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Conversations with inmate accountants: Motivation, opportunity and the fraud triangle

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ABSTRACT

The purpose of this study is to examine the factors that influence accountants to commit fraud and to understand the function of professional roles in the advent of fraud. The data in this study were collected in interviews with four small groups of male accountants who were serving a custodial sentence for committing fraud and related offences. In sum, the evidence in this study suggests that the offenders used their positions as professional accountants to deceive others when they were confronted with a special crisis that resulted in their criminal behaviour.

1. Introduction

Research on fraud in accounting is firmly placed in the context of auditing which emphasises audit risk and the role of auditing and internal controls in the prevention and detection of fraud (Asare & Wright, 2004; Bierstaker, Brody, & Pacini, 2006; Moyes & Baker, 2003; Patterson & Noel, 2003; Payne & Ramsay, 2005; Pinkus, 1989; Ramos, 2003). Research that examines the practice and effectiveness of fraud prevention and detection is premised on the auditor's obligation to detect materially misstated financial statements. However, this research presupposes that accountants are not party to such behaviour, causing researchers to overlook accountants' involvement in white-collar crime or the potentiality of fraud committed by accountants. Interestingly, the dearth of such research occurs against a background of events in which accountants and executives use accounting or their position to perpetrate and conceal fraud (ACFE, 2010; Donegan & Ganon, 2008; Tinker & Okcabol, 1991). Mitchell, Sikka, and Willmott (1998) contend that comparatively little research has been undertaken on the apparent links between accountants and white-collar crime. Furthermore, positive research on fraud and criminality is predominantly focused on executive-led fraud (Piquero, Tibbetts, & Blankenship, 2005; Rossouw, Mulder, & Barkhuysen, 2000; Weisburd, Waring, & Chayet, 1995) which overlooks specific occupational roles such as accounting. This study attempts to redress these limitations by examining the role of accountants as instigators of fraud rather than controllers.

The objective of this study is to understand why accountants commit fraud and the degree to which the offenders rely on their professional roles to deceive their victims. This study will reveal the centrality of accountants' motivation to commit fraud and the extent to which crime in the profession is consistent with the psychology of fraud known as the fraud triangle. The data collected in this study provides an opportunity to appraise the veracity of the fraud triangle as a correlate of criminality in the profession by understanding the opportunities to commit fraud that lie in the management

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and manipulation of professional roles. The findings suggest that it was the professional dimensions of knowledge and trust in particular that characterised the crimes in this study. It is the dimensions that relate to the occupation of the offenders, rather than the offence, that this author regards as a matter of some significance.

This study is expected to provide a number of benefits to the community of accountants that can suffer long term damage to its social relations from deviant behaviour in the profession. A better understanding of the causes of fraudulent behaviour in the profession will help members to recognise the signs that give rise to the potentiality for fraud. Similarly, identifying the causes of fraudulent behaviour allows professional associations to incorporate into their professional development programs the skills required to alert members to the difficulties they may face in practice and articulate strategies to deal with such problems. Furthermore, a study that conveys the consequences of fraudulent behaviour will have important deterrent effects on would-be offenders. Generalisations about the extent of crime in the profession and whether it is regarded as of some significance are difficult because of the elusiveness of the data. However, irrespective of the extent of crime in the profession, it remains an important topic that has significant implications for victims of fraud as well as the collective reputation of the profession.

The remainder of this paper is structured as follows. The theoretical framework that relies on the psychological model developed to explain why people commit fraud (known as the 'fraud triangle') is outlined in section two of this paper. Section 3 describes the data collection process which relies on discourse analysis from group discussions with professional accountants serving a custodial sentence for fraud-related offences. Section 4 reports the findings followed by a discussion of the findings in Section 5. The final section concludes the paper.

2. The psychology of fraud

Research in white-collar offending has been undertaken predominantly from either a macro (social structure and strain theories) (Durkheim, 1965; Merton, 1968; Piquero et al., 2005; Rossouw et al., 2000; Weisburd et al., 1995; Zahra, Priem, & Rasheed, 2007) or meso (differential association theory) perspective (Benson, 1985; Clinard, 1990; Nichols, 2000; Piquero et al., 2005; Sutherland, 1939) to explain white-collar crime. Weisburd et al. (1995) indeed noted that research on white-collar offending has generally focused on the corporate rather than the individual offender. However, research that has the potential to improve the behavioural standards of major corporations, leads to neglect in understanding fraud committed by individual offenders. This paper is focused not through the social or organisational lenses but examines positivist notions of criminality which posit that crime is committed by individuals in response to a personal crisis or stressor such as financial strain. The criminality of the offenders in this study will be examined by focusing exclusively on their inner thoughts or belief processes, thus, providing a micro-level analysis of white-collar crime among accountants.

Current understanding on why people commit fraud is grounded in the fraud triangle, a theoretical model embedded in the study of psychology developed from the original work of Cressey (1971). Cressey (1971) argued that white-collar crimes are motivated by what he referred to as a 'non-shareable problem'. A non-sharable problem occurs when an individual is confronted with a problem or personal crisis and is unable to share their problem with friends or colleagues because of the shame the offender associates with the behaviour and the consequential effects of legal or social sanctions when the behaviour is discovered. Financial distress, loss of status, admission of fault or poor judgement, have the potential to create a non-shareable problem begetting an individual to secretly resolve their problem by stealing to avoid losing face. Cressey's (1971) hypothesis later became known as the fraud triangle (see Fig. 1) in which researchers added to motivation (a non-shareable problem) the notions of opportunity and rationalisation to explain the advent of fraud (Albrecht, Albrecht, Albrecht, & Zimbelman, 2012; Coleman, 1987, 1989; Cressey, 1971). Pressure, or motivation, provides the incentive to commit fraud; opportunity grants the means to follow through with the intention to commit fraud; and rationalisation helps the offender to deal with the cognitive dissonance associated with their behaviour. The fraud triangle, now adopted in auditing standards, provides a valuable framework to analyse individual fraudulent behaviour (Ramamoorti, 2008).

2.1. Pressure to commit fraud

Pressure or incentive motivates an individual to behave illegally. Pressure, typically arising from a non-shareable problem, is critically important in understanding the motivation in fraud. This is because an inability to share one's problems with others sufficiently motivates an offender to behave illegitimately to resolve their problem (Cressey, 1971). In contrast, rational judgment, if employed, could have aided in the solution of the problem without resorting to unlawful behaviour. Pressures that have been identified as common motivators of fraudulent behaviour (see Fig. 1) are discussed below and have been categorised accordingly: (1) financial pressures; (2) vices; (3) work-related pressures; and (4) other pressures such as a desire for material possession that reflects their more affluent counterparts (Albrecht et al., 2012; AIC & PwC, 2003). A financial strain, such as a distressed business or failed market investment(s), whether it arises from recklessness or misfortune is the catalyst that drives many offenders to commit fraud (Cressey, 1971). In an organisational context, recent literature suggests that monetary incentives such as executive bonuses combined with pressures to ensure the market receives only good news so as to retain investor confidence, can lead executives to manipulate of published financial reported in the form of earnings management (Brenna & McGrath, 2007). Closely related to financial pressure are vices such as gambling and drugs representing the second category of pressures that motivates fraud. The AIC and PwC (2003) discovered that gambling was a major motivation for fraud, second only to greed. According to KPMG (2002), the increasing incidence of fraudulent conduct

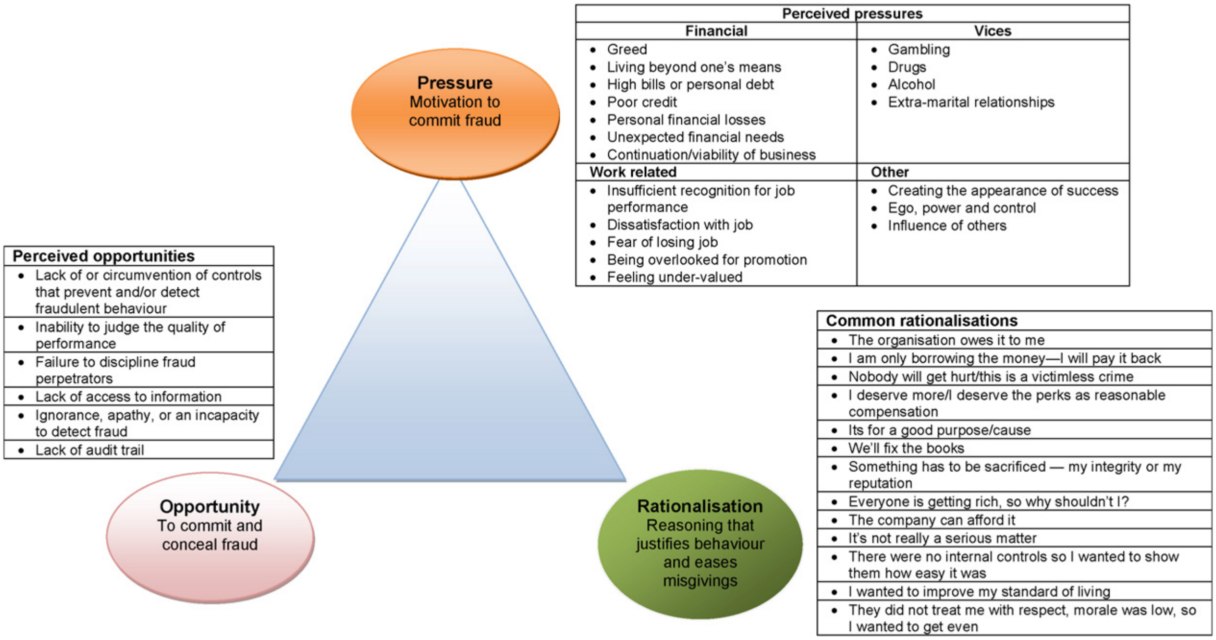

Fig. 1. The fraud triangle.

reflects a rise in gambling accessibility. Of those offenders whose primary motivation was gambling, the vast majority plough the proceeds back into gambling creating a never-ending cycle of pressure (Sakurai & Smith, 2003).

The third category that commonly motivates fraud is represented by non-financial pressures. In this category, workplace dissatisfaction is a major source of illegal behaviour. Some offenders commit fraud to take revenge on their employer for perceived inequities. When employees feel that they are treated unfairly (e.g. missing out on a promotion, changes to remuneration, significant employee layoffs, unfair treatment, or lack of appreciation) and feel they must continue to work in the same organisation, disgruntlement develops providing an incentive for them to misappropriate assets (Bartlett, Endo, Tonkin, & Williams, 2004; Ramamoorti, 2008). Dissatisfied or alienated employees such as those who are poorly paid or lack respect from colleagues, have little commitment to the organisation and are more likely to engage in activities such as fraud that serve their own interests (Baucus, 1994; Cressey, 1971).

The final category that motivates fraud is comprised of 'other' pressures. The type of pressures faced by offenders in this category will vary and depend on individual circumstances (Duffield & Grabosky, 2001). Common examples of 'other' pressures include egocentric motivations and a desire to possess more than one can afford, colloquially referred to as 'keeping up with the Jones's'. Comparisons with those who are wealthier have their origin in strain theory, where the offender desires material possessions or a lifestyle that matches their more affluent counterparts. Egocentric motivations are any pressures that fraudulently enhance personal prestige, often found in people who display aggressive behaviour and a desire to achieve higher functional authority in their employing organisation (Rezaee, 2005). People who are extremely ambitious and obsessed with power and control are more likely to engage in risky behaviour that could lead to fraud (Duffield & Grabosky, 2001). Moreover, the complexity of the fraud may reflect the professional pride of the perpetrator in so far as it may spawn a sense of mastery and excitement in meeting and overcoming challenges (Duffield & Grabosky, 2001).

2.2. Opportunities to commit fraud

An opportunity to commit fraud, to conceal it, and to avoid being punished is the second critical element in the fraud triangle (Tittle, Ward, & Grasmick, 2004). Factors that enhance opportunity (see Fig. 1) vary from weak internal controls to a failure to discipline perpetrators (Albrecht et al., 2012). In accounting, opportunity has been examined within the context of weak internal controls which according to KPMG (KPMG, 1997, 1999, 2004, 2006, 2008, 2010) is a major factor attributable to fraud.[1] This is in spite of the fact that the internal audit function is the principal means by which the greatest number of frauds was detected (AIC & PwC, 2003). In the case of executive fraud, where company managers are in a position to override

[1] The biennial KPMG *Fraud Surveys* and a major investigative report conducted by the Australian Institute of Criminology and PricewaterhouseCoopers (AIC & PwC, 2003) provide comprehensive insight into fraud committed against Australian and New Zealand businesses by addressing issues such as the types of fraud, the financial consequences of fraud, and the conditions that increase the risk of fraud.

internal controls, anonymous tips are the most-cited detection method of frauds (ACFE, 2010). If we accept that fraud deterrence is dependent on risk management strategies combined with effective internal control systems, then deterrence is easily formulated. However, the evidence from survey data collected by KPMG on the type and extent of fraud in Australia, indicates that red flags were present in over one-third of frauds but were ignored by management (KPMG, 1997, 1999, 2004, 2006, 2008, 2010).

It is generally assumed that white-collar offenders are sensitive to the risk of formal sanctions and consequences because of the costs and stigmatisation associated with sanctions that denigrate their occupational and social success (Simpson & Koper, 1992). According to this view, opportunities to commit fraud are mitigated when the probability of detection and the severity of the penalties are high (Votey & Phillips, 1973). Therefore, the prosecution of offenders based on legal sanction is a key reactive strategy to dealing with fraud (Sarre & Fiedler, 1999). However, prosecuting capably-concealed white-collar crime is a difficult task when perpetrators have actively disrupted the audit trail that may leave clues to their crime (Ramamoorti, 2008). Similarly, the nature of white-collar crime, its complexity and the influence and resources available to perpetrators to defend their positions, means that only an unrepresented minority of offences are detected and officially recorded (Benson, 2001; Braithewiate & Geis, 2001; Piquero & Benson, 2004). Furthermore, according to Holtfreter, Van Slyke, Bratton, and Gertz (2008), the allocation of resources in the U.S. to criminal justice agencies for the detection and prevention of white-collar crime remains a low priority compared to violent crime and threats to national security such as terrorism. A publicly held perception that trivialises white-collar offending as harmless crimes has also contributed to the dearth of resources allotted to the detection and prosecution of white-collar crime (Holtfreter et al., 2008; Schoeper, Carmichael, & Piquero, 2007). The opportunity to commit fraud is, therefore, enhanced when the prevailing belief is that too few white-collar criminals are caught and convicted and, when they are, the courts are likely to deal with them in an unacceptably lenient manner (Bartlett et al., 2004; Sarre & Fiedler, 1999; Schoeper et al., 2007; Tinker & Okcabol, 1991). The perception of leniency is perpetuated when victim organisations take no action against perpetrators, preferring to warn or dismiss the perpetrator to avoid the effects of adverse publicity and the embarrassment at having been deceived, and then tighten security to avoid a recurrence of the same or similar frauds (Sarre & Fiedler, 1999; Smith, 1999). A potentially powerful arena of social control is lost when accountants (and others) who commit indiscretions are seen to lose their jobs, followed by a variety of explanations ranging from redundancy to unsatisfactory performance. The extent of leniency, if any, afforded to white-collar offender is unknown, but it is sufficient to note that opportunities are seen to expand whether leniency is real or apparent. It is noted however that in Australia, the number of convictions and custodial sentences relating to corporate crime has increased markedly in recent years (Adams, 2004) suggesting a reversal in the trend that treats white-collar offenders with leniency.

2.3. Rationalisations towards fraud

A typical feature of white-collar crime is the lack of feelings or the indifference expressed by offenders stemming from a series of excuses or rationalisations to rid themselves of the guilt arising from deviant behaviour (Anand, Blake, & Joshi, 2004; Benson, 1985; Duffield & Grabosky, 2001; Rossouw et al., 2000). In this part of the fraud triangle, offenders admit the wrongdoing but deny that it was wrong, allowing them to maintain a non-deviant self-image whilst continuing to engage in criminal activities (Benson, 1985; Coleman, 1987; Willott, Griffin, & Torrance, 2001). The need to rationalise wrongdoing is psychologically rooted in the theory of cognitive dissonance, in which people are induced to make statements in order to perform behaviours that they would normally avoid (Kunda, 1990; Ramamoorti, 2008). The cognition that one has knowingly engaged in illegal behaviour is inconsistent with a self-image of a decent, intelligent, and trusted professional. Holding two contradictory cognitions creates an unpleasant state of cognitive dissonance that causes individuals to alter their attitudes to make them consistent with their behaviour and avoid feelings of wickedness (Kunda, 1990).

Rationalisation can take a variety of forms, including appeals to higher loyalties, sad tales of the recent past, and denial (see Fig. 1 for common rationalisations). Anand et al. (2004) claim that several of the rationalising tactics used by perpetrators to justify their corrupt practices centre on denial that includes: denial of responsibility; denial of injury; and denial of victimisation. Such rationalisations allow fraud perpetrators to view themselves as morally responsible individuals being forced to act unethically (Anand et al., 2004). Denials of this sort shift the moral responsibility of their act to another person or thing by blaming it on circumstances beyond their control. This form of rationalisation does not seek to minimise the moral blame but, rather, seeks to escape it by transferring responsibility from the offender to another or often to a vaguely defined group (Rossouw et al., 2000).

2.4. The fraud triangle – a critique

The literature describing the fraud triangle is based on the assumption that the model is an equilateral triangle carrying equally weighted elements. Rarely is the strength or influence of the relationship between the elements tested or examined. The fraud triangle whilst praised by many and adopted by the accounting profession in auditing standards is not without criticism. Donegan and Ganon (2008) highlight the limitations of the fraud triangle, questioning the properties that underpin motivation and the explanatory power of the fraud triangle as a theory of financial crime. Commentators on the fraud triangle have subsequently called for a modification to the fraud triangle to create either a fraud diamond (Wolfe & Hermanson, 2004) or fraud pentagon (Marks, 2009). Wolfe and Hermanson (2004) argue that 'capability' (fourth element) arising from a person's position or function within an organisation, combined with intellectual and cognitive traits and abilities, allow potential offenders to recognise a fraud opportunity and turn it into a reality. In other words, fraud only occurs when there is a person with appropriate capabilities to implement the fraud. Marks (2009) similarly states that it is an employee's 'competence' or power to perform that creates the conditions for fraud to occur. In addition to competence, Marks (2009) adds 'arrogance' to the model, to produce a fifth element creating a fraud pentagon. Arrogance is defined as an attitude of superiority and entitlement or greed on the part of a perpetrator who believes that corporate policies and procedures do not personally apply. Calls to modify the fraud triangle such as those proposed by Wolfe and Hermanson (2004) and Marks (2009) rely on self-developed assertions which lack significant empirical testing and support. The notion of an equilateral triangle and its power to explain crime in the context of the accounting profession is discussed below following the section on findings.

3. Research method

3.1. Data collection

The data analysed in this paper were taken from unstructured group discussions with accountants whilst serving a custodial sentence for fraud-related offence(s). The data were collected as part of a research project involving visits to prison with groups of students that served a dual purpose: (1) to explore the student-learning outcomes from meeting inmate accountants; and (2) to understand why accountants commit fraud by asking them to explain the factors leading to their behaviour. The data reported in this paper is taken form the latter objective of this project. Interview protocols imposed by prison officials (that included the presence of guards and time constraints) rendered focus group meetings a practical method of data collection. A request by the researcher to digitally record the interviews was denied by prison officials, leaving the researcher to record the data by inscription. Data that relied on the researcher's note-taking and interpretation of verbal responses invites questions on the quality of data collected. In order to redress this limitation, a second scribe was introduced to the data collection process to cross-reference notations and to verify the accuracy of the data collected. As inscription was the dominant form of data collection, the analysis presented in this paper relies upon meaning rather than quotations.

Three data sets were collected from visits (two panels of three inmates and one panel of four inmates) to Prison Loddon (Loddon) located in Victoria Australia – a mainstream medium security prison housing male inmates.[2] A fourth data set was collected from one visit (one panel of three inmates) to Prison Dhurringile (Dhurringile), a pre-release prison located in Victoria, Australia, where prisoners undertake both on-site employment and meaningful community preparation via community assistance programs.[3] The offenders who participated in this study were selected by prison officers based on two broad criteria determined by the researcher: (1) the inmates were professional accountants at the time of their transgressions; and (2) the inmates were serving their custodial sentence for a white-collar offence connected to their employment. Whilst prison officers endeavoured to introduce inmates who satisfied these criteria, the participants were ultimately determined by the pool of available inmates who consented to volunteer their accounts at the time the data was collected. The data collected from three inmates who did not meet the selection criteria were deemed unusable for the purpose of this study, leaving a total of ten participants.

3.2. Sample description

The offenders opened the discussion with an account of their personal and professional backgrounds as well as their offences (see Table 1). The inmates were convicted of 'deception' related offences and were serving custodial sentences ranging from a minimum of 2 years to a maximum of 11 years. All inmates graduated with a degree in commerce and had established careers as professional accountants. The inmates, aged 35–60, were employed in public accounting including small and large accounting firms, industry, banking and finance, and securities and investment advisory services. All but one inmate were married with children ranging in age from 3 years to early twenties. Even though the sample is small, the offenders were not atypical of the fraudster profile described by KPMG (2011) and AIC and PwC (2003)[4] making the findings relevant to the population of white-collar offenders. Furthermore, the demographic of the offenders showed they were not individuals of high professional status or corporate elites; they are more aptly described as middle class persons who committed unsophisticated crimes. Therefore, this paper complements research on fraud that is focused on highly

[2] Prison Loddon is situated outside Castlemaine, Victoria, Australia. Loddon is a medium security prison operated by Corrections Victoria, a service agency within the Department of Justice. As a mainstream prison housing male offenders, Loddon first accepted prisoners in 1990 and has a comparatively high proportion of white-collar offenders making it an obvious choice for data collection.

[3] Dhurringile Prison is situated outside Murchison, Victoria, Australia. Dhurringile was originally a homestead built for a large farm in 1877 and was purchased by the state government in 1965 to use as a minimum security prison. White-collar offenders, with a demonstrated record of good behaviour in prison, will normally transfer to Dhurringile in the latter part of their sentence providing additional opportunities for data collection.

[4] The typical fraudster is defined by KPMG (2008, 2010), Simpson and Koper (1992) and AIC and PwC (Sakurai and Smith, 2003) as a male employee; who had stable employment with the victim organisation as either a non-management employee, director or accounting professional; no known history of dishonesty; acted alone; and was motivated by greed or gambling.

Table 1
Sample description.

Data set	Inmate	Position at time of conviction	Professional experience	Sentence	Offence: theft by deception	Motivation	Family
Dhurringile	#1	Financial accountant, employed in business	Experience in local and multinational entities	2–5 years	Misappropriation of funds from employing organisation	Revenge for perceived victimisation	Married, 2 young children
Dhurringile	#2	Bank employee	Banking 25 years	2–4.5 years	Misappropriation of funds from employing organisation	Gambling	Divorced, 2 grown-up children
Loddon data set 1	#3	Public accountant – sole practitioner	Public accounting, small firms	5.5–7 years	Misappropriation of funds from trust account and tax fraud	Financial pressure, poor performing business	3 children (aged 3–15 years) from 2 marriages
Loddon data set 1	#4	Public accountant – sole practitioner specialising in investment advice	Banking and finance	Data not provided	Misappropriation of funds from trust account	Financial pressure, poor performing market investments	Not provided
Loddon data set 1	#5	Public accountant – sole practitioner, accounting and financial planning	Data not provided	4 years	Misappropriation of funds from trust account	Financial pressure, poor performing market investments	Married, 4 children (11–27 years)
Loddon data set 1	#6	Public accountant – sole practitioner	Big 4 – auditor	4–7 years	Misappropriation of funds from trust account	Financial pressure, poor performing market investments	Married, 3 children (5–10 years)
Loddon data set 2	#7	Bank employee	Worked in the same bank for 28 years	4–6.25 years	Misappropriation of funds from employing organisation	Financial pressure, poor performing business	Separated when crime detected, 3 grown up children
Loddon data set 3	#8	Bank employee	Debt finance and business loan portfolios	5–7 years	Misappropriation of funds from employing organisation	Gambling	Married, 2 children (early 20s)
Loddon data set 3	#9	Financial accountant, employed in business	Employed in commercial entity	Data not provided	Misappropriation of funds from employing organisation	Transferred money to brother's business accounts	Married, 2 children (3 and 5 years)
Loddon data set 3	#10	Principal in a business consultancy with 100 staff	Financial advisor with a specialisation in services for franchisors	7–11 years	Tax fraud	Greed	Married, 3 children (oldest 18 years)

publicised cases by examining common, 'run-of-the-mill' offences that are likely to represent a major proportion of recorded white-collar offences.

The inmates were convicted of 'deception' related offences, namely, embezzlement, taxation offences, cheque fraud, or financial statement fraud. Inmates #3, #4, #5, and #6, were principals in public practice who offered traditional accounting and/or financial advisory services to clients. The offending behaviour in these cases centred on trust account abuse in which clients' monies held on trust were used by the offender for private purposes. Inmates #2, #7, and #8, all of whom worked in major banks, misappropriated funds by relying on their knowledge of protocols and their positions to improperly transfer funds to private bank accounts. Inmates #1 and #7 were employed as financial accountants in small to medium size businesses at the time of their transgressions and relied on their roles as financial controllers to divert funds from the company to private bank accounts. Finally, inmate #10 gained a financial advantage when he improperly accepted contributions from investors for a major development project without informing them of an amendment to a tax ruling that revoked a concession affecting the project's projected rate of return.

4. Findings

The data analysed in this section examines the extent to which the fraud triangle is an explanatory correlate of white-collar offending among accounting professionals. The questions posed in the semi-structured interviews centred on the three elements of the fraud triangle: pressure [Why did you commit fraud?]; opportunity [How did you expect to get away with the fraud undetected?]; and rationalisation [How did you account for your illegal behaviour?]. The findings are presented accordingly.

4.1. Pressure

The motivations for the inmates' behaviour varied among individual offenders but were broadly classified into two major categories: financial and non-financial pressures. Financial pressure created by distressed businesses and failed investments – on behalf of clients, including siblings and relatives – appeared to be the root cause of fraudulent behaviour for six of the ten offenders. Three of the six offenders (inmates #4, #5, and #6) wrestled with failed market investments and impending bankruptcy. All of them were public accountants and defrauded their clients by misappropriating funds from their business trust accounts. The remaining three offenders (inmates #3, #7 and #9) struggled with underperforming businesses that included restaurants and a hotel. As with the previous group, inmate #3 misappropriated funds from his firm's trust account, whilst inmates #7 and #9 inappropriately transferred money belonging to their employing organisations to private bank accounts. Inmate #9 differed from inmates #3 and #7 in that, rather than stealing for self-gain, he misappropriated funds from his employer to benefit his brother who was struggling with a distressed business. Interestingly, the inmate's brother distanced himself from the offender when he learned that the funds did not belong to the inmate but were embezzled from the inmate's employer. Inmate #10 appeared to be motivated by greed when he accepted funds from investors for a major investment project (retirement village) without informing investors of a revocation by the Australian Taxation Office (ATO) to a concession. According to inmate #10, there was enough money to be made for everyone. The inmate openly stated that it was the "right decision" from a business perspective, "it just happened to be illegal". Consistent with Marks' (2009) definition of 'arrogance', such a temperament represents an ego, characterised by greed and self-aggrandisement that was paramount in his decision to behave illegally. With the exception of inmate #10, the proceeds of the frauds were not used by the offenders to accumulate wealth but were used to support failing businesses or to hide losses from poorly performing investments.

In contrast to those experiencing financial pressure, inmates #1, #2 and #8 were primarily motivated by non-financial pressures. Inmate #1 was motivated by 'anger' toward his employing organisation of 16 years because of perceived victimisation. He said that he had been repeatedly overlooked for promotion and his tenure was regularly threatened by a senior officer of his employing organisation. His perceived victimisation and lack of respect from supervisors became a source of great strain that developed a payback attitude towards his employer. Interestingly, in this case, the inmate repeatedly claimed that the money stolen were never consumed but were transferred back and forth between his employer and personal bank accounts. Inmates #2 and #8, both of whom embezzled funds from their employing banks, grappled with a gambling addiction. Both offenders acknowledged a lack of self-control when they sought an ever-increasing "one big win" to repay the stolen money in an attempt to avoid detection. Such behaviour appeared only to commence a downward slide leading to repeat fraudulent behaviour with small thefts becoming larger ones.

Contributing to their non-sharable problem were feelings of anxiety that threatened their 'success' and 'breadwinner' identities (inmates #3, #4, #5, #6, #7, and #9). These were constructed identities that, when challenged through the loss of financial means, resulted in stealing to maintain the lifestyle to which they had become accustomed (e.g. place of residence, a motor vehicle for their spouse, and private education especially important for the children of inmate #3). Status-reduction and the fear of losing what they had worked so hard to attain created an additional motivation for criminal behaviour. Furthermore, personal and family-related dilemmas experienced by the inmates at the time of their indiscretions appeared to cloud rational judgement. Inmate #3 for example was dealing with a failing marriage that ultimately led to divorce, inmate #1 was struggling to cope with burdens relating to his extended family, and inmate #7 had separated from his wife because of a drinking problem that escalated as his crimes increased in frequency. In these cases, the offenders were isolated from persons to whom they could turn for help. A similar issue arose in reference to the professional association's confidential advisory service. The offenders recoiled from seeking assistance because they were suspicious of an association that could use such information to commence a formal investigation. The professional association was seen by one offender (inmate #3) as the "accounting police". Perceptions such as these, isolated the offenders from an opportunity to report the dilemma to persons who could help them.

4.2. Opportunity

Whilst the offenders were reluctant to reveal details of their fraud strategies, they alluded to their knowledge and understanding of systems and processes conferring the ability to manipulate and bypass controls and thereby avoid detection. For example, inmate #5 explained how he used his knowledge of cheque-clearing protocols to commit cheque-fraud. Inmate #8 developed a more complex scheme where he established a number of registered businesses which were no more than shell entities supported with fraudulent financial statements. Then as credit manager, he approved the loan applications that he prepared on behalf of those businesses. This scam occurred over a period of 10 years and operated as a Ponzi scheme in which subsequent loans were used to repay existing loans. These frauds were discovered only after inmate #8 was pensioned-off and no longer present to conceal his thefts.

Some thefts continued for prolonged periods due to weaknesses in internal controls which were identified and exploited by the offenders. For example, inmate #2 (bank employee) claimed that the internal audit procedures were carelessly administered. The inmate obtained authorisation from his supervisors using unmodified bank-approved documents to transfer money into his personal bank accounts unfettered for a period of 7 years. It was the apparent trust inherent in the relationship with his supervisors that led them to authorise the documents without scrutiny or inquiry. Other frauds were less complex involving the misappropriation of funds from bank accounts without the owners' knowledge. This type of fraud was prevalent among public accountants (inmates #3, #4, #5, and #6) where they converted deposits which had been entrusted to them. In all such cases, the frauds occurred under an abuse of trust that rendered the client vulnerable to the dependent relationship with their accountant. Consequently, one might conclude that frauds that involve trusted professionals need not rely on sophisticated techniques to defraud their clients of large amounts of money.

4.3. Rationalisation

The offenders acknowledged their criminal behaviour but denied having criminal intent and refused to accept a criminal identity. This assertion is reflected in the sentiments expressed by inmates #7 and #10 who claimed that they were 'not criminals' but people who had made poor decisions; and inmate #2 who claimed to be an 'ethical person' confronted with an addiction (gambling). The offenders were aware that their behaviour was improper but they rationalised their fraudulent behaviour based on three types of denial: (1) denial of responsibility; (2) denial of injury; and (3) denial of victims.

Denying responsibility is an attempt to convince oneself that corrupt acts are the result of circumstances, such as dire financial straits, that leave the offender with no real choice but to offend (Anand et al., 2004; Piquero et al., 2005). The offenders who engaged in this form of rationalisation denied responsibility by assigning blame in two ways. First, two offenders displaced responsibility by blaming their victims for their loss. Inmates #3 and #6 (public accountants) claimed that if the victims were incapable of securing their assets, they deserved to have them stolen. This is generally a weak form of rationalisation that is likely to make the offender feel at ease rather than justify their behaviour. Secondly, the offenders denied benefiting from their frauds implying that their behaviour was altruistic with the proceeds used to benefit others. In the case of inmate #9, the fraud was committed not for himself but for his brother. Other inmates (#2, #3, #4, #7, and #8) claimed that the frauds were committed to protect others from financial hardship, such as job losses. The inmates were adamant about their altruism and lack of personal gain even when the researcher posed questions that alluded to the proceeds being used to maintain their lifestyle.

Denial of injury occurs when perpetrators convince themselves that no-one is harmed by their actions (Piquero et al., 2005). Denial of injury is common when the victim organisation is insured or can easily afford the loss (Anand et al., 2004). Inmates #2, #7 and #8, all of whom were bank employees, claimed that their crimes were victimless because the banks recovered their losses from the proceeds of insurance claims (and the sale of assets in the case of inmate #7). Such rationalisations imply that the money did not belong to anyone in particular, but was a resource that could be justifiably drawn on when the need arose.

Denial of victim occurs when the offender believes that the victim is deserving of the transgression and is juxtaposed as the wrongdoer drawing attention to rightful retaliation (Piquero et al., 2005). In the case of inmate #1, the mistreatment by his employer led him to defraud his employer as a form of 'just desert'. A variant of the denial of the victim occurs when the victim is depersonalised and converted into a faceless statistic making it a victimless crime. Inmate #3, who stole from the ATO, was adamant that no-one was hurt by his behaviour. The notion of a victimless crime was reinforced when offenders viewed their crimes as a temporary advance that will one day be repaid. Such rationalisations allow offenders to look upon themselves as borrowers rather than criminals and to behave accordingly.

In sum, the findings suggest that all three elements of the fraud triangle were present in the fraudulent acts undertaken by the offenders that participated in this study. The offenders were driven by financial pressures such as failed investments and non-financial pressures that included greed, revenge and the avoidance of failure. The power of knowledge and the absence of proper business administration created opportunities to commit fraud that were rationalised with justifications that included altruism, a perception that no-one is hurt, and the moneys will be repaid.

5. Opportunities in accounting and the fraud triangle

The findings in this paper suggest that accountant fraudsters are driven by rationale not dissimilar from the factors that motivate many white-collar perpetrators. Like Rossouw et al. (2000), the pressures experienced by the offenders in this study varied without an identifiable dominant motive. The contribution of this study lies not so much in the motivation but in the opportunities that are created by one's privileged position as a professional accountant, the complexity of which is yet to be fully investigated. This is not to undermine the significance of motivation but it is opportunity that influences the distribution of criminal behaviour providing a better predictor of crime than motivation. The purpose of this section is to evaluate the nature of opportunities to understand the link between opportunity and professional roles in accounting, and the implications for the fraud triangle as a correlate of criminality. The discussion below relies on the findings in this study to provide an occupation-specific perspective of the fraud triangle to complement Cressey's (1971) original work that was developed from data obtained on executive-led fraud.

The crimes identified in this paper contain specific elements that include trust or dependence, knowledge, and its abuse for personal gain. The knowledge developed from the profession in which the offender is practiced gives rise to opportunities that allows offenders to recognise and exploit. In particular, it was the offenders' knowledge and expertise that provided them with the ability to bypass controls and create opportunities when none may have existed. It is the unique knowledge possessed by accountants that provides them with the capability to successfully aid and perpetrate white-collar crime (Mitchell et al., 1998; Tinker and Okcabol, 1991). Whereas knowledge gives rise to situational opportunities, trust provides an ongoing opportunity for accountants to exploit their fiduciary position by abusing the dependent relationship held with their victims. The susceptibility of fraud in relation to trust is apparent when you consider that crimes of trust need not be complicated, nor do they require skill or special motivation. This was evident in cases involving trust account abuse in which the victims were unaware of their loss because of their personal relationship with the offenders that helped conceal the fraud. The offenders were not seen by their victims as callous, but trusted and valued professionals that relied on this persona to commit their crimes. Unfortunately for the victims, the faith placed in the offenders' professional roles as accountants, was abused by the offenders for their own dishonest purposes.

The findings in this study suggest that opportunities to engage in white-collar crime arise out of occupational positions which create the capacity to commit fraud. Therefore, it is the structural elements of the profession that include capability and trust that creates opportunities. Opportunities are accordingly brought together by the same structural factors that determine how occupations and responsibilities are distributed to individuals. Fraud therefore occurs when the right person with the right capabilities is in the right position. This explains in part why professionals do not first see the fraud opportunities that their positions offer but become exposed to more opportunities as they move into more senior and trusted positions and are attributed with greater responsibility.

The findings of this study, in the context of the accounting profession, are consistent with the criticisms of the fraud triangle outline above. Proposals to modify the fraud triangle such as the fraud diamond and the fraud pentagon rely on self-developed assertions that lack significant empirical support. Until such time as further research is undertaken to examine the validity of such propositions, this study does not support an extension of the fraud triangle but an adjustment to the shape of the triangle. The findings lend support to the contention that the fraud triangle is not an equally sided triangle but an irregular triangle with expanded opportunities arising from occupational status, thus creating a disproportionate emphasis on opportunity relative to pressure and rationalisation. The findings in this study should be seen as preliminary evidence that calls for a review of the fraud triangle to better explain the nature of opportunities within the profession. Knowledge and trust, in particular, were documented as traits that were pertinent to the crimes identified in this study. However, the findings also suggest that opportunity is a complex phenomenon that carries a number of dimensions that have yet to be fully explored in the context of the fraud triangle and the profession.

6. Conclusion

The key elements of the fraud triangle include an offender with the motivation to steal, a perceived opportunity to commit a fraud and avoid detection, and a rationalisation to act illegally. The three elements of the fraud triangle were present in the fraudulent acts undertaken by the offenders who participated in this study. Rather than one dominant motive, the offenders in this study were influenced by strains that were broadly classified into financial (failed business and investments, greed – inmates #3, #4, #5, #6, #7, #9, and #10) and non-financial motives (revenge, vices and greed – inmates #1, #2, and #8). These motives were then mixed with personal issues that further clouded judgement. Trusted relationships with clients and the absence of proper business administration created opportunities to commit fraud that were rationalised by displacing blame, the perception that no-one was hurt, and believing that the stolen money would one day be repaid. In sum, the evidence in this study suggests that the offenders relied on their positions as professional accountants to deceive others when they were confronted with a special crisis that resulted in criminal behaviour.

The discussion in this paper highlights the strength of opportunity in the advent of fraud suggesting that opportunity rather than motivation is a better predictor of deviant behaviour as well as being the key to controlling fraud. That is not to say a sufficiently motivated person will not pursue illegal behaviour, but it is opportunity that allows a would-be offender to seek a solution through illegitimate means. The implication of this discussion calls for an orientation of research that is focused on controlling fraud not by eradicating motivation but by restricting opportunity. Whilst fraud may never be eliminated, a proactive approach to dealing with fraud can dramatically reduce the vulnerability of victims to unscrupulous practitioners. Further research should focus on limiting opportunity through avenues that include education, legal regulation, and the ethics of fiduciary relationships. Additional research exploring the complexity or dimensions of opportunity and an expanded fraud triangle will result in a better understanding of the conditions that predispose accountants (and other professionals) to commit fraud and how to prevent it.

The sample of inmates who participated in this study was small in number, self-selected and restricted to offenders serving a custodial sentence. The interview protocol and the time constraint imposed by prison officials provided limited opportunity to pursue follow-up or probing questions. Furthermore, by relying on inscription as the primary method of data recording, the findings are reported in a journalistic fashion which limits the rigour of the research methodology adopted in this paper. Noting these limitations, caution should be exercised in interpreting the findings of this study which should be restricted to the sample and the context in which this study was undertaken, thus limiting its overall generalisability. In spite of these limitations, understanding why accountants commit fraud is necessary to manage deviant behaviour in the profession, particularly if opportunities in the profession are assumed to be ubiquitous.

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