



# The role of leader's morality and organizational conduciveness in preventing fraud in the public sector

Etik Ipda Riyani<sup>1</sup>, Eka Wirajuang Daurrohmah<sup>2</sup>, Pesi Suryani<sup>3</sup>

<sup>1,2</sup>Akuntansi, Universitas Terbuka, Tangerang Selatan, Indonesia

<sup>3</sup>Akuntansi Keuangan Publik, Universitas Terbuka, Tangerang Selatan, Indonesia

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## ABSTRACT

Fraud is a significant issue in public administration, undermining trust, and efficiency in government operations. In Indonesia, particularly in the Bengkulu Provincial Government, instances of fraud have raised concerns about the effectiveness of existing prevention mechanisms. Understanding the factors that influence fraud prevention is crucial for improving governance and fostering accountability. This study aims to explore the role of leaders' morality and organizational conduciveness in preventing fraud within the Bengkulu Provincial Government. Using a qualitative approach with a descriptive phenomenology method, this research involved in-depth interviews with employees from various government institutions in Bengkulu Province. Data were collected through purposive sampling and analyzed using content analysis with Nvivo software. The research results show that high leader morality and a conducive organizational culture play a significant role in preventing fraud. Leaders with integrity create an ethical and transparent work environment, while an organizational culture that supports open communication, teamwork, and a strong internal control system helps reduce the risk of fraud. The organization's commitment to implementing strict rules and providing consultation spaces also contributes to strengthening fraud prevention mechanisms.

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### Corresponding Author:

ka Wirajuang Daurrohmah,  
Akuntansi Keuangan Publik,  
Universitas Terbuka,  
Jalan Cabe Raya, Pondok Cabe, Pamulang, Tangerang Selatan, 15437, Indonesia,  
Email: [ekawirajuang@ecampus.ut.ac.id](mailto:ekawirajuang@ecampus.ut.ac.id)

## INTRODUCTION

Fraud and unethical practices in public sector organizations have become increasingly complex and pressing issues, particularly given their damaging effects on the efficiency, transparency, and accountability of government institutions (Sa'id & Abas Azmi, 2022). As entities responsible for managing and distributing public resources, this sector plays a crucial role in ensuring the overall welfare of the community (Suryani et al., 2023). However, deviations such as corruption, budget

manipulation, and abuse of power can result in program failures, resource wastage, and loss of public trust (Daurrohmah et al., 2022; Muktiyanto et al., 2019). Thus, fraud in the public sector poses a serious threat that requires comprehensive handling.

One key factor in fraud prevention is strong and principled leadership. Leaders with high morality and a commitment to ethics can significantly influence organizational behavior, particularly in promoting responsible behavior standards among employees (Rustiarini et al., 2019). Ethical leaders not only serve as role models but also play a role in creating an organizational culture that supports transparency, accountability, and the implementation of effective internal controls (Suryani, 2019). They prioritize public interest over personal or political gains and encourage open communication, reporting of violations, and employee empowerment in preventing fraud (Wang et al., 2024).

In addition to principled leadership, the effectiveness of internal control mechanisms also greatly impacts fraud prevention. Strong internal controls, along with clear policies and procedures, can serve as a barrier to prevent deviations within the organization (Flood, 2020; Okoye, E.I. & Gbegi, 2021). This system includes stringent oversight, regular audits, and comprehensive evaluations of operational and financial processes. Furthermore, organizations with a conducive culture, where employees are encouraged to report potential violations without fear of negative consequences, tend to be more effective in preventing fraud (Mashitoh et al., 2023).

The fraud triangle theory developed by Clinard & Cressey (1954) provides a relevant conceptual framework for understanding the primary causes of fraud: pressure, opportunity, and rationalization. These factors are often supported by a permissive organizational environment, lack of oversight, and low ethical standards. Murphy & Free (2016) emphasize that an unconducive work environment, such as weak oversight and minimal integrity, increases the likelihood of fraud. Therefore, a comprehensive approach that combines internal controls, organizational culture, and ethical leadership is crucial in preventing fraud in the public sector (Lumban Gaol et al., 2024; Ma'arif et al., 2023).

Fraud cases in the public sector, particularly in local government, have become a major concern in recent years. In Indonesia, numerous cases involving corruption, budget embezzlement, and abuse of power negatively impact public services and regional development (Putra & Hakim, 2020). Bengkulu Province is an example of an area experiencing an increase in fraud cases, as reported by the Financial Audit Agency (BPK, 2022). Despite the province's relatively small population, the high incidence of fraud in local government indicates structural weaknesses in oversight and accountability standards (Ramadhan et al., 2024).

This study focuses on exploring the role of principled leadership and organizational culture in preventing fraud in the public sector, using Bengkulu Province as a case study. The research aims to analyze how the interaction between leadership morality and organizational conditions can contribute to creating a fraud-free environment. Previous studies, such as those conducted by Hajipoor (2020) and Shakeel et al. (2020), indicate that ethical leadership contributes to improved integrity in public financial management. Furthermore, research by Oladimeji & Abdulkareem (2023) found that an open and transparent organizational culture significantly reduces the likelihood of fraud occurring in the public sector. The findings of this study are expected to provide both theoretical and practical contributions to the development of more effective fraud prevention strategies.

## RESEARCH METHOD

This study employs a qualitative approach with a descriptive phenomenological method to explore the phenomenon of fraud within the Bengkulu Provincial Government. The research focuses on employees, workers, or officials actively involved in the Bengkulu Provincial Government from

2005 to 2018. This period was chosen to capture the long-term patterns and changes in fraud practices and leadership dynamics over three administrations known to be involved in fraud cases. The insights gained during this timeframe are particularly valuable for understanding the root causes and evolving nature of fraud in the public sector, which can still be relevant in addressing contemporary issues.

Sampling was conducted using purposive sampling, aimed at selecting informants who meet specific criteria aligned with the research objectives (Moleong, 2021). Sample criteria included individuals with a minimum of one year of service within the specified period to ensure a comprehensive understanding of the administrative context. This timeframe encompasses three administrations, allowing for a broader perspective on the changes in leadership and governance that may influence perceptions of fraud. The inclusion of political or non-permanent positions acknowledges the fluidity of these roles, which can affect individuals' perspectives on fraud (Sugiyono, 2016).

Data sources consisted of employees who have worked in various Regional Apparatus Organizations (OPD) within the Bengkulu Provincial Government for over 10 years. Interviewed informants included employees from agencies such as the Regional Personnel Agency (BKD), the Regional People's Representative Council (DPRD), the Provincial Inspectorate, the Human Resources Development Agency (BPSDM), the Financial Audit Agency (BPK) Representative Office, the Regional Financial and Asset Management Agency (BPKAD), and the Provincial Public Works Department (PU). One informant was also from the Protocol Division. The extensive work experience of the majority of informants enables the researcher to gain deep insights into the governance system and challenges related to fraud in Bengkulu Province (Fatmawati, 2017); BPK, 2022).

Data collection was carried out through in-depth interviews designed to deeply explore the views, feelings, and personal experiences of informants related to the research topic (Milena et al., 2012). This technique allows participants to provide detailed and open information, resulting in richer and more comprehensive data (Charli et al., 2022; Creswell, 2003). The collected data were then analyzed using content analysis techniques facilitated by Nvivo software to systematically manage and expedite the data analysis process (Bazeley, 2013).

Despite the research being conducted in the period from 2005 to 2018, the findings remain relevant in 2024. The patterns and lessons learned during this timeframe can inform current practices and policies aimed at preventing fraud in the public sector. The historical context provides valuable insights into ongoing challenges and can guide future reforms and improvements.

## RESULTS AND DISCUSSIONS

This study demonstrates that leader morality and organizational conduciveness play a central role in preventing fraud in the public sector. Based on interviews with informants from various government agencies in Bengkulu Province, it was found that principled leadership and a conducive organizational culture significantly influence fraud prevention. A collaborative work culture, transparency, and open communication play crucial roles in preventing unethical actions and strengthening internal oversight.

### **Leader's Morality in Fraud Prevention**

Informants emphasized that leaders with strong morality are crucial in creating an ethical and principled work environment. Leaders who are honest and transparent, as noted by Informant B, serve as role models for their subordinates, encouraging them to act similarly and maintain

integrity in all actions. Honest financial management enhances trust among employees and reduces the tendency for deviations (Dorasamy, 2010; Ngoepe-Ntsoane & Webb, 2020).

Role modeling is also an important aspect of leadership. Informant A highlighted that leaders who are actively involved in work and attentive to their subordinates' personal needs create stronger bonds within the team. This role modeling is crucial for building a more accountable organizational culture, where every employee feels responsible for their tasks and is not tempted to commit fraud (Wang et al., 2024).

Additionally, leaders who use a persuasive approach in handling employee mistakes, as described by Informant D, create a conducive learning environment. Minor mistakes can be corrected without excessive punishment, while integrity is maintained through a disciplinary system for serious violations (Flood, 2020). This indicates that moral leaders prevent fraud not only through strict controls but also through a humane approach that encourages improvement. To ensure that institutional systems continue to promote integrity even after leaders leave office, it is essential to establish succession planning and training programs that instill ethical values and practices within the organization's culture. Furthermore, implementing a robust governance framework that emphasizes accountability and transparency can help sustain these principles, making them a lasting aspect of the organizational identity.

### **Organizational Conduciveness in Fraud Prevention**

A conducive work environment, characterized by good teamwork, open communication, and effective oversight, plays a significant role in preventing fraud. Informants C and G explained that open communication and routine consultations within the organization ensure that decisions are made transparently and involve multiple parties, thereby reducing opportunities for fraud. Team involvement in decision-making also promotes collective accountability, where every team member feels responsible for the success or failure of decisions (C. W. Free & Murphy, 2013).

Knowledge transfer among employees through training programs is also a critical element in fraud prevention. Informant A mentioned that ongoing education allows employees to have a good understanding of management systems and financial procedures, making them more aware of potential fraud and capable of preventing it. This aligns with the fraud triangle theory, which states that the opportunity for fraud can be minimized through effective oversight and good internal management (Clinard & Cressey, 1954).

### **Organizational Commitment in Fraud Prevention**

Organizational commitment also proves to be crucial in fraud prevention. Informant A highlighted the role of the Inspectorate, which focuses not only on audits but also on guidance and consultation with Regional Apparatus Organizations (OPD) from the budgeting stage. This preventive approach allows for the identification of potential deviations before they occur, thus preventing fraud at an early stage. Open consultation spaces, such as through phone and electronic messages, support better collaboration between the Inspectorate and OPD, making oversight more effective and reducing fraud risk (BPK, 2022). Although a persuasive approach is prioritized, the application of strict rules and disciplinary actions for violations remains necessary, as explained by Informant B, demonstrating that organizational commitment to fraud prevention involves a combination of strict oversight and opportunities for employees to correct mistakes (Ngoepe-Ntsoane & Webb, 2020).

### **Transparent Organizations**

Transparency is one of the main pillars of an organizational culture that can prevent fraud. Informant A emphasized that in asset management, finance, and human resources, transparency is highly valued, so nothing can be concealed. This creates a more accountable work environment

where every action is monitored and reported clearly. The consultative approach implemented by the Inspectorate, as mentioned by Informant C, also helps create a more open environment for reporting issues, which ultimately can prevent fraud (Milena et al., 2021).

Organizational cultures that support transparency, open communication, and collaboration have been shown to reduce opportunities for fraud. As explained by Free & Murphy (2015), when an organizational culture encourages openness and shared responsibility, the opportunities for fraud are reduced because every action is more closely monitored and discussed openly. To implement transparency initiatives practically, organizations can adopt specific tools and mechanisms such as digital systems for financial reporting, which provide real-time data access and audit trails. Additionally, establishing whistleblower protection programs ensures that employees can report unethical practices without fear of retaliation, further promoting a culture of openness and accountability.

### **Interaction of Leader Morality and Organizational Conduciveness in Preventing Fraud**

The findings of this study emphasize that the interaction between leader morality and conducive organizational conditions is a powerful combination in preventing fraud in the public sector. Leaders committed to ethics and integrity values create an accountable and transparent organizational culture. They not only serve as role models but also promote more effective oversight systems in every decision-making process (Wang et al., 2024). Organizations with strong internal control systems and transparent management practices support leaders in creating a work environment with minimal fraud through continuous knowledge transfer, training, and active involvement of all team members in decision-making (Clinard & Cressey, 1954).

Ethical leaders instill trust and commitment among employees, resulting in a more engaged workforce. This, in turn, creates an environment where ethical behavior becomes the norm, and employees feel empowered to report unethical practices without fear of retaliation. Over time, this positive feedback loop enhances the organization's resilience against fraud, making it increasingly difficult for fraudulent activities to take root. Furthermore, when leaders consistently demonstrate integrity, they cultivate a culture of accountability that persists even during leadership transitions, thereby ensuring that ethical standards remain a cornerstone of organizational operations.

## **CONCLUSION**

The results of this study indicate that leader morality and organizational conditions complement each other in preventing fraud in the public sector. Leaders with high integrity and a commitment to ethical values foster an organizational culture that is transparent, accountable, and honest, which is crucial in the context of the public sector in Indonesia, where transparency and accountability are central to enhancing public trust in government institutions. The implementation of a robust internal oversight system, the availability of open consultation spaces, and strong team collaboration significantly limit opportunities for fraud; organizations that prioritize open communication, knowledge transfer, and harmonious teamwork reinforce oversight mechanisms and shared accountability, creating an environment less conducive to fraudulent activities. This study highlights the importance of the synergy between principled leaders and an open, collaborative organizational culture in fraud prevention, providing practical guidelines for strengthening internal oversight systems and promoting work ethics in the public sector, particularly in the context of improving governance in Indonesia. However, the limitations of this study, including its narrow focus and qualitative approach, may constrain the generalizability of the results to other regions or organizations, suggesting that future research

with a broader geographical scope and quantitative methods is necessary to provide a more comprehensive and applicable understanding for the public sector as a whole in Indonesia.

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