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Fraud profile and fraud prevention in public sector: Internal audit perspective

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Abstract

This paper examines the fraud profile in public sector and fraud prevention strategies in the fight against fraud as perceived by the internal audit staff in the Malaysian Ministry of Defence (MINDEF). The research objectives are to understand the fraud profile in MINDEF and to examine the effectiveness of fraud prevention and detection measures as perceived by the internal audit staff in MINDEF. The research methodology is based on both qualitative and quantitative approaches which include survey questionnaires to the internal audit staff of Internal Audit & General Investigation Department in MINDEF supported by an interview with the Chief Internal Auditor. This perception based study on Fraud Profile and Fraud Prevention in public sector is adapted from the study by Gloeck and Jager (2005). The findings on the fraud profile in MINDEF do raise some concern especially when fraud are perceived to be on the rise and committed at the highest level and by top management in the MINDEF. The top five most effective fraud prevention and detection measures are 1) increased involvement of internal auditors 2) implementation of Islamic values 3) improved internal control 4) top management to model appropriate behaviour and 5) establishing whistle blower policy.

Keywords: Fraud, Fraud Profile, Fraud Prevention, Internal Auditor, Public Sector

1. INTRODUCTION

In most cases, frauds are not reported as the reputation and image of a particular staff or department is at stake. Some fraud cases become too complicated and may lead all the way up to the top and highest management. This scenario inevitably leads to another issue concerning the transparency and independence of internal auditors in the government sector which in turn may undermine the report or findings of fraud. In order to gain some insight into ways of combating fraud, there is a need to understand the fraud profile in the organization. The role of public sector internal auditors as part of the fraud preventive measure mechanism is at times seen as not effective especially when fraud and corruption cases are exposed by whistle blowers and long after they occur. Thus, other fraud preventive and detection measures should be looked at in terms of its effectiveness in order to deal with the problem at a more holistic approach.

This study looks at the seriousness of fraud in the public sector environment in Malaysia which has been frequently highlighted in the mainstream news and social media, numerous studies and surveys and the Auditor General's Report. This study therefore focuses on the perceived opinions provided by the internal auditors in the Malaysian Ministry of Defense (MINDEF) towards achieving the following objectives which are related to

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fraud profile and the effectiveness of fraud preventive and detection measures in the public sector. The objectives of this study are:

1. To understand the fraud profile in the public sector specifically in the MINDEF from the perceptions of its internal auditors
2. To examine the perceptions of the internal auditors of the MINDEF on the effectiveness of the fraud preventive and detection measures

The scope of the study includes fraud profiling in MINDEF and examining the effectiveness of fraud preventive and detection measures based on the internal auditors' perceptions. Another important aspect of this study is on issue related to the changes in roles of the internal auditors with the implementation of Treasury Circular No. 9 Year 2004. Survey questionnaires adopted from Gloeck and Jager (2005) together with the interview with the Head of Internal Audit & General Investigation Department were conducted to gain insightful information and data in line with the objectives of this research.

By understanding the profile of fraud through the eyes of the internal auditors, a more positive approach can be taken especially in managing fraud risks and deterring fraud. The effectiveness of fraud prevention and detection measures determined in this study can be evaluated and studied by all government agencies in the fight to prevent fraud and corruption in line with the government's initiative of economic and government transformation programs. There is a need to look at the roles and functions of internal auditors in the public sectors more objectively in order to make them more effective especially in the fraud preventive measures.

2. LITERATURE REVIEW

Fraud that occurs in the public sector is more related to fraud against organization or occupational abuse. Albrecht, Albrecht, Albrecht and Zimbelman (2009) suggested that asset misappropriations are the most common type of fraud against organizations which fall into two categories: theft of cash and thefts of assets. According to Albrecht et al (2009), corruption can be broken down into the following four scheme types: bribery, conflict of interest, economic extortion and illegal gratuity.

According to Monfardini and Maravic (2009), auditing is the traditional instrument to maintain a grip on government activities and provide information for administrative systems, elected officials, and sometimes constituents. It is generally seen as an indispensable element of the regulatory system. The management of public funds demands trustworthiness and the audit aims to reveal deviations from accepted standards, be they legal, ethical, or economic (International Organization of Supreme Audit Institution (INTOSAI), 1998). The traditional 'compliance audit' sees that expenditure is authorized, spent on the designated purpose, and procedurally correct. According to INTOSAI, performance audit is "oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity including both organizational and administrative systems" (INTOSAI, 1998).

Ali, Gloeck, Ali, Ahmi and Sahdan (2007) in a study on the internal auditors of public sector suggested that internal auditors face numerous challenges such as under staffing and internal politics from cases that display lack of transparency and public accountability from its major actors. Dye (2007) stated that most audit staff often take a clerical approach, demanding strict compliance with procedures while often missing the objective of the procedures. Minor aberrations and misuse of funds are highlighted, whereas major systemic failures resulting in large losses to the public go unidentified. Audit officers and staff need training to determine what is significant enough to warrant reporting and training for government officials on public procurement concept, objectives, processes, and their rationale. Siddiquee (2006, 2010, 2014) finds that public accountability has become difficult to practice due to many variety of factors, often rooted in the politico-bureaucratic institutions that render accountability mechanisms largely ineffective. On the other hand, Asare (2008, 2009) suggested that a well structured internal auditing with a given mandate to perform can improve performance and serve as a valuable resource in promoting good governance in public sector. Asare (2008, 2009) identified the role of internal auditing involved three main elements, namely the evaluation and improvement of risk management, control and governance processes which sometimes referred to as the "three pillars" of internal auditing.

Gloeck and Jager (2005) have conducted an extensive study about perceptions of fraud profile in the public sector of South Africa, represented by survey respondents consisting of Accounting Officers/Chief Financial from the various national and provincial departments, local authorities and public entities. The researchers feel that the government institutions need relevant information regarding fraud in order to be able to develop more effective risk management strategies and fraud prevention plans. This study indicates that there is an increase in the trend of fraud occurrence in the public sector in South Africa which appeared to be in tandem with findings

of other related studies. In terms of fraud awareness, it is suggested that staff with more experiences will have the high level of fraud awareness. It is also apparent that perceptions regarding fraud awareness and the occurrences of fraud differ between top and middle management. Fraud occurrences rise when the size of the organization increases with the following environmental factors for fraud to occur such as follows in the order of importance: weak internal controls, bad management, lenient penalties, low social values, low salaries and economic pressures. The study also finds that bribes and secret commissions and gifts are the common types of fraud for both employees and management fraud followed by inventory theft, fruitless and wasteful expenditure, procurement fraud, irregular expenditure, asset theft, unauthorized expenditure, leave fraud, cheques fraud and fraudulent claims.

Gloeck and Jager (2005) have identified a series of measures to prevent fraud in their survey that can be adopted which include:

- implementing a fraud prevention plan;
- forensic review by consultants;
- implementing a Code of Ethics;
- improve internal controls systems;
- involvement of internal audit function;
- involvement of Audit Committee;
- investment in security systems;
- increasing visible deterrents: warning signs, etc.;
- reference checks on employees;

The result of their survey has identified the two top ranked fraud prevention measures perceived as importance are 1) to improve internal controls system and 2) the involvement of internal audit function. Other measures that followed based on the ranking order are: implementing a Code of Ethics, implementing a fraud prevention plan and training in fraud prevention.

3. RESEARCH METHODOLOGY

This study is adapted from “*Fraud Profile in Public Sector Institution*” by Gloeck and Jager (2005), which is a survey based on perception conducted in the South Africa public sector as represented by the various national and provincial departments, local authorities and public entities. Their study provided a foundation in the study of fraud profile in public sector and contribution towards the identification of specific preventative and detective measures in the fight against fraud. Considering the similarities to a certain extent in terms of the environment and objectives, it is appropriate that their study be adapted as a basis of this study.

This study employs both quantitative and qualitative research methods as follows: (i) Survey questionnaire directed towards the internal auditors in the Internal Audit & General Investigation Department (ii) Face to face interview with the Head of Internal Audit & General Investigation Department. The study is generally an adaptation from “*Fraud Profile in Public Sector Institution*” by Gloeck and Jager (2005). Their study provides an insight into the fraud profile in the public sector in South Africa and is used also as comparisons with this study. The current study however differs in terms of the population size and the respondents for the survey questionnaires. This study employed survey questionnaires and supported by an in depth interview with the Head of Internal Audit & General Investigation Department. Respondents for survey questionnaires of this study are the internal auditors in MINDEF (Internal Audit & General Investigation Department) with a small population of 60 staff. Data and information from both methods are analyzed descriptively to provide a better understanding and then compare to the findings of the adapted study (Gloeck & Jager, 2005) towards achieving the objectives of this study.

All the data collected from the questionnaires is analyzed using Social Package Software System (SPSS version 20). Descriptive statistics are used to compute the results of the demographic profile of the respondents and source data relating to fraud profile and the effectiveness of its preventive measure. The mean, standard deviation and the number and the percentage of responses will be illustrated in the following section. The data collected from the interview is analyzed together with the results of the survey questionnaires. The data obtained from the interview will also provide valuable insights and information concerning the changing roles of the internal auditors in this case study organization.

The questionnaire is divided into 3 sections. Section A is to gain some background information regarding the respondents such as age, gender, race, academic qualification, years of service, job appointment, job function and also knowledge of fraud occurrence in the organization. In Section B, the respondents were asked questions

relating to fraud profile such as fraud awareness, types of fraud they perceived to be occurred and also on the characteristics or traits of the fraudsters themselves. The last section, in Section C, is to get the respondent's perceptions on the effectiveness of fraud prevention and detection measures used in their organization. The questionnaire is designed based on a likert scale from 1 to 7 to indicate the varying low and high with respect to the level of awareness, types of fraud occurrences and the effectiveness of prevention and detection measures being employed. This study only focuses on internal audit staff in the Internal Audit & General Investigation in MINDEF that perform the function of audit and investigation, excluding the clerical staff. The population size for the internal audit personnel working in the MINDEF was estimated to be 60 staff. The interview which lasted about two and a half hours was properly taped and the interview transcript was later signed and verified by the interviewee. The interview was aligned towards understanding the profile and nature of fraud occurring within the realm of MINDEF and also to discuss some of the fraud preventive and detection measures.

4. DATA ANALYSIS AND FINDINGS

This section discusses the data analysis and findings obtained primarily from the survey questionnaire and the interview conducted with the Head of Internal Audit & General Investigation in MINDEF. Research findings for this study will be presented according to the study objectives as well as to make comparison with the findings highlighted by the adapted study (Gloeck & Jager (2005).

A total of 30 internal audit staffs in the Internal Audit & General Investigation in MINDEF had responded and returned their completed questionnaire which amounts to about 50 % response rate. In comparison, the survey questionnaire in Gloeck and Jager (2004) yielded a lower percentage (24.56%) but produces a higher number of usable questionnaires (528) as it has a relative larger population of 2150. The respondents of the current study were between the age of 20 years old (min) and 56 years old (max) with a mean of 33.73 years of age. Fourteen (14) respondents or 46.7 % were male while 53.3 % were female. They provide a balanced response based on gender. In terms of ethnic or race, only one respondent is an Indian while the rest are Malays. As for academic qualification, the respondents have at least a Diploma or a Bachelor Degree or a Master Degree with the percentage of 50%, 40% and 10% respectively.

In terms of years of service in the public sector, 43.3 % of the respondents have served in the public sector for more than 8 years while 56.7% of the respondents have only served less than 8 years. The Internal Audit & General Investigation in MINDEF appeared to have a well balance staff comprising of junior and senior personnel. The respondent's job appointment is mostly Assistant Auditors (60%), followed by Senior Auditors (26.7%) and others (13.3%). Comparatively in Gloeck and Jager (2005), the respondents consisted of all Accountants and Chief Financial Officer from various levels of the South Africa public sector. Though differ in job appointments, the nature of work and experience in these appointments provide a sound perception and perspective on the subject of fraud in the public sector.

About 96.7% or 29 respondents include audit as their job function as illustrated by Figure 1 and about 66.6% or 19 respondents have other job functions such as investigation and research. In MINDEF, investigation and research is also part of the internal audit department role as being confirmed in the interview. This additional role may provide valuable exposure and experience to the internal auditor and thus able to provide a more appropriate and substantiated views and perceptions on the subject matter. On the other hand, the respondents in the adapted study (Gloeck & Jager, 2005) have a more specific job function which involves only accounting and financial matters.

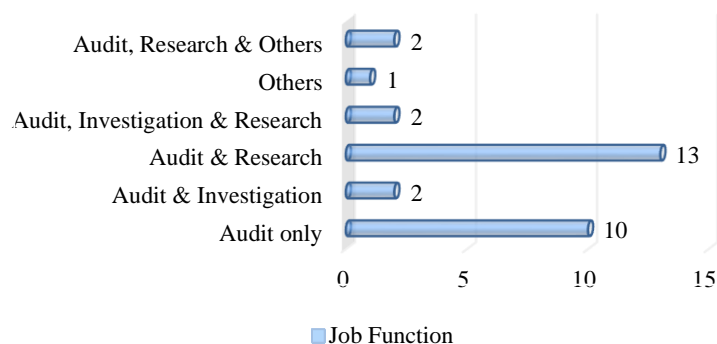


Figure 1. Respondent's Job Function

4.1 Research Objective No: 1 - Fraud Profile

In Gloeck and Jager (2005), fraud profile is being defined as the relevant fraud issues related to fraud awareness, types of fraud, the fraudsters, and how fraud is discovered. In this study, these similar issues are presented and discussed.

4.1.1 Fraud Awareness

Table 1. Fraud Awareness

Survey Questions On Fraud Awareness:	N	Mean	Std. Deviation
Government emphasis on awareness	30	5.40	1.003
Level of own awareness.	30	5.00	1.083
Level of organization fraud awareness	30	4.87	1.196
Believing fraud is on the rise	30	4.80	1.064
Perception on fraud occurrence	30	4.66	1.045
Perceiving fraud is a major problem	30	4.50	1.167
Occurrence of fraud over past 2 years.	30	4.27	1.230

The respondents were asked seven series of questions regarding fraud awareness and were asked to choose based on the scale from 1 (very low) to 7 (very high). The perceived mean on the series of 7 questions are found to be above the average mean of 3.5 as shown in Table 1. Similar perceived mean statistics (above average mean) are found and reflected in Gloeck and Jager (2005). The descriptive analyses on the perceived means are as follows:

1. Respondents seem to believe that the government has placed more emphasis to educate and instill fraud awareness as the problem of fraud and corruption is viewed as critical. Transformation in the internal audit units set up in ministries and departments implemented by the government among other controls and monitoring mechanisms are positive indicators. This finding seem to be supported by the interview result where ministries and departments are being exposed more on fraud awareness programs and seminars. The trend appears to be similar in Gloeck and Jager (2005), as governments are aware that negative perceptions on fraud will have adverse impact on foreign investment and the economy.
2. The internal auditors own awareness is also perceived as being enhanced over the years. This is due to the audit experience and knowledge acquired over time which in turn increase competency. Seminars on fraud awareness were also conducted by Internal Audit & General Investigation in MINDEF based on the interview feedback.
3. The overall level of fraud awareness within the organization (MINDEF) is also perceived as being increased. With more exposure and availability of mainstream media and social media regarding fraud cases and occurrence have increase the overall awareness
4. Another interesting result is that many perceived fraud is on the rise and feel that it is a major and critical problem especially in MINDEF. Similarly in Gloeck and Jager (2005), “9 out of 10 persons of being interviewed, positively state that they see fraud in the public sector as a major problem.

4.1.2 Types of Fraud

Table 2. Comparison on Types of Fraud Perceived

Types of Fraud	N	Mean	Internal Auditors Ranking	Gloeck and Jager (2005) Ranking
Bribes/ Secret Commission	30	5.20	1	1
Wasteful Expenditure	30	5.17	2	3
Irregular Expenditure	30	5.03	3	5
Misuse of Government Assets	30	4.83	4	NA
Time Fraud	30	4.77	5	NA
Sub Standard Products	30	4.67	6	NA
False Invoicing/ Claims	30	4.63	7	7
Unauthorized Expenditure	30	4.63	8	6
Irregular approval of Procurement	30	4.60	9	4
Theft of Inventories	30	4.57	10	2

The respondents were asked to rate the frequency of the types of fraud occurring based from the scale 1 (*Least Frequent*) to 7 (*Most Frequent*). The results seems to suggest that the top 10 most frequent type of fraud committed are Bribes/ Secret Commission, followed closely by Wasteful Expenditure, Irregular Expenditure, Misuse of Government Assets, Time Fraud, Sub-Standard Products, False Invoicing/ Claims, Unauthorized Expenditure, Irregular Approval of Procurement and Theft of Inventories respectively. The results are then compared with the findings in Gloeck and Jager (2005) based on ranking 1 (highest) to 10 (lowest) as illustrated in Table 2; with the exception of 3 types of fraud indicated by “NA” as they are not ranked in the top 10 based on the list. Undoubtedly, bribes/ secret commissions are ranked highest in both studies. The results appear to be

supported by the findings in the interview whereby it was suggested that bribes “can occur everywhere and at all levels” and these includes quotes of some examples of secret commission that can occur. However, bribery incidences are seldom reported and difficult to prove; thus statistics of cases may only be “the tip of the iceberg”. Wasteful and irregular expenditure is frequently highlighted by the Auditor General (external auditor) in the Auditor Report. Time fraud is also perceived in the top 5 as it is seen as misconduct committed mostly by low level employees who at times are ignored or indirectly condoned. This finding is similar with the interview result where it is highlighted that bosses are sometimes quite lenient towards staffs that are always late and missing during working hours.

4.1.3 The Fraudsters

Table 3. Perceived Fraud Committed by Groups

Employee Group	N	Mean	Std. Deviation
Highest Level	30	5.13	1.737
Top Management	30	5.00	1.486
Middle Management	30	4.87	1.408
Low Level Employees	30	4.00	1.414

The respondents were asked to what extent do they perceived fraud are being committed by the four groups of employees/ levels of management from the scale of 1 (least likely) to 7 (most likely). The highest level here refers to the highest level of administration in the MINDEF while top management are the top executives heading the various branches and department in MINDEF and in all the states over Malaysia based on the organization’s change of command. As illustrated in Table 3, the result seems to suggest that fraud is perceived to be committed more at the highest level and by top management which is further supported by the findings in the interview where it was mentioned that some high budget procurement of military assets are decided upon by the highest level in the ministry without or with little interferences from the internal auditors. These results have adverse reflection on the image of the ministry in general. The findings in Gloeck and Jager (2005) also suggest that respondents perceived fraud is mostly committed at the highest level. It is also interesting to note that during the interview it was mentioned that in fraud things can even get more complicated when it involves the highest level of the administration. According to the interviewee; this scenario happens in most places in the government and the private sector as well. It can be seen as a culture that has been derailed by greed.

Table 4. Responds to Questions on Fraudsters.

Survey Questions on Fraudsters	N	Mean	Std. Deviation
Most fraud involves collusion	30	4.73	1.507
The extent of fraudsters punished/ convicted	30	4.10	1.322
Percentage of fraudster getting caught	30	3.80	1.243

The respondents were asked three series of questions regarding the fraudsters and were asked to choose based on the scale from 1 (very low) to 7 (very high). The results are highlighted in Table 4 above to the following questions:

- To what extent do you believe that most fraud committed as a result of collusion (more than 1 person)?
- To what extent do you think that fraud cases end up with no punishment or conviction?
- At what percentage do you think that most fraudsters do get caught in their organization?

Being highlighted by the respondents who seemed to perceive that most fraud occurrences do involve collusion which happens to be supported by the interview results where it was suggested that contractors are sometimes contacted by a third party to be the go between the ministry in attaining contracts and tenders. At the same time, there are cases of kickbacks and secret commissions in procurement deals which sometimes involve many levels of the organization. On the elements of fraud, that there are three basic elements in order for fraud to occur namely a person/s, money and opportunity.

According to the Head of the Internal Audit & General Investigation in MINDEF, there is a vast difference in the way fraud is acted upon by the private and public sector organizations. In the private sector, any suspicions and evidences of fraud is not taken lightly and will be up by strict action such as dismissals. In the public sector, it is not so easy to sack employees or terminate their services as it involves administration bureaucracy and red tapes up to the highest level of the Public Service Commission. Even then, the public servant could always put on a strong defense against his/her termination with some good legal advices and support. He also felt that the Armed Forces way of dealing with fraud offenders appears to be more robust than the other public departments. The Armed Forces deals with offenders under the provisions stipulated in the Armed Forces Act 1972 which include court martial.

Table 5. Reasons How Fraud Are Discovered

Reasons how Fraud are Discovered	N	Mean	Std. Deviation
Internal Auditor	30	5.03	1.426
Internal Control System	30	4.77	1.331
Whistle Blowing	30	4.77	1.357
Fraud Internal Investigation	30	4.60	1.453
Federal Auditors (National Audit Dept.)	30	4.53	1.432
By accident	30	4.47	1.279
Contractors/ Public	30	4.23	1.591
Fraud Consultant	30	4.00	1.509
Notice by Police	30	3.87	1.479
Notice by other agencies	30	3.80	1.562

The respondents were also asked on how frequent do they think based from the scale 1 (*Least Frequent*) to 7 (*Most Frequent*) for the perceived reasons on how fraud are discovered. The mean of each perceived reason provided is above the average mean of 3.5 as illustrated by Table 5. The result seems to suggest that the top 5 most frequent reasons for fraud discovery is through Internal Auditors, Internal Control System, Whistle Blowers, Fraud Internal Investigation and Federal Auditors (National Audit Department, Malaysia) respectively. The survey results seemed to be anticipated because the respondents are internal auditors and have some significance and valid grounds for their perceived responses. Gloeck and Jager (2005) found out that the top 5 reasons for fraud discovery reasons are identified through whistle blowers, internal control, internal audit, by accident and in-house investigation.

Table 6. Comparisons on perceptions of "How Fraud Are Discovered

Reasons how fraud are discovered	Internal Auditors Ranking	Gloeck & Jager (2005) Ranking
Internal Auditor	1	3
Internal Control System	2	2
Whistle Blowing	3	1
Fraud Internal Investigation	4	5
Federal Auditors	5	7

In comparison to Gloeck and Jager (2005), the top 3 reasons perceived on how fraud are discovered are found undoubtedly similar but differing only in the ranking as illustrated in Table 6. "Whistle blowing" appears to be the most frequent reason perceived in their study as compared to "internal auditor" in this study. This probably reflects the difference in culture and working environment of the two groups of respondents as the latter is perhaps more conservative and loyal to the organization. In the interview, there is evidence to suggest that whistle blowers normally trigger investigations through "poison letters" but in most cases they are mostly ignored especially when it involves higher authority. Similarly, Dye (2007) pointed out that whistle blowers in the end shall suffer and become the victims such as libel suit, black listed, lost of jobs, etc. In Malaysia, the Whistle Blower Act 2010 and fraud hotline provide the venues to encourage and to protect the potential whistle blowers.

4.2 Research Objective No: 2 - The Effectiveness of Fraud Prevention and Fraud Detection Measures

The second objective of this study is to examine the perceptions of Internal Audit staff in MINDEF on the effectiveness of fraud prevention and detection measures. The findings are as follows:

4.2.1 Fraud Preventive and Detection Measures Effectiveness

The respondents were given a list of fraud prevention and detection measures to rate its individual effectiveness from the scale of 1 (least effective) to the scale of 7 (most effective). The results indicate the rating points seemed higher than the average mean which is 3.5, notably by the involvement of Internal Auditors. The results indicate that the top 10 most effective fraud preventive measures are the Involvement of Internal Auditors, followed closely by Implementing Islamic Values, Improve Internal Control, Top Management Model for Appropriate Behavior, Establish Whistle Blower Policy, Emphasis on Risk Assessment, Effective Staff Rotation, Establishing Forensic Audit, Key Performance Indicators (KPI)/ Star Rating and Training in Fraud Prevention respectively.

Table 7. Comparisons on Respondent's Perception of Fraud Preventive Measures Effectiveness

Preventive and Detection Measures	Mean	Internal Auditors Ranking	Gloeck and Jager (2005) Ranking
Involvement of Internal Audit	5.80	1	2
Implementing Islamic Values/ *Code of Ethics	5.77	2	3
Improve Internal Control	5.73	3	1
Top Management Behaviour Model	5.63	4	NA
Establish Whistle Blower Policy	5.60	5	NA
Emphasis on Risk Assessment	5.47	6	NA
Effective Staff Rotation	5.47	7	NA
Establishing Forensic Audit	5.47	8	NA
KPI/ Star Rating	5.40	9	NA
Training in Fraud Prevention	5.33	10	4

The findings appear to be in line with the previous study carried out by Gloeck and Jager (2005) where two prevention measures stand out from all the others namely internal control and internal audit as illustrated in Table 7. The ranking measure indicated by "NA" is meant as not available as they do not appear in the list above of top 10 ranked information. The results again point out to the significance of internal audit function in the overall prevention and detection measures in terms of the most effective measure. The significance of internal auditors in assuring check and balance in government activities and program implementation has always been the nerve center with several transformation implemented by the government as reflected in the Federal Treasury Circulars Number 9 Year 2004. Islamic values came second and followed up by the improved internal control. It is understandable that Islamic values are seen as important as the majority of the internal audit staff in MINDEF are Muslims and the Head of the Internal Audit & General Investigation who was being interviewed also believed the importance of instilling similar values in the working culture. Another interesting fraud preventive measure perceived as equally effective is the role of top management to demonstrate the most appropriate behavioral model to match up with the earlier findings where most fraud occurrence are committed at the highest hierarchy level of management and by top management. In Gloeck and Jager (2005), the code of ethics is also perceived to be equally importance for fraud prevention and detection measure.

5. CONCLUSION

The fraud profile in MINDEF does raise some concerns and the findings do support the common belief that the trend of fraud occurrence is on the rise. Fraud can happen anywhere and can involve anybody regardless of their positions in the hierarchy of the organization. It is also interesting to find out that fraud and corruption are perceived to be committed at the highest hierarchy level and by top management. The type of fraud perceived as rampant is bribes and secret commission and followed by wasteful and irregular expenditure. Results also indicate that the internal auditor is perceived as the most frequent reason that fraud is discovered. The most effective measures for fraud prevention measures are the involvement of internal auditors followed by the implementation of Islamic values, improved internal control and for top management to model the appropriate behavior. There appeared to be some relationships between the perceived frequent fraud offenders and the effectiveness of fraud preventive measure that probably need to be further investigated in another perspective within the global context.

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