



The UK's Fraud Prevention Service

# Press Release

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## Growth in staff fraud prompts new guidance from CIPD and CIFAS to help businesses

Staff fraud is increasing. Examples of "insider fraud" make headlines almost daily. This can damage businesses reputation, brand and staff morale as well as losing thousands of pounds. Employers must be on their guard when vetting prospective employees and ensuring that the environment for existing employees is one in which fraud cannot prosper.

CIFAS, the UK's Fraud Prevention Service, and the Chartered Institute of Personnel and Development (CIPD) have launched free guidance to help employers understand the threats associated with fraud and help HR professionals manage the risks.

John Hinds, Policy and Projects Manager at CIFAS and co-author of the guide, says: "The majority of staff within any organisation are trustworthy and honest. But businesses are now beginning to understand the scale of the threat posed by the small proportion of staff who act dishonestly and defraud their employer.

"CIFAS research shows that staff fraud can have a negative impact on businesses in terms of their reputation, costs and customer service. As a result, staff fraud is now emerging as the single most significant fraud risk both to the financial services industry and to businesses handling financial transactions. It is also a serious risk to all businesses.

"The way in which organisations approach the issue of staff fraud is changing to respond to the increased risk. Many organisations have historically been anxious to play down the threat from within and have been reluctant to admit to the scale of the problem or the associated financial losses.

"However, for many organisations, the days when the majority of staff fraud cases would be handled quietly with no publicity, allowing the dishonest employee either to resign discreetly or be dismissed inconspicuously are long gone. Indeed a number of businesses are now taking this a step further by sharing with each other, through CIFAS, data about staff fraud within their organisations. Businesses should aim to create a rigorous internal anti-fraud culture that promotes honesty, openness, integrity and vigilance throughout the workforce."

The guide, *Tackling Staff Fraud – Guidelines for Employers, HR and Line Managers*, offers advice on:

- the nature of staff fraud
- why staff fraud is a growing risk
- combating staff fraud
- vetting and security screening
- internal corporate culture
- monitoring staff
- effective policies for responding to identified staff fraud
- deterring fraudsters

Ben Willmott, CIPD Employee Relations Adviser and co-author of the guide, says:

"Employers should adopt a risk-based approach to managing employee fraud and dishonesty which is appropriate to the organisation, the industry sector and different job roles. While it might make sense to check whether prospective staff have county court judgments against them for unpaid debts before employing them in certain

jobs, such as a call centre that handles credit card transactions, it would be inappropriate to make this a recruitment condition for the majority of jobs or occupations.

“HR professionals have a fundamental role to play in combating staff fraud and the associated costs. A balanced approach is required to manage the risks while maintaining employees’ trust. This applies to the delivery of staff training and awareness about fraud; monitoring employees to manage risks associated with fraud; and encouraging and investigating reports of fraudulent activities.

“It is important for employers to communicate clearly why a policy is in place, for example on monitoring, so that employees know that there is a clear business reason behind the approach being taken and that it is not simply a ‘Big Brother’ encroachment on their privacy.

“CIPD research shows that organisations that seek to monitor their employees excessively are unlikely to create a work environment that encourages trust, loyalty and commitment. In fact employees who are closely monitored tend to have more negative attitudes towards work and are more likely to suffer from stress.”

Research shows:

- There has been a massive rise in identity theft in recent years. The number of victims of impersonation recorded by CIFAS has grown from 16,810 cases in 1998 to 67,406 cases during 2006. It is likely that organised criminals have targeted businesses to fuel this rise substantially.
- CIFAS research indicates that staff fraud has been a growing problem in recent years in respect of investigations, confirmed cases, referrals and unconfirmed cases. Some organisations have seen a 30% increase in the number of staff fraud referrals made to the relevant fraud department in the past year.
- The value of employee fraud has risen almost 80% in 2005 from a year earlier – and more than 200% since 2003.’ BDO Stoy Hayward, FraudTrack Report.
- In a survey by Leicester University, 70% of the 2,000 people questioned admitted they would commit fraud, if they knew they would get away with it.

Notes to Editors:

To download a free copy of the guide, Tackling Staff Fraud – Guidelines for Employers, HR and Line Managers, please [click here](#)

CIFAS – the UK’s Fraud Prevention Service – is a not-for-profit membership association solely dedicated to the prevention of financial crime, with more than 250 member organisations from across the financial services industry and beyond.

The Chartered Institute of Personnel and Development (CIPD) has over 127,500 members and is the leading professional institute for those involved in the management and development of people. Email [press@cipd.co.uk](mailto:press@cipd.co.uk)

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