



Employee theft

One of the most serious threats to the success of a retail business is employee theft. On average more than 40 per cent of all retail theft is committed by staff. Misplaced trust, poor hiring and inadequate supervision, along with a failure to implement basic financial controls can lead to an environment that is ripe for internal theft and fraud. Retail business owners can help protect their profits from employee theft and fraud by following these recommendations.

Preventing employee theft

Create a positive work environment: this encourages employees to follow established policies and procedures, and act in the best interests of the business. Fair employment practices, written job descriptions, clear organisational structure, comprehensive policies and procedures, open lines of communication between management and employees, and positive employee recognition will all help reduce the likelihood of internal fraud and theft.

Implement internal controls: these measures are designed to ensure the effectiveness and efficiencies of operations, compliance with laws and regulations, safeguarding of assets, and accurate financial reporting. The controls for safeguarding assets and financial reporting require policies and procedures addressing:

- Separation of duties. No employee should be responsible for both recording and processing a transaction.
- Access controls. Access to physical and financial assets and information, as well as accounting systems, should be restricted to authorised employees.
- Authorisation controls. Develop and implement policies to determine how financial transactions are initiated, authorised, recorded, and reviewed. Internal controls will reduce opportunities for fraud.

Restrict personal belongings: petty theft and misunderstandings can be significantly reduced if your store employment policy restricts staff from taking personal items, such as bags, wallets and money, onto the shop selling floor. To support this policy, you should provide staff with lockers or a secure area to leave their personal belongings.

Employee Theft



Recruitment checks: dishonest employees will ignore your attempts to provide a positive work environment, and search for ways to defeat even the most comprehensive internal controls. Pre-employment background checks are an excellent way to cut down on hiring dishonest employees.

Educate your employees: inform your employees about your policies and procedures relating to fraud prevention and other loss prevention strategies. Employees should receive training on these topics and on the definition of what's considered fraudulent and criminal behaviour, and sign an acknowledgement each time.

Aim at the target: monitoring and prevention measures should be centred on items that are the most expensive and easiest to steal. Such items include jewellery, leather, and small consumer electronics. The most important item a company should direct its focus on is its most liquid asset: cash.

Implement an anonymous reporting system: every retail business should provide a confidential reporting system for employees, vendors, and customers to anonymously report any violations of policies and procedures.

Perform regular, and irregular, audits: every retailer should have regular audits/stocktakes and also random, unannounced financial audits and fraud assessments. This can help identify new vulnerabilities, and measure the effectiveness of existing controls.

Keep a watchful eye: no prevention step can be truly effective if it is not frequently checked and observed for flaws.

Investigate every incident: a thorough and prompt investigation of policy and procedure violations, allegations of fraud, or warning signs of fraud will give you the facts you need to make informed decisions and reduce losses.

Staff sign in: ensure staff sign in and out when they start and finish work. This helps you identify who is in the store and the hours they worked. This will help in emergency situations, and assists with staff information relating to incidents.

Lead by example: senior management and business owners set the example for the business's employees. A relaxed approach to rules and regulations will be reflected in the attitude of employees.