



Internal fraud or employee theft occurs in almost every company!

An empirical study in the retail sector by Tiffany Putzeys, Univ Leuven 2015, Social Sciences Criminology shows that internal theft and fraud can be committed in any conceivable sector, by anyone and in a variety of ways, with one common feature in each case, which is deception and fraud.

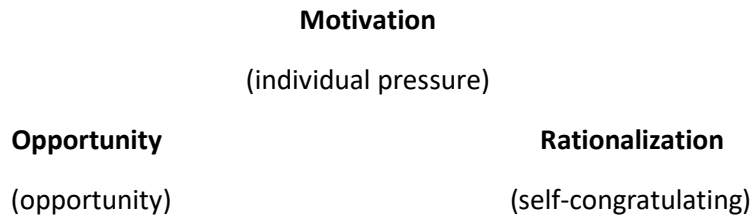
In her work, she cites that :

- The phenomenon is more prevalent than one might expect, and it comes to light too infrequently because staff are sneaky and thoughtful about not getting caught. Moreover, companies prefer to settle fraud situations in-house so as not to tarnish their corporate image.
- Internal fraud problems cost companies dearly. About one-third of retail companies' lost revenue is said to be due to the dishonest behavior of employees which amounts to a loss of millions notwithstanding significant amounts invested in security.
- Companies need efficient and effective prevention policies. Opportunity and opportunity plays a prominent role.
- It also appears that the longer one is employed the greater the likelihood of fraud.
- Research shows that both managers and employees are generally willing to report fraud cases when they notice them. Here it is important to focus on bottom-up communication. By involving employees on the shop floor themselves in the policy, one increases involvement, fraud awareness and willingness to report. In short, the key to an efficient and effective prevention policy lies with the people themselves.

How does fraud come about ?

Cressey's (1953) fraud triangle largely explains the cause of internal fraud. Cressey examined the violation of corporate employee trust.

His conclusion was that the presence of three interacting elements increases the risk of internal fraud:



Intense **individual pressure** is an important motivation to commit theft or fraud (Tromp, Snippe, Bieleman & de Bie, 2010)(Dellaportas, 2013)

Thus, we distinguish

- Financial pressure : addiction to drugs, gambling, sex or alcohol or divorce
- Work-related pressures : too low pay, treated unfairly, no promotion
- Own motivation : materialism, self-centeredness, luxury

In addition to individual pressure, **opportunity** is needed to commit fraud. After all, the employee must have the opportunity to commit fraud (Trump, 2010). The absence of control, the low probability of being caught and the ease with which goods can be stolen promotes the teasing of theft and fraud.

Finally, **rationalization** plays a role. Here conscience plays a role, justifying one's own fraudulent behavior to preserve god self-image (Sykes and Matza 1957)

Opportunity, however, remains the biggest culprit (Dellaportas (2013) PriceWaterhouseCoopers' (PwC) Global Economic Crime Survey and the Association of Certified Fraud Examiners'4 (ACFE) web survey reached the same conclusion (PwC, 2014; ACFE, 2012).

The conclusion that opportunity is the determining factor in committing internal fraud is important for companies as it is the factor they have the most influence over. Thus, it is best for companies to focus on curbing opportunity to fight internal fraud (PwC, 2014: 24).

Crime Management starts where all others stop!

