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Cifas | Annual Report 2015

Video Transcript

Video Title: Internal Fraud
Featuring: Alastair Greener, Business Reporter interviewing
Simon Dukes, Chief Executive, Cifas

Alastair Greener (AG): Hello and welcome to Business Reporter. I'm Alastair Greener and today we're talking about internal business fraud. Joining me is Simon Dukes from Cifas. Good morning.

Simon Dukes (SD): Good morning.

AG: We hear this term 'insider fraud' but what exactly does that mean?

SD: Well, insider fraud is an increasing problem in the UK. There was yet another increase – about 18% - last year in internal fraud. Organised crime groups are becoming more sophisticated, more adept at putting people inside organisations to carry out fraud, and we know that about 60% of all corporate fraud has an inside element. And yes, the old types of fraud still exist – people trying to steal cash – but actually data is the new gold; that's what people are after. But the good thing, Alastair, is that there are some very clear steps that organisations can take in order to protect themselves.

AG: It seems that people are very much the centre of these frauds, so what is it that triggers them to take part and be a part of that?

SD: The psychology of fraud is fascinating and there have been many research studies done on it, and I can certainly go into that if you want! But actually there are, from a corporate perspective, some very clear milestones in the corporate lifecycle, shall we say, that increase vulnerability to fraud. So, for example, the pressure on many organisations to reduce overheads can, in some instances, reduce oversight for some of the back office functions. Charities are particularly vulnerable to this but not exclusively so. The push, also, to outsource or offshore some of your services. And finally I'd say the churn of staff: getting more staff in at a greater rate is a good thing - it's good for diversity, it's good for experience – but it also increases your vulnerability to fraud.

AG: You've very effectively highlighted the weaknesses that businesses have or where they are vulnerable so, being that specific, how is it that they are still falling foul of these frauds?

SD: Well, technology can only do so much, and there is some great technology out there. For example, detecting, perhaps, large movements of data out of a network or a system could be an indicator that fraud is taking place. But at the heart of this is people, and where there are people there is risk.

AG: The worry for companies is going to be that they don't want to treat all of their employees as a potential suspect. How can organisations actually tackle this problem?

SD: You're absolutely right, and that would be the wrong approach. The vast majority of employees are good, honest, hardworking people who want to progress in the organisation. So what we're doing here is trying to prevent effectively or identify the bad apple.

There are some clear steps you can take. Having a clear fraud policy, for example, shows employees that you

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are taking fraud seriously. Helping to educate them on what they can do if and when they come up against something that they feel is suspicious; support them in that so that they feel comfortable in blowing the whistle if necessary. Educate them about cyber security so they don't inadvertently induce an internal attack by clicking on something that they shouldn't do. And of course: sharing fraud data. Because if one organisation gets hit, sharing the details of that with others can help prevent others from being affected in the same way.

AG: As you've clearly said, fraud is a massive problem and it's definitely here to stay, so how can we, or should we, be optimistic about the future?

SD: Cifas, my organisation, is spending an awful lot of time and effort in increasing our technological ability and others likewise, but the issue here is that fraudsters themselves are also spending time, effort and resource in overcoming and combating some of those controls. While we can be very optimistic in this, I think we have to be mindful of the fact that the threat is there and it is constant.

AG: Well, it's been a fascinating insight into internal business fraud. Simon Dukes from Cifas, thank you very much indeed.

SD: Thank you.