turned down. But for the database, the outcome could have been quite different, with very serious repercussions for the bank and its customers.

The best of both worlds

There has been much controversy recently about similar schemes that do not operate to such exacting standards, but the CIFAS Staff Fraud Database is fully Data Protection Act and Employment Law compliant.

Peter Hurst, CIFAS Chief Executive, comments: “The integrity of any organisation depends upon the integrity of its staff, and therefore staff fraud is a serious matter. Its effects can be far-reaching. These can include not only the more obvious outcomes like financial loss to the organisation or to its customers, but can also encompass the mass compromise of customer data and lasting damage to staff morale and the organisation’s reputation.

“While nobody wants to live in a world where he or she is subjected to excessive scrutiny or unfair monitoring, equally nobody wants to live in a world where a fraudster can hop from employer to

employer, repeating his or her crimes unchecked. After all, the penalties get passed on to us all through higher prices, fees, interest rates and insurance premiums. By doing nothing, organizations simply allow fraud to flourish.

“By ensuring that frauds recorded on the database must meet a clear burden of proof, we help not only to protect innocent individuals, but also to protect an innocent society and workforce from the damage caused by fraud.”

Notes For Editors

1. CIFAS is the UK's Fraud Prevention Service with over 270 Member organisations spread across banking, credit cards, asset finance, retail credit, mail order, insurance, investment management, telecommunications, factoring and share dealing. Members share information on frauds in the fight to prevent further fraud. CIFAS is unique and was the first data sharing scheme of its type in the world. Other schemes modelled on CIFAS have been set up in Southern Africa and Germany.
2. Full information on the CIFAS Staff Fraud Database, the Chartered Institute for Personnel and Development & CIFAS Guide to Tackling Staff Fraud and Dishonesty: Managing and Mitigating the Risks – Guidelines for Employers, HR and Line Managers and Employee Fraud: The enemy within can be [accessed here](#).
3. [As the credit crunch bites so do the fraudsters](#) (BDO Stoy Hayward website) – 30 July 2008
4. The Financial Service Authority published a report on Data security in the financial services: firms' controls to prevent data loss by their employees and third party suppliers. This report, which was welcomed by the Information Commissioner, highlighted the use of the CIFAS Staff Fraud Database as good practice. [To download a free copy of this report, please click here](#).