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AUDIT FRAUDS: INTENTION AND NEGLIGENCE IN FIVE MAJOR CORPORATE SCANDALS

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Abstract

This study has been carried out to examine the five most prominent corporate scandals involving Enron, WorldCom, Shell, Lehman Brothers, and Barings Bank by focusing on the main issues of negligence, or potential intentions in contributing to corporate misdoings of the auditors. This study also probes the details of each case. Wherein, the fraudulent accounting practices found in the Enron case set the ground for understanding how auditors failed to detect and prevent manipulative financial reporting. Similarly, Royal Dutch Shell case sheds light on issues of transparency and corporate governance, questioning the efficacy of auditing processes in revealing mismanagement. Lehman Brothers bankruptcy, a decisive event in the financial crisis, examines auditors' oversight in evaluating financial instruments and risk management strategies. On the other hand, the case of WorldCom focuses on the role of auditors in where they were potentially involved in financial frauds. As far as the Barings Bank scandal is concerned, it depicts the blatant failure of the top management in identifying risk. Though, a lot of research has been done on the adequacy of auditing standards, ethical considerations, and the overall effectiveness of external oversight and modified regulations have been offered to lessen the lapses in audit and to foster a robust system of corporate oversight and accountability. However, most of the studies have focused on the systems and practices, and not many studies have explored the human side of these scandals, or more specifically, the mental side viz. mens rea or the guilty mind of the main players in all these scandals. Therefore, this study tried to find out whether the fault lies only in the systems or whether the people involved in the scandals intended to defeat the systems. Initially, these analyses reveal that the audit staff out of five companies, two were committing crimes intentionally, whereas, two were potentially negligent in the accounting procedure follow up and one had both traits.

Keywords: Fraudulent Accounting Practices, Negligence, Intention, Corporate Scandals, Oversight

1. Introduction

History is full of scams. We discuss some of the more notable world fraud cases, such as the 193 AD incident when a loyal guard killed the king. Following this event, Mr. Julian became the new king and, in return, offered 250 gold pieces to every member of the army, representing a massive financial crime at that time, costing almost $1 billion when converted to current currency. Subsequently, in 1920, Charles Ponzi purchased postal coupons at a discount, promising to return the money at full price after selling them abroad at higher prices. He offset the investors from subsequent purchases, leading thousands to invest. This scam caused people to incur losses totaling $10 million. Another famous financial fraud occurred with Enron, as the corporate world has faced many financial scandals resulting in significant economic losses globally. The

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reason for selecting the intentional and negligence perspective is to understand the human side of these cases namely, *mens rea* or *actus reus*. To explore the question of intention, we must first define crime: according to U.S. law, "Crime is an intentional act in violation of the criminal law (statutory and case law), committed without defence or excuse, and penalized by the state as a felony or misdemeanor." This is further explained in U.S. law, emphasizing the intentional acts of the offender while distinguishing between *mens rea* and *actus reus*—where *mens rea* refers to the mental state and *actus reus* to the actual act. Moreover, the history of financial crime is not novel; its stories date back to the 16th century.

The most egregious financial crimes today include money laundering, Ponzi schemes, insider trading, embezzlement, identity theft, cybercrime and hacking, corruption, and tax evasion. Major corruption scandals worldwide, such as those involving Barings Bank, Enron, WorldCom, Royal Dutch Shell, and Lehman Brothers, have cost billions of dollars, resulting in thousands losing their earnings. In response to these enormous crimes, governments had to seriously consider introducing new laws, which culminated in the Sarbanes-Oxley Act of 2002. This act was implemented to assure investors of the authenticity of financial statements. In the light of Wall Street professionals and investors, auditing was not functioning effectively. The first major initiative of the Sarbanes-Oxley Act marked the beginning of a new era in business with the establishment of the Public Company Accounting Oversight Board (PCAOB), aimed at overseeing auditors to enforce existing laws against theft and fraud. By implementing the Sarbanes-Oxley Act, the SEC required 1,200 U.S. companies to immediately rectify their accounts. fraud (John, 2007). By implementing the Sarbanes Oxley Act, the SEC required 1200 US companies to correct their accounts immediately (The Economist, 2003).

1.1 Intention and Negligence

As far as the intention is concerned it could be defined as, "a person's future plan to do some specified task" (Author). Expectations of people about their behaviors (Anderson, 1983). The concept could also be further elaborated with the help of this definition, "Intention (BI) is the degree to which a person has formulated conscious plans to perform or not perform some specified future behaviour" (Davis; Paul Warshaw and Fred, 1985). Whereas, the law of tort says, that when a person knows the consequences of that act, he did that willingly by knowing the outcome of his conduct is said to be the intention of the offender (M. Swami & Supriya). The intention of someone is the state of mind of the person while performing any task which he is planning to do in the future. By simplifying the concept of intention, it could be briefed as "a mental state that guides and organizes behaviour" (Vocabulary.com, 2023). The theme of intention in its original sense is self-explanatory and the things that clarify it; are the actions of the intended that could be further probed to know the reason behind that action here, why, and what can give the actual scenario of any action which has been done (Anscombe, 1957).

Understanding the concepts of intention and behavioral intention (BI) is quite confusing have little distinction, between a desired goal, "I intend to achieve it" and a behavior "I intend to "I intend to engage in physical activity at least five times per week" (Mark Conner and Paul Norman, 2022). Behavioral intentions having no doubt are the sole determinant of action in the reasoned action approach (Fishbein and Ajzen, 2010). While committing the crime, the intendee of the crime has some sort of intention either positive or negative as the author says, "From 2000 through August 2007, Hsu convinced victims to invest at least $60 million in his fraudulent scheme. In the end, after making some payments intended to perpetuate the scheme, Hsu swindled his victims out of at least $20 million. Hsu's crimes were particularly disturbing because he mingled his business activities with his role as a major fundraiser for the Democratic Party; for example, he raised over $100,000 for Hillary Rodham Clinton's 2008 presidential campaign. Investigations into his activities revealed that he had a long history of business frauds extending back more than 20 years" (Siegel, 2008). According to the author, some adolescent kids become shoplifters by just seeing their older ones do that with the intention to resale the things (Siegel, 2008). Having a proximal look into the concept of negligence and for a better understanding of the concept of negligence we here calculate the risk or mitigate it with the concept of prevention technique used.

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The manufacturing concern of an automobile, by discovering that, the fuel tanks of 12.5 million vehicles would cost @ $11 Per Vehicle and it would save 180 burn deaths, 180 serious injuries of burning and almost 2100 burnt vehicles. When the unit cost at an approximate level calculated, it comes to $200000 per death, $67000 per injury ad cost of vehicles with all calculations done the cost which could be saved by saving of injuries amounting to $137.5 Million in total and accident cost is $49.5 Million (Schwartz, 1990). On the other hand, negligence could be defined as presuppose inadvertence, "carelessness" and consequently, negligence, it is neither a state of mind nor a type of conduct.

As such careless or negligence is a failure to give active measure by taking attention to the risks inherent in the successful prosecution of some activity (McDuffey, 2023). Negligence was distinguished concerning three senses (unjustifiable risk, conduct that violates a "reasonable person" criterion, and culpable inadvertence). The willful (nonnegligent) killing of one human being by another (Siegel, 2008). Through this study we tried to make a comprehensive review of the mega corruption scandals in the world to reach the conclusion that was there, willful act of the auditors while committing such crimes or they were potentially negligent in performing such tasks as accountants' responsibility was to investors, not their clients' management (Wikipedia, 2016). Since many years of the firm, Andersen's motto was "Think straight, talk straight" (Anderson, 1983).

Table 1

Defining the Concept of Intention

Definition	Citation
Intention is an idea that you plan (or intend) to carry out.	(Vocabulary.com, 2023)
A mental state that guides and organizes behavior.	(Shultz, 1982)
Basically, the intention as per prosecutor General of Punjab is "an inference of law resulting from doing of the act which is highly injurious to someone". Further, elaborated as expectation of the consequence in question.	(Prosecutor General Punjab, 2022)
When a person knows the consequences of that act, he did that willingly by knowing the outcome of his conduct is said to be the intention of the offender.	Law of torts by (M. Swami & Supriya)

Source: (Shah & Ahmed, 2024).

Table 2

Defining the Concept of Negligence

Definition	Citation
"Negligence describes a situation in which a person acts carelessly or negligently. This results in someone else getting hurt or property being damaged".	(McDuffey, 2023)
"Form of *mens rea*, standing side by side with wrongful intention as a formal ground of responsibility".	(Edgerton, 1926)
"Omission to do something, which a reasonable man, guided upon that consideration, which ordinarily regulates the conduct of human affairs".	(Wharton, 1874)
Actions where the actor does not necessarily have awareness of the risk.	(Prosecutor General Punjab, 2022)
"Negligence is the oversight to do something which a reasonable man, guided upon those considerations which ordinarily regulate the conduct of human affairs, would do, or by doing something which a prudent and reasonable man would not do".	(Edgerton, 1926)
"Negligence is the breach of a duty caused by the omission to do something which a reasonable man, guided upon those considerations which ordinarily regulate the conduct of human affairs, would do, or by doing something which a prudent and reasonable man would not do, whereby damage has resulted to a person".	(M. Swami & Supriya)

Source: (Shah & Ahmed, 2024).

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2. Background of the Cases

Barings Bank: Background

As far as the Barings Bank is concerned it was established by Francis Barings in 1762 (Bhalla, 1995). The bank provides cash to British companies and also finances the British Military, specifically for the war of American independence and France. At the end of 1995, Barings Bank suffered a loss to the tune of $1.4 Billion (Bhalla, 1995). The person, who destroyed the business and "its deserts is on his head" Mr. Nick Leeson, was a rogue trader (Leeson, 1996). Mr. Leeson for the first time start working with Barings Securities. Then he applied for his registration with SFA (Securities and Futures Authority) as a dealer of securities. Still, his registration was withdrawn on the plea that he submitted the wrong statement of his unsatisfied judgment debts against him (Drennan, 2004). After he failed to get himself registered with SFA in 1992, Mr Leeson moved to Singapore and joined SIMEX (International Money Exchange) without communication with his previous history to this firm. Within one year from 1992 to 1993, Mr. Leeson earned the personal gain as a bonus of £115000 which Probably reached at the limit of approximately £450,000 (Stein, 2000). The failure of Barings Bank and other related companies in the UK and US is not merely due to ethical issues in those companies, as the results of those failures have been felt globally and it urged the decision makers to devise a new mechanism as it seriously raises a question about the judicious system prevailing at that time because the system was lacking the penalty system against the offenders (Arnold and Sikka, 2001).

Enron: Background

The early history of Enron, the company was established in 1986 with the merger of natural gas pipeline companies Houston Natural Gas and Interneth (Alyson Tonge, Lesley Greer and Alan Lawton, 2003). While calculating the effect of the size and impacts of this case an estimated 17% has been shown as a decline in the price of share to investors. Further, gross domestic product (GDP) was at decline by 0.67%, and due to this decrease, 4500 employees became jobless over the period (Davis, 2002). Most of the Enron employees who had invested their income of about millions of dollars in Enron stock earned almost nothing (George J. Benston Al L. Hartgraves, 2002). Another major cause in the Enron case was Anderson's presentation of wrong numbers in financial statements (George J. Benston Al L. Hartgraves, 2002).

WorldCom: Background

The early history pertaining to WorldCom starts in 1983 when Murray Waldron and William Rector started the business of LDDS (Long Distance Discount Services) and it became a public company in 1992, after that it also merged itself with another long-distance service company, and this expansion strategy of the business leads WorldCom to the height of globally recognized technology company (Satish C Pandey and Pramod Verma, 2004). With the discussion of WorldCom, the topic of Chapter 11 is of immense importance this chapter protects to financially distressed companies by safeguarding them from creditors (Legard, 2002). The company filed for Chapter 11 to save itself from bankruptcy but with the help of this, the company could not be saved from other problems like late diagnosis of the problems in June 2002 (Legard, 2002). WorldCom became bankrupt on 21/07/2002 with liabilities of $45.9Bn (Harmantzis, 2004). The company (WorldCom) CEO while addressing in official meeting states that, the company will try its best to regains its financial health and also will be focused to emerge the chapter 11 as early as possible with its competitive spirit (Legard, 2002).

Royal Dutch Shell: Background

The shell case or Royal Dutch Shell case is related to, in the early 19th century a person named Marcus Samuel opened a shop to sell seashells. After that, his son shifted the business of lighting and heating oil to import and export and named it Shell Transport and Trading Company (1890). At the same time, a Dutch

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company that was extracting oil fields merged with the best company at that time named Shell Transport and Trading Company and became the Royal Dutch/Shell Group of Companies. It began to develop in the 20th century and proved itself as a pecten symbol which remains unchanged from the early 20th century. The company was heavily involved in the business of oil extract and exploration of gas products also dealing the extraction of chemicals with 119000 employees in 145 countries (Ekatah, 2011). At the time Shell or Royal Dutch Shell was the world's fifth-big oil company with its headquarters in the Netherlands (Kalam, 2021). This failure of the company had a stringent impact on the whole business sector, and it forced the then Govt. to introduce new regulations which bound the top management to look into the company's matter personally and with responsibility.

Lehman Brothers: Background

The Lehman Brothers, the famous US-based banking company, the company started its business as a parched goods store in 1850. After that, when company expand itself and it became the fourth-largest bank in the US (Chadha, 2016). The demise of Lehman Bank started in 2008, Albeit, having strong financial health, it did not have the money to repay its debts (Wiggins et al., 2019). Due to internal conflicts in 1980, the bank faced an issue with its clients. To resolve the issue the company hired the new CEO Mr. Gluckman, and expected that he would lead the company in the right direction unfortunately, he was not able to resolve the problems faced by the company at that time (Wiggins et al., 2019).

Barings Bank: Audit Failures

While studying the most interesting case of the Barings Bank, the person who was the only one as we can say the one-man show was Mr. Nick Leeson. The case was majorly happened due to negligence of the audit team as in 1994, the responsibility of audit was on the shoulders of D&T and C&L the audit was carried for fifteen months and an un-qualified audit report was issued as per UK audit standards although bank had outstanding matters. Further, C&L says, they did not receive the internal audit report form BSL whereas, they regularly received the report from BB&CO. in 1994, C&L issued a report on the assessment of the company and declared it as satisfactory (George & Hardcastle, 1995) but Barings Bank collapsed due to the negligence of the auditors who completely failed to report the rogue trading activities of Leeson (The Guardians newspaper, 2001). Mr. Aldous had said that the audit staff completely omitted the basic audit procedure of the company (The Guardians newspaper, 2001). Account 88888 was opened to conceal the unauthorized funds in September and December each year (Calle, 2022). In 1994, when the internal audit was carried, not a single discrepancy had been noted which raised questions about the authenticity of audit staff and depicting the intention of the audit team to commit such un-ethical practice (Calle, 2022).

Enron: Audit Failures

The time of honor for Enron was when it was one of the 7th largest revenue-generating companies in the US. The company was being audited by the top-of-the-list audit firm of that time named, Arthur Anderson. It was 4th audit failure by the company as previously they had failed in three cases and bore a loss of $110Mn in the Sunbeam case in May-2001. Anderson had paid a fine of $7 Million to SEC in the Waste Management case and Anderson had already paid $220 Million to settle the case with Waste Management (Chaney, 2002). An audit must check what the entities assert in financial statements, and what financial transactions are performed during a specified period. Despite documents shredding by Arthur Anderson, another major cause showing the intention of audit staff to commit the crime when they were performing the audit was the motivation to delve into new jobs when they had left Anderson. Eighty-six people joined Enron after resigning from the company. Challenges continued to grow, in 1994, Anderson took over the whole internal audit of Enron for $18 Million with 100 employees of the company (Barret, 2003). On 23rd October 2001, an urgent meeting was called in Anderson's office and they were guided to destroy the documents instead of keeping them in safe and tidy condition to be used by Enron in future, even employees were also instructed to spend extra time in the office to complete the destruction process. Not only the tons of documents shredded but also the computer files were deleted from the systems. It could be justified as, systematic destruction was done

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including the destruction of physical records, deletion of data from the hard drives alongwith vanishing of e-mail data (Peckron, 2002). The destruction process was in process till November 9, when SEC started its investigation and the result of that investigations last at a summon which was served to Anderson. By being careful the company's secretary sent an e-mail with the subject "No more destruction as we already served a legal notice by SEC for this act". After some time, the Justice Department declared through an indictment that, "Enron did knowingly, intentionally and corruptly persuade and attempt to persuade other persons, to wit: ANDERSEN employees, with intent to cause and induce such persons to... alter, destroy, mutilate and conceal objects with intent to impair the objects' integrity and availability for use in official proceedings". Anderson's employees were ostensibly involved in the destruction of documents and they had destroyed two tons of papers which showed a huge quantity of waste lifted by the company in that period (Huffman, 2016).

WorldCom: Audit Failures

Not a single player in WorldCom did this job to lead the company towards bankruptcy and they were the key players of the company CEO, CFO and the audit firm Arther Anderson (Hayes, 2023). In 2002, Cynthia Cooper the whistleblower pointed out that fake entries in the balance sheet had been made to the tune of $3.8 Billion. It was one of the largest accounting frauds of the time which leads the company towards bankruptcy (Wikipedia, 2022). Actually, the management of WorldCom was playing tricks to maintain their accounts but at the end of 2000, they were confused about the management of accounts as all their tricks had failed. All the financial statements were manipulated including bad debts and tax report. Head of internal audit Cynthia Cooper, highlighted the issues (Harmantzis, 2004). In 2001 and 2002, due to drastic decline in the company's business the CFO of the company has shifted some expenses from the profit and loss account to the balance sheet. It seems it was a desperate measure to save WorldCom from bankruptcy but actually, the cash flow of the company was shown overstated by more than $3.8 bn during the previous periods of audit which almost about many quarter and audit team has failed to report it. Due to such un-ethical practices by WorldCom, the company had tarnished its image.

Royal Dutch Shell: Audit Failures

In the case of Royal Dutch Shell US Securities and Exchange commission held an inquiry to found the reasons of failures of the company, finally the main KPI (Key Performance Indicator) RRR, Reserve Replacement Ratio was shown materially mis-stated at 100% rather than 80% which was in actual (SEC, 2004). The company's audit staff had dramatically failed when the responsibility of audit was handed over to a retired engineer of the company without any staff for verification of the record of the company and the most interesting is, he was working in shell petroleum as a part-time employee and an engineer by profession, he also lacked in specific audit rules. Due to this lack of rules and regulations, his reports to the top management of the company bound him to be answerable to employees who were being audited by him. Most importantly, the group auditor failed to perform his duties independently (Securities and Exchange Commission, 2004). Internal audit in the Royal Dutch shell failed to collect the information about financial misstatements viz. internal reserves to tackle the issues (Abid & Ahmed, 2014).

Lehman Brothers: Audit Failures

Philosophical norms are based on ethics, as they play a vital role in organizational development and its basic ingredients are integrity and loyalty. In Lehman Brothers company case, the management was potentially involved in un-ethical practices. Big contributor in the collapse of the company was using Repo 105 an accounting manipulation technique to cover up the liabilities in balance sheet (Kumar et al., 2022). The major reason of the collapse of the company is its uncertain investments by mortgaged lending and also acquiring five other leading firms by deviating from original objectives of the company for which it was formed. The steps were taken by Lehman Brothers only to add capital gains without considering other associated risk factors (Mieszala, 2019). The auditors' intentions alongwith management malpractices were also the cause of failure of Lehman Brothers, as the company was intentionally concealing the financial information from the public and auditors rather than taking notice of it kept themselves silent on the issue (Wiggins & Metrick, 2019). The intent of auditors could also be established as the auditors were purportedly involved in the concealment of information about the tempering in balance sheet by the top management of

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the company (McKinley, 2017). The auditors of the company were also negligent in reporting to regulating authorities about the potential mis-statements in financial statements (Kumar et al., 2022).

Table 3

Comprehensive Data About Audit Frauds From 1995–2008

S. No.	Name of company	Year when exposed	Amount involved	No. of employees affected	Charge/penalty	Problem	*Actus reus*	Perpetrators	Reference	Based in
1	Barings Bank	1995	$2.2 Bn	1200	6 years sentence	Audit negligence	Unauthorized activities of Nick Leeson	Company's top management	(Proctor, 1997)	UK
2	Enron – Hiding debts	2001	$74 Bn	4500	24 years sentence	Audit intention	Concealment of financial losses	Arthur Anderson, big audit firm	(Davis, 2002)	US
3	WorldCom	2002	$11 Bn	17000	25 years sentence	Audit negligence	Overstatement of assets	CEO, CFO and audit team	(Satish C Pandey and Pramod Verma, 2004)	US
4	Shell	2004	$151 Mn	9000	Ultimate loss	Top management negligence	Hiding oil reserves	Audit team and CEO	(Taylor, 2006)	UK
5	Lehman Brothers	2008	$50 Bn	25000	Bankruptcy	Poor risk management	Sale of toxic assets	Regulatory negligence	(Wiggins, 2014)	US

Source: (Shah & Ahmed, 2024).

1. The case of Barings Bank (UK based Company) was in its true sense was one of the most interesting case at that time, the case was exposed in 1995, with the amount of loss of $2.2 Bn and the case impacts 1200 peoples who have lost their earnings. Major cause of the failure was the illegal and unauthorized activities of Mr. Nick Leeson who was a rogue trader and the perpetrator and most astonishing thing is that he was under 30 when he did these filthy acts, he committed the crime and no one was there to stop him even the top management was also unable to restrain him to keep away from such fraudulent activities. Due to this un-ethical activities, Mr. Leeson sentenced to jail for 6 years.
2. Enron the world's 1st energy company also known as darling of wall street was exposed in 2001 when it was involved in concealment of financial losses and due to its wrongdoings, the company has to bear the total loss amounts to $74 Bn and the issue does not stop here, about 4500 employees lost their jobs (Davis, 2002). An amount of $25 million has been paid to Arthur Anderson as an audit fee whereas $27 have been paid for consultancy services (other than tax preparation and advice) which

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raise questions about corrupt practices of Anderson. Due to this act, all big 5 received huge criticism, to lessen the impact of the criticism, the company announced that they are providing consultancy services to their clients. The statement was also vague as it did not clarify whether the non-consultancy services include tax preparation and advice services or not (George J. Benston Al L. Hartgraves, 2002).

3. The WorldCom company case was exposed in 2002 with the amount of loss involved was $11 bn and about 17000 people had lost their earnings with audit negligence reported. Due to this corporate fraud CEO of the company was sentenced to jail for 25 years.
4. The business of Royal Dutch Shell was started in the early 19th century and then progressed and converted to Shell Company in 1890. At that time, the company has 119000 employees in 145 countries. Royal Dutch Shell was involved in hiding of oil reserves and use of oil reserves for production purposes while keeping the backup of reserves the case of the company named Royal Dutch Shell was exposed in 2004, the company bears a loss of $151 Mn in addition to other financial benefits which had been paid to CEO and CFO of the company. About 9000 employees had lost their livelihood.
5. The company was formed in 1844, the case of the Lehman brothers was exposed in 2008 when it was involved in the sale of toxic assets. This was a US-based company which had lost $50 Bn and almost 25000 people had lost their jobs. The company became bankrupt and this was only the poor risk management of the company as the audit team did not justify their position to clear that the company was not in state to manage its funds. The company had involved themselves in a financial quagmire at the end of the 2007 (Kumar et al., 2022).

Table 4

Corporate Governance Acts/Regulations

Name of law	Country	Implemented in the year	Purpose
Companies Act	UK	2006	The law deals with the rights and duties of shareholders and directors of the companies and binds them to deal with financial statement preparation and reporting of the same.
General Data Protection Regulation	EU	2018	The main theme of GDPR is the guidance to the companies for protection of the personal data of individuals and their privacy concerns about the European Union.
Corporate Governance Code	Japan	2015	This law basically deals with transparency in the companies by improving the governance system and also protecting shareholders' rights and the working mechanism of the board.
Corporate Governance	Germany	2019	The Code for German Corporate Governance offers guidelines for overseeing and managing companies that are listed in Germany.
Canadian Business Corporations Act (CBCA)	Canada	1975	It provides the legal basis for federally operated companies in Canada which covers aspects like governance, disclosure of financial statements and shareholders rights.
Corporations Act	Australia	2001	This law acts with the companies and financial markets working in Australia it also deals with some important aspects of corporate law.
Companies Act	India	2013	This act deals with the corporate governance activities being done in India.

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Corporate Law (Lei das S.A.)	Brazil	1976	Brazilian Corporate Law governs the operation of joint-stock companies in Brazil, addressing issues related to corporate governance and shareholder rights.
King Reports on Corporate Governance	South Africa	2016	The King IV Report provides guidelines on corporate governance in South Africa, emphasizing principles of ethical leadership, sustainability, and stakeholder inclusivity.

Source: (Shah & Ahmed, 2024).

The basic aim of writing this paper is to unveil the novel area of intention and negligence of the audit staff involved in corporate mega scandals primarily to know the human side of the cases viz. *Mens rea* or *Actus reus* has been carried with the help of a comparative analysis of five mega-corporate scandals (Barings Bank, Enron, WorldCom, Royal Dutch Shell & Lehman brothers) that have been taken as a study with the data for 13 years i.e. 1995–2008 was collected through review articles, journal articles, websites, newspapers, magazines and legal documents. The pie chart shows the details of data collected from different sources.

Figure 5

Sources Consulted in This Study

Source type	Percentage
Books	4
Comparative analysis	21
Research articles	59
Websites	7
Legal documents	3
Newspapers/magazines	5
Reports	1
Manuscript	1

Note. Figure content (pie chart) as supplied in the source file; values are reproduced from the chart labels.

3. Conclusion and Recommendations

By considering the most notable corporate crimes in the world and studying who were the basic culprits while committing these crimes, whether, those were the auditors who were auditing the firms or the management of the companies and what was their *mens rea* and *actus reus* which is evident from their willful acts did by auditors in most of the cases.

A detailed review analysis has been conducted to uncover the intricate details of each case. Until 2002, before the implementation of the Sarbanes-Oxley Act, no uniform policy was established to require managers to act in the company's best interest personally. However, the question remains: did such unprofessional and unethical practices cease after this legislation? The answer may be "NO," but to some extent, it compelled managers to act more carefully.

This study concludes that two firms were willingly harmed due to the auditors' responsibilities during the auditing of the firms' accounts, alongside the *Actus Reus* of the management in manipulating figures, as evidenced by the Lehman Brothers case, where the Repo 105 technique was first employed to falsify the company's accounts. Conversely, the *Mens Rea* in the Enron case involved auditors knowingly shredding important company documents, which ultimately led to Enron's bankruptcy. In WorldCom, the *Actus Reus* was similarly committed by the management, akin to Lehman Brothers, leading to the company's downfall. In summary, this study concludes that for a business to operate efficiently, both auditors and core management must engage fairly in the company's operations with the more focus by the top management of the company with open eyes at all levels of the company's business; otherwise, the consequences can be dire, as demonstrated by the results of five major corporate scandals.

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Ethics Statement

This study adhered to all ethical standards of research during the conducting of this study. We collected data from secondary sources, and no human participants were involved in the collection of data. Therefore, there is no conflict of interest of any human participant to this study.

Author's Contributions

All author/s participated in ideation, development, and writing the manuscript. All authors read and approved the final manuscript.

Conflict of Interest Statement

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