

UNIVERSITI TEKNOLOGI MARA

**ADOPTING
FRAUD DIAMOND THEORY
TO PREDICT FACTORS OF
ASSET MISAPPROPRIATION
FRAUD AMONG
POLICE OFFICERS**

**MOHD AZRIL REZZA BIN
MOHD RAZMIN**

MSc

January 2023

AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

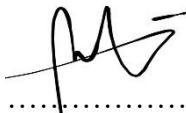
Name of Student : Mohd Azril Rezza Bin Mohd Razmin

Student I.D. No. : 2021713645

Programme : Master of Accountancy – AC700

Faculty : Accountancy

Dissertation Title : Adopting Fraud Diamond Theory to predict factors of asset misappropriation fraud among police officers

Signature of Student : 

Date : January 2023

ABSTRACT

Recently, many cases of asset misappropriation fraud among Royal Malaysia Police Officers have been reported. Such instances have resulted in resource waste and eroded the public's trust and effectiveness of Royal Malaysia Police (RMP). Past studies on asset misappropriation fraud among Royal Malaysia Police Officers have investigated the population of police officers involved in general duty operations but left behind the population of Internal Security and Public Order (*Malay: Keselamatan Dalam Negeri dan Ketenteraman Awam* (KDNKA)) department which is the second-largest department among 10 main departments under RMP. So, this study investigated the factors influencing asset misappropriation fraud among police officers in KDNKA department. This study utilized primary data from a questionnaire-based survey of 102 police officers in Battalion 2 General Operation Force under KDNKA department. The result found that the elements under fraud diamond theory, which are rationalization, opportunity, and capability have significant positive relationship with asset misappropriation fraud. An interesting finding from this study is that the element of pressure was found to have a negative relationship with asset misappropriation fraud. This finding indicates that the lower the pressure, the higher probability that a person will be involved in asset misappropriation. This result shows the uniqueness of KDNKA department in Royal Malaysia Police, which might give future researchers the opportunity to try researching more on KDNKA department. Hence, the result of this study would assist the policymakers in developing policies to minimize the cases of asset misappropriation fraud among police officers by taking into account the uniqueness of KDNKA department.

Keywords: Fraud Diamond, Asset Misappropriation, Pressure, Opportunity, Rationalization, Capability, Police.

TABLE OF CONTENTS

	Page
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Problem Statement	3
1.3 Research Gap	6
1.4 Research Objectives	7
1.5 Research Questions	7
1.6 Significant contribution of the study	8
1.7 Scope of the study	8
1.8 Organization of the study	8
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Classification of Fraud	10
2.3 Asset Misappropriation Fraud	11
2.4 Theory of Fraud Diamond	13
2.4.1 The Factor of Pressure	14
2.4.2 The Factor of Rationalisation	15
2.4.3 The Factor of Opportunity	15
2.4.4 The Factor of Capability	16
2.5 Conceptual Framework	17
2.6 Hypotheses Development	18

2.6.1	Pressure and Asset Misappropriation Fraud	18
2.6.2	Rationalisation and Asset Misappropriation Fraud	19
2.6.3	Opportunity and Asset Misappropriation Fraud	19
2.6.4	Capability and Asset Misappropriation Fraud	20
2.7	Chapter Summary	21
CHAPTER THREE: RESEARCH METHODOLOGY		22
3.1	Introduction	22
3.2	Sample Selection	22
3.3	Pilot Study	24
3.4	Data Collection Procedures	26
3.5	Description of the Variables	27
3.6	Data Analysis	31
3.7	Chapter Summary	31
CHAPTER FOUR: DATA ANALYSIS		32
4.1	Introduction	32
4.2	Respond Rate	32
4.3	Data Cleaning	33
4.4	Normality Test	34
4.5	Frequency Analysis	35
4.6	Goodness of Measures: Factor Analysis and Reliabilities	39
4.6.1	Validity Test	39
4.6.2	Factor Analysis and Reliability Test: Asset Misappropriation Fraud	40
4.6.3	Factor Analysis and Reliability Test: Pressure, Rationalisation, Opportunity and Capability	42
4.7	Descriptive Analysis	45
4.8	Correlation Analysis	46
4.9	Multiple Regression	47
4.10	Summary of Hypotheses Testing	50
4.11	Chapter Summary	50