

Petter Gottschalk
Chander Mohan Gupta

Review of Corporate Internal Fraud Investigations

Offender Convenience and
Examination Maturity



Springer

Review of Corporate Internal Fraud Investigations

Petter Gottschalk • Chander Mohan Gupta

Review of Corporate Internal Fraud Investigations

Offender Convenience and Examination
Maturity



Springer

Petter Gottschalk
Department of Leadership and
Organizational Behaviour
BI Norwegian Business School
Oslo, Norway

Chander Mohan Gupta
Shoolini University
Solan, Himachal Pradesh, India

ISBN 978-3-031-60757-8 ISBN 978-3-031-60758-5 (eBook)
<https://doi.org/10.1007/978-3-031-60758-5>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2024

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

If disposing of this product, please recycle the paper.

Introduction

When there is suspicion of misconduct, wrongdoing, unethical behavior, deviance, or crime, both public and private organizations tend to conduct internal investigations to find out what happened, when it happened, how it happened, why it happened, and who did what to make it happen or not happen. Investigators are charged with the task of reconstructing events and sequences of events by presenting “information about what happened, why it happened, when it happened, who was involved, and what should be done about it” (Hersel et al., 2023: 639). Normally, investigators are expected to draw conclusions regarding their opinion about seriousness or lack of seriousness of incidents, but they should not address potential law violations. The latter is important, since investigators should not take on all the distinct roles found in the criminal justice system of police investigators, public prosecutors, and court judges. “An internal investigation is usually defined as an inquiry conducted by, or on behalf of, an organization in an effort to discover salient facts pertaining to acts or omissions” (Sakowicz & Zielinski, 2023: 650).

Internal investigations have been studied by researchers in a number of countries including Australia (King, 2021), Canada (Schneider, 2006), the Netherlands (Meerts, 2020), Norway (Gottschalk, 2020), Poland (Sakowicz & Zielinski, 2023), and the United Kingdom (Button et al., 2023). The researchers identified a forensic industry that consists of law firms, audit and accounting firms, as well as consulting firms, specializing in helping clients conduct internal investigations.

At the end of their work, corporate investigators typically submit investigation reports to their clients. These reports are normally kept secret for a number of reasons (Gottschalk & Tcherni-Buzzeo, 2017). Only in rare situations do reports become public, especially when it is in the interest of the client organizations to make reports public. Examples include Danske Bank in Denmark by Plesner (2020), International Biathlon Union in Austria by Taylor (2021), Oceanteam in the Netherlands by Sands (2019), Swedbank in Sweden by Clifford Chance (2020), Unibank in Moldova by Kroll (2018), and Wirecard in Germany by KPMG (2020).

This book is based on retrieval of publicly available internal investigation reports that have recently been published. The reviews of these internal investigations are carried out in two steps. The first step is to review the contents of each investigation

report regarding allegations and suspicions of potential misconduct. At this first step, all information available in each report is considered trustworthy and applied in an assessment of offender convenience. That is, information retrieved from each report regarding individual suspects—potentially supplemented by other sources such as media coverage—is allocated to the analysis of convenience in an attempt to assess motive, opportunity, and willingness. These three dimensions of convenience—motive based on possibilities or threats, opportunity to commit and conceal wrongdoing, and willingness of deviant behavior—are corners in the convenience triangle (Braaten & Vaughn, 2021; Dearden & Gottschalk, 2021; Gottschalk, 2022; Gupta & Gottschalk, 2022).

Convenience is a concept that was theoretically mainly associated with efficiency in time savings. Today, convenience is associated with a number of other characteristics, such as reduced effort and reduced strain and pain. Convenience is linked to terms such as fast, easy, and safe. Convenience says something about attractiveness and accessibility. Mai and Olsen (2016) measured convenience orientation in terms of a desire to spend as little time as possible on the task, in terms of an attitude that the less effort needed the better, as well as in terms of a consideration that it is a waste of time and effort to spend long hours and substantial resources on the task. Convenience orientation refers to a person's or persons' general preference for convenient maneuvers. A convenience-oriented person is one who seeks to accomplish a task in the shortest time with the least expenditure of human energy (Berry et al., 2002; Farquhar & Rowley, 2009). A convenient individual is not necessarily neither bad nor lazy. On the contrary, the person can be seen as smart and rational (Sundström & Radon, 2015). However, conveniently oriented persons and enterprises might choose illegitimate means to reach their objectives.

The second step is to assess the examination maturity by critically reviewing the internal investigation resulting in the report. The report is no longer considered trustworthy in the first place. Rather, skepticism is applied toward the contents to enable maturity assessment. The skepticism is concerned with a number of issues. First, it is a matter of whether the mandate for the investigation is relevant and clearly formulated. Next, it is a matter of optimal selection of information sources in the investigation. Furthermore, it is a matter on which basis conclusions are drawn. Examination maturity is assessed by allocating each investigation to one out of several stages of growth. Stages-of-growth models are generally used to study evolutionary paths in various organizational areas (e.g., Hajoary et al., 2023; Iannacci et al., 2019; Molléri et al., 2023; Röglinger et al., 2012; Solli-Sæther & Gottschalk, 2015; Stoiber et al., 2023; Susanto et al., 2023).

The stages-of-growth model applied in this book to assess examination maturity has the following four levels:

1. *Activity-oriented investigation: The examination is a chaos.* The investigation focuses on activities that may have been carried out in a reprehensible manner. The examiners look for activities and prepare descriptions of these. Then examiners make up their minds whether the activities were reprehensible or not. The investigation at level 1 is often passive, fruitless, and characterized by unnecessary

use of resources. At this lowest maturity level, investigators typically attempt to find an answer to the question: What happened? The investigation might cause more confusion than before the examination was initiated. The investigation is typically insufficient, inadequate, surface-oriented, a waste of time, useless, passive, unprofessional, worthless, immature, unacceptable, bad, meaningless, fruitless, awful, and chaotic. The investigation is often a failure and a disaster. The investigation lacks useful results and has little or no value. Investigators typically look where it is easy to find something, rather than searching for relevant information to solve the case. There is abdication from leadership by the client. The investigation report contributes to conflict escalation rather than conflict solution. The report is a biased storytelling of incident by incident without any real substance. There is no mandate enabling evaluation of investigation work. This stage might deserve the following label: Waste of time.

2. *Problem-oriented investigation: The examination is a mess.* The investigation focuses on an issue that needs clarification. Examiners are looking for answers. Once examiners believe they have found answers, the investigation is terminated. It is important to spend as little resources as possible on the investigation, which should take the shortest possible time. Focus and management are important for success. The client had an unresolved problem, and the client regulates premises for the investigation. There is no room for investigators to pursue other paths than those that address the predefined problem. At this second maturity level, investigators typically attempt to find an answer to the question: How did it happen? Often, little or nothing comes out of the investigation. The investigation is typically random, amateurish, formalities-focused, somewhat beneficial, but not enough, mainly descriptive, problem-oriented, neutral, unsystematic, inadequate, activity-oriented, shortsighted, fruitless, deviations-oriented, reactive, questions-oriented, and messy. The investigation tends to lack scrutiny, is a collection of information without analysis, and has too many assumptions that make conclusions less valid or invalid. The investigation is superficial and very limited. This stage might deserve the following label: Wishful thinking.
3. *Detection-oriented investigation: The examination is a disclosure.* The investigation focuses on something being hidden, which should be revealed. Investigators choose their tactics to succeed in exposing possible misconduct and perhaps even crime. Investigative steps are adapted to the terrain, where different sources of information and methods are used to get as many facts on the table as possible. While level 1 and level 2 are focused on suspicions of wrongdoing, level 3 is focused on suspicions against potential wrongdoers. There are always offenders responsible for misconduct. Level 3 has a focus on exchanges among individuals, while level 2 has a focus on activities. Level 3 is characterized by the search for responsible persons who may have abused their positions for personal or corporate gain. This is a more demanding examination, because suspicions and suspects must be handled in a responsible manner in relation to the rule of law and human rights. Level 3 investigations are active with significant breakthroughs in the examinations. Investigation projects are carried out in a professional and efficient manner. At this third maturity level, investigators

typically attempt to find an answer to the question: Why did it happen? Examiners are successful in identifying and documenting some new facts. The investigation has a clear perspective. It is competence-oriented, average, biased, targeted, systematized, integrated, moderate, indifferent, standard, competent, cause-and-effect based causality, revealing, and disclosure-oriented. The investigation is detection-oriented while limited by the mandate. The investigation is reflective, yet only slightly above average. This stage might deserve the following label: Maybe better luck next time.

4. *Value-oriented investigation: The examination is a clarification.* The investigation focuses on value created by the examination, where the investigation is an investment by the client with an expectation of benefits exceeding costs. The ambition of the investigation is that the result will be valuable to the client. The value can lie in clean-up, change, simplification, renewal, and other measures for the future. The investigation also focuses on being justifiable. A number of explicit considerations are identified and practiced throughout the inquiry. The investigation has in addition a focus on explicit decisions regarding knowledge strategy, information strategy, system strategy, and configuration strategy. By explicit strategic choices, the investigation becomes transparent and understandable to the parties involved and affected. It is often examiners in interdisciplinary teams who are to contribute to value creation for the client. Level 4 investigations are characterized by the active use of strategies, with significant and decisive breakthroughs in the inquiries, which lay the foundation for learning and value creation in the client's organization. The value may, for example, be that detected deviations and wrongdoings become sanctioned and corrected in a satisfactory manner. At level 4, detection, disclosure, clarification, and solution are seen in context. There will be less to detect in the future if prevention is strengthened. It will be better in the future if the case is completely resolved. The examiners create value by proper investigation. Value is created before, during and after the investigation. Before the investigation, risk understanding and prioritization are developed. During the investigation, method understanding is developed. After the investigation, barriers are built against wrongdoing, holes are closed, routines are developed and practiced, and evaluation is established on a continuous basis. At this top maturity level, investigators try to find the answer to the questions: What went wrong, what can the client learn, and how can wrongdoing be prevented from happening again in the future? Examiners at level 4 are able to reconstruct past events and sequences of events completely. The investigation is responsible, detailed, conscientious, enough, professional, neutral, unprejudiced, integrated, proactive, preventive, mature, competent, systematic, professional, explorative, immaculate, expedient, truth seeking, facts-based, complete, independent, and clarifying. The investigation adds value. The investigation is thorough and works well. This stage might deserve the following label: Time well spent. The investigation is an investment. The investigation makes a valuable contribution to the client organization, where investigation benefits exceed investigation costs. The investigation is optimal, innovative, profitable, strategic, extraordinary, outstanding, provident, value-oriented,

advanced, learning-focused, valuable, irreversible, truth-based, socially responsible, exceptional, excellent, perfect, exemplary, and a profitable investment. The investigation is a masterpiece and enrichment for the client and society. The investigation is complete and influential. The investigation is strategically a success. This stage might deserve the following label as well as the first-mentioned label for time well spent: Here's my money.

Reviewing internal investigations is important as Gottschalk (2021: 31) found that surprisingly often examiners conclude that minor but not serious wrongdoing has taken place:

Empirical evidence from Norway documents that the media disclose a significant fraction of crime stories that later result in prosecution and conviction of white-collar offenders. Empirical evidence from Norway does not document any contribution from fraud examiners in private policing of economic crime, as they typically conclude with misconduct, but no crime, often to the satisfaction of their clients.

Conclusions stating that minor but not serious wrongdoing has taken place seem to satisfy the client and cause the police to stay away from investigating cases. Therefore, the topic addressed in this book regarding skeptical reviews of internal investigations is important to learn about both successful investigations and investigations that represent failures.

However, in exceptional cases, the opposite can occur, where the client wants a verdict despite lacking evidence. This was probably the case when fraud examiners at an audit firm for the minor amount of USD 10,000 concluded that a foundation had abused state funding. In the aftermath, fraud examiners Ole Jakob Øglænd and Frode Krabbesund at Ernst & Young (EY) were asked to justify their initial conclusion regarding the head of the foundation, Shabana Rehman, and they were paid another USD 140,000 to do so. While the founder died of cancer shortly after, she was honored by a state funeral in the city hall of Oslo in Norway. After the funeral, investigative journalists reviewed the work by the examination consultants and found that the client had trusted the initial report so strongly that they decided to terminate funding after 2 h (Solli & Hjørnevang, 2023). The fraud examiners denied commenting to the investigative journalists (Stavrum, 2023). A commentator wrote: "At EY, serious mistakes have no consequences: Ole Jakob Øglænd and Frode Krabbesund should be exposed to an external investigation" (Ørjasæter, 2023). "Maybe they both should be reported to the police" (Gottschalk, 2023). One year after Shabana Rehman deceased, the debate about her destiny caused by the EY investigators went on (e.g., Slettholm, 2023; Stephansen, 2023). It was "not the first time the investigators at EY harmed innocent people" (Gottschalk, 2023). While the funding stopped and the following bankruptcy occurred in November 2020, and the state funeral took place in January 2023, the Office of the Auditor General of Norway considered in July 2023 looking into the role of EY investigators as well as public administration officials in the Born Free matter as it regarded both a state directorate and a government ministry (Solli & Hjørnevang, 2023).

Corporate internal fraud investigations represent extraordinary examinations of suspicions of misconduct and wrongdoing with goal-oriented data collection based

on a mandate defined by and with the client. The purpose is to clarify facts, analyze events, identify reasons for incidents, and evaluate system failure and individual misconduct. There are different levels of corporate internal fraud investigations as outlined above: activity investigation, problem investigation, evidence investigation, and value investigation (Sakowicz & Zielinski, 2023: 654):

These levels represent the successive stages of maturity of an internal investigation. An activity investigation is focused exclusively on activities that may have been performed in a reprehensible way (answering the question: What happened?), and the next level, problem investigation, is focused on problems and issues that must be solved and clarified (answering the question: How did it happen?). The latter model does not merely seek information about the irregularities that have occurred, but also seeks to answer the question of what has caused them. The evidence investigation level refers to internal investigations that are focused on revealing something that is kept hidden, and therefore on uncovering a kind of corporation's secret mentioned earlier. Gottschalk points out that in this model, "Examiners choose their tactics to ensure success in the disclosure of any possible misconduct and white-collar crime. They are looking for the unknown." The additional goal is to answer the question of why did wrongdoings occur. The last level, value investigation, is focused "on the value for the client being created by the investigation" and its purpose is "to create something that is of value to the client; it may be valuable new knowledge, the settling of disagreements about past events, external opinions, and input to change management processes." Notwithstanding the above, each level of internal investigation results in a "product"—usually a report or a memorandum—which can serve as a source of evidence in future criminal proceedings. A report resulting from an internal investigation should include, at a minimum, a presentation of the scope of the investigation, the established chronology of events, the methodology adopted for the examination, the collection of documents, data, and other information on which the report's assertions were based, as well as recommendations for the corporation's further conduct.

References

- Berry, L. L., Seiders, K., & Grewal, D. (2002). Understanding service convenience. *Journal of Marketing*, 66, 1–17.
- Braaten, C. N., & Vaughn, M. S. (2021). Convenience theory of cryptocurrency crime: A content analysis of U.S. federal court decisions. *Deviant Behavior*, 42(8), 958–978.
- Button, M., Kapend, R., & Stiersted, P. (2023). Investigative private policing beyond the police: An exploratory study. *Policing and Society*, 33(2), 150–169.
- Clifford Chance. (2020). *Report of investigation on Swedbank AB* (218 pp.), law firm Clifford Chance, Washington, DC, USA.
- Dearden, T., & Gottschalk, P. (2021). Gender and white-collar crime: Convenience in target selection. *Deviant Behavior*, 42(11), 1485–1493.
- Farquhar, J. D., & Rowley, J. (2009). Convenience: A services perspective. *Marketing Theory*, 9(4), 425–438.
- Gottschalk, P. (2020). Private policing of white-collar crime: Case studies of internal investigations by fraud examiners. *Police Practice and Research*, 21(6), 717–738.
- Gottschalk, P. (2021). Filling the gap in white-collar crime detection between government and governance: The role of investigative journalists and fraud examiners. *Journal of White Collar and Corporate Crime*, 2(1), 36–46.

- Gottschalk, P. (2022). Trusted chief executives in convenient white-collar crime. *Crime & Delinquency*, 1–29, published online June 20.
- Gottschalk, P. (2023). Gode råd dersom du får EY-granskerne på nakken (Good advice if you get the EY investigators on your neck), web-based Norwegian newspaper *Nettavisen*. www.nettavisen.no, published June 28.
- Gottschalk, P., & Tcherni-Buzzeo, M. (2017). Reasons for gaps in crime reporting: The case of white-collar criminals investigated by private fraud examiners in Norway. *Deviant Behavior*, 38(32), 267–281.
- Gupta, C. M., & Gottschalk, P. (2022). To what extent is white-collar crime understandable? An empirical study of determinants based on the theory of convenience. *Crime & Delinquency*, published online <https://doi.org/10.1177/00111287221131492>
- Hajoary, P. K., Ma, A., & Garza-Reyes, J. A. (2023). Industry 4.0 maturity assessment: A multi-dimensional indicator approach. *International Journal of Productivity and Performance Management*, published first online <https://doi.org/10.1108/IJPPM-07-2022-0325>
- Hersel, M. C., Gangloff, K. A., & Shropshire, C. (2023). Mixed messages: Crisis communication—Dismissal (in)coherence and shareholder trust following misconduct. *Academy of Management Journal*, 66(2), 638–666.
- Iannacci, F., Seepma, A. P., Blok, C., & Resca, A. (2019). Reappraising maturity models in e-government research: The trajectory-turning point theory. *Journal of Strategic Information Systems*, 28, 310–329.
- King, M. (2021). Profiting from a tainted trade: Private investigators' beliefs and practices: A qualitative inquiry. *Journal of Criminological Research Policy and Practice*, 7(2), 112–125.
- KPMG. (2020). *Report concerning the independent special investigation Wirecard AG Munich* (74 pp.), audit firm KPMG, Munich, Germany.
- Kroll (2018). *Project Tenor II—Detailed report prepared for the National Bank of Moldova* (154 pp.), forensic firm Kroll, London, UK.
- Mai, H. T. X., & Olsen, S. O. (2016). Consumer participation in self-production: The role of control mechanisms, convenience orientation, and moral obligation. *Journal of Marketing Theory and Practice*, 24(2), 209–223.
- Meerts, C. (2020). Corporate investigations: Beyond notions of public-private relations. *Journal of Contemporary Criminal Justice*, 36(1), 86–100.
- Molléri, J. S., Lassenius, C., & Jørgensen, M. (2023). Backsourcing of IT with focus on software development—A systematic literature review. *Journal of Systems and Software*, published first online <https://doi.org/10.1016/j.ss.2023.111771>
- Ørjasæter, E. (2023). Hos EY har grove feil ingen konsekvenser: Ole Jakob Øglænd og Frode Krabbesund bør utsettes for ekstern gransking (At EY, serious mistakes have no consequences: Ole Jakob Øglænd and Frode Krabbesund should be exposed to an external investigation), web-based Norwegian newspaper *Nettavisen*, www.nettavisen.no, published June 26.
- Plesner. (2020). *Description of the key system and process flaws in DCS and certain other systems* (24 pp.), law firm Plesner, Copenhagen, Denmark.
- Röglinger, M., Pöppelbuss, J., & Becker, J. (2012). Maturity model in business process management. *Business Process Management Journal*, 18(2), 328–346.
- Sakowicz, A., & Zielinski, S. (2023). Unlocking the mystery of internal investigation: The use of information from private internal investigations in the Polish criminal process. *Revista Brasileira de Direito Processual Penal*, 9(2), 645–687.
- Sands. (2019). *Factual report: Oceanteam ASA investigation of related party transactions* (256 pp.), law firm Sands, Oslo, Norway, at Bergen District Court, Norway.
- Schneider, S. (2006). Privatizing economic crime enforcement: Exploring the role of private sector investigative agencies in combating money laundering. *Policing & Society*, 16(3), 285–312.
- Slettholm, A. (2023). Det er trist at Nettavisen insisterer på nok en runde om Født Fri (It is sad that the newspaper insists on another round about born free), daily Norwegian newspaper *Aftenposten*, Friday, June 30, p. 3.

- Solli, M., & Hjørnevig, E. M. (2023). Født Fri-saken: -Alle muligheter til å ettergå denne saken bør forfølges (The Born Free case: All possibilities to pursue this matter should be followed up), web-based Norwegian newspaper *Nettavisen*. www.nettavisen.no, published July 5.
- Solli-Sæther, H., & Gottschalk, P. (2015). Stages-of-growth in outsourcing, offshoring and back-sourcing: Back to the future? *Journal of Computer Information Systems*, 55(2), 88–94.
- Stavrum, G. (2023). Shabana Rehman's profesjonelle liv ble stanset av et bakholdsangrep (Shabana Rehman's professional life was stopped by an ambush), web-based Norwegian newspaper *Nettavisen*. www.nettavisen.no, published June 21.
- Stephansen, E. (2023, June 30). Udokumentert synsing om Født Fri og Nettavisen (Undocumented opinion about born free and the newspaper), daily Norwegian newspaper *Aftenposten*, Saturday, 45.
- Stoiber, C., Stöter, M., Englbrecht, L., & Schöning, S. (2023). Keeping your maturity assessment alive. *Business & Information Systems Engineering*, published first online <https://doi.org/10.1007/s12599-023-00805-y>
- Sundström, M., & Radon, A. (2015). Utilizing the concept of convenience as a business opportunity in emerging markets. *Organizations and Markets in Emerging Economies*, 6(2), 7–21.
- Susanto, A. H., Simatupang, T. M., & Wasesa, M. (2023). Industry 4.0 maturity models to support smart manufacturing transformation: A systematic literature review. *Journal Resti*, 7(2), 334–344.
- Taylor, J. (2021). *Final report of the IBU External Review Commission* (220 pp.), law firm TwoBirds, London, UK.

Contents

1	Misuse of Parliamentary Benefit Claims by Politicians: An Analysis of Alleged Misappropriation	1
	Internal Investigation Outcome	3
	Assessment of Offender Convenience	5
	Social and Economic Disagreement in Society	12
	Evaluation of Examinee Maturity	15
	References	18
2	Management Fraud in the Ski Federation	23
	Introduction	23
	Crisis Situation at the Ski Federation	23
	Internal Investigation Outcome	26
	Assessment of Offender Convenience	27
	Assessment of Examination Maturity	30
	Assessment of Terminators' Convenience	32
	References	34
3	Stock Manipulation and Accounting Fraud	37
	Introduction	37
	American Dreamer Nathan Anderson	38
	Anderson's Allegations Against Adani	39
	Assessment of Offender Convenience	43
	Continued Dispute Hindenburg-Adani	45
	Assessment of Examination Maturity	47
	References	49
4	Municipal Fraud of Government Subsidies	51
	Introduction	51
	Allegations in Norwegian Media	51
	Internal Investigation Outcome	52

Assessment of Offender Convenience 53

Assessment of Examination Maturity 55

References 56

5 Funding Abuse by State Research Council 57

Introduction 57

Internal Investigation Outcome 58

Assessment of Offender Convenience 59

Assessment of Examination Maturity 60

References 60

6 Fraud and Harassment in the Military 61

Introduction 61

Internal Investigation Outcome 61

Assessment of Offender Convenience 62

Assessment of Examination Maturity 64

References 66

7 Blame Game in Economic Arson Crime 69

Introduction 69

Bath House Insurance Fraud 69

Assessment of Offender Convenience 72

Proceedings in the District Court 75

Proceedings in the Court of Appeal 86

The Three Suspected Arsonists 87

Proceedings in the Supreme Court 89

Blame Game Dynamics 92

Allegation of Corruption 95

Readmission Commission Secrecy 97

Assessment of Investigation Maturity 98

References 99

8 Profits in Social Housing Construction 103

Introduction 103

Criminal Conformance Deviance 104

Obos Deviance Member Revolt 105

Social License Recovery Measures 109

Student Interviews with Stakeholders 113

Internal Investigation Outcome 116

Assessment of Offender Convenience 118

Assessment of Examination Maturity 123

References 124

9 State Funding Abuse by Change Factory 129

Introduction 129

Internal Investigation Outcome 130

Assessment of Offender Convenience 131

Assessment of Examination Maturity 133
References. 135

10 Avoidance of Abdication from Leadership 137
Introduction. 137
Approaches to Avoidance of Abdication. 138
Avoidance of Institutional Deterioration. 142
Regulation of Internal Fraud Investigations 144
Change Management Initiatives 148
References. 150

11 National Hero Turned Suspect. 155
Introduction. 155
The Citizen of the Year Award Recipient 156
Suspected Offender Convenience Themes 158
Preliminary Fraud Examination Outcome 161
Investigation Report Maturity Assessment 163
Parallel Management Problem-Solving Activity 166
Business Leadership Philosophy Review 170
Corporate Scandal Avoidance Attempts 172
References. 174

12 Facing Harassment Accusations 177
Leading Scholar Traveling to Norway 178
Kluge Report Accusation Findings. 180
Report Maturity Evaluation Kluge 181
Maturity Assessment Outcome 190
Absence of Justice in Private Investigations 193
References. 194

Index 199

Chapter 1

Misuse of Parliamentary Benefit Claims by Politicians: An Analysis of Alleged Misappropriation



Members of the Norwegian Parliament enjoy various special privileges, including access to commuter housing in Oslo for those representing constituencies outside the capital. This accommodation is provided at no cost. Additionally, parliamentarians receive a post-parliamentary salary while awaiting new employment opportunities. Another perk involves complimentary travel for their participation in political rallies and other events associated with their role as politicians. However, allegations have arisen regarding the misuse of these benefits. Some politicians stand accused of renting out their personal residences while occupying parliamentary apartments in Oslo, a practice not in accordance with benefit regulations. Furthermore, accusations include the failure to promptly notify the parliamentary administration of their new employment status, rendering them ineligible for continued salary support from the parliament. Additionally, there are claims of personal travels being billed to the office (Eidesvik & Oterholm, 2023; Schjerpen, 2023; Strandberg et al., 2023).

In response to these allegations, an internal audit was initiated by the Norway auditor general office (Riksrevisjonen, 2023). The investigation's directive centered on determining whether current or former members of the Norwegian parliament, known as the Storting, had sought or received assistances in contravention of the Storting Allowances Act or other relevant regulations and guidelines established by the Storting. The scope of the investigation also encompassed an examination of the parliamentary administration's conduct of concerns related to the division of values and the overall financial management concerning Storting representatives.

Parliamentarians were not the only ones facing allegations and charges (Alstadheim, 2023). The parliament office was also suspected of deception. The parliament was accused of tax cheating since allowances were not taxed (Heldahl & Knutsen, 2023):

The Storting enacted a new tax legislation but did not enforce it. They kept it hidden from the tax authorities. For over six months in 2018, the Storting avoided paying the tax. When they discovered the error, they began paying the right tax but did not notify the tax office of the amount owing. This is disclosed in an interview with auditor general Karl Eirik Schjtt-Pedersen conducted by Nettavisen.

Fraud is a sort of economic crime that refers to the unlawful and purposeful creation of a deception in order to compel someone to do something they would not have done otherwise (Elisha et al., 2020). According to Zabyelina (2023, p. 5), “despite their wealth, white-collar criminals commit crimes seeking personal, organisational, or financial benefits, often with little fear of or concern with legal ramifications.” Corruption and theft are two further forms of financial crime (Gottschalk, 2010).

Norway’s national legislature, the Storting, is made up of 169 lawmakers that are elected after every four years. Representatives of the Storting hold Norway’s highest positions of trust and are compensated for their work as legislators. Within the framework established by the Storting, the presidency has ultimate responsibility for administrative concerns. The administration at the Storting is responsible for ensuring that lawmakers are paid and get other perks in compliance with rules and regulations. According to the Norwegian constitution 65, each Storting representative is entitled to salary specified by legislation for participating in the Storting. The Storting Allowances Act describes further provisions on representative compensation and a variety of other financial perks.

Benefits fraud committed by lawmakers in Norway’s parliament Stortinget was first undetected by formal control systems such as accounting and audit, which tend to focus on processes rather than transaction substance. Investigative journalists at two major Norwegian newspapers discovered misconduct, resulting in the imprisonment of two legislators and, subsequently, the Riksrevisjonen (2023) report discussed in this chapter. According to Gottschalk (2021), investigative journalists uncover one-third of all financial malfeasance by members of Norway’s elite.

This chapter examines the current benefits fraud incident involving Norwegian politicians who got payments they were not entitled to. Convenience is the theoretical standpoint, and it relates to a value-like construct that drives behavior and decision-making (Mai & Olsen, 2016). An essential research endeavor is to conceptualize and examine convenience theory on a case-by-case basis. Convenience theory is a new theoretical framework to explain the phenomena of white-collar crime, with Gottschalk (2017) introducing convenience as a basic notion and Gottschalk (2022) expanding on it. Recently, the theory has been reviewed (e.g., Chan & Gibbs, 2020; Hansen, 2020; Oka, 2021; VasIU, 2021; VasIU & Podgor, 2019) and applied by several scholars such as Asting and Gottschalk (2022), Braaten and Vaughn (2021), Davidsen and Kvam (2023), Dearden and Gottschalk (2021, 2023), Desmond et al. (2022), Gupta and Gottschalk (2022), Qu (2021), Saad et al. (2022a, b), Stadler and Gottschalk (2022), and Sterri and Borge (2022). Numerous research articles have previously made reference to the notion of convenience.

The evidence given and assessed in this case of lawmakers’ convenience comes from the internal investigation report of the Norwegian auditor general as well as

numerous media publications. The article's theoretical purpose is to investigate the situation through the prism of convenience theory. Following the introduction of convenience theory, this essay examines the internal investigation among legislators. The case's fraud motivations, opportunities, and readiness to engage in deviant behavior are then recognized as aspects in convenience theory.

This page contributes to research on comparable incidents in other countries, such as the UK parliament expenditures scandals, which ought to be mentioned. Graffin et al. (2013), for example, investigated falls from grace and the risks of high status in the British MP expenditure scandal and its influence on parliamentary elites. Ten years later, Flinders and Anderson (2022: 119) argued that "despite the public outrage it sparked, the MPs expenses scandal actually had little impact on British politics," claiming that "the impact of the scandal was far more significant and multi-dimensional than has generally been recognised."

Internal Investigation Outcome

The internal inquiry at Norway's parliament, Stortinget, resulted in a 201-page report by the national audit office on the Storting's financial arrangements for MPs (Riksrevisjonen, 2023). The report's key subjects include commuter housing for legislators who live outside of Oslo, salary payment for representatives who have completed their final term in parliament, and travel expenditures when representing their political party or the parliament. The following aspects are included in the primary conclusion:

- The Storting president did not have adequate control over whether the projects were run satisfactorily.
- The administration of the Storting has administered regulations, information, and control in a very ineffective manner.
- Several Storting delegates were unaware of the autonomous responsibility required in utilizing the funding arrangements.

The inquiry was covered in the media, as Schjerpen (2023) wrote:

"The national audit office issued a devastating report on Thursday, revealing major errors related to the financial arrangements at the Storting." The national audit agency levelled harsh criticism at the Storting's leadership, both the presidency and the government. According to the national audit office, management did not have adequate control over the schemes and handled them in an ineffective manner. Both Storting President Masud Gharakhani and Storting Director Kyrre Grimstad agree that this is unacceptable and that many steps have been taken to clean it up.

An annexe in the report beginning on page 136 drew the greatest attention about specific persons abusing benefits. The study names and ranks 62 MPs based on their economic deviance. The majority of them are told in the report that they must repay money to the Storting. Jan Arild Ellingsen, a lawmaker, was one of them (Riksrevisjonen, 2023: 56):

Ellingsen was paid severance pay from January 1 to December 31, 2018. Ellingsen has various sources of income and was paid NOK 35,550 in 2018. The payment was obtained following the conclusion of the legislative session. Ellingsen had capital income of NOK 506,292 during the period in which he received severance pay, according to his tax return for 2018: NOK 74,956 in income from renting out property from January 1 to November 1, 2018, and NOK 431,336 in profit from the sale of two properties in October and November 2018. Ellingsen kept the administration of the Storting aware of his income, and his severance pay was reduced. The national audit office is unaware that Ellingsen reported his capital income to the government throughout the benefit period. Ellingsen got a request from the Storting's administration in June 2022 to repay NOK 506,292 of his severance salary owing to capital income he received in 2018. In the fall of 2022, he repaid the whole sum.

As Ellingsen mentioned in the paragraph above, some of the fraudulent legislators were discovered prior to the national audit office probe. Other dishonest legislators were discovered and exposed for the first time in the investigative report. Bengt Morten Wenstb (Riskrevisjonen, 2023: 50) is an example of someone who claimed that the administration should know but did not notify them.

Wenstb got severance pay between October 1 and December 31, 2017. The resignation benefit was not reduced because of additional income earned during the benefit period. During the resignation period, Wenstb earned NOK 23,712 in other income including fees and remuneration. Wenstb was appointed to a committee by the Storting for a four-year term. He notified the national audit agency that he assumed the Storting's administration was aware of the payment he got for this activity. The national audit agency is unaware that Wenstb alerted the administration of the Storting about additional income during his resignation period.

The auditor general's office, commonly known as the national audit office of Norway, is an audit agency of the Norwegian parliament (the Storting). They are unusual in that they are the only organization capable of providing a complete and impartial audit of numerous government departments and operations to the Storting. In this case, the presidency of the Storting requested that the office examine the Storting itself. Nothing like that has ever happened before.

Examiners made five future suggestions to the Storting leadership (Riksrevisjonen, 2023: 20):

- Clarity in regulations governing the Storting's financial arrangements for representatives
- That representatives receive accurate and relevant information and direction on how to interpret the regulations
- That the administration of the Storting monitors and oversees the use of the commuter housing plan
- That the administration of Storting follows up on persons who receive resignation and severance compensation and guarantees that the benefits are appropriately curtailed
- That necessary paperwork is retained, protecting the rights of the representatives and allowing management to undertake comforting follow-up

When this chapter subsequently examines the investigation's maturity, the aforementioned proposals show a lack of clarity since they are so broad in their formulations that persons at the Storting would dismiss them as meaningless. While it is simple to agree with the recommendations, it is more challenging to grasp what should be done differently in the future than in the past.

Assessment of Offender Convenience

A parliamentarian's motivation for illegal financial gain might include economic opportunities or dangers. Possibilities may make misbehavior an easy way to fulfil greed-based desires and aims. Greed reflects socially constructed needs and desires, and greedy people believe that these needs and desires are never totally covered or satisfied (Goldstraw-White, 2012). Greed may be defined as an extremely strong want to obtain more and more of anything, with a strong preference to maximize riches (Haynes et al., 2015; Sajko et al., 2021).

One legislator acknowledged to being greedy. He has served in the administration as a minister for the Christian Democratic Party. Kjell Ingolf Ropstad acknowledged to being greedy by evading taxes. He was registered to live outside the capital with his parents in order to avoid paying taxes on his ministry flat in Oslo. According to the media, "Ropstad admits 'tax trick' with cabinet residence" (Norum et al., 2021), and "Ropstad says he wanted to exploit the system" (NTB, 2022).

An offender's opportunity structure includes both committing wrongdoing and hiding wrongdoing. High status and resource access, according to the theory of convenience (Gottschalk, 2022), are facilitators of wrongdoing in an organizational environment. Status refers to a person's position in a formal or informal hierarchy (Kakkar et al., 2020; McClean et al., 2018).

Neither the presidency nor the administration play the function of employer to legislators in the Storting. The representatives are chosen by the people. They have a high position inside the Storting, where the function of the presidency and administration is to coordinate work and assist the politicians rather than make decisions on their behalf. Except for financial considerations, parliamentarians are not required to accept managerial control at Stortinget.

An offender's opportunity structure includes both offending and hiding wrongdoing. According to the theory of convenience (Gottschalk, 2022), high rank and resource access facilitate wrongdoing in an organizational environment. Status is an individual's position in a formal or informal hierarchy (Kakkar et al., 2020; McClean et al., 2018).

At the Storting, neither the presidency nor the administration plays the role of employer to legislators. The representatives are elected by the people. They have a high position in the Storting, where the job of the presidency and administration is to coordinate work and assist the politicians rather than make decisions on their behalf. Except in financial problems, parliamentarians are not required to accept managerial control at Stortinget.