

GHH Senior Prevention Guide – February 2002

Count, re-count and count again

At least once a year, usually around the end of one year and the beginning of the next, a company makes up the balance. Unfortunately this sometimes produces a negative result. This usually results in a recount of the stocks and if the result is no better, yet another inventory is carried out. But if the figures were not right on the previous two occasions they are hardly likely to come right at the third count. And what is true for stock, counts also for company property, and cash held on the premises and at the bank.

Years of experience tell us that internal theft and fraud runs for an average of four years before action is taken. First reactions to realising that something is wrong are that there is a mistake in the administration. Secondly, the excuse made is that it is normal loss caused by such things as goods which had to be written off. Even when misconduct is suspected, there is often a vain hope that they will simply stop of their own accord. Our years of experience also tell us that the latter certainly never happens. The extra money gained by misconduct is tax free and often spent outside home on what is euphemistically called the good life.

If, despite, several recounts, you still find that there is a hole in your stock or your money, you are probably in need of professional help to find what is missing or at least stop the losses.

Antecedent inquiries

Without an antecedent inquiry for job applicants there can be no question of a good prevention policy. Companies closed off by gates and fences and all kinds of technical apparatus to keep out undesirables take people onto their staff just on the basis of an interview and blind acceptance of the C.V. and references which they hand over.

Equifax, an American company, carried out an investigation into 100 CVs. The applicants appeared to have lied considerably because there were not less than 129 inaccuracies in them which could be considered serious or important. The inaccuracies discovered appeared in 69 of the files. (Source: The Standard).

In some countries an applicant's approval must be obtained in order to carry out an antecedent inquiry. That is no problem because some people who have something to hide will immediately withdraw their application. If your job advertisements carry a warning that an antecedent inquiry will be carried out, some dishonest people will not even bother applying.

However, you must be as good as your word. If you say you will have an inquiry carried out and do not do so, word will get around. And there are always those

who will take a chance that you will not discover what they have to hide, particularly if their secret lies in another country.

We have the capacity to carry out antecedent inquiries world wide.

Prevention is...

We meet more and more directors who tell us that something has happened to them that they thought only happened to others. Others have seen such things happen to others and have decided that they are not prepared to wait until something serious happens before taking action. There is a third group who have been putting up with what they thought were small problems for some time but now the problems have got out of hand and they can no longer turn a blind eye.

We are frequently called in to assess the real level of security in a company and recommend improvements. We survey the whole of the business premises and systems and tailor our advice to the company under examination. Further our advice is tailored to meet individual departments and functions in the company and we advise on implementation.

Much of the information that we assemble from the 'shop floor' is an eye opener for the directors. Employees who carry out day-to-day activities are often doing something quite different to what management assume they are doing.

Here are a few of the things we have come across:

- Internal procedures which are incorrectly carried out or even not carried out at all
- Access doors and gates which, after work times (and even during weekends) are not closed
- Inadequate stock administration
- Carelessness with company data (clean desk policy?)
- Alarm systems which are regularly not switched on
- Inadequate control of cash receipts and bank deposits
- Poor key management

Whenever a company sharpens existing procedures or introduces new ones, profit can be seen, within a short time, to increase. Without anyone being conscious of it, loss from various causes had amounted to a considerable amount.

Because prevention is better than cure it is a good idea to have your security critically assessed from time to time by an independent professional. It would be a pity if money, goods and/or data disappeared when such losses could have been very simply prevented.

Loss

There are regular reports in the media about companies in relation to turnover, profit and loss. Sometimes we are surprised at the ease with which loss is seen as inevitable. Particularly if, in a sector, figures are available for comparison, directors compare themselves to others with a sigh of relief that they are no worse than their neighbours. If we are asked what the normal loss percentage is in our client's sector, our answer is simple: it is precisely what a business accepts and allows to continue.

We know from experience that loss cannot be reduced 100% but no business should accept conforming to the market level.

Recently we heard of a company which wrote off a loss of 5% on a turnover of \$50 million against poor stock control and internal theft.

There are those who say that the effects of security are hard to measure and therefore their cost effectiveness cannot be measured. This is usually heard in companies where security is simply a balancing item in the budget in contrast to those organisations where it is recognised that good security increases profitability and consequently it is maintained.

Another company which dealt in very attractive goods reduced the loss in one of its branches from 5% to 0.3% thanks to an active preventive policy led by a department set up for the purpose. The investment in time and means, as well as the efforts of the employees in the department, showed cost effectiveness could indeed be measured.

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