

## **A Proposed New Multi-Dimensional Factor Fraud Framework for International Non-Governmental Organizations (INGOs): A Vietnam Perspective**

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### **Introduction**

Reputation is the most valuable asset of “not-for-profit organizations” (NPOs) (Boucher and Hudspeth, 2013), including international non-governmental organization (INGOs) that are defined as a sub-set of NPOs (Lewis, 2006; Malena, 1995). Donors want to cooperate with trustworthy ethical INGO/NPOs (Hamilton and Slatten, 2013; Othman and Ali, 2014), therefore fraud may violate an INGO/NPOs’ reputation (Archambeault and Webber, 2018), making it impossible to recover to its original status (Boucher and Hudspeth, 2013). Consequences of a violated reputation range from temporary to permanent reduction or systematic stoppage of donations (Harris et al., 2018; LeClair, 2018; 2019), putting INGO/NPOs’ mission and survival at risk (Lauck and Brozovsky, 2018). While rates of misconduct committed by “for-profit organizations” (FPOs) and INGO/NPOs are similar (Burbano and Ostler, 2021), fraud is most concerning in the INGO/NPO sector (Casey, 2016) with assets’ misappropriation being one of the most common public fraud complaints, which caused regulatory investigation of UK charities (McDonnell and Rutherford, 2018). Recent economic downturn and inflation following COVID-19 making individuals suddenly unemployed, may potentially increase fraud occurrences (Awang et al., 2020; PWC, 2022).

The limited INGO/NPO fraud studies in developed countries and even less in developing countries, mean there is an absence of a dedicated fraud framework (Abu Khadra and Delen, 2020; Greenlee et al., 2007; May, 2016). This review aims to fill the gap, starting with Cressey’s 1950 fraud triangle as the theoretical foundation for fraud research. The fraud triangle has been criticized for its incompleteness as its single individual acts (individual-level) assumption do not contextualize frauds in a broader frame (Donegan and Ganon, 2008; Dorminey et al., 2012; Free and Murphy, 2015; Morales et al., 2014; Trompeter et al., 2013; Mihret, 2014). While Cheliatsidou et al. (2023) extended the fraud triangle of Cieslewicz (2012) by adding the organizational environment and recategorizing some external factors, there are still individual level limitations in this expanded model as well as a focus on actual fraud for FPOs.

Currently, the fraud triangle is used implicitly in International Standard on Auditing (ISA) 240 - The Auditors’ Responsibilities Relating to Fraud in an Audit of Financial Statements. Consequently, auditor’s responsibilities are related only to fraud risk factors grouped implicitly under the fraud triangle’s three elements (at the individual level). Cheliatsidou et al. (2023) also followed the individual-level) in their study restricting the focus of this prior research which could utilize categories, such as organizational, country- and industry-level factors, to provide auditing standard guidance relevant to a broader international perspective. Additionally, the words “not-for-profit,” “undetected fraud,” and “future fraud” are not mentioned in ISA240, which may have influenced the scope of Cheliatsidou et al. (2023). Of concern, the explicit omission of “not-for-profit” from ISA240 may result in a perception of INPO/NPOs’ fraud being less important than for FPOs’. Additionally, while those charged with governance or management are primarily responsibility for the prevention and detection of fraud (ISA240, para 4), auditors are required to inquire about the presence of “any actual, suspected or alleged fraud affecting the entity” (ISA240, para 18, p. 162) but “undetected fraud” and “future fraud” are explicit omissions from ISA240.

These two potential fraud occurrences omitted from ISA240 may suggest they are outside an auditor’s responsibility for obtaining reasonable assurance that financial statements are free of fraud or error (ISA240, para 5). The new framework is titled holistic because it represents a global scope model using a multi-dimensional approach (individual-, organizational-, industry-, and country-level factors), and a greater range of fraud stages criteria (undetected, suspected, actual/detected, and future).

This article aims to address these gaps in the literature and policy by answering the following research questions (RQs):

RQ1. How is Fraud Triangle Theory evolving, particularly in the INGO/NPO sector?

- RQ2. What new international-level fraud framework is applicable for the INGO/NPO sector to prevent fraud holistically?
- RQ3. In applying a new international-level fraud framework to the INGO/NPO sector in Vietnam, how do country- and industry-level factors likely contribute to fraud in this sector of the country?
- RQ4. What are the future prospects for a new international-level fraud framework in policy, practice, and research in Vietnam and elsewhere?

The remainder of this article commences with discussion of the aims, theoretical framework, and research design in Section 2. Cressey's fraud triangle and associated theoretical studies are systematically reviewed in Section 3 to answer RQ1. Section 4 proposes a new fraud framework for the INGO/NPO sector to answer RQ2. Section 5 elaborates country- and industry-level factors likely contributing to fraud in the INGO/NPO sector in Vietnam to answer RQ3. Section 6 discusses the future agenda for the proposed international fraud framework in policy and practice to answer RQ4, with conclusions stated in Section 7.

### **Aims, Theoretical Framework, and Research Design**

Cressey's 1950 fraud triangle is a pioneer study (Awang et al., 2020) providing a theoretical foundation for fraud research, but critical reviews and post-Cressey theoretical studies critique the fraud triangle as being too narrow and incomplete as it does not contextualize frauds within a broader framework (Dorminey et al., 2012). Other researchers subsequently developed a three-stage triangle or post-fraud phases (Crumbley et. al., 2019). The aim of this article proposes a new fraud framework focusing on fraud prevention for use internationally in the INGO/NPO sector.

A majority of fraud losses are due to internal or accounting fraud rather than external fraud (PWC, 2020). Four approaches are commonly used to audit fraud (Albrecht et al., 2016, 2019; Hopwood et al., 2012), and this article focuses on fraud prevention in the INGO/NGO sector (Archambeault and Webber, 2018) for two reasons. First, INGOs need to realize that "prevention is better than cure" (KPMG 2013, p. 27; Sorunke 2016, p. 159; Webb, 2009, p. 7) as the most cost-effective means to minimize fraud losses (Wells, 2017) because complete eradication is unfeasible (Biegelman and Bartow, 2012; Brown, 2014). Second, INGOs need to be aware of developed countries' laws and related reforms regarding economic crime, bribery, and corruption (PWC, 2016), due to their implications for INGOs (Remer, 2017).

Cressey's 1950 fraud triangle is developed for the US context; its country of origin (Mui and Mailley, 2015). Homer (2020) has since identified that the level of influence of micro and macro factors inherently affects fraud differently in other countries compared to the U.S. context. Vietnam has been selected for this study to illustrate factors, such as country- and industry-level, which affect fraud differently between countries (Cieslewicz, 2012). A new more appropriate fraud framework for the INGO/NPO sector is therefore proposed that expands Cressey's fraud triangle by including micro and macro factors affecting fraud.

The rationale for selecting Vietnam's INGO sector include: The frequency of internal fraud highest in this country, in addition to China, Japan and in regions of Africa, the Middle East and Latin America (Moosa and Li, 2013). Second, China's proximity to, and past occupation of Vietnam has resulted in many similar characteristics between the two countries (Perri and Chu, 2012). Third, Vietnam is perceived as one of the countries most affected by fraud, bribery and corruption (Bertelsmann Stiftung, 2016; E and Y, 2013). Vietnam was ranked 87 out of 180 countries/territories, ranked low to high, for corruption (TI, 2021). Finally, according to IRIS (2018), Vietnam will continue to be a focus of INGOs until at least 2030, given the country's geopolitics and its vulnerability to the impacts of climate change.

A structured literature review (SLR) methodology is used to identify gaps in the body of literature to propose a new conceptual framework, and to inform policy and practice (Tranfield et al., 2003). A five-step approach is adopted to find studies to be reviewed: (1) using keywords searches with a focus/problem formulation research grouping,<sup>1</sup> (2) locating studies from Web of Science, Scopus platforms with priority given to peer-reviewed theoretical studies associated with Cressey's fraud triangle and associated theoretical studies (3) selecting and evaluating studies, (4) analyzing and synthesizing findings, and (5) reporting and analyzing the results. The following sections review literature in regard to the four research questions developed for this study.

### **Development and Critical Review of Cressey's Fraud Triangle**

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<sup>1</sup> Keywords are fraud triangle, undetected fraud, suspected fraud, actual/detected fraud, future fraud, individual-level, organizational-level, industry-level, country-level factors, organizational ethical culture, organizational ethics program, organizational internal control, international non-governmental organization (INGO), non-profit organization (NPO), Vietnam

Although Cressey's fraud triangle (Figure 1) is critiqued for being incomplete and its assumption that fraud is activated by single individual acts (individual-level), it forms the basis for RQ1 in the following discussion. This result is because it is a seminal framework and recently the three stages triangle is further developed (e.g., Crumbley et al., 2019) or a post-fraud three phases will be released soon (e.g., Romney et al., 2025). *[See Figure 1, pg. 173]*

Literature, summarized in Table 1, suggests that in addition to individual-level determinants (e.g., pressure, opportunity, rationalization), frauds in a wider framework include external micro and macro factors (e.g., national value system, national economic situation) (Morales et al., 2014). Micro factors include organizational-level determinants (e.g., ethical culture, ethics program, anti-fraud internal controls) and industry-level determinants (e.g., norms, nature), while macro factors concern country-level determinants (e.g., cultural, political, legal, economic, technological) (Free and Murphy, 2015; Mihret, 2014; Timofeyev, 2014; Zaloznaya, 2014). Cheliatsidou et al. (2023) also incorporate organizational cultural, political, legal, economic external factors into their FPOs focused study. For these reasons, this review finds in answering RQ1, that Cressey's fraud triangle model needs to evolve to an extended broader model to prevent fraud holistically. *[See Table 1, pg. 169]*

Furthermore, there is limited research focusing on a fraud model for the INGO/NPO sector to prevent fraud holistically. The following section builds on extant literature to develop a new international fraud framework for the INGO/NPO sector.

### **A New Proposed International Fraud Framework for the INGO/NPO Sector**

A critique of the literature, including definitions of types of fraud, is undertaken to focus the development of the new framework proposed in this article. The first type of fraud relevant to the INGO/NPO sector is occupational fraud which involves "the use of someone's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets" (ACFE 2020, p. 6). The key activities related to occupational fraud are the secrecy surround the action, the perpetrator's direct or indirect benefits, and the victim organization's costs of lost assets, time, and reputation (Albrecht et al., 2019). Table 2 provides a breakdown of frauds reported by victims (Albrecht et al., 2019). *[See Table 2, pg. 172]*

Three primary categories of occupational fraud (Asset misappropriation, Corruption, and Financial statement fraud) that are a focus of this study are illustrated in Figure 2. *[See Figure 2, pg. 174]*

Depending on the action taken and its stage of completion, frauds can be classified into undetected fraud, suspected fraud, actual (detected) fraud, and future fraud (the likelihood of fraud in the future) (CEO, 2012; Dervaes, 2004; Levi and Burrows, 2008). The following sub-sections provide the foundation for the new framework as illustrated in figure 3. *[See Figure 3, pg. 175]*

The focus for the broader proposed framework incorporates both the existing individual-level fraud model plus organizational-level, industry-level, and country-level factors as they relate to RQ2.

### **Organizational-Level Factors Preventing Fraud**

There are three aspects of organizational context discussed in this section. First, organizational ethics programs (OEP) that support employees in avoiding unethical behavior, provide advice when facing ethical dilemmas, encourage greater commitment to the organization, and promote reporting of misconduct when observed (Weber and Wasieleski, 2013). Second, organizational internal controls (OIC) (COSO, 2013), particularly anti-fraud internal controls, play an important role in eliminating opportunities to commit fraud (Alleyne and Amaria, 2013). Finally, organizational ethical culture (OEC) includes seven key organizational virtues constituting an organization's ethical culture (Kaptein 2008, 2011). While the purpose of internal controls is to eliminate the opportunity component of the fraud triangle both now and into the future, there remains a risk of either management or collusion between employees overriding internal controls. Accordingly, organization ethical culture assists in mitigating these risks (BDO, 2018; COSO, 2013; PAOB, 2009; Trompeter et al., 2013).

Pressure and rationalization in Cressey's fraud triangle (Figure 1) are difficult to address (Tickner and Button, 2021) by new standards and rules through legislation (Albrecht et al., 2008, 2012, 2016; Muthusamy, 2011). Pressure and rationalization are partially engendered by organizational culture (Fagerberg, 2008; Morales et al., 2014) and therefore focus on organizational ethical culture will assist with pressure and rationalization of a potential committer of fraud (Dorminey et al., 2012; ERC, 2007; Free, 2015; Lister, 2007; Mackevičius and Giriūnas, 2013; Sabău, 2013; Trompeter et al., 2013). These two elements of the fraud model are discussed in the next sub-section.

### **Individual-Level Factors Contributing to Future Fraud**

Elements of Cressey's fraud triangle contributing to individual-level fraud include perceived pressure and rationalization, but these two elements, cannot be easily observed (Dorminey et al., 2012; Gbegi and Adebisi, 2013; Harris et al., 2015), because they are internal processes (Homer 2020), and are the most difficult factors to measure (Cohen et al., 2010; Lister, 2007; Skousen et al., 2009). Perceived opportunity may be the most critical element of the fraud triangle (Homer 2020) as a predator will perpetrate fraud if there is a perceived opportunity; otherwise, the committer of fraud remains inactive (Holderness et al., 2018).

### **Industry-Level Factors Contributing to Fraud**

Similar to the for-profit sector, the not-for-profit sector includes principal-agent problems of accountability and information asymmetry (Fama and Jensen, 1983). However, management style and the atmosphere of trust assumed in the non-profit nature of INGOs/NPOs may mistakenly lead to information symmetry assumptions (Barton and Shenkir, 1996; Ohalehi, 2019), whereas information asymmetries occur between NPOs (agents) and patrons/donors (principals) (Brody, 1995; LeClair, 2019). This results from differing management styles based on NPOs' boards' characteristics where each of their members are experts in their professional disciplines with potentially limited training in management accounting issues, related internal control procedures, or in exercising sound judgement about managing NPOs (Brody, 1995; Barton and Shenkir, 1996; Duncan et al., 1999). Smaller NPO boards may consist of volunteer members spreading their time between professional and voluntary service obligations, leading to suboptimal oversight that may contribute to the likelihood of fraud (Duncan et al., 1999).

The accountability problems arise from having no clear principals within NPOs, due to NPOs having accountability relationships with multiple stakeholders including clients, donors, taxpayers, the governing board, government, and employees, which collectively *own* NPOs (Nikolova, 2013). Also, NPOs typically have lower levels of controls than FPOs because of lack of resources to segregate accounting staff duties (Barton and Shenkir, 1996; Lomer, 2013; Harris et al., 2015; Kummer et al., 2014; Lauck and Brozovsky, 2018; Zietlow et al., 2018). NPOs also have weaker governance mechanisms (McDonnell and Rutherford, 2018). The non-profit nature belongs within the industry-level factor of 'industry cultures, norms, and histories' (Ufere et al., 2020; Zahra et al., 2005). Another industry-level factor is 'environmental hostility' including strict regulatory rules or state management of the industry (Zahra et al., 2005), which is discussed at Section 5 in the context of the INGO/NPO sector in Vietnam.

### **Country-Level Factors Contributing to Fraud**

There are five main country-level (macro-level) determinants of fraud, namely economic, legal, cultural, technological, and political (Phatak et al., 2009; Timofeyev, 2014). Technology has been linked to country-level fraud determinates particularly in Asia-Pacific countries with Rad (2021) reporting that fraud in Asia-Pacific countries has rapidly increased. KPMG (2016) reported that 26 percent of fraud in the Oceania public sector aligned to the country's technological capacity to implement effective internal controls.

Hofstede et al.'s (2017) cultural framework dimensions of power distance, individualism versus collectivism are related to corruption with high 'power distance' countries exposed to higher fraud risk (Mihret, 2014) and higher degrees of corruption (Chung et al., 2021; McLaughlin, 2013; Silva and Moreira, 2017). Haithem et al., (2014) and Yamen et al. (2017) also disclosed that the financial crime rises in countries with low individualism (meaning high on collectivism).

NPOs using technologically advanced computer networks for storing financial information (e.g., payroll, payables, banking) or personal information (e.g., confidential emails, credit card details, bank account information) are also at risk from cybercriminals (MUCR, 2014). The lack of dedicated information technology (IT) staff, IT training, IT security (e.g., firewalls, antivirus programs) makes NPOs more susceptible to cyber activities (Held, 2016). Finally, government has the largest influence on increasing fraud incidences due to either lack of emphasis on economic crime (Kirkland, 2002) or ineffective government leading to corruption (Ionescu 2010).

This critical review of literature focused on RQ2, provided support for the proposed international fraud framework for the INGO/NPO sector to prevent fraud holistically in that it takes account of multi-dimensional factors at country and industry levels. The next section provides a demonstration of the country- and industry-level components related to INGOs operating in Vietnam.

### **Country- and Industry-Level Factors in the INGO/NPO Sector in Vietnam**

Country- and industry-level factors are external sources of fraud which arise as emerging threats as they cannot be managed easily by prevention mechanisms (PWC, 2022). The following sub-sections provide the foundation for RQ3.

#### **Country-Level Factors**

This sub-section expounds country-level economic, legal, cultural, political environments that may contribute to fraud in Vietnam (Pan et al., 2011).

### ***Economic and Legal Factors in Vietnam***

The transition of Vietnam's economy, particularly privatization of state-owned enterprises in tandem with a shift away from a state dominated socialist economy makes it more susceptible to prevalence of corruption for several reasons. First, Vietnam has both planned/ regulated and market economies as well as a relationship-based economy, and thus bribery conditions increase (Phan and Pham, 2011; Sato, 2009; Nguyen, 2013; Vuong et al., 2013; Segon, 2010). Second, during economic transition, poorly designed economic policies have evolved with insecure and vulnerable financial systems that make corruption more likely (Dao, 2017; Segon and Booth, 2010; Vuong et al., 2013). Bai et al., (2013) found economic growth led to decreased government corruption; calculated as proportion of firm revenues extracted by government officials as bribes - called bribe extraction rate. Firms have propensity to move to provinces with a lower bribe extraction rate and the mechanism of competition among provinces in Vietnam for retaining or attracting firms helps to mitigate the degree of corruption (Bai et al., 2013).

Gueorguiev and Malesky (2012) study indicates that government corruption is not correlated with foreign direct investment (FDI) inflows. Instead, the most important factor in lessening government corruption in Vietnam being the bilateral trade agreement with the United States (US-BTA). The US-BTA plays an important role in "altering domestic legislation and reducing opportunities for corruption when dealing with foreign firms" (Gueorguiev and Malesky, 2012, p. 128), and is one measure of economic openness.

Vietnam is a country with Communist legal theory and French-based civil law system, rather than common law (Gregory, 2016; Ling and Hoang, 2009). Independence of a country's judiciary functions is vital for safeguarding against abuse of power to ensure justice (Sato, 2009). Martini (2012) alleges that the ruling Communist Party of Vietnam (CPV) (the Party) has controlled courts at all levels, appointing the majority of judges based on personal relationships rather than on legal expertise, resulting in their being deficient in formal legal training. Such a process results in the judicial system being vulnerable to political influence (Bertelsmann Stiftung, 2016; DFID, 2013; Perri and Chu, 2012), making "the judiciary the fourth most corrupt sector in the country" (Martini 2012, p. 4).

Vietnam approved the Anti-Corruption Laws in 2005 and 2018, as part of the National Strategy on Anti-Corruption to 2020. The United Nations Convention Against Corruption (UNCAC) was ratified in 2009 (PRSG, 2013; VCCI, DEPOCEN and TC-Consulting, 2014). The anti-corruption agenda is now directly controlled by the ruling Party (CPV) with the Office of the Central Committee on Anti-Corruption (OSCAC) being removed from the government's portfolio and the Central Steering Committee on Anti-Corruption being created within the Party (VCCI; DEPOCEN and TC-Consulting, 2014). The existing legal framework and its implementation are proving ineffective in coping with corruption (DFID, 2013; Martini, 2012; Nawaz, 2008). However, publicly available information on the outcomes of the government's efforts against corruption is minimal and any indication of whether these efforts have achieved expected results is unavailable (Martini, 2012; PRSG, 2013). There are reasons that may explain the limited results. First, the anti-corruption legal framework places emphasis on the state/governmental sector public officials but not on the private or INGO/NPO sector (Dao, 2017; Huynh, 2016; Nawaz, 2008; Phan and Pham, 2011; VCCI; DEPOCEN and TC-Consulting, 2014). Second, there is no stipulation of any specified crime or penalty in the Anti-Corruption Law, leading to weak enforcement (Sato, 2009; Segon and Booth, 2010).

Third, enactment of Anti-Corruption Law in Vietnam is to attract foreign direct investment (FDI) which is often accompanied by strong demands for anti-corruption legislation by foreign countries and international organizations (Dao, 2017; Ling and Hoang, 2009; Sato, 2009) resulting in low expectations of strong ownership or commitment to implementation of anti-corruption law by Vietnam (Sato, 2009).

Fourth, in 2007, the CPV promulgated Directive #15, de facto legislation, to control both investigation and prosecution of corrupt acts, meaning that regardless of the anti-corruption legal framework, a corrupt act is only illegal if the CPV decides it is, thereby protecting corrupt CPV members from investigation and prosecution (Fforde, 2022). Therefore, rules of the CPV can take precedence over the rule of law (Gregory, 2016). Finally, in relation to institutional frameworks, there are several institutions which are together responsible for the anti-corruption mandate, including the Central Steering Committee on Anti-Corruption, the Government Inspectorate, the People's Procuracy, and the State Audit of Vietnam (Martini, 2012). These agencies are considered to be weak in anti-corruption implementation as there is a high degree of competition among them for control of the agenda, causing over-lapping mandates and weak coordination (Dao, 2017). Additionally, these institutions "lack independence/autonomy from the ruling Party, proper funding, and well-trained/qualified officials" (Martini 2012, p. 7).

### ***Cultural Factors in Vietnam***

Vietnam has been evaluated as having a high score of 70 in power distance (Hofstede et al., 2017). Accordingly, corrupt values and practices are more likely to be accepted by individuals in Vietnam (Segon, 2010; Segon and Booth, 2010). Vietnam also has a low score of 20 on individualism (Hofstede et al., 2017). This low score means Vietnam is high on collectivism because these are opposite poles on the same continuum (Hofstede et al., 2017; Perri and Chu, 2012; Segon, 2010; Segon and Booth, 2010). The orientation of networks of friends and families is to create strong relationships in collectivistic cultures which expedite illegal transactions. Furthermore, corruption rises in a collectivistic society because of the existence and application of different customary laws, standards and explanations to different groups (Seleim and Bontis, 2009), resulting in personal relationships and in-group goals being prioritised over public goals (Haithem et al., 2014; Perri and Chu, 2012; Sato, 2009; Seleim and Bontis, 2009).

### ***Political Factors in Vietnam***

The present political system of Vietnam, illustrated in Figure 4 comprises the Communist Party of Vietnam (CPV), The National Assembly, The State President, The Government, The Supreme People's Court, The Supreme People's Procuracy, Local authorities The Vietnam Fatherland Front, The Vietnam Labour Confederation, and Other social and political organizations (Vietnamese Government 2016). [See Figure 4, pg. 176]

The CPV will “maintain its firm grip on power for the foreseeable future” (Economist Intelligence Unit 2012, p. 8; Phan and Phạm, 2011; Segon and Booth, 2010). It has been claimed that “any absolute power will be corrupted” (Sato 2009, p. 222; Thayer, 2010), and corruption deeply embedded into the Vietnamese political system makes tackling corruption difficult for three main reasons (DFID, 2013). First, the importance of relationships and allies within the political system trumps rule-based systems with buying government positions having induced very large bribes, because holding office is linked to rent-seeking and money-making opportunities (DFID, 2013). Second, CPV membership could grant protection under Directive #15, implying formal protection of Vietnamese corruption by the CPV (Fforde, 2022). Third, decentralized and fragmented authority creates opportunities for corruption as without effective system control, it is difficult to implement centrally driven reforms (DFID, 2013; Phan and Phạm, 2011; Sato, 2009). Finally, close ties between political and economic power create mutual dependence which is critical in fueling corruption that is difficult to reform due to favoritism towards large state-owned enterprises (SOEs) and private investment groups with close family and/or business ties to political leadership (DFID, 2013). The Vietnamese government's anti-corruption efforts have attained limited success (BMI, 2012; Dao, 2017; TI, 2017; World Bank 2013a), but more sophisticated corruption among government officials, though difficult to detect, is still evident (Huynh, 2016).

Corruption in Vietnam continues to be a problem (Bertelsmann Stiftung, 2016; Nguyen et al., 2016; Tromme, 2016) as estimated payments by firms to the CPV officials account for at least a quarter of Gross Domestic Product (Fforde, 2022). Over a number of years, Vietnam has scored highly corrupt on the corruption perceptions index (CPI), ranked 87 out of 180 countries/territories, with Vietnam, China, India, Indonesia, and Malaysia perceived to have the highest levels of fraud, bribery and corruption across the Asia-Pacific region (EandY, 2013; PERC, 2016; TI 2016, 2017, 2018, 2021). Vietnam also has a business bribery risk index rating of 175 out of 199 countries (Trace International and Rand Corporation, 2014). Evidence includes on average, 0.7 of every 1 VND of before-tax profit at each FPO was made as informal payment to government officials (VCCI; DEPOCEN and TC-Consulting, 2014). Corruption is perceived to be pervasive at the countrywide-level by 80–86 percent of citizens (World Bank 2013a) with the overall effectiveness of corruption control in the public sector at provincial-level reducing gradually from 2013 to 2016 (CECODES; VFF-CRT and UNDP, 2017).

### ***Industry-Level Factors***

The non-profit nature discussed at Section 4 is inherent in all INGOs/NPOs, including the INGO/NPO sector in Vietnam. This section goes further to discuss the ineffectiveness of the state management might contribute to fraud in the INGO/NPO sector in Vietnam.

### ***The Legal Framework for the Operation of Vietnamese Ingos***

All aspects of the operational management of INGOs are adequately documented, creating a legal basis for unified administration of INGO operations across the country (Cần, 2015; Lê, 2013). Through this detailed legal framework, the Vietnamese government maintains stricter control over the INGO sector than many other countries to ensure the growth of this sector being in preferred directions (Sidel 2010). However, all legal documents managing INGOs are decrees and circulars (Figure 5), which are sub-law documents not having high legality (Figure 6). These documents are frequently changed and made null and void when new decrees and circulars come, causing negative effects on INGOs' operational management (Cần, 2015). [See Figure 5, pg. 177] [See Figure 6, pg. 178]

### ***Government Agencies Influence on Vietnamese INGO's Operational Management***

Government agencies' administration of INGOs is illustrated in Figure 6 (Vietnamese Government 2012). However, focal points of responsibility for managing INGOs are inconsistent at national and local levels. At national level, responsibility lies with the Vietnamese Ministry of Foreign Affairs' Department of Foreign Affairs of Localities (Vietnamese Government 2012), while the same responsibilities are assigned to different agencies at a local level: 32 Provincial Department of Foreign Affairs, 13 Office of Provincial People's Committee, 10 Provincial Union of Friendship Organizations, and 8 Provincial Department of Planning and Investment (Cần, 2015). This creates many difficulties for INGOs' operations because provincial agencies may have differences in authority, function, or even interpretation of the same document, leading to warping the document's application and implementation in practice for the same managerial issue (Cần, 2015). Consequently, administration procedures for INGOs' registration such as granting, extending, amending, supplementing, or retrieving registration cause difficulties for INGOs (iSEE, 2011), and result in ineffective state management of Vietnamese INGOs.

In general, there is disunity between operational management of INGOs and appraisal-approval of INGOs' aid projects/programs. Specifically, the former is assigned to Ministry of Foreign Affairs and Provincial Department of Foreign Affairs, whilst the latter is appointed to Ministry of Planning and Investment and Provincial Department of Planning and Investment (Vietnamese Government 2009, 2020). This mechanism creates issues as INGOs' operations are closely connected to projects and programs (BĐTĐCSVN, 2016; Lê, 2013).

In reality, appraisal and approval procedures of INGOs' aid projects/programs tend to be complicated, cumbersome, and prolonged (Cần, 2015; HLGVN, 2017; Lê, 2013). Apart from the Ministry of Planning and Investment above, decentralization of the appraisal and approval of INGOs' aid projects/programs, with involvement of other hierarchies, results in authority being dispersed, information not being synthesized, and inconsistent application of appraisal and approval processes (BĐTĐCSVN, 2016). In addition, INGOs' projects/programs must be approved by agencies at both national and local levels (Vietnamese Government 2009, 2020), leading to these agencies trying to "give way" to each other to avoid being held accountable as the first approver (Cần, 2015; iSEE, 2011; Lê, 2013). These agencies, in fact, also have longer appraisal and approval time frames than being specified by Vietnamese Government (2009, 2020), leading to delayed projects/programs or missed opportunities from international donors (BĐTĐCSVN, 2016; Cần, 2015; Lê, 2013).

Regardless of scale of activities, INGOs' projects/programs are also required to send 23 reporting forms to governmental agencies six monthly or annually (Vietnamese MPI 2010), causing an unnecessarily cumbersome, complicated, and costly impact, and inducing INGOs making "countermeasure" reports (Lê, 2013). Furthermore, field supervision, examination and inspection of INGOs' activities have not been conducted regularly or consistently by government agencies at national, local levels or even between agencies at each level, due to agencies' limited financial and human resources and training dedicated to these monitoring activities (Cần, 2015; Lê, 2013).

In relation to accounting and financial management, INGOs with overseas headquarters and local implementation of operations have donors or INGOs' aid financial management regulations or conditions, which may be dissimilar to Vietnamese law which takes precedence in Vietnam (Vietnamese Government 2009, Article 2).

The state's accounting and financial management of INGOs is currently insufficient to provide clear guidance for both government agencies and INGOs (Cần, 2015; Lê, 2013). Accounting and financial management requirements are stated in various Decrees and Circulars (Figure 5) by Vietnamese Government (2009), Vietnamese MPI (2010), Vietnamese MOF (2007), and Vietnamese MOF (2010). These Decrees and Circulars, in turn, refer to the Law on Accounting by Vietnamese National Assembly (2015). Consequently, accounting and financial management guidance is present in a variety of legal forms and documents, resulting in implementation and compliance difficulties by government agencies and INGOs (Bui and Amaria, 2014).

As a transitional economy (country-level factors), there is coexistence of a "uniform accounting system" (UAS) and accounting standards in Vietnam (Vietnamese National Assembly 2015; Xiao et al., 2004). The Vietnamese MOF formulates UAS, which cannot cover all eventualities (Weirich et al., 2010), creating conditions for possible perpetration of fraud and corruption. These potential gaps in the rules permit bad practitioners to perpetrate fraud (Nguyen et al., 2021); or within strict rule-based systems like UAS, professionals (e.g., accountants, accounting and auditing firms) "try to get around" the system, and if detected, "have to bribe the Vietnamese MOF to retain their accreditation to operate" (Nguyen 2013, pp. 107–45).

Vietnamese accounting standards are controlled by the Vietnamese MOF, whereas in the UK, U.S., and Australia, this control is the responsibility of professional accounting bodies. Up until 2005, the Vietnamese MOF published 26 Vietnamese Accounting Standards (VAS) applicable to all organizations, based on the 2004 International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) (World Bank 2013b). After 2005, the regular

IAS/IFRS updates have not been performed for VAS (Nguyen et al., 2021), due to a clash between Vietnam's need to align with IAS/IFRS and Vietnam's maintenance of the UAS corresponding with socialist ideology (Nguyen, 2016; Nguyen and Richard, 2011; Nguyen and Tran, 2012). According to Pham (2012, p. 21), "this leads to a rules-based oriented VAS without strong enough internal pressure for updates reflecting IAS/IFRS changes over time".

Compliance with both the UAS and VAS is essential for accounting practitioners in Vietnam but results in conflicts between the UAS stipulated accounting rules and the relevant VAS (e.g., accounting for differences of exchange rates, accounting for goodwill, recognition of revenue and expense) (Pham, 2012). All the factors above lead to accounting manipulation being perceived to be prevalent in the country (Nguyen et al., 2021).

The ineffectiveness of state management has led to the following consequences for the INGO sector in Vietnam. Due to the state's rigid control, some INGOs (e.g., Japanese INGOs in Vietnam) minimize contact with government agencies to avoid interference (Hakkarainen and Katsui, 2009). The state's strict control over INGOs also creates the possibility of government officials' corruption against INGOs (external fraud) (e.g., officials extracting INGO aid) (Bosold, 2013; Djankov et al., 2002). There is risk of INGO internal fraud created by state management constraints as well, including limited financial and human resources dedicated to management, poor coordination among government agencies, and poor accounting and financial management of INGOs. Typical internal fraud includes utilization of up to 70 percent of budget for experts, administration and overhead costs in some Vietnamese INGOs, instead of supporting the main mission activities (Bui and Amaria, 2014; C  n, 2015; Đ  nh, 2012; iSEE, 2011; Ph  m et al., 2010; Thang et al., 2002). For these reasons, in answering RQ3, an international fraud framework is needed to holistically prevent fraud in Vietnam. The following section examines potential wider use of the proposed international fraud framework.

### **Proposed Fraud Framework**

The discussion in the following sections is based on the new broader-based international fraud framework developed in this article for future use in policy, practice, and research in Vietnam as well as other countries to provide the foundation for RQ4.

### **International Fraud Framework Future Use in Policy**

ISA240 focuses strongly on fraud prevention and deterrence by grouping all risk factors under the fraud triangle's three elements (individual-level) (IAASB, 2009). Discussions produced from a critical review of literature to answer RQ1, RQ2, and RQ3 support the need to help both FPOs and NPOs prevent fraud holistically, which requires explicit or implicit inclusion of the new international fraud framework. There is an opportunity for this to occur in the current ISA240 revision that is subject to final approval on March 2025 (IAASB, 2021).

Therefore, the following adjustments are suggested to the setters of the revised ISA240. First, more fraud risk factors should be added under categories of country-, industry-, organizational-, and individual-level factors, as the standard provides auditors with guidelines that may need to vary among organizations and types of organizations in different countries. Second, "undetected fraud" and "future fraud" should be included to ensure that all different stages of fraud occurrence (undetected, suspected, actual/detected, and future) are taken into account when conducting an audit. "Undetected fraud's" inclusion in the revised ISA240 confirms its implied seriousness "the fact that fraud is usually concealed can make it very difficult to detect" (IAASB 2009, p. 173). Finally, the wording of "non-profit" should be included to provide a balanced perspective between FPOs and NPOs, and to recognize the INGO/NPO sector's 3.5 percent contribution to gross domestic product (GDP) in many countries (United Nations, 2018). While these three proposed adjustments have not been discussed by ISA240 setters in 2023 (IAASB, 2023), presentation of the holistic international fraud framework and the three proposed adjustments is a timely contribution to enhancing the quality of the revised ISA240.

### **International Fraud Framework Future Use in Practice**

China and Vietnam have a common border resulting in a long relationship and many similar characteristics (Perri and Chu, 2012). The NPO sectors in both countries operate in similar outdated regulatory frameworks, especially for disclosure, transparency and accountability, causing difficulties in implementation and enforcement such as these frameworks' inability to fully react to fraud occurrences, scandals, and inappropriate practices emerged recently (Sidel, 2017). NPOs operating in other countries may have similar experience and the proposed holistic international fraud framework may be applicable and extended to the NPO sector in any country. The framework has two foci, namely "what may contribute to fraud" and "what may prevent fraud." Donors as well as Vietnamese, Chinese and other governments should urge NPOs to implement and monitor the framework, to mitigate actual fraud, undetected fraud, suspected fraud, and future fraud, as a program/project funding requirement (May, 2016).



Currently, research restrictions on the non-profit sector/civil society have occurred in China and Vietnam (Sidel, 2022) with both countries pushing non-profit/civil society organizations towards compliance and service-orientation rather than assertive, independent, or advocacy groups. Consequently, barriers exist to non-profit sector/civil society research in both countries such as imposing constraints on receiving foreign funds, promulgating highly complex legal requirements etc. that significantly impacts this research area (Sidel, 2022). The proposed fraud framework should encourage scholars to maintain and expand non-profit sector/civil society research contributions in China and Vietnam.

### **Conclusions**

Literature around Cressey's fraud model and associated theoretical studies during 1950–2023 was systematically reviewed to identify the gaps in the literature and in policy including the ISA240 individual-level perspective. The individual-level perspective of Cressey's fraud triangle is unique to the US context, due to being initiated in that country (Mui and Mailley, 2015). Thus, additional factors affecting fraud may differ greatly between the US and other countries (Cieslewicz, 2012).

Consequently, the proposed fraud framework in this study is more appropriate and should provide the following benefits when used internationally for the INGO/NPO sector. First, the new fraud framework includes all of the different stages of fraud occurrence (undetected, suspected, actual/detected, and future) as well as a multi-disciplinary approach (OEP, OIC, and OEC) to preventing these stages of fraud. Second, the new fraud framework is the first to incorporate not only the traditional individual-level fraud triangle but also organizational-level, industry-level, and country-level factors into predicting future fraud. Third, globally, this is the first fraud framework dedicated to the INGO/NPO sector to holistically prevent fraud.

Using the INGO/NPO sector in Vietnam as an example, the systematic review methodology helps demonstrate the country- and industry-level factors likely to be contributing to fraud occurrence in this sector of the country. Information and suggestions about how including the new international-level fraud framework for INGOs/NPOs should enhance the quality of the revised ISA240 if included. Finally, implications for practice are relevant not only in China and Vietnam but also to other countries.

Although there are recognized benefits from using a SLR methodology, potential SLR bias limitations are associated with SLR methodology (Owen, 2021). Causes of the limitations that should be acknowledged include systematic, methodological or random error, study design, or personal primary resource selection, which may result in misrepresentation of the study outcomes. In this study a five-step approach, described in Section 2, was employed to mitigate these limitations.

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Table 1: The Evolution of Fraud Triangle Theory

Authors (Year) / Fraud Triangle Theory	Title	Types of fraud***	Factors Contributing to Fraud***	
			At individual-level	At other levels
Cressey (1950) / Fraud Triangle	The Criminal Violation of Financial Trust	Actual/detected fraud	Pressure Opportunity Rationalisation	Not available (NA)
Albrecht, Howe and Romney (1984) / Fraud Scale	Deterring Fraud: The Internal Auditor's Perspective	Actual/detected fraud	Pressure Opportunity <b>Personal Integrity</b> <u>Note:</u> Personal Integrity replaces Rationalisation in Cressey (1950).	NA
Wolfe and Hermanson (2004) / Fraud Diamond	The Fraud Diamond: Considering the Four Elements of Fraud	Actual/detected fraud	Pressure Opportunity Rationalisation <b>Capability</b>	NA
Lister (2007) / Fire Triangle	A Practical Approach to Fraud Risk	Actual/detected fraud	<b>Heat Fuel Oxygen</b> <u>Note:</u> Heat, Fuel, and Oxygen are compared with Pressure, Opportunity, and Rationalisation respectively in Cressey (1950).	NA
Dorminey et al. (2010) / M.I.C.E. acronym	Beyond the Fraud Triangle	Actual/detected fraud	<b>Money, Ideology, Coercion, Ego (M.I.C.E.)</b> Opportunity Rationalisation <u>Note:</u> M.I.C.E. is a set of motivations, which expand Pressure in Cressey (1950).	NA
Marks (2011) / Fraud Pentagon	Why the Fraud Triangle is No Longer Enough	Actual/detected fraud	Pressure Opportunity Rationalisation <b>Arrogance Competence</b>	NA

Table 1: The Evolution of Fraud Triangle Theory (continued)

Authors (Year) / Fraud Triangle Theory	Title	Types of fraud***	Factors Contributing to Fraud***	
			At individual-level	At other levels
Tugas (2012) / Fraud Pentagon	Exploring a New Element of Fraud: A Study on Selected Financial Accounting Fraud Cases in the World	Actual/detected fraud	Pressure Opportunity Rationalisation Capability	<b>External Regulatory Influence</b> <u>Note</u> : The influence focuses on laws and regulations. However, it does not state whether laws and regulations are at industry-level or at country-level.
Kassem and Higson (2012) / The New Fraud Triangle Model	The New Fraud Triangle Model	Actual/detected fraud	M.I.C.E. Opportunity Personal Integrity Capability <u>Note</u> : This model purely adopts factors from previous studies above.	NA
Cieslewicz (2012) / Expanded Fraud Triangle	The Fraud Model in International Contexts: A Call to Include Societal-level Influences in the Model	Actual/detected fraud	Pressure Opportunity Rationalisation	Societal-level Influences: <u>Note</u> : These influences are country-level factors ( <b>economic, legal, cultural, and political</b> ).
Yusof, Khair and Simon (2015) / Fraud Heptagon	Fraudulent Financial Reporting: An Application of Fraud Models to Malaysian Public Listed Companies	Actual/detected fraud	Pressure Opportunity Rationalisation Arrogance <b>Greed</b> <b>Ignorance</b> <b>Determination</b>	NA
Vousinas (2019) / Fraud Hexagon (S.C.C.O.R.E. acronym)	Advancing theory of fraud: the S.C.C.O.R.E. model	Actual/detected fraud	<u>S</u> timulus/Pressure/Incentive <u>C</u> apability <u>C</u> ollusion <u>O</u> ppportunity <u>R</u> ationalization <u>E</u> go	NA
Cheliatsidou et al. (2023)	The international fraud triangle	Actual/detected fraud	Pressure/Incentive/Motivation Opportunity Rationalisation/Attitude	External factors (country-level): economic, legal, cultural, and political. <b>Organisational-level in general.</b>

Table 1: The Evolution of Fraud Triangle Theory (continued)

Authors (Year) / Fraud Triangle Theory	Title	Types of fraud***	Factors Contributing to Fraud***	
			At individual-level	At other levels
This paper (2024)	A proposed new multi-dimensional factor fraud framework for international non-governmental organizations (INGOs): A Vietnam perspective	Four specific types of accounting fraud/internal fraud: actual/detected fraud, <b>undetected fraud</b> , <b>suspected fraud</b> , and <b>future fraud</b> .	Pressure Opportunity Rationalisation	Country-level: economic, legal, cultural, political, and <b>technological</b> . <b>Industry-level: non-profit nature in the operation.</b> Organisational-level: <b>ethics program, internal control, and ethical culture.</b>  <u>Note:</u> this paper's framework has two main focuses: (1) sources of accounting fraud - all individual-level, organisational-level, industry-level, and country-level factors may be sources; and (2) prevention of fraud, in which organisational-level is regarded as a legitimate and primary place for tackling fraud (Morales, Gendron & Guénin-Paracini 2014). Therefore, organisational-level factors act as both sources of fraud, and primary place to prevent fraud.

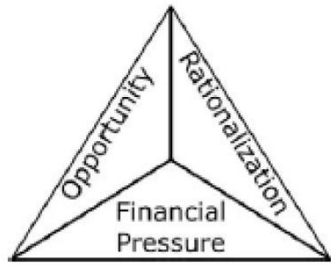
\*\*\*Note: Words highlighted in bold are the ones introduced for the first time in the fraud triangle/framework/model literature by respective authors.

Source: Developed for this paper

**Table 2: Types of fraud by victim**

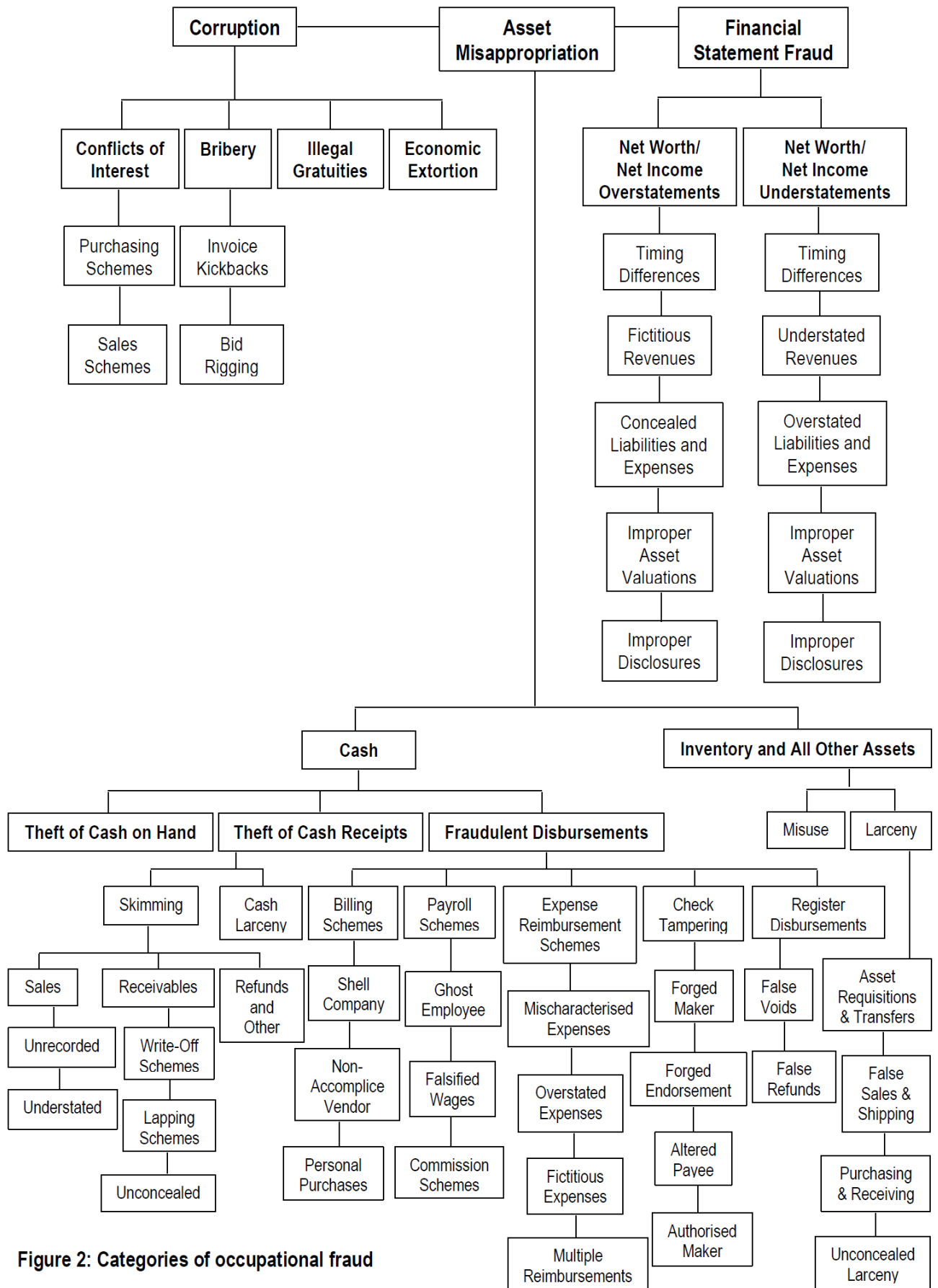
<b>Type of fraud</b>	<b>Perpetrator</b>	<b>Victim</b>	<b>Explanation</b>
Employee embezzlement	Employees of an organisation	The employer	Employees use their positions to take or divert assets belonging to their employer. This is the most common type of fraud.
Vendor fraud	Vendors of an organisation	The organisation to which the vendors sell goods or services	Vendors either overbill or provide lower quality or fewer goods than agreed.
Customer fraud	Customers of an organisation	The organisation which sells to the customers	Customers don't pay, pay too little, or get too much from the organisation through deception.
Management fraud (Financial statement fraud)	Management of a company	Shareholders and/or debtholders and regulators (taxing authorities, etc.)	Management manipulates the financial statements to make the company look better than it is. This is the most expensive type of fraud.
Investment scams and other consumer frauds	Fraud perpetrators - all kinds	Unwary investors	These types of frauds are committed on the Internet and in person and obtain the confidence of individuals to get them to invest money in worthless schemes.
Other (Miscellaneous) types of fraud	All kinds - depends on the situation	All kinds—depends on the situation	Anytime anyone takes advantage of the confidence of another person to deceive him or her.

Source: Adapted from Albrecht et al. (2016, 2019)



**Figure 1: The Fraud Triangle**

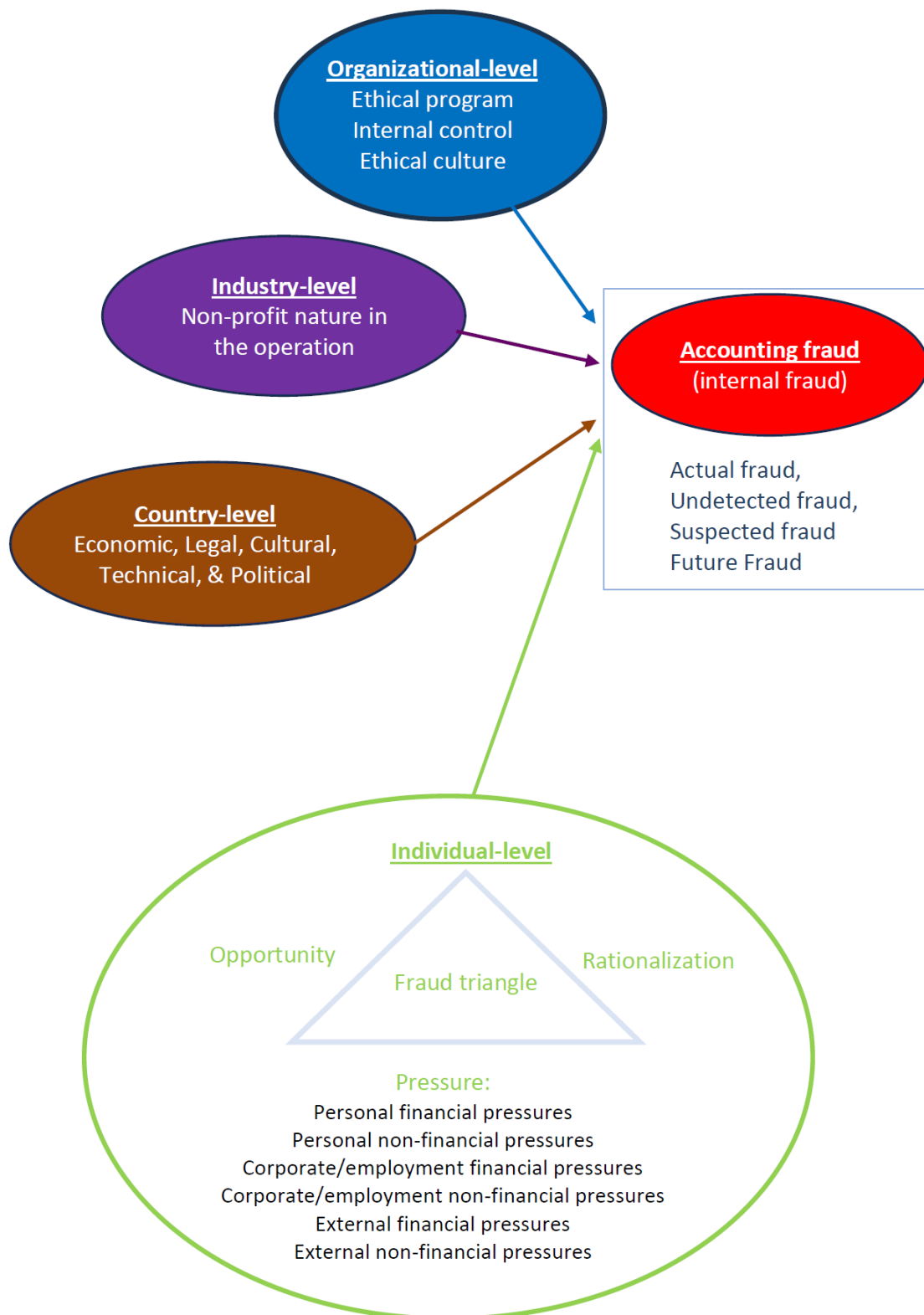
Source: Adapted from Singleton and Singleton (2010)



**Figure 2: Categories of occupational fraud**

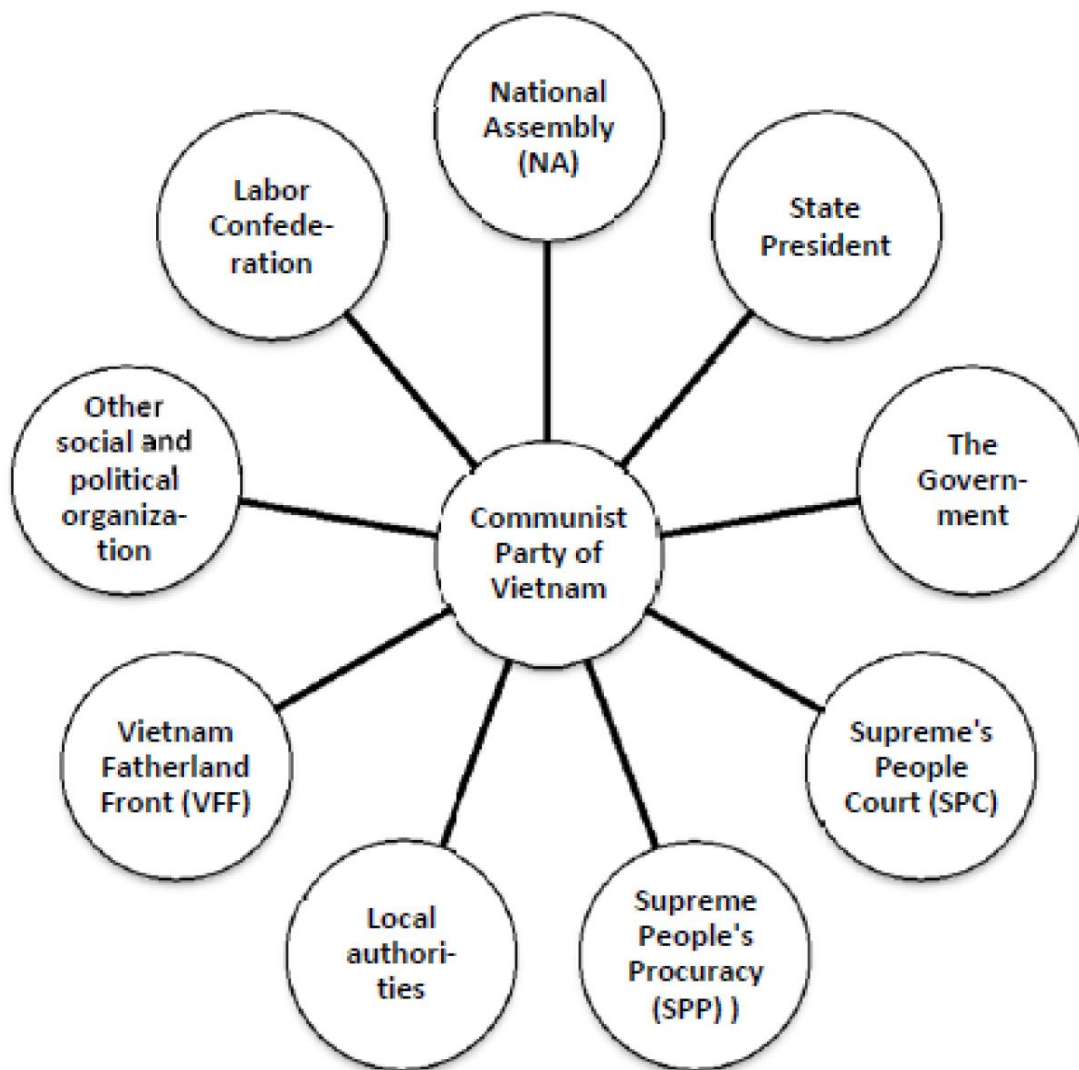
Source: Adapted from ACFE (2020)





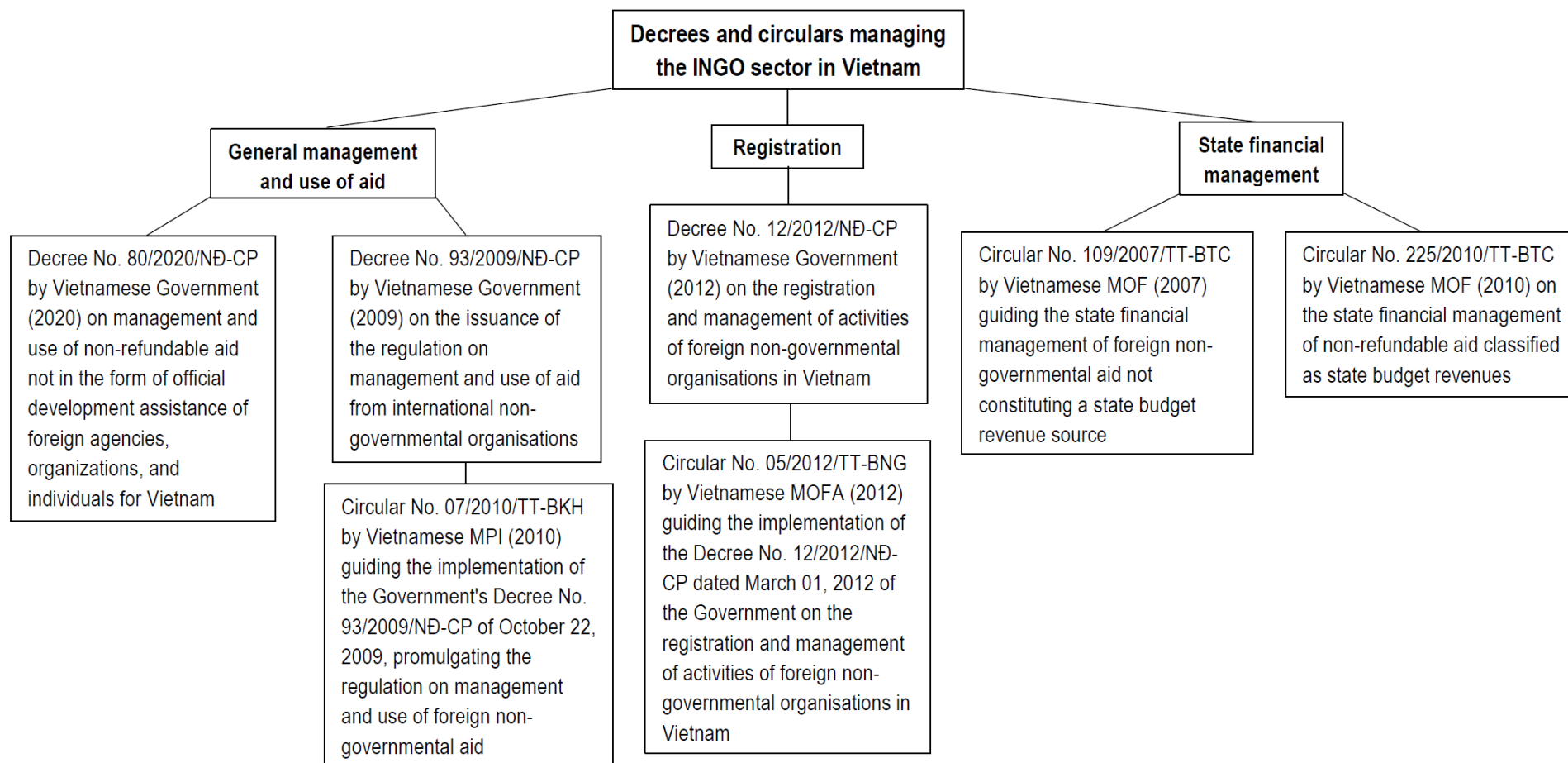
**Figure 3 : New multi-dimensional factor fraud framework for international non-governmental organisations (INGOs) to prevent fraud holistically**

Source: Adaptation and an extension of various prior research models in the current document



**Figure 4: The political system of Vietnam**

Source: Adapted from Phan (2014); Vietnamese Government (2016)



**Figure 5: Decrees and circulars managing the INGO sector in Vietnam**

Source: Developed for this paper

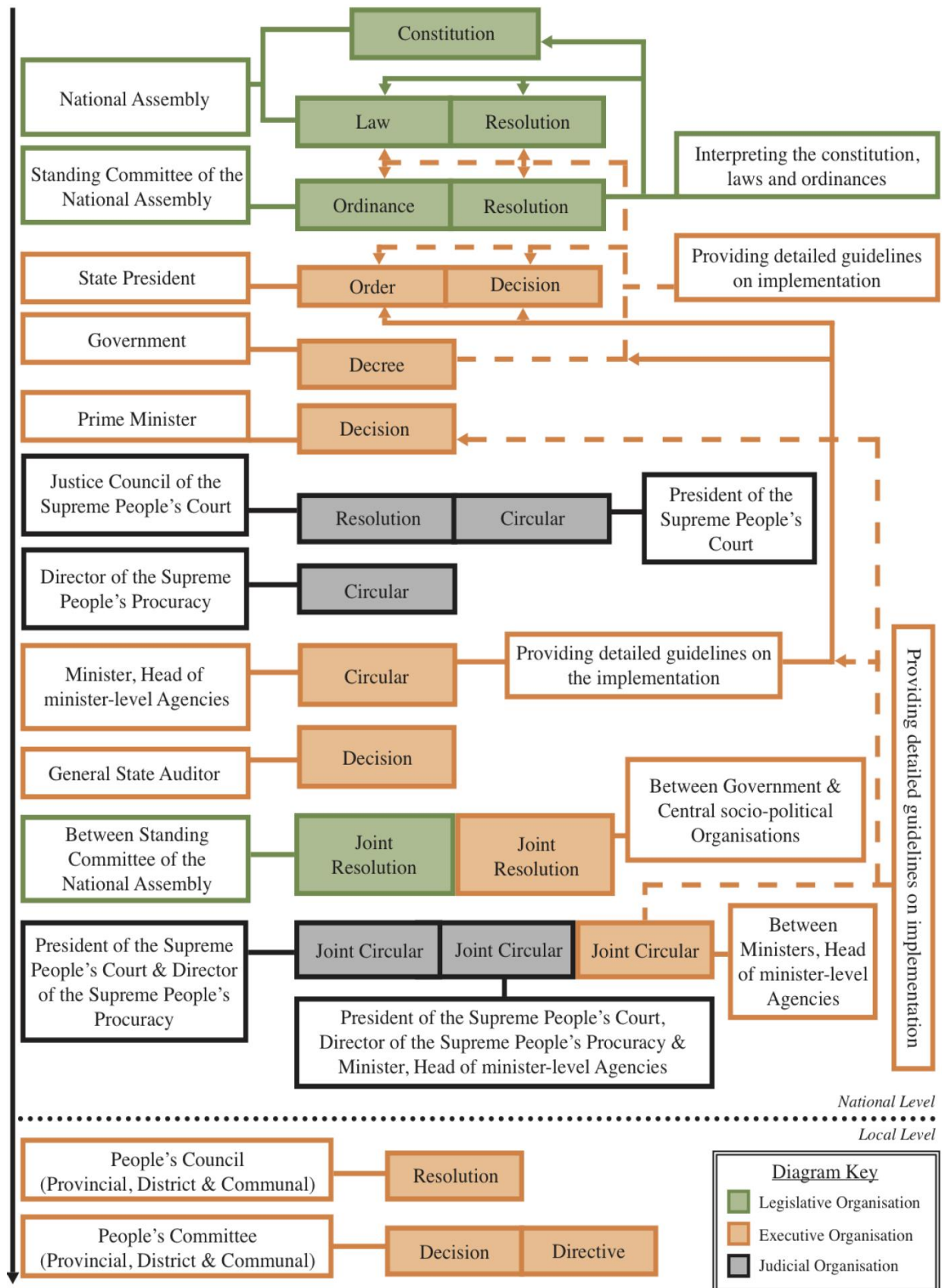
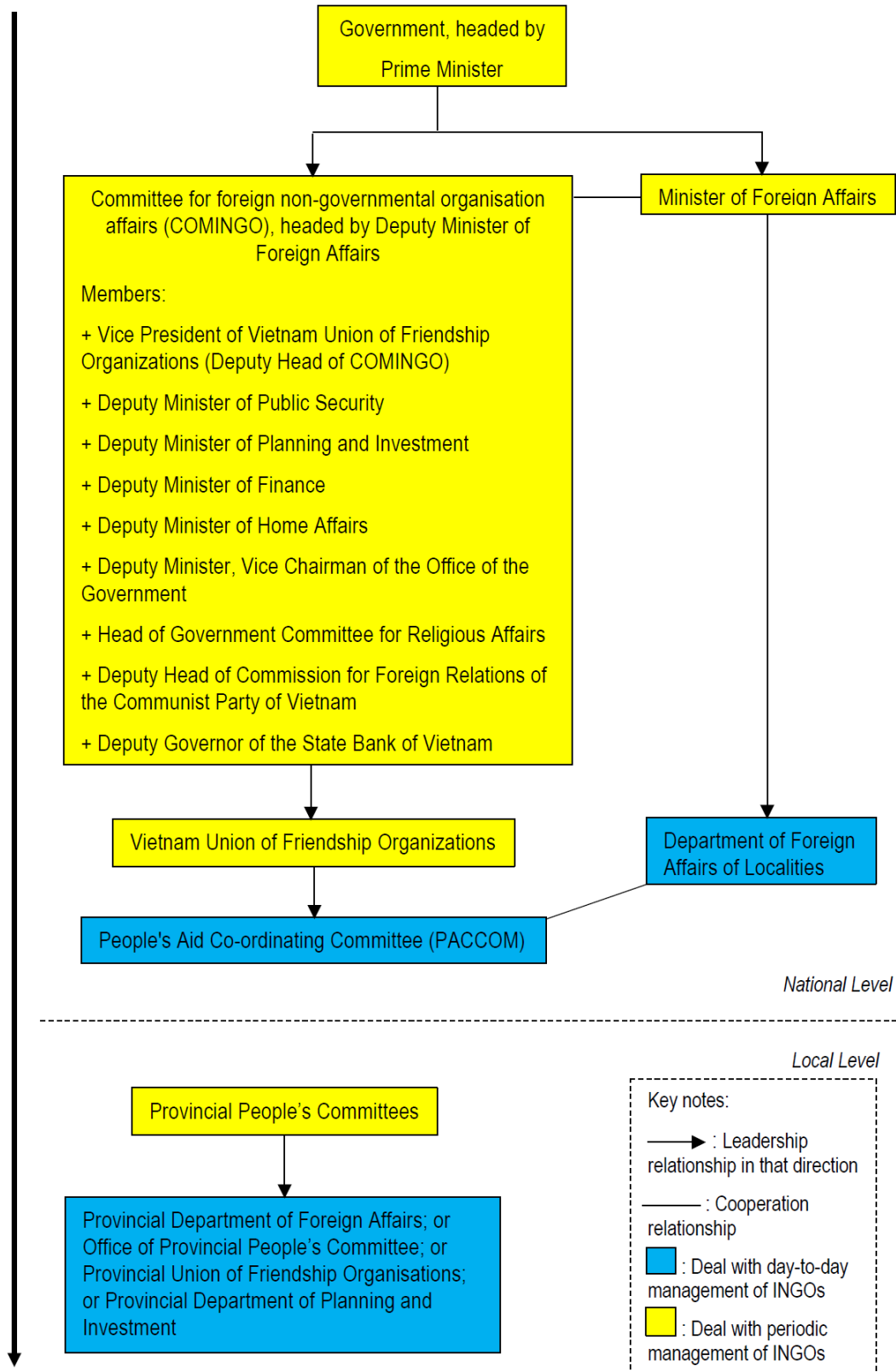


Figure 6: Hierarchy of legal documents of Vietnam

Source: Adapted from Kenfox (n.d.); Nguyen (2010b, p. 9); Nguyen (2013)



**Figure 7: The governmental agencies involving in the operational management of INGOs in Vietnam**

Source: Adapted from Cấn (2015); VGP News (2017); Vietnamese Government (2012, 2013)