

## **EMPLOYEE-LED FRAUD IS GOING UNDETECTED WITHIN UK BUSINESS**

**- New fraud detection and prevention software can help companies to achieve an average increase in profit of between 10% and 40% per annum -**

**20 September 2005:** A new fraud detection and prevention software product has been launched to help companies find out how honest their employees are. The Personnel Verification Profiler™ (PVP) software from IDM D.A.T.A Solutions (IDS) enables companies to look for 'ghost' employees and identify conflicts of interest between staff and suppliers which could be the result of fraudulent activity. Combating employee-led fraud can help companies to achieve an average increase in profit of between 10% and 40% per annum.

From misuse of staff discounts to systematic exploitation of holes in the financial software, fraudulent activity is endemic within UK business – the majority of which is being carried out by employees. According to the UK Fraud Advisory Panel, 85% of all reported frauds involve at least one employee.

Richard Kusnierz, Director at IDS, says, "At the moment, few companies have any idea of the level of fraud being perpetrated annually. And why should they? There is no regulatory requirement to state losses to fraud in accounts. Nor will any successful company, who has not detected any glaring financial black holes, feel the need to rock the boat and undermine staff morale by introducing fraud prevention policies."

He continues, "Organisations have no chance of driving out this systematic 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 employees."

The PVP software from IDS is aimed at any organisation maintaining their records electronically. The PVP analyses an extract of data taken from a company's personnel system, and compares it with specialist databases created and maintained by IDS. As a PC-based solution the PVP does not require vast IT resources or support and has been designed with simple configurable parameters that end users

can easily manage. The software works with any personnel system and creates outputs in various formats including Microsoft Excel spreadsheets.

Using the PVP software, companies can easily identify situations where they are at risk due to unusual employee relationships. For example, the courier company that was used for a 'one-off job' might suddenly start invoicing for significant amounts of money. An employer's view of this might change if it transpires that the courier company is being run by the PA's husband. Such a situation might be above-board, but how can an employer be sure if they don't know about it?

Kusnierz says, "For many individuals, perpetuating fraud against their employer is not necessarily perceived to be a crime, particularly when it comes to 'petty' theft – such as stationery and photocopying, or minor expenses fiddling. Furthermore, a lack of fraud detection and any visible deterrent can rapidly create a culture where defrauding the company is accepted practice. From the warehouse where goods are systematically 'damaged' and resold to friends, to collaborative misuse of staff discounts or allocation of work to friends and family, poor processes lead to a culture where a raft of fraudulent activities can become standard practice."

Kusnierz also believes that when it comes to fraud detection, most organisations simply pass the buck. He explains, "The Finance Director has no time, so relies on Internal Audit, which, in turn, hopes the external auditors will do the job. But external auditors have no remit to look for fraud. Yes they must report any fraud uncovered during the audit process, but there is no requirement to go looking for it. And, given the competitive nature of the accountancy market, most audits are cut to the bare minimum to ensure profitability in a low fee environment."

Kusnierz concludes, "With the arrival of low cost fraud detection techniques companies now have a real opportunity to introduce the strong processes that will combat employee fraud and stop staff undermining profitability."

Gary Miller, Head of the Fraud Group at leading law firm, Mishcon de Reya, comments, "Without any recognition of fraudulent activities, organisations are leaving themselves wide open to the dangers of internal fraud. It is now essential that all companies look to implement and enforce a corporate policy regarding fraud within their business. The use of fraud detection and prevention software as part of this

policy is key in order to ensure that if and when a situation does arise companies have the necessary procedures and detection methods in place to resolve it quickly.”

### **About IDS**

IDM D.A.T.A Solutions Limited (IDS) is a provider of fraud detection and risk management software and services to financial decision-makers, security and audit professionals.

Using automated profiling and detection methodologies, IDS has developed a range of software products that enable companies to pro-actively identify fraud, malpractice and operational risk within their business. Deployment of IDS fraud detection and prevention technologies can result in an increase in profit annually between 10% and 40% on average.

Founded in 1999, IDS' client base now includes UK and overseas government departments, local authorities, police forces, financial services companies, charities and other blue-chip organisations.

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