

## Workplace Dynamics and the Potential for Fraud: A Qualitative Study in the Government Sector

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### Abstract:

*This study aims to assess employee perceptions of the work environment in the Bengkulu government sector and its impact on fraud potential, with the aim of developing effective fraud prevention strategies. This study used a qualitative descriptive methodology using semi-structured interviews with government employees in Bengkulu Province. Data were analyzed using content analysis, which offers insight into the nuances of the work environment and its potential relationship to fraud by exploring employees' subjective experiences and perspectives. The study found that employee perceptions of the work environment in the Bengkulu government sector are related to fraud potential. A conducive work environment and effective internal control are important preventive measures. Factors such as workload, pressure, and leadership behavior significantly shape employee perceptions and influence the likelihood of fraudulent activity. The theoretical implications of this study emphasize the importance of a conducive and ethical work environment in reducing fraud. Practically, these findings highlight the need for policy makers and government administrators to implement stringent internal controls, foster a culture of integrity, and ensure a transparent and merit-based system to minimize fraud and enhance public trust.*

**Keywords:** *Fraud, Government Sector, Work Environment*

## INTRODUCTION

A healthy, ethical, and transparent work environment is a cornerstone of maintaining the credibility, integrity, and effectiveness of government institutions (Albugis, 2016). Governments worldwide are tasked with providing public services, managing public budgets, and implementing policies that impact people's lives (Kuziemski & Misuraca, 2020). However, alongside the complexity of these duties, there is a risk that undermines governmental integrity: the potential for fraud (Leite et al., 2018). Fraud has become a pervasive issue, plaguing not only the private sector but also government organizations. Acts of fraud, such as corruption, abuse of authority, or theft of public funds, can have devastating consequences for economies and public trust in government (Hilal et al., 2022). Therefore, a deep understanding of the relationship between workplace dynamics in the government sector and the likelihood of fraud is crucial. Fraud can be defined as the misuse of one's position or power to gain personal advantage through illegal means, such as misappropriating organizational resources or assets (ACFE, 2022).

Public sector fraudsters often employ various methods, including fictitious activities or projects, embezzlement, budget misappropriation, price inflation, false reporting, budget reduction, abuse of authority, bribery, gift-giving, illegal levies, coercion, stock manipulation, dual budgeting, and price undercutting (ICW, 2021). According to ACFE data from 2020, the three most common types of fraud in Indonesia are corruption, asset misappropriation, and financial statement fraud (ACFE, 2022; Christian & Ricardo, 2023). Fraud can be defined as the misuse of one's position or power to gain personal advantage through illegal means, such as misappropriating organizational resources or assets (Association of Certified Fraud Examiners (ACFE), 2018). Public sector fraudsters often employ various methods, including fictitious activities or projects, embezzlement, budget misappropriation, price inflation, false reporting, budget reduction, abuse of authority, bribery, gift-giving, illegal levies, coercion, stock manipulation, dual budgeting, and price undercutting (ICW, 2021). According to ACFE data from 2020, the three most common types of fraud in Indonesia are corruption, asset misappropriation, and financial statement fraud (Christian & Ricardo, 2023; ACFE, 2022).

Fraudulent practices in the public sector permeate all levels of government administration, from the central government to local governments (Tirande et al., 2022; Ramadhan & Rahman, 2022). In the public sector, fraud cases typically involve individuals in positions of authority, including legislators, political figures, heads of central government departments and agencies, regional leaders such as governors, regents, and mayors, as well as other local officials (Aksa, 2018). In Bengkulu Province alone, three consecutive governors have been implicated in corruption cases. The first, Governor AMN (2005-2011), was accused of misusing special allocation funds derived from Land and Building Taxes (PBB) and the Acquisition of Rights to Land and Buildings (BPHTB) in 2006. The second, Governor UJH (2012-2015), was charged with corruption related to honorarium payments to the M. Yunus Bengkulu Regional General Hospital Supervisory Team in 2015. The third, Governor RM (2016-2018), and his wife were caught in a sting operation in 2017 for accepting bribes related to a road development project funded by developers or contractors (Fatmawati, 2017).

Fraud often arises due to underlying factors, whether they are systematically planned or occur incidentally. Corruption is the most prevalent type of fraud in the public sector (Kristiyani & Hamidah, 2020; Antoni & Enggar Diah, 2021; Christian & Veronica, 2022). Consequently, the factors driving fraud also contribute to the occurrence of corruption. Theoretical concepts regarding the factors that contribute to fraud have evolved from the fraud triangle model to the fraud hexagon model. The fraud triangle posits that opportunity, pressure, and rationalization are the factors that influence fraud, as proposed by Cressey (1953). Expanding on this, Vousinas (2019) proposed the Fraud Hexagon Theory, which introduces six interrelated elements: stimulus, capability, opportunity, rationalization, ego, and collusion. Stimulus refers to external factors—such as financial pressure or organizational targets—that trigger fraudulent behavior. Capability encompasses the knowledge, authority, and access that empower individuals to exploit weaknesses in the system. Opportunity refers to the circumstances that allow fraud to occur undetected, often resulting from weak controls. Rationalization involves internal justifications that make fraud seem acceptable in the minds of the perpetrators. The ego is related to an individual's pursuit of status, power, or recognition that may motivate dishonest actions. Lastly, collusion enables more complex fraud through the cooperation of multiple parties. These six elements reflect not only individual psychological conditions but also environmental factors that shape fraudulent tendencies. The theory provides a robust lens to analyze how organizational settings—particularly in the public sector—enable or inhibit fraud.

The Fraud Hexagon Theory provides a comprehensive framework for analyzing fraudulent behavior by incorporating multiple dimensions that influence an individual's decision to commit fraud. This study applies the Fraud Hexagon Theory to explore how various aspects of the work environment in the public sector contribute to fraud risks. By examining employees' perceptions, this research seeks to understand how organizational culture, leadership style, and internal controls align with the six elements of the Fraud Hexagon. The findings will offer valuable insights into which factors are most dominant in shaping fraudulent tendencies and how government institutions can design targeted interventions to mitigate fraud in the workplace.

One critical component of the organizational setting is the work environment, which refers to the surrounding conditions—physical, social, and structural—that influence how employees perform their tasks (Kurniawaty et al., 2019). It is shaped not only by physical conditions but also by organizational culture, leadership practices, ethical climate, and internal control mechanisms. According to Jabbar et al. (2020), the work environment reflects employees' shared perceptions of the organization's policies, practices, and procedures. A conducive and supportive environment allows employees to perform optimally, while a poorly managed one can hinder productivity and lead to unethical behavior (Kurniawaty et al., 2019).

Maintaining a strong control environment is essential for ensuring productivity, efficiency, and fraud prevention (Albrecht et al., 2019). Fraud often arises as a response to the social and organizational context in which employees operate (Murphy & Free, 2016). One of the key factors influencing the potential for fraud is the ethical culture within the organization (Ratmono & Frendy, 2022). A healthy ethical climate promotes transparency, accountability, and integrity, whereas a toxic or weakly regulated environment may facilitate deviant actions, including fraud (Ali, 2021a).

In the public sector, particularly in bureaucratic institutions characterized by hierarchical structures and rigid governance, the organizational environment plays a crucial role in shaping ethical perspectives and behaviors (Demir et al., 2023; Onyango, 2021). This study explores how public sector employees in Bengkulu Province perceive their work environment and how these perceptions relate to tendencies toward fraud. By employing the Fraud Hexagon Theory, the research seeks to identify specific environmental factors—such as leadership style, institutional pressure, and weaknesses in internal control—that may contribute to the emergence of fraudulent behavior.

There is a correlation between individual behavior and the context of the work environment. In this research, the work environment refers to organizational culture, ethical climate, and internal control systems that shape employees' ethical decision-making. A conducive work environment can reduce an individual's tendency to engage in fraudulent activities (Maulidi, 2020; Dewi et al., 2021). According to Nawawi and Salin (2018), a poor workplace culture has the potential to influence the incidence of fraud within an organization. Inadequate internal controls can create opportunities for fraud (Said et al., 2017; Zuberi & Mzenzi, 2019). Moreover, the work environment can also exert pressure on individuals to engage in fraudulent behavior (Vousinas, 2019a). Thus, the work environment can provide incentives, in the form of opportunities or pressures, that can create conditions conducive to fraud.

## **RESEARCH METHODS**

This study adopted a qualitative approach using a descriptive phenomenological method (Ahmad et al., 2022) to understand and describe government employees' perceptions of their work environment and its potential for fraud based on their

experiences. The research object was the government sector of Bengkulu Province, chosen due to its historical and contemporary challenges in governance and fraud prevention. Bengkulu Province has experienced multiple corruption cases involving government officials in several periods, making it a relevant setting to examine how the work environment contributes to fraudulent tendencies. The study focuses on three government periods between 2005-2018 and the current situation. This period was chosen because it covers major fraud cases that occurred in Bengkulu Province, which then shaped governance practices in Bengkulu Province. Investigating this timeframe allows researchers to capture changes in the work environment, explore recurring patterns in fraudulent activities, and assess whether governance reforms have influenced fraud risks. By comparing past and present conditions, this study aims to provide a deeper understanding of how organizational culture, leadership, and internal controls affect fraudulent behavior in the public sector. This approach enables researchers to understand the phenomenon from the participants' perspective and provides in-depth insights into their experiences. Participants were recruited through purposive sampling to ensure that the collected data met the predetermined criteria (Moleong, 2021). The sample criteria were employees, workers, or officials who had worked in government offices in Bengkulu Province between 2005-2018 with a minimum of one year of service. This criterion considered variations in job types, including political or non-permanent positions, which can change as needed. A total of eight Informants were involved, with details as follows:

Table 1. Data on Informant's Demography

	Gender	Institution	Work Duration
Informant A	Male	Province Inspectorate	> 10 years
Informant B	Male	BPSDM	> 10 years
Informant C	Male	BKD	> 10 years
Informant D	Female	BPKAD	> 10 years
Informant E	Male	PU Province	> 10 years
Informant F	Male	BPK Office Representative	> 10 years
Informant G	Male	Protocolar	> 10 years
Informant H	Female	DPRD	> 10 years

Informants A through H are individuals who served as employees or officials within the Bengkulu Provincial Government during the period 2005–2018. Each informant held strategic roles in different institutions that were part of the provincial administration. These informants were recruited based on purposive sampling with specific criteria: they must have worked within the Bengkulu Provincial Government during 2005–2018 for a minimum of one year. This time frame covers three gubernatorial periods that were each involved in fraud cases, making the insights from these periods crucial for the study. Although some positions were politically appointed or non-permanent in nature, the minimum one-year tenure ensured that each informant had sufficient exposure to the organizational environment and culture to provide reliable perspectives. Their long tenure (>10 years) also adds credibility to their observations regarding the work environment, ethical climate, leadership practices, and internal control systems during the periods under investigation.

Data were collected through in-depth interviews, a technique designed to obtain a clear picture of the research topic. This technique is effective for understanding participants' feelings, opinions, and personal experiences (Milena et al., 2012). The interview outline was based on a literature review and expert opinions (Zhou et al., 2022). Any additional themes not included in the initial framework were added during the interview. Data analysis was conducted using Colaizzi's data analysis (1978) with the assistance of Nvivo software. Colaizzi's method is a qualitative data analysis technique commonly used in

phenomenological research to explore and understand individuals' lived experiences. This method involves a rigorous and systematic process for analyzing interview data to derive meaningful themes and insights. The authors chose Colaizzi's method because it is well-suited for capturing and interpreting the subjective experiences and perceptions of individuals—in this case, public sector employees who worked in the Bengkulu Provincial Government during periods associated with fraud cases. This approach allows for a deep understanding of complex social phenomena, such as ethical culture, work environment, and fraud-related behavior, by emphasizing participants' own words and experiences. Furthermore, the method's structured yet flexible process ensures a thorough and transparent analysis, while returning to participants helps verify the accuracy of interpretations, thereby enhancing the trustworthiness of the research findings. The steps of Colaizzi's data analysis include (Sanders, 2003):

1. Understanding each transcript
2. Extracting significant statements
3. Formulating meaning
4. Organizing formulated meanings into thematic groups
5. Describing the phenomenon under study comprehensively
6. Describing the fundamental structure of the phenomenon
7. Returning to participants

## **RESULTS AND DISCUSSION**

The following findings are presented in response to the interview questions posed to the informants. The analysis of these responses was conducted using Colaizzi's analysis method, resulting in two main themes and twelve subthemes. The first step of Colaizzi's analysis method is to understand each transcript thoroughly. Researchers read and reviewed each interview result repeatedly to gain a holistic understanding of the experiences conveyed by the participants. The purpose of this stage is to build an emotional connection and empathy for the participant's narrative while removing the researcher's personal assumptions or prejudices. Nvivo was utilized to import transcripts and make initial notes through the memo feature, making it easier to organize the data.

Next, the researchers extracted significant statements from the transcripts by reading each line and marking parts containing important meanings related to the phenomenon being studied. The main focus was to capture the participant's unique perspective without first interpreting its meaning. In this stage, Nvivo assists the coding process by giving special labels to important statements to make it easier to search for data in the next stage.

In the third stage, the researchers formulated the meaning of each significant statement that had been coded. This is an in-depth interpretive stage, where the researchers analyzed the hidden or implicit meaning of participant statements in the context of the research question. The memo feature in Nvivo was used to record the results of the interpretation of the meaning and link it directly to the statement in question, creating a transparent analysis trail.

After the meanings were formulated, the researchers then grouped the meanings into main themes. This stage aims to identify patterns, relationships, and common threads between the meanings that have been formulated to form thematic categories that represent important dimensions of the phenomenon. Nvivo is very helpful in managing and visualizing emerging themes, as well as building a systematic hierarchical structure of themes.

Based on the themes that have been compiled, the researchers compiled a comprehensive descriptive narrative about the phenomenon being studied. This narrative not only summarizes the themes but also describes the participants' life experiences in their entirety in the context of a public sector work environment full of ethical challenges. The report feature on Nvivo was used to summarize the coded data as a basis for compiling a description of the phenomenon.

The next stage was to formulate the essential structure of the phenomenon, namely the core experience that is universal and does not change even though it appears in different forms in each participant. The researchers conducted theoretical reflection to identify the main elements that define the participants' collective experiences. In this process, Nvivo helps identify the interconnectedness between themes and detect recurring patterns that indicate the underlying structure of the phenomenon.

As a final step, the researchers returned the results of the analysis in the form of descriptive narratives and the essential structure of the phenomenon to the participants for confirmation. The goal was to ensure that the researcher's interpretation was in line with the participants' original experiences and that no important aspects were missed. Responses from participants were managed using Nvivo as part of the validation documentation of the research results.

## **Fraud**

Based on interviews with three informants regarding fraudulent practices, it was concluded that while preventive measures and internal controls can be strengthened, completely eradicating fraudulent practices remains challenging. Informant A emphasized that fraud can only be minimized, not entirely eliminated. Meanwhile, Informant B, a former treasurer, described their efforts to maintain transparency and accountability in financial management, including welcoming audits. However, they acknowledged that the potential for fraudulent activities always exists. Informant C highlighted the critical role of evidence and documentation in addressing fraud allegations, asserting that without concrete proof, they would defend their subordinates. Additionally, Informant A suggested that robust internal controls and audit recommendations should aim to address the root causes of fraud, such as improving remuneration to reduce financial incentives for fraudulent behavior.

### **a. Pressure**

Research findings have revealed various perspectives on the challenges, dynamics, and influence of leadership within workplaces. Informant C described his current work conditions as far from ideal, characterized by limited budgets, heavy workloads, high-pressure environments, and increasing internal conflicts, a stark contrast to the more prosperous conditions of the past. Meanwhile, Informant F highlighted the pivotal role of local leaders in strategic decision-making and their involvement in questionable actions taken without their explicit approval or guidance, underscoring the significance of leadership in shaping an organization's direction and integrity. Effective teamwork and organizational structure, particularly the division of labor within workgroups composed of several individuals, can mitigate the negative impacts of work pressure, as explained by Informant A,

*"...even if it is a bit heavy, we will give you the freedom to finish your business first because out of 8 missing one is still 7, 7 can still work as a team..." (Informant A).*

They emphasized that such structure and team support facilitate smooth operations even in the face of challenges, highlighting the importance of flexibility in managing team members' workloads.

**b. Opportunity**

Interviews with various informants revealed significant changes in government financial practices and project management following the 2015 findings by the Supreme Audit Agency (BPK). Informant B described how previously looser procedures for creating honoraria and managing budgets allowed for less transparent financial management practices. After 2015, the system became more stringent, requiring detailed budget breakdowns and reducing opportunities for misuse of funds. As Informant B explained,

*"In the past, we could manage everything financially, we could make honorariums, we could make honorariums for any activity. Because of that, we could evaporate money. After 2015, that is no longer possible, now it is detailed, it is no longer possible, it is detailed..."* (Informant B).

Informants C and D highlighted the direct impact of these changes at the individual and operational levels, including challenges in adapting to the stricter system and consequences for those involved in unethical practices. Informant F, through their audit experience, pointed out discrepancies between reported and actual project conditions, indicating gaps in oversight and implementation. Meanwhile, Informants G and H alluded to ongoing practices of giving and receiving in government activities despite stricter regulations. Informant A emphasized the role of the inspectorate in overseeing, guiding, and mentoring Organizational Units (OPDs) from the planning to the implementation stages, demonstrating the government's efforts to enhance accountability and transparency. Overall, the interviews indicated a shift towards better and more transparent governance, although challenges in implementing and adapting to the new system persist.

**c. Greed**

Informant F explained,

*"If, for example, the leaders in SKPD in the agency exemplify a simple life and the needs are met. The level of fraud in the agency will be small if the leaders can provide such an example..."* (Informant F).

Based on the interview with Informant F, this research identified a significant influence of leaders' lifestyles and behaviors on work practices and integrity within government organizations. Informant F asserted that if a leader in a Regional Apparatus Working Unit (SKPD) can demonstrate a simple lifestyle and meet their needs without excess, it can reduce the level of fraud within their workplace. Conversely, if a leader chooses to live a luxurious and extravagant lifestyle, this can set a negative example for their subordinates, potentially increasing unethical practices within the organization. These findings highlight the importance of leaders serving as role models in setting standards of integrity and work ethics among their staff, underscoring the impact of leadership on organizational culture and adherence to ethical practices.

**d. Collusion**

This research delves into the dynamics of nepotism and corruption within government, as revealed by Informants E, F, and H. The following is the statement of informant F,

*"...he has spent money, in other words, billions for that campaign, so he automatically wants to return it..."* (Informant F).

Informant E acknowledged widespread nepotism, with family and nephews involved in work practices, indicating a normalization of favoritism based on family relations. Informant F provided specific examples of corruption cases involving a gubernatorial candidate engaged in unethical transactions to win project tenders, highlighting how political ambition and the need to secure campaign return on investment can drive corrupt practices. Additionally, the discrepancy between reported infrastructure conditions and on-the-ground reality underscores the inaccuracies and potential misuse of funds in infrastructure projects. Meanwhile, Informant H emphasized that job recommendations often originate from council members, indicating a network of nepotism and political influence in appointments. These findings illustrate how nepotism and corruption can become embedded within the structure and practices of government organizations, revealing significant challenges in reducing unethical practices and improving transparency and accountability.

**Work Environment**

**a. Conducive**

Based on the interview with Informant A, this research indicates that the provincial government's operations are considered conducive as explained by Informant A,

*"The process of governance in the province has so far been conducive."* (informant A).

This assessment reflects a situation where government operations run smoothly without significant disruptions that undermine the effectiveness or efficiency of public services. This conduciveness can serve as an indicator of stability in management and inter-agency coordination, which is essential for creating a supportive environment for economic, social, and infrastructure development. Although this reference is brief, the informant provides a positive overview of the condition of government operations at the provincial level, suggesting a strong foundation for the effective implementation of government policies and initiatives.

**b. Responsibility**

Informant B stated,

*"In the past, all staff were fully responsible. If they were asked to work, they would not stop until it was finished. There was no need to tell us that if the work were not finished tomorrow, we would definitely do it. Staff loyalty no longer existed, but now, there is no staff loyalty to the leader. There is no full responsibility."* (Informant B).

An interview with Informant B revealed a significant change in work ethic and responsibility among staff in the current work environment compared to the past. According to Informant B, in the past, staff had a strong sense of responsibility and loyalty to officials, fully committed to completing assigned tasks. Former staff were



described as individuals who would not stop working until their tasks were completed, demonstrating a high level of dedication to their work without needing reminders. In contrast, in the present era, loyalty and a sense of responsibility seem to have diminished, with staff less committed to fully completing tasks. This change reflects a shift in work culture, which may be influenced by various factors, including generational changes, work expectations, and organizational dynamics. These findings highlight the importance of understanding and addressing these differences in work culture to improve efficiency and effectiveness in task performance.

**c. Rolling System**

Based on the interview with Informant A, it was stated,

*"So it is rolling, I have moved several times." (Informant A).*

This research reveals dynamic career experiences within the government organizational structure, including the practice of rolling or position transfers. Informant A explained their experience of undergoing several position transfers since 2005, including holding an echelon 4 position before being promoted to echelon 3 in 2017, with the designated title of assistant inspector. This career path reflects not only a rotation system designed to broaden employee experience and competency but also demonstrates a leadership development process within the government structure. Emphasis on such career mobility can help in building a wider understanding of the organization and enhance employees' managerial and administrative capabilities, which are crucial for improving government effectiveness.

**d. Leadership Selection**

The findings of this research depict the evolution and challenges within the career system in the government environment, based on interviews with Informants B and D. Informant B conveyed that prior to the 1998 reform, the promotion and career determination process for government employees was clearly predictable based on seniority, performance, and predetermined career paths. However, after the reform era, this system underwent significant changes, where position determination and promotion became less transparent, with factors such as connections and political promises playing a more dominant role in job appointments. Informant D explained,

*"...even though he is a smart person, his work is good, his rank is sufficient, but because of the factor that he does not know anyone, there is no path, so to speak, there is no grease, that is it. Who is truly ambitious, then he knows the path, then there is support, and suddenly he is like, 'Huh, change?'. It is just disguised, not too vulgar to see. That is how people play nice." (Informant D).*

Informant D added that in practice, even if a government employee possesses good qualifications and performance, their promotion opportunities can be hindered without access or 'grease' to the right networks. This contrast indicates a shift from a more meritocratic system to one that is more influenced by politics and networks, where individual ambition and connections become key factors in navigating a career within the government. These findings reflect the complexities and dynamics involved in human resource management within the public sector, highlighting the challenges in ensuring a fair and transparent promotion process.

**e. Job Description Division**

This research highlights the dynamics and challenges of job description or task division within government settings based on interviews with several informants. Informant E indicated that task division tends to be flexible and dependent on needs, often resulting in a passing of the buck between departments or between city and provincial levels of government when issues arise. Meanwhile, Informants G and H emphasized the importance of early coordination and assignments based on clear competencies and duties, with examples of coordination for visits by members of the House of Representatives and specialization in budgetary matters. Informant G stated,

*“Initial coordination with us first, initial information on the arrival of members of the Indonesian House of Representatives Commission IX. Car needs relating to where the event is and where the lunch is. After we have learned that information, we summarize it, and we raise it with the leadership. Later, the leadership will lead a meeting for their service.”* (Informant G).

Informant A provided a perspective on changes in the functional position structure within the inspectorate, moving from a more general system to specialization in auditing and supervision, as well as a more even distribution of tasks among various positions to manage different Regional Apparatus Organizations (OPDs). These findings underscore the importance of a clear organizational structure, task specialization, and effective coordination to enhance performance and accountability in government administration.

**f. Human Resource Composition**

This research delves into the critical aspects of human resource composition within government agencies, drawing insights from interviews with Informants B and G. Informant B highlights a noticeable trend of inter-departmental transfers, often motivated by geographical considerations such as proximity to one's residence, as well as factors like age and previous official experience as explained by Informant B,

*“...many of them are from the secretariat, the reason they moved was mostly because it was close to home and there are many people who live here, and also those who moved were older, there were also former officials.”* (Informant B).

This suggests that the composition of human resources within government bodies is frequently shaped by a diverse array of personal and administrative factors. Conversely, Informant G emphasizes the organization's commitment to capacity building through annual technical assistance and protocol coordination meetings, accessible to employees nationwide. This initiative aims to enhance the skills and competencies of the workforce, particularly for those identified as requiring additional protocol expertise. Collectively, these perspectives underscore the importance of responsive and adaptive human resource management, which not only addresses the needs and well-being of employees but also fosters professional development and elevates the quality of public services.

**g. Trust Between Leaders and Subordinates**

Informant B underscores the significance of mutual respect and commitment as foundational elements of effective working relationships as stated by Informant B:

*"We do not need to talk about 'I must be respected as a leader,' it is not necessary, but we respect each other like that..."* (Informant B).

However, field observations, as described by Informant H, revealed that trust and individual performance influence the opportunities afforded to employees, including assignments to out-of-office duties and other activities. This suggests that recognizing and rewarding diligence and contributions serve as tangible means of reinforcing trust and motivating subordinates. Meanwhile, leadership transitions often give rise to concerns about the continuity of trust and workforce utilization, highlighting the contingent nature of working relationships on perceived performance. Informant A further elaborated on this point, arguing that foundational trust in appointment processes, akin to the relationship between a president and cabinet, is a prerequisite for successful leadership. The absence of resignations among department heads, despite intense competition, underscores the value of trust as a valuable asset.

#### **h. Control Environment**

This study examines the control environment within government organizations, focusing on oversight mechanisms, accountability, and human resource development as critical elements in maintaining integrity and operational effectiveness. Based on interviews with Informants A, B, C, D, E, F, G, and H, several key findings emerged. First, there is an emphasis on multi-layered and hierarchical oversight systems, such as routine audits, performance reviews, and evaluations conducted by both internal and external entities like the Supreme Audit Agency (BPK) and the Inspectorate. Second, the importance of proportionate and graduated sanctions in response to disciplinary or ethical violations is evident, indicating efforts to strengthen individual and organizational accountability. Third, initiatives for human resource development and capacity building through training and technical assistance, as well as assignments based on competence and integrity, are in place. Fourth, information technology plays a role in enhancing oversight and transparency, such as through the use of applications for monitoring activities and asset management. Fifth, integrity pacts serve as initial moral and ethical commitments before assuming duties. These findings underscore the importance of a robust and dynamic control environment within government organizations to prevent irregularities, enhance transparency, and ensure accountability in public administration. This is as explained by Informant C,

*"supervised by third parties, ombudsman and others. We hold this application, and I will trace everything, ma'am. The owners of the application are, of course, people who I think have integrity; if not, I do not give it to them."* (Informant C)

Pressure, a key component of the Fraud Hexagon Theory (Vousinas, 2019), figured prominently in the findings related to workplace dynamics. High workload, budget constraints, and internal conflict were identified as critical pressures contributing to fraudulent tendencies. However, the findings also indicated that structured teamwork and clearly defined organizational roles helped mitigate the adverse effects of these pressures. This insight is in line with Kurniawat et al.'s (2019) assertion that a supportive and structured work environment encourages optimal performance and ethical behavior, thereby reducing the likelihood of fraud.

Opportunity, another key element in the Fraud Hexagon, was highlighted through observations of changes in financial management and audit practices. More stringent audit

procedures and detailed financial reporting have reduced opportunities for fraudulent activities. However, informants indicated that despite improvements in internal controls, certain vulnerabilities and oversight gaps remain, highlighting the need for continuous strengthening of the governance framework and internal control mechanisms, consistent with the perspective of (Albrecht et al., 2019).

The dimensions of greed and ego also emerged, particularly in relation to the influence of leadership on organizational integrity. The lifestyle and personal behavior of leaders have been found to have a significant impact on employee behavior, underscoring the need for leaders to model ethical standards. This is consistent with theoretical perspectives indicating that ethical leadership and modeling integrity significantly shape organizational culture and employee behavior (Maulidi & Ansell, 2020).

Collusion emerged as another influential factor in the Fraud Six Theory. Findings indicate persistent problems associated with nepotism, political interference, and informal networks influencing project appointments and allocations. Such practices illustrate profound challenges to transparency and accountability in public institutions, echoing findings reported by Indonesia Corruption Watch (2021) and ACFE (2022), which highlighted common corruption patterns in the public sector.

The work environment is further characterized by a significant shift in employee responsibility and accountability. Past eras reflected higher employee commitment and loyalty compared to current observations of diminished accountability. Thus, organizational culture plays a significant role in shaping attitudes toward integrity and ethical compliance, which is in line with Nawawi and Salin's (2018) view of workplace culture as an integral part of fraud prevention.

Career dynamics such as job transfers and leadership selection significantly affect perceptions of fairness and transparency within an organization. While role rotation is intended to diversify employee experience and competencies, perceptions of favoritism and politically driven decisions have clouded the merit-based promotion system. These conditions have the potential to affect employee motivation and commitment to ethical practices, reflecting the inherent complexity of public sector human resource management.

Clarity in job descriptions and task specialization emerged as critical components of effective governance and internal control. Clearly defined roles and responsibilities minimize ambiguity, reduce potential opportunities for fraud, and increase organizational accountability, consistent with Albrecht et al. (2019).

Finally, mutual respect and trust between leaders and employees were identified as the foundation for a positive and ethical organizational climate. Trust-based relationships foster integrity and accountability, supporting the theoretical proposition that a strong ethical climate and interpersonal trust are important deterrents against fraud (Ali, 2021; Ratmono & Frendy, 2022).

## **CONCLUSIONS**

This study provides a comprehensive qualitative analysis of how public sector employees perceive their work environment and how these perceptions relate to the risk of fraudulent behavior. Using the Fraud Hexagon Theory, this study reveals that fraud-related factors such as pressure, opportunity, rationalization, ego, capability, and collusion are strongly influenced by workplace conditions. Elements such as high workload, unclear responsibilities, and weak control mechanisms can encourage unethical behavior, while ethical leadership, structured teamwork, and trust-based relationships serve as protective factors. These findings emphasize the importance of fostering a transparent, accountable, and integrity-based work environment in government agencies. Leadership practices,

human resource management, and organizational values all play a significant role in enabling or preventing fraud.

This study provides practical insights for policymakers and public sector leaders to develop ethical, transparent, and anti-fraud organizational strategies, including fair leadership selection, stronger internal controls, and a trust-based culture. The findings also offer theoretical contributions by emphasizing the role of workplace dynamics in shaping fraudulent behavior in complex government systems. Ultimately, this study supports the need for systemic reforms to promote long-term institutional integrity and effectiveness.

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