

Breaking Walls: Strengthening Learnings in Battling Occupational Fraud

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ABSTRACT

Fraudulent transactions directly affect the operations and overall performance of an organization, leading to financial losses, reputational damage, and disruptions in business processes and it encompasses a range of illicit activities, all aimed at enriching the perpetrators at the expense of the organization. Timely and relevant, occupational fraud is one of the most common issues and concerns in every nation in the exercise of occupational functions. The intention behind fraud encompasses a broader range of actions designed to provide the perpetrator with undue benefits and the impact of occupational fraud on organizations inhibit the operating activities and operating efficiency of any business establishments. The purpose of this study is to understand the lived experiences of internal auditors on the intent of perpetrators in engaging to occupational fraud. Following the phenomenological approach of a qualitative research, 15 internal auditors were purposively selected whom the researcher firmly believed have experienced auditing the intentions of fraudsters in the conduct of occupational fraud. Significant statements of the participants were clustered into themes and affirmed that theft of assets, misappropriation of funds, access to resources and abuse of positions are the significant purposes of fraud activities. The experiences of internal auditors in auditing occupational fraud supported that the intentions of perpetrators were the exploitation of assets, resources and positions and it represents a complex challenge to any organization and will compromise its financial credibility and stability.

Keywords: Intention, Internal auditor, Learnings, Occupational Fraud, Perpetrators

INTRODUCTION

Occupational fraud is defined by numerous fundamental elements, chiefly centered on personal gain through the exploitation of an employee's role and organizational assets. It is characterized by an ultimate goal of own advantage, as individuals exploit their positions to enrich themselves by diverting company resources for their own benefit (Hendrawati et.al., 2022). It also constitutes an illicit act committed by any persons who leverage their professional positions for personal benefit and a breach of trust that signifies a serious infraction to the fiduciary duties built in the employer and employee relationship (Kassem, 2023). This includes various unlawful activities, such as asset misappropriation and financial record manipulation, intended to benefit the fraudster at the organization's expense (Tyagi and Sharma, 2021). Other studies also state that occupational fraud includes theft of cash, alteration of financial records, or utilization of company assets for personal purposes (Kingsly, 2016). The motivational factors of occupational fraud go beyond mere simple theft and it involves a much wider array of actions aimed at favoring the perpetrator unjust advantages (Crain et.al., 2017). Such actions may involve exploiting privileged access to information or utilizing resources that are not rightfully authorized to them. Fraudsters often implement compounded strategies to hide their illegal actions and utilize advanced means and methods to avoid detection and even preserve an illusion of legitimacy (Singleton and Singleton, 2010). These schemes frequently involve accounting manipulations, the establishment of shell companies, and collusion with various individuals, both within and outside the organization. Occupational fraud further results any possible consequences that surpass financial losses and greatly affects the operations of every organization, including their

reputations and overall performance (Simeon and Ifeanyichukwu, 2018). Fraudsters frequently employ various strategies to hide their actions, recognizing that detection may result in significant repercussions, such as termination, legal action, and damage to reputation. This concealment may entail intricate accounting manipulations, the fabrication of false documents, and collusion with other parties. The organization suffers direct operational and financial repercussions from fraudulent transactions, which can disrupt business processes, reduce profitability, and damage stakeholder relationships (Irawan et. al., 2019). As such, the researcher was focused, determined and conducted the phenomenological study on describing the lived experiences of internal auditors in assessing and understanding the intent of occupational fraud.

METHODOLOGY

Following the descriptive phenomenological approach of a qualitative research design of Moustakas as detailed by Creswell and Creswell (2017), the participants were interviewed via electronic mail (Hawkins, 2018). Conforming to the ethical consideration involving human study, informed consent was secured from the participants and ensured that their identity and information derived thereof shall be limited and exclusive for research purposes. Interview protocol, covering questions on the experiences of internal auditors on the intent of perpetrators on occupational fraud, was reviewed and validated by the experts on qualitative studies. In accordance with the suggested number of participants by Creswell and Creswell (2017), the researcher included fifteen (15) purposively selected internal auditors from EEMEA Region, Kuwait, Nigeria, USA, Indonesia and the Philippines who have conducted audit procedures in assessing occupational fraud. Gathered information were properly transcribed. Horizons or cluster of meanings were then identified and significant statements were properly listed and been assigned with themes (9). Results were synthesized to construct a comprehensive and intricately detailed portrayal of the experiences of internal auditors, elucidating the diverse and multifaceted challenges faced by the participants in their daily professional endeavors, the innovative and resourceful coping mechanisms they develop and implement to effectively manage these intricate situations and overall essence was formulated to describe the intent element of occupational fraud (Creswell and Creswell, 2017; Balagan and Tarroja, 2020; Gabriela, 2023). Lastly, results were supported with other studies so the reliability and credibility of the study are achieved.

RESULTS AND DISCUSSION

Interviewed participants were internal auditors who have experienced in occupational fraud, of which, 13% were chief audit executives, 47% were audit managers, and 40% were supervisors and audit staffs. Gathered electronic responses were carefully transcribed and analyzed. The transcribed responses were cautiously studied and listed significant statements which were grouped into three themes. To further ensure the credibility and dependability of the collected data, member checking was employed, wherein the interview transcripts was sent back to the participants, offered them an opportunity to review, verify, and validate the accuracy and completeness of the information captured, ensuring that their perspectives are faithfully represented in the research findings (Balagan and Tarroja, 2020).

Theme 1: Theft of Assets. Ranging from cash and inventory to equipment and intellectual property, this theme emphasized the motive of offender in stealing assets. Participant said that "it is when an employee knowingly obtained property through deceit for personal gain" (Participants 1 and 7). Another participant also supports the idea that intent is "the act of stealing asset for personal satisfaction" (Participants 2 and 12) and "it is the unauthorized means of taking money or property out of the organization" (Participant 15). Occupational fraud therefore includes a wide spectrum of illegal acts including the theft of cash, inventory, and other corporate assets for personal gain (Sravanthi et.al. 2020). Direct occupational fraud is stealing money, inventory, or other company assets, which causes clear losses for the business (Dada and Jimoh, 2020). From minimal theft to massive embezzlement, the act of stealing can take many forms and can be committed in a great number of other ways (Ilter, 2012).

Theme 2: Misappropriation of Funds. This theme comprises the internal auditor's experiences in auditing occupational fraud, which violates fiduciary responsibility and reflects intent that could seriously affect finances. As the participant said, "occupational fraud is an illegal activity intended to deceive the company's financial funds for personal gain" (Participants 3 and 4). Another participant backed it up as well and stated that "misappropriation includes intentional or unexplained lacking of transaction trail of financial endeavors; altered, missing or corrupted records, and; intentional burned offices" (Participant 2). Further, another participant mentioned that "misappropriation involves collusion of employees and concealment of facts related to particular financial statement accounts" (Participant 13). Misappropriation is the use of corporate funds for unapproved

purposes such investments, personal expenditures, or other activities not in line with the company's goals. Many fraudulent activities could be included in misappropriation of funds such as intentional fabrication of invoices, exaggerating expense reports, or transferring of money into personal accounts (Albrecht et.al., 2018). Other studies also showed other form of misappropriation includes bribery, corruption, conflict of interest, embezzlement, bribery and kickbacks (ACFE, 2024; Mutuma and Jambawo, 2017). Apart from conceding the financial steadiness of the company, these illicit activities weaken the confidence and trust of stakeholders including the public, staff members, and stakeholders (Bhasin, 2013). From simple theft to complex conspiratorial structures with exhaustive accounting guiles, the practices employed in misappropriation schemes can vary significantly in complexity, reflecting the creativity and resourcefulness of those who carry out these untoward and unlawful activities. Studies also showed other fraudulent disbursements of billings and expenses for a personal gain (Schaeffer, 2012; McGee and Byington, 2008). Actions like fabricating financial statements could also have a direct effect to the government income and losses (Priatnasari and Suhardjanto, 2020) contributing to a negative economic impact to nation, people and businesses (Yusuf et.al., 2016).

Theme 3: Misapplication of Resources and Abuse of Position. This theme illustrated another intent of occupational fraud which focused on the abuse of perpetrators to the company's resources as well as the use of their authority for personal benefits, threatening the company's integrity and undermining trust of employee. This involves abusing one's position within the company to gather data or obtain resources without permission and use it for personal advantage. According to the participant, "occupational fraud are committed by those individuals who take advantage of their position and influence for personal gain" (Participants 1 and 3). Another participant cited that "such fraud contains the premeditated misuse or misapplication of the organization's resources or assets" (Participant 2). "It also entails opportunity of abusing one's position as an employee or officer" (Participants 12 and 14). Additionally, other participant stated that "occupational fraud also includes using a cellular phone and the company's internet connections for utilization of social media sites during working hours for personal business purposes" (Participant 15). There are several ways to exploit one's position which may include engaging in insider trading or self-dealing, or giving friends or family members favored treatment. It might be as easy as falsifying time logs or changing sales numbers. A type of occupational fraud that compromises the fairness of the selection process is when someone fabricates their qualifications or experience during the hiring process in order to obtain an unworthy position. Employees who act unethically tend the risk of hurting other people and losing their own self-esteem (Elshaer et.al., 2022). Businesses and their corresponding stakeholders may suffer significant harm when vehicles, internet access and other assets are misused (Pindek et. al., 2018). Inappropriate use of corporate internet for personal activities, such as social media use or online shopping, is a common type of resource misappropriation that makes it difficult to distinguish between personal and professional behavior in the era of permeating digital connectivity. The pervasive availability of internet access in modern workplaces has, paradoxically, fostered the rise of cyberloafing, significantly hindering organizational productivity as employees increasingly redirect their focus and work hours to non-work-related online activities, thereby compromising operational efficiency and financial performance (Razali, 2020). Other research further showed that fraudulent activities such as the abuse of position comprise the managerial group fraud, which involves individuals in leadership and managerial roles, and; employee group fraud, which refers to misconduct by a group of people (Bhasin 2013). Beyond just financial losses, such fraud can result in lower employee morale, lower productivity, and harm to the company's reputation (Crain et.al., 2017). Establishing strong guidelines that outline parameters to satisfactory use of resources and draw clear lines between permitted professional activities and proscribed personal use are crucial to preventing possible resource misuse (Tidd and Pigeon, 2003). As a result, security measures are warranted for preventing unwanted access to data and other resources (Thakkar et.al., 2025). Thus, organizations are encouraged to make an effort and determine the root cause of fraudulent activities that occur in the workplace to reduce any future opportunities for occupational fraud (Sukma et.al., 2018).

Overall Essence. Asset theft, misappropriation of funds, misapplication of resources, and abuse of position for personal gain represent critical areas of financial misconduct and can severely impact any organizations across various sectors. These behaviors of unethical exploitation may lead to substantial monetary harm to any business enterprise and may experience very significant losses in proprietary value. It has seemingly expanded from isolated incidents to a more pervasive issue within the financial industry. Organizations of all sizes and types are susceptible to fraud, with leadership-level or employee-level, and represent distinct categories. The enthusiasms behind financial wrongdoings are deeply rooted in a combination of incentives, opportunities, and justifications, emphasizing the multifaceted interplay of issues that drive individuals to engage in dishonest activities.

CONCLUSION

Occupational fraud encompassed any act of illegally stealing something of value not belonging to the fraudster in the performance of occupation. The theft of assets, misappropriation of fund, misapplication of resources and abuse of position involves a broad range of unlawful activities and it represents a multifaceted challenge to every organization and it compromise its integrity and financial stability. The intent behind such deceitful activities is often driven by a convergence of factors, including personal financial pressures, professed opportunities within the organizational structure, and rationalizations that substantiate the dishonorable behavior. These features, fused in the fraud triangle, highlighted the interplay of motivation, opportunity, and justification in compelling and exploitation activities of perpetrators of occupational fraud which greatly creates a huge and unfavorable impact to every business stakeholders and the organizations taken as a whole.

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Conflicts of Interest

The author declares no competing interest regarding this research.

Ethics Approval

Informed consent was secured from the participants before the gathering of data.

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