Chapter 4
Fraud Governance and Good Practices Against Fraud

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ABSTRACT

Corporate governance standards allow corporate actions to be in accordance with law. In recent years, allegations of corporate misconduct have raised questions about the prevailing norm of conformity. This chapter discusses the effect of law on corporate activity by comparing the provisions of law with the actual conduct of business in the market. In particular, it explores how such legislation causes a greater commitment of corporate entities to legal enforcement than others. The inference drawn is that the existing rule—an ambiguous common law or statutory requirement—usually has to do with corporate conduct that evades the requirement or underlying intent of the law or ignores it. In its fraud policy and fraud response plan, the strategy of a company to deal with fraud should be explicitly defined.

INTRODUCTION

Corporate governance standards allow corporate actions to be in accordance with law. In recent years, allegations of corporate misconduct have raised questions about the prevailing norm of conformity. This article discusses the effect of law on corporate activity by comparing the provisions of law with the actual conduct of business in the market. In particular, it explores how such legislation causes a greater commitment of corporate entities to legal enforcement than others. The inference drawn is that the existing rule – a ambiguous common law or statutory requirement – usually has to do with corporate conduct that evades the requirement or underlying intent of the law or ignores it. In its fraud policy and fraud response plan, the strategy of an company to deal with fraud should be explicitly defined. However, in order to identify the practices against fraud, it is necessary to understand and highlight the definition of fraud. Fraud according to Baukus and Near (1991) involves criminal offenses involving frustration and dishonesty that favours a certain individual or entity or are harmful. Fraud and ethics are entangled in this way. The risk of fraud rises exponentially, without a solid ethical culture. This paper stands to

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investigate the role of good practices against fraud in corporate governance and critically discuss mitigation measures of fraud in a corporate level.

CORPORATE GOVERNANCE

Corporate governance has not been awarded a univocal meaning. In fact, Brickley and Zimmerman (2010) state that Corporate governance is not specifically defined. Bebchuk and Weisbach (2009) claim that corporate governance will lead to problems in reward rights, so governance becomes stakeholders and ownership split. Bushman et al. (2004) say that corporate governance relies on the community, management and leadership of an organization. Fombrun (1983) describes corporate governance as a system organization and social security aimed at safeguarding shareholder interests. Stein (2008) defined corporate governance as the acts of managers and the responsibility of trusteeship. Fombrun (1983) suggests that an organization's community has long-term governance goals through organizational cooperation. Corporate responsibility can be calculated exhaustively, and corporate responsibility can be maintained.

The main principles of corporate governance include the following:

Strategy, mission and core principles-assess and encourage an ethical working atmosphere and endorse corporate goals.

Code of Ethics and Related Party / Conflict of Interest Policies – continuously strengthen the Independent Committee – track and analyse executive management conduct – Internal monitoring and control practices to achieve financial supervision and monitoring.

FRAUDULENT ACTIVITIES IN A CORPORATE LEVEL

Corruption is now being viewed as one economic obstacle and not just a subversive act i. There are some warning signs of fraud, according to Heiman-Hoffman et al. (1996). For example, when managers ignore internal auditors or if the administration indicates that the organizations show grave disrespect. The triangle of fraud and diamond of fraud are the two most common models used in the literature of fraud. The criminologist Cressey Donald created a fraud theory that involves three fraud elements (Wells, 2000). Initially, there is a business-related stimulus (e.g., accomplishment of high targets or funding need). Nonetheless, it typically comes for personal purposes, such as greed, revenge, and delinquency. Instead, if circumstances allow, the chance. for eg, weak or unusual control or the management's ability to bypass controls and laws. Finally, moral justification is the requisite excuse that the fraud person uses to overcome any moral barriers that differentiate him. A new model was used by Wolfe & Hermanson (2004) to complete the triangle of fraud and add the element of indivual portion in the equation of committing a fraud.

Forging financial statements is the third row type of financial fraud, according to a study carried out by the Association of Accredited Fraud Examiners (2016). First of all, the misappropriation of funds and secondly, corruption. Corruption is the number one hurdle for economic growth and development (Healy & Serafeim, 2012) according to a World Bank survey of more than 150 government officials and citizens of 60 nationalities. This research explores the attempts they make to combat corruption in 480 of the world's largest corporations.

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