Contemporary Accounting Case Studies

IMPLEMENTATION OF FRAUD PREVENTION STRATEGY IN GOVERNMENT INSTITUTION X

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ABSTRACT

Government Institution X is one of the government institutions trying to build bureaucratic reform and reduce fraud to a minimum level. This study aimed to analyze the relevant fraud prevention strategies for Government Institution X. The research was conducted qualitatively with a case study approach. Data were collected through document analysis, questionnaires, interviews, and Focused Group Discussion (FGD). Referring to the classification of fraud according to the Association of Certified Fraud Examiners (ACFE), the study results show that Government Institution X faces fraud schemes that need to be mitigated in the form of corruption and asset misappropriation. Therefore, the study proposes a fraud prevention strategy design that includes optimization of the previously implemented strategies and additional relevant prevention strategies. Previous fraud prevention strategies include tone at the top, increasing the effectiveness of internal control and risk management, and gratuity control programs. Additional fraud prevention strategies include tone in the middle, fraud awareness program, periodic fraud risk assessment, conflict of interest management, Know Your Employee program, and Know Your Customer program. To manage the implementation of the strategy, Government Institution X needs to have a fraud prevention strategy roadmap and evaluation procedure to determine the effectiveness of the strategy.

Keywords: fraud risk, public sector, government fraud risk, fraud prevention strategy

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1. INTRODUCTION

The public sector is vulnerable to fraud risk, especially corruption (Asare, 2009). If not adequately mitigated, fraud cases in government institutions will affect their reputation (US GAO, 2015). According to Uslaner (2002), corruption and public trust are opposite poles. Corruption can damage public trust and obstruct development in various fields.

As part of efforts to prevent corruption, the Government of Indonesia strives to build a bureaucratic system free from corrupt practices through bureaucratic reform. This matter is a part of the Government's Long-Term Plan for 2005-2025, which uses bureaucratic reform as a strategy to increase the nation's competitiveness. Bureaucratic reform is based on increasing the professionalism of the state apparatus to support good governance.

Government Institution X is one of the central government institutions trying to reform the bureaucracy. In the 2020-2025 Organizational Strategic Plan, Government Institution X encourages all work units to achieve an "Integrity Zone." To get the Integrity Zone predicate, government institutions must prove themselves free from corrupt practices and have a reliable service system. Government institutions that take part in the Integrity Zone assessment must minimize fraudulent actions in their bureaucratic processes. Therefore, government institutions must be able to identify possible fraud schemes and take appropriate control and mitigation measures. Fraud committed by employees can cause government institutions to fail to get the Integrity Zone predicate. On the other hand, the Integrity Zone predicate can be revoked if fraud occurs in the institution (Regulation of the Minister for Empowerment of State Apparatus and Bureaucratic Reform Number 10 of 2019).

Organizations need to build an effective internal control system to reduce fraud risks (IIA, 2016). Government Institution X has attempted to implement various programs to reduce fraud risks in the organization. In the 2019 Annual Report, Government Institution X stated that from 2015-to 2018, the organization imposed 168 disciplinary penalties on employees who violated the disciplinary provisions of the State Civil Apparatus. Of all the disciplinary penalties, 42 or 25% of disciplinary penalties were related to fraud cases. In the concept of anti-fraud strategy, the imposition of sanctions is part of a responsive strategy that shows the organization's commitment to upholding ethics. On the other hand, the publication of sanctions against employees aims to produce individual and general

deterrence effects to prevent fraud perpetrators and other employees from committing similar violations (Button et al., 2012).

According to the COSO Fraud Risk Management Guide (2016), organizations need to implement an anti-fraud strategy to suppress the occurrence of fraud. The anti-fraud strategy consists of prevention, detection, and response to fraud and requires support from top management. According to the IIA, AICPA, and ACFE (2008), fraud prevention is the first line of defense in fraud risk management. Effective fraud prevention helps minimize the possibility of fraud and minimize losses suffered by the organization.

The fraud case in Government Institution X is interesting to study, considering that the institution has a high commitment to bureaucratic reform and its efforts to implement anti-fraud strategies. Based on the ACFE Fraud Tree, 35 cases of fraud that occurred in Government Institution X during 2015-2018 were corruption, while seven cases were asset misappropriation. Thus, the design of the organization's fraud prevention strategy should minimize the possibility of such fraud schemes.

This research question is: "How is the relevant fraud prevention strategy for Government Institution X?" To produce in-depth information, the research was conducted using a qualitative method with a case study approach. The research process involves various parties in Government Institution X who have experience handling fraud cases, management directly related to the main business processes, and other parties playing an essential role in implementing the organization's anti-fraud strategy. Various fraud prevention strategies analyzed in this study are important and relevant strategies based on the internal perspective of the organization. The results of this study are expected to be input for Government Institution X to realize more effective fraud risk management within the framework of internal control and fraud risk management developed by the organization.

The following sections review the main literature on fraud risk and fraud prevention strategy. First, we present previous research related to this study. We then describe the research method used in this study. In formulating a relevant fraud prevention strategy for Government Institution X, we first identified the fraud risk schemes faced by the organization. Furthermore, we analyzed the factors that caused the occurrence of fraud. In the analysis section, we outline the design of a fraud prevention strategy based on the results. In the end, we suggest the organization develop a comprehensive fraud prevention strategy roadmap. For

further research, we suggest assessing the maturity of anti-fraud strategies implemented by the institution.

2. LITERATURE REVIEW

2.1. FRAUD PREVENTION STRATEGY

Fraud is defined as cheating. The Institute of Internal Auditors (IIA) (2016) defines fraud as an illegal act that has the characteristics of deceit, concealment, or violation. IIA, AICPA, & ACFE (2008) define fraud as any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and the perpetrator achieving a gain. In a broad definition, fraud is a crime that aims to gain an advantage by using deception as the primary modus operandi (Wells, 2017).

According to the Fraud Triangle theory, Cressey (1953) stated that fraud can occur because of pressure, opportunity, and rationalization. ACFE (2016) has classified various types of fraud into a chart known as "The Fraud Tree." In the Fraud Tree, there are three main branches in classifying fraud, namely (1) corruption, (2) asset misappropriation, and (3) fraudulent financial statement. According to Asare (2009), fraud is the main risk to be managed in the public sector. This is because fraud significantly affects public trust in government institutions (Uslaner, 2002). Therefore, management in the public sector is responsible for implementing systems and processes to prevent and detect fraud.

IIA, AICPA, & ACFE (2008) stated: "Prevention technique to avoid potential key fraud risk events should be established, where feasible, to mitigate possible impacts on organization." Singleton & Singleton (2010) state that to prevent fraud in an organization, internal controls such as segregation of duties can be used to mitigate fraud risk. According to CIMA (2012), fraud prevention adopts methods that can reduce motives, limit opportunities, and limit the ability of potential perpetrators to rationalize fraudulent actions. Prevention aims to reduce opportunities and eliminate the temptation to commit fraud. Prevention techniques include formulating and implementing policies, procedures and controls, and activities such as training and fraud awareness programs.

The main thing in preventing fraud is to make all elements of the organization aware of the risks (IIA, AICPA, & ACFE, 2008). According to Albrecht (2012), fraud prevention involves two elements, namely (1) an honest and ethical culture and (2) a fraud risk assessment. CIMA (2012) has formulated several general

efforts to support effective fraud prevention, namely (a) the development of an ethical culture; (b) the implementation of regular fraud risk assessments; (c) training and development of fraud awareness; (d) reporting and whistle-blowing mechanisms; and (e) robust an internal control system.

2.2. PREVIOUS RESEARCH AND NOVELTY

Research on fraud risk has often been carried out in both the private and public sectors, but specific research on fraud prevention strategies in specific government sectors is relatively rare. The results of Rehman & Hakim's research (2020) show that the implementation of fraud risk assessment helps the achievement of Good Corporate Governance (GCG). Barra's research (2010) results show that improving internal control can reduce the impact of fraud risk. It is in line with the research results of Siregar & Tenoyo (2015), which show that poor internal control and lack of ethical values impact the emergence of fraud.

In the public sector, the results of Eryanto's research (2020) show at least three significant factors that make anti-fraud programs ineffective in Indonesia, namely culture, politics, and lack of ethical leadership. The results of Ali's research (2019) show that effective management of civil servants is the main pillar of realizing good governance. Kamal & Tohom (2019) examine the level of possibility of fraud in the procurement of goods and services in government institutions and identify 66 fraud risks that need to be anticipated. Alfatah & Tobing (2019) researched fraud risk at the Directorate General of Taxes (DGT) and identified 25 fraud scenarios related to tax audits and collections. The results of research by Yuniarti (2017) and Ariyanto & Bone (2020) show that increasing internal control and fraud awareness has a positive impact on fraud prevention in the government sector in Indonesia.

In contrast to previous studies that tend to analyze anti-fraud strategies from a general perspective, this research focuses on applying anti-fraud strategies in specific institutions. Government Institution X was chosen because it is one of the institutions from the Ministry that is concerned with bureaucratic reform in Indonesia. Government Institution X is the only institution with authority in its field and has customers both from other government institutions and the private sector. In contrast to other government institutions that rely on management and internal auditors in their internal control system, Government Institution X has adopted the Three Lines Model concept by establishing an Internal Compliance Unit as the second line. The research approach chosen is a case study to obtain

more in-depth information. Previous research used interview instruments and questionnaires in data collection, while this study combines document analysis techniques, questionnaires, interviews, and FGD to produce more in-depth and valid conclusions. Interview and FGD informants were employees who have experience in handling fraud cases in organizations and represent management (first line), Internal Compliance Unit (second line), and internal auditors (third line).

3. RESEARCH METHODS

3.1. TYPES AND APPROACHES OF RESEARCH

This research is classified as qualitative research. Qualitative research provides information about a particular subject and context, explains the occurrence of a cause and effect and relationship, evaluates effectiveness, and helps formulate specific theories or strategies (Wahyuni, 2019). The approach used in this research is a case study. According to Ellet (2018), to provide educational value, a case must have a significant issue. In the context of educational value, implementing an anti-fraud strategy is an essential component of fraud risk management. On the other hand, as the object of this research, Government Institution X is trying to minimize fraud risk.

3.2. DATA COLLECTION TECHNIQUE

Case study research requires a systematic and organized mechanism for collecting and processing data on a topic and focusing on certain boundaries, events, or phenomena (Stake, 2000). This study used various instruments to fulfill these requirements: document analysis, questionnaires, interviews, and Focused Group Discussion (FGD). Document analysis was carried out on SOPs, employee disciplinary penalties, public complaints, audit results, monitoring results, and gratuities control reports. The questionnaire was adapted from the fraud risk assessment guidelines published by ACFE and previously used in research conducted by Alfatah & Tobing (2019). The questionnaire formulation process has involved employees from management and the Internal Compliance Unit and has been tested on ten prospective respondents. The questionnaires were then distributed online. The total targeted respondents were 176 employees at

Government Institution X. From this target, this study managed to collect data from 135 respondents. From the validation process, 125 respondents were valid to be used in the further process.

Interviews were conducted in an in-depth semi-structured manner with 14 informants who have experience in handling fraud cases. All informants have worked in the organization for more than three years. The FGD was conducted at the final stage and attended by eight employees at the Head Office as the formulator of the organization's anti-fraud strategy. The interviews and FGD were conducted online and recorded with a duration of 45-90 minutes. The list of interview informants is presented in Table 1.

Table 1. List of Interview Informants

Num.	Code	Informant Position	Interview Duration (Minutes)	Interview Topics
1	Informant-1	Head of Internal Compliance Unit	90	Fraud Scheme, Fraud Cause, Internal Control Effectiveness, Existing Fraud Prevention Strategy
2	Informant-2	Risk Management Officer	45	Organizational Risk Management
3	Informant-3	IT Officer	45	IT Fraud Risk and Control
4	Informant-4	Employee in Service Office (1st line)	45	Fraud Scheme, Fraud Cause
5	Informant-5	Employee in Service Office (1st line)	60	Fraud Scheme, Fraud Cause, Risk Management Effectiveness, Gratuity Control Program Effectiveness
6	Informant-6	Head of Section in Service Office (1st line)	60	Fraud Scheme, Fraud Cause, Internal Control Effectiveness, Gratuity Control Program Effectiveness
7	Informant-7	Employee in Service Office (2nd line)	60	Fraud Scheme, Fraud Cause, Internal Control Effectiveness, Risk Management Effectiveness
8	Informant-8	Employee in Service Office (1st line)	60	Fraud Scheme, Fraud Cause, Internal Control Effectiveness
9	Informant-9	Head of Service Office	90	Fraud Scheme, Existing Fraud Prevention Strategy, Additional Fraud Prevention Strategy
10	Informant-10	Internal Auditor (3rd line)	60	Fraud Scheme, Fraud Cause, Existing Fraud Prevention Strategy, Additional Fraud Prevention Strategy
11	Informant-11	Gratuity Control Program Officer	45	Gratuity Control Program Effectiveness
12	Informant-12	Anti Corruption Counsellor	60	Fraud Scheme, Fraud Cause, Existing Fraud Prevention Strategy, Additional Fraud Prevention Strategy
13	Informant-13	Internal Auditor (3rd line)	90	Fraud Scheme, Internal Control Effectiveness, Existing Fraud Prevention Strategy, Additional Fraud Prevention Strategy
14	Informant-14	Internal Auditor (3rd line)	60	Internal Control Effectiveness, Existing Fraud Prevention Strategy, Additional Fraud Prevention Strategy

3.3. ANALYSIS TECHNIQUES

This research used content analysis. In content analysis, researchers need first to formulate research objectives and actions based on research objectives (Bungin, 2011). Furthermore, researchers need to determine the target of analysis. The data obtained from the study were then classified to determine the relationship with the research objectives. The contents of the data were then identified and analyzed in the frequency of occurrence to lead to certain conclusions.

Below is the analytical framework of this research:
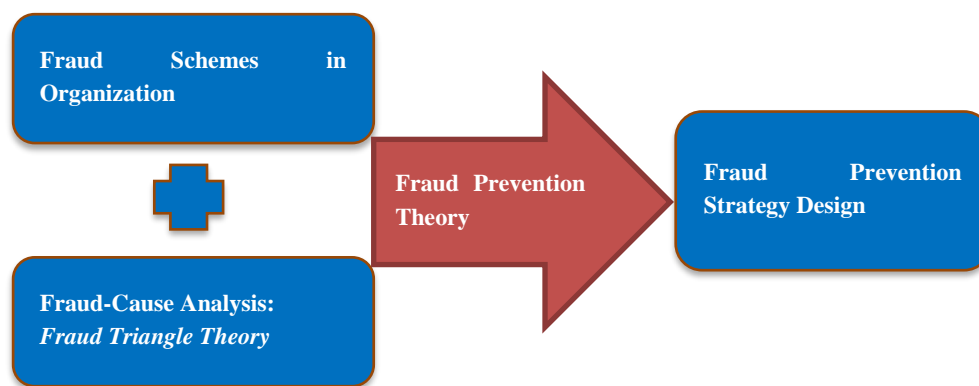

Figure 1. Fraud Prevention Strategy Formulation Process

As shown in Figure 1, to formulate relevant fraud prevention strategies, this study identified fraud schemes that often occur by referring to the types of fraud in the Fraud Tree and analyzed their causes by referring to the Fraud Triangle theory. Furthermore, all identified fraud schemes and their causal factors were used to formulate relevant fraud prevention strategies by referring to the fraud prevention theory. In analyzing the fraud prevention strategy relevant to the organization, the researchers gradually carried out the following steps:

a. Identify conditions that cause the emergence of inherent fraud risk in the organization;
b. Identify fraud schemes that often occur in the organization;
c. Analyze the causes of fraud; and
d. Identify relevant fraud prevention strategies.

3.4. VALIDITY TEST

As stated by Bungin (2011), Yin (2017), and Wahyuni (2019), qualitative research faces fundamental problems related to testing the validity of research results due to the dominance of researcher subjectivity, the natural weakness of research instruments that may be biased, and the lack of credibility of qualitative data sources. To overcome these problems, the researchers applied procedures to maintain and test the validity of the research following Guba & Lincoln (1985) in Wahyuni (2019). The procedures consisted of internal validity/credibility, external validity/transferability, reliability/dependability, and objectivity/confirmability. To maintain internal validity, researchers did not directly draw conclusions from each data collection technique, but carried out a triangulation process with other data collection techniques, other sources of information, and related theories. To maintain external validity, researchers limited the scope of research to the types of fraud in the form of corruption and asset misappropriation, and fraud cases in the Service Office. To meet the reliability requirements, researchers developed a case study protocol to align the analysis process with the research objectives. Last, to meet the objectivity requirements, researchers documented the process of collecting and analyzing data so that they can be confirmed.

4. ORGANIZATION PROFILE

To focus the discussion, the scope of this research is limited to fraud risk that occurs in Government Institution X in the Service Office, as the majority of fraud cases in Government Institution X happened in the Service Office. Specifically, the various fraud schemes described in this study are related to the organization's primary business processes.

5. RESULT AND DISCUSSION

5.1. DOCUMENT ANALYSIS RESULTS

Researchers used audit results, monitoring results, disciplinary penalties, SOP, regulations, risk profiles, and other relevant documents in document analysis. From the document analysis results, the fraud schemes that need to be anticipated

by the organization are illegal gratuities, abuse of authority, conflict of interest, extortion, asset theft, information theft, and deception to service users. The results of the document analysis also show various fraud prevention strategies implemented by Government Institution X, including the application of tone at the top, internalization of values and ethical guidelines, implementation of internal control and risk management, and control of gratuities.

5.2. QUESTIONNAIRE RESULTS

Researchers developed an online questionnaire form to facilitate data collection through questionnaires and distributed it to prospective respondents in August-September 2021. The questionnaire was designed by referring to the fraud risk assessment guidelines published by ACFE. Based on the researcher's analysis of the data from the questionnaire, several findings should be of concern to the organization in anticipating fraud risk and developing anti-fraud strategies, as follows:

a. There are 58.40% of respondents who think that employees of Government Institution X hate or at least do not have a good relationship with their superiors;

b. As many as 14.40% of the respondents think that some employees have business interests outside of the official service that may conflict with their duties;

c. As many as 12.80% of the respondents think that some employees appear to have close relationships that exceed the limits of professional attitudes toward service users;

d. There are 28.80% of the respondents who think that employees of Government Institution X are afraid or at least feel unprotected when conveying negative information to superiors or management.

Of the various fraud schemes listed in the questionnaire, the fraud risk scheme with the most significant probability of occurrence, according to respondents, is illegal gratuities. According to consecutive respondents, the next fraud risk scheme with a relatively high probability of occurrence is an abuse of authority, conflict of interest, and extortion. Regarding the anti-fraud strategy that has been implemented so far, there are indications that the anti-fraud strategy has not been implemented optimally. For example, 11.40% of the respondents thought that the fraud awareness development program was not implemented optimally. To test

the validity of the questionnaire results, researchers explored them through an in-depth interview process and compared them with the document analysis results.

5.3. INTERVIEW RESULTS

This study used two stages of interviews, namely interview I and interview II, with a semi-structured in-depth interview technique. Interview I was used to validate the document analysis results, explore information, and collect input as material for compiling a questionnaire. Interview II was employed to clarify various possible fraud schemes, describe vulnerable fraud areas, the causes of fraud that have occurred previously, evaluate anti-fraud strategies that have been implemented, and formulate additional relevant anti-fraud strategies based on information provided by key informants.

Two informants were involved in the interview I, while in the interview II, there were twelve people with summary results as follows:

a. Illegal gratuities are the most often fraud schemes carried out by employees of Government Institution X. The next most common fraud scheme is related to abuse of authority.

b. Among all business processes in Government Institution X, the informant thinks that several business processes have a relatively high probability of fraud risk.

c. The dominant factors that cause fraud are opportunity and rationalization.

d. Several anti-fraud strategies such as tone at the middle, internal control, risk management, fraud awareness, fraud risk assessment, gratuity control, "knowing your employee" program, and managing conflicts of interest still need to be improved to prevent fraud.

5.4. FGD RESULTS

The FGD was held on October 25, 2021, and was attended by officials playing an important role in implementing the organization's anti-fraud strategy, namely management, internal auditors, UPG, anti-corruption counselors, and risk managers. The FGD involved eight participants who served at the head office of Government Institution X. The FGD process began with the researcher explaining the areas prone to fraud and the proposed development of an anti-fraud strategy for the organization. Furthermore, discussions were held with the FGD participants with a summary of the results as follows:

a. The organization has identified various fraud schemes and scenarios. However, it has not yet evaluated the possibility of occurrence, the potential impact, and the effectiveness of the internal controls designed to anticipate it.

b. The list of fraud risk schemes presented by the researchers has reflected all the risks that may occur in the main business processes in the service office.

c. The formulation of the anti-fraud strategy proposed by the researchers is in line with the organization's efforts in the bureaucratic reform program, especially in strengthening supervision.

d. Several new anti-fraud strategies proposed by researchers, namely managing conflicts of interest, knowing the customer program, and publishing disciplinary penalties to build fraud awareness are relevant to do according to the FGD participants.

5.5. FRAUD SCHEMES IN GOVERNMENT INSTITUTION X

The main business processes at the service office of Government Institution X have an inherent fraud risk that the organization needs to anticipate. This inherent fraud risk occurs because Government Institution X is the only institution with authority over the public services provided. On the other hand, the main business processes at Government Institution X are dominated by activities that need to involve direct interaction with service users. The combination of great authority and direct interaction with service users opens up opportunities for fraud risk in the organization.

Referring to the Fraud Tree, based on the information obtained by the researchers, the fraud schemes with a high probability of occurrence are corruption in the form of illegal gratuity and abuse of authority. It is in line with Kamal & Tohom (2019) and Alfatah & Tobing (2019), which also identify corruption as a risk scheme that needs to be mitigated by government institutions. The following are statements from several informants regarding the high risk of receiving gratuities by employees:

"From the business process, the most dominant forms of fraud are acceptance of gratuities and abuse of authority" (Informant-1).

"For the possibility remains, especially from service users who have certain interests. But it depends on our integrity. If we refuse, of course, the gift will not happen" (Informant-2).

With great authority, corruption schemes in the form of power abuse by employees also need to be anticipated by the organization. In this scheme,

employees may commit fraud because they realize a weak internal control system or rationalization factors. Other corruption schemes that also need to be anticipated by the organization include conflicts of interest, bribery, and economic extortion. Other fraud schemes are classified as asset misappropriation. These schemes include cash theft, inventory theft, and information leakage.

5.6. FRAUD-CAUSE ANALYSIS

Fraud-cause analysis was conducted by referring to the Fraud Triangle theory. The informants' interview results indicated that pressure, opportunity, and rationalization factors were identifiable in fraud cases. It is in line with the document analysis results, which showed that these three factors influenced fraud cases. According to several informants, opportunities and rationalizations were the most dominant factors that caused fraud to occur. The pressure factors might arise from internal and external pressures from employees. Nevertheless, employees can prevent those factors if they have decent integrity and adequate supervision.

In the illegal gratuity case, the identified factors were opportunities and rationalizations. The opportunities arise from the direct interaction between employees and service users outside the office without adequate supervision. These were dominant in abuse of authority and conflicts of interest. Opportunities arise from weaknesses in internal control and limitations in oversight, monitoring, and auditing. The rationalizations emerge in the employee's assumption that gratuities were a voluntary gift and did not affect service quality.

5.7. FRAUD PREVENTION STRATEGY DESIGN

Based on the analysis, Government Institution X needs to anticipate several fraud risks. Meanwhile, the most factors causing fraud cases were opportunity and rationalization. As shown in Figure 1, the fraud prevention strategy was designed by referring to the theory of fraud prevention strategies and the development of practices that Government Institution X has implemented. The design of the prevention strategy includes the most important things that need to be advanced, added, or improved in quality based on the results of document analysis, questionnaires, interviews, and FGD with various research informants. Based on the results of the study, the following describes some relevant fraud prevention strategies for Government Institution X.

5.7.1. Tone At the Top

The interviews with several informants indicate that the thing that needs to be a priority in fraud prevention is tone at the top. The following are excerpts from interviews with informants related to tone at the top:

"I think the most important priority is the application of tone at the top. If this goes well, of course, other programs will also run well" (Informant-5).

"In my opinion, according to the concept of an internal control system, the most important thing to do is to build a good control environment. There are elements of a code of ethics, discipline, and tone at the top" (Informant-6).

Tone at the top requires consistency between statements and actions (walk the talk). The tone at the top also requires a role model that can be an example to become an ideal form of leadership character for the organization. Tone at the top is an aspect that determines the effectiveness of various other anti-fraud strategies. In the internal control component, the tone at the top helps the organization create a conducive control environment and encourages the improvement of the effectiveness of other components of internal control.

The tone at the top plays a vital role in creating an ideal work environment, including implementing fraud risk assessment. In the context of internal audit, the tone at the top can influence the professional skepticism of internal auditors. On the other hand, the lack of professional skepticism is one of the factors causing the auditor's failure to achieve optimal results in detecting fraud (Juliana et al., 2021; Noviyanti and Winata, 2015; Kabuye et al., 2015).

According to ACFE, four steps can be taken by organizational leaders to create and maintain a good ethical culture in an organization, namely (1) communicating the expectations of leaders to employees, (2) being an example in leading the organization (lead by example), (3) provide a secure mechanism for reporting violations, and (4) awarding of integrity.

5.7.2. Tone In the Middle

In addition to tone at the top, the document analysis results and in-depth interviews with several informants show that Government Institution X needs to develop a tone in the middle. Middle management, in this case, is the head of the office. For government institutions that have operational offices in various regions, the figure of the head of the office will determine the culture, values, ethics, and integrity of the employees who become subordinates. It is because the head of the office is the highest authority holder, responsible for the office's

budget, performance, and operationalization. The following are excerpts from interviews with several informants:

"The head office figure is very influential. As long as the head of the office sets an example for his subordinates, at least the subordinates will respect him" (Informant-8).

"If the leader is not concerned with gratuities, it will be difficult because our services always have a direct relationship with stakeholders. If the leadership is concerned, there will automatically be system improvements. If the system continues to be improved, it will close the possibility of receiving gratuities" (Informant-12).

Based on the results of document analysis, Government Institution X has faced a fraud case involving the head of the office. In such cases, the possibility of involvement of other employees is relatively greater than fraud committed other than the head of the office. Therefore, it shows the importance of the role of the head of the office in preventing fraud in the organization.

To increase the tone in the middle, Government Institution X needs to carry out a background check mechanism in the mutation and promotion process to ensure middle management is filled with competent and ethical people. Other things that are important for the organization include: (1) continuing to instill the values of integrity, leadership, and role models in middle management; (2) encouraging middle management to implement Know Your Employee, Know Your Customer, and Know Your Business programs; (3) developing fraud awareness to anticipate possible fraud risk; and (4) ensuring that middle management has adequate knowledge and understanding of the organization's internal control system. Knowledge and understanding of the internal control system are essential for middle management because, based on the interviews with several informants, many heads of office do not understand the role of the internal control system and risk management in carrying out their duties. Some heads of office are not objective in assessing risk because they think that risk is the same as a problem.

5.7.3. Improving the Effectiveness of the Internal Control System

As stated by Barra (2010), Siregar & Tenoyo (2015), and IIA (2016), organizations need to build an effective internal control system to minimize fraud. Government Institution X has developed internal controls in the form of soft controls and hard controls to prevent fraud.

The occurrence of several fraud cases in Government Institution X shows that the implementation of soft control alone is not effective enough to prevent and

detect fraud risks. The soft control needs to be strengthened by various hard controls through supervision, tiered reviews, routine and surprise inspections, segregation of duties, authorization, and adequate documentation.

Furthermore, the researcher's evaluation results of the implementation of hard controls designed to prevent fraud indicate that some hard controls have not been applied consistently. This condition occurs in hard control through segregation of duties, peer review, and authorization from superiors. As a result, several fraud cases in the organization occurred because hard controls have not been applied consistently.

Based on the questionnaire results, 9.60% of respondents stated that the SOP was not updated regularly. The document analysis and interviews with several informants in the service office show that several SOPs provide judgment without clear guidelines. It shows that Government Institution X needs to continue to update SOP on the organization's main business processes. On the other hand, organizations also need to continuously improve the quality of information technology in their services to reduce direct interaction with service users.

5.7.4. Improving the Quality of Risk Management

The results of interviews with organizational risk management officers show that the risk management process often faces data-related problems. The same condition also occurs when the risk management officer analyzes fraud risk and develops a mitigation plan. In practice, the process of handling a fraud case is confidential. If it is not supported by intensive coordination, it is difficult for its risk management officers to collect the necessary data.

Based on the results of interviews with risk management officers in service offices, the risk management process tends to be a formality to comply with the organization's risk management policies. Some managements assume that disclosing risk is the same as pointing out a problem. A high level of fraud risk in the risk profile is considered able to reduce the organization's reputation. The results of this interview are in line with the results of the risk profile analysis at the service office, which shows that in work units where fraud has previously occurred, fraud risk is still considered low.

In fraud risk management, organizations need to grow fraud awareness. All employees need to be reminded of various fraud schemes and scenarios that may occur. In addition, the basics of fraud risk also need to be periodically internalized to employees, for example, the threat of criminal penalties, disciplinary penalties,

and code of ethics sanctions that can be imposed on fraud perpetrators. In risk assessment, data plays a very significant role (Antonucci, 2016; Guegan & Hassani, 2019; Ostrom & Wilhelmsen, 2019). On the other hand, when data regarding fraud risk is presented to employees, this will increase employee awareness of various fraud scenarios and actions that need to be taken when faced with these scenarios.

5.7.5. Fraud Awareness Program

Weak internal control and the ineffectiveness of ethical values can threaten the organization, thus encouraging the organization to increase fraud awareness among employees (Siregar & Tenoyo, 2015). According to Yuniarti (2017) and Ariyanto & Bone (2020), increasing internal control and fraud awareness positively impacts fraud prevention in the government sector in Indonesia.

Based on the results of document analysis and interviews, the organization has attempted to build employee fraud awareness by disseminating fraud schemes and scenarios and the whistle-blowing system. However, the organization has not updated the fraud schemes and scenarios regularly. This condition is in line with the questionnaire results, which showed that 11.20% of respondents considered that the fraud awareness program had not been carried out optimally. For example, one of the informants stated as follows:

> "In general, I think employees' knowledge and awareness of risk management needs to be improved. It is necessary to instill awareness that risk management does not intend to expose disgrace but in order to mitigate the emergence of problems" (Informant-5).

As part of the fraud prevention strategy, ideally, increasing fraud awareness needs to be carried out intensively and periodically through updating and socializing fraud schemes and scenarios. Fraud awareness programs can also be included in training on the code of ethics and employee discipline. Through these efforts, employees understand the provisions of the code of ethics and employee discipline in general. They also know more specific things, such as areas prone to fraud, fraud schemes and scenarios that may occur, reporting mechanisms in the event of a violation, and sanctions imposed on the perpetrator.

Fraud awareness also needs to be carried out through the publication of code of ethics sanctions and disciplinary penalties that have been imposed on fraud perpetrators. This publication is intended to show that the organization has a high commitment to ethics and is an effective deterrent for employees (Button et al., 2012).

5.7.6. Implementation of Periodic Fraud Risk Assessment

As part of improving the quality of risk management, Government Institution X needs to implement a Fraud Risk Assessment (FRA) periodically. So far, FRA has only been carried out at the scheme level. The organization is only limited to identifying fraud scenarios in the Fraud Risk Scenario (FRS) at the scenario level. As a result, the organization does not yet have a list of fraud risk scenarios prioritized for mitigation. An informant stated the following:

"We have mapped out various fraud scenarios that may occur in some of the organization's main business processes" (Informant-1).

"Modes and scenarios have not been identified and assessed for their possibilities and impacts because the type of risk included in the risk profile is fraud risk in general" (Informant-2).

According to US GAO (2015), through the periodic implementation of FRA, organizations can improve the effectiveness of handling fraud risk by setting priorities for risks that need to be addressed. Organizations can also update the list of risk scenarios and the level of likelihood and impact of risks that are useful in formulating anti-fraud policies (Vona, 2010; Rehman & Hashim, 2020). Although basically subjective, the FRA implementation process must be carried out with consistent parameters so that changes in the list and risk level can be compared over time (CIMA, 2012).

5.7.7. Conflict of Interest Management

Government Institution X does not yet have a formal arrangement regarding the types and activities classified as conflicts of interest and control. However, according to some informants, several practices in the service office are classified as conflicts of interest. On the other hand, the current technical provisions do not provide a clear regulation regarding whether or not employees of Government Institution X can carry out this practice. This information is in line with the questionnaire results, which show that as many as 12.80% of the respondents think that employees of Government Institution X have close relationships that exceed the limits of professional attitudes toward service users.

For this reason, Government Institution X should have a formal guideline for managing conflicts of interest. To have binding power, the guidelines for managing conflicts of interest need to be formalized in a regulation set by the organization's highest official.

5.7.8. Improvement of Gratuity Control Program

As part of the gratuity control program, Government Institution X has "Unit Pengendalian Gratifikasi (UPG)" or Gratuity Control Unit up to the service office level. UPG plays a role in preventing and reporting on receipt of gratuities in their work units. In the field of prevention, UPG conducts periodic socialization of gratuities control. Meanwhile, UPG receives reports on receipt of gratuities submitted by employees in the reporting field, forwards them to the Corruption Eradication Commission (KPK), and carries out other matters as regulated in gratuity control guidelines.

The questionnaire results showed that 7.20% of employees considered that the role of UPG was not or less effective. In addition, the results of interviews with UPG managers showed that UPG officers in service offices often did not know how to follow up technically when receiving reports of gratuities receipts. Another thing that shows the ineffectiveness of the UPG is the small number of reports on receiving gratuities from the UPG. On the other hand, compared with the data revealed from the audit results, the number of reported gratuities is relatively minimal. Further investigation results show that two things cause employees to be reluctant to report receiving gratuities. They are (1) the rationalization factor where employees feel that there is nothing wrong with receiving the gratuity, or (2) employees are worried that it will damage good relations with the giver. The following are excerpts from interviews with several informants:

> "For UPG, I think its role is still more administrative in nature. There may still be opportunities where UPG can play a more optimal role, especially in the field of prevention" (Informant-5).
> "UPG is still not effective enough because people are still reluctant to report. This could be due to intentional factors or fear of damaging good relations with the giver" (Informant-6).
> "Regarding effectiveness and quality, we still have questions because, from the reports submitted monthly to the Head Office, there are only a few reports of receiving gratuities. It is our question. I think many gratuities are still received, but they are not reported to the UPG or the KPK, so the reports are still nil" (Informant-11).

In dealing with these conditions, the things that need to be done by Government Institution X to improve the gratuity control program are as follows:

(1) Training for UPG personnel;

(2) Periodic and scheduled socialization regarding the control of gratuities to all employees;

(3) Commitment to protect information both to the reporter and the party giving gratuity;

(4) Periodic evaluation of UPG performance; and

(5) Intensive socialization and campaign to service users not to give gratuities to employees of Government Institution X.

5.7.9   Know Your Employee Program

The Know Your Employee program encourages officials in Government Institution X to have adequate information on the condition of their subordinates. However, the organization does not yet have a formal framework for the program. The importance of the Know Your Employee program is in line with the questionnaire results, which show that as many as 58.40% of the respondents think that employees of Government Institution X hate or do not have a good match with their superiors. In addition, as many as 7.20% of employees think that the program has not been carried out optimally. In this regard, one of the informants expressed the following opinion:

> "Every boss needs to know up-to-date on the conditions experienced by their subordinates. It may be carried out weekly or whenever needed. For example, after performing a task, subordinates need to be given a special session to convey their achievements and problems, including integrity issues…" (Informant-12).

Know Your Employee program is not just about understanding subordinates' competencies and track records but includes the daily business processes. Through an effective intimacy-building process, superiors can quickly provide solutions to problems faced by subordinates, including matters related to integrity issues and the risk faced by employees. Therefore, intensive communication on a scheduled and incidental basis between superiors and subordinates is necessary.

5.7.10. Know Your Customer Program

Government Institution X has not implemented the Know Your Customer program. Based on document analysis and interviews with several parties, the characteristics of service users are indicated to influence the occurrence of fraud cases in Government Institution X. Many cases of receiving gratuity and abuse of authority by employees are related to the provision of services to service users with certain characteristics. Therefore, as part of the fraud prevention strategy, Government Institution X needs to identify the characteristics of service users. An informant stated the following:

"In my opinion, the know your customer program is also important for us. We can map the risks that may occur from each of our customers and the tolerance limits that we have. It is also for our safety..." (Informant-14).

Government Institution X can formulate a more appropriate service strategy and protect employees by identifying customer characteristics. Some examples that organizations can do include:

(1) Strengthening the commitment of the highest officials regarding efforts to improve employee integrity so that stakeholders know;

(2) Minimizing the occurrence of direct contact with customers, especially on services performed outside the office; and

(3) Assistance from supervisors or superiors in a service that involves direct contact with service users.

6. CONCLUSION AND SUGGESTIONS

According to the Fraud Tree, corruption is a fraud risk scheme that needs to be mitigated by Government Institution X. This includes illegal gratuity, abuse of authority, bribery, and extortion. Other fraud risk schemes that need to be anticipated are asset misappropriation, including cash and inventory theft and information leakage. From the perspective of the Fraud Triangle, the factors that cause fraud include opportunity and rationalization. The opportunities arise from the direct interaction between employees and service users outside the office without adequate supervision, weaknesses in internal control, and limitations in oversight, monitoring, and auditing. The rationalizations arise from the personal justifications of employees due to the weak integrity of the perpetrators.

To mitigate fraud risk, Government Institution X has implemented fraud prevention strategies through tone at the top, improved internal control and risk management systems, and gratuity control programs. However, based on the study results, all prevention strategies need to be improved in their effectiveness. In addition, the organization also needs to add new fraud prevention strategies, including tone in the middle, fraud awareness program, periodic fraud risk assessment, conflict of interest management, Know Your Employee program, and Know Your Customer program. Of all fraud prevention strategies, tone at the top is the most important strategy from the employees' perspective. In addition, several fraud prevention strategies such as fraud risk assessment, conflict of

interest management, the Know Your Employee program, and the Know Your Customer program need to be regulated in comprehensive guidelines.

The obstacle faced by the organization in implementing the fraud prevention strategy is that the internal control system and risk management are still not fully understood by employees and middle management. In addition, the organization does not yet have a detailed and comprehensive roadmap regarding the implementation of fraud prevention strategies and evaluation procedures to determine the maturity of its implementation.

Government Institution X needs to improve the effectiveness of the implementation of fraud prevention strategies. The organization needs to focus on areas that have the opportunity for improvement and add new, more effective strategies to prevent fraud. It is in line with CIMA (2012), which states that fraud prevention strategies are dynamic according to the needs and changing conditions of the organization. To increase the effectiveness of fraud prevention strategies, Government Institution X needs to codify all anti-fraud strategies as part of the organization's official policies. The organization also needs to improve employee understanding of the organization's internal control system and anti-fraud strategy through regular training and socialization.

In the short term, Government Institution X needs to have a fraud prevention strategy roadmap. As part of the anti-fraud strategy roadmap, the organization needs to have a timeline as a reference for its implementation. In addition, the organization also needs to develop an evaluation procedure to determine the effectiveness of the implemented strategy. In the long term, Government Institution X needs to improve the quality of risk management and the organization's internal control system. In line with that, the organization needs to continue developing service automation through information technology to minimize direct interaction between employees and service users. For further research, the researchers suggest assessing the maturity level of anti-fraud strategies and involving both the organization's internal perspective and external parties, such as service users.

The description of the fraud prevention strategy in this study only covers the internal perspective of the organization. In addition, this research has limitations because it can only publish non-confidential data and information according to the laws.

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