

A Study of Measures that can be Taken in the Three Lines Model to Prevent Fraudulent Employee Tendencies.

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Abstract

This study aims to determine the measures that can be taken to prevent fraudulent tendencies of employees using the three lines model that can be developed in businesses. In fulfilling this purpose, the five components of the fraud pentagon have been taken into account, which are: pressure, opportunity, rationalization, competence, and arrogance. This study is based on the pentagon theory of behaviour development and committing fraud within organizations. Employees' tendency to commit fraud based on the five components of the fraud pentagon theory, can be reduced by following measures in efficient three lines processes. This study theoretically examines the fraud pentagon in the field of behavioural accounting. In this study, data were collected using qualitative research technique. In addition, this study contributes to the integration of fraud prevention practices into the control processes of enterprises.

Keywords: "Fraud Pentagon Theory", "Organizational Behaviour Theory", "Three Line Model", "Fraud Triangle Theory", "Fraud Tendency".

Introduction

The Three Lines Model, a commonly used framework for risk management, is essential in protecting organizations from a variety of risks, including the pervasive danger posed by employee fraud tendencies. Exploring the strategies that can be used within the Three Lines Model to prevent and reduce such risks is crucial as organizations continue to struggle with the negative effects of internal fraud. This research seeks to address this critical concern by investigating the strategies and practices that can be employed in the Three Lines Model, with a particular focus on fraud prevention. In doing so, it builds upon prior work that underscores the importance of effective risk management frameworks (Olsen, 2018) and their relevance in preventing internal fraud (Wells, 2017).

The role of performing an internal audit in businesses can be defined as the assurance and consulting action that works independently and objectively to support the development of business activities and value creation (Albrecht et al. 2010). The three basic elements of an internal audit consist of corporate governance, risk assessment, and internal control. Effective internal audit processes are important for businesses to reach their long-term objectives and to prepare reliable financial and non-financial reports.

To prevent employee fraud within businesses, it is important to establish internal control, managerial control, and internal audit processes, which are described as the three lines model, or to strengthen existing processes (ACFE, 2022). The three lines model can be applied by the International Institute of Internal Auditors to the many risks that businesses might face. One of the most important tools in preventing fraud is a strong internal control structure, which is also described as the first line. Internal control is a broad concept that covers the procedures, methods, and control activities established by an organization to identify and eliminate threats to the achievement of business objectives (Institute of Internal Auditors [IIA], 2020). The first line is where controls such as management, automation, process, and others are designed. The second line consists of quality assurance functions such as financial control, quality management, risk management, and compliance. In the last stage of the three lines, the internal audit is performed.

As supported by the report of the Association of Certified Fraud Examiners (ACFE, 2022), the main reason for fraud and abuse in businesses is the deficiencies of control processes or weak existing controls. Establishing control processes to prevent fraud by predicting the risks of fraudulent actions can prevent it from occurring, to a large extent.

However, the absence of an effective control process in businesses might cause threats to both their assets and reputations.

In this study, firstly, the concept of fraud is discussed and then a literature review performed. The theoretical structure of the study is discussed before the research section, which includes a focus group study that was conducted, first questioning the effectiveness of control processes in preventing fraud, and then attempting to determine preventive measures that can be taken.

In conclusion, Protection of business assets is among the main objectives of businesses. The primary responsibility for preventing fraud and protecting business assets rests with business management. In the three-line model, the responsibility for achieving the objectives of the business is also included in the three-line roles. In particular, second line roles focus on specific risk management objectives, such as compliance with laws, regulations and acceptable ethical behaviour, internal control, information and technology security, sustainability, and quality assurance. Conversely, second line roles might expand to include a broader responsibility for risk management, such as enterprise risk management (ERM)

Fraud

One of the biggest problems of businesses today is frauding. It has many effects, from damage to businesses, to changes in business ownership, and to the loss of investors' confidence in the financial system. According to Albrecht et al. (2010) frauding is expressed as a general term aimed at gaining personal advantage by using various inaccurate ways that human creativity can design.

In the International Standard on Auditing (ISA) standard No. 240 "The Independent Auditor's Responsibilities for Fraud in the Independent Auditing of Financial Statements", fraud is defined as "The acquisition of an unfair or unlawful benefit by one or more persons from the management, those charged with governance, employees or third parties by Apriliana, S. and Agustina, L (2019). Deliberate acts of deception with the aim of benefiting their interests.

In the ACFE report, fraud is expressed as an important problem affecting all organizations on a global scale (ACFE, 2022). Studies conducted in this

context show that only a small part of the business frauds that take place around the world can be uncovered. For this reason, although it is difficult to determine the global loss amounts exactly, according to the 2020 ACFE report, the global loss amount was predicted to be 3.6 billion dollars (ACFE, 2020) and it was determined that this rate remained the same in 2022 (ACFE, 2022).

Problem Statement

The Three Lines Model has emerged as a comprehensive framework for risk management within organizations. However, despite its widespread adoption, there exists a significant gap in the literature concerning the specific measures that can be taken within this model to effectively prevent fraudulent employee tendencies. As organizations confront the increasing threat of internal fraud (Association of Certified Fraud Examiners, 2020), the need to enhance the practical application of the Three Lines Model for this specific purpose has become evident.

While prior research has acknowledged the model's relevance in managing various forms of risk (Olsen, 2018), and the broader strategies for combating internal fraud (Wells, 2017), there is a dearth of in-depth exploration of the model's potential in addressing this specific concern. Thus, this study aims to bridge the existing gap by delving into the strategies and practices that can be implemented in each of the three lines of defense within the Three Lines Model to specifically prevent and mitigate fraudulent employee tendencies, thereby contributing to a more robust understanding of internal fraud prevention within this risk management framework.

Literature Review and Theoretical Framework

Organizational fraud has long been a major worry due to the potential for financial loss as well as harm to one's reputation. Various solutions have been suggested to stop fraudulent employee tendencies in response to these issues with studies suggesting that the tendency to fraud will decrease depending on the effectiveness of control mechanisms in businesses. For instance, in a study by Smith and Johnson (2017), the authors emphasized the importance of enhancing the first line of defense within the Three Lines Model to prevent fraudulent employee tendencies. They found that organizations with strong first-line

controls reported significantly fewer instances of employee fraud. In other studies, the frauding pentagon theory of frauding tendency and the literature about three lines in the prevention of frauding were taken into consideration. The literature review on the subject is as summarized In these studies, the relationship between the tendency to fraud (within the scope of frauding triangle, frauding tile, frauding pentagon theories) and individual ethical values of employees was questioned Wolfe and Hermanson, 2004; Bailey et al. 2015; Smith, 2016; Apriliana and Agustina, 2017; Tutino and Merlo, 2019; Sahla and Ardianto, 2023. It was determined that corruption in individual ethical values caused an increase in the tendency to fraud.

Moeller, 2014; Hall, 2011; Rodgers et al, 2015; Yusof, 2016; Sholehah et al, 2018; Olivia et al, 2022. In the studies, control processes in enterprises were mentioned and it was revealed that if control processes were effective, the tendency to fraud would decrease.

Thoyibatun, 2012; Schuchter and Levi 2015; Olivia et al, 2022; Kaushik et al, 2022. In these studies, it has been determined that the rewards and incentives given to the employees will reduce the tendency to fraud.

IIA (The Institute of Internal Auditor's Three Lines Model), (theiia.org., 2023) In the report of the Institute of Internal Auditors, the three lines model consists of internal control, managerial control (quality control), and internal audit processes.

Theoretical Framework

Since frauding is a form of behaviour, besides using the organizational behaviour theory that categorizes the behaviour, it is important to determine the source of the behaviour in preventing fraud. In determining the source, the components in the fraud pentagon theory should be taken into account in order to understand the fraud tendencies that may be made by the employees of the enterprise. Thus, the theoretical framework of the study is formed according to these two theories.

Organizational Behaviour Theory

The discipline, which aims to understand, explain, and improve the behaviour and attitudes of individuals and groups in the organization, is expressed as the theory of organizational behaviour

whose area of interest is people and organizations. The aim here is to understand human behaviour in the organization and to make the employee more effective and successful. Therefore, the most important element of an organization is its "employees". Organizational behaviour theory has four basic characteristics. These;

- 1) Focuses on individuals, groups, and organizations,
- 2) Conducts research using the scientific method,
- 3) It has an interdisciplinary structure by nature.
- 4) It emphasizes the effective functioning of the organization and the success of the individual.

Frauding Pentagon Theory

In the literature, many studies have been carried out to explain the factors that cause fraud in businesses. It can be said that the origin of these studies is the frauding triangle theory developed by Donald R. Cressey in 1953. Cressey (1953) while putting forward this theory, conducted comprehensive research in order to determine the motivation for fraudulent behaviour by employees. In this research, three components of fraudulent behaviour; pressure, opportunity, and rationalization. Fraud triangle is part of the professional auditing standards globally international standards of auditing -ISA 240.

Several Models were adopted, these includes, Albrecht, Howe and Romney (1984) played vital role developed a "fraud scale" relying on two components of the fraud triangle, pressure and opportunity, adopted rationalisation instead of personal integrity (Free, 2015, p.183). Fraud Cube Doost (1990) It heavily depended on the concept of the ideology that there are three dimensions surrounding computer crime – relationship, expertise and motivation" (Tran, 1992, p. 21). The Auditor's Model with Respect to Fraud Trompeter, Carpenter, Desai, Jones and Riley (2013) Is model adopted as s fraud triangle pre-fraud state of nature combined with post-fraud state, which focusing on the exact elements of fraud: the act, cancellation effort to the act and an identification of the reimbursements that accrue to the fraudster (Trompeter, Carpenter, Desai, Jones, and Riley, 2013, p. 290).

Wolfe and Hermanson added one more component to the frauding triangle theory in in 2004 and transformed the theory into frauding tile theory.

This component is defined as competence. Sufficiency; reveals that the abilities of the individual play an important role in the realization of the act of frauding. In the success of the trick, the person; the importance of being intelligent, self-centred, being able to control stress, having the ability to persuade and deceive was emphasized (Wolfe & Hermanson, 2004). Competence can also be defined as an individual's ability to manipulate his or her frauding.

The last theory that goes deeper in determining the factors affecting frauding is the theory developed by Jonathan Marks, also known as Crowe's pentagon model of frauding (2011). It is accepted that this theory is an extension of the frauding triangle theory previously proposed by Cressey. The two components of frauding proposed in this theory are competence and arrogance. Competence expressed in this theory has almost the same meaning as ability. According to Crowe, arrogance is an attitude. Arrogance is also defined as a lack of conscience in some studies. Big ego (belief that I can do whatever I want), belief that it can bypass control processes, autocratic management style, tyrannical attitude, fear of losing position and status are accepted as the main indicators of arrogant attitude (Crowe, 2011).

The effects of these components on the tendency of employees to fraud are classified by considering frauding types. While ISA 240 classifies fraud types as misuse of assets and fraudulent financial reporting, according to ACFE report, corruption is considered as a separate type in classification. Considering the 2,110 cases that ACFE has examined in 133 countries around the world, the classification, and rates of how frauds are committed in these cases are as follows (ACFE, 2022: 8, 9):

- i. Misuse of assets (86%),
- ii. Corruption (50%) and
- iii. Fraudulent financial reporting (9%)

Below are classification and ratios of who committed fraud in the ACFE report are as follows:

- a) Employee (37%),
- b) Manager (39%),
- c) Senior management (23%),
- d) Other 2%

Factors causing frauding tendency and types of frauding.

Figure 1 shows the factors that cause frauding within the scope of frauding pentagon theory, by whom and how frauding can be performed.

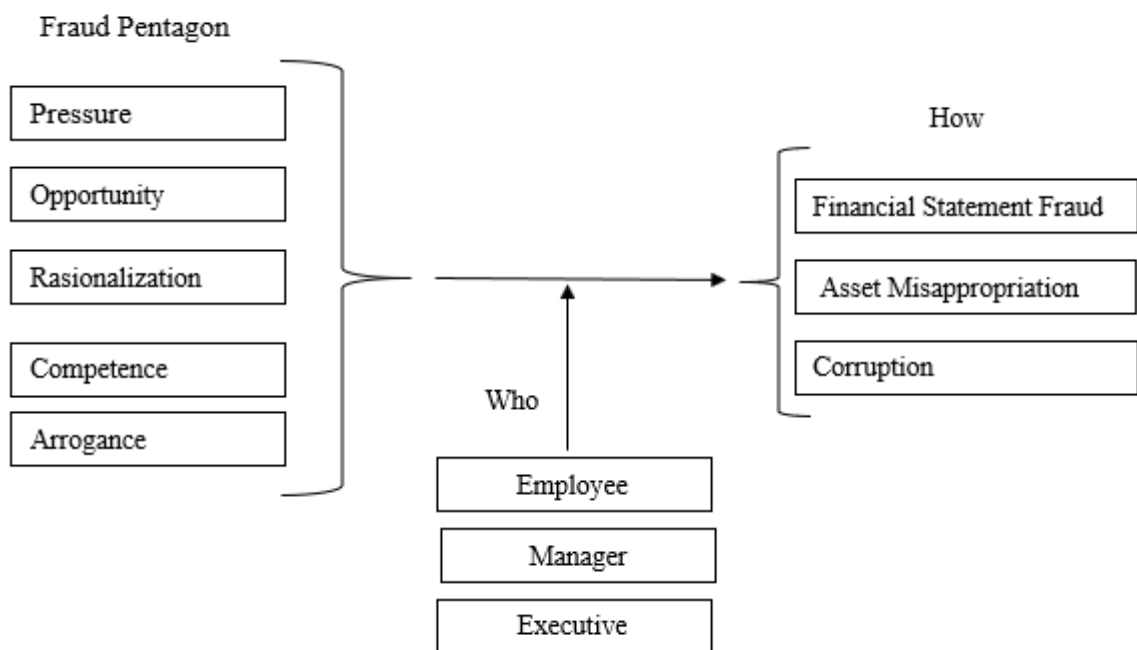


Figure 1. Factors causing frauding tendency and types of frauding

Source: created by the author

Pressure and Incentive in Fraudging Tendency

Pressure can cause fraudging due to the stress it creates on employees. Pressures can be based on a variety of personal or business-related reasons,

inside and outside the business. In *Table 1*, fraudging tendencies that can be caused by pressure and incentives are classified by considering both types of fraudging and by whom.

Table 1: Fraudging tendencies caused by pressure and incentive

Pressure and Incentive			
	Employee	Manager	Executive
Financial Statement Frauds	<ul style="list-style-type: none"> Although the employees who are not directly involved in the financial reporting process do not have a significant effect on the financial statements, a situation such as getting a share of the profit may be an incentive for the employees who are involved in the preparation of the financial statements. 	<ul style="list-style-type: none"> Achieve a profit target Tax Getting a share of the profits Excessive ambition for success High level of individual anxiety Intense competition Audit Financial stability Financial targets 	<ul style="list-style-type: none"> Bidding Using credit (showing your income higher) Tax (understate your income) Dividend distribution Rivalry -Audit
Asset Misappropriation	<ul style="list-style-type: none"> Pressure of individual financial interests Debt pressure Individual characteristics (low dissatisfaction, being greedy, etc.) Love for luxury Target print Stress -Workload pressure 	<ul style="list-style-type: none"> Pressure of individual financial interests Debt pressure Individual characteristics (low dissatisfaction, being greedy, etc.) Target print Stress Workload pressure Luxuries 	<ul style="list-style-type: none"> Pressure of individual financial interests Debt pressure Individual characteristics (low dissatisfaction, being greedy, etc.) Stress
Corruption	<ul style="list-style-type: none"> Transferring information to competitors 	<ul style="list-style-type: none"> Giving bribes in recruitment processes Entering the tender 	<ul style="list-style-type: none"> Hidden agreements Inappropriate collaborations

Source: Wolfe and Hermanson, 2004; Skousen et al, 2009; Albrecht et al, 2010; Higson, 2012; Huang et al, 2016 compiled from studies.

Opportunities in Fraudging Tendency

Opportunity can be defined as the use of the gaps that arise due to the absence of control processes

in the operation processes for the benefit of the employees. Control deficiencies and vulnerabilities in businesses are the basic mechanism that provides an opportunity for fraud to occur.

In *Table 2*, fraudging tendencies that may occur due to opportunities are classified by considering both types of fraudging and by whom.

Table 2: Frauding tendencies by opportunities can cause

	Opportunities		
	EMPLOYEE	MANAGER	EXECUTIVE
Financial Statement Frauds	<ul style="list-style-type: none"> • Financial interest 	<ul style="list-style-type: none"> • Financial interest • Control deficiencies in the financial statement preparation process • Misrepresentations 	<ul style="list-style-type: none"> • Financial interest • Making high profits • Ability to skip controls
Asset Misappropriation	<ul style="list-style-type: none"> • Control deficiencies • Poor controls • Individual characteristics and values 	<ul style="list-style-type: none"> • Control deficiencies • Poor controls • Using your position as an opportunity • Conflicts of interest 	<ul style="list-style-type: none"> • Checking deficiencies or skipping existing controls
Corruption	<ul style="list-style-type: none"> • Taking/giving bribes 	<ul style="list-style-type: none"> • Taking/giving bribes 	<ul style="list-style-type: none"> • Taking/giving bribes

Source: Wolfe and Hermanson, 2004; Skousen et al, 2009; Lou and Wang, 2011; Utami and Purnamasari, 2021; compiled from studies.

Rationalization in Frauding Tendency

Rationalization is the justification for these actions in order to overcome the frauding. Various excuses

are produced by the frauded that his action is rational. In Table 3, frauding tendencies that may occur due to rationalization are classified by considering both types of frauding and by whom.

Table 3: Frauding tendencies due to rationalization

	Rationalization		
	Employee	Manager	Executive
Financial Statement Frauds		<ul style="list-style-type: none"> • Tax • Social security premiums 	<ul style="list-style-type: none"> • Rivalry
Asset Misappropriation	<ul style="list-style-type: none"> • Assess yourself • Perception of individual characteristics and ethics 	<ul style="list-style-type: none"> • Ethical perception of individual characteristics • Misuse of information and reputation of the business • Risk of losing an important customer 	<ul style="list-style-type: none"> • Ethical perception of individual characteristics • Strict business policies
Corruption	<ul style="list-style-type: none"> • -Taking/giving bribes 	<ul style="list-style-type: none"> • Taking/giving bribes 	<ul style="list-style-type: none"> • Taking/giving bribes

Source: Wolfe and Hermanson, 2004; Apriliana and Agustina, 2017; Peprah, 2018 compiled from studies.

Competence in Frauding Tendency

Wolfe and Hermanson (2004) define the ability of a person to fraud as an individual's competence. In other words, the potential perpetrator must have

sufficient competence to fraud. Wolf and Hermanson (2004) believe that many frauding actions will not occur without the right person with the right skills.

In Table 4, frauding tendencies that may occur due to competencies are classified by considering both types of frauding and by whom.

Table 4: Frauding tendencies due to competencies

	Competency		
	Employee	Manager	Executive
Financial Statement Frauds		• Don't believe it won't show up	• Don't believe you can do what you want
Asset Misappropriation	<ul style="list-style-type: none"> • Position • Intelligence • Ego • Individual characteristics (low dissatisfaction, being greedy, etc.) • Developing the capacity to understand and use organizational controls • Ability to lie • Believing that working for a long time will give him privileges (experience) 	<ul style="list-style-type: none"> • Position • Intelligence • Ego • Confidence that nothing will happen to him • Ability to cope with stress • Ability to manage others • Believing that working for a long time will give him privileges (experience) 	<ul style="list-style-type: none"> • Position, • Intelligence, • Ego, • Pressure, deception, and stress • Knowledge and education level • Ignoring internal controls, developing concealment strategies and social self-interest
Corruption	• Belief that it will not be revealed to act in accordance with the legislation and laws	• Belief that it will not be revealed to act in accordance with the legislation and laws	• Belief that it will not be revealed to act in accordance with the legislation and laws

Source: Higson, 2012; Apriliana and Agustina, 2017; Peprah, 2018; Utami and Purnamasari, 2021 compiled from studies.

Arrogance in Frauding Tendency

Arrogance is when an individual think that internal controls, company policies and regulations do not

apply to him, and that he can do whatever he wants (Utami and Purnamasari, 2021). In Table 5, frauding tendencies that may occur due to arrogant attitude are classified by considering both types of frauding and by whom.

Table 5: Frauding tendencies due to arrogance

	Arrogance		
	Employee	Manager	Executive
Financial Statement Frauds		<ul style="list-style-type: none"> • Fear of employees • Bully manager 	• Self-esteem
Asset Misappropriation	• Individual characteristics (low dissatisfaction, greed, etc.)	• Don't feel left out • Don't think the rules don't apply to you	• Ignoring sanctions • Exceeding control procedures easily
Corruption	• Don't think you can do what you want	• Demanding that non-compliance with the legislation be tolerated	• Do not think the law does not apply to this business

Source: Apriliana and Agustina, 2017; Utami ve Purnamasari, 2021 compiled from studies.

Measures That Can Be Taken To Reduce The Tendencies Of Frauding In Businesses

The three lines model proposed by the Institute of Internal Auditors can be defined as processes that can prevent fraud and abuse that may occur by helping businesses achieve their objectives and ensure strong governance and risk management.

This model can be applied to all institutions and the following steps can be taken into account in its optimization:

- Adopting a principle-based approach and adapting the model to suit the organizational objectives and circumstances.
- Focusing on the contribution that risk management makes to achieving objectives and creating value, as well as Faradize to matters of “defense” and protecting value.
- Clearly understanding the roles and responsibilities represented in the model and the relationships among them.
- Implementing measures to ensure activities and objectives are aligned with the prioritized interests of stakeholders.

Studies show that effective control processes developed in enterprises reduce the tendency of employees to fraud (Olivia et al., 2022).

Study Design and Sampling Procedures

In this study, data were collected using qualitative research technique. Qualitative research is a research method that focuses more on words and

expressions rather than numbers (Bryman, 2012). At the same time, qualitative research is research to understand the why and how of human and group behaviour. Focus group study, which is a qualitative research technique, was used in the study. There were 16 participants, 11 Male and 5 Women. The ages of Participants was age group 30-40 age, 40-50 age and 59-60 age group. The participants of duties were as follows Academician, internal Auditor and Executive.

The opinions of the participants on whether the effectiveness of the control processes will reduce the tendency to fraud, and then the answer to the question of how three-line processes can be designed to reduce the frauding tendency of the employees was sought. For this purpose, 100 people from the Ankara region, who are expert academics, internal auditors, and senior managers, were reached via e-mail, and information was gathered through face-to-face interviews with 16 people who accepted the interview offer. Information about the 16 interviewees is as summarized in *Table 6*:

Table 6: Characteristics of Participants

Participants' gender	11 Male	
	5 Woman	
Ages of the participants	30-40 age	5 Person
	40-50 age	7 Person
	50-60 age	4 Person
Participants' duties	Academician	3 Person
	Internal Auditor	8 Person
	Executive	5 Person

Source: Author, (2023)

Firstly, the participants were asked whether the frauding tendency of the employees could be reduced with three lines applications. All of the

hypotheses created considering the frauding pentagon were supported 100% by the participants. The hypotheses and evaluation of the research are as shown in *Table 7*:

Table 7: Research Hypotheses

Hypotheses	Yes	No
H1: General measures taken with effective three lines reduce employees' tendency to fraud	16	0
H2: propensity to fraud can be reduced by pressure/incentive measures	16	0
H3: The perception of opportunity in the tendency to fraud can be reduced by measures to be taken	16	0
H4: rationalization in the tendency to fraud can be reduced by measures to be taken	16	0
H5: Competence in the propensity to fraud can be reduced by measures to be taken	16	0
H6: Arrogance in the tendency to fraud can be reduced by measures to be taken	16	0

Source: Author, (2023)

In the second part of the study, the participants were asked what precautions could be taken to

create an effective three lines, and the answers were summarized in *Table 8* within the framework of frauding pentagon theory.

Table 8: Suggestions for Policies and Procedures for the Prevention of Fraud in the Establishment and Development of the Tri-Line

Policy and Procedure Recommendations to Prevent Fraud in the Establishment and Development of Three Lines	
Policies And Procedures that can be Made for General Measures	<ul style="list-style-type: none"> • Policies and procedures to set objectives for sustainability and social responsibility • Policies and procedures for the acquisition of corporate culture in the enterprise (on the basis of transparency) • Policies and procedures to follow the change in value in businesses • Policies and procedures to ensure responsible behaviour regarding business resources • Policies and procedures to strengthen accountability • Policies and procedures regarding the continuous support of the professional and personal development of the employees and keeping their motivation high • Policy and procedures for the protection of business assets • Policy and procedures for protecting business reputation • Policies and procedures to reduce the gaps in the reporting processes of the business that can be filled with different perceptions of users • Policy and procedures for creating a corporate culture focused on corporate responsibility and ethics • Policies and procedures to ensure transparency in business processes • Policies and procedures to meet employee approval requirements • Policy and procedures to provide flexibility to adapt to change • Policies and procedures to reduce the power distance between senior management and employees • Policies and procedures for providing empathetic communication within the business (understanding and agreement-oriented communication) • Policies and procedures for conveying the importance of individual transparency in business life to employees • Policy and procedures to ensure the transfer of experience within the enterprise • Policies and procedures to strengthen the ability of employees to adapt to the ethical corporate culture in the enterprise • Policy and procedures for holding informative meetings regarding the legislation to which the business is subject • Policies and procedures for the development of intergenerational communication, taking into account generational theories • Policies and procedures that will ensure that individual perception differences have an ethical basis • Policy and procedures for the review of the duties, authorities, and responsibilities of the employees
Policies and Procedures that may be established in	<ul style="list-style-type: none"> • Policies and procedures for determining appropriate targets for the business • Policies and procedures for taking into account stakeholder expectations in setting targets, • Policies and procedures for tracking progress towards targets, • Policies and procedures for setting individualized objectives and assessing that the objective is feasible by the employee

Policy and Procedure Recommendations to Prevent Fraud in the Establishment and Development of Three Lines	
	<ul style="list-style-type: none"> • Policies and procedures to identify obstacles employees may face in advancing towards their objectives • Policy and procedures for designing control processes related to identified risks • Policies and procedures to ensure that the target is a motivational tool for the employee • Policies and procedures for getting to know the employees well so that they can set the right targets • Policy and procedures to set modular targets
Policies And Procedures that can be Established to Prevent Perception of Opportunity	<ul style="list-style-type: none"> • Policies and procedures for ongoing review of the control environment • Policies and procedures regarding the development and continuous monitoring of effective internal control systems • Policies and procedures for monitoring the compliance process of the enterprise with policies and procedures • Policy and procedures for assessing the risks that may occur in relation to the targets • Policies and procedures for the ongoing review of the business's risk appetite • Policies and procedures for monitoring the changes that may occur in the control environment during the growth - contraction - development periods of the enterprises.
Policies And Procedures that may be Made to Prevent Rationalization	<ul style="list-style-type: none"> • Policies and procedures for questioning the rules that have become traditional in businesses • Policies and procedures for the development of principle-based approaches in business • Policies and procedures that can ensure that rules and systems do not become cumbersome • Policies and procedures that can question the reasons for the deviation from compliance with the rules
Policies and Procedures that can be Established to Improve Competency	<ul style="list-style-type: none"> • Policies and procedures for determining risk perceptions through surveys and interviews with employees • Policies and procedures to make employees feel that they have control over them. • Trainings aimed at giving employees the ability to think dialectically (cause-effect) • Policies and procedures for assessing how what is done in the business will affect other stakeholders and society
Policies And Procedures that may be Made of Prevent Principal	<ul style="list-style-type: none"> • Policies and procedures for determining and monitoring how long employees can work in the same role (rotation periods) • Policies and procedures for the development of fair attitudes among employees • Policies and procedures regarding the application of the principle of segregation of duties

Source: Author, (2023)

Conclusion

Businesses operate in an increasingly uncertain, complex, interconnected, and volatile world. The sustainability of businesses will be possible by trusting systems independently of the working individuals. According to the ACFE report, businesses lose income up to 5% of their gross product due to unethical behaviours such as fraud

and abuse. Effective control processes are needed for businesses to build strong governance structures and achieve their objectives.

Protection of business assets is among the main objectives of businesses. In the three-line model, the responsibility for achieving the objectives of the business is also included in the three-line roles. In particular, second line roles focus on specific risk

management objectives, such as compliance with laws, regulations and acceptable ethical behaviour, internal control, information and technology security, sustainability, and quality assurance. Third line roles provide independent and objective assurance and advice on the adequacy and effectiveness of internal audit, governance, and risk management. In the development of the three lines model, policies, and procedures specific to businesses are developed and followed up, especially on the second line.

Measures to be taken to prevent fraud by developing effective control processes in businesses, were determined by taking expert opinions within the scope of focus group work. Considering the pace of change in the world, the prevention of fraud in businesses should be considered as a process that requires continuous development and improvement, and should be constantly reviewed. The three lines should be based on ethical values and the creation of an ethical corporate culture should be given importance. To achieve this, it is important that the internal audit maintains accountability to the governance body, has unlimited access to the resources needed, and does not interfere in the conduct of the business.

It is important that an effective control process focuses on preventing fraud rather than identifying fraud and minimizing the risk of fraud in businesses. For this purpose, attempts have been made to determine the policies and procedures that can develop measures to prevent fraud.

To maximize the benefits from the designed three lines process, the following factors should be taken into consideration:

- To act with a holistic perspective (to evaluate business functions holistically)
- Ensuring that the activities of all employees are compatible with each other and with the interests of the primary stakeholder
- Establishing a relationship between the activities and business value, focusing on creating value, and protecting the value that is created
- Activities to be harmonized with each other through communication, collaboration, and cooperation

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