

Fraud Prevention through Risk Management and Good Governance: The Ethics of Organizational Behavior Moderation

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Submitted: 14 April 2026

Accepted: 21 Mei 2026

Published: 1 Juli 2026

ABSTRACT

This research aims to analyze the influence of risk management and good governance on fraud prevention with the ethics of organizational behaviour as a moderating variable. This type of research is quantitative, and data collection was carried out through a questionnaire. The research was conducted at the Inspectorate of East Kalimantan Province with a sample of 42 auditors. The data analysis technique used is Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.1 software. The results showed that risk management and good governance have a positive and significant effect on fraud prevention. The ethics of organizational behavior is able to moderate the influence of risk management on fraud prevention, but the ethics of organizational behavior is not able to moderate the effect of good governance on fraud prevention.

Keywords: Risk Management, Good Governance, Fraud Prevention, The Ethics of Organizational Behavior.

INTRODUCTION

Local governments are required to prepare Local Government Financial Statements (LKPD) as a form of accountability for local governments regarding the process of managing local finances, from planning and budgeting to budget implementation (Adinata et al., 2023). Subsequently, the LKPD is audited and assigned an audit opinion by the Badan Pemeriksa Keuangan (BPK) based on four criteria: compliance with Government Accounting Standards (SAP), compliance with laws and regulations, the effectiveness of the internal control system, and the adequacy of disclosure (BPK Maluku, 2022).

According to Law Number 15 of 2004 concerning the Audit of State Financial Management and Accountability, an audit opinion is defined as the auditor's professional statement regarding the fairness of the information presented in financial statements. In government accounting, accountability is reflected through the preparation of government financial statements in accordance with government accounting standards, timely presentation, and the acquisition of an Unqualified Opinion (WTP) from the BPK, which is the ideal goal of good public governance from a government accounting perspective (Adinata et al., 2023).

Based on the Audit Report (LHP) conducted by BPK on the LKPD of regional governments in East Borneo for the 2023 fiscal year, all regional governments in East Borneo received an unqualified opinion from BPK. One of these entities, the East Borneo Provincial Government, has obtained an unqualified opinion consecutively for 11 years since 2012 for its financial statements (BPK RI, 2024). Although the LKPD has been fairly presented in all material aspects in accordance with applicable government accounting standards, the WTP opinion from the BPK does not rule out the possibility of irregularities or fraud occurring within government institutions.

In 2022, Indonesia Corruption Watch (ICW) monitored the results of investigations conducted by law enforcement agencies (APH) into corruption cases in East Borneo in 2022. The results of

the 2022 corruption case mapping in East Borneo indicate that APH most frequently investigated corruption cases involving state financial losses under Article 2 paragraph (1) of the Anti-Corruption Law. Out of a total of 20 cases, 18 cases were charged under provisions related to state financial losses, while the remaining two cases involved bribery offenses. Furthermore, based on the classification of corruption cases by position, regional government employees constituted the largest group of suspects in corruption cases in East Kalimantan during that year, followed by private sector employees, officials of regionally owned enterprises (BUMD), as well as village heads and village officers (Media Kaltim, 2023).

Based on the ongoing discussion, it can be seen that the impact of fraudulent practices is very detrimental and threatens the sustainability of good and clean governance, especially in the government of East Borneo. If such fraud cases are left unaddressed and no preventive measures are taken, they will continue to escalate. Therefore, the government has implemented various strategies to prevent fraud, one of which is by implementing risk management within the government (Sudarmanto, 2020).

Risk management is the activity or process of identifying, assessing, and responding to the potential risk that may arise and have a negative impact on an institution (Sulistiyo and Yanti, 2022). Risk management serves as a managerial tool designed to manage risks in order to achieve the strategic goals or objectives of governmental organizations. The primary objective of risk management is to minimize the possibility and impact of risks that could interfere with the achievement of these goals or objectives (Inspektorat Bangka Belitung, 2020). Therefore, risk management is essential to be implemented within government institutions that are vulnerable to fraud risks, which must be identified at an early stage (Inspektorat Jenderal, 2023).

In addition to risk management, the implementation of Good Government Governance (GGG) is also crucial in preventing fraud within the governmental environment. Good Governance is a form of solid and responsible development management that is in line with the principles of democracy and efficient markets, the prevention of corruption in both political and administrative spheres, the avoidance of misallocation of investment funds, the implementation of budgetary discipline, and the creation of a legal and political framework for the development of business activities (Engkus et al., 2021). Therefore, by consistently implementing these principles, the state can create a clean and effective environment that increases public trust in the government.

Considering the significance of implementing risk management and good governance into practice in local government institutions to prevent fraud and ensure the achievement of organizational objectives, organizational ethics behavior also play a crucial role in supporting both mechanisms. The Ethics of Organizational Behavior is a system of values, norms, and beliefs held by every individual in an organization, which then influences every individual in the organization in their work and behavior to prevent acts and actions that could potentially be detrimental to the organization (Artini, 2020).

The inclusion of organizational ethical behavior as a moderating variable in this research is motivated by inconsistencies in prior research findings, where research by Primastiwi (2020) shows that organizational ethical behavior has a positive effect on fraud. Meanwhile, research conducted by Setiawan (2019) shows that the ethics of organizational behavior has a negative effect on fraud. On the other hand, research conducted by Prabowo *et al.*, (2025) shows that the ethics of organizational behavior has a positive effect on fraud prevention. Meanwhile, research by Raharja & Sulistyowati (2023) shows that organizational ethical behavior has no significant effect on fraud prevention.

This research adopts the perspective of the Regional Inspectorate of East Kalimantan (Inspektorat Daerah Provinsi Kalimantan Timur), which functions as part of the Government Internal Supervisory Apparatus (APIP) and serves as the internal auditor within the regional government. As stipulated in the Governor Regulation of East Kalimantan No. 70 of 2020 concerning Risk Management and Risk-Based Internal Supervision, the Inspectorate is responsible for monitoring and evaluating risk management implementation through audits, reviews, and other supervisory activities.

Based on the background and phenomena described above, this research aims to further examine the effect of risk management and good governance on fraud prevention, with the ethics of

organizational behavior as a moderating variable. In line with this objective, the research seeks to address several key questions: whether risk management has a significant effect on fraud prevention; whether good governance influences fraud prevention; and whether the ethics of organizational behavior strengthens or moderates the relationship between risk management and fraud prevention, as well as between good governance and fraud prevention.

Accordingly, the objectives of this research are to determine and analyze the effect of risk management on fraud prevention, to examine the influence of good governance on fraud prevention, and to evaluate the role of the ethics of organizational behavior as a moderating variable in the relationship between risk management and fraud prevention, as well as between good governance and fraud prevention. This research is expected to provide both theoretical and practical contributions. Theoretically, it aims to enrich academic discourse by offering insights, additional knowledge, and serving as a valuable reference for further studies in the field. Practically, the findings are expected to provide an overview of policy implementation in enhancing fraud prevention efforts, particularly for government internal auditors. Furthermore, this research is anticipated to serve as feedback and a consideration for government institutions in East Borneo in evaluating and optimizing the implementation of risk management and good governance practices to improve fraud prevention outcomes.

LITERATURE REVIEW

Stewardship Theory

This research is grounded in Stewardship Theory, as proposed by Donaldson and Davis (1991), which explains that individuals within an organization, particularly those in managerial or supervisory roles, act as stewards whose primary motivation is to achieve organizational goals rather than personal interests. This theory assumes that individuals are inherently trustworthy, responsible, and possess integrity, leading them to align their actions with the organization's objectives.

In the public sector context, internal auditors function as stewards who support the government (as the principal) in achieving effective governance. Through risk identification, evaluation, and monitoring activities, auditors contribute to ensuring accountability and transparency in financial management. Therefore, Stewardship Theory provides a strong foundation for understanding how risk management and good governance can work together to prevent fraud.

Fraud Prevention

Fraud is generally defined as an intentional act of deception carried out to obtain personal or group benefits at the expense of others. According to the Association of Certified Fraud Examiners (2022), Fraud can be categorized into three main types: corruption, asset misappropriation, and financial statement fraud. Among these, corruption is the most prevalent form in the public sector and poses significant risks to governance and economic stability.

In Indonesia, fraud, particularly corruption, remains a critical issue, affecting various sectors and causing substantial financial and social losses. Therefore, fraud prevention has become a primary focus in organizational governance. Fraud prevention refers to a set of policies, procedures, and control mechanisms designed to minimize the likelihood of fraudulent activities and ensure compliance with laws and regulations. Compared to detection, prevention is considered more effective, as many fraud cases remain undiscovered.

Risk Management

Risk management plays a crucial role in preventing fraud by identifying, assessing, and mitigating potential risks that may hinder the achievement of organizational objectives. According to COSO (2017), risk management involves a structured process of identifying events that may negatively impact the organization and developing appropriate responses to those risks. Many efforts have been made to prevent fraud, including the establishment of strong control procedures to limit risks. One of these preventive actions is implemented through risk management, as it is an essential part of an organization, implemented to reduce potential risks that threaten organizational sustainability, and to achieve organizational goals (Lestari & Mayangsari, 2023).

Effective risk management strengthens internal control systems and reduces opportunities for fraud by addressing vulnerabilities within organizational processes. In the public sector, the implementation of risk management enables institutions to proactively identify fraud risks, enhance decision-making, and ensure better financial governance. Therefore, the stronger the implementation of risk management, the more effective fraud prevention efforts will be.

Good Governance

Good governance is defined as the implementation of governmental activities that are oriented toward public interests and grounded in applicable norms and regulations to achieve effective governance (Hasriani, 2024). Good governance is characterized by governance practices based on key principles, namely transparency, accountability, responsibility, independence, as well as fairness and equality (Ferdianti & Priono, 2022). The implementation of good governance is considered effective when the government, private sector, and society are able to work synergistically in building good governance (Dewi & Padnyawati, 2022).

Therefore, good governance can be concluded as the government's effort to fulfil its responsibility to the public by applying good governance principles in order to prevent fraudulent practices, with the expectation of improving the overall management of government administration.

The Ethics of Organizational Behavior

The ethics of organizational behavior is a system of shared values and beliefs held by members of an organization that highly determines how they act. This behavior reflects the perceptions held by organizational members, which serve as the basis for their actions (Yuliani, 2018). In other words, the ethics of organizational behavior represents shared values perceived by members and manifested through attitudes and behaviors within the organization.

According to research conducted by Awatif & Mulyaning Tyas (2022), organizational ethical behavior is a collection of values, norms, and beliefs shared by individuals or members of an organization. These values influence how individuals work and behave in alignment with organizational objectives and encourage the development of ethical behavior. In the research conducted by Prabowo *et al.*, (2025), organizational ethical behavior is defined as a set of values, beliefs, assumptions, or norms that have long been in place, agreed upon, and followed by all members of an organization as guidelines for behavior in solving organizational problems.

Previous Related Study

Previous studies have provided mixed findings regarding the determinants of fraud prevention. Prabowo *et al.*, (2025) found that good corporate governance and the ethics of organizational behavior have a positive effect on fraud prevention, although internal control systems were not significant. Similarly, Nafisah & Witono (2024) and Fauzia & Harnovinsah (2021) reported that good governance significantly improves fraud prevention.

In terms of risk management, Sulistiyo & Yanti (2022) and Wilda *et al.*, (2024) demonstrated that risk management has a positive and significant effect on fraud prevention, highlighting its importance in reducing fraud risk. However, Murhaban *et al.*, (2024) found that organizational behavior does not significantly affect fraud prevention, indicating inconsistencies in previous findings.

Furthermore, Akbar *et al.*, (2019) revealed that the ethics of organizational behavior moderates the relationship between internal control systems and fraud prevention, suggesting that ethical values play a crucial role in enhancing the effectiveness of control mechanisms. These inconsistencies indicate a research gap, particularly regarding the moderating role of the ethics of organizational behavior in the relationship between risk management, good governance, and fraud prevention. Therefore, this research aims to provide a more comprehensive understanding by integrating these variables into a unified research model

METHODOLOGY

This research employs a quantitative approach using a survey method to examine the effect of risk management and good governance on fraud prevention, with the ethics of organizational

behavior as a moderating variable. The data used are primary data collected through structured questionnaires distributed to internal auditors at the Regional Inspectorate of East Kalimantan Province, specifically those in the Special Division and the Government and Apparatus Division. The total population consists of 42 auditors, and a total sampling technique is applied, where all population members are included as respondents.

The selection of these divisions was based on the relevance of their supervisory duties and functions stated in Governor Regulation of East Kalimantan No. 34 of 2020 concerning of Organizational Structure, Duties, Functions, and Work Procedures of the Regional Inspectorate of East Kalimantan Province. The specialist division is responsible for overseeing the implementation of cross-sector regional government affairs, handling public complaints, and coordinating efforts related to the prevention of corruption of fraudulent practices. Meanwhile, the Government and Apparatus Division carries out functional guidance and supervision over financial management, organizational performance, and the administration of governmental affairs within regional agencies. Based on this explanation, these two divisions are considered to have the relevant competence and experience to provide assessments related to the implementation of risk management, good governance, and fraud prevention in government agencies.

The measurement of variables is conducted using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Fraud prevention, as the dependent variable, is measured through indicators such as anti-fraud policies, prevention procedures, internal audit functions, control techniques, and fraud awareness. Risk management is measured through context establishment, risk assessment, and risk treatment, while good governance is measured through principles such as transparency, accountability, professionalism, and efficiency. The ethics of organizational behavior as a moderating variable is measured through ethical leadership, communication of ethical values, training, reward and punishment systems, and ethical protection mechanisms.

Data analysis is performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The measurement model (outer model) is evaluated through convergent validity (outer loading > 0.70; AVE > 0.50), discriminant validity, and reliability (composite reliability and Cronbach's alpha > 0.70). The structural model is assessed using the coefficient of determination (R^2) and effect size (f^2). Hypothesis testing is conducted through bootstrapping, with a significance level of p-value < 0.05. The moderating effect is examined through interaction analysis to determine whether the ethics of organizational behavior strengthens or weakens the relationship between independent variables and fraud prevention.

RESULT

The results of the analysis were examined through an outer model used to assess the validity and reliability of the incoming forming the latent construct. In this test, the SmartPLS analysis was used to assess the validity and reliability of each indicator, namely convergent validity, discriminant validity, and average variance extracted (AVE) values to measure the validity of indicators and constructs, as well as Composite reliability values to measure the reliability of indicators and constructs.

Measurement Model

The following are the results of the convergent validity test in this research:

Table 1. Outer Loading Phase 1

Indicator	Risk Management (X1)	Good Governance (X2)	Fraud Prevention (Y)	The Ethics of Organizational Behavior (Z)
X1.1.1	0,867			
X1.1.2	0,913			
X1.2.1	0,831			
X1.2.2	0,801			
X1.3.1	0,899			

X1.3.2	0,859		
X2.1		0,859	
X2.2		0,093	
X2.3		0,826	
X2.4		0,785	
X2.5		0,744	
X2.6		0,854	
X2.7		0,889	
X2.8		0,075	
Y1.1			0,772
Y1.2			0,717
Y2.1			0,834
Y2.2			0,814
Y3.1			0,850
Y3.2			-0,263
Y4.1			0,830
Y4.2			0,881
Y5.1			0,823
Z1.1			0,896
Z1.2			-0,234
Z2.1			0,853
Z2.2			-0,312
Z3.1			0,785
Z3.2			0,005
Z4.1			0,892
Z4.2			0,873
Z5.1			0,877

Source: SmartPLS 4.1, 2025

Based on the results of the convergent validity test presented in Table 4.10, several indicators were found to be invalid or not to fulfil the required criteria for questionnaire items. Specifically, indicators X2.2, X2.8, Y3.2, Z1.2, Z2.2, and Z3.2 have loading factor values < 0.70. According to Ghozali & Latan (2021), the rule of Thumb for assessing convergent validity is a loading factor value greater than 0.70. Therefore, indicators that do not fulfil the required criteria were eliminated. The results of the convergent validity improvement are presented as follows:

Table 2. Outer Loading Phase 2

Indicator	Risk Management (X1)	Good Governance (X2)	Fraud Prevention (Y)	The Ethics of Organizational Behavior (Z)	Description
X1.1.1	0,866				Valid
X1.1.2	0,915				Valid
X1.2.1	0,830				Valid
X1.2.2	0,802				Valid
X1.3.1	0,899				Valid
X1.3.2	0,857				Valid
X2.1		0,901			Valid
X2.3		0,869			Valid
X2.4		0,827			Valid
X2.5		0,823			Valid
X2.6		0,875			Valid
X2.7		0,911			Valid
Y1.1			0,773		Valid

Y1.2	0,720	Valid	
Y2.1	0,840	Valid	
Y2.2	0,810	Valid	
Y3.1	0,852	Valid	
Y4.1	0,833	Valid	
Y4.2	0,883	Valid	
Y5.1	0,825	Valid	
Z1.1		0,895	Valid
Z2.1		0,864	Valid
Z3.1		0,814	Valid
Z4.1		0,906	Valid
Z4.2		0,882	Valid
Z5.1		0,877	Valid

Source: SmartPLS 4.1, 2025

Data elimination was performed on indicators with values < 0.70. As a result, data was obtained where all outer loading values on all indicators were > 0.70, indicating that all variables are valid and processible. After conducting the convergent validity test, the next step is to conduct a discriminant validity test on the indicators. In the discriminant validity assessment, the criteria that must be fulfilled are that the loading value for each indicator is greater than the loading value of other constructs. The results of the discriminant validity measurement process:

Table 3. Cross Loading

Item	Risk Management (X1)	Good Governance (X2)	Fraud Prevention (Y)	The Ethics of Organizational Behavior (Z)
X1.1.1	0,866	-0,366	0,188	0,402
X1.1.2	0,915	-0,349	0,452	0,159
X1.2.1	0,830	-0,445	0,117	0,192
X1.2.2	0,802	-0,378	0,291	0,236
X1.3.1	0,899	-0,440	0,206	0,365
X1.3.2	0,857	-0,266	0,306	0,295
X2.1	-0,360	0,901	0,189	-0,336
X2.3	-0,410	0,869	0,053	-0,385
X2.4	-0,375	0,827	-0,003	-0,379
X2.5	-0,355	0,823	0,037	-0,329
X2.6	-0,333	0,875	0,111	-0,323
X2.7	-0,426	0,911	0,057	-0,343
Y1.1	0,250	0,039	0,773	-0,208
Y1.2	0,227	0,043	0,720	-0,137
Y2.1	0,254	0,175	0,840	-0,246
Y2.2	0,112	0,312	0,810	-0,394
Y3.1	0,331	0,029	0,852	-0,330
Y4.1	0,315	0,111	0,833	-0,212
Y4.2	0,361	0,100	0,883	-0,249
Y5.1	0,391	0,098	0,825	-0,278
Z1.1	0,375	-0,432	-0,223	0,895
Z2.1	0,250	-0,349	-0,198	0,864
Z3.1	0,389	-0,438	-0,231	0,814
Z4.1	0,213	-0,278	-0,306	0,906
Z4.2	0,156	-0,250	-0,394	0,882
Z5	0,276	-0,343	-0,237	0,877

Source: SmartPLS 4.1, 2025

The final step in the validity test is to measure convergent validity using the Average Variance Extracted (AVE) parameter. The AVE test is conducted by examining the square root of the AVE values for each latent construct, using the rule of thumb that the square root of AVE should be > 0.50. The results of the AVE test for each latent construct are presented as follows:

Table 4. Average Variance Extracted (AVE)

Variable	AVE	Description
Risk Management (X1)	0,743	Valid
Good Governance (X2)	0,754	Valid
Fraud Prevention (Y)	0,670	Valid
The Ethics of Organizational Behavior (Z)	0,763	Valid

Source: SmartPLS 4.1, 2025

Based on the AVE values of each latent construct, it shows that all indicators are able to represent each latent construct well. All constructs have a value greater than 0.50, which means that all construct indicators are valid and fulfil the requirements of convergent validity and reliability.

The outer model can also be measured using Cronbach's alpha and composite reliability values. In this test, an indicator is considered reliable if the composite reliability value is greater than 0,70 and Cronbach's alpha >0,70 (Ghozali & Latan, 2021). The reliability test results are presented in the following table:

Table 5. Cronbach's alpha and Composite reliability

Variable	Cronbach's alpha	Composite reliability (rho a)	Composite reliability (rho c)	Description
Risk Management (X1)	0,933	1,017	0,945	Reliable
Good Governance (X2)	0,949	1,213	0,948	Reliable
Fraud Prevention (Y)	0,930	0,940	0,942	Reliable
The Ethics of Organizational Behavior (Z)	0,939	0,978	0,951	Reliable

Source: SmartPLS 4.1, 2025

Inner Model

The inner model was used to examine the relationship between the research variables, significance values, and R-square for the research model. The results of the R-square test in this research are presented as follows:

Table 6. R Square

Variable	R-square
Fraud Prevention (Y)	0.762

Source: SmartPLS 4.1, 2025

Based on the table above, the R-square value for the fraud prevention variable is 0.762. This indicates that this variable has the ability to influence the risk management, good governance, and the ethics of organizational behavior as moderators.

Examining the F-square value is the next requirement in the inner model. The F-square value is used to assess the magnitude of the effect between variables in terms of effect size. An F-square value of 0.35 indicates a strong model, 0.15 indicates a moderate model, and 0.02 indicates a weak model. The results of the F-square testing in this research are presented as follows:

Table 7. F Square

Variable	Fraud Prevention (Y)
Risk Management (X1)	1,711
Good Governance (X2)	0,388
The Ethics of Organizational Behavior (Z) x Risk Management (X1)	0,742
The Ethics of Organizational Behavior (Z) x Good Governance (X2)	0.192

Source: SmartPLS 4.1. 2025

Based on Table 7. it can be seen that the F-square value for the risk management variable (X1) is 1.711. exceeding the threshold of 0.35, which signifies a strong effect size. Similarly, the good governance variable (X2) demonstrates an F-square value of 3.88, also well above 0.35, confirming its strong influence within the model.

Regarding the moderating effects, the interaction between the ethics of organizational behavior (Z) and risk management (X1) yields an F-square value of 0.743, indicating a strong moderating effect. In contrast, the interaction between the ethics of organizational behavior (Z) and good governance (X2) produces an F-square value of 0.192, which falls above the 0.15 threshold, suggesting a moderate effect size. Overall, these results highlight that both main predictor variables exert substantial effects, while the moderating role of the ethics of organizational behavior is particularly strong in relation to risk management and moderate in relation to good governance.

Hypothesis Testing

Hypothesis testing was conducted on the SEM-PLS model in the SmartPLS 4.1 program by analyzing the path coefficient output generated throughout the bootstrapping procedure. The test was conducted to examine the relationship between independent variables and dependent variables, where the results could be either accepted or rejected by examining the significance between variables from the path coefficient value and the p-value.

The Rule of Thumb states that a research hypothesis is supported if the correlation coefficient between variables (based on the original sample value) is in line with the hypothesis. In addition, with a t-statistic value > 1.98 (two-tailed) and a p-value < 0.05, it can be considered to have a significant effect (Ghozali & Latan, 2021). The bootstrapping results in this research can be seen as follows:

Table 8. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Risk Management (X1) -> Fraud Prevention (Y)	0,730	0,621	0,201	3,636	0,000
Good Governance (X2) -> Fraud Prevention (Y)	0,366	0,285	0,181	2,019	0,044

Source: SmartPLS 4.1, 2025

Based on the bootstrapping results presented in Table 8, the findings for each hypothesis are discussed as follows:

H1: The Effect of Risk Management on Fraud Prevention

The results indicate that risk management has a positive and statistically significant effect on fraud prevention. This is evidenced by an original sample coefficient of 0.730, suggesting a strong positive relationship between the two variables. The p-value of 0.000 (≤ 0.05) indicates a significant effect on the relationship between the variables.

These findings imply that improved implementation of risk management practices is associated with higher levels of fraud prevention. In other words, organizations with more effective risk management systems are better equipped to mitigate and prevent fraudulent activities. Therefore, H1 is accepted.

H2: The Effect of Good Governance on Fraud Prevention

The analysis further reveals that good governance also exerts a positive and statistically significant influence on fraud prevention. The original sample coefficient is 0.366, indicating a moderate positive relationship. This is supported by p-value of 0.004 (≤ 0.05), which means that there is a significant effect on the relationship between the good governance and fraud prevention.

These results suggest that stronger governance practices contribute to more effective fraud prevention mechanisms. Organizations that adhere to good governance principles are more likely to establish transparency, accountability, and control systems that reduce the likelihood of fraud. Accordingly, H2 is accepted.

This hypothesis is in line with research conducted by Fauzia & Harnovinsah (2021) and Nafisah & Witono (2024), which states that good government governance has a positive effect on fraud prevention.

Moderated Regression Analysis Test

Following hypothesis testing, a Moderated Regression Analysis (MRA) test was performed to see whether the moderating variable may have an impact, either by strengthening or weakening the link between the independent and dependent variables. The moderation test yielded the following results:

Table 9. Path Coefficient Moderated Regression Analysis Test (MRA)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Risk Management (X1) x The Ethics of Organizational Behavior (Z) -> Pencegahan Fraud Prevention (Y)	0,336	0,298	0,157	2,144	0,032
Good Governance (X2) x The Ethics of Organizational Behavior (Z) -> Fraud Prevention (Y)	-0,218	-0,201	0,163	1,337	0,181
The Ethics of Organizational Behavior (Z) -> Fraud Prevention (Y)	-0,111	-0,117	0,155	0,721	0,471

Source: SmartPLS 4.1, 2025

H3: The Moderating Role of Organizational Ethics Behavior on the Relationship between Risk Management and Fraud Prevention

The results indicate that the interaction effect between risk management and organizational ethics behavior has a positive and statistically significant impact on fraud prevention. This is reflected in the original sample coefficient of 0.336 that indicates the positive relationship between the variables, with the p-value of 0.032 (≤ 0.05) indicates a significant effect on the relationship between the variables.

These findings suggest that the ethics of organizational behavior strengthen the positive relationship between risk management and fraud prevention. In other words, the effectiveness of risk management in mitigating fraud is enhanced when supported by strong ethical behavior within the organization. Therefore, H3 is accepted.

Further examination based on Table 9 shows that the direct effect of the moderating variable (the ethics of organizational behavior) on fraud prevention is not statistically significant ($p\text{-value} = 0.471 > 0.05$). However, the interaction term between risk management and organizational ethics behavior is significant ($p\text{-value} = 0.032 < 0.05$).

This pattern indicates that the ethics of organizational behavior alone is not sufficient to prevent fraud. However, the ethics of organizational behavior can strengthen or support the implementation of risk management in preventing fraud.

The results of this research are supported by the findings of Akbar et al., (2019) which state that organizational ethical behavior is able to moderate the relationship between internal control systems and fraud prevention. This implies that a strong the ethics of organizational behavior can support the effectiveness of internal controls, including the implementation of risk management in preventing fraud within institutions. Furthermore, the results of this research also support the research conducted by Prabowo et al., (2025) which states that organizational ethical behavior has a positive and significant effect on fraud prevention.

H4: The Moderating Role of Organizational Ethics Behavior on the Relationship between Good Governance and Fraud Prevention

The findings reveal that the interaction between good governance and the ethics of organizational behavior does not have a statistically significant effect on fraud prevention. The original sample coefficient is -0.218 , indicating a negative direction; however, this relationship is not significant, as evidenced by $p\text{-value}$ shows of $0.181 (\geq 0.05)$.

These results suggest that organizational ethics behavior does not moderate the relationship between good governance and fraud prevention. Thus, the presence of ethical behavior within the organization does not significantly alter the impact of good governance practices on fraud prevention. Accordingly, H4 is rejected.

The findings of this research are not consistent with the research conducted by Prabowo et al., (2025) which states that organizational ethical behavior has a positive and significant effect on fraud prevention. However, this research supports the findings of Murhaban et al., (2024) which states that organizational behavior does not have a significant effect on fraud prevention.

In this research, this may occur because the implementation of good governance principles in government institutions is generally supported by formal systems, regulations, and internal control mechanisms, such as compliance with laws and regulations, transparency, and accountability in performance and financial reporting. With the presence of these structured governance mechanisms, the proper implementation of good governance itself is capable of preventing fraudulent practices within institutions even without reinforcement from the ethical values embedded in organizational behavior.

DISCUSSION

The results indicate that risk management has a positive and significant effect on fraud prevention, suggesting that effective risk identification, assessment, and mitigation enhance an organization's ability to minimize fraud opportunities. This finding supports Stewardship Theory, which posits that organizational actors act in the best interest of the institution by strengthening control mechanisms (Donaldson & Davis, 1991). It is also consistent with previous studies showing that robust risk management reduces vulnerabilities and improves internal control effectiveness (Wilda et al., 2024; Sulistiyo & Yanti, 2022). The dominance of the context-setting indicator further highlights the importance of early risk identification in preventing fraud.

Similarly, good governance is found to have a positive and significant effect on fraud prevention. The implementation of governance principles such as transparency, accountability, and proportionality contributes to reducing the likelihood of fraudulent behavior by strengthening oversight and promoting responsible conduct. This finding aligns with prior studies Fauzia & Harnovinsah (2021) and Nafisah & Witono (2024) and supports the notion that effective governance systems create a structured environment that discourages misconduct. The prominence of the proportionality indicator suggests that appropriate task distribution plays a key role in minimizing abuse of authority and enhancing accountability.

Furthermore, the ethics of organizational behavior is found to significantly moderate the relationship between risk management and fraud prevention. This indicates that risk management practices become more effective when supported by strong ethical values within the organization. In line with previous research Akbar et al., (2019) and Prabowo et al., (2025), the ethics of organizational behavior reinforces compliance with procedures and strengthen the internal control effectiveness. From a stewardship perspective, ethical values shape responsible behavior and enhance the alignment of individual actions with organizational objectives, thereby improving fraud prevention outcomes.

However, the ethics of organizational behavior does not moderate the relationship between good governance and fraud prevention. This finding suggests that good governance mechanisms are inherently robust and capable of preventing fraud independently of organizational behavior. While this result is inconsistent with some studies Prabowo et al., (2025), it supports others, indicating that organizational behavior may not always significantly influence fraud prevention Murhaban et al., (2024). In this context, formal governance systems—such as regulations, supervision, and accountability mechanisms—appear to play a more dominant role than informal ethical values. Consequently, good governance alone is sufficient to enhance fraud prevention, without requiring additional reinforcement from the ethics of organizational behavior.

CONCLUSION

Based on the results of data analysis and hypothesis testing, this study concludes that risk management has a positive and significant effect on fraud prevention, indicating that more effective risk management enhances an organization's ability to prevent fraudulent activities. Similarly, good governance also shows a positive and significant effect on fraud prevention, suggesting that better implementation of governance principles strengthens fraud prevention efforts.

Furthermore, the ethics of organizational behavior are found to moderate the relationship between risk management and fraud prevention, implying that the stronger the ethics of organizational behavior enhances the effectiveness of risk management in preventing fraud. However, the ethics of does not moderate the relationship between good governance and fraud prevention, indicating that good governance alone is sufficiently robust in preventing fraud without the influence of the ethics of organizational behavior.

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