

A Comparison of Online Fraud Prevention Disclosure in Malaysian and Indonesian Public Universities

Corina Joseph^{1*}, Intiyas Utami², Nero Madi¹, Mariam Rahmat¹,
Jennifer Tunga Janang¹, and Normah Haji Omar³

¹Universiti Teknologi MARA Cawangan Sarawak, Sarawak, Malaysia

²Satya Wacana Christian University, Salatiga, Indonesia

³Accounting Research Institute,

Universiti Teknologi MARA, Selangor, Malaysia

ABSTRACT

This study aimed to examine the extent of fraud prevention information disclosure on websites of Malaysian and Indonesian public universities using the Legitimacy Theory (LT). Based on a content analysis of fraud prevention information disclosed on the websites of 20 Malaysian and 86 Indonesian public universities using a newly developed University Fraud Prevention Disclosure Index, it was found that Malaysian public universities on average disclosed 13 items under study compared to just 11 items disclosed by the universities in Indonesia. Overall, the level of disclosure for both countries was low. Malaysian public universities are more vigilant and stronger in the Internal Audit and Bursary aspects, whilst its Indonesian counterparts are better in five aspects: integrity and governance, policy, fraud prevention strategies, fraud response procedure, and raising awareness. Public universities in both countries need to put more effort in disclosing fraud prevention information on their websites. Websites should be used to legitimize societal accountability in the quest to look more transparent in accounting procedures and procurement guidelines. This paper adds to the literature by integrating two elements of sustainable development goals (quality education (SDG No 4) in an effective, accountable, and transparent institution (SDG No 16) using the LT to enhance the understanding of fraud prevention disclosure on universities' websites.

Keywords: University, Legitimacy Theory, Websites, Fraud Prevention, Disclosure

ARTICLE INFO

Article History:

Received: 4 January 2021

Accepted: 26 July 2021

Available online: 31 August 2021

* Corresponding Author: Corina Joseph, corina@uitm.edu.my, +60198857617, Faculty of Accountancy, Universiti Teknologi MARA Cawangan Sarawak, 94300, Kota Samarahan, Sarawak, Malaysia

INTRODUCTION

Education is a basic right inherent to humans and a main driver of individual and societal growths. A university is an important setting in the education sector. Universities are now facing several challenges as a result of internationalization, such as diversity in stakeholders' requirements and declining research funding (Kamaluddin et al., 2016). Countries like Sweden, Germany, Norway, and Finland, which are giving "free college" for their higher education or public universities that are supported by government or public funds, are facing similar challenges. In this sense, the countries need to make sacrifices (Anderson, 2019). For instance, in Germany, universities in the poorer states receive less funding while those in the richer states are better funded (Kehm, 2014). OECD (2017) highlighted that when different funding amounts are received by universities in different areas, there would be inequality in opportunities for students to access quality education.

A sustainable funding environment is essential for higher education or universities. Universities in countries like the UK and EU need to meet "full economic costs" (Universities UK, 2016, p.4) to be sustainable in the long term as funding is scarce despite receiving government financial support. Hence, this encourages universities to collaborate with the business and wider community to support innovation and economic growth. In Australia, demand-driven funding policy was used from 2012 to 2017, where universities were funded by the government based on the number of undergraduate enrolment (Bexley, 2019). The aim of the policy was to increase the attainment rates, in which under this policy, the Australian universities had more freedom to recruit and enrol prospective students. However, the policy ended in 2017 as it caused spending to increase more than 50% and the government continued to limit this increase in the budget.

Universities are required to promote the opportunities of lifelong learning that are aligned to Sustainable Development Goals (SDG) No. 4, i.e., quality education, which is one of the 17 Sustainable Development Goals (SDGs) adopted in 2015. A higher learning institution is included in section 4.3 of SDG No. 4, which aims to "ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university [by 2030]." A university constitutes an

essential component of other goals, for example, related to peace, justice, and strong institutions (SDG No.16) (UNESCO, n.d.). Fraud, including corruption in education, is among the major hindrance to achieving the SDGs. Corruption risks are exposed in the education sector. This is especially when public monies are sorted out via several bureaucratic procedures along with little accountability. Corruption risks in the education sector emerge from several causes, namely, 1) involvement of high stakes, which leads to political influence; 2) the clash between the responsibility of the education institution to provide success and expectations of parents, and 3) the sheer scale of educational expenditures (Transparency International, 2013). One of the factors that contributes to fraudulent activities is lack of government support in a few countries, which leads to a lower per-student allocation, as well as decrease in staff salaries and welfare. As a result, the staff have done unethical activities on campus, for example, selling grades or looking for job opportunities outside the campus, which affects their own core duties on campus. Simultaneously, government financial reductions have reduced the establishment of internal control systems to prevent financial fraud (Transparency International, 2018).

The existence of cost centre at each faculty impedes the monitoring (Transparency International, 2018). If this issue is not properly curbed, fraud would adversely impact the quality of education (SDG No. 4) and lead to an increase of operational costs in the long run. Although hardly publicized in the academic circles, university fraud happens throughout the globe. For example, there was a case in Malaysia that involved the chairman of the Board of Universiti Putra Malaysia, who was abruptly sacked in July 2019 by the then Education Minister, Maszlee Malik, who put an end to the dismissed chairman's probe into what appeared to be a highly irregular development contract. The irregularities involved a US\$239.4 million development project, called Putra Medical City (Hunter, 2019). On the other hand, corruption scandals in Indonesian universities tend to be exposed and reported more. There were seven cases reported since 2016 – 2019, which mostly involved developmental projects at universities. Table 1 summarizes some of the published cases in the country.

Table 1: Corruption Cases at Indonesian Universities

| Project | University | Position | Year | Amount |
|--|--|---|------|-----------------|
| Procurement of Library | Universitas Indonesia | Vice Rector | 2019 | IDR 13 Billion |
| Construction of Campus | Universitas Riau | Ex Vice Dean, Commissioner of PT UKA (vendor) | 2018 | IDR 940 Million |
| Procurement of Land for Campus | UIN | Head of Procurement | 2018 | IDR 38 Billion |
| Procurement of academic information system | Universitas Maritim Raja Ali Haji Tanjung Pinang | Ex Vice Rector | 2017 | IDR 12 Billion |
| Fictive document | Universitas Palangka Raya | Dean of Education Faculty | 2017 | IDR 770 Billion |
| Procurement of Building Education Hospital | Universitas Airlangga Surabaya | Ex Rector | 2016 | IDR 305 Billion |
| Procurement of laboratory | Universitas Negeri Surabaya | Team of procurement | 2016 | IDR 187 Billion |

Before taking advanced steps to combating fraud and institutionalizing an ethical culture, universities need to evaluate their roles (Levi and Rothstein, 2018). Corruption is used as a general term to designate a broad variety of malpractices in universities, such as misappropriation, bribery, and fraud. Thus, corruption and fraud are used interchangeably in this paper. Levi and Rothstein (2018) asserted that universities have a high tendency to advocate trust and social capital that subsequently improves the quality of life. Hence, universities help in advancing SDGs via several ways, for example, by providing knowledge, innovations, and solutions to the SDGs (SDSN Australia/Pacific, 2017). University leaders also play a vital role in encouraging participation to advance the SDGs (SDSN Australia/Pacific, 2017). SDG No. 16 is indispensable for the accomplishment of each of the 17 SDGs, and applicable to all sectors including universities. The ethical perspective is apprehended by the universities as the capability to develop effective self-governing organizations to encourage members' active participation (Mion et al., 2019). By participating actively, staff could assist in advancing SDG No. 16 (Target 16.6) – that is to “develop effective, accountable and transparent institutions at all levels”, as well as Target 16.7 – that is to “ensure responsive, inclusive, participatory and representative decision-making at all levels”. Therefore, universities must pay attention to institutional documents, such as codes of ethics (Mion et al., 2019). In this way, universities exhibit their participation and support in

social development. This is one way to legitimize efforts towards acquiring ethically compliant programmes and sources of unethical behaviour (Mion et al., 2019), which are possibly communicated via websites. Moreover, as universities are taking a serious approach in disclosing other fraud prevention mechanisms, this will lead to a more transparent disclosure, which in return may boost society's trust towards them. Hence, this will create a harmonious relationship between universities and society.

Fraud prevention is related to the role of the internal audit in good university governance. In Malaysia, the formation of Internal Audit function at all Federal Ministries, Federal Departments, and State Governments is stipulated in Treasury Circular No. 9. The roles and responsibilities of the Internal Audit unit are also outlined in Treasury Circular PS3.1/2013, whilst the requirements and responsibilities of the Audit Committee are detailed in PS3.2/2013. Meanwhile, in Indonesia, the internal auditors at public universities in the country are referred to as the Internal Control Units (*Satuan Pengawas Internal/SPI*), which are regulated by the Minister of Education and Culture Regulation of the Republic of Indonesia Number 22 of 2017. As a form of fraud mitigation, within the Ministry of Education and Culture, the Ministry of Culture Education Regulation No. 126 Year 2014 was issued regarding whistleblowing. Based on the above discussion, advancing SDG. No. 4 is essential as it is part of the effort to successfully tackle corruption as a result of realizing the SDG. No. 16 targets. Increasing the knowledge of corruption risks and consequences, is likely to cultivate behaviours that do not accept corruption and acquire competencies that permit individuals to defy pressures when faced with corrupt practices (UNODC, 2020), which in turn can minimize the legitimacy gap. One way of exhibiting universities' effort to commit to SDG No. 16 is by disclosing all fraud prevention information on a strategic tool, i.e., websites. According to Hunter (2019), the Malaysian Auditor General's report showed that there is much to be desired in the university procurement management, supply management, construction project management, and asset management areas. *The Indonesian Corruption Eradication Commission/(KPK)* had stated that there is an increasing trend towards corruption in universities in Indonesia (Indonesia Corruption Watch, 2016). Furthermore, there are numerous cases of mismanagement and corruption that have not become public knowledge, which requires attention if the education sector is to be reformed, and this may impede the attainment of SDG No. 4. In line with this argument, the following hypothesis was developed.

H₀: The level of fraud prevention disclosure in public universities is not towards realizing the commitment of SDG N0.4 and SDG No.16

Therefore, the objective of this study was to determine the extent of Malaysian and Indonesian public universities' commitment towards providing quality education (SDG No. 4) through effective, accountable, and transparent institutions (SGD No.16) by examining the amount of fraud prevention information disclosed on the websites. The Legitimacy Theory (LT) was used to explain the reasons behind the extent of disclosure because of the social contract, which the universities need to comply with as the agent of sustainability under the ethical climate. In harmonizing SDG No. 4 and No. 16, the research question formulated was as follows: *What is the extent of fraud prevention information disclosed on Malaysian and Indonesian public university websites?*

This study is significant because there is little published research that examines the level of fraud prevention information disclosure in developing countries, such as Malaysia and Indonesia, using the LT. As suggested by Islam (2017), the LT can offer explanations on how managers react to corruption in developing countries, which in this study is fraud prevention disclosure on Malaysian and Indonesian university websites. The findings would assist public universities to strengthen their mechanisms in promoting an anti-fraud culture. The remainder of this paper proceeds as follows: Section 2 presents the literature review; Section 3 explains the theoretical framework; Section 4 discusses the research methodology; Section 5 provides the results and discussions; and Section 6 presents the concluding remarks.

LITERATURE REVIEW

In the literature, there is no specific definition for the term good governance, but there is a significant degree of consensus that good governance relates to political and institutional processes and outcomes to achieve the goals of development (United Nations Human Rights, n.d.). Good governance is “the process whereby public institutions conduct affairs, manage public resources and guarantee the realization of human rights in a manner essentially free of abuse and corruption, and with due regard for the rule of law” (United

Nations Human Rights, n.d.). The essence of good governance is outlined in the SDG No. 16 as it recognizes the importance of ensuring the rule of law, reducing corruption, enhancing participation, ensuring effective, accountable, and transparent institutions, increasing access to information, and protecting fundamental freedom (United Nations, 2019). Accountability is a key requirement of good governance, and all organizations must be accountable to the public and their institutional stakeholders (United Nations Economic and Social Commission for Asia and the Pacific, 2020).

The public sector is most sensitive to fraud but the risk can be minimized through effective prevention mechanisms (Tuan Mat et al., 2013). The results from their study on government servants, who were involved in financial activities, showed that education mechanisms, such as raising fraud awareness activities and fraud training, are effective for fraud prevention. As stated by Othman et al. (2015, p. 61), the top-most fraud prevention mechanisms in Malaysian Government-Link Companies (GLCs) include fraud hotline, anti-fraud policy, fraud prevention program and training, internal audit, and whistle-blowing policy.

Gbegi and Adebisi (2015) conducted a survey on 28 ministries on the incidence of fraud in the Nigerian public sector. The findings showed that there was a positive significant relationship between management policies and Nigerian public sector fraud. A strong internal control system and management policies should be developed by taking advantage of modern accounting and auditing software in enhancing the detection of fraud in the public sector. Said et al. (2016) measured the relationship between the current practice of good governance and integrity in the Malaysian public sector. The result showed that the practices of strategic planning, audit, and fraud control have a statistically significant positive relationship with the practices of integrity in the public sector. All the efforts on good governance must be publicized.

In'airat (2015) investigated the three major components of corporate governance: internal audit, internal control, and external audit in reducing the level of fraud, and found that the internal audit was perceived as the most significant in reducing fraud. The three-effectiveness dimensions, namely, existence, implementation, and effectiveness, were also investigated thoroughly by In'airat (2015), and found that the effectiveness dimension was the most significant in reducing the fraud level.

Whistleblowing is one important aspect in ethics. A positive step towards reducing corruption is through whistle blowing as a channel of unveiling information about illegal or unethical activities (Hima, 2016). A study conducted by Mohamed et al. (2019) found that nearly all whistle blowing-related research on fraud in universities had focused on disclosures or reporting of immoral conduct of a superior.

Muhamad and Gani (2020) provided a systematic review on the factors that influenced anti-corruption initiatives in Malaysia. As mentioned, these factors included increasing economic development, where it was found to increase corrupt practices and perception among countries like Korea and China (Zhang et al., 2019). Likewise, economic growth was found to have no significant association with corrupt practices in Malaysia, which could imply the lack of anti-corruption initiatives in this country (Zhang et al., 2019). This was also supported by Joseph et al. (2019), who found that integrity framework disclosures in Malaysia are at the infancy stage. Anti-corruption practices, especially in Malaysia, were also found to be influenced by factors, such as political will (Ahmad Khair et al., 2015), organizational culture, and individual attitudes of leaders (Kirana et al., 2015), as well as whistleblowing procedures (Said et al., 2017).

Studies on effective control and prevention measures to deter corruption in Malaysia are relatively small (Muhamad and Gani, 2020). These measures include disclosures on anti-corruption practices (Joseph et al., 2019; Joseph et al., 2016), good corporate governance (Abdullah et al., 2018; Said et al., 2016), as well as the use of technology and accrual accounting to combat fraudulent acts (Ferry et al., 2018). Hafiz et al. (2015) reiterated that measures through transparency, anti-corruption, and anti-fraud disclosures could effectively mitigate corrupt practices.

In Indonesia, anti-corruption reforms became one of the top priorities in the post-Soeharto period (Umam et al., 2020). To enhance transparency and accountability in public governance, the country has pursued institutional anti-corruption framework, for example, the establishment of the anti-corruption agency, Corruption Eradication Commission (KPK). As observed by Umam et al. (2020), KPK has been effective in successfully investigating, prosecuting, and thus containing high-level corruption posed by active civil society and larger media freedom. However, anti-corruption

efforts are still relatively dependent on the political dynamics, interest, and power relations.

In Malaysia, anti-corruption disclosures are reported voluntarily on the organization's website. The study by Joseph et al. (2019) revealed that the level of website disclosures among Malaysian local authorities is low as compared to those in Indonesia. Using the Integrity Framework Disclosure Index (IFDI), the study highlighted the reasons for the low level of disclosures, such as lack of educated stakeholders and information technology infrastructure. The Indonesian local authorities are found to be more proactive in their integrity initiative implementation, which comes with the government's open and participatory democracy in its public governance.

Corruption and fraud practices amongst universities are a major concern to the government and other stakeholders (Hallak and Poisson, 2007). These practices are a result of increasing academic capitalism (Shore, 2018) and other factors. Documented evidence also points out to weakening state controls, whereby established regulatory practices open up increasing management power and influence (Muir, 2016).

THEORETICAL FRAMEWORK

The LT is centred on the concept of 'social contract' that occurs between an organization and the society wherein it works (Deegan and Unerman, 2011). According to Khan et al. (2013), organizations are carrying out the core responsibilities by fulfilling society's expectations, viewed as legitimate. Under the LT organizations need to try their best to reduce the legitimacy gap. Legitimacy gap takes place when there is disparity between the organizations and social values. Schiopoiu and Popa (2013) stated that legitimation strategy is a crucial means that influences the stakeholders' perception of organizations.

In terms of the relationship between organizations and society, the organizations' responsibilities and the society's expectations are continually being revealed, investigated, described, and reviewed. The LT presents the view that the connection between the organizations and the society's expectations is just a reality of social life (Islam, 2017). For universities,

the commitment towards social development signifies compliance towards the social contract, i.e., fulfilling the norms and values of society.

In this paper, corruption is considered as a legitimacy threat. Hence, fraud prevention disclosure can be a tool to achieve legitimacy. Corruption has adverse effects on universities and the society as it tarnishes a universities' image (Kinya. 2019). Once the universities are intruded by unlawful transactions, the basics on which the society is based are jeopardized. Corruption threatens a universities' legitimacy as knowledge producers, which in turn, affects the society at large in attaining progress towards social development (Kinya, 2019).

METHODOLOGY

The data collected in this study was based on a content analysis of inclusion or exclusion of fraud prevention information disclosed on the websites of Malaysian and Indonesian universities. Content analysis has been extensively used in disclosure studies, such as Joseph et al. (2019). Hence, it is still appropriate in measuring the extent of fraud prevention information disclosure. This study used the Fraud Prevention Disclosure Index (FPDi) that was developed by Joseph et al. (2020). The data were captured using the 100-item disclosure instrument that comprised of eight aspects: Integrity and Governance (20 items), Policy (19 items), Internal Audit (33 items), Bursary (8 items), Core Value (1 item), Fraud Prevention Strategies (8 items), Fraud Response Procedure (6 items), and Raising Awareness (5 items).

The coding entry for all items were awarded a score of "1" for appropriate disclosure, and '0' for absence of disclosure. Data for both countries used similar items within all the eight aspects to avoid bias and improve reliability. Data for all 100-items were downloaded and printed from the websites of the respective universities from 1 July 2019 to 31 July 2019. The one-month data collection period for websites was in line with previous studies due to the rapid changes of information disclosed on the websites (e.g., Joseph et al., 2019). The list of universities was available on the websites of Indonesia's universities at: <https://www.4icu.org/id/a-z/>, while the list for Malaysian public universities was available at: <https://www.4icu.org/my/public/>. A comparative analysis of the frequency of sub-

categorizations was tabulated and analysed using the Statistical Package for Social Science (SPSS) version 20.0.

RESULTS AND DISCUSSION

Descriptive Statistics

The original planning involved the access of all the websites of the 111 public universities involved in this study. Twenty were Malaysian public universities and 91 were Indonesian public institutions of higher learning. However, five of the Indonesian universities were later excluded because they were not accessible during the data collection period.

On average, the disclosure by the Malaysian and Indonesian public universities revealed that, overall, Malaysian public universities disclosed higher on average as compared to their counterparts in Indonesia. The level of disclosure of Malaysian public universities on the average, was 13.2 compared to 10.81 as disclosed by its Indonesian counterparts. By category, the Malaysian public universities disclosed more on internal audit (20), bursary (51%), and core values (30%) as compared to their counterparts in Indonesia. For the same aspects, the Indonesian universities disclosed 7% for internal audit, 13% items for bursary aspect, and 29% items for core values.

The Indonesian public universities, however, beat their Malaysian counterparts in integrity and governance (24%), policy (7%), fraud prevention strategies (8%), fraud response procedure (4%), and raising awareness (3%). The Malaysian public universities, on the other hand, disclosed just 9% on integrity and governance, 1% on policy, 1% on fraud prevention strategies, and none on fraud response procedure and raising awareness. The average counts and percentages by category are presented in Table 2 below.

Table 2: Average Disclosure by Category

| Disclosures / Aspects | Malaysia | | Indonesia | |
|--|----------|--------|-----------|--------|
| Integrity and Governance (20 items) | 1.75 | 8.75% | 4.85 | 24.25% |
| Policy (19 items) | 0.25 | 1.31% | 1.34 | 7.05% |
| Internal Audit (33 items) | 6.75 | 20.45% | 2.26 | 6.84% |
| Bursary (8 items) | 4.05 | 50.63% | 1.06 | 13.25% |
| Core values (1 item) | 0.30 | 30.00% | 0.29 | 29.00% |
| Fraud Prevention Strategies (8 items) | 0.10 | 1.25% | 0.60 | 7.50% |
| Fraud Response Procedure (6 items) | 0.00 | 0.00% | 0.22 | 3.67% |
| Awareness (5 items) | 0.00 | 0.00% | 0.17 | 3.40% |
| Total (100 items) | 13.20 | 14.05% | 10.81 | 11.87% |

Kruskal Wallis Test and Independent T-test

To test the hypothesis formulated in this paper, the difference in disclosure by the public universities in both countries was investigated using the Kruskal Wallis test. The test result showed was significant at the 5% level ($p\text{-value} < 0.05$), revealing that the differences between the disclosures between the two countries were significant for policy, internal audit, and bursary. At the 10% significance level ($p\text{-value} < 0.1$), the integrity and governance aspect was also considered significant as indicated by the significance value of 0.080 depicted in Table 3 below and the mean rank for the first four aspects as reported in Table 5. The mean rank for the integrity and governance aspect, as well as the policy aspect revealed that Indonesian public universities were higher than their counterparts in Malaysia, and the difference was significant at the 90% and 95% confidence levels. The Malaysian public universities, on the other hand, registered a higher mean rank for the internal audit and bursary aspects, and the difference in mean rank was also significant at the 5% significance level, in which the $p\text{-value}$ was less than 0.05.

Table 3: Kruskal Wallis Test Results for the First Four Aspects

| | Integrity and Governance | Policy | Internal Audit | Bursary |
|------------------|---------------------------------|---------------|-----------------------|----------------|
| Kruskal-Wallis H | 3.062 | 6.563 | 19.122 | 35.205 |
| Df | 1 | 1 | 1 | 1 |
| Asymp. Sig | 0.080* | 0.000** | 0.000** | 0.000** |

Kruskal Wallis Test
 Grouping Variable: Country
 ** Significant at p < 0.05
 * Significant at p < 0.1

The test results for the other four aspects are presented in Table 4. The differences in the extent of the disclosure were not significant for core values, fraud prevention strategies, fraud response procedure, and raising awareness as indicated by the p-value of more than 0.05. These aspects were all poorly disclosed on the websites by the public universities in both countries. Therefore, it can be said that the public universities in Malaysia and Indonesia have not come to stage of being voluntarily transparent in the dissemination of these fraud prevention measures on the websites. If the fraud prevention information were published on the websites, the staff of the universities and the IT-literate public would be well-informed about the consequences of committing fraud at the universities or involving the universities; hence, this will deter them to commit any fraudulent activities. As such, it is deemed appropriate to disclose such mechanisms on the websites.

Table 4: Kruskal Wallis Test Results for the Remaining Four Aspects

| | Core values | Fraud Prevention Strategies | Fraud Response Procedure | Raising Awareness |
|------------------|--------------------|------------------------------------|---------------------------------|--------------------------|
| Kruskal-Wallis H | 0.007 | 1.317 | 1.464 | 1.208 |
| Df | 1 | 1 | 1 | 1 |
| Asymp. Sig | 0.935 | 0.251 | 0.226 | 0.272 |

Kruskal Wallis Test
 Grouping Variable: Country

Mean ranks for the significant aspects above are reported in Table 5 below.

Table 5: Mean Rank by Country

| Disclosure Aspect | Country | Mean Rank |
|--------------------------|-----------|-----------|
| Integrity and Governance | Malaysia | 43.38 |
| | Indonesia | 55.85 |
| Policy | Malaysia | 40.03 |
| | Indonesia | 56.63 |
| Internal Audit | Malaysia | 76.90 |
| | Indonesia | 48.06 |
| Bursary | Malaysia | 87.15 |
| | Indonesia | 45.67 |

Malaysia (N=20); Indonesia (N=86)

Equality for means was also explored using the independent t-test to determine whether there was a significant difference in the extent of the disclosure. The test statistics revealed that the disclosures were only significant from the following aspects: (i) integrity and governance, (ii) internal audit, and (iii) bursary. The test results are presented in Table 6 below.

Table 6: Independent Samples t-Test for Equality of Means (Equal Variance Assumed)

| Aspects | t-value | df | Sig. (2-tailed) |
|---|---------|-----|-----------------|
| Total Integrity and Governance (20 items) | -2.094 | 104 | 0.039* |
| Total Policies (19 items) | -1.836 | 104 | 0.069 |
| Total Internal Audit (33 items) | 3.416 | 104 | 0.001* |
| Total Bursary (8 items) | 7.207 | 104 | 0.000* |
| Total Core values (1 item) | 0.082 | 104 | 0.935 |
| Total Fraud Prevention Strategies (8 items) | -1.443 | 104 | 0.152 |
| Total Fraud Response Procedure (6 items) | -1.010 | 104 | 0.315 |
| Total Awareness (5 items) | -1.012 | 104 | 0.314 |

Malaysia (N=20); Indonesia (N=86)

Based on the statistical test above, item-wise, it can be stated that the observation in this study was rather consistent with previous studies on disclosures on websites (Joseph et al., 2019). Previous studies on disclosures of integrity items of local authorities reported that the Indonesian local authorities disclosed more information on integrity compared to their Malaysian counterparts (Joseph et al., 2019). The Kruskal Wallis statistics in this current study also supported the notion that Indonesia's public higher education providers were more transparent in terms of disclosure on policy. The difference in the amount of disclosure was significant at the 5% level. The p-value was less than $p < 0.05$.

The higher disclosure of 13.2% overall of Malaysian public universities as compared to 10.81% by their Indonesian counterparts was not noteworthy. This is because, the difference is quite limited, in which it can be traced back to the Malaysian public universities disclosing more on the internal audit and bursary items. This is consistent with the findings from In'airat's (2015) on internal audit, which was perceived as the most significant in reducing fraud level. Thus, fraud prevention disclosures should not only be used to legitimate societal accountability but must be seen as having measures on how to enforce anti-fraud initiatives. This is one way to legitimize efforts towards ethically compliant programmes and sources of unethical behaviour (Mion et al., 2019). Reports on ethics and integrity activities organized by each university should be done to cultivate good governance in the organization, and they should be made available to the public to educate them on the significant steps taken by the government to reduce misconduct among employees (Said et al., 2016). In this way, the legitimacy gap can be improved.

In other aspects, for example, integrity and governance, policy, fraud prevention strategies, fraud response procedure, and raising awareness, the Indonesian public universities outperformed the Malaysian public universities in terms of their disclosure. This result was consistent with the suggestion made by Othman et al. (2015), i.e., the government should consider providing more fraud hotlines, improving the whistleblowing policy, and establishing a forensic accounting department in the public sector in order to enhance the fraud prevention mechanism. If not properly curbed, corruption or fraud would adversely impact the quality of education and lead to an increase of operational costs in the long run. Simultaneously,

this would affect the achievement of SDG No. 4. Based on the findings, there was a missing link between SDG No. 16 and SDG. No. 4 as a result of lack of disclosure on fraud prevention information, which in turn, becomes a legitimacy threat to the universities. This supports the hypothesis in this paper: *H0: The level of fraud prevention disclosure in the public universities is not towards realizing the commitment SDG NO.4 and SDG No.16.* Thus, corruption needs to be curbed in the education sector. Transparency International (2013) had stressed the importance of the education sector to regularly inform the public on the efforts undertaken to curb corruption.

One possible reason for the low disclosure could be due to the indifferent attitude towards fraud prevention strategies and fraud response procedures. It is feared that such an attitude is still deeply intertwined within the culture of people living in these two countries, whereby they are not pro-active in trying to address the possibility of fraudulent activities. This is in line with Islam (2017), who highlighted that the legitimation strategy depends on nationalities, history, and context.

Another reason for the overall dismal disclosure is related to insufficient use of IT for fraud detection and prevention at the public universities, which is consistent with the finding by Zamzani et al. (2016). This indicates that websites are not used extensively as a legitimation tool to communicate fraud prevention disclosures to stakeholders. In other words, websites of the public universities are not used to reduce the legitimacy gap. This is quite worrying as lack of initiatives in fraud prevention and consequently not reported to the stakeholders can become a legitimacy threat to universities. Furthermore, this signifies that the public universities' efforts in promoting SDG No. 16 are still not satisfactory, and consequently, this may delay the attainment of SDG No. 4. Moreover, as asserted by Issa and Alleyne (2018), the destructive effects of unlawful activities, such as corruption and fraud activities, could derail the government's effort towards sustainable development commitment. It is vital for public universities to provide information and awareness on fraud prevention initiatives, such as training on anti-corruption to be acknowledged as a legitimate entity. In addition, training is regarded as an effective control measure for fraud prevention (Hauser, 2018). All these fraud prevention measures can be communicated via websites. By doing so, universities can enjoy a good social reputation (Xu et al., 2019), and thus, improve the legitimacy gap.

Another reason for unsatisfactory disclosure of fraud prevention information is due to lack of support from the management (Joseph et al., 2019) and individual attitudes of the leaders (Kirana et al., 2015). University leaders play a vital role in encouraging participation to advance the SDGs (SDSN Australia/Pacific, 2017). Management needs to realize that fraud prevention disclosure is part of good governance. Lack of commitment from top management in promoting fraud prevention disclosure can inhibit the achievement of the SDG No. 16, which is considered as a legitimacy threat to the universities. Figure 1 illustrates the possible reasons for legitimacy threats as a result of low disclosures on fraud prevention information.

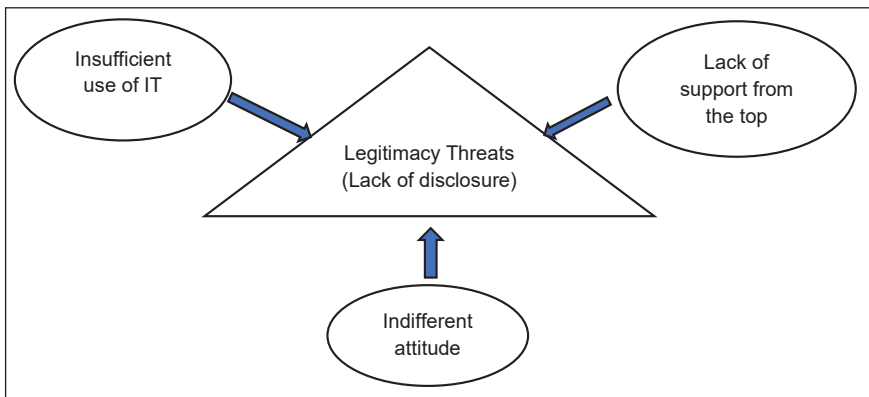


Figure 1: Legitimacy Threats

CONCLUSION

The objective of this study was to determine the extent of fraud prevention disclosures on the websites of Malaysian and Indonesian public universities using the LT integrating SDG No. 4 and SDG No 16. Overall, the higher Malaysian public universities' disclosure of 13.2% as compared to 10.81% by their Indonesian counterparts was not so noteworthy. The Malaysian public universities disclosed more fraud prevention information, mainly more on the internal audit and bursary aspects. This draws us to suggest that the public universities in Malaysia tend to legitimize societal accountability in the quest to look more transparent in accounting procedures and procurement guidelines. On the other hand, the public universities in Indonesia tended to have a slightly higher level of disclosure on the integrity

and governance, as well as policy aspects. These aspects cover a broader measure on anti-corruption initiatives, beyond cash flows, accounting, and bursary functions.

There are several implications from the findings. Firstly, a good disclosure in Internal Audit and Bursary might not mean much if there are collusion attempts by those charged with governance. Similarly, it is inadequate just to have a policy on fraud. The policy must be in place, enforced, and monitored to ensure its effectiveness in addressing issues on fraud. This could be the case in public universities in both countries if fraudulent activities involving the universities continue to persist despite the existence of mitigating mechanisms already in place.

Secondly, universities in Indonesia and Malaysia do not have the obligation to express integrity specifically on websites. Disclosure of information through the university website can show transparency so that public confidence increases, and this will encourage the achievement of the SDG 4 and SDG 16. The disclosure of information on websites is subject to the principles of fairness, openness, and confidentiality. To increase transparency in achieving SDG 4 and SDG 16, the Ministry of Education in both countries can establish policies relating to strategic fraud prevention as indicators of performance evaluation of the universities.

Finally, the findings of this research suggest that there is a need for a new paradigm on the role of the internal audit following the paradigm that is developing internationally. The Institute of Internal Audit states that the internal audit plays a role in the three lines of defence model. This means that the paradigm of the role of the internal audit at the universities did not follow the new paradigm, which is not only putting the internal audit as a watchdog, but also as a consultant and catalyst. All internal audit activities need to be disclosed through the website so that transparency can be accessed by the stakeholders.

This study is not exclusive of limitation. The content analysis technique is criticized due to subjectivity (Gunawan, 2015). Nevertheless, the issue concerning reliability was resolved with the coding done by a coder in each country, thus reducing subjectivity. Since there were no significance differences in several categories between Indonesia and Malaysia, future

research may consider conducting a similar research involving other countries in the ASEAN region. Understanding why public universities in these two countries disclose less in legitimizing their societal accountability through fraud prevention initiatives would be a point of contention in further research. Thus, further studies can attempt to understand further why the LT is not applied; and why disclosing anti-fraud measures and strategies is not an area of priority in public universities. In this way, a better overview on the level of fraud prevention initiatives could be obtained. In addition, other theories, such as the Political Economy Theory, could be used as a theoretical foundation to examine factors that influence fraud prevention disclosure using a qualitative approach.

REFERENCES

- Abdullah, W. M. T. W., Ahmad, N. N. & Ariff, A. M. (2018). Combating corruption for sustainable public services in Malaysia: smart governance matrix and corruption risk assessment. *Journal of Sustainability Science and Management*, 4, 1-14.
- Ahmad Khair, A. H., Haniffa, R., Hudaib, M. & Abd. Karim, M. N. (2015) Personalisation of power, neoliberalism and the production of corruption. *Accounting Forum*, 39(3), 225-235.
- Anderson, G. (2019). The global evidence against free college. Available at: <https://www.insidehighered.com/news/2019/08/08/countries-often-sacrifice-postsecondary-attainment-when-they-expand-subsidies>
- Badan Akreditasi Nasional Perguruan Tinggi (2019), *Laporan Tengah Tahunan Dewan Eksekutif 2019*, available at <https://www.banpt.or.id/?p=2416>
- Bexley, E. (2019). Government funding will be tied to uni performance from 2020. Available at: <https://www.natureindex.com/news-blog/government-funding-tied-university-funding>
- Deegan, C., & Unerman, J. (2011). *Financial Accounting Theory*, McGraw-Hill, Sydney.

- Ferry, L., Zakaria, Z., Zakaria, Z., & Slack, R. (2018). Framing public governance in Malaysia: rhetorical appeals through accrual accounting. *Accounting Forum*, 42(2),170-183.
- Gbegi, D. O., & Adebisi, J. F. (2015). Analysis of fraud detection and prevention strategies in the Nigerian public sector. *Journal of Good Governance and Sustainable Development in Africa*, 2(4),109-128.
- Gunawan, J. (2015). Corporate social disclosures in Indonesia: Stakeholders' influence on motivation. *Social Responsibility Journal*, 11(3), 535-552.
- Guthrie, J., Cuganesan, S., & Ward, L., (2007). Legitimacy theory: A story of reporting social and environmental matters within the Australian food and beverage industry. *APIRA 2007 Conference Proceedings*, Sydney, 1-35.
- Hallak, J., & Poisson, M. (2007). Corrupt schools, corrupt universities: What can be done? Paris: International Institute for Education Planning, available at: <https://unesdoc.unesco.org/ark:/48223/pf0000150259> (Accessed 19 March 2020).
- Hauser, C. (2019). Reflecting on the role of universities in the fight against corruption. *RAUSP Management Journal*, 54(1), 4-13.
- Hima, B. N. (2016). An empirical study of whistle blowing in pharmaceutical. *International Journal of Multidisciplinary Research and Development*, 3(6), 130-134.
- Hunter, M. (2019). Malaysian Education Minister Muzzles Corruption Inquiry. available at: <https://www.asiasentinel.com/econ-business/malaysia-education-minister-muzzles-corruption-inquiry-university/> (accessed 1 February 2020)
- Indonesia corruption watch. (2016). Korupsi di Perguruan Tinggi. available at: <https://antikorupsi.org/id/news/korupsi-di-perguruan-tinggi>. (accessed 3 March 2020).

- Islam, M. A. (2017). CSR reporting and legitimacy theory: Some thoughts on future research agenda, in Aluchna, M. & Idowu, S.O. (Eds.), in *The dynamics of corporate social responsibility: A critical approach to theory and practice*. Springer, Cham, 323-339.
- Issa, A., & Alleyne, A. (2018). Corporate disclosure on anti-corruption practice: A study of socially responsible companies in the Gulf Cooperation Council. *Journal of Financial Crime*, 25(4),1077-1093.
- In'airat, M. (2015). The role of corporate governance in fraud reduction - A perception study in the Saudi Arabia business environment. *Journal of Accounting and Finance*, 15(2), 119-128.
- Joseph, C., Gunawan, J., Madi, N., Jangu, T., Rahmat, M. & Mohamed, N. (2019). Realising sustainable development goals via online integrity framework disclosure: evidence from Malaysian and Indonesian local authorities. *Journal of Cleaner Production*, 215, 112-122.
- Joseph, C., Omar, N., Janang, T. J., Rahmat, M. & Madi, R. (2020). Development of the University Fraud Prevention Disclosure Index. *Journal of Financial Crime*, Vol. ahead- of-print No. ahead-of-print,
- Kamaluddin, A., Ishak, A., Saad, A., & Abu Samah, S. A. (2016). Governance of research fund: Modelling innovation capital of Malaysian public universities. *International Journal of Economics and Management*, 10(2), 445-461.
- Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of Business Ethics*, 114(2), 207-223.
- Kinya, M. (2019). Corruption in universities: Paths to integrity in the higher education subsector, *Chr. Michelsen Institute (CMI)*, Bergen, Norway.
- Kehm, B. (2014). How Germany managed to abolish university tuition fee. Available at: <https://theconversation.com/how-germany-managed-to-abolish-university-tuition-fees-32529>.

- Kirana, K., Fee, T., Johari, J. & Ain, N. (2015). The perception of gen Y on organizational culture, religiosity and corruption in Malaysian public organizations. *Procedia Economics and Finance*, 31(15), 251-261.
- Levi, R. (2018). Universities must lead on sustainable development goals. Available at <https://www.universityworldnews.com/post.php?story=20181106131352348> (accessed 14 February 2020).
- Mohamed, I., Belaja, K. & Rozzani, N. (2019). Whistleblowers' role in mitigating fraud of Malaysian higher education institutions. *Asian Journal of Accounting Perspective*, 12(2), 67-81.
- Muhamad, N. A., & Gani, N. (2020). A decade of corruption studies in Malaysia. *Journal of Financial Crime*, Vol. ahead-of-print No. ahead-of-print.
- Ministry of Education. (n.d.). Higher Education. available at: <https://www.moe.gov.my/en/education/higher-education/institusi> (accessed 20 February 2020).
- Muir, S. (2016). On historical exhaustion: Argentine critique in an era of total corruption. *Comparative Studies in Society and History*, 58(1), 129-158.
- Mion, G., Broglia, A., & Bonfanti, A. (2019). Do codes of ethics Reveal a university's commitment to sustainable development? Evidence from Italy. *Sustainability*, 11, 1133-115.
- OECD (2018). OECD Economic surveys Indonesia. available at: www.oecd.org/eco/survey/economic-survey-indonesia.htm. (accessed 1 March 2020).
- OECD (2017). The funding of school education connecting resources and learning. OECD Publishing, Paris, available at: <http://dx.doi.org/10.1787/9789264276147-en>.
- Office of the High Commissioner for Human Rights (OHCHR). available at: <https://www.ohchr.org/EN/Issues/Development/GoodGovernance/Pages/GoodGovernanceIndex.aspx>. (accessed 6 March 2020).

- Othman, R., Aris, N. A., Mardziah, A., Zainan, N. & Amin, N. M. (2015). Fraud detection and prevention methods in the Malaysian public sector: Accountants' and internal auditors' perceptions in *Procedia Economics and Finance proceedings of the 7th International Conference on Financial Criminology, Elsevier*, New York, NY, 28, 59-67.
- Said, J., Alam, M. M., & Khalid, M. A. (2016). Relationship between good governance and integrity system: empirical study on the public sector of Malaysia. *Humanomics*. 32(2),151-171.
- Said, J., Alam, M. M., Mohamed, D. I. & Rafidi, M. (2017). Does job satisfaction, fair treatment, and cooperativeness influence the whistleblowing practice in Malaysian government linked companies? *Asia-Pacific Journal of Business Administration*, 9(3), 220-231.
- SDSN Australia/Pacific (2017). Getting started with the SDGs in universities: A guide for universities, higher education institutions, and the academic sector. Australia, New Zealand and Pacific Edition. *Sustainable Development Solutions Network – Australia/Pacific*, Melbourne.
- Schiopoiu, B., & Popa, A. (2013). Legitimacy Theory, in Samuel, O., Idowu, Capaldi, N., Zu, L., & Gupta, A.D. (Eds.), *Encyclopedia of Corporate Social Responsibility*, Springer, Verlag Berlin Heidelberg, 1579-1584.
- Shore, C. (2018). How corrupt are universities? audit culture, fraud prevention, and the Big Four accountancy firms. *Current Anthropology*, 59(18), 92-104.
- Transparency International. (2013). *Global Corruption Report: Education*, Routledge, 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN.
- Transparency International. (2018). *Higher Education*, available at: https://www.transparency.org/gcr_education/content/higher. (accessed 31 January 2020).
- Tuan Mat, Z. T., Nazrin, S. N. F. S. M., Fahmi, F. M., Ismail, A. M. & Smith, M. (2013). Assessing the fraud prevention mechanisms in Malaysian government agencies. *Malaysian Accounting Review*, 12(2), 141-169.

Umam, A. K., Whitehouse, G., Head, B., & Adil Khan, M., (2020). Addressing corruption in Post-Soeharto Indonesia: The role of the Corruption Eradication Commission. *Journal of Contemporary Asia*, 50(1), 125-143.

UNESCO. (n.d.), “Higher education and the sustainable development goals”, available at: <https://en.unesco.org/themes/higher-education/sdgs> (accessed 1 March 2020).

United Nations (2019). Annual report of the United Nations High Commissioner for Human Rights and reports of the Office of the High Commissioner and the Secretary General. available at: <https://documents-dds.ny.un.org/doc/UNDOC/GEN/G19/338/40/PDF/G1933840.pdf?OpenElement> (accessed 15 March 2020).

United Nations Office of Drugs and Crime. (2020). Corruption and sustainable development. available at: <http://www.anticorruptionday.org/> (accessed on 1 March 2020).

United Nations Economic and Social Commission for Asia and the Pacific. (n.d.). What is Good Governance? available at: <https://www.unescap.org/sites/default/files/good-governance.pdf>. (accessed on 1 March 2020).

United Nations Human Rights. (n.d.), Good governance and human rights. Available at: <https://www.ohchr.org/EN/Issues/Development/GoodGovernance/Pages/GoodGovernanceIndex.aspx> (accessed 15 March 2020).

Universities UK (2016). University funding explained. Universities UK Publications, available at: www.universitiesuk.ac.uk

Zamzami, F., Nusa, N. D., & Timur, R. P. (2016). The effectiveness of fraud prevention and detection methods at universities in Indonesia. *International Journal of Economics and Financial Issues*. 6(3), 66-69.

Zhang, H., Song, Y., Tan, S., Xia, S., Zhang, H., Jiang, C., Xiong, D., Cheng, G., Zhang, L., & Lv, Y. (2019). Anti-corruption efforts, public perception of corruption, and government credibility in the field of real estate: an empirical analysis based on twelve provinces in China. *Cities*, 90, 64-73.