

UNIVERSITI TEKNOLOGI MARA

**FACTORS OF FRAUD INTENTION
AMONG PUBLIC OFFICIALS IN KELANTAN**

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ABSTRACT

Fraud has permeated both the corporate and public sectors worldwide, tainting the image and reputation of the countries. The Malaysian public sector is one of the emerging economies that has been plagued with the issue of fraud. Since the public sector was funded by the public fund, the taxpayers and public expect the fund to be spent for the interest and benefits of all Malaysians. Indeed, it would be a waste of resource if the allocations for government expenditure were abused for fraudulent or unlawful activities. Moreover, the government appoints public officials to look after the public interests. However, the involvement of several public officials in fraudulent activities have raised a concern on the factors that lead them to commit fraud. This phenomenon has triggered the researcher to investigate the factors of fraudulent intention among public officials in Kelantan. Following Fraud Triangle Theory, the researcher predicts that fraud intention is related to opportunity, stress and rationalization. A total of 250 questionnaires were distributed to public officials in finance division of federal agencies in Kelantan. Employing SPSS 27, the findings reveal that all the three factors which are pressure, opportunity and rationalization have significant positive relationships with fraud intention. The discoveries of the study are useful for policy makers, academicians, public officials and the public at large to enhance existing control mechanism in fraud prevention activities. The study concluded that government needs to enhance fraud awareness through social media and training programs, besides imposing stricter enforcement to combat fraud incidences as fraud should be fought in all forms.

Keywords: Fraud Triangle Theory, Fraud, Pressure, Opportunity, Rationalization, Public Official

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Fraud is intentionally deceiving someone or engaging in dishonest behavior to gain an unfair advantage or financial benefit. It can take various forms and occur in different settings, such as financial transactions, online platforms, or personal interactions. The threat of fraud to the global economy has grown significantly over the past year and requires urgent attention from the government, notably from international anti-graft groups. According to Wolfe and Hermanson (2004), and Abdullahi and Mansor (2018), the incidences continue to increase tremendously despite the enormous efforts to eradicate fraudulent activities.

There are various definitions of fraud due to its diverse nature. For example, the following widely accepted definition provided by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) is used:

[...] any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage (The IIA's, 2017).

According to the Associated Certified Fraud Examiners (ACFE, 2023), fraud is stated as any activity that relies on deception in order to achieve a gain. Fraud becomes a crime when it is a "knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment" (Black's Law Dictionary).

KPMG (2011) stated that fraud is an intentional activity taken by a party with knowledge that the outcome could be the possession of illegal benefits. Meanwhile, the Institute of Chartered Accountants of Nigeria (ICAN) defined fraud as an intentional act committed by members of management, staff, or third parties that causes inaccuracies in financial reporting to further their interests. Fraud also refers to any deliberate misrepresentation, concealment, or carelessness of a fact that results in manipulating financial statements at the company's expense.