Why honest employees commit expenses fraud

A guide to understanding and tackling workplace dishonesty

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Index

The honesty problem

The first step towards tackling any problem, is to accept you have one. This is true for personal development as it is for the way we manage our businesses.

And this is one of the core reasons why expenses fraud has proved such a tough nut to crack for businesses. It remains a problem that too many companies remain in denial over.

The findings presented in this report highlight the way in which 'fiddling' expenses has become normalised within the business world; how employees no longer view it as dishonest.

It explains why so many employees, who are otherwise honest and truthful, find it acceptable to commit expenses fraud. And it helps to explain why UK businesses continue to lose around £100 million each year to falsified and exaggerated claims.

Change needed

The purpose of this report is to help you understand these attitudes and the underlying causes of expenses fraud. It's only by understanding and acknowledging these problems that we can start to effectively tackle them.

With this knowledge we can start challenging and changing the traditional mindset which has given rise to towards expenses fraud - to start moving from tolerance to treatment.

74% of UK employees have committed a dishonest act at work

Survey results

To find out more about attitudes towards workplace honesty and expenses fraud, we commissioned a survey of more than 2,000 UK employees. The respondents were given an assurance that all answers would remain anonymous, allowing them to be open about issues they may otherwise feel uncomfortable discussing.

The most striking theme to emerge is the way that workplace dishonesty has become normalised and legitimised by employees. When respondents were asked if they had committed various forms of dishonesty in the workplace, just under three-quarters (74 percent) admitted they had.

These included:

Over-claiming expenses	**22%**
Stealing stationary	**21%**
Pulling a 'sickie'	**20%**
Lying about working from home	**16%**

23% admitted to overclaiming expenses

But when these same respondents were asked if they considered themselves to be dishonest at work, only 23 percent did. What's evident throughout the results is the way that 'small' acts of dishonesty are viewed as being normal.

Despite the deliberate falsification of expenses being a form of fraud which is punishable by jail, it's often perceived as being as being no worse than making up excuses for lateness.

When employees were asked why they carried out dishonest acts, this is how they responded:

39% believed they had little chance of getting caught

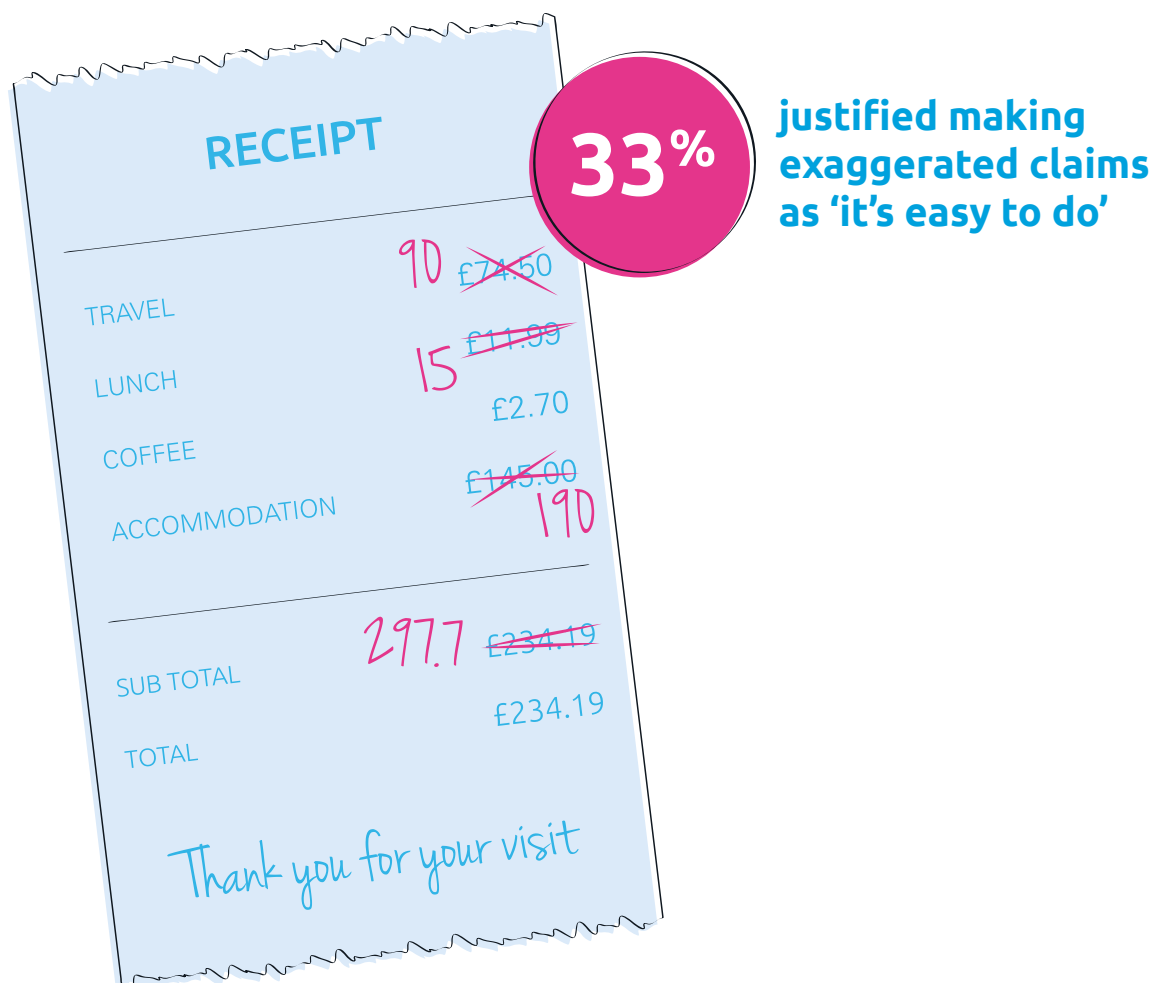|	
Little chance of getting caught	**39%**
It's normal - everyone does it	**32%**
Employer can afford losses	**24%**
Bosses are dishonest too	**23%**
I hate my job	**11%**
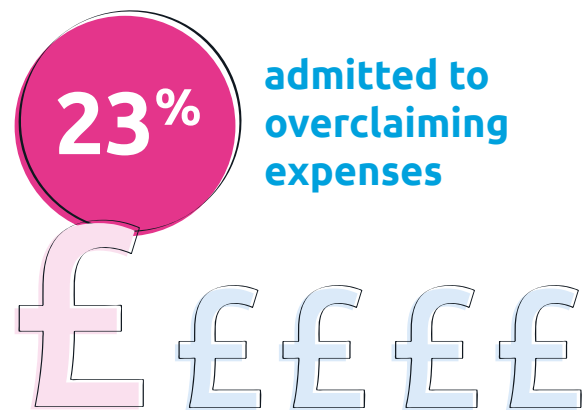
Respondents were also asked what they would do if they caught a colleague carrying out an act of dishonesty.

Almost a third (32 percent) would 'turn a blind eye' while only one-in-five of employees (20 percent) said they would confront the person.

When asked how they justified making exaggerated and false expenses claims,
here's what they said:

It's easy to do	**33%**
Making up for low wage	**32%**
Everyone else does it	**20%**
Little chance of getting caught	**9%**

What these results highlight is the powerful role that workplace culture can have on the attitude and behaviour of employees. When you have an environment in which these kinds of attitudes prevail, it's inevitable that you will have expenses fraud.

RECEIPT

TRAVEL   90 ~~£74.50~~

LUNCH   15 ~~£11.99~~

COFFEE   £2.70

ACCOMMODATION   ~~£145.00~~ 190

SUB TOTAL   297.7 ~~£234.19~~

TOTAL   £234.19

Thank you for your visit

33% **justified making exaggerated claims as 'it's easy to do'**

Dishonesty differences

The same kind of workplace attitudes were found throughout the responses but it's interesting to look at some of the variations that did exist between different regions and industry sectors.

Looking at the percentage of employees who admitted to being dishonest at work, the results reveal Northern Ireland to be the worst area and northeast England to be the most honest region.

Here's the full regional breakdown:

Percentage of employees who have been dishonest at work:

Northern Ireland	**95%**
South West	**82%**
Yorkshire	**78%**
East	**76%**
Scotland	**76%**
London	**75%**
East Midlands	**72%**
North West	**71%**
West Midlands	**71%**
South East	**69%**
Wales	**67%**
North East	**30%**

95%

Northern Island is the worst area for dishonesty
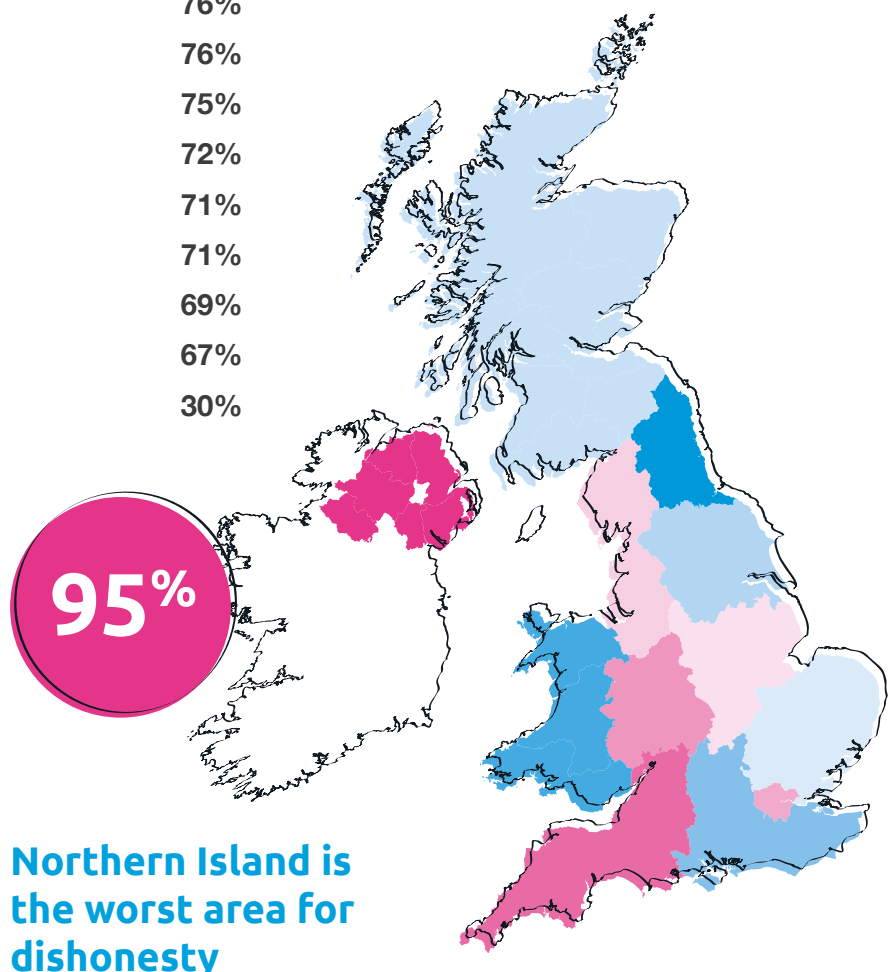
Similarly, variations can be seen when looking at the types of work done by each respondent. The highest levels of dishonesty were found amongst those working in the Human Resources field, while honesty levels were highest for Arts and Culture:

|	
HR	**39%**
IT & telecoms	**33%**
Professional services	**30%**
Retail, catering & leisure	**27%**
Travel & transport	**26%**
Manufacturing & utilities	**24%**
Sales, media & marketing	**23%**
Legal	**22%**
Engineering	**20%**
Education	**20%**
Finance	**15%**
Healthcare	**9%**
Arts & culture	**4%**

39%
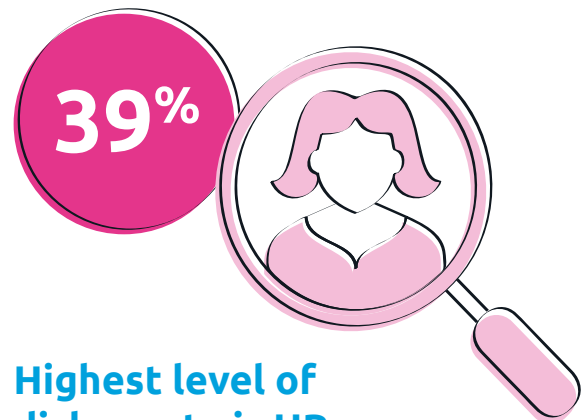
Highest level of dishonesty is HR

It's intriguing to consider what factors could be helping to create such variations. Whether there are specific social and cultural factors at play which could be influencing these attitudes towards workplace dishonesty.

But it's also worth considering an alternative interpretation of these findings and whether the regions and industries with higher percentages are actually just being more honest about their dishonesty.

The results could highlight how respondents in the lowest rated sectors are simply less willing to accept the endemic dishonesty that takes place in their workplace.

4%
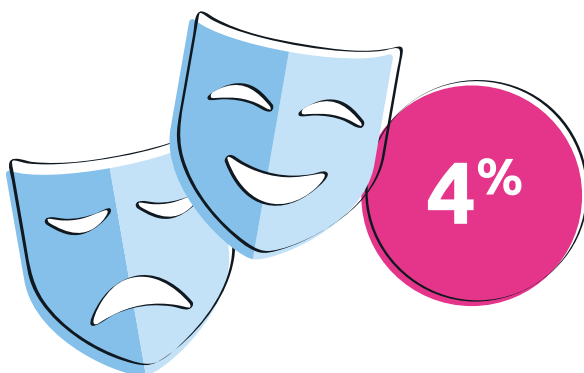
Arts & Culture levels were highest for honesty

Survey conclusions

The survey results help to identify three key factors which explain how dishonesty can appear to be the best policy for such a high percentage of employees. These are the dominant beliefs within a workplace which have the power to negatively influence even the most honest of employees.

These can be defined as:

Normalisation

This is the belief that exaggerating and falsifying claims within a workplace is normal, that it's just a part of the everyday working routine. While the practice may not be encouraged by employers, it's grudgingly tolerated and accepted.

Lack of risk

This is the perception that the chances of getting caught are minimal and even if an employee is challenged, the repercussions aren't something to be feared. People admit they commit expenses fraud because it's relatively simple and consequence free.

Justification

The other common factor is a belief that expenses are a legitimate way to compensate and balance out some kind of loss elsewhere in their employment relationship. The most common of these is the view that expenses fraud can be used to supplement a low salary.

When these three attitudes take root within an organisation, it becomes virtually impossible to effectively manage expenses. And the more entrenched these views become, the more powerful their influence on worker's thoughts and actions.

It's in this environment, where dishonesty is normalised, risk free and deemed to be justified, that an otherwise honest employee can easily find him or herself committing expenses fraud.

Expenses fraud: a new approach

With knowledge of the various attitudes which give rise to expenses fraud, we can start to look at effective strategies to tackle them. To do that, it's worth briefly looking back at why these attitudes have become such a part of working culture.

Past problems

The main reason businesses have tended to adopt a policy of tolerating instead of tackling expenses fraud is simply because they had no other option. When expenses management relied on mountains of paperwork and slow manual processes, the ability to control costs was severely limited.

With a monthly surge of paper receipts to process, finance teams didn't have the time or resources required to effectively manage and monitor claims. The system relied, for a large part, on trust - trust that mileage estimates were accurate and bundles of paper claims were correct.

This lack of clarity created the perfect conditions for dishonesty to take root - claims were liable to be 'creative' and mileage estimates routinely exaggerated. With employers unable to clampdown on this problem, these practises became ingrained in business culture.

"It was trusted that mileage estimates were accurate and bundles of paper claims were correct"

Present day

The barriers that prevented organisations from successfully tackling expenses fraud no longer exist. The old paper-based ways of managing expenses have been replaced by a new generation of digital and cloud-based systems.

These remove the need for paperwork and replace the manual processes with fast automated tasks. Instead of claims being submitted in monthly waves, they can be updated, via smartphone apps, whenever an employee incurs a business cost.

So rather than having to tolerate expenses fraud, these systems provide the tools needed to tackle it. It shifts the focus for finance teams away from number crunching and more towards properly managing and monitoring employee costs.

Here's a look at some practical ways in which digital expenses management can help change perceptions towards expenses:

Effective monitoring

As seen in the survey findings, one of the root causes of expenses fraud is a lack of fear that any wrongdoing will ever be spotted or challenged. While this may have often been the case with paper-based systems, businesses now have the tools to effectively enforce expenses policy.

One of the features they provide is the ability to set a variety of triggers and warnings which automatically alert an account manager whenever a suspicious or out-of-policy claim is made. It means that issues can be caught early and resolved before they become problems.

"**Businesses now have the tools to effectively enforce expenses policy**"
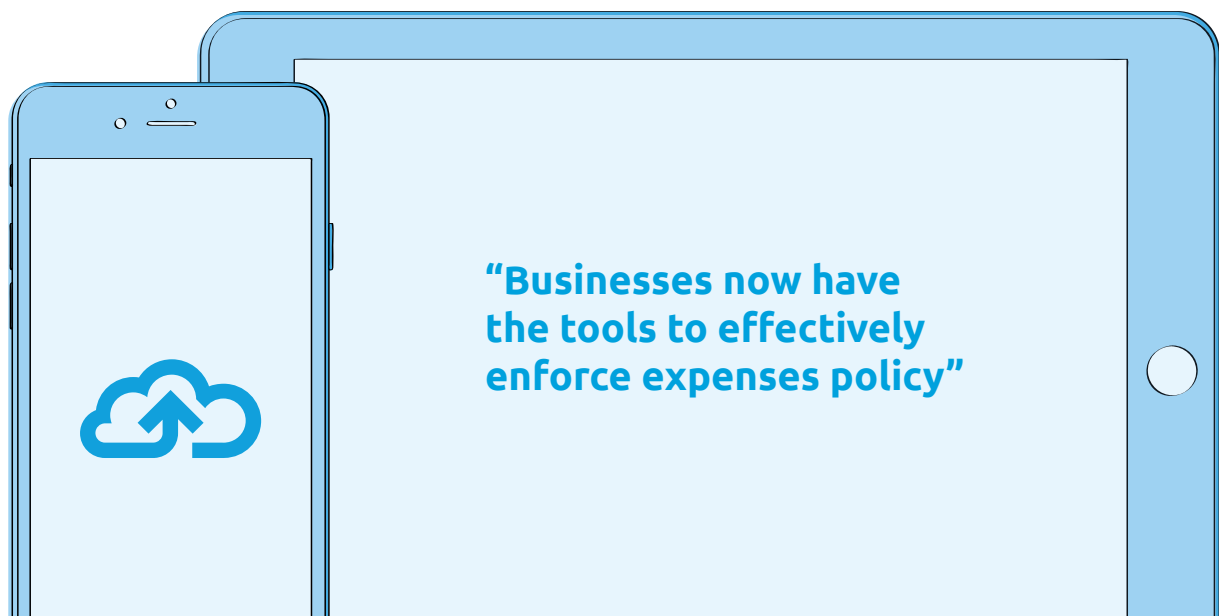
Policing your policy

One of the major benefits of a digital system is the way it allows organisations to integrate their expenses policy into the everyday working routines of employees. Rather than a policy being a static document, it can become an active part of the work routine.

The smartphone app used by employees can deliver various on-screen reminders and confirmation checks to ensure that employees are made are aware of company policy. These can be tailored based on the type of expense being claimed.

It provides a powerful tool in combating that normalisation of expenses fraud, providing a constant reminder of what's expected of employees.

So while fighting expenses fraud within your business may initially seem to be a daunting prospect, by combining these tools with a fair and reasonable expenses policy, you can start to challenge and change those old ingrained attitudes.

And just as negative workplace attitudes can have a powerful influence on employees' behaviour, so can positive ones. While the process of changing attitudes must start from the top, when the changes filter down, they can quickly gather a momentum of their own.

As more employees start to adopt the new approach, it creates an environment in which expenses fraud is no longer deemed to be normal, risk free or justified. It creates a workplace in which honesty really does become the best policy.

Next steps

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