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Economics Implications of Corporate Frauds for Developing Countries: Disclosure and Prevention

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Since the "white-collar" crime has devastating impact on the state economies. While white collar crime has traditionally focused on employees, it has now turned its focus to corporations, with criminals either acting alone or with others. Corporate frauds are one type of white-collar crime. Corporate Fraud has grown to be a big problem on a global scale. It affects all kinds of organizations, irrespective of its size, productivity, or area, and it exists worldwide. The primary purpose of this research paper is to provide an in-depth review of the literature on corporate fraud in order to better understand why it occurs and how it may be combated. It examines the financial consequences of corporate fraud by looking at the influence of corporate fraud on the reputation and economic standing of the company. The methodology used in this study is analytical and exploratory employing qualitative doctrinal research design that is more phenomenological and hermeneutic in nature. The findings of this study suggest that in corporate scams, the role of management is critical. A single fraud detection technology will not be useful in reducing fraud. In addition, top executives were discovered to be in process of executing anti-fraud policies and strategies within their companies. This paper would be a meaningful contribution in the existing literature.

Key words: *Corporate Fraud, Internal Audit, Management, Employees, Financial Crisis, Prevention.*

Introduction

Edward Sutherland first used the expression "white collar crime" while he was addressing to the American Sociological Society in 1939. He described white collar criminality as "individuals and organizations commit these acts to obtain money, property or services; to avoid the payment or loss of money or services; or to secure personal or business advantage.", in a research study published in the American Sociological Review. White collar crimes are designed in such a way that the harm or damage they produce is so widely disseminated across society that their significance in terms of individual victims is essentially negligible (Sutherland, 1941). Since the criminals are skilled crooks who disguise their acts through a series of intricate transactions, prosecuting a white-collar crime is extremely tough.

Rather than focusing on the individual employee, white-collar criminals are now targeting entire corporations, whether they do so on their own or in collaboration with others. Corporate frauds are one type of white-collar crime. Corporate frauds are by far the most complex of all white-collar crimes, and they have a negative impact on general public as well as general. Such crimes are done by high-profile and cultured individuals of the society. They stifle interest in and faith in business investments, eroding trust in the government and society as a whole. Corporate scandals are more harmful to the country as the financial losses generated by corporate frauds are greater than the losses caused by invasions, thefts, and burglaries. With the expansion of trade and technology, corporate fraud has become a global phenomenon.

The main purpose of this article is to observe firstly, the consequence of the corporate fraud and involvement of management and employees whilst in performing their duties and secondly, its implications towards the reputation of the firm and also on its economy. Lastly, finding of this provides measures to defend the organization's economic interests from various risks posed by its employees, management and internal actors which are necessary for sustaining the organization's economic security. It also gives a thorough overview of fraud prevention and detection techniques

Worldwide examination of fraud

Every economic institution aspires to expand, develop, increase its income, and improve its financial security. These objectives, however, are not always attained through legal means. The poor economic conditions of the previous year accelerated the emergence of the corporate fraud phenomena in the countries. Hence, corporate frauds are serious risks to the state's economic security. For corporate managers and owners, combating this form of fraud has become significantly important (Popkova, 2018). Fraud is not limited to huge corporations or high-ranking executives (Godina, Kosenkova, Maksimenko, Mezentseva & Shcherbakova, 2018). It can be carried out by any employee of the company. According to one study, insiders on the payroll perpetrated 85 percent of the worst fraud incidents (Ernst, Young 2003). The average damage incurred by occupational scams, per Association of Certified Fraud Examiners (ACFE), was $159,000. Nearly a quarter of the incidents resulted in losses of approximately $1 million, while corporate fraud caused huge losses of $1 billion or even more.

According to an estimate, corporate fraud costs American businesses 5% of their annual revenue, reaching a total $652 billion in financial fraud in the light of the US Gross Domestic Product in 2006. Small businesses, on the other hand, lose a tremendous amount of money to fraud (Rittenberg, Johnstone, Gramling, 2010). Firms with fewer than 100 employees experienced a median loss of $190,000 per scheme, which was more than the average loss cumulated by biggest corporations even. Employees illegally forging company checks, stealing revenue, and processing fictitious invoices have been the most common workplace frauds in small firms. There are two types of scams: management frauds and employee frauds. Managers were charged for withholding or altering critical financial data to pursue company expansion plans and continuing to extract control benefits despite their companies' unsound financial state in a number of recent corporate scandals. A global study of fraud cases ensures that fraud is prevalent in every type of organisation. In the energy sector, similar to Enron (USA). While expanding its business from electricity trading and natural gas to internet network capacity trading, top executives engaged in fraudulent bookkeeping and released false information to stock markets. They rewarded themselves with fantastic pay packages, mostly in the form of options awards, as a result of this procedure. Enron Corporation, situated in Housten, Texas, was an energy corporation of the America. At that time, this empire was considered to be the world's largest energy, communications, pulp and paper, and natural gas corporations before its bankruptcy in late 2001. It had highest employee rate and revenue, i.e. employing around 22,000 people and nearly $101 billion as claiming revenues in 2000. For six years in a row, Fortune magazine rated Enron as "America's Most Admired Companies."

At the end of 2001, when this scandal was exposed it was revealed that the company's declared financial status was largely based on institutionalized, organized, and cleverly systematized accounting fraud. Since then, it has become a symbol of intentional corporate deception and malfeasance. The Sarbanes-Oxley Act of 2002 was enacted to make investigation into accounting techniques of several firms across the United States (Uzun et al., 2004), (Rajora, 2010). While expanding Parmalat's food industry, venturing into non-core sectors (such as sports, and travel services), and diverting substantial sums to his own family, the company's president disguised large losses and much of the huge debt amassed. In banking, The United Kingdom’s Barings Bank, HIH (Australia), Olympus (Japan), Germany’s Comroad AG, India’s Satyam in information technology, in telecoms the WorldCom from the USA) 2G spectrum from

India became the victims of corporate fraud and suffered tremendous loss. The case of Satyam is one of the remarkable cases in this behalf.

The Association of Certified Fraud Examiners (ACFE, 2014) compares fraud loss towards the iceberg and it revealed that due to this corporate fraud, business community suffers from nearly 5 % of their income per year and it leads towards the economic crisis of the corporations and they are affected tremendously. In the writer view that is the reason why the top-class management is than involved in the corruption and embezzlement just to cover their faults and their incompetence while performing their duties.

According to the Central Bureau of Investigation (CBI), the largest corporate fraud in the history of India is Satyam that generated approximately 14,162 crores as loss and undermined investors' confidence in the capital market. As a result of improper payments to World Bank officials (Barton, Bhutta, Rourke, 2009), Satyam has been barred from making any kind of deed and agreement further for the next eight years. Unpaid Systems, a company based in the United Kingdom, is suing Satyam for more than $1 billion in damages, alleging fraud, forgery, and crack of contract (Rajora, 2010). Speak Asia was another major corporate heist in Indian history, resulting in Rs. 2,000 crore loss. Furthermore, Rs. 870 crore fraud involving Reebok India was discovered. Sahara India Real Estate and Sahara India Housing Investment, two companies of the Sahara India group, deceived investors by not returning Rs. 24,000 crore. Also, as a result of the overexpansion of lending that led to the subprime crisis, "executives despite of the fact that their companies were in distress still they contributed positive prognostications towards the market.

Hence, Federal authorities have decided to open investigate into 25 companies at least, including Lehman Brothers, AIG, Fannie Mae, Freddie Mac, and WaMu". Corporate fraud is a global problem, and Pakistan is no different. Pakistan, like any other country, is plagued with corporate fraud. Recently, the Habib Bank Limited (HBL) was under the cyber-attack by the hackers and they maliciously hacked various accounts and it resulted in the reputational and economic lost towards the HBL. For now, it's unclear if this was a typical attack by hackers or if management provided confidential information that led to this disaster. Banker's Equity Limited's Scandal (BEL) Rauf Qadri, Chairman, Senior Vice President of BEL, were accused of corporate fraud in Pakistan in 1999, when a case was brought against them(Kamran, Mahwish, 2013). Furthermore, it was discovered that Rauf Qadri, in partnership with Daud Jan (also a stock agent), had fabricated a sale/purchase of shares at a far lower price that the BEL had initially paid. Rs. 15.175 million (PKR) were deposited to Rauf Qadri's personal account via fake transaction. By producing spurious entries and fictitious transfers in BEL's records, in collaboration with secretive stock market traders as well as other prominent BEL employees, including Ashfaq

Tola, Rauf Qadri had clearly abused his powers and fiscal authority to divert public funds for personal gain.

In 1999, BEL was taken over by a new group of management. With chairman, Mohammad Younus Khan and along with CEO, new board of directors was constituted. It affected in the form that, the net leasing investments decreased to Rs 291.86 million (PKR) e.g. 12.6 %, while long-term investment portfolios dropped by 45.5%. After taxes, the company lost Rs. 47.12 million (PKR). On May 21, 1999, Rauf Qadri was found guilty of corruption and was penalized for seven years in jail and a fine of Rs. 4 million (PKR). Ashfaq Tola, a co-accused, was ordered to be released earlier, when he willingly returned Rs. 1 million (PKR).

Under the NAB Ordinance 1999, section 15, the judge ruled that Rauf Qadri was forbidden from serving in any capacity in any public entity, statutory and local authority, and from working in the service of any province of Pakistan for a term of ten years (Mahwish, 2013). Internal management and audits were unable to stop the fraud in these cases. Several instances of financial mismanagement and tax cheating are described in detail in the 1963 Vivian Bose Commission Report on the Dalmia-Jain Group of Companies' business practices. Mr. Justice M. C. Chagla made similar concerns about the huge business magnate Mundra, who intended to construct an industrial dynasty of dubious means, in his ruling. Between 1958 and 1960, this corporate tycoon and the firms he owned and managed comprised 113 criminals for committing the corporate frauds and all of them were prosecuted. The nature of these crimes is such that that cannot be easily detected and prosecuted because of these non-conventional nature and modern technology. And this evil becomes sturdier when the internal management is itself involved. Every country has become the prey of these crimes rather they are developed countries or under developed countries and Pakistan is no exception.

A case of Zarco exchange in Pakistan:

ZARCO exchange case in Pakistan indicates that how the, employee influence the ongoing business of the firms and corporations and directly affect the working of the corporations and firms. In this case, the employees were involved in fraudulent transactions that resulted in the failure of the corporate governance too and committed corporate fraud. With offices in the United States, Pakistan, Canada and the United Kingdom, ZARCO Group is a renowned financial services company in the world. A large portion of ZARCO's business is conducted in line with the law in every country where it operates. In June 2003, the State Bank of Pakistan (SBP) gave an operating licence to ZARCO Exchange CEO and owner Lakhte Hasnain, resulting in the establishment of its Lahore headquarters. This financial institution was founded with the goal of offering its customers with a flawless, cost-effective, and efficient financial service package that includes money transfers; currency exchange; traveller checks; cash passports, postal notes; and coins (Saima, Kamran, 2013). ZARCO won the 30th FPCCI Superlative Award for the optimum performance in Home Allowances and many other awards in 2006, 2007, and 2008 respectively. The Federal Investigation Agency (FIA) following orders from SBP, arrested six foreign exchange firms and their owners as part of an attempt over hawala (undocumented/informal fund transactions). ZARCO was one of them. Reports indicated that ZARCO CEO unlawfully moved Rs. 1,870 MN (PKR) to his foreign bank accounts between January and November of 2008, when his company was performing Foreign Telegraphic Transfers (FTTs) of $346.72 million through hawala's operation. As per research, the hawala operation caused the country to lose money and deplete its foreign exchange reserves. As a result, ZARCO was found in contempt of SBP guidelines.

Western Union ended its relationship with ZARCO in February 2009; When the FIA allegations were exposed in. Curiously, the ZARCO Exchange's CEO filed a complaint in the early days of August 2009. Employees allegedly exploited 'dummy accounts' to embezzle Rs. 1.25 billion (PKR) off his company, he claimed. After an investigation by FIA on 8th August 2009, all of ZARCO Money Exchange Company's data related to money transactions was seized. Almost nine employees of the ZARCO Money Exchange were identified in the FIR and all were detained and the company's 727 branches across the country were shut down. 4 Complaints of fraud against ZARCO were made to the Lahore High Court (LHC) just a few days after the first allegation. The money was supposed to be sent to a French school for the benefit of the applicant's son's tuition, but it never arrived. Simultaneously, other publications reported about ZARCO franchise scams that resulted in the loss of valuable assets. The Chief Justice of the Lahore High Court upon the suo-motu, issued summons to law enforcement officials, and the SBP temporarily terminated ZARCO's licence in August 2009. As a result, during this suspension this company was prohibited from engaging in all kinds of foreign exchange commercial activity. Upon the SBP's declaration that the FIA detained ZARCO's CEO outside the courtroom, after the judge rejected his pre-arrest bail because the company owes its local business partners Rs. 90.048 million (PKR) in and $6 million to Western Union in debt.

Following Khanani and Kalia in August 2009, ZARCO became the second Forex Corporation to go bankrupt. As a result of the company's forced closure due to financial theft, 727 branches around the country, along with its headquarters, were shuttered and approximately 7,000 employees lost their job? The reason for the massive surge in corporate fraud in recent decades can be found in developing countries' rapidly rising economies and industrial progress.

Detection and prevention:

"More money has been taken at the tip of a pen - than the barrel of a gun," Schmalleger (1991) said while describing the effectiveness of corporate fraud. Commercial organizations face an increasing risk of fraud in today's fast-paced environment. Globalisation has sparked fierce competition among corporations, which are vying for revenue and market share. Stock prices are used as a barometer of a company's performance, which causes panic among executives, prompting them to engage in unintended deliberate behaviors, such as fraud. Fraudsters perpetrate corporate fraud on behalf of or against businesses. There are four aspects that have been shown to be required for an unlawful act.

- False statement of a material kind
- Fraudster's knowledge of the ridiculous claim
- Victim's confidence in the false statement
- Financial loss

Although the type of corporate fraud varies depending on the survey, argument, and media coverage, all of the aforementioned data show that corporate fraud is widespread and has harmful implications. However, it is unclear how and when corporate fraud influences a company's financing costs, actions, or policies. The prevalence of corporate failures is a key component of corporate financial scandals (Beasley et al., 2000). As previously stated, there are two types of frauds: management frauds and employee’s frauds. Due to collaboration, management frauds may be harder to identify; if a little error is not corrected when it is identified, it might turn into a fraud. The greatest way to prevent fraud is to have effective internal control system in place and in case when scam is committed with the help of escaping security measures, organisations are unenthusiastic to confess account falsifications. Failure to assign responsibility for fraud prevention is among the reasons that allow fraud to occur (Hemraj, 2004).

As corporate fraud is discovered or suspected, the firm faces significant reputational consequences that directly affect the credibility of the firm's external directors in the marketplaces where they work or provide services (Karpoff & Lott, 1993). Outside directors may be motivated to represent the interests of shareholders by reputational concerns and the threat of legal action (Bhagat et al., 1987). Financial statement fraud is more likely when there are more external directors on the executive board and specific features of outside directors (Fama, 1980). Including outside directors on the board of directors boosts the board's efficiency at observing management for the detection of fiscal misstatement and it explicit good results and there must be parting of ownership and governance (Fama & Jensen, 1983). Yet, it is not always possible to prevent financial and accounting fraud. Regardless, prevention is related to a number of methods, the most important of which are:

- Watchful codes of corporate governance practices
- Ethics in corporate governance codes
- A suitable and appropriate inner management plan

- A forensic accounting responsibility
- Forensic accounting services.

These techniques allude to a company culture focused on economic and financial transparency for effective stakeholder relationship management, regardless of regulatory requirements (Coda, 1983). However, a company's absence of suitable business strategies and corporate governance and other preventive methods do not always imply which will commit fraud. To commit fraud, a corporation must have some specific cause and incentives. In reality, it comes up with a number of appropriate accounting possibilities to validate its activities and the possibility of engaging in criminal behavior. Furthermore, the costs incurred by a company as a result of financial and accounting fraud include reputational harm and the loss of confidence of large investors, as well as legal fees and the cost of operating in the event of accounting and finance fraud (Bastia, 1992). The reason for the massive surge in corporate fraud in recent decades can be found in developing countries' rapidly rising economies and industrial progress. A number of various factors are involved in corporate frauds and internal audit function is one of the reasons behind these corporate frauds.

Role of Internal Audit functions in Corporate Frauds:

The highly-publicized incidents of financial fraud over the past two centuries show that fraud is not really a recent problem. It may be traced back to the earliest times in human history, when mankind used cunning, deceit, and manipulation to gain control of property, trust, or money with the ultimate goal of profiting. In economic history, the development of accounting and auditing is linked to the aim of the church and the state, in particular, to restrict and prevent theft and financial deception. (Bogdan, A.M., 2005). The first traces of audit may be found in ancient Egypt and Babylonia, where archaeological discoveries have demonstrated the presence of some papers that supported business transactions and allowed for a crude kind of authentication and accounting. The necessity to retain a record of transactions also evolved, albeit at a low level, as the commercial trades flourished at some point. But with economic affluence comes the temptation to mislead and take advantage of others.

In order to check and oversee the utilization of funds and the route of transactions, control mechanisms were afterwards devised by state institutions, as was the case, for instance, in Roman Empire, wherein questors chosen by the people were in charge of this function. (Bogdan, A.M., 2005). As a highly specialised group of persons concerned in preventing and identifying actual or potential frauds and mistakes in the financial conditions inside the state or an economic body, accountants and auditors originated as a professional category in the middle of the 19th century. Their duties included not just conducting investigations but also evaluating potential risks and ensuring the effectiveness of internal control procedures.

In the latter half of the 20th and the early part of the 21st centuries, auditors developed into a need for the smooth operation and effectiveness of an economic entity's management that may thwart and discourage potential cases of fraud, money misappropriation, and theft. There is currently more need for an IAF (Internal Audit Function) in the businesses as a result of the exponential rise in fraud scandals and the recurrent financial crisis (Bekiaris, Efthymiou & Koutoupis, 2013). According to Leung, Perera and Cooper (2011), an internal audit (IA) is a stand-alone activity that is used to add value to an organization's operations, particularly by providing a structured and methodical approach to those activities. In order for the company to fulfil the objectives of transparency, a structured and methodical approach to performing the IAF is beneficial. An internal auditor is a person in charge of performing audits.

An internal auditor's (I-Auditor) primary responsibility is to prevent, detect, and evaluate fraudulent activity. The IAF's efficacy depends on the staff members' expertise, senior management's backing, and the IAF's independence (George et al., 2015). The members' subsequent practical skills and access to numerous training opportunities may also improve the IAF's performance (Alvarez, 2012). The management can receive advice from the objective and impartial IAF to ensure that the business is continually run successfully and flawlessly.

The primary goal of the IAF, according to Drogalas, Pazarskis, Anagnostopoulou, & Papachristou's study, is to make sure that the IC system and accounting system are always operating properly. The IAF is in charge of a number of tasks that contribute to a company's seamless operations. The first of this was to protect the company's assets. The second is to stop money from being manipulated, and the third is to find and stop any fraudulent activity. The final task is to reduce losses brought on by any carelessness in the conduct of secure and efficient corporate activities (Al Matarneh, 2011; Monisola, 2013). Over the past few years, the need for fraudulent audit services has expanded globally (Westhausen, 2017). Utilizing internal auditing methods is crucial for businesses because of the financial crisis and volatility, which have led to an increase in fraud scandals (Bekiaris et al., 2013). In the relatively recent field of fraud auditing, incidents of economic crime including altering financial data, stealing assets, investment fraud, bribery, or illegal electronic cash transfers are thoroughly tested. Internal audit is a crucial component of contemporary company since it helps an organisation accomplish its goals by using a methodical, disciplined approach to evaluate and enhance efficient risk management, control, and governance procedures (El-Sayed Ebaid, 2011).

Internal audit quality, internal audit team competency, internal audit independence, and management support all contribute to internal audit effectiveness (Drogalas et al., 2015). The internal auditor's job in this situation is to find financial mistakes, particularly by applying the accounting policies (Bedard et al., 2015). Finally, it is important to note that an internal auditor's ability to identify fraud is based on both his practical skills and professional training (Petrascu & Tieanu, 2014).

Ineffective internal audit is a self-destructive weapon:

There is a significant need to spend in the training of internal auditors by funding courses in certain disciplines in order to accomplish all of the aforementioned. Other organisations hire outside experts to perform the auditing duty (on the premise of a service contract), believing that this will allow them to hire high-level experts for a relatively low cost. For businesses, fraud is an expensive issue. According to the Association of Certified Fraud Examiners' (ACFE) 2008 study findings, fraud cost U.S. businesses an estimated 7% of their yearly earnings (ACFE 2008). The projected percentages for 2006 and 2004 were 5% and 6%, respectively (ACFE 2006). Internal auditors' travel budgets have been reduced and there have been layoffs, raising concerns that there would be an increase in fraud and corruption as economic pressures grow as a result of the weak economy (Sullivan 2009). Organizations' anti-fraud strategies continue to significantly rely on internal audit activities as they strive to lower the incidence of fraud. Internal auditors gradually get a general understanding of the organization's processes, hazards, control systems, and individuals as they assess systems within the organisation (IIA 2009c). Their ability to spot fraud is influenced by these elements.

Empirical proof to this impact may be seen in the ACFE's 2008 survey, which indicated that over 19 percent of respondents' fraud instances were originally uncovered by internal audits as opposed to roughly 9 percent by external audits. According to survey participants, the internal audit divisions of their companies were crucial in spotting or thwarting asset theft and corruption schemes. In addition to management reviews of internal control system, unexpected audits, fraud hotlines, prizes for tip-offs, mandated work mobility and holidays, and assessments of internal control system for financial reporting, the internal auditor's function was more important.

The corporate governance framework of a firm should include internal audit. The Institute of Internal Auditor's (IIA) Practice Advisory 2130-1 on the responsibility of the internal auditor in the morally acceptable culture of an organisation, which emphasises that internal audit function must play an active role in assistance of an organization's ethical culture and that by doing so they can assist in identifying the misappropriation of an organization's assets, emphasises this importance (IIA, 2004).

In contrast to previous responses to corporate crises, Bailey et al. (2003) remark that many people now see the internal auditor as a component of the remedy to the perception of control, reporting, and ethical issues in the business world. Internal auditing, according to the IIA, should assist and enhance an organization's governance structures while also assessing and enhancing the efficiency of managing risk (IIA, 1999). This shows that internal audit is more valuable at the administrative level of the governing structure than it is at the 'higher level' supervisory level. Recent amendments to Corporations Act and the ASX Listing Rules in Australia have placed a heavy emphasis on the significance of sound corporate governance. These improvements are anticipated to increase the function and relevance of audit function in the Australian context given the perception of internal audit's significance as a component of sound corporate governance.

The IIA describes this as:

> *An impartial, unbiased assessment and consulting activity intended to provide value and enhance an organization's operations. It aids a company in achieving its goals by applying a methodical, disciplined approach to assessing and enhancing the efficiency of risk management, control, and governance procedures. (IIA 1999)*

The American Institute of Certified Public Accountants (AICPA) enacted Statements on Auditing Standards (SAS) No. 82, Consideration of Fraud in a Financial Statement Audit, in the USA in December 1997, in part as a reaction to the problem of fraud (AICPA, 1998b). The Auditing Standards Committee, the highest professional organization of the AICPA designated to produce pronouncements on auditing subjects, is responsible for issuing statements on auditing standards. The Private Securities Litigation Reform Act of 1995 was created by the US Congress in an effort to decrease the prevalence of undetected fraud. Independent auditors now have a new legal obligation to report embezzlement and fraud and other unlawful client behaviour within Title III of the legislation. The majority of accounting professionals is aware of and agrees that external audit firms are frequently unable to identify instances of fraud. The creation and execution of anti-fraud and deterrence programmes cannot be done without the ongoing presence of external auditors and with the aid of other preventing mechanism e.g. whistle Blow system.

Whistle's blow system- a protective tool:

On sports fields and schoolyards, the technique of a referee 'blowing a whistle' is highly common. When a player abuses the game rules, this system intervenes and makes a decision in order to sustain the ethic of sportsmanship. In today's business world, however, the expressions are used in a narrower context. Whistle-blowing is characterised as employees or former employees reporting illegal, irregular, damaging, or immoral employer conduct, according to the International Labour Organization (2018). According to Tricker, whistle-blowing occurs when anyone or an organisation is accused of infringing the law, such as breaking laws or policies, infringing a moral framework, or breaching in some other way (Tricker, 2015).

Jubb, defines the Whistle's Blow system as (Jubb, 1999):

> *"Whistleblowing is a deliberate non-obligatory act of disclosure, which gets onto public record and is made by a person who has or had privileged access to data or information of an organization, about non-trivial illegality or other wrongdoing whether actual, suspected or anticipated which implicates and is under the control of that organization, to an external entity having potential to rectify the wrongdoing."*

The global cost of deceptive practices is estimated to be $2.9 trillion or even more than this (ACFE, 2016). Corruption and fraud destroy public trust, degrade social capital, undermine belief in the rule of law, and actualize arbitrary official action that exacerbates rather than resolves conflict. In a nutshell, fraudsters target and disturb a state's core underpinnings, increasing internally, externally, national and international fragility. When seen from the top down, fraud poses a threat to the political, economic, and social order. As a result, it is critical that the fight against it is intelligently articulated in order to inspire widespread vigilance and action (Iqbal, 2002). According to surveys, internal actors are the most common perpetrators of fraud (52 percent of instances in 2018). Whistleblowing can be a key component of this plan. More crucially, the most prevalent method of detecting fraud is through tips (representing 39.1 percent of all cases). As a result, protecting whistleblowers is critical for promoting transparency, honesty, and better governance among public and private enterprises. The focus shifts to enacting comprehensive legislation to put the idea of whistle-blower safety into practice. In this case, the G20 Anti-Corruption Action Plan (2012) is becoming helpful and crucial. It might be advantageous to establish a minimum criterion for the extent of wrongdoing.

Secondly, the individual making the revelation in good conscience and on justifiable reasons should be protected. Those with personal ambitions or who make false claims on purpose must not be entitled to protection. Finally, whistle-blower safety should be extended to all personnel in the public and private sectors, including consultants, temporary workers, ex-employees, volunteers, job hopefuls, and anybody who has been blacklisted. Similarly, workers who do sensitive work, such as members of the military and intelligence agency, ought to be exempt from the broad regulations and subject to specific processes and regulations for protected disclosure. Finally, protected disclosures should have a broad, explicit, and legally secure scope.
Muhammad Nawaz Sharif, than Prime Minister of Pakistan, signed the Public Interest Disclosure Act 2017 on November 2, 2017, which had been passed by both houses of Pakistan's parliament earlier in the month. The Act establishes a framework for interest of the public disclosure in order to prevent corruption and safeguard whistleblowers (Wolf, Dreyfus, Brown, 2014). There are a number of people who are critical of this system. A whistleblower could choose to make

donations or accusations both within and externally. If the whistleblower is an employee of the organization, he or she has the option of bringing claims to the attention of an appropriate person. Externally, by contacting the press, the state, law enforcement authorities, or others who are directly affected, a whistleblower can make their complaints known. Whistleblowers, on the other hand, risk considerable censorship and reprisal from those who are convicted or accused of misconduct (Dilshad et al., 2020). It has been observed that certain companies accused of financial misdeeds are taking steps to enhance their corporate governance framework.

Following the disclosure of their corporate unlawful acts, it is apparent that firms will take certain governance-related remedies, the most likely of which will be to fire the perpetrators. However, these firms could simply replace the inside directors with new insiders, rather than bringing outsiders, it is not certain that they would take efforts to enhance their governance structure. When it comes to preventing mistakes and fraud, management should develop internal controls to reduce risk, estimate the likelihood of deception, and take all required steps to reduce risk. The companies must have the knowledge of management, their jurisdictions and powers and also have the knowledge of the conduct of the employees. Otherwise, similar conditions are faced as were faced by J & J Materials. The CEO of J & J Materials ignored the risk of fraud and Internal controls. He simply put his faith in Platt and delegated to her vast powers over the financial affairs of a slew of businesses and this blind trust made the CEO and company to suffer huge damages. The possibility of fraud should have been taken into account.
Management's policies and processes for financial reporting compliance are called "control activities." And this must comprise (Ruggieri, 2012):

- Sufficient exclusion of roles
- A sound control system necessitates thorough documentation and meticulous record-keeping.
- Physical supervision over property and records
- Independent audits of the operation of the organization.

Conclusion:

Corporate fraud is one important issue in corporate finance studies. It affects all kinds of organizations, irrespective of its size, productivity, or area, and it exists worldwide. Developed nations have faced these crimes many times at various occasions and along with these countries and hence, Pakistan is no exception and caused reputational damaged as well. After steering the in-depth study of the companies and viewing their historical background, it reflected the crucial role of the management in the companies and their role in increasing the productivity and causing reasons for their financial crisis. Additionally, top executives were discovered to be in process of executing anti-fraud policies and strategies within their companies. The nature of these crimes is unusual and therefore, a single fraud detection technology will not be useful in reducing these frauds i.e. Whistle's blowing system. A strong and firm piece of legislation along with some harder punishments is basic requirements that must be formulated and implemented on international level that can prove effective and have some deterrence over the violations of the ethical as well as statutory provisions. This can prove a better tool to combat these corporate crimes that damages the reputational values and financial stability of the corporations. It is the need of hour that all entities need internal audit for business efficiency in the sense of a good management of its patrimony, of reducing costs (in an organised framework) while maximising profit, and of achieving medium and long-term objectives. Furthermore, this activity should not be regarded strictly as an activity generating expenditures, but rather from the perspective of the benefits it entails in countering fraud and especially in increasing future added value.

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