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THE DETERMINANTS OF FRAUD PREVENTION EFFECTIVENESS IN MALAYSIAN LOCAL AUTHORITIES: THE MEDIATING ROLES OF LEVERS OF CONTROL

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ABSTRACT

Fraud is a dark side of business and a global problematic issue that brings tremendous effect to any organizations. This study examined the factors determining fraud prevention effectiveness in Malaysian Local Authorities. In seeking empirical evidence of fraud prevention practices and its implications towards fraud, a comprehensive and multi-dimensional theoretical model known as the Fraud Prevention (FP) model was introduced. The Fraud Prevention (FP) model assessed the drivers of Levers of Controls (LOC) by looking at attitude, subjective norms and perceived behavioural control factors as suggested in the Theory of Planned Behaviour (TPB). All these variables (Organization Culture, Employee Integrity, Organization Commitment, Employee Intrinsic Motivation, Organization Efficacy and Idealism) were used to predict Levers of Controls (LOC). Levers of Controls (LOC) (three dimensions; boundary control systems, interactive control systems and belief control systems) were used to predict Fraud Prevention Effectiveness. The Fraud Prevention (FP) model also tested the mediating effects by using Levers of Controls (LOC) on the relationship between Planned Behavior variables and Fraud Prevention Effectiveness. The questionnaire survey method was used in collecting primary data. Samples were selected using stratified random sampling which yielded 111 usable questionnaires. The structural equation modeling method such as Structural Equation Modelling using Partial Least Square (PLS-SEM) was used to evaluate the model. In assessing the drivers of Levers of Controls (LOC), Organization Commitment, Employee Intrinsic Motivation and Idealism were found to have significant influence on the Levers of Controls (LOC). Next, Levers of Controls (LOC) was found to have significant influence on Fraud Prevention Effectiveness relationship. Testing the mediator's effects, Levers of Controls (LOC) was found to mediate the relationship between Planned Behaviour variables (Organizational Commitment, Employee Intrinsic Motivation, and Idealism) and Fraud Prevention Effectiveness. It was hoped that this study would narrow down the gaps in knowledge area and furnish useful guidelines that could trigger Fraud Prevention Effectiveness implementation in the Malaysian Local Authorities.

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