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The Effect of Implementing Sustainable Development Goals and Effectiveness of Internal Controls Towards Fraud Prevention

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ABSTRACT

This research aims to determine the influence of implementing sustainable development goals towards fraud prevention through the effectiveness of internal controls. Using company "A" in Brunei as a case study, it engages qualitative descriptive methods through semi-structured interviews with key informants. SDG principles emphasize transparency, inclusivity, and sustainability and can encourage ethical practices which in turn can create a climate for discouraging fraud. Robust internal controls—fostering accountability formats, training structures, and flexibility—also make organizations more resilient. This paper contributes to an understanding of how ethical values and technical safeguards interact to enhance fraud prevention in SMEs in developing countries. This study concludes that the application of SDG principles and the existence of strong internal controls have a positive impact on fraud prevention. The combination of their functions brings greater effectiveness than when used independently, particularly manifestation of SME as Company "A".

Keywords: Sustainable development goals, internal controls, fraud prevention, ethical governance, Brunei, SMEs

INTRODUCTION

Background

One of the most challenging issues among the organizations today is fraud. Whether it is in the public or private sector, fraudulent activities degrade trust and damages reputations which can cause enormous monetary losses as well. Organizational systems digitize and evolve, fraud schemes move in parallel to the increasing complexity of processes leading to ever-more sophisticated fraud schemes, making prevention efforts all the more critical. Fraud is fundamentally facilitated in settings where oversight is thin, accountability absent and a culture of ethics is muted. Organizations need guidance to ensure transparency, integrity, and accountability and frameworks are getting adopted to help address these challenges. One of them is the Sustainable Development Goals (SDGs), set up by the United Nations in 2015. The targets within goals such as poverty alleviation and climate action are very broad, but SDG 16 emphasizes the importance of strong institutions, justice and inclusive governance and parallels the very principles of ethical business conduct and fraud avoidance. By developing these values, companies are better positioned to create an environment where misconduct is out of the question and ethics is a guide. Sustainable values are complementary to internal controls, which will always be a key tool for fraud prevention and detection. Such controls include separate duties, access restrictions, routine audits and monitoring and are critical to the protection of organizational assets and the integrity and reliability of its operations. But effective internal controls are only as good as their presence in an ethical organizational culture that prizes compliance and transparency. This research respectively delves into how sustainable development principles and internal control systems intersect and affect a firm's fraud prevention capabilities. Unlike traditional research that places internal controls in an economically construed black box as something purely technical, this research offers a more comprehensive perspective considering how values associated with sustainability and ethical governance contribute to how well such control's function. We are a company in ICT which are based in Brunei Darussalam. Most importantly, while the Company has no formal SDG policies, the values of the SDGs, notably but not only in innovation, equality, responsible consumption, and integrity of institutions deeply permeate its work culture and operational strategies. This study provides a strong insight into the practice of modern, value-driven approach preventing fraud—especially on a small and medium enterprises (SME) context—by examining the manifestation of these principles in practice, along with internal control structures.

LITERATURE REVIEW

Sustainable Development Goals (SDG's)

The United Nations introduced Sustainable Development Goals (SDGs) as a framework that is universal and can be applied across organizations to resolve global issues such as poverty, inequality, education, environmental sustainability, and institutional integrity. Out of these 17 SDGs, SDG 16 — specifically, strong institutions, peace and justice — is of particular importance in the context of organizational fraud. Although compliance with SDG is not directly implemented by most companies, it can influence their behavior and encourage them to become responsible corporate citizens through ethical practices, sensitivity towards vulnerable people, sustainability and accountability. When organizations adopt these principles and practice them internally, they tend to operate with a greater sense of responsibility, leaving them less susceptible to unethical practices like fraud.

Internal Control

Internal controls are elaborate systems that are implemented to monitor and mitigate risks, protect assets, ensure data precision, and encourage compliance with laws and regulations. These controls serve as the operational backbone to an organizations governance. Such examples are approval processes, segregation of duties, access restrictions, and internal audits. Though these mechanisms are technical, they often depend on the ethical climate of the organization to be effective. When internal controls are reinforced by leadership commitment and ethical norms, they become significantly more influence in reducing fraud risks, research has shown. Thus, internal controls and values-based governance should be seen as mutually reinforcing instead of standing separate.

Fraud Prevention

Fraud prevention is the active effort aimed at avoiding, identifying, and responding to fraudulent or criminal behavior. An accepted way to understand fraud is the Fraud Triangle Theory that links pressure, opportunity, and rationalization together as the three conditions required to commit fraud. Laying down effective internal controls will reduce opportunity, while ethical leadership and a culture of value—both of which must align with the principles of SDG—will minimize rationalization and discourage unethical behavior. Organizations can dramatically reduce their fraud risk profile by establishing an environment that supports honesty, transparency and accountability.

Relationship Between Factors

Conceptual Framework

Based on previous research that has been described above, a conceptual framework for this research has been prepared, namely as follows::

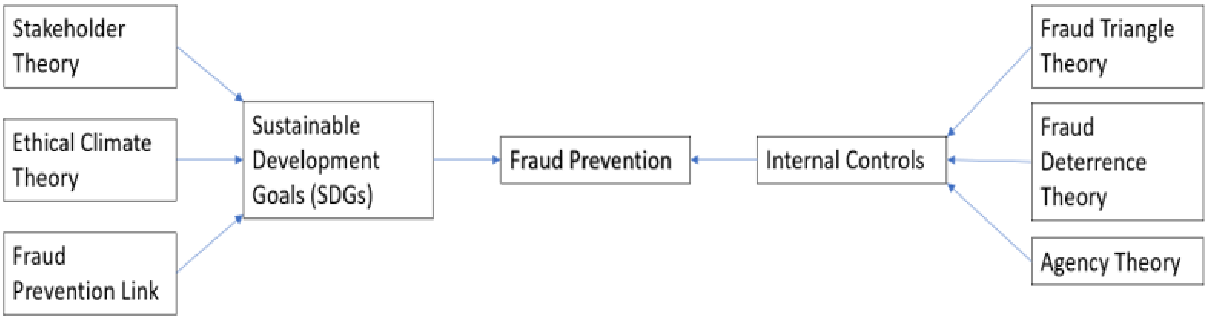

Figure 1 Conceptual Framework

RESEARCH METHODS

Type, Location and Time of Research

This study uses a qualitative descriptive method. The research was conducted at Company “A", Brunei Darussalam, from March to November 2024.

Data Collection

Semi-structured interviews were conducted with key personnel: Finance Controller, IT Architect, HR Manager, and Internal Auditor. Thematic analysis was used to extract insights.

Operational Definitions

- **SDGs**: Ethical practices indirectly aligned with global sustainability goals (e.g., inclusivity, digitalization, environmental responsibility).
- **Internal Controls**: Mechanisms to ensure accountability, transparency, and compliance.
- **Fraud Prevention**: Strategies aimed at reducing fraud risk, including controls and cultural values.

RESEARCH RESULTS AND DISCUSSION

SDG-Aligned Practices and Fraud Prevention

Finding indicates that although Company “ A ” does not have a formal adoption of the SDGs, in practice, this global goals and local practices share similarities in values and day to day activities of Company “ A ”. Its initiatives toward workplace equality (SDG 5), employee training and development (SDG 4), and environmentally responsible digital solutions (SDG 12) are just three examples that align with the SDG framework. These values contribute to a culture of ethical awareness, accountability and transparency — the very attributes associated with decreased risk of fraud. Employees do need rules and policies, but they are also motivated by culture and need to be encouraged to act responsibly because it is in their best interest short- and long-term. An ethical climate is a key determinant of their rationalization, a feature of the Fraud Triangle Theory.

Internal Controls and Their Role in Preventing Fraud

Analysis of Internal Controls in the Prevention of Fraud Internal Control at Company “A” was good, tailored and fit for purpose as an SME in the ICT sector. Multiple levels of approvals, segregation of duties, periodic internal reviews, and complimentary audits. These controls are not just technical barriers, but visible witnesses to the company’s zero-tolerance approach to fraud. Employees interviewed stated that they are more empowered to do their jobs because they know how the controls work together to protect them and the company. In addition, training courses on ethical conduct and the most effective fraud detection techniques help promote awareness among staff and serve as a human layer of control in combination with system-based ones.

The Interplay Between SDGs and Internal Controls

A major takeaway from the study is that values aligned to the SDGs and internal controls do no work in a vacuum — they mutually reinforce and mutually reinforcing.

Sustainability-based ethics form bonds that increase employee loyalty and resistance — the whole process becomes less top-down and more integrated into the way teams 'do what they need to do' together. For instance, Company "A" move to digital documentation not only serves environmental objectives but it also provides stronger audit trails and reduced opportunities for document tampering. Likewise, leadership with integrity based on SDG 16 builds trust which promotes whistleblowing and early detection of irregularities. Together, ethical governance and control mechanisms create a proactive culture of compliance instead of reactionary compliance.

CONCLUSION, AND SUGGESTIONS

Conclusion

Data from this study shows the importance of aligning practices within the organization alongside ethical frameworks and technical safeguards in order to minimize the risk of fraud. The results show that even though internal controls are primarily important as a basic foundation for fraud prevention — for closed systems through partitioning of tasks, audits, and monitoring — these mechanisms become meaningfully more effective when simultaneous values are present to them, values related to the Sustainable Development Goals (SDGs). Despite the fact that Company "A" does not formally incorporate the SDGs into their practice, their focus on principles associated with sustainability including inclusivity, transparency, and responsible innovation offer a potential example of one mechanism that can promote integrity from an informal standpoint. Such culture itself discourages unethical behavior, but also facilitates the effective enactment of internal controls among employees as it motivates employees to trust each other and feel a sense of ownership.

Moreover, this dynamic of ethical value systems, actively applied, in addition to an ensured ability to react internally to fraud, results in a positive environment in which fraud can't really arise—first, through reduced propensity to offend, due to deterrence gained by fear, and second, through internalized commitment to doing what is right. Fraud prevention, therefore, is not just a compliance matter but a testament to an organization's values and long-term vision. The study highlights that in today's rapidly changing business environment, particularly for SMEs in emerging markets, fraud prevention strategies need to include more than a process of checks and balances. Such a prism of ethical governance, informed by the global goals for sustainability, provides a more comprehensive, resilient and future fit model to frame risk.

Limitation

This study is based on one case study and uses qualitative methods. Wider generalizations would need more cross-sector research.

Suggestions

Research could also conduct across-organizations comparative studies and use quantitative measures. These may offer further layers of nuance, for example by including variables such as audit committees or a firm's digital infrastructure.

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