

UNIVERSITI TEKNOLOGI MARA

**THE LIKELIHOOD OF FRAUD
OCCURRENCE AMONG MINISTRY
OF FOREIGN AFFAIRS (MOFA)
OFFICER:
EVIDENCE FROM MALAYSIA**

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ABSTRACT

The objective of this study is to investigate the likelihood of fraud occurrence among Ministry of Foreign Affairs (MOFA) officers in Malaysia by applying the Fraud Diamond Theory. The study aims to explore the relationships between key elements of opportunity, pressure, rationalization, and capability with the likelihood of fraud within the MOFA. This study employed a quantitative research design which tested four hypotheses through hypothesis-testing. The sample comprised 104 officers from the Accounts and Finance Departments of MOFA. The findings of this study indicated that the presence of opportunity, pressure, rationalization, and capability is related with the increased likelihood of fraud occurrence among MOFA officers. This study helps us understand better about the possibility of fraud in government institutions. It stresses how important it is to deal with specific factors identified by the Fraud Diamond Theory. This study shed some lights on the way for further investigations into fraud prevention and detection strategies, offering valuable insights for policymakers and practitioners specifically MOFA's top management and officers. As fraud poses a considerable threat to the integrity of governmental organizations, uncovering these relationships enables a more informed approach to mitigating risks and fostering a culture of accountability within MOFA and similar institutions. The limitation of this study is that the sample only applies two (2) departments in MOFA and the theory used, which is Fraud Diamond Theory created by Wolfe and Hermanson in 2004, has changed over time since the emergence of Fraud Pentagon Theory (2011) and Fraud Hexagon Theory (2019).

Keywords: Fraud Diamond Theory, Fraud, Pressure, Opportunity, Rationalization, Capability, Malaysia

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Deception has persisted for over two millennia, and the global struggle against the harmful consequences of financial crimes persists. In the modern era of digital advancements, financial fraud has evolved into a more difficult and cultured challenge than before. In straightforward terms, fraud involves deception with the aim of unlawfully obtaining a financial benefit from an individual or entity. It encompasses dishonest actions that result in the deprivation of money or legal rights from the affected party. Despite extensive endeavours to eliminate fraudulent activities, research by Abdullahi and Mansor (2018), citing Wolfe and Hermanson (2004), reveals that fraud, in its various forms, continues to increase in both frequency and severity.

Fraud is defined by Merriam Webster's Dictionary of Law (1996), as cited by Manurung and Hadian (2013), as “any act, expression, omission, or concealment calculated to deceive another to his or her disadvantage, specifically, a misrepresentation or concealment with reference to some fact material to a transaction that is made with knowledge of its falsity. And or in reckless disregard of its truth or falsity and worth the intent to deceive another and that is reasonably relied on by the other who is injured thereby”.

The Association of Certified Fraud Examiners (ACFE) recently released the Report to the Nations: 2020 Global Study on Occupational Fraud and Abuse which stated that occupational fraud is among the costliest forms of financial crime. It is defined as the “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets”. There are three main categories of occupational fraud, which are assets misappropriations, corruption and financial statement fraud. Malaysian public sectors are frequently confronted with issues of fraud involving senior leadership in relation to