

Presenting a Model of Factors Influencing Fraud and Financial Misconduct in the Public Sector

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Abstract: Fraud and financial misconduct are recognized as fundamental challenges within the financial and accounting systems of the public sector in many countries, particularly in developing countries. In the present study, employing a qualitative grounded theory approach, a model of factors influencing fraud and financial misconduct in the public sector was developed. Accordingly, through conducting interviews with fifteen experts from the Supreme Audit Court and Directors General and Chief Financial Officers of executive agencies, each with 15 years of professional experience and holding master's and doctoral degrees, seven main categories were identified based on the paradigm model using MAXQDA software and were structured into six dimensions: organizational management style and characteristics of the administrative system as “causal conditions,” external pressures as “intervening conditions,” cultural factors as “contextual conditions,” incentives for misconduct within the human resource management system as the “interactional dimension,” characteristics of accounting and auditing laws and regulations as the “central phenomenon,” and performance consequences as the “outcome dimension.” Furthermore, the highest frequency was related to the variables of administrative system characteristics and the characteristics of accounting and auditing laws and regulations, indicating the greater importance of these variables. Contrary to many previous studies that primarily emphasized managerial factors and legal frameworks, it was found that organizational culture and societal culture, as well as external pressures—including political factors and the country's institutional environment—also have a significant impact on financial misconduct.

Keywords: Financial misconduct, public sector, characteristics of the administrative system.

1. Introduction

Fraud and financial misconduct in the public sector have emerged as persistent and multidimensional challenges that undermine financial integrity, public trust, and sustainable development across both developing and developed economies. Public sector organizations, entrusted with managing collective resources and delivering essential services, operate under heightened accountability expectations; yet they remain vulnerable to corruption, fraudulent reporting, resource misappropriation, and manipulation of financial information. Recent empirical evidence indicates that fraud in public institutions is rarely the result of isolated individual deviance; rather, it reflects a complex interplay of organizational, managerial, legal, cultural, and technological factors [1, 2]. The

persistence of such misconduct highlights structural weaknesses in governance mechanisms, accountability frameworks, and control systems that require comprehensive and theoretically grounded investigation.

From an organizational and managerial perspective, internal governance structures and leadership styles significantly shape the probability of financial misconduct. Organizational culture, management behavior, and the alignment between strategic objectives and ethical standards directly influence employees' propensity toward opportunistic behavior [1, 3]. Studies focusing on public employees demonstrate that contextual and individual determinants—such as ethical climate, managerial oversight, and perceived fairness—play a decisive role in corruption prevention [2]. Similarly, the effectiveness of internal and independent auditing has been emphasized as a critical safeguard against financial corruption, reinforcing the need for robust control environments and institutional independence [4]. Without strong managerial accountability and transparent supervisory mechanisms, public institutions may experience increased exposure to fraud risk.

The theoretical foundations of fraud analysis have evolved over time, incorporating classical and contemporary explanatory models. The fraud triangle framework—comprising pressure, opportunity, and rationalization—remains widely used in explaining financial statement fraud [5]. However, recent research extends beyond this triadic perspective to incorporate contextual variables such as financial distress, agency conflicts, and discretionary accrual manipulation [6, 7]. Empirical findings reveal that financial instability and economic pressure often act as catalysts for fraudulent behavior, particularly in environments with weak monitoring mechanisms [8, 9]. In public sector settings, these pressures may be intensified by political interference, budgetary constraints, and complex administrative structures.

Accounting culture and professional norms also contribute to shaping fraudulent financial reporting practices. Perceptions of accounting culture influence ethical decision-making and tolerance toward manipulation, especially in the context of sustainability reporting and evolving regulatory frameworks [10]. Furthermore, hexagon fraud theory and similar extended models highlight additional dimensions such as capability and collusion, offering a broader analytical lens for understanding fraudulent behavior [11]. In the public sector, where hierarchical authority and centralized power are prevalent, these dimensions may interact with structural features to exacerbate misconduct risks.

Technological transformation has introduced both new vulnerabilities and innovative control opportunities. On the one hand, digitalization and complex financial systems create sophisticated channels for fraud execution; on the other hand, advanced analytical tools, artificial intelligence, and machine learning techniques offer promising mechanisms for fraud detection and prevention [12]. Smart enabling technologies and data-driven fraud detection models have demonstrated effectiveness in banking and public financial systems [13]. Unsupervised detection approaches in dynamic data environments further enhance real-time monitoring capabilities [14]. Generative modeling methods designed to address imbalanced datasets also improve the accuracy of identifying fraudulent transactions [15]. These technological innovations underscore the necessity of integrating digital governance strategies within public financial management frameworks.

In addition to technological solutions, legislative and policy frameworks remain central to combating financial misconduct. Legislative responses to fraud, particularly during crises such as the COVID-19 pandemic, illustrate the importance of adaptive regulatory policies in mitigating emergent corruption risks [16]. Transparency-enhancing mechanisms, including blockchain-based reporting systems, have been shown to strengthen financial reporting integrity and reduce fraud opportunities [17]. Nevertheless, regulatory effectiveness depends on enforcement consistency, institutional independence, and alignment between statutory provisions and operational

realities. Weak implementation mechanisms or ambiguous legal drafting can undermine anti-corruption initiatives, even when formal rules appear comprehensive.

Forensic accounting has gained prominence as a specialized instrument in fraud management within public organizations. Evidence from public institutions demonstrates that forensic accounting techniques significantly enhance fraud detection, investigation, and deterrence capacity [18]. Such approaches combine investigative expertise, auditing skills, and legal awareness to strengthen accountability systems. However, forensic interventions alone cannot compensate for systemic deficiencies in governance, managerial oversight, and ethical culture. Sustainable fraud prevention requires an integrated model encompassing structural, behavioral, and regulatory dimensions.

Despite the expanding body of literature on financial statement fraud, agency conflicts, and digital fraud detection, existing studies often focus on specific sectors—such as banking or manufacturing—or rely predominantly on quantitative analyses [6, 8]. While these investigations provide valuable empirical insights, they may not fully capture the contextual complexity of fraud and financial misconduct within public sector institutions. Qualitative methodologies, particularly grounded theory, enable researchers to explore latent processes, contextual dynamics, and interrelated categories that shape fraudulent behavior [19]. Such an approach allows for theory development grounded in participants' lived experiences and expert interpretations.

Methodological rigor is essential in qualitative inquiry. Exploratory research grounded in systematic coding procedures enhances conceptual clarity and theoretical integration [20, 21]. The grounded theory approach, as articulated by Strauss and Corbin, emphasizes iterative data analysis, axial coding, and selective coding to identify core categories and relational structures [19]. In the context of public sector fraud, this methodology is particularly suitable for identifying multidimensional causal conditions, contextual influences, intervening factors, strategic responses, and consequential outcomes.

Recent qualitative studies in public institutions confirm that corruption prevention is influenced by both individual-level ethical orientations and broader contextual determinants [2]. Organizational and managerial characteristics—including leadership integrity, transparency practices, and accountability mechanisms—directly affect susceptibility to financial misconduct [1]. Furthermore, internal audit effectiveness and supervisory independence remain critical components of anti-fraud governance [4]. The convergence of these findings suggests the need for a comprehensive conceptual framework that integrates managerial behavior, administrative structure, regulatory characteristics, cultural dimensions, technological capacity, and performance consequences.

In sum, fraud and financial misconduct in the public sector represent a systemic governance challenge shaped by organizational dynamics, economic pressures, cultural norms, technological infrastructures, and legislative environments. Although prior research has examined individual determinants, financial distress factors, fraud theories, forensic accounting, artificial intelligence, and blockchain transparency mechanisms [5, 12, 17], there remains a need for an integrative model that synthesizes these elements within a grounded theoretical structure specific to public sector contexts.

Therefore, the aim of this study is to develop a grounded theory model identifying and explaining the factors influencing fraud and financial misconduct in the public sector.

2. Methodology

The present study is classified as a qualitative and fundamental research project. In terms of research strategy, the study adopts a grounded theory approach within the qualitative paradigm. From a paradigmatic perspective,

the study is grounded in constructivism (interpretivism). Furthermore, with respect to identifying influential characteristics, the study is exploratory in nature. Regarding the type of data, this research is qualitative.

The statistical population in the qualitative phase consisted of experts from the Supreme Audit Court and Directors General and Chief Financial Officers of executive agencies, each possessing at least 15 years of professional experience and holding a master's degree or higher, given the specialized nature of the subject matter. The sample size in qualitative interview-based studies is generally recommended to range between 5 and 25 participants (Shafiei & Tat, 2020). In addition, non-probability purposive sampling and theoretical sampling procedures were employed for the qualitative phase (Mohammadpour, 2013). The interview process continued until theoretical saturation was achieved. Accordingly, 15 individuals participated in the qualitative phase.

Data were collected through interviews. Since semi-structured interviews are more appropriate for qualitative studies conducted with exploratory aims and model development objectives, semi-structured interviews were conducted with the experts in this study. In the qualitative phase, grounded theory was employed as the analytical method, and MAXQDA software was used for data analysis.

3. Findings and Results

This study was conducted based on the perspectives of 15 experts in the field under investigation. In terms of gender, 10 participants were male and 5 were female. Regarding age distribution, 1 participant was under 40 years of age, 6 participants were between 41 and 45 years old, and 8 participants were over 45 years old. In terms of educational attainment, 4 experts held a master's degree and 11 held a doctoral degree. Finally, 3 participants had between 10 and 20 years of professional experience, while 12 had more than 20 years of work experience.

Table 1. Demographic Characteristics of the Experts

Demographic Characteristics	Category	Frequency	Percentage
Gender	Male	10	66.6%
	Female	5	33.4%
Age	Under 40 years	1	6%
	41 to 45 years	6	40%
	45 years and above	8	54%
Education	Master's degree	4	26.6%
	Doctoral degree	11	73.4%
Work Experience	10 to 20 years	3	20%
	More than 20 years	12	80%
Total	—	15	100%

To develop a model of factors influencing fraud and financial misconduct in the public sector, specialized semi-structured interviews were conducted with experts. The objective of these interviews was to collect expert perspectives regarding the factors influencing fraud and financial misconduct and the consequences of this phenomenon. Prior to initiating the interviews, eight open-ended questions were designed. During the interview process, it was anticipated that additional questions might also be posed.

In order to become familiar with the depth and breadth of the data content, the researcher repeatedly reviewed and actively read the data, searching for meanings and patterns. The interview results were analyzed using the grounded theory method. For this purpose, the interview transcripts were reviewed and examined multiple times.

The grounded theory research was conducted using the "systematic approach," commonly associated with Strauss and Corbin (1998). Through theoretical sampling and after initial coding of the interview texts, concepts and categories were extracted.

Through initial open coding, a total of 1,033 codes were identified. After refining and screening the initial codes, 171 concepts were derived. In qualitative research, the criterion for terminating the interview and analysis process is achieving “theoretical sufficiency” or saturation. In other words, extending the research no longer leads to changes in the concepts or categories that have emerged during the study. From the end of the fourteenth interview through the completion of the fifteenth interview, no changes (including creation or modification) occurred in the developed concepts and categories, indicating the achievement of “theoretical sufficiency.”

The open codes were grouped together, and focused codes were subsequently developed. The concepts were categorized into 18 dimensions and subsequently into 7 main categories during the focused coding process.

The concepts, dimensions, and main categories of the model extracted from the interviews using the grounded theory method are presented in Table 2.

Table 2. Concepts and Main Categories of the Model of Factors Influencing Fraud and Financial Misconduct in the Public Sector

Concept	Dimension	Category
Autocracy in decision-making; organizational discrimination in resource allocation; delay in policy implementation; resistance to corrective changes; instability in policymaking; concentration of power at a specific organizational level; conflict of interest in executive processes; lack of transparent accountability for reported violations; tendency toward symbolic management; disregard for performance evaluation systems	Behavioral and executive styles of managers	Organizational management style
Lack of experience in financial management and auditing; absence of specialized training in misconduct prevention; inclination toward concealment; ethical conflict with organizational interests; acceptance of political or economic pressures; weakness in leading control teams; prioritization of sectional or specific group interests; lack of motivation to combat misconduct; absence of a managerial transparency approach	Managerial characteristics	
Absence of an anti-fraud roadmap in strategic plans; failure to anticipate fraud scenarios in operational plans; lack of a risk-based approach in financial resource policymaking; weakness in aligning control objectives with overarching organizational goals; failure to develop corruption measurement indicators in plans; fragmentation of responsibilities in internal control plans; disregard for legal requirements in drafting annual plans; absence of procedures for evaluating project susceptibility to corruption; prioritizing speed of implementation over accuracy and transparency; neglecting supervisory feedback in plan revisions	Organizational planning	Characteristics of the administrative system
Failure to separate supervisory and executive duties; multiple parallel units without clear accountability; absence of an independent internal misconduct investigation unit; centralized structure without bottom-up reporting capability; flexible structures enabling regulatory circumvention; elimination or weakening of internal audit units; lack of transparent structures for reporting employee financial misconduct; multiple positions without clear job descriptions; structural instability due to frequent organizational chart changes; absence of an escalation pathway for administrative violations	Organizational structure	
Political interference in appointing key financial managers; political influence in approving non-transparent budgets; political protection of high-level offenders; prioritization of partisan interests over financial justice; politicization of auditing and supervisory processes; pressure from representatives or officials to overlook violations; lack of independence of supervisory bodies due to political influence; frequent legislative changes due to political interventions	Influential political factors	External pressures
Laws and directives related to financial transparency; overlapping supervisory institutions and lack of inter-agency cooperation; absence of an integrated inter-institutional corruption reporting system; culture of silence in public institutions when facing misconduct; inadequacy of punitive mechanisms for financial offenders nationwide; absence of legal requirements for asset disclosure by public officials; weakness of national systems for tracking suspicious financial flows; lack of commitment of higher-level institutions to budget transparency; inappropriate reward systems for whistleblowers	National institutional environment	
Public tolerance toward financial and economic corruption; diminished social responsibility regarding public resources; lack of institutionalization of financial transparency culture at the societal level; weak public demand for financial oversight of governmental bodies; lack of internalized professional ethics among citizens; normalization of financial misconduct in everyday discourse and behavior; insufficient public awareness of consequences of public sector misconduct; tendency toward personal exploitation of public resources without guilt; social inequalities leading disadvantaged groups to justify misconduct; normalization of rent-seeking, favoritism, and abuse in public mentality	Societal cultural factors	Cultural factors
Excessive organization-centric rather than mission-centric orientation; employee resistance to reporting colleagues' misconduct; indifference of middle managers toward subordinate	Organizational cultural factors	

violations; implicit encouragement or overlooking of rule circumvention to achieve organizational goals; perception of financial misconduct as “smart” solutions to financial problems; weak accountability culture in public organizations; insufficient training in organizational ethics; exclusive emphasis on quantitative results without regard to process integrity; creation of a climate of fear for potential whistleblowers; lack of behavioral role modeling by senior managers in transparency		
Lack of enforcement guarantees for many financial regulations; discriminatory enforcement across individuals or organizations; broad interpretability of laws by implementers; shortage of specialized personnel for proper implementation of financial regulations; weakness in post-implementation controls; absence of performance evaluation processes in applying financial laws; inability to pursue violations equally across hierarchical levels; delays in enforcing rulings on financial misconduct; ambiguity between financial error and financial violation in practice; unfamiliarity of many implementers with detailed accounting and auditing regulations	Implementation deficiencies of laws	Characteristics of accounting and auditing laws and regulations
Ambiguity in defining violations and their instances in legislation; irregular and non-technologically driven updates; mismatch between complexity of financial operations and simplicity of regulations; overlap and contradictions among legal provisions and standards; absence of clear implementation annexes for standards; limited use of modern technologies in drafting regulations; lack of stakeholder feedback mechanisms; failure to consider specific conditions of different institutions; outdated guidelines for modern financial operations; lack of mandatory documentation for major financial decisions	Deficiencies in drafting accounting and auditing laws	
Ambiguity in internal financial processes; absence of precise financial checklists and guidelines; lack of integration between financial and operational systems; ease of manipulation in payments and expenditure documents; inadequate segregation of financial duties among personnel; inactive automated controls; weak alignment of executive operations with internal control standards; absence of preventive internal audits in ongoing processes	Financial and executive procedures	Incentives for misconduct in the human resource management system
General and vague bylaws; interpretability of executive circulars; absence of explicit annexes specifying instances of violations; contradictions between general regulations and specific organizational directives; lack of clarity regarding managers’ legal responsibility for subordinate misconduct; absence of official interpretive guidelines; inadequate executive training for financial managers; lack of a unified database for interpreting executive regulations	Level of executive regulations	
Insufficient number of financial inspectors relative to activity volume; absence of financial performance evaluation indicators; limited access of supervisory institutions to raw financial data; lack of continuous follow-up of inspection reports; absence of early warning systems; reliance on paper reports instead of field supervision; weak informational linkage among supervisory institutions; lack of a performance-based scoring system; non-independent internal supervisory units; insufficient specialized training for inspectors in emerging fraud technologies	Level of control and supervision	
Weakness of government in developing anti-fraud strategies; failure to prioritize financial integrity in macro-level policymaking; absence of effective mechanisms to promote financial transparency; neglect of positive incentives for combating misconduct; lack of smart financial monitoring systems; absence of a national strategy for anti-corruption education; conflict of interest at certain governmental decision-making levels; absence of legal protection tools for whistleblowers; weak coordination among branches of government in addressing public sector misconduct; failure to empower local governments to supervise public resources	Role of government	
Waste of public resources due to fraudulent decisions; reduction in foreign investment due to lack of financial transparency; budgetary waste in inefficient projects; inability to allocate resources optimally; increased supervisory costs; disorder in treasury accounts; reduction in tax revenues due to concealment; increased opportunity costs; disruption in macro-financial policymaking	Negative financial consequences	Performance consequences
Decline in public trust in the administrative and financial system; growth of inefficient bureaucracy; demotivation of honest employees; increased migration of skilled professionals to the private sector or abroad; weakening of administrative order; instability in executive decision-making; culture of silence regarding misconduct; increased inter-organizational conflicts; inability to attract qualified human resources; increased psychological stress and burnout among ethical employees	Negative non-financial consequences	
Widening class disparities due to misuse of public resources; reduced civic participation; public distrust toward executive bodies; strengthening of rent-seeking culture; decline in quality of public services; public dissatisfaction with transparency and efficiency; rise in social anomalies due to perceived injustice; weakening governmental legitimacy; reduced social cohesion during economic crises; increased public law evasion	Negative social consequences	
Increased organizational awareness regarding internal control importance; movement toward financial transparency; strengthening the position of internal audit; reform of laws after identifying weaknesses; increased public participation in reporting misconduct; development of smart monitoring systems; establishment of anti-corruption units; enhanced inter-agency cooperation; creation of reward mechanisms for ethical behavior; empowerment of personnel in financial and administrative ethics	Positive consequences	

Subsequently, the axial codes—representing the principal categorizations of the extracted concepts—were organized and their interrelationships were determined using Interpretive Structural Modeling (ISM).

At this stage, efforts were made to clarify the relationships among these concepts and how they influence one another. Accordingly, the ISM method was employed to construct the final structural self-interaction matrix. This matrix was derived from expert opinions and analysis of the relationships among research categories based on the axial coding process.

In categorizing the main categories, a structured configuration encompassing contexts, processes, and consequences was achieved, thereby ensuring coherence among the research categories.

The contexts (underlying and influential factors affecting fraud and financial misconduct in the public sector) were identified as follows.

Organizational management style, comprising the dimensions of managerial behavioral and executive styles and managerial characteristics, along with the characteristics of the administrative system, including organizational planning and organizational structure, were identified as “causal conditions.”

External pressures, including the dimensions of influential political factors and the national institutional environment, were identified as “intervening conditions.”

Cultural factors, encompassing societal cultural factors and organizational cultural factors, were identified as “contextual conditions.”

The processes were identified as incentives for misconduct within the human resource management system, comprising four dimensions: financial and executive procedures, level of executive regulations, level of control and supervision, and the role of government.

The consequences (ultimate outcomes of implementing the proposed model) were identified as performance consequences, including four dimensions: negative non-financial consequences, negative financial consequences, negative social consequences, and positive consequences.

After examining the categories from multiple perspectives, determining the relationships among categories at different levels, and conducting conditional path analysis, the axial coding phase was completed in order to proceed to the final stage of analysis, namely selective coding and the development of the final theory and model.

In the selective coding phase, the core category of the research was identified as the characteristics of accounting and auditing laws and regulations, which encompass the dimensions of deficiencies in the implementation of laws and deficiencies in the drafting of accounting and auditing regulations.

The frequency of each of the main categories is presented in the figure below.

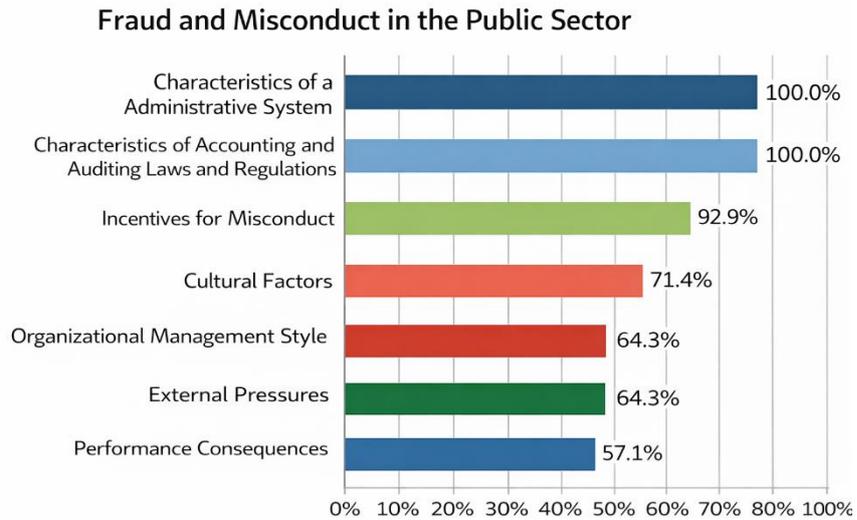


Figure 1. Percentage Distribution of Identified Main Categories

The paradigmatic model derived from the qualitative findings of the study is also presented below.

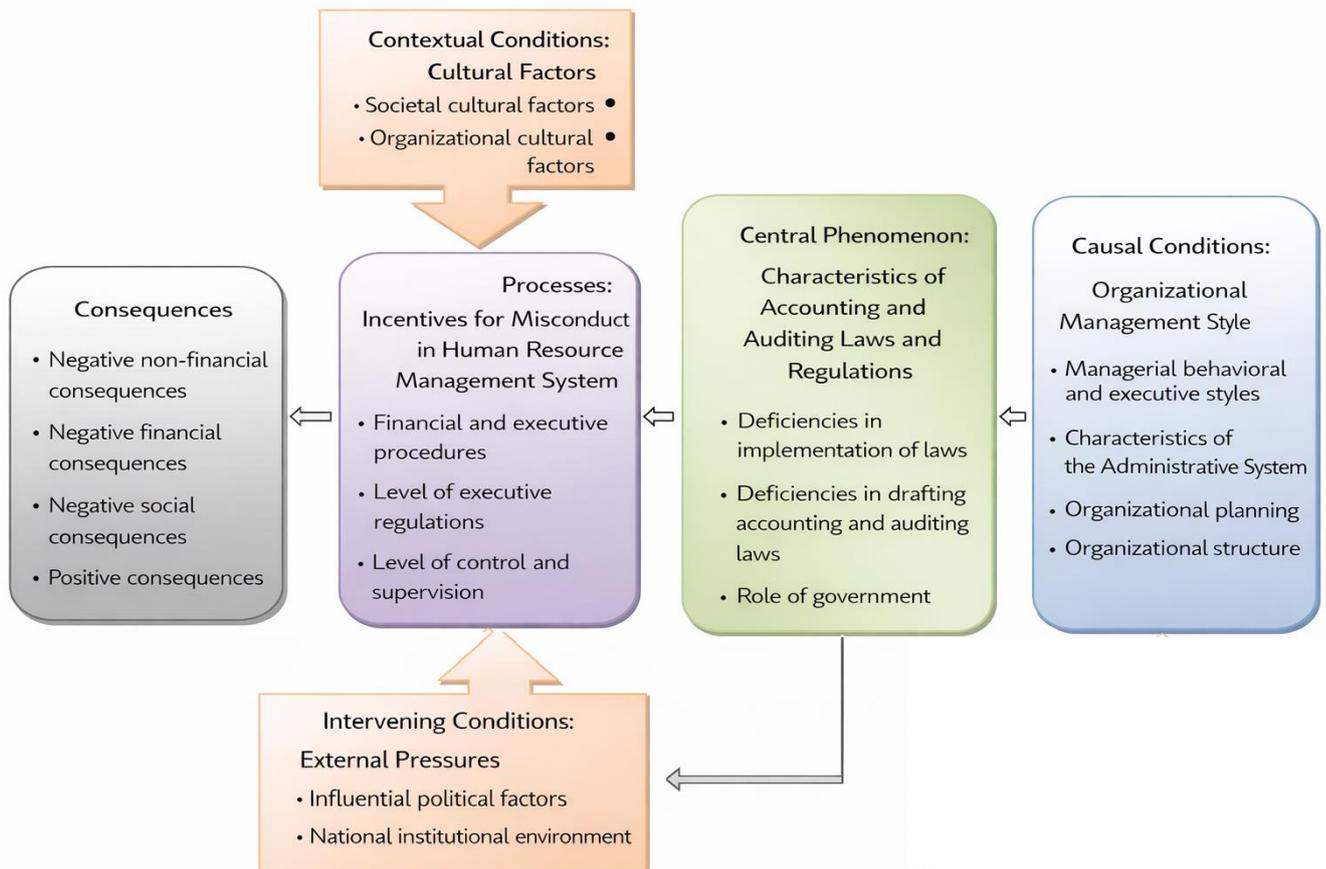


Figure 2. Paradigmatic Model

4. Discussion and Conclusion

The findings of the present study, derived from grounded theory analysis, revealed that the core category explaining fraud and financial misconduct in the public sector is the characteristics of accounting and auditing laws

and regulations, encompassing both deficiencies in implementation and deficiencies in drafting. This result indicates that beyond individual opportunism or managerial weakness, structural and regulatory characteristics constitute the central phenomenon shaping fraudulent behavior. The prominence of regulatory characteristics aligns with recent research emphasizing the decisive role of institutional and governance frameworks in corruption prevention [1, 2]. When legal provisions are ambiguous, inconsistently updated, or weakly enforced, they generate interpretive flexibility and monitoring gaps that facilitate misconduct.

The study also identified organizational management style and characteristics of the administrative system as causal conditions. Participants highlighted managerial behavioral styles, concentration of power, insufficient segregation of duties, and weak planning mechanisms as fundamental drivers of financial violations. These findings are consistent with evidence indicating that organizational and managerial factors significantly influence administrative and financial corruption [1, 3]. The results reinforce the argument that managerial integrity and transparency are not merely ethical ideals but structural determinants of fraud risk. Moreover, ineffective internal governance mechanisms weaken accountability channels, thereby increasing opportunity—the second component of classical fraud theory [5].

External pressures, including political interference and weaknesses in the national institutional environment, were identified as intervening conditions. Experts described political influence in financial appointments, politicization of auditing processes, and inconsistent enforcement as critical contextual stressors. These findings resonate with prior legislative analyses demonstrating that policy instability and crisis-driven interventions may create temporary regulatory ambiguities and increase vulnerability to fraud [16]. Additionally, research on corruption prevention among public employees underscores the importance of macro-institutional stability and independence of supervisory bodies [2]. Thus, fraud in the public sector should be interpreted not only as an internal organizational failure but also as a reflection of broader political–institutional dynamics.

Cultural factors—both societal and organizational—were identified as contextual conditions shaping fraudulent practices. The study revealed that normalization of rent-seeking, tolerance toward misconduct, and weak accountability culture contribute to the persistence of financial violations. These findings support research on accounting culture and ethical perceptions, which demonstrates that professional and societal norms significantly affect fraudulent financial reporting [10]. When ethical standards are weakly institutionalized, rationalization—the third component of the fraud triangle—becomes easier for potential offenders [5]. Furthermore, studies on corruption prevention highlight that ethical climate and value internalization are essential protective factors [2]. Therefore, strengthening integrity culture is indispensable for sustainable fraud mitigation.

The processes identified in the model were incentives for misconduct within the human resource management system, including weaknesses in financial procedures, executive regulations, control and supervision levels, and the role of government. This multidimensional structure reflects the complex interplay between operational mechanisms and systemic governance. The insufficiency of inspectors, lack of performance indicators, and limited access to raw financial data indicate gaps in supervisory architecture. These findings align with evidence that internal and independent auditing play a pivotal role in preventing financial corruption [4]. When audit independence is compromised or supervisory capacity is limited, opportunities for manipulation expand.

Technological dimensions were indirectly reflected in the identified deficiencies of monitoring systems and absence of automated controls. Contemporary literature emphasizes the transformative role of artificial intelligence and advanced analytics in fraud detection [12]. Similarly, smart enabling tools in banking contexts demonstrate significant improvements in detecting anomalous financial transactions [13]. Unsupervised learning models in

dynamic financial streams and generative modeling for imbalanced datasets further enhance detection accuracy [14, 15]. The present findings suggest that the absence of integrated digital monitoring systems in public institutions constitutes a structural vulnerability.

Financial instability and economic pressure were also implicitly reflected in participants' narratives regarding budgetary constraints and inefficient resource allocation. Empirical evidence confirms that financial distress increases the likelihood of fraudulent financial reporting [8, 9]. Agency theory further explains how information asymmetry and discretionary accrual manipulation contribute to misconduct [6, 7]. In public sector settings, similar dynamics may emerge when managers face performance pressure without adequate transparency mechanisms.

The identification of deficiencies in drafting accounting and auditing regulations as part of the core category underscores the importance of legislative clarity. Ambiguous definitions of violations and inconsistent regulatory updates create interpretive loopholes that facilitate manipulation. Blockchain-based transparency initiatives have demonstrated potential to reduce fraud opportunities by enhancing traceability and immutability of financial records [17]. However, technological solutions must be embedded within coherent regulatory frameworks to ensure effectiveness.

Forensic accounting was not directly identified as a separate category but is conceptually related to strengthening detection capacity. Evidence from public sector organizations indicates that forensic accounting significantly enhances fraud management effectiveness [18]. Integrating forensic expertise with internal audit structures could therefore mitigate some of the vulnerabilities identified in this study.

The consequences identified in the model—negative financial, negative non-financial, negative social, and positive consequences—illustrate the multidimensional impact of fraud. Financial consequences include resource waste, reduced investment, and increased monitoring costs. Non-financial consequences encompass declining public trust, bureaucratic inefficiency, and employee demotivation. These findings correspond with broader analyses indicating that fraud undermines institutional legitimacy and socio-economic stability [16]. At the same time, the study revealed that exposure of fraud may generate positive outcomes, such as increased awareness, strengthening of internal audit, and regulatory reform. This paradoxical dimension highlights the corrective potential of accountability mechanisms when misconduct is properly addressed.

Methodologically, the use of grounded theory enabled systematic integration of categories into a coherent paradigmatic model. The systematic coding procedures recommended by Strauss and Corbin facilitated identification of causal, contextual, intervening, processual, and consequential components [19]. The qualitative research design ensured depth and contextual richness, consistent with methodological guidelines in management research [20, 21].

Overall, the findings extend prior literature by integrating managerial, cultural, regulatory, technological, and institutional dimensions into a unified explanatory framework. While previous studies often focused on financial statement fraud in corporate settings or specific detection techniques [8, 11], the present study situates fraud within the structural complexities of public administration. By identifying characteristics of accounting and auditing laws as the central phenomenon, the research highlights the pivotal role of regulatory architecture in shaping both opportunities and constraints for misconduct.

This study is subject to several limitations. First, the qualitative design, while enabling in-depth exploration, restricts generalizability beyond the studied institutional context. Second, reliance on expert interviews may introduce subjective bias, as perceptions of fraud determinants can be influenced by personal experiences or

organizational affiliation. Third, the model reflects structural relationships identified at a specific time and may not fully capture rapid technological or legislative changes affecting fraud dynamics.

Future studies may employ mixed-method approaches to quantitatively test the proposed grounded model across diverse public sector institutions. Comparative cross-country research could examine how different regulatory environments influence the relative weight of causal and contextual factors. Longitudinal designs would allow researchers to assess how technological innovations, legislative reforms, or political transitions alter fraud patterns over time. Additionally, incorporating behavioral experiments or network analysis could provide deeper insights into collusion dynamics and ethical decision-making processes.

Public sector policymakers and managers should prioritize reform of accounting and auditing regulations to reduce ambiguity and strengthen enforcement mechanisms. Establishing independent supervisory bodies, enhancing digital monitoring systems, and integrating forensic accounting expertise can mitigate structural vulnerabilities. Developing a strong organizational ethics culture through continuous training and transparent leadership practices is essential. Finally, leveraging smart technologies and data analytics for real-time monitoring, while ensuring alignment with clear regulatory frameworks, can significantly enhance fraud prevention and detection effectiveness.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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