

Introduction

No industry or organisation is immune from the menace of workplace FRAUD. There can be several motivators provoking an employee to commit a treachery. However, the most noted and common motivators include financial stress, drug addiction, upscale lifestyle demands and other personal issues. This is where employees may exploit any underlying weakness in an organisation to their own benefits. So whether it is that trusted accountant with access to your bank details/accounts or the sales guy, who is well-aware of all your profits, the con artist can be anyone in a company, often the most trusted one.

So what is it that employers can do to curb such unethical activities at workplace? There are various methods and tactics to tackle this underlying problem. For instance, engaging the employees is one of the most basic yet effective tricks.

Now when we talk about employee engagement, HR (Human Resources) is the first thing to pop in our heads. Yes, human resources department plays an integral part in preventing such untoward incidents at workplaces. Ideally, the very first line of defence is having a robust and clearly-defined policy in place. However, as with any other workplace protocol, a policy is just some words on a piece of paper unless your employees understand what is expected from them.

This e-book throws light on how HR can be your Superhero when it comes to tackle and address workplace fraud.

Essence of a Sound Fraud Policy

First and foremost, it is imperative for companies to have a robust fraud policy in place, since it offers a medium to better communicate their corporate ethics and to limit the ones tempted by any opportunity to execute a treachery as well as to guide the workforce on apt methods to dealing with the con.

This would also safeguard the company from legal hassles or lawsuits that may occur due to mishandling of such cases. A robust policy would be the one that clearly defines unacceptable/unethical behaviour at work and it even communicates as who in the company is responsible to detect such activities.

Though stringent corporate ethics and clearly-defined policies may sound offensive to folks you certainly wouldn't want to work in your company. A robust policy that is reinforced on a regular basis would not only uplift the morale of your employees, but would also protect your company in the event of a fraud.

Prevention is always better than cure

Conducting thorough background checks on every employee including the C-suite, keeping an eye on possible red flags pertaining to behavioural aspects of employees and various other aspects come under the purview of HR.

Sniffing out Deceitful activities at workplace!

Often, such activities tend to go unnoticed for months or even years. Thus, early detection is the key here.

Here comes the most visible area where HR can help: watching out for behavioural changes or signs. Though these signs might not necessarily infer that an employee might be involved in some fraudulent activity at workplace, but when combined with other indicators such as declining job performance, it might hint at a possible sign.

Things HR can readily identify:

1

Living a king size life.

For instance, if you have an account executive making 300,000 to 500,000 lakhs a year and he begins to show up at work in a Merc, it might be a sign to introspect.

2

Financial distress

3

Unusually close ties with customers or vendors

4

Family problems (divorce, etc.)

5

Refusing to share job responsibilities and duties

6

Control issues

For certain positions, the HR may even conduct searches or screenings that do not necessarily deal with the position such as a candidate's involvement in past lawsuits or litigations, if any. Such employment screening practices are sure to uncover red flags, if any. Going beyond the city or state is advisable, since the perpetrators can move between states and cities, so a local screening may not suffice.

Take for instance the infamous case of an IKEA employee, who wiped out a whopping \$400,000 in less than a year. The trickster mastered IKEA's mail order and phone systems and begun to issue himself refunds for the purchases made by IKEA's customers. He would cover up his dwindle by altering the company's inventory records.

Watch out for the 'Bermuda (FRAUD) Triangle'



Prevention calls for mulling over the 'FRAUD' Triangle, i.e. pressure, opportunity and the tone. As stated above, odds of an employee to commit a scam are high if he/she needs additional funds, and when the opportunity to commit any phony activity arrives and the culture of the company allows that employee to vindicate his/her deceitful actions. On the contrary, if the organisation tackles each of these elements of the FRAUD Triangle, the onset of fraud can be significantly curbed. Thus, HR strategies and protocols for addressing these three elements ought to be in place to prevent workplace FRAUD.

Curb the opportunity

In most of the cases, businesses often rely on technology or internal audits to detect a scam after its occurrence instead of proactively addressing the opportunity. Anti-fraud procedures and protocols are the initial steps for a business to curb such risks. Moreover, there are several other ways to curb opportunities. For instance, compulsory holidays or leaves to keep away the fraudulent ones from maintaining their records. The same can be achieved with compulsory job rotations. HR can perform thorough background checks for criminal history or litigations along with necessary reference and credit



Be the BFF to your employees

Personal problems such as addictions, financial issues and mental health issues are some of the most commonly cited motivators for committing dupery at work. Often, these are external to the business, but tend to manifest in the workplace environment itself. Thus, HR ought to provide support and assistance to employees to reduce such risks. Careful monitoring by HR professionals, internal training sessions and assistance programs work great for managing external pressures faced by employees.

Set the tone right

The message should be clear and must come from the top: the company does not tolerate any kind of theft or deceitful activity. Long story short, make sure that you are serious about it. Here, the human resources management ought to actively endorse and promote anti-fraud training, protocols and controls. In fact, businesses should make fraud awareness program an integral part of their training and on-boarding program.



'Blowing the lid'



Even the most shrewdly implemented and planned fraud prevention tactics might fail. Thus, businesses ought to devise and impose effective prevention procedures and policies to detect a treachery as and when it occurs. HR professionals play a pivotal role in administering such detection mechanisms.

Keep an eye on behavioural signs

You certainly cannot ignore the most obvious behavioural red flags. A king size life beyond their pay, flying off to extravagant holiday locations or making expensive purchases. On the contrary, employees who seldom take leaves and refrain from sharing their responsibilities with others are at high risk. Moreover, HR professionals ought to observe an employee's oddly close ties with a customer or vendor as well.





Setting a line

Often, employees are the first to notice the smoke signs. Thus, they are your biggest source of information/tip-off. Here, HR professionals can keep an open door policy when it comes to workplace communication. Further, a business should always have a whistle-blower policy in place that defines the medium of disclosure, anonymity of the discloser, protection and handling the disclosure. In short, make it clear that whistle-blowers will be protected. For a large-scale organisation, having a hotline to report internal, external, vendor or customer fraud should do the trick. On the other hand, for a small-scale organisation, educating the employees and sending out frequent reminders would help keep ethics intact.

Attempting the Coup!

In the event of a swindle, proper care must be administered to maximize recovery. Since it would require conducting extensive investigations, the best bet is to immediately seek legal counselling for a detailed investigation.

However, HR professionals on the other hand ought to be extra cautious to avoid common pitfalls in times of recovery:

- 1 - Never notify the employee after detecting the fraud. Also, do not immediately suspend or terminate the employee, since this will allow the culprit to hide the assets/evidences.
- 2 - Do not alert the staff, though you may investigate other employees when necessary.

Secrecy and stealth are the best tools HR managers and entrepreneurs can put to use following the detection of a treachery.

Takeaway

Preventing workplace fraud requires efforts from everyone in a company. Though some people or department may play a bigger role, it is imperative that employees understand the notion that fraud prevention is always a shared duty. When it comes to the HR, they undoubtedly play an integral role in educating and creating awareness among employees.

Though there is no single solution to manage such risks at workplace, HR professionals must constantly monitor and keep an eye for flashing signs or behavioural aspects of human capital to prevent and detect fraud.

Having robust preventative policies in place will pay huge in the long term. Also timely detection will mitigate the gravity of treachery committed. Nonetheless, this is possible only by educating and creating awareness. This is where HR professionals come into picture.

Like individuals, businesses too need to learn from their mistakes. If your business unfortunately has been a victim of workplace fraud in the past, it is advisable to analyse as why and how the treachery was committed, since this may unearth any underlying factors.



About Pocket HRMS

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