



## Uncovering Expenses Fraud

In the wake of the MPs expenses fiasco which has seen several senior MPs resign, and many ridiculed for abusing what is clearly an impracticable system, many business owners have found themselves wondering whether their own expenses systems are being fiddled by their employees.

Trust is key to any relationship, and the MPs all but destroyed the trust of the British electorate by claiming for houses in which they do not live, expenses which were really beyond the pale, and milking the system for all they could - until they were discovered. The voters demonstrated their disdain and anger in the local council and European elections earlier this month, and there have been calls for criminal investigations as well as for disciplinary action.

If you suspect that an employee is fraudulently claiming for expenses, it is best to find out what you can do to legally and objectively investigate the matter, and how you can recover your losses

## Expenses Abuse - what does it mean?

Expenses abuse can occur when an employee exaggerates or even invents expenses to deceive their employer, or if an employee does not adhere to their employer's expenses policy and/or instructions.

Most employers set out their expectations for the reimbursement of expenses either in their contract of employment and/or in an expenses policy. If you have not set out guidelines for your employees then it is unreasonable to expect them to know what you will allow and what you will not, and impossible to enforce unless you set out instructions and ensure each employee understands and accepts them. Some employers also specify a financial limit on expenses, so those which exceed this limit will be required to have special approval beforehand. It is quite usual and acceptable for an expenses policy to state that costs will only be reimbursed if they have been incurred for "legitimate business use", and can be proven with appropriate receipts.

Irresponsible employees who fiddle their expenses and get caught should expect disciplinary action

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and discipline the employee concerned. Such action should not be undertaken lightly as any misrepresentation by the company or error in the facts may make matters worse. To ensure you are dealing with the matter lawfully, please contact Pinnacle Development Solutions on 0800 907 1015 or email [contact@pds-hr.com](mailto:contact@pds-hr.com), where up-to-the-minute guidance and advice is at your disposal.



and potential dismissal for gross misconduct. They are likely to have difficulty in obtaining a new job as their previous employer is entitled to reveal their reasons for dismissal for a dishonesty offence. As an employer, you should always be consistent with how you deal with expenses abuse, although it is sensible to weigh up the severity of the abuse and the position held by the employee in question. E.g., you would expect to deal more severely with someone who you trust to manage your

organisation's financial affairs even if the amount involved is pretty small.

Where an employee has sought reimbursement for expenses that are outside the parameters of your policy, then you may legitimately withhold payment as this can be held by law to be an act of misconduct and in breach of an employee's contract. It is fair to expect reimbursement from the employee if they have paid for the illegitimate expense with a company credit card/account. Again, it is always wise to consider the gravity of the offence.

Not all illegitimate expenses claims have been submitted deliberately and fraudulently. It is always possible that an employee has simply made

a mistake, and has genuinely believed an expense to be covered under the company policy. This may be due to some ambiguity in the current policy, inconsistencies within the expenses structure, or they have simply followed another colleague who put in a similar claim and was reimbursed without question.

Ensuring your expenses policy is up to date and well-worded to avoid any ambiguities or loopholes is a sensible move and will ensure all employees and managers are aware of their responsibilities when making claims. Take some expert advice from Pinnacle Development Solutions on 0800 907 1015 or email [contact@pds-hr.com](mailto:contact@pds-hr.com) and make sure trust never becomes an issue in your company.

## The new "fit" note

On May 28th 2009, the Department for Work And Pensions revealed their new "Fit Note" which, if given the go-ahead after an twelve-week consultation, will replace the traditional "sick note" that doctors provided when they signed off an employee they deemed to be too unwell to work. It has been designed to encourage more people stay in work rather than drift into long term sickness, the cost of which has become a huge financial burden on the British economy. The new note will enable people to get the best possible advice about remaining at work, and gives their employer ideas for supporting them so they may return to work sooner, such as flexible hours, increased mobility opportunities etc.

**Pinnacle will bring you more at the end of the consultation, but you can expect this to be rolled out during the spring of 2010.**



## Sir Alan Proves the Success of Women in Business

Watching two women go head to head in this month's final of the Apprentice reminds us that despite the recession, women are striding ahead to crash through the glass ceiling and snatch the big roles.

In a recent survey of 100 businesswomen conducted by Lloyds TSB and Real Business, 59% of the respondents felt that "female business leaders are better placed than their male counterparts to successfully steer a company through a downturn".

(We suspect some male readers will disagree!)



## This month @ Pinnacle...

Currently Pinnacle Development Solutions are involved in:

- Attending the CIPD: HR for Success Event in Ipswich
- Development of Contract and Employment policies for a local organisation
- the provision of attendance training workshops for a transport organisation



## Your questions answered

If you have a specific issue that you'd like some help with, please email us at [contact@pds-hr.com](mailto:contact@pds-hr.com) and we will feature it in a forthcoming issue with all the answers

## Further assistance

If you would like further information on any issues raised by this bulletin, or require advice or assistance with any other human resources matters, please call us today on 0800 907 1015 or send us an email.

And if you'd like complete protection against anything the growing volumes of employment law can find to throw at you, don't forget our HR Toolkit - the must-have business accessory for 2008!



The information in this newsletter is of a general nature and is not intended to replace professional advice. We recommend you to ask for specific professional advice before taking any action.

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