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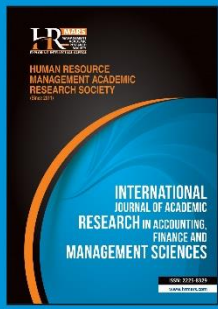
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# A Phenomenology Study on Misappropriation of Assets and Corruption in Malaysian Local Authorities: A Reality Check

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## Abstract

Year on year, the Auditor General's Report had reported on the inefficiencies and weaknesses in the government administrative system. Accordingly, this research aims to identify why misappropriation of assets and corruption are still occurring despite the elaborated preventive measures in place. Due the sensitivity of the area, a phenomenological study is the most appropriate method to approach the objective. This research used the evidence collected from both the semi-structured interviews and open-ended survey from local authorities in Malaysia. Information and data from face-to-face interviews served as the primary source of information while responses received by postages served as a secondary support to the primary research instrument. Based on the responses, inefficient leader becomes the centrepiece of the other ten challenges, namely, attitude, weak enforcement, lack of internal strengths, ineffective training, lack of authority, opportunity due to lack of control, burden of proof due to bureaucracy, favouritism/ excessive discretions, organisational culture, and public perception. This research contributes to the literature by investigating a commonly proposed subject but underexplored methodology by incorporating phenomenology and open-ended survey simultaneously in data collection to understand a holistic view of the discussed issues. While detailed research of whistle-blowing programs is outside the scope of this research, future research should acknowledge the importance of whistle-blowing programs in the Malaysian public sector which move beyond the compliance of established policies and procedures.

**Keywords:** Phenomenology Study, Misappropriation of Assets, Corruption, Local Authorities, Fraud

## Background

The issue of fraud among government employees decontaminates an immense liability to the image and reputation of the public sector. According to the Director-General of Public Service, Datuk Seri Mohd Shafiq Abdullah, corruption cases that involved civil servants were still high when commented on the latest report produced by the Malaysian Anti-Corruption Commission (MACC) for 2021 (Berita Harian, 17 February 2022). The concern raised by the Director-General was evidenced from yearly report produced by the Malaysian Anti-

Corruption Commission (MACC). Table 1 displays the number of cases handled by the Malaysian Anti-Corruption Agency since 2011 which indirectly has become evident that fraud and corruption among public servants are serious matters. Even though the cases involve government employees and are relatively lower than that seen in the public arena, there is little difference between the two.

Table 1  
Statistics of Cases Handled by the Malaysia Anti-Corruption Agency (MACC)

Year	Public Servant	Public	Number of Cases
2011	323	595	918
2012	288	413	701
2013	170	339	509
2014	224	328	552
2015	398	443	841
2016	465	471	173
2017	408	470	878
2018	418	476	894
2019	525	576	1101
2020	467	531	998
2021	411	440	851

Source: [www.sprm.gov.my](http://www.sprm.gov.my)

In 2021, Malaysia dropped five spots in the Transparency International Corruption Perception Index (CPI) to 62nd position out of 180 countries in terms of public sector corruption ([www.transparency.org](http://www.transparency.org)). Despite of the elaborated efforts made by the government, Malaysia is ranked of the most corrupted nations in the Asia Pacific (Ernst & Young, 2013; KPMG-Malaysia, 2013).

Year on year, the Auditor General’s Report had reported on the inefficiencies and weaknesses in the government administrative system. Symptoms like Malaysia’s falling position in the Corruption Perception Index (CPI), bold media reports on corruptions and fraud, adverse reactions from the public demanding corrective measures to be adopted to correct the weaknesses; those have all illustrated that the image and integrity of the government are at risk. Accordingly, these problems have demonstrated that there is a need to identify what has gone wrong considering the numerous strategies adopted by the government to address these issues (Siddiquee, 2010).

The ever being riddles of why fraudulent activities, such as misappropriation of assets and corruption, are still occurring despite the elaborated preventive measures in place, has been the motivation drive of this research. Thus a research in seek to understand more about the real causes of the present situation are thrived into a determined ambition. Indeed, it is interesting to learn that the offenders often rationalise their actions with honesty and belief that they were not committing an act of fraud. Given that the Malaysian government has implemented rigorous policies to combat the issues of fraud and corruption (Siddiquee, 2010), it is timely to view the cause of the problem in view of from a behavioural perspective (Murphy & Dacin, 2011; Prabowo, 2014; Ramamoorti, 2008; Somers, 2001). It is also peremptory to understand from the perspective of how people rationalise their wrongdoings or take advantage of possible opportunities through social deviance in their immediate environment. For instance, social deviant behaviour in the public department setting

considering that all control and preventive measures are in place (Cohen, Ding, Lesage, & Stolowy, 2011).

Since the government has initiated Article 4 of Public Officers (Conduct and Discipline) (Amendment) Regulation 2009 as the code of conduct for government employees; the continuing fraudulent activities which associated with abuse of power, misappropriation of assets and corruption in the Malaysian public sector may have originated from the lack of awareness of Rule No.4(2)(C), of which could have resulted in preventable leakages of government spending.

Incidents of corruption and misappropriation of assets cannot be neglected, or else leakages of government expenditures will continue to occur (Orchard et al., 2007). From the governance perspective, these problems should be viewed as leakages of taxpayer money and hence should be minimised if not completely eradicated. Even though the issue of assets misappropriation is considered harmless, and the corruption median loss may appear insignificant (Pickett, 2011), an entire organisation may collapse if these issues are left untreated. Moreover, the effective implementation of systems and policies cannot be solely dependent on conventional enforcement agencies as they have been proven to be ineffective to curb or eradicate fraud<sup>4</sup>. Hence, the premise of this study is based on the awareness of Rule No.4(2)(C) that could have resulted in preventable leakages in government spending.

Given that the schemes of misappropriation of assets, abuse of power, and corruption are intertwining, we are determined to accurately describe the details, experiences and challenges related to the issues that could occur in Malaysian local authorities. Therefore, focus will be given on internal fraud, namely misappropriation of assets and corruption but by eliminating financial statement fraud, due to the relevance of issues highlighted by the Auditor General. The premise of this study is based on the awareness on Rule No.4(2)(C) that could have resulted in preventable leakages in government spending. It is envisaged that this study will contribute in narrowing and bridging the gap between the Malaysian government's aspirations in this area and the actual practical conduct.

### The Research Objectives

We wanted to explore the challenges that serve as implementation barriers towards the awareness of Rule No.4(2)(C) emphasising misappropriation of assets and corruption.

Our preliminary fact-finding had indicated that the problems of corruption, misappropriation of government assets and abuse of official position for personal benefits remain subsist in the Malaysian public sector even though tight rules covering these issues were implemented. The preliminary study was continued with a random interview for which was conducted with four government employees working in one of the local authorities in Malaysia. The interview exercise was being motivated to understand the main reasons that hindered the government's intention to curb fraud under Rule No.4(2)(C). The results from the interviews had highlighted a number of concerns.

- i. The participants had not heard about Rule No.4(2)(C) of *Public Officers (Conduct and Discipline) (Amendment) Regulations 2009* and were not familiar with the code under this study, even though all government employees at large have access to the information. Iyer and Samociuk (2006) warned that the efforts of producing a comprehensive and lengthy policy would be in vain if no one reads the policy.
- ii. Training on the awareness of Rule No.4(2)(C) of *Public Officers (Conduct and Discipline) (Amendment) Regulations 2009* is limited. Therefore, employees may be exposed to the

- risk of committing fraud unbeknown. This is particularly true when most people within the organisation are unclear about the policy (KPMG-Malaysia, 2010; Murdock, 2008). The incidents of fraud will inevitably grow when management fails to document anti-fraud policies, provide adequate training, and sanction unethical practices (Murdock, 2008). In order to make fraud and corruption unacceptable to all, Pillay (2004) suggested long-term education to raise holistic awareness.
- iii. The execution and enforcement process for the said codes was to some extent missing, specifically with regards to the misappropriation of assets. However, other offences involving fraud and corruption were often heard about in the media.

From the above preliminary results, there are obvious signs of disconnection between the policies in place and how they are applied in practice. The issues associated with the misappropriation of assets and corruption in the Malaysian public sector may have originated from the lack of awareness of Rule No.4(2)(C). The Rule in its full obligation could have resulted in preventable leakages mechanism of government spending. This is supported by the reports issued by the Malaysian Auditor General, which had highlighted that since 2010 the government expenditures have been attributed to extravagance, wastefulness, and fraud. Notably, the government had introduced established measures, initiatives, and aggressive actions to fight against corruption. However, the efforts have simply not working considering that the incidents of corruption and misappropriation of assets in government departments are still reported. Therefore, the current situations are confirming Siddique's (2010) claims that the gap between policy and practice exists.

Since public sector employees are not aware of the rules, there is a strong possibility that they would perceive that the conducts of misappropriation of assets and corruption as normal, routine, and harmless. Subsequently, the government would inherit or incur the unnecessary expenditure to cater for these crimes. Thus, it is key to understand the real challenges that hinder or obstruct the awareness of Rule No.4(2)(C) of *Public Officers (Conduct and Discipline) (Amendment) Regulations 2009* from being successfully implemented and enforced.

As the above discussion illustrated, this study argues that "the challenges that serve as implementation barriers" will give the notion; the factors that stop the accomplishment of the Rule intent. Being the reasons that throws the application away rather than into the operation and proper practice of the Rule. The causes and behavioural components that blocks as constraints to the pursuit of the Rule.

In extension, for the purpose of this research "Awareness of the Rule" connotes; the quality or state of being aware: knowledge and understanding that something is happening or exists, as per the Merriam-Webster's definition ([www.merriam-webster.com](http://www.merriam-webster.com)). As such within the ambit of the definition, it is the awareness of Rule No.4(2)(C). The awareness functioning in this study's discourse will also include the *cognisance* of the Rule within the biota of the public servants, knowledge and mindfulness of the Rule in their work conduct, mindfulness obedience and observant on the procedures in the public office on the Rule.

### Research Methodology

Given that this research may affect and hint on a number of sensitive and controversial areas, including the moral dilemma of the participants, thus making the information from the participants by the account of qualitative research design of a higher value. Indeed, there were few different rhetorical research types found in the previous literature exploring the

issues of misappropriation of assets and corruption. This research is adopting a phenomenological study foundation to understand the deployment intricacies of Rule No.4(2)(C) among the employees of Malaysian local authorities. We selected Malaysian local authorities as local authorities or local government in Malaysia are the prima facie obligators of the Rule. There are presently 149 local authorities nationwide. Local authorities or local government are appropriate for this research because it is where policies are formulated, and decisions are made and executed at the local level (Graycar & Masters, 2018). Since the roles of local government continue to evolve, and they need to practice good governance especially when their finances are subject to scrutiny. According to Graycar & Masters (2018), the extensive roles of local government are to provide basic needs and facilities to the public, and subsequently, the employees of local government are susceptible to the danger of corruption.

The population of employees under study covers the years of experience, departments, and three layers of management; top management staff, middle management staff, and operational staff.

In the pursuit of obtaining knowledge of phenomena, we need to develop a “bottom-up” approach by utilising the participant's subjective opinions based on their own social experiences with others and their personal history. We aim to understand and describe how Rule 4(2)(C) is perceived within local authorities, the training conducted, and how controls and punishments served as a deterrence against the misappropriation of public assets and corruption without discounting the challenges that it may have.

As mentioned earlier, the Federal Government has imposed elaborated strategies to curb fraud and to minimise losses. However, contrary to these strategies, the Auditor General's Reports have still highlighted the same issues of wastages and expenditure leakages year after year. Therefore, it is of extreme importance in obtaining the views and actions of individuals who work in this situation and environment. By doing so, we can make sense and describe the phenomena of interest “from the inside”.

This research adopts what has been suggested by Moustakas (1994) who emphasised that phenomenology is the first method of knowledge because it begins with the scenarios themselves. Further, he added that intuition, observations and perceptions of matters or things are the best tools to start off an investigation to seek the truth 1994. The phenomenological research approach is considered suitable for this research since the primary objectives of this research are to describe the understanding of the participants' common experiences in their own words. The rationale for employing this research design lies in its strength as a platform to understand thoughts, feelings, values or common experiences of the participants. Therefore, the researcher can obtain an in-depth understanding of the phenomenon under study because this method discloses and exposes the behaviour of people who have direct experience to the phenomenon (Creswell, 2007; Moustakas, 1994). To adopt phenomenology method, we need to eliminate all prejudgement, biases and preconceived ideas about the subject under study 1994.

To achieve rich data, this research used the evidence collected from both the semi-structured interviews and open-ended survey which involved participants and respondents from local authorities in Malaysia. The process of data collection of this research progressed in two stages; data collection from (1) face-to-face interviews and (2) open-ended survey. Information and data from face-to-face interviews served as the primary source of information for this research while responses received by postages served as a secondary support to the primary research instrument.

The semi-structured interview questions consist of several key questions that help to

answer the research objectives but also allows the researcher to pursue further details based on the responses given by the participants. This method aims to secure implicit facet on the perception of Rule No.4(2)(C), the misappropriation of public assets and corruption. We also need to find “significant statements” or sentences from the participants that offer an understanding of how they interpret the phenomenon of the research interests (Creswell,2007). By using this procedure, we anticipate “unexpected” answers from the participants through in-depth and spontaneous interviews (Ghillam, 2005).

All interview participants were reminded that the purpose of the interview was to understand their experiences in facing the issues associated with the misappropriation of assets and corruption. The participants were briefed on the significance of the subject and were provided with several examples of the misappropriation of assets and the nature of corruption. The participants were cautioned that their responses would become empirical evidence for the research and would be presented for scholarly purposes.

Due to geographical factor and travelling limitation (Creswell, 2007; Moustakas, 1994), three city councils had been contacted for the interviews with only one city council accepting. The other two city councils have rejected our approach citing on the sensitivity of the phenomenon understudy.

Initially, we communicated with key informants from the local authority seeking their assistance to identify employees according to demographic attributes set by the researcher (different positions, grades and departments) for interview purposes. Key informants for this activity were the head of the department and senior staff. The local authority has given its six employees from Treasury Department but working in different units within the department, namely; Finance, Treasury, Budget and Procurement for the purpose of the interviews. The working experience of participants ranged between 7 and 26 years.

For interviews, Gillham (2005) suggests two to seven participants as sufficient to reach saturation, while Creswell (2007, p.61) and Mason (2010, p.3) recommend five to twenty-five people for a phenomenological study. Direct interaction of the phenomenon is not only cited as the most basic criteria for selecting participants but will also help the researcher to answer the research questions (Creswell, 2007). The city council allowed accessibility for the researcher to interview its six employees so that their lived experiences on the real challenges that served as a deterrence to the awareness of Rule No.4(2)(C) could be documented.

In addition to the six interviewees, we also distributed open-ended survey to all 149 local authorities in Malaysia to authenticate the lived experiences of the participants involved in the interviews relating to the issues of misappropriation of assets and corruption in their departments. The objective is to affirm whether the main pattern of themes in the interviews still holds. This technique supports the suggestion promoted by (Lincoln and Guba, 1985). Gillham (2005) described this technique as placing some flesh onto “bare bones” when combining open-ended survey and interviews. As a measure to support rich and robust information from the selected social setting, we strove to obtain as much, and as many responses from employees from other local authorities. We opted to extend the questions through the post in the hope to obtain reflective responses which allow addition and alteration. Furthermore, the participants can answer the questions at their convenience.

There were six sets of questions for each local authority, and each was attached with a stamped self-addressed return envelope. Each of the distributed survey are coded at the top corner, used as reference for us when it is returned. As indicated in the covering letter, we modestly requested the survey to be distributed to various departments and for all grade levels of staff. From disseminating 900 open-ended questionnaires to 149 local authorities,

201 responses were received and 199 were accordingly used in this research.

All questions used for the face-to-face interview sessions and open-ended survey were written and spoken in Bahasa Melayu for us to draw out the actual meaning of the research objectives and to grasp the actual meaning of the messages as given. The fact that Bahasa Melayu is recognised as the official language in all Malaysian Public partments, has enabled us to transcribe and translate not only the received responses, but also on the said policy, namely Rule No.4(2)(C) of *Public Officers (Conduct and Discipline)(Amendment) Regulations 2009*. The Prime Minister’s Department circulates the stipulated Rule No.4(2)(C) via its website in Bahasa Melayu.

#### Data Analysis

The data collected from face-to-face-interviews were analysed using thematic analysis. Thematic analysis is used for this study because this method offers analysing data systematically through coding technique and it shows patterns in the data that are can be used to address issue (Braun & Clarke, 2006, 2012). Initially, the interviews were audio recorded, while note-taking played a small role during the actual interview. These were transcribed verbatim. The transcribed information from the interview was classified according to the pre-coded theme (Costa, Breda, Pinho, Bakas, & Durão, 2016; Miles & Huberman, 1994) using the qualitative package Atlas.ti version 7.5.11. The pre-coded themes are developed in advance based on previous literatures. Data analysis involved deep, and repeated reading of all data (transcripts and field notes) and use of analysis procedures as described by Braun and Clarke (2006).

Table 1  
*Six Phase Framework for Doing Thematic Analysis*

Step 1	Become familiar with the data
Step 2	Generate initial codes
Step 3	Search for themes
Step 4	Review themes
Step 5	Define themes
Step 6	Producing the report

Source: (Braun & Clarke, 2006, p. 16)

The first step of the analysis involves reviewing all transcripts to achieve a sense of entire experience (Broomé, 2011; Morrissey & Higgs, 2006). We repeatedly listened to the audio recordings of each interview to become familiar with the meaning of words spoken by the participants to develop a holistic sense and feeling feeling (Bloomberg & Volpe, 2008; Braun & Clarke, 2006; Groenewald, 2004; Maguire & Delahunt, 2017; Morrissey & Higgs, 2006).

In the second stage of analysis, we examined the transcripts for potential themes and meanings to understand the participants’ experiences. For the thematic analysis, the interview transcript is edited by identifying substantive statements and eliminating repetition. That is, by classifying relevant information into pre-determined codes.

In the third stage, we extracted key phrases, terms and identified the meaning from the participants’ responses line by line because each participant had his/her own way of describing their perceptions (Boyatzis, 1998; Miles & Huberman, 1994). We made full use of coding and memo functions to highlight and make notes on specific passages. In this process,



we identified 14 individual meaningful themes from face-to-face interviews that might reflect the phenomenon under study.

Table 2

*Initial Thematic Analysis from Face-to-Face Interviews*

Themes	Themes
Inefficient Leader	Pressure from the Top
Weak Enforcement	Bureaucratic Tradition
Lack of Internal Strengths	Organisational Culture
Ineffective Training	Burden to Proof
Lack of Control	Discretions and compassions
Lack of Authority	Favouritism
Opportunity	Public Perceptions

In the fourth step, after coding processes were completed, we reviewed the notes from each interview to reflect on further information. We adopted suggestions by Moustakas (1994) recommending the process of clustering themes to group units of meaning together and thus able to identify significant areas. We reread the data associated with each theme and considered whether the data really support the context of this research. In some responses, some candidate themes are too diverse, might collapse into each other or might need to be broken into separate themes (Braun & Clarke, 2006). We rationalised the themes that seemed to say something specific about the research questions.

We also conducted the same analysis from the responses from the open-ended survey in this stage. As for the open-ended questions, the responses are free of choice. The survey is divided into two categories; six closed-ended questions with various forms of choices and nine open-ended survey. From a total of 900 sets of questions, only 201 were returned and 199 were completed and used. Responses received from the open-ended survey were analysed to identify the most discussed themes. The process included combining small themes into more significant issues (Braun & Clarke, 2006) and later cross-tabulated these with the responses received from the responses received from face-to-face interviews.

Similar like the transcripts of the interviews, all responses were transcribed into text, as empirical evidence for this research. The transcripts were exported into Atlas.ti. As for the open-ended questions, each response was analysed to extract themes and key phrases. The responses received from the participants were entered into Microsoft Excel before exported into Atlas.ti for thematic analysis. Mendeley™ served as a bibliographic database management tool for the storage and retrieval of references for over 385 journal articles. The closed-ended questions were analysed for their reoccurrence to determine respondents' understanding of Rule No.4(2)(C). The choice of answers is constructed either based on the definition given by the MACC or the literature reviews.

The fifth step of the analysis is done when a refinement of initial thematic analysis is made. At this point, the data is defined and refine to identify the aspect of the essence for each theme captured by ensuring that there are no sub-themes within a theme, or the redundancy of data interpretation. For instance, based on the responses given by the participants, excessive discretion is a sub-theme from favouritism, burden to proof is a sub-theme from bureaucratic tradition and lack of control is a sub-theme from opportunity. Later, the same refined themes are used as basis to identify responses received from open ended survey sent to all 149 local authorities in Malaysia. Responses from open ended survey is

refined to eliminate redundancy and ensuring there are no sub-themes within a theme. For instance, lack of awareness is a sub-theme from lack of training, peer pressure a sub-theme from organisational structure and lack of cooperation is a sub-theme from lack of authority. By using this technique, the researcher was able to understand the face-to-face participants' perception better and lived experiences and made comparison with themes gathered from open ended survey. In this stage, we are refining the 14 individual topics and rationalising these to 10 themes that were perceived by participants as deterrence for the awareness of Rule No.4(2)(C). The same themes are used as basis to classify responses received from open ended survey. Table 3 depicts the themes and frequencies discussed by all participants and respondents involved in this study.

Table 3

*The Most Discussed Themes From Face to Face Interviews and Open Ended Survey and Their Frequencies*

	Face to Face Interviews	Open Ended Survey
Attitude	-	50
Inefficient leader	18	25
Weak enforcement	15	16
Lack of internal strengths	11	9
Ineffective training	9	16
Lack of authority	8	9
Opportunity due to lack of control	8	3
Burden to proof due to bureaucracy	8	12
Favouritism/ excessive discretions	6	-
Organisational culture	5	16
Public perception	3	-

The sixth step begins when final thematic analysis has been derived and producing the report can be performed. The write up of each themes is clearly linked back to the research objectives which enviably demonstrate the main objective of this research that is to identify the challenges relating to the level of awareness of Rule No.4(2)(C). In this process, findings from both face-to-face interviews and open-ended survey are presented together. Since responses received from face-to-face interviews serve as the primary source of data while responses given by open ended survey are to support rich and robust information on the primary source, the reporting sequence of findings is based on themes given by face-to-face interviews from the highest frequency to the lowest.

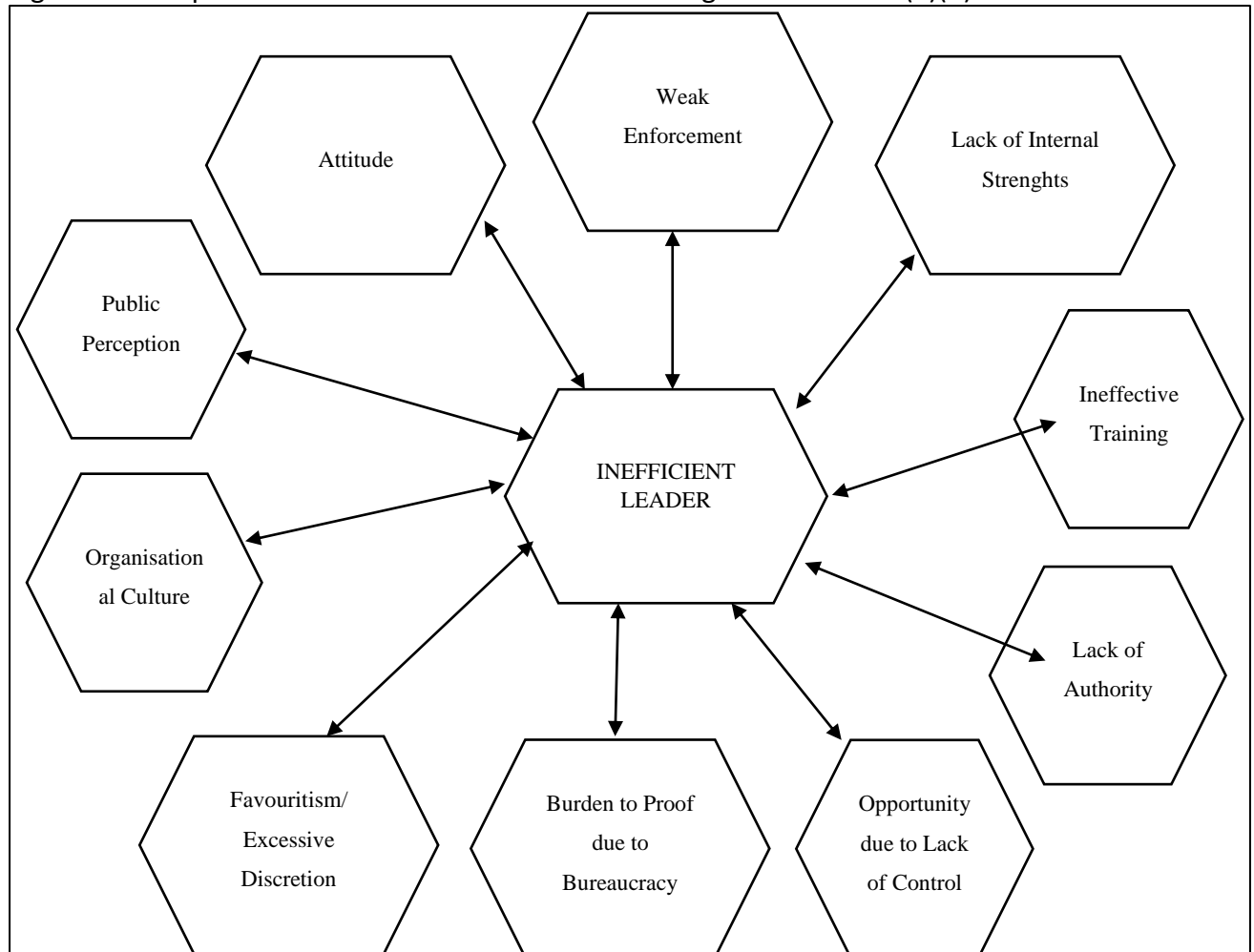
#### Findings and Discussions

Based on the responses given by both face-to-face interviews and open-ended survey, we have identified eleven most discussed themes that may serve as challenges going forward; (1) attitude, (2) inefficient leader, (3) weak enforcement, (4) lack of internal strengths, (5) ineffective training, (6) lack of authority, (7) opportunity due to lack of control, (8) burden to proof due to bureaucracy, (9) favouritism/ excessive discretions, (10) organisational culture, and (11) public perceptions.

Founded from the responses received, inefficient leader, as illustrated in Figure 1, inefficient leader becomes the centrepiece of the other ten challenges regarding the awareness of Rule

No.4(2)(C), namely; attitude, weak enforcement, lack of internal strengths, ineffective training, lack of authority, opportunity due to lack of control, burden of proof due to bureaucracy, favouritism/ excessive discretions, organisational culture, and public perception.

Figure 1: The Spider-Web Attributes of the main challenges to Rule No.4(2)(C).



The results are in tandem with those discussed by Gorta (2001) who suggests that managers should become the most significant role models within the organisation. Gorta cited Challenger (1997) saying, “a strong workplace culture will not develop from words alone. It is essential that management’s own attitudes and behaviour reflect the desired culture”. These motions are supported by Prabowo (2016b) who emphasised that corrupt behaviour in an organisation is always associated with corrupt managers.

The participants’ claims that the inefficient leader is the main cause behind the poor implementation of Rule No.4(2)(C) are in fact justified. The research findings likewise revealed that the incidents of misappropriation of assets and corruption subsist even in the environment where controls do exist; the most likely factor that might have caused this to occur is a corrupt leader. Despite the available control and policies, fraud still occurs indicating that an incapable or incompetent guardian exists in the organisation (Graycar & Sidebottom, 2012). Alternatively, there are a limited number of executives who can effectively monitor the organisation’s well-being (Prabowo, 2011).

A capable or competent guardian is not only defined as the leader of the organisation but is also the person who might act as the organisation's whistleblower. According to Graycar and Sidebottom (2012), capable guardians are not only defined as men in uniform and with badges but rather, are persons who could become whistleblowers. Further, capable guardians are not just limited to top management, but also extend to individuals with integrity. If previous scholars have warned that incapable guardians and poor management could become contributing factors to fraud (Ghazali et al., 2014; Prabowo, 2011; Ramamoorti, 2008), then the findings from this research has also revealed that inefficient leaders likewise serve as an important element that could obstruct the efforts to enhance the awareness of fraud among government employees.

In the absence of an incapable guardian, the environment could present opportunities for fraudulent acts to occur (Graycar & Sidebottom, 2012). Often, lack of control from the authoritative party can create a susceptible opportunity for offenders (Graycar & Sidebottom, 2012). When the leader is relaxed or complacent about the supposed control, this provides an environment for the potential fraudster to commit an act of fraud.

On the contrary, when the themes from the participants are cross-tabulated with the responses received from the questionnaire respondents, the issues of the employees' attitude topped the list ( $n = 52$ ) followed by the problem of the inefficient leader ( $n = 27$ ). The interview participants did not mention employee attitude as a problem. Nonetheless, both participants and respondents agree on the issue of the inefficient leader in their departments. The frequency of themes from the survey appears to be far superior compared to the responses received from interviews due to the differences in the number of replies. Even though the researcher chose responses from the interviews as the primary evidence for this research, the replies from the survey bring equal weight on demonstrating the magnitude of the seriousness on the challenges faced in disseminating awareness on Rule No.4(2)(C) in local authorities.

From the responses, twenty-six percent ( $n = 52$ ) of questionnaire respondents considered the employees' character as an important aspect obstruct the efforts to enhance the awareness of fraud among public servants. The responses are consistent with the opinion given by other scholars who warned that an employees' upbringing, culture, and ethical beliefs would determine the character of employees' in the organisation (Gorta, 2001; Murdoch, 2008).

Based on the responses provided, the issue of attitude is also a result from two factors; (1) lack of enforcement, and (2) inefficient leader. Often, attitude is the result of experience and interaction with other people and is developed through direct experience or by imitating the other's behaviour or experiences and could be strengthened through reward or punishment (Akers et al., 1979). Since most of the respondents have vague recollections of the training conducted on Rule No.4(2)(C), therefore, under most circumstances modelling becomes the best example under this scenario.

The surrounding social environment and personal attitude also directly correlate with crime and the habit to commit a crime (Cressey, 1954). While scholars may suggest that attitude depends on a person's upbringing and moral values, some of the habits are formed out of fear of being left out by their colleagues. Here, Cressey (1954) illustrated a scenario where crime is customary in the workplace. "I felt out of place among the staff. Everybody expects me to steal again. I had extreme trouble in finding someone to talk to about my fellow staff" (Cressey, 1954, p.667).

Bandura (1971) emphasised that a vicarious, symbolic and self-regulatory process play

a significant role in social learning. Merely by observing, a person may develop a behavioural pattern that would guide him/her in carrying out future actions. Notwithstanding, the attitude towards rewards and punishments could also be induced by observing the consequences of other's actions.

Based on the findings, the attitude of employees in local authorities could be influenced by imitating the actions of others. In an environment where professional conduct is silent, the employees would seek guidance on moral matters from their co-workers where the advice could vary according to whom they ask (Wiltermuth & Flynn, 2012). Subsequently, the employees would receive mixed responses of what constitutes appropriate or inappropriate behaviour. Therefore, due to the lack of enforcement in disciplinary acts and the attitude of the leaders who considers the incidents of fraud to be trivial, it is easy for the agent to be influenced through inappropriate stimulus and behaviour.

Given that the employees are prone to fraudulent acts due to the nature of opportunism, with inefficient leaders on the board, the chances that potential fraudsters continue fraudulent acts becomes apparent. Some employees may justify that given the effort expended, and beyond their present compensation, it is appropriate to take something (or benefit) that otherwise, they would have received if compensated accordingly. Since employees of local authorities interact directly with the public through day-to-day operations, they acquire broad discretionary powers over the behaviour of people by providing favourable treatment to those who are always looking for potential loopholes and shortcuts in processes and operational matters (Masters & Graycar, 2016).

Based on the shared experiences in this research, such lack of control has exposed the opportunity for the misappropriation of assets. However, as the leader does not perceive the issues as serious, the problems continue unabated.

Based on the claims made by interview participants, many rules and controls practised in the city council have been enhanced according to the needs and discretion of top management but are still in accordance with the guidelines provided by the Service Department. Such practices are common since policies in government departments' are subjected to discretion especially in countering fraud issues. As a result, different approaches will be applied across government departments as long as the risk of fraud risk is managed effectively. Since discretion in modifying rules to suit the peculiar needs of the city council can be considered as acceptable, there are circumstances where unnecessary discretions are practised in the city council. This scenario is evidenced when participant 5 shared her experience when there is no disciplinary action taken by top management when a fraudulent act is evident. In her response,

[... Basically, our departments here are fairly small, and we have known each other for many years. In this case, tolerance is the key. For example, there was a case where a staff member was caught using petty-cash for personal use. She was not stealing the money, but she took the money to pay for her monthly car instalment. When she received her salary each month, she paid it back. When the department's head found out about it, he said nothing with no action or warnings given. Simply nothing.]

The above response may also signal an indication of weak enforcement of disciplinary actions against the misappropriation of assets in the city council. Another participant (participant 1) shared her experience on fund leakages where an excess payment was made. However, no action was taken for that particular incident considering the excess payment was big, and the person should have been penalised for the surcharge.

Furthermore, responses from the interview participants also indicated that there is a thin line that separates discretion from favouritism in the city council. Favouritism, as explained by the participants usually leads to the act of discriminations and prejudice. At some point, there will be a chances that the employees could be excused of from many things. This is evidenced when participant 1 reported the following,

[... In my opinion, such discretion should not be used as a restriction for not imposing the rules. Supposedly, discretion should be used for good things such as allowing the use of the department's car when a person's car has broken down. But maybe, that discretion could be used for genuine cases and on the occasional basis. But what I see here, in this case, is that discretion is more on favouritism. For example, if your relationship is good with the boss, you have a greater advantage on using the department's car. And also, you could be excused from many other things.]

When favouritism prevails in the management of local authorities, this could potentially lead to the abuse of power, which is a further component of fraud enlisted in Rule No.4(2)(C). Another example of favouritism being practised in local authorities was provided by participant 6, who admitted that disciplinary action would be taken to the employees of the city council for offences that involved corruption, but at the same action would not be applied to higher level of management. This patronage system is, in fact, mentioned by Siddiquee (2010) who implied that leaders might have strong ties between those who work in their favour to secure their positions. With a prominent culture of patronage within the department, fraud in terms of the abuse of power and misconduct will flourish (Prabowo, 2016b).

Employees of the city council also expressed like reasons over the lack of authority issue. Among others, the reasons given consisted of the (1) the offenders are at a higher level of authority, (2) being pressured by top management, and (3) fear of being denied by their colleagues.

In contrast, it is not easy for top management to thoroughly enforce disciplinary actions on employees given that the enforced rules are still subjected to negotiation. Moreover, dealing with people requires a lot of discretion and empathy since the city council is relatively small and everyone knows each other. If the disciplinary action on fraud is inevitable, the leader prefers to tackle the matter first-hand to avoid possible legal action due to the burden of proof. To bring fraudster to justice, the burden of proof is placed upon the party who makes or files the report. The prosecutor in this instance needs to present all related evidence in order to prove that the accused committed the fraudulent act (offence). However, since the process of prosecution, collecting evidence and witnesses are all time-consuming and involve much bureaucratic red tape, often, the leader chooses to resolve the issues in his/her own way.

In defence of the leader's actions, interview participants reasoned by saying that the city council consisted of several layers of authority or bureaucracy and that each of the department's heads needs to adhere to the authority. In other words, there is another level of the higher and supreme authority in the city council which could overrule the decisions made by citing it is made for the best interests and well-being of all parties concerned. Moreover, the supreme authority has a birds-eye view (macro) on the direction of the city council which is not commonly known or understood by operational level employees. Such instances have opened or exposed the opportunity of fraudulent acts and the abuse of power to occur, especially when good intentions are not communicated to the employees.

Supposedly, leader's action of resolving issues pertaining to corruption in his/her own way are not supposed to occur because Article 4 of Code of Conducts for Public Officials (*Conduct and Discipline*) (*Amendment*) *Regulations 2009* provides holistic guidelines on compliance and appropriate penalties to create an ethical public service community. An organisation with good ethical policies and practices requires leaders who can act as role models and demonstrate ethical behaviour (Purcell, 2016). Affirmative disciplinary actions outlined in Article 4, code of conduct should be enforced to serve as a warning to other employees that fraudulent acts are serious and are subjected to severe penalties. When the leader chooses his/her own way to solve the issues relating to corruption, this will indirectly signal to the potential fraudster(s) that the leader is not serious about managing the problem. The situation will become even more severe when the severity of the fraud is calculated based on the amount taken. Based on the findings of this study, it is considered not to be an offence if the amount taken is trivial. Misappropriation of assets, for instance, is not considered to be a serious offence by the city council principal because there is no "hard-cash" involved. Accordingly, poor management practices could become a contributory factor in the occurrence of fraud since no affirmative actions are taken to penalise any wrongdoings (Ghazali et al., 2014; Purcell, 2016).

Based on the shared experiences, majority of the participants and respondents reported that the incidents of misappropriation of assets and corruption are occurring in the local authorities. Nonetheless, no affirmative measures have been taken due to two main factors; (1) lack of appropriate authority, and (2) burden of proof. This is evidenced when forty-six percent of the respondents ( $n = 60$ ) from 131 respondents admitted that the problems related to the misappropriation of assets and corruption occur in their department. Even though both participants and respondents admitted that the incidents on corruption are minimal in the local authorities because such fraudulent act would face severe consequence from the Malaysian Anti-Corruption Commission (MACC), the incidents of misappropriation of assets continue, unresolved.

There are eight-percent ( $n = 17$ ) of respondents to the questionnaire claiming that the challenges they encounter in deterring fraud are mainly due to the surrounding working environment. The working environment or organisational culture refers to the similar values held by individuals in an organisation and could prove to be a powerful medium to guide a person's behaviour (Tosi, 1984). In the context of ethics, the prevailing perceptions may become the organisation's typical practices (Murphy & Dacin, 2011). Indeed, organisational culture may differ from one organisation to another even within a similar line of business. For example, a local authority in state A may have a different working culture compared to the local authority in state B. Therefore if an employee is transferred from one organisation to another, she/he will likely need to make some form of adjustment in order to blend in.

In some respects, aspects associated with the organisational structure could help to facilitate the incidents of crime and corruption. According to Gorta (2001), the aspects associated with organisational culture may include clear guidelines on what is acceptable or not, the attitude of colleagues, and examples set by management. Notably, an organisation may be seen as an ethical risk when it routinely ignores or violates internal or the professional code of ethics, and continuously searching for quick-fixes to solutions (Gorta, 2001). Due to an unfavourable ethical organisational culture, an employee could commit fraud without any hesitation when the offences are common, and top management does not lead by example. As reported by respondent 1580302,

[... Misappropriation of assets is difficult to tackle because the employees are already familiar with their working environment. Hence, they know where the loopholes and weaknesses are. In addition to that, the management (of the local authority) is also one of the barriers which make the policies against fraud challenging to implement.]

Respondent 1600302 commented,

[... The incidents surrounding the misappropriation of assets are common, and the management (of the local authority) do not have the initiative to show good examples to subordinates.]

The evidence has demonstrated that fraudulent acts may flourish in a setting where the ethical working environment is weak. In an organisation where training is lacking, and regulations are ambiguous, employees will carefully learn how to behave in the organisation in order to blend in with their co-workers (Murphy & Dacin, 2011). The scenario worsens when corruption or misappropriation of assets becomes part of the organisational culture. Indeed, this will provide not only individuals with the rationalisation to commit misappropriation of assets and corruption, but she/he may also receive support from their co-workers. Given the temptation of taking shortcuts in an organisation, the misappropriation of assets and corruption would prevail when the principle of the relationship is based on the culture of patronage (Prabowo, 2016b; Syamsudin et al., 2015). A patronage culture is when the colleagues are supporting each other in committing fraudulent acts by paying each other a “debt of kindness”. Therefore, it requires time and effort to make a meaningful transformation.

In the event where fraud occurs in the organisation, the leaders cannot expect their subordinates to behave ethically if they do not behave themselves ethically. For instance, the responses from five participants identified that most of the wastage and leakage originated from their respective top management.

Since the results of the Corruption Perception Index (CPI) are derived based on how corrupt a country’s public sector is perceived, and the issues of corruption (in the case of Malaysia) continue to be highlighted in the media stream, the reputation of the public service community remains critical in the eyes of the public. The multiplying effect needs to be controlled because there is correlation effect between a country’s CPI score and its long-term investment as well as its foreign investment (Yusoff et al., 2012). Public perception of the public service is vital since it is the public who will ultimately suffer from the impact of leakages or through the mismanagement of funds, either directly or indirectly. Since those elected through democratic elections administer the government, the appointed leaders need to be cautioned on every decision made. The public may perceive that all expenses incurred in government administration should be reasonable and justified. Hence, unnecessary leakages in conducting any administrative-related activities should be avoided. Given that information nowadays is available at one’s fingertips, the public is no longer at the mercy of their leader’s full control of the information; a trait that could jeopardise the government’s future aspirations. Unfortunately, as indicated by the CPI, the public’s perception on the practices of corruption in the Malaysian public service has remained high over the past three years. The perception is that the public still perceives the public service community prone towards receiving bribes. The unfavourable public perception on the public service community may arise since the public service does not practice sufficient transparency in selecting its contractors. In fact, most decisions are made behind closed doors (Beh, 2007;



Khalid, 2010) and the public would welcome this practice to be more transparent. Even though the management of the public service claim that they have practised transparency, the stigma that the public still believes that corruption is a serious matter in the public service remains. Despite the negative perception, little effort has been expended to improve the situation. Despite that, the demanded transparency by the public is futile, and the public service community continues to practice what they believe to be right. Consequently, the image of civil servants is continuously affected.

### Conclusions

In summary, given that the inefficient leader served as the central focus of the challenges in implementing Rule No.4(2)(C), the employees have perceived that the incidents of misappropriation of assets and corruption are still tolerable despite their serious impact. Notably, for the Rules on fraud and misappropriation of assets to be effective, everyone in local authorities should serve as capable guardians in the department. Subsequent from the weakness of oversight to incompetent leaders, other contributing factors acting as barriers to implementation of effective measures are depicted in Figure 1.

The message throughout this research is unequivocal; more should be undertaken to have an efficient, ethical and insightful public sector in Malaysia. Therefore, there is an urgent need to encourage further academic research to be undertaken to explore the numerous, if not endless probabilities associated with government expenditure leakages which will indirectly help to restore public confidence about the integrity of government employees. The directive to eliminate fraud should be clear, measurable and achievable and within a specified period<sup>31</sup>, and not vague or simply for ceremonial purposes.

In conclusion, it is hoped that this research will become a catalyst for other researchers to closely examine practices within the public sector given the unique structure of the Malaysian government and culture.

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