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## **Employee Fraud Prevalent in the Workplace: Ernst & Young Study**

### **1 in 4 Employees Aware of Fraud Against Their Employer**

(Toronto, January 8, 2001) — According to an Ernst & Young study, 25% of the Canadian workforce — 3.2 million employees — either committed fraud against their employers or witnessed someone who has done so in the past year. “Looking at the stats, for employers it means that you’ve almost certainly been a victim of fraud by at least one of your employees,” explains Nick Hodson who leads Ernst & Young’s Investigative and Forensic Accounting Practice.

The survey, conducted by Ipsos-Reid, went directly to the source — Canadian employees — to ask about their first-hand knowledge of workplace fraud. The recent poll follows up an Ernst & Young worldwide survey of employers conducted last May. In that study, titled “Fraud – The Unmanaged Risk,” 80% of Canadian employers reported they’d been defrauded by their employees. Hodson says, “The new survey corroborates the earlier data on the pervasiveness of the problem.”

Hodson believes that while most fraud is not as sensational as the Bre-X scandal, it’s far more damaging for both businesses and governments. “Like most parasites, successful fraudsters don’t kill their hosts, they just drain their blood little by little day by day.” Citing one ‘unsensational’ fraud, “an employee padded an expense account and took kickbacks from a supplier draining about \$24,000 a year from his employer. Our calculations show that the business would have had to generate revenues of \$10-15 million to pay for the fraud over its duration.” Other examples of workplace fraud include creating phony supplier invoices, altering the books to make profit or costs look better, pocketing cash sales proceeds and taking company property.

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One positive finding was, while the study found that only 34% of employees said they had actually reported a fraud they knew about, 83% said they would be likely to. Hodson says this implies that the vast majority of employees are fundamentally honest. It also offers hope for improvements in managing the colossal cost to employers. “If people knew there was such a high chance of their action being reported, they would be less likely to assume they could get away with it.” With the results of this study, more employers may consider setting up telephone hotlines that let employees take part in identifying the thieves in their midst.

### **Workplace Fraud is Everywhere**

The survey found there was relatively little difference in workplace fraud between public and private sectors. The incidence of fraud or personal awareness of it ranged from 27% among employees in government, healthcare, construction and service industries to 23% in finance, technology and other professional sectors.

### **Technology Cuts Both Ways — It Hurts and It Helps**

Almost as many people thought technology made fraud easier to commit (40%) as those who thought it made it more difficult (41%). But Hodson warns, “as more people become computer literate and technology becomes more user-friendly, the people who find using technology difficult will diminish and the balance will likely swing in favour of the fraudster unless employers take active steps to manage the risk.”

### **Methodology**

*The Ernst & Young study on workplace fraud was based on the findings of an Ipsos-Reid poll between October 4 and October 15, 2000. The poll consisted of a randomly selected sample of 822 Canadian employees. With a sample of this size, the results are considered accurate to within +/- 3.4 percentage points, 19 times out of 20. The margin of error will be larger within regions and for other sub-groupings of the survey population. The data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 1996 Census data.*

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