

Accountancy

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The facts about fraud

I completely concur with Felicity Banks that the Fraud Bill is without doubt a step in the right direction in doing something about fraud. But whilst the enactment remains uncertain (Keeping it clean, FD 2006 supplement, Accountancy, December 2005) businesses should be aware that there are proactive and preventative measures they can take to combat fraud now.

Within many UK businesses employee-led fraud is continuing to go undetected. There is currently no regulatory requirement to state fraud losses in a company's accounts, which would actually focus the minds of management on the issue. Nor will any successful company (without glaring financial black holes!) feel the need to rock the boat and undermine staff morale by introducing punitive fraud prevention policies.

But the result is that, on average, organisations are losing between 3 and 5% of annual revenue to fraudulent activity – 80% of which is carried out by employees.

For many individuals, perpetuating fraud against an employer is not perceived to be a crime, particularly when it comes to 'petty' theft – such as pilfering stationery, using the photocopier and minor expenses fiddling. There is no obvious victim, and, frequently in cases where larger sums are involved, an individual believes the money is only being 'borrowed' to overcome a short-term problem – with full intention to pay back later.

Organisations have no chance of driving out this endemic fraud unless they put in place the processes and technologies that automatically highlight suspicious activity. Fraud detection techniques can achieve a real-time insight into both mistakes and misdemeanours that not only saves significant revenue but provides a major deterrent to potentially criminal behaviour.

It's about time that employers shut the door on fraud before it's too late.

Yours sincerely,

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Director

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