

RETAIL THEFT AND STOCK LOSS

According to Retail Ireland it is estimated that a typical organisation can lose up to 5% of its annual revenue through employee fraud. The statistics outlined that 39% of retailers have experienced theft of stock by employees.

Awareness:

The most important tool that any organisation can have in relation to theft and stock loss is awareness. Even in the best run companies, employee theft can happen. The important thing is to ensure that it is discussed, anticipated and that an action plan can be swiftly put in place should the issue arise. Once an organisation is aware that employee theft is a distinct possibility, there are three main areas to focus on.

When discussing stock loss it is vitally important to note that employee fraud or theft is not limited to stock alone. Theft can be in many forms, both direct and indirect, including:

- Conducting fraudulent refunds and keeping the cash themselves
- Non - documentation of sales whereby the money paid never makes it into the till
- Credit card misuse, including stealing customers details or conducting fraudulent refunds
- Non-scanning of goods when serving friends/ family members
- Misuse of time clocks or timesheets to manipulate hours worked and paid
- Use of company resources for personal gain
- Abuse of the sick leave policy
- Misuse of company property e.g. company vehicles or company phone
- Time wasting when at work e.g. surfing the web or taking personal calls

Proactiveness:

The above statistics may be of surprise to many as most employers expect staff to be honest. In short many employers assume that honesty is implied within the terms and conditions of the employment relationship. Whilst the majority of staff are honest and look out for the best interests of the business, we cannot adopt such a stance.

Best practice advice recommends that we put in place procedures and policies for the percentage that are dishonest in the event that such an act becomes apparent. Ensuring that policies and procedures are in place ensures that the Company are proactive in managing the same. Additionally, it will give the Company leverage in showing where the employee has signed and accepted that they would not participate in stock loss practices as it implies a breach of trust of the employment relationship.

Once you can answer yes to the below then your organisation is in a good position:

- Are there policies in place that clearly outline the Company's expectations in relation to Honesty?
- Has the Company made it perfectly clear as to what is considered to be honest or dishonest behaviour?

An Honesty Policy can be implemented and issued to all employees. The Honesty Policy would intertwine and run in conjunction with the Company Disciplinary Policy whereby any employee who is suspected of breaching the Honesty Policy will be subject to an investigation under the Disciplinary procedure in order to establish the full facts of the case. The policy is designed to protect the majority of people who want to work in an environment in which honesty is encouraged and in

which the employee, the employer, and customers are protected from any dishonest acts by other employees, customers, suppliers or the general public. The policy should clearly identify what expectations employees are expected to meet and what they should do if they feel that the policy has been breached by another stakeholder including a fellow work colleague.

Other policies that can be implemented to reduce indirect theft of Company resources include the following; I.T. Policy, Social Media Policy, policies in relation Company vehicles, laptops, phones etc. These policies should be reviewed and reissued to staff regularly and displayed in open areas such as staff noticeboards and canteens.

It is vitally important to ensure that the above are included in a Company Handbook or Policies and Procedures Document with adequate sign off on the employees behalf. The employee's acceptance can remain on the employee file. This ensures that there is evidence that the staff member [in question should this scenario arise] has been made aware of these policies by signed acceptance. By setting the standard from the outset, we can avoid any grey areas when it comes to dealing with issues of employee dishonesty.

Internal Controls:

Are there sufficient internal controls in place to minimise potential loss? Control measures need to be implemented in obvious areas such as cash handling, stock handling, till procedures etc. For example are you running void reports to highlight an excessive amount of voids on a continuous basis? It is additionally important to have control measures in place in areas such as invoicing, payments and payroll. Weak internal controls may provide an opportunity for staff to commit theft or fraud.

People Managers:

Are your people trained to deal with suspicion of employee theft and stock loss? Are supervisors, managers and business owners trained on how to approach such a scenario when theft is alleged? Does your Management team understand that fair procedures are necessary? Do they understand that despite perhaps finding the employee with their hand in the till and noticing the money being transported to their pocket that the employee cannot be dismissed immediately and an investigation must be conducted into an alleged theft by an employee? The immediate action taken on discovery of an alleged employee theft can have an influence in the entire disciplinary process so it is advised that all the management team be trained in how to deal with allegations of this nature, and on the potential implications of correct procedure not being followed.

There are a number of items to take into consideration when conducting investigations and, as always, it is important that there are clear policies in place around these:

- ***CCTV:***
 - If CCTV is being used as evidence in an investigation, are you compliant with Data Protection legislation?
 - Do you have a CCTV policy in place that explicitly states that CCTV can be used in a Disciplinary Investigation?
- ***Search:***
 - Do you have a Right to Search Policy in place?
- ***Separation of Process:***
 - Are there sufficient independent parties in your organisation to ensure that you can conduct an investigation meeting, an outcome meeting and an appeal meeting if necessary – all conducted by a different person?

CONTACT THE HR SUITE:

If you or your management team are in any doubt as to how to approach or deal with an allegation of employee theft, you should seek out professional advice.

The HR Suite can advise you and your organisation in helping approach the same in your organisation. If you require further information, please do not hesitate to contact us on 066 7102887.

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