

# Warning signs of employee infidelity

## CRIME

**Although there may be no indication of employee infidelity, management should be mindful of warning signs and sceptical of activities within their companies. In hindsight, a lot of companies who are the victim of fraud feel that there were indications that something was amiss.**

**We set out below some of these possible signs and common themes across many frauds.**

### Employee behavior

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An employee who engages in fraudulent conduct may not change their behaviour in any way. In a number of instances, however, fraudsters exhibit similar characteristics. These in isolation may not appear alarming or suggest a reason to suspect dishonest conduct but in a wider context may justify further investigation.

Companies should remain suspicious of changes in employee lifestyles that do not fit an employee's personal circumstances and level of remuneration. Such changes could include lavish spending, luxury holidays, purchasing designer goods, new cars and home improvements. Employees often try to justify such spending; common explanations include lottery wins, inheritance payments and spouse job promotions.

A significant number of frauds are prompted by gambling and, less commonly, drug and alcohol addictions. Addicts are renowned for trying to disguise their problem but it is worthwhile for companies to remain mindful of any changes in behaviour that may suggest an issue. Such changes could include reduced social contact. Employees with gambling problems often use on-line companies and there may be evidence of on-line gambling on company computers.

Following on from the above, companies should remain mindful of other factors that may induce employees to conduct fraudulent behaviour. This could include financial hardship including excessive borrowing and changes in personal circumstances.

It is worth noting that confronting an employee about a possible problem and seeking to assist them could prevent the individual from ever engaging in dishonest conduct.

It is also useful to maintain a healthy scepticism regarding employees who refuse to take holidays. Although this could indicate a diligent and hardworking individual, it is also a tactic used by fraudsters to ensure that their fraudulent activities are not discovered whilst they are away from the office. This is often particularly the case with employees who work in finance departments and need to make regular postings into accounting systems to disguise fraudulent transactions.

Employees who are involved with fraud also often work earlier and later than their colleagues. This allows them to undertake their fraudulent activities with less of a risk of being detected.

## Other indicators

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A key warning sign of fraud is a change or unexplainable profit margin or accounting entries that seem unusual. Any such discrepancies should be thoroughly investigated.

In order to assist with this, it is helpful to prepare accurate budgets so that anomalies are more easily identified

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