THE ROLE OF THE PROFESSIONAL ACCOUNTANT IN REDUCING CORRUPTION FRAUD

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Abstract

Corruption is a form of acquiring benefits in an immoral and illegal way, using methods that influence the natural flow of development. With regard to this study, the role of the accounting professional in the fight against corruption has been analysed, at the national and international level, present through fraudulent activities. The research methodology used is qualitative, based on the analysis of published studies about a sample of five fraudulent cases that had negative effects on several stakeholders. Four of these cases had a global impact, Bernie Madoff, Luckin Coffee, Enron and WorldCom, and one is recognised only at a national level, BRD SAFPP. The results of the study highlight that the missing aspects present in the conduct of the accounting professional's related work are identified which allows corruption to flourish. Following the presentation of the context in which the fraud arose and how cases were solved with reference to financial loss. I have contributed by illustrating my research hypothesis and my opinion on predicting the risk of the fraudulent situation spreading, providing several methods for resolving and identifying fraudulent activity. At the same time, the paper concludes the importance of the accounting professional in mitigating corruption and presenting the true picture of the entity's financial situation. The attention of this research focuses on the accounting professional, investors and the management of the entities, becoming an exemplification of the corruption prevention measures that these actors should have in evidence.

Keywords

professional accountant, corruption, fraud, cases, opinion, prediction, risk

JEL Classification

M400, K420

Introduction

With the 2008 crisis, an increasing number of fraudulent cases have been identified, both in multinationals and entities operating only in Romania. After the identification of

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fraud has resulted in losses for various users of financial statements, emphasizing the important role of the accounting professional. It still remains unclear why such activities are generated and the underlying causes behind the years in which they are not identified. In light of this information, to point out the interest in corruption, approximately 7.700 scientific articles, books, and public research were published through the Clarivate platform between 2022-2024, and it is still a studied topic.

This paper has been developed with the aim of analyzing the behaviour of the accounting professional in the context of cases that have marked the economy by resorting to fraudulent activities. At the same time, through this study, we exposed my opinion on the conditions that favoured the development of corruption, as well as ways that could prevent such situations. Thus, the research question from which I started is "What is the role of the accounting professional in combating corruption fraud?" and along the way, we also answered the question "How do professional accountants help companies prevent and identify corruption?". These questions position the accounting professional against corruption, ignoring people who do not respect the characteristics of these professions, including integrity, independence, objectivity and professionalism.

1. Review of the scientific literature

As far as the literature is concerned, for the theoretical concepts researched for the elaboration of the study, we mostly considered articles and information published by organizations with influence in the financial-accounting field and which dealt with topics such as forensic accounting, corruption, and fraud. Among these, I would mention: IFAC, CECCAR, CNAS, CAFR, ACCA, and Transparency International.The following fraud cases were studied in this research: Bernie Madoff, Luckin Coffee, Enron, WorldCom and BRD SAFPP.

The case of **Bernie Madoff** less studied from a scientific point of view. The main entities involved are the company Bernie L. Madoff Investment Securities (abbreviated BLMIS) and its founder, Bernie Lionel Madoff. Madoff established a toxic and criminal culture through innovative methods, which led to one of the largest financial frauds in the history of capitalism. Based on the study by Manning P. et al.(2018), I briefly present the history and the stages of the case.

In 1960 BLMIS is founded by Bernie Madoff. In the same year, Madoff focused his attention on creating markets for small bundles of bonds, with a desire to enter the equities trading market. From the beginning the process of dark overt innovation on intangible assets was observed. Dysfunctional processes have caused this innovation to be recognized as a dark side. Open dark innovation is decomposed into input, output and mixed processes, assuming all were present in the Madoff case. (Natalicchio, A. et al., 2017).

Bernie Madoff became known through the accountant Sol Alpern who spread the information that Madoff was offering excellent returns. As a result, Sol Alpern also benefited from Madoff's business results. (Arvedlund, E., 2009)

It has been reported that Madoff approached a strategy of operating affinity fraud, referring to investment scams that make use of exploiting members of vulnerable groups. According to Ventura, M. and Daniel, S.J. (2010) the type of approach that Madoff also developed is characteristic of financial criminals.

In the early 1970s, the company was considered one of the IT innovators and representatives in the financial sector, representing prosperity for Madoff's company.
By 2000, BLMIS had assets worth approximately $300 million and was considered one of the world's largest securities and trading firms. Madoff developed an automated, computer-based, leveraged securities market, licensed by the Cincinnati Stock Exchange. For financial authorities, the technological advance posed a regulatory challenge, allowing illegal activities to take place. (Arvedlund, 2009)
In addition to those already outlined, Madoff had a hedge fund, which was not required to register it with the Securities Exchange Commission (abbreviated SEC), and in doing so avoided regulatory scrutiny. Madoff's actions were carried out in conjunction with an SEC market structure advisor. Bernie had a relative in his family who had married into an SEC employee on a team that oversaw regulatory planning for technology trading.
Madoff's fraudulent operations caught the attention of Harry Markopolos, a certified fraud examiner, in 1999. He said it took him 20 minutes to prove that fraudulent activity was behind his sums, using the entity's performance line. Markopolos testified that he noticed the fraud in just five minutes "When I saw the return stream, I knew it was a fraud in five minutes.". The examiner reported what he suspected about Madoff's activity, but instead, the authorities did not ignore it.
Madoff said the fraudulent actions had only been going on since 1990, but authorities have claimed the beginning of the dark side was 1980. By its very nature, BLMIS has been considered a fraudulent organization since its inception through the following practices: promptly returning investments, charging very low fees compared to the industry standard, doling out generous fees and commissions to feeder funds, and reputational capital created through donations to charities. (Nars K, 2009)
Among the reasons that led to the discovery of the fraud were the economic crisis of 2008 and the desire of the claimants to recover their investments. Thus, on December 10, 2008, Madoff revealed the truth to his sons, who reported him to the authorities the next day, involving the FBI in the investigation. On March 12, 2009, he pleaded guilty to 11 federal crimes and was recognized as the author of the largest Ponzi schemes at that time. Ultimately, Madoff received a maximum sentence of 150 years in prison and was ordered to pay $170 billion for his fraudulent activities. The most recent information about his fund indicated that he had client assets worth $64.8 billion. His victims included financial institutions such as Banco Santander, which suffered a loss of $2.87 billion, and Bank Medici, with a loss of $2.1 billion. In December 2013, his brother, Peter Madoff, was sentenced to 10 years in prison for accounting fraud. The fraud Madoff pulled off was able to operate for such a long period because of his social actions and the way he built his relationships along with the image he came with and profited as much as he could. This view is also supported by Jagpal, N. and Craig, J. (2009), Baron, R.A. and Markman, G.D. (2003), Arvedlund, E. (2009) and Fukuyama, F. (1995).
In the wake of the case, Netflix created a series in 2023 called "Madoff: The Monster of Wall Street", which has 1 season with 4 episodes, and is described as follows: "A documentary series about the rise and fall of financier Bernie Madoff, who created one of the largest Wall Street pyramid schemes in history.".

Luckin Coffee is a coffee chain established in October 2017 based in Xiamen (Fujian), China. For the presentation of this case, I considered the following scientific articles Peng Z. et al. (2022), Karkera S. (2020), Unsal B. (2023) and Chung E. (2021).
Compared to Luckin Coffee, Starbucks entered the Chinese market as early as 1999, and the growth between the two has been different, which has triggered suspicions. In terms of the number of stores, Luckin Coffee had 290 stores in its chain in March 2018, followed by a sharp increase to 4,507 stores in December 2019, just two years after its establishment. This was followed by a significant drop at the end of 2020 to 3,929 stores for Luckin Coffee. By comparison, in its first two years in the China market, Starbucks had just 64 stores, and after about 20 years in business, 4,863 stores at the end of 2020. (Fowler G.A., 2003)
To brand itself and attract customers, Luckin relied on lower prices compared to its competitor, Starbucks, and coupons that offered either free drinks or discounts. The purchase mechanism was shaped by digitization, so payment was made through WeChat Pay or AliPay or coupons in the Luckin app, which could be purchased in advance. As a result of the marketing mechanisms the company relied on, liabilities doubled from 2017 to 2018, resulting in a sharp increase in the debt-to-assets ratio from 33% to 115%. (Wang, M., 2020)
In 2019, Snow Lake Capital contacted Third Bridge for expert advice regarding Luckin. Snow Lake Capital represents a Hong Kong hedge fund that has had unaggressive attacks on Luckin since its IPO, public on NASDAQ, with the attempts being unsuccessful. (Gao, F. and Sun, Q., 2020) Snow Lake has delegated two consulting companies, which produced the report sent to Muddy Water.
Muddy Water is a US-based investment research firm. Muddy Waters, in January 2020, received a negative report, which it published, on Luckin's company setting out the fraudulent activity along with the evidence. This report pointed out that Luckin's revenues were not the true picture of the company's receipts, which were falsified. The increases in the sales made by the coffee shop chain, according to the report received, were 69% in the third quarter and 88% in the fourth quarter of 2019. Following the report, Muddy Waters made the decision to lower Luckin's share price and sell Luckin's shares at a short interval after the report was published.
Looking at the company's internal audit, it was observed that they cooperated in fraudulent activity on financial statements that speculated on performance. Those who did not have access to the real information of the company, but only to the already processed information, were the people in the financial department, unable to identify the accuracy of the data.
On the other hand, the multinational Ernst & Young Hua Ming LLP (EY) was in charge of the external audit. They declared in April 2020 the identification of the processed income and expenses in 2019, which were communicated to the Board of Directors. In July 2020, they produced a second statement presenting additional details and irregularities in January 2020, generating a warning flag.
Looking at the fraudulent schemes used in the Luckin sales, they were:

- April, 2019 - defrauding the number of coupons sold and redeemed by individual customers through employees, family and affiliated companies. These individuals purchased coupons from the Luckin-owned app, later redeeming them to create fake orders that led to an increase in the company's sales. The value of fraudulent sales in the scheme totalled $1 million.

- May, 2019 - selling coupons to fake corporate customers, represented by relatives of employees. The lawsuit was similar to the previous one, resulting in $10 million in falsified sales
- May, 2019 - falsifying the number of coupons sold by creating fictitious companies. The purpose of the scheme was to sell coupons to individual customers who may or may not have been employees. The employees were even falsifying company documents by substituting names on bank statements, resulting in approximately 90% of the revenue Luckin's took in, or $311 million, being fraudulently.

To cover the fraudulent revenues, Luckin also processed its expenses, so in 2019 the company recorded total expenses and costs of approximately $196 million of fraudulent nature.

In April 2020, Luckin testified that more than $300 million was counterfeited in 2019, implicating 12 employees, and later fired, CEO and COO in the fraudulent schemes. The chairman was also found to have been involved in the fraudulent schemes through the companies that purchased the coupons and was also dismissed. As a result of the SEC investigation, Luckin received permanent injunctions and $180 million in penalties.

Behind the information I am about to present on **Enron Corporation** are mainly the following studies: Deakin S. and Konzelmann S.J. (2004), Clarke T. (2005), Stein M. and Pinto J. (2011), The Financial Newspaper (2003), Troy S. (2024) and Jerotich R. (2023).

Enron Corporation was an American energy company, founded in 1985 in Houston, Texas, resulting from the merger of Houston Natural Gas Corporation and Inter-North Inc. After the merger, Kenneth Lay became president and CEO of the company, making it the largest supplier of natural gas. The company expanded by spreading into several countries, becoming a "trading house" for the energy industry and increasing its reach.

Enron recorded steadily growing profits in the first ten years after its founding, taking advantage of every regulatory loophole identified in the US energy market regulations (Fusaro P. and Miller R., 2002) In 2000, Enron recorded revenues of 100 billion dollars, becoming the seventh largest company in the Fortune 500 and considered the most promising company in the US.

Despite the reputation Enron created, Enron began to decline due to some major negative events. To maintain the impression that Enron was growing in terms of profits, Andrew Fastow, the company's CFO, set up special purpose entities (SPEs) and used a special purpose vehicle (SPV) scheme, covering large debts and assets considered toxic worth billions of dollars. This situation was possible until the value of Enron's shares began to decline after Lay retired and Skilling became CEO in February 2001. For personal reasons, Skilling stepped down as CEO in August 2001, and during that period, the value of Enron's shares continued to decline.

On October 16, the company reported its first-ever third-quarter loss, which drew the attention of the SEC. Shortly thereafter, Enron implemented changes to its pension plan, and employees were not allowed to sell their shares for at least 30 days. Within days, the SEC announced that it had opened an investigation into Enron and the SPVs it had created. In October 2001, Enron reported non-recurring charges of $1.1 billion, a $1.2 billion decrease in shareholders' equity, and a loss of $700 million. Six weeks later, the company filed for bankruptcy with assets valued at $62 billion, and the bankruptcy proceedings were concluded in November 2004.

Enron also sued six financial institutions, claiming that they contributed to its bankruptcy through its operations. All of Enron's improper accounting practices in hedging its debts and toxic assets were approved by Arthur Andersen through corporate reports. In June, 2002, Arthur Andersen LLP, one of the "Big Five," the five largest auditing and accounting firms, was found guilty of destroying Enron's financial records. Arthur Andersen filed for bankruptcy at the end of 2002.

The sources of the information I will present on the **WorldCom** fraud case are the following scientific and press articles: Early MW. (2005), Akhigbe A. et al. (2005), Betsy G. (2021), Hayes A. (2023) and U.S. Securities and Exchange Commission.

WorldCom was an American company founded in 1983, which grew to become one of the leading providers of long-distance telecommunications services in the United States. In July 2002, WorldCom made history for the largest bankruptcy in the US, with assets as of December 31, 2001 worth $103.9 billion, surpassing the Enron bankruptcy.

On its way to becoming the largest company in its field, WorldCom acquired up to 30 competing companies. The desire to increase market share, which WorldCom did aggressively, drove the company to losses. Another reason for the losses was also the negative market situation at the time: reduced demand and the obligation to cut prices.

In the case of this company, as with Enron, there would be a cover-up of the loss so that investors would not notice the loss, but the false profitability that was steadily increasing. To disguise the profit that was actually decreasing, WorldCom manipulated financial records to inflate net income and cash flow by classifying expenses as investments. As a result of these operations, profits were increased by $3.8 billion in 2001 and $797 million in the first quarter of 2002 compared to the actual amounts the company was holding. However, through the financing received, the company emerged from bankruptcy in 2004 and renamed itself MCI, which was acquired in January 2006 by Verizon.

The first person to witness the company's improper practices was Kim Emigh. He was part of the close relationships between the company's directors, vendors and contractors who were being paid what he saw as exorbitant sums. When Emigh became aware of conflicts of interest within the company and other problems that were occurring, he was told to stop the investigation and was threatened with dismissal by his line manager. At his request, Emigh was transferred and subsequently promoted to manager, where he upheld good practices and avoided inappropriate behaviour. However, in late 2000, Emigh was asked to misclassify costs in the accounting records, an activity designed to artificially increase the bottom line. Emigh resisted these practices and was dismissed shortly after.

Among those instrumental in detecting the fraud were the vice president of internal audit and an auditor. They identified $3.8 billion in fraud and inconsistencies involving: increasing revenue through reserves, a fired employee's doubts about capital

expenditures, disguising capital decreases by using more complex accounting terms, and recording transactions without supporting documentation.
The aforementioned persons from the internal audit started to carry out investigations on their own, i.e. an audit, and a postponement was requested by the CFO of the company. To start the proceedings, they called in the external auditor, KPMG, formerly Arthur Andersen and the company's audit committee.
As a result of this work, an $11 billion adjustment was required for the period 1992 to 2002, which represented an increase in assets to present a favourable image to investors. The fraud was estimated at about 79.5 billion dollars.
As for the SEC's investigation, it charged WordCom with civil fraud, labelling the case as the largest accounting fraud at the time in the US. It alleges that the misleading of investors occurred between 1999 and 2002, the first quarter.
A prominent early investor on the case was Bernard Ebbers, who was sentenced to 25 years in prison in 2005, receiving early release on medical grounds on December 18, 2019. At the same time, the former CFO who opposed the internal audit received 5 years in prison. Arthur Andersen, the accounting and auditing firm, was the one that fraudulently disregarded the fraudulently prepared financial statements for 2001 and the first quarter of 2002, ignoring speculation from WorldCom executives that WorldCom had improperly recorded expenses in its books.
In Romania, in 2022, fraud took place in the company **BRD SAFPP**, namely BRD Societate de Administrare a Fondurilor de Pensii Private S.A., part of the BRD Group, which is in charge of the administration of private pension funds, pillar II and pillar III.
According to ASF (2022), the authority has imposed several sanctions on both the BRD Group and the subsidiary dealing with pension fund administration, as well as on the General Manager BRD Societate de Administrare a Fondurilor de Pensii Private S.A.. ASF refers to this case in both August 2022 and May 2022. The amounts of the fines were as follows:

- In August 2022 - BRD SAFPP received the amount of 553,900 lei, as it was identified the lack of adequate internal mechanisms and failure to record all internal documents;
- in August 2022 - the General Manager of BRD SAFPP received the amount of 67,800 lei for failure to comply with the law regarding certain operational flows;
- in August 2022 - two persons who were insured during the investigated period received the amount of RON 2,100/person;
- in May 2022 - the General Manager of BRD SAFPP received the amount of 100,000 lei for improper accounting entries without supporting documents;
- in May 2022 - two members of the Board of Directors received the amount of 60,800 lei for "not ensuring prudent and correct management of the administrator";
- in May 2022 - two members of the Board of Directors were sanctioned with 55,500 lei for failing to ensure adequate and responsible management of the administrator.

The fraudulent act affected the administrator's own funds and the company's own accounts. Following the 48 search warrants and other measures taken by the authorities in response to complaints made by the fund administrators about the lack of supporting documents relating to the amounts in the deposit accounts. The unjustified amount was 22 million lei. As a result of these investigations, the embezzlement of 726 material acts, complicity, intellectual forgery, use of falsehoods and false statements was detected, the facts being associated to 15 persons involved, 2 employees of the BRD subsidiary and the rest of legal entities (DIGI24.ro).
According to the investigation, the fraudulent activity took place between 2019 and 2022, amounting to 23.5 million lei directly into the accounts of the persons involved or representing fictitious payments to the legal entities involved (DIGI24.ro).
Regarding the role of the external audit, Ernst & Young Romania (EY), it was reported that it failed to report and identify the fraud, becoming complicit in the case. Conform the data found, they reported that the company's activity was clean in the period 2019-2021.

2. Research methodology

In this study, the qualitative method was used to research data on fraudulent cases chosen to be analyzed. The analysis is focused on a sample of five recognized fraudulent cases (four of them at the world level and one case at the national level in Romania). The cases recognized at the world level and chosen in the sample are: Bernie Madoff, Luckin Coffee, Enron and WorldCom, the sorting criterion being the number of articles published on the Web of Science associated with the term "corruption fraud". The national case chosen is BRD SAFPP, chosen because it is a relatively recent one, unanalysed at the level of scientific articles. Following the analysis of what happened in each case, the opinions, remedies, and evidence that emerged are expressed, specific for each situation.

3. Results and discussions

Following the information presented in the analyzed studies and press articles, I chose to bring my contribution through the following opinions, solutions and interpretations.
In Bernie Madoff's case, the fraud was the innovative processes with which he came to market. As for the involvement of accounting professionals, it was Sol Alpern, an accountant, who spread the rumour about the profitability of Madoff's innovative processes. This is the first act of corruption, Sol accepts money from Madoff's activities, spreading the word about the profitability of his business. Going forward, the company continued to operate on the promise of above-market gains thanks to accountants who recorded all the fraud in the books and made them look clean. At the same time, conflicts of interest were detected in the case involving SEC members who were indirectly related to Madoff and were covering for him at the time of the investigation. Markopolos was ignored by both accounting professionals and the authorities without raising any red flags in either category to investigate the situation.
Starting from the hypothesis part, I believe that the market at that time gave Madoff the freedom to exploit the illegal activity in that area. In the context of this case, I argue that it should have been incumbent on any professional accountant to detect the sudden

increase and the likelihood that what Madoff and the rest of the population were speculating about the gain could not be legally realized. The main issues that caught my attention, as shown in Figure no. 1 which is a summary of the times, were: the influence of an accountant who laid the first pieces of the dissemination of information about the business; the sudden growth of society, which is economically impossible; the way it entered the market and attracted its customers, "word of mouth", which is not a reliable source; supporting minority, religious or emotionally impactful groups to create a clean image; promised earnings above the market level; the conflicts of interest that Madoff resorted to escape the controls carried out by the SEC determined by family members who entered into conjugal relations with the institution's employees.

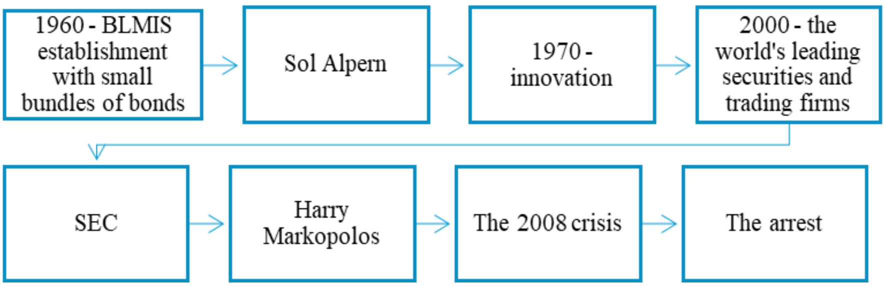

Figure no. 1. Sketch on the Bernie Madoff Fraudulent Case

Source: own processing according to articles (Manning P., et al. (2018), Natalicchio, et al. (2017), Arvedlund, E. (2009), Ventura, et al. (2010), Nars K (2009), Jagpal, N. and Craig, J. (2009), Baron, R.A. and Markman, G.D. (2003) and Fukuyama, F. (1995))

These aspects, in the case of a forensic accounting investigation, constituted concrete and eloquent evidence that could be detected very easily. To detect them, knowledge in the economic field had to be minimal, and this activity did not affect so many parties involved.

At the same time, I argue that this could no longer take place during this period, because access to information is easier and more vaster, and with public exposure, the investigation of fairness is more drastic, compared to that period. Madoff entered the market when it was most opportune for him, he took advantage of people's naivety and knew, psychologically, how to achieve his intentions and hide the nature of his deeds by "washing" them with charitable activities. At the same time, the market was not sufficiently regulated to be able to predict fraudulent activity, representing a negative aspect of the legislation that was not compliant.

In the case of Luckin Coffee, it is a fraud in falsification of the sales registered by the company. As a result of the fraud, false sales were made that led to the artificial increase of profit by encouraging the management of employees to buy the launched products or to involve their relatives in these activities, simultaneously triggering conflicts of interest. This was made possible by the indirect involvement of the professional accountant, and the internal auditors, who agreed not to report the erroneous transaction records based on falsified documents. I specify that the financial department had access only to the information processed within the company. For a better visualization of the steps, we have made Figure no. 2 below, which includes the main stages of the case.

Figure no. 2. Timeline of the Luckin Coffee Fraudulent Case
Source: own processing according to articles (Peng Z. et al. (2022), Karkera S. (2020), Unsal B. (2023) and Chung E. (2021), Fowler G.A. (2003), Wang, M. (2020), Gao, F. and Sun, Q. (2020))

This case presents fraud through the falsification of documents, an activity that was identified after about a year. I believe that the diversified involvement of the actors who took place in the fraudulent activity was an impediment to its identification, but nevertheless I caught the following aspects that should have raised suspicions: rapid growth in the market compared to the multinational Starbucks that was already recognized through its image all over the world; receipts that represented a sudden increase; the opening of a large chain of stores, which showed a sudden increase and then a slow decrease, insignificant compared to the number they had; the success of a new marketing mechanism since implementation.

My hypothesis draws attention to the code of ethics that represents the main culprit that left the way open to the fraudulent acts present in this case. The way employees influence and the mismanagement of the profit that a company wants to achieve on time have led to the "Fraud Triangle", i.e.:

- stress – the target that society wanted to achieve was unattainable by ethical means
- opportunity – created by the collaboration of many categories of employees in the company (management, internal audit, employees, family, etc.)
- self-justification – the need to achieve what is required of them from their superiors.

Regarding the remedial proposals, I support the following: the implementation of a strict and well-drafted Code of Ethics that anticipates such activities; the obligation of transparency to be more rigorously described; the regulatory framework on the identification of fraud in the audit activity; highlighting regulators on the investigation.

Enron presents the camouflage of the loss that the company began to record through special purpose entities. The person who made this decision was the company's CFO, and the records through which investors observed the company's profit and growth were prepared by professional accountants.

From my point of view, this case triggered a greater attention of intuition regarding the fraudulent facts, because the accounting information did not help to speculate on Enron's fraudulent activity. The main problems we have identified are: conflicts of interest with the company that audited the financial statements, Arthur Andersen, being subjective and suggesting the cover-up of fraud; concealing the real situations of the company by means that did not present sufficient regulations; indifference to employees and the state, wanting only the company's own advantage.

I believe that the image created in the first years, based on real values, outlined the necessary confidence for investors and the state regarding the real value of the company. In this case, we did not identify any signs that would attract the attention of the authorities or external people in advance. The external audit firm that authorized the financial statements or the people inside Enron could observe these activities (the staff of the finance department, the audit department or management). Figure no. 3 shows the main stages of this case.

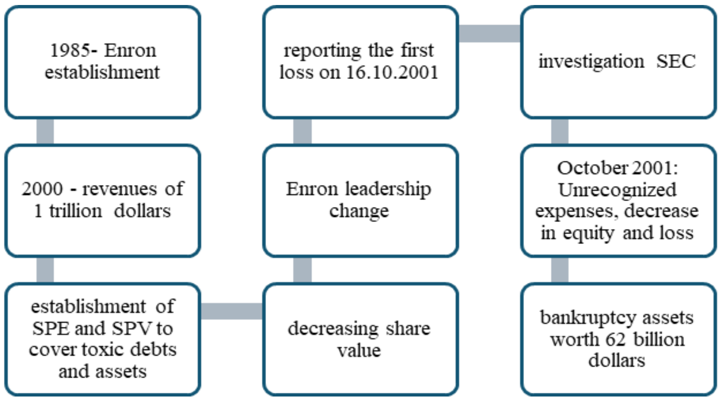

Figure no. 3. Enron Bankruptcy Activities and the Involvement of Arthur Andersen LLP

Source: own processing according to articles (Deakin S. and Konzelmann S.J. (2004), Clarke T. (2005), Stein M. and Pinto J. (2011), Ziarul Financiar (2003), Troy S. (2024) and Jerotich R. (2023), Fusaro, P. and Miller, R. (2002))

I chose to emphasize the fact that following this case, the state regulations were more complex and elaborated, representing one of the aspects that I suggested to be covered, among others being: outlining a Code of Ethics that would assign the obligation to employees to report any fraudulent activity that takes place within companies; regulation of external audit firms on objectivity and conduct of activities; presenting the financial statements in a more transparent and detailed way, being able to identify any aspect that is not by good practices or correctly prepared.

The information presented in the case of WorldCom highlights the importance of professional accountants and integrity, regardless of management. In the event that the vice president of the audit department listened to the corrupt CFO and the investigation was not carried out at that time, and things degenerated into worse for investors. The role of the internal audit was the one that made the difference in detecting fraud, followed by the support of the external audit, other than the one hired by the company for auditing the reports.

I believe that WorldCom's fraudulent activity showed the importance of internal auditing that complies with ethical and professional standards in detecting fraud. The main factors that shaped the fraudulent environment were: the involvement of management and employees in carrying out the fraud, which is also supported from an accounting point of view; the external auditor who did not properly perform his duties; conflicts of interest that took place inside and outside the company; accounting information that was not transparent and sufficiently detailed; calling threats; falsification of documents and accounting records.
Following the presentation aspects, we deduced that the main problem was the organizational culture of the company and the fact that integrity was not a basic value to be promoted by the management. I support and want to emphasize the fact that, for me, the biggest perpetrator was the CFO and the accounting department who carried out the activities behind the fraudulent records. At the same time, the non-conformities could be identified more quickly, if the external audit carried out the verifications according to the procedures. For the systematic resumption of the case, we have made Figure no. 4.

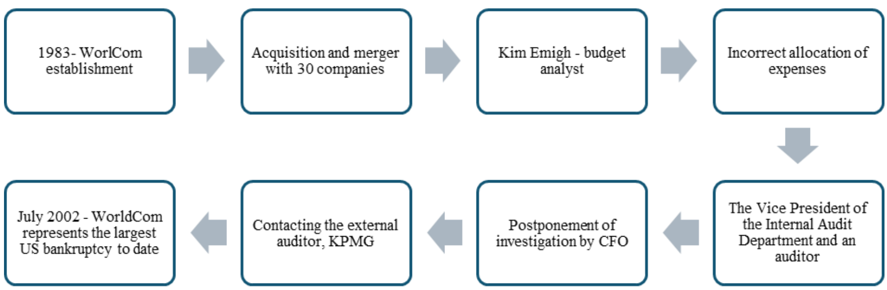

Figure no. 4. Carrying out fraudulent activity in WorldCom
Source: own processing according to articles (Early MW. (2005), Akhigbe A. et al. (2005), Betsy G. (2021), Hayes A. (2023) and U.S. Securities and Exchange Commission)

Following the information presented, a theft within BRD SAFPP was found by two employees of the entity with the support of other individuals and legal entities from outside.

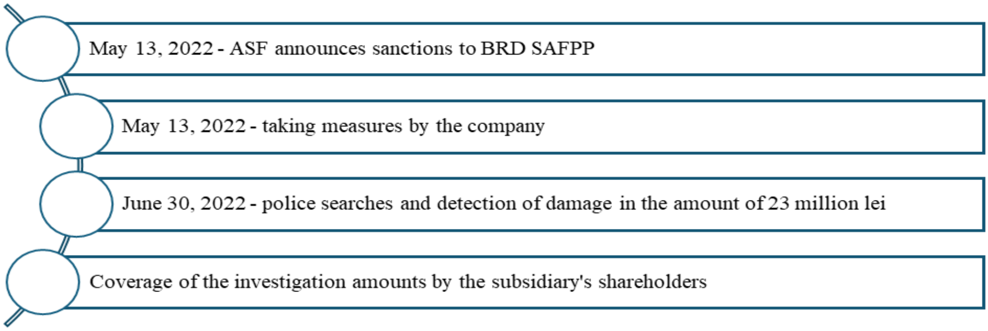

Figure no. 5. Detecting and solving fraud within BRD Private Pension Fund Management Company S.A.
Source: own processing according to the article published by ASF (2022)

The administrator was the one who notified the authorities that there are illegal acts that occurred at the level of the enterprise and thus they detected the fraud carried out. The main stages of the case are shown in Figure no. 5 below.
I believe that this case was the easiest to identify because it presents accounting records without the related justifications. However, we have caught the following fraudulent aspects: conflicts of interest inside and outside the company; lack of supporting documents; account statements that led directly to the perpetrators; the collaboration of employees and management staff; creation of the favourable environment, and no verifications being carried out.
I believe that the fraudulent act was carried out over a fairly long period, taking into account the signs that outlined the fraudulent image. I believe that the clean image of the BRD Group has made many clients and authorities more superficial in terms of verifying the activities of this flow.

Conclusions
In this work, we have observed the manipulation of the categories of users of accounting information so that they offer total trust without suspecting fraudulent activity. According to this study, it can be seen that fraud persists in the most unexpected places, and to detect it, each employee needs to have integrity. Among the most important actors who took part in carrying out the fraudulent activity, I would like to mention: the external audit, the company's management, the management, the internal audit, the financial department and the suppliers, because these were the main actions in an attempt to hide the fraudulent activities.
To reinforce the importance of professional accountants in fraudulent activity, I bring to attention the fraudulent cases analysed. In Bernie Madoff's case, the following people were involved in covering up the fraudulent activity: the owners of the company, the professional accountants inside the company, the accountant Sol Alpern who spread the rumour about the earnings, the SEC employees who notified Madoff when they came

for checks, and probably the list goes on. As for the detection of fraud, I remind you of the certified fraud examiner who was ignored despite arguments and professional knowledge.

In the case of Luckin Coffee, the following were involved in carrying out the fraudulent activities: the company's management, employees, employees' relatives and internal auditors who witnessed these operations. In this case, to detect the fraud, I recall the contribution made by the companies that dealt with the consultation and investigation of Luckin Coffee's financial statements. In this situation, I specify that the financial department only had access to the falsified documents, so it could not identify the fraud.

The Enron case shows the camouflage of the loss that the company began to record through entities set up for a special purpose. The person who made this decision was the company's CFO, and the records through which investors observed the company's profit and growth were prepared by professional accountants. At the same time, in the case of this company, the reports were audited by Arthur Andersen, later famous for hiding fraud from its customers. It can be distinguished in this case that the main persons involved are the company's professional accountants, who if they acted legally would not reach the punishments they received.

Regarding WorldCom, all those employees who agreed to act according to the management, i.e. fraudulently, were involved in committing the fraud. In this situation, it can be seen that the integrity of the professional accountant, of the internal audit, can help many people and reduce the loss of victims of corruption, regardless of the decision of the management. At the same time, the internal audit turned to a different external auditor than the one in charge of reporting at that time, which outlines their objectivity and professional seriousness. Without the intervention of these actors, the fraudulent case could have continued, so that investors would lose more and more.

For BRD SAFPP, things were simpler, because in this situation there were only two employees involved, the lack being noticed by the administrators. At the same time, the external audit could identify the fraud and report it, but instead declared that the accounting information is correct. Respectively, I also mention the professional accountants inside the company, the internal audit and the accountants, who did not notice the false transactions and the connection between them and the employees.

One explanation for the fact that these frauds took place is the "fraud triangle", i.e. stress, opportunity, self-justification, found in different forms. According to the analysis developed for each case, it can be seen that stress is generated by social pressure to shape a positive image and not to lose potential investors. The opportunity is generated by the legislative loopholes, respectively by the control loopholes within the entities, which let the facts take place. However, regarding self-justification, it emerges from the fact that those involved had no other solution.

The accounting profession plays a key role in preventing and mitigating corrupt fraud, having a direct impact on financial integrity and transparency within organizations. Accounting professionals ensure that all financial transactions are documented and properly reflected. By maintaining clear and accurate records, the risk of data manipulation or falsification is reduced, an essential factor in combating fraud and corruption. They also contribute to the development and implementation of effective internal controls in organizations. These controls are designed to prevent unauthorized access and ensure that financial resources are managed responsibly. By monitoring financial processes and performing periodic checks, the accountant can identify non-compliant or suspicious activities. Accountants are on the front line in identifying signs of fraud or corruption, as they have direct access to financial data, being the first to come into contact with them.

Accountants are also required to report any suspicious activity to their superiors or the competent authorities, by legislation and ethical standards. They must comply with legal regulations and international professional standards, which promote transparency and integrity. By applying these standards, professionals contribute to ensuring adequate financial governance and preventing acts of corruption. They can provide advice on how to avoid conflicts of interest, but also on how to adopt sound financial practices, thus reducing the risks of involvement in corrupt activities.

Accountants have a significant role in promoting an organizational culture in which integrity and financial responsibility are priorities. In this regard, they can help create clear policies and procedures for reporting unethical or illegal behaviour, thus supporting a work environment in which corruption and fraud are discouraged. Internal and external audit is essential in evaluating and verifying financial activities. Accountants are involved in these processes, ensuring that the audit is carried out in an objective and impartial manner. Through periodic audits, possible risks of fraud or corruption can be identified and corrective measures can be implemented.

In conclusion, the role of accountants in preventing and mitigating fraud and corruption is important, as they ensure the fairness and transparency of financial transactions, contributing to the development of a healthy and responsible financial system.

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