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Critical Success Factors For Financial Fraud Management In Government Agencies

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Abstract:
This study aimed to identify critical success factors for financial fraud management within government agencies from the perspective of accounts preparers. Data was collected from a sample of 150 respondents consisting of account personnel from 16 government agencies in a state within Malaysia. A survey instrument that had 47 measurement items was designed to identify the level of financial fraud prevention management practised in government agencies. Descriptive statistical analysis and reliability analysis were used to analyse the data using the SPSS software. In addition, the findings for this study include organizational management of financial fraud prevention, organizational governance, effective internal control, as well as asset and financial management, were the critical success factors for agencies to achieve efficient financial fraud management. However, this study only considered the accounts from personnel within one state. Moreover, this study has provided essential information for decision-makers who are involved in the implementation of financial fraud prevention practices among government agencies. In terms of practical implications, the development of the instrument in this study could be a valuable tool to evaluate successful financial fraud management in other states within Malaysia.

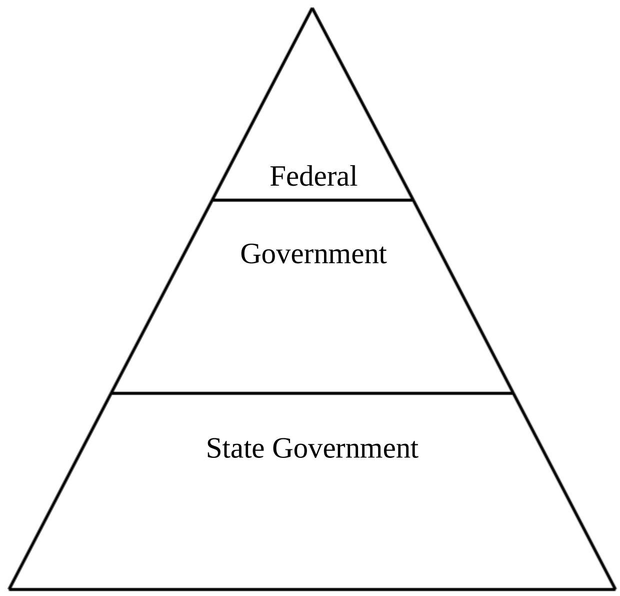
Keywords: financial fraud, state government agencies, internal control, organizational governance, asset and financial management

1. Introduction

Financial fraud among government agencies has been a critical issue that remains unresolved around the world, which can affect a nation through wastage of resources, the tarnished image of government agencies, and reduced effectiveness of operations that can hamper economic growth. In Malaysia, corruption has caused RM1.8 trillion loss through illicit financial flow from 2005 to 2014, with 63.3% of the complaints on corruption being made against the public sector (Malaysia, 2019). Due to this alarming report, the government in Malaysia has initiated the National Anti-Corruption Plan 2019 (NACP) to create corrupt-free nation via three specific objectives, which are (1) accountability and credibility of judiciary, prosecution and law enforcement agencies; (2) efficiency and responsiveness in public service delivery as well as (3) integrity in business (Malaysia, 2019). The NACP is embodied within a document that outlines an integrated course of actions to fight corruption. There are five (5) chapters in the NACP document, which details the human governance to enhance the integrity, as well as transparency and accountability in public sectors that require high commitment and cooperation from people to develop a morally developed nation. This plan is being executed between 2019 to 2023.

The three-tiered hierarchical structure of administration in government agencies of Malaysia is shown in Figure 1, which comprises of three (3) jurisdictions; the federal government, the state government and the local

government. At the top level of the structure is the federal government, which involves ministries, departments and public enterprises. The ministries, such as the Ministry of Finance, are considered as the highest governance body in the federal administration, which is led by His Majesty
Yang di-Pertuan Agong and assists by the Prime Minister and the cabinet in accordance to Federal Constitution 1957. On the other hand, the state government (second tier) consists of ministries, departments and public enterprises that are ruled by a Sultan or a governor. Each state government has a degree of influence on specific departments and statutory bodies, such as the State Religious Department and State Sports Council. The local government, which is the lowest tier in the hierarchy, generally consists of city councils, municipals or district councils managed by the state government (Abd Rauf et al., 2015). The focus of this study is of government agencies from the local government of Melaka, which is also the smallest state in Malaysia.



Local Government

Figure 1 Three-tiers of Malaysian Government Source:
(Abd Rauf et al, 2015)

2. Literature Review

Financial fraud prevention

Financial fraud had led people around the world to witness many inadequacies in public fund management within government agencies. Numerous studies had been carried out as a result of this crisis to decipher multiple ways and means that can be implemented by the government to overcome the damaging consequences. For instance, Andersen and Lawrie (2002) had highlighted that the public sector in the UK continuously faced challenges in strategic management to deliver quality services and outputs due to potential conflicting interests from having multiple stakeholders. There were also reports of pressure from politicians who emphasized "value for money" in delivering public services. Hence, the government was determined to combat potential fraud cases by discussing and developing relevant tools or initiatives to be executed within the public sector, such as the Department of Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC). Moreover, existing cases that had been filed against the public sector in the UK were strictly assessed and evaluated to resist future issues.

A Public Sector Forum that was held internationally in 2019 had explicitly addressed the issue of fraud management within public organizations, which became a platform for members to share ways in reducing the harm of fraud and corruption to uphold as well as to protect public funds and services. As an outcome of the forum, the practices applied by countries within the Five Eyes alliance (Australia, Canada, New Zealand, the

UK and the US) who became the affiliate member of the forum, were also revealed for further deliberation. The summary below described the measures taken by these countries.

Table 1: Panel of experts

Expert	Name	Position of Expert	Field
Academic experts	HB	Head of Faculty of Accountancy Universiti Teknologi MARA (UiTM)* Malaysia	Corporate Governance, Social Accounting
	HN	Associate Professor Faculty of Accountancy UiTM	Environmental Accounting, Social Accounting
	HH	Senior Lecturer Faculty of Accountancy UiTM	Strategic Management Accounting
	AR	Senior Lecturer Faculty of Accountancy UiTM	Financial Reporting
	AM	Lecturer of Faculty of Accountancy UiTM	Accounting Information System
	AT	Lecturer of Faculty of Accountancy UiTM	Financial Reporting & Taxation

Several local studies had been conducted on fraud prevention methods among government agencies in Malaysia. A study by Tuan Mat et al. (2013) suggested that activities on fraud awareness, as well as training in the code of conduct and principles of privacy, to the employees involved directly in fraud control activities, were effective mechanisms to preventing fraud. Results from this study were further supported by Othman, Abdul Aris, Mardziyah, Zainan and Md Amin (2015), who suggested operational audits, enhanced audit committees, improved internal controls, implementation of fraud reporting policy, staff rotation, fraud hotlines and forensic accountants were effective to detect and prevent fraud within the public sectors in Malaysia. A recent study by Rosli, Mohamad, Mohamed and Abdul Rahman (2017) proposed a comprehensive and holistic fraud prevention framework based on the Committee of Sponsoring Organization, which emphasized internal control as a mean to ensure total elimination of opportunities for committing fraud.

These studies, however, highlighted only the efforts taken by government agencies to prevent potential financial fraud from happening within the organizations. This study was conducted to determine the extent of applicability for the measures used such as organizational governance, internal control, as well as asset and financial management by the public agencies within the state government in preventing financial fraud from occurring. Through the analysis made in this study, the practicality and utilization of the suggested actions to address the issues of fraud cases in government agencies can be determined, especially to suit the context of the hierarchical structure in Malaysia.

Organizational governance

Organizational governance can be referred to as the policies and procedures that were based on the ways an organization operated, regulated and controlled. Effective governance was essential to prevent corporate scandals, fraud, and potential civil and criminal liability, with internal audit, whistleblowing and audit committee being some of the measures executed to address the issues mentioned within organizational governance. Empirical researches had contended that insource internal audit can detect and prevent fraud in organizations (Coram, Ferguson, & Moroney, 2008; Salameh, Al-Weshah, Al-Nsour, & Al-Hiyari, 2011). Alzeban & Gwilliam (2014), while management support was suggested as the main factor in influencing the effectiveness of the internal audit function. Several examples of management support included hiring a skilled and qualified internal auditor, strengthening ties with external auditors and establishing an independent internal audit department.

Whistleblowing had long been highlighted as a mechanism that helped prevent corruption and fraud in an organization (Okafor, Opara, & Adebisi, 2020). Whistleblowing can be defined as voluntary, intentional and unauthorized disclosure by a person with privileged knowledge of actual or potential wrongdoing of another person or party, to an external entity or the public for possible remediation

(Jubb, 1999). Hence, the act of whistleblowing involved three groups of people, which were (1) the wrongdoer who committed the alleged offence; (2) the whistleblower who observed and reported the wrongdoing; and (3) the recipient of the whistleblowing report (Near, 1996). In Malaysia, the Whistleblower Protection Act 2010 was enacted to combat corruption and other similar wrongdoings by encouraging and facilitating disclosure of improper conduct within public and private sectors. Most organizations, both public and private sectors, had adopted the whistleblowing policy and procedures to improve and encourage reporting of any unethical conducts, which was also considered to be effective in achieving ethical governance and promoting the culture of transparency across sectors (Noor Afza, 2020). The Association of Certified Fraud Examiner (ACFE) in 2014 asserted that 42.2% of the detected frauds had resulted from whistleblowers. Supporters of whistleblowing actions had also cited observed improved team morale and ethical conduct within the organization (Noor Afza, 2020).

Monitoring and control of the process in financial reporting had often been considered as the primary duties of the Board of directors. However, this responsibility would often be delegated to the audit committees (AC) (McMullen 1996). As fiduciaries of investors, AC was entrusted with the duty of overseeing the financial reporting and auditing process to protect the interest of investors (Kang, 2019). Besides, these investors would also be safeguarded from potentially misleading financial statements through AC (Bédard & Gendron 2010). Hence, AC was expected to actively engage in assessing auditor expertise and independence, discussing the scope of the audit, determining auditor compensation, evaluating audit quality, and becoming the mediator to resolve any financial reporting issues that may arise between the management and the auditors (Bratten, Causholli & Sulcaj, 2019). The AC would represent investors who were unable to monitor the auditing process or financial reporting directly by asking challenging questions to the management, external auditors and other relevant constituents (DeZoort & Salterio, 2001; Gendron & Bédard, 2006). Several studies had suggested that independent AC were less likely to be associated with financial statement fraud (Abbott et al., 2004). However, this independent AC was more likely to be associated with lower earnings management (Xie et al., 2003), and a lower incidence of earnings restatement (Agrawal & Chadha, 2005). Furthermore, Carcello & Neal (2003) also suggested that independent AC were more effective in protecting auditors from dismissal following the issuance of growing concern in an audit report.

This study proposed a combination of effective internal audit, whistleblowing activities, as well as an independent audit committee, was crucial in mitigating the potential of financial fraud within the public sector and agencies. Hence, the following hypothesis was presented and tested:

H1: There was a positive association between effective organizational governance and financial fraud management.

Organizational internal control

Public services had been exposed to various type of deceitful acts, both by employees and customers throughout the years, which required effective practices within the area of fraud risk management. As stated by Treasury (2003), a framework that emphasized the internal control system (ICS) should be made compulsory for all organizations to meet the requirement of Corporate Crime Prevention and Community Safety Countering Fraud. Nevertheless, by having ICS within an organization does not guarantee fraud prevention as a proper monitoring system was equally eminent. A study on the relationship between strategy, control activities, monitoring and effectiveness, showed that high degrees of internal control activity with low degrees of monitoring had resulted in greater effectiveness of ICS. On the other hand, a high degree of internal control activity combined with high degrees of monitoring had also led to a highly effective ICS (Adebayo et al., 2009).

Nonetheless, the internal control system (ICS) was considered essential as an influential tool for an organization. A well-designed ICS would facilitate the management through proper direction and consistency (Obeidat, B.Y. et al., 2014), which assured quality products and services as individuals acted to the best interest of the organization. For managers, an effectual ICS allowed an evaluation to the extent of effectiveness in organizational functions and the ways resources were utilized (Shannak et al., 2012). Since an organization should be aware of operational risks that could create hindrance to attaining organizational objectives, managers could also enhance the accountability of a program and obtain reasonable assurances that the program had achieved the expected goals and objectives through high-quality ICS (Al-Syaidh et al., 2015; El-Masri et al., 2015). As a result, resources could be preserved as laws and regulations, contracts and management directives were adhered, which would minimize wastage.

While good ICS may reduce possible fraudulent activities in both the public and the private sectors, continuous monitoring of the significant risks and constant periodic evaluations should also be highlighted. The top management for each organization should provide a control culture that addressed fraudulent acts among the employees of the organization. Therefore, this study hypothesised that:

H2: There was a positive association between effective organizational internal control and financial fraud management.

Asset and financial management

The financial management system in every public sector worldwide was one the fundamental elements that required transparency, accountability, efficiency and effective service delivery. Kanyane (2011) proposed that the critical factor in determining the viability of the public sector was financial management, which suggested that severely weakened revenue bases, substandard or unethical financial administration and repeated unsolvable audit failures can cause financial failure to the public sectors. Thus, anti-corruption features must be incorporated into the financial management system to be accountable to the governance system by reducing corruption, graft and fraud (Mantzaris, 2014). Good governance was fundamental for public sectors to exercise authority for providing adequate provisions of services, such as road constructions and maintenance, health services and public schools. Outstanding financial management systems could also detect and eliminate potential economic crimes or financial corruptions, as well as highlight potential causes of anomalies. As reported by Dorotinsky and Pradhan (2007), countries with better financial management systems have lower corruption perception indexes, whereby besides preventing corruption from happening, good financial management systems can detect fraud easily (Mantzaris, 2014). Hence, effective financial management and good governance assured the financial viability of a public sector. Some of the examples of high-quality financial management system were performance-oriented budget formulation and good record-keeping that secured audit trail and accurate reporting.

Most studies asserted that corruption ceased to occur through the use of budget accounting and reporting, which were part of the aspects of financial management systems. Hence, suitably skilled, experienced and qualified personnel in these systems should be the individuals who were responsible for planning, designing and implementing the related financial tasks without political or administrative interference. Moreover, the influence of information technology could also lead to improvements in the quality of financial reporting and reduce errors. Dorotinsky and Pradhan (2007) asserted that the corruption, which usually happened during budget execution, would often be detected through detailed accounting and reporting systems, primarily through digital tools that were integrated into financial management information systems. Besides, the Government Accounting Standards was also needed to improve the quality of financial governance and financial reporting from the government (Dewi & Hoesada 2020).

Accrual accounting, which was one of the elements in the financial management system, had the potential for quality governance and anti-corruption measures (Ferry, Zakaria, Zakaria & Slack 2018). Thus, the

Federal Government of Malaysia had adopted full accrual-based accounting for financial reporting on 1 January 2015, with the implementation being postponed twice; from between 2015 to 2017 to 2018, which would happen in 2021. Based on previous studies, three (3) factors, namely effective organizational management, internal organizational control and asset, as well as financial management, were identified to contribute to the success of financial fraud management. Therefore, this study intended to determine the extent of contribution by these three factors to the success of financial fraud management within the government agencies from the perspective of the account preparers. Based on these arguments, the following hypothesis was proposed:

H3: There was a positive association between effective assets and financial management with financial fraud management.

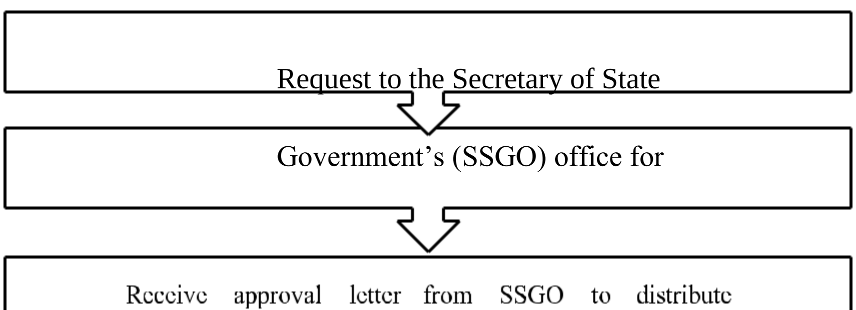
3. Methodology

Research design

This study employs quantitative design through a questionnaire survey. Early stages of this study required the request of permission from the Secretary of State government's office (SSGO) to distribute the questionnaire to the state government agencies staffs. The study had also been requested to present the research proposal to the SSGO committee. The process of waiting for permission took almost two (2) months after the presentation was conducted. The questionnaire was identified through the use of factors that may lead to financial fraud among government agencies, as discussed in the literature. The questionnaire was hand administered to the accounts department from 16 government agencies chosen as the sample of this study and was analyzed using SPSS version 24.0. The overall research design process can be illustrated in Figure 2.

The questionnaire was structured and divided into seven (7) sections. The first section sought demographic information from the respondents, with ten close-ended questions posed in the second section (section B) to elicit the understanding of financial fraud from the respondents. In the third section (Section C), the respondents were asked on factors that might have led to financial fraud through ten close-ended questions as well with the options of Yes or No for an answer. In the following section (section D), respondents were questioned on organizational governance in deterring financial fraud. Section E queried on the organization internal control while Section F sought to determine the views on the asset and financial management among the respondents. In the last section (Sections G), the respondents were enquired on the management system that could potentially lead to financial fraud. Sections D to G had employed the 5-point Likert scale that ranged from

(1) strongly disagree to (5) strongly agree. Details for each of the section in the questionnaire has been attached as an appendix of this paper.



Presenting the research proposal to the SSGO

from SSGO to distribute questionnaire

Analyze the data using SPSS 24.0

Figure 2: The research design process

Operationalization

This study had used 47 items that had recognized four dimensions as the critical success factors. The dimensions identified were organizational governance, internal organizational control, as well as asset and financial management, which had all been highlighted in previous studies, as displayed in Figure 3. These factors or variables were investigated to determine the significant influence on financial fraud management.

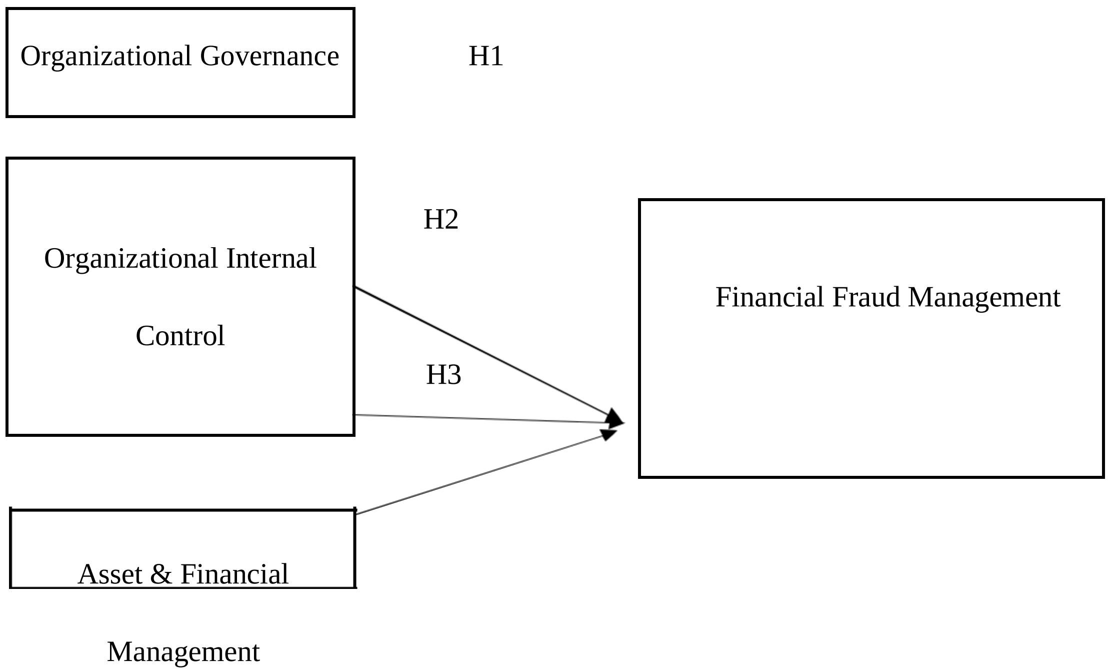


Figure 3: Factors to financial fraud management in government agencies

Sampling and population

This study used both purposive as well as convenience sampling, whereby the questionnaire was distributed by hand and based on voluntary participation that involved accounting staff from 16 government agencies. A total of 150 out of 170 questionnaires were returned for this study, which contributed to the success rate of

88.23%. This returned rate was considered to be very high for a questionnaire survey and was thought to be the outcome of the research team who had personally administered, followed up, and collected back the questionnaires by hand to the respondents. The rapport built with the respondents of this study could have developed the appreciation to the researchers in this study in investigating the issue, which assisted the voluntary process of data collection.

Pretest feedback

A pretest was performed to a group of experienced academicians in research at the initial stage of this study to ensure the validity of the questions posed in the questionnaires, as suggested by Hunt et al. (1982). Validity was addressed in this study through face validity, which determined the extent that respondents perceive the variable tested to be applicable and credible (Cronbach, 1971). The questionnaires were first distributed to 6 scholars (4

with a doctorate and two lecturers with at least 15 years of teaching experience) to identify any ambiguities in the meanings, whereby the questionnaire was revised based on the comments. Table 2 displayed the distribution of the panel of experts involved in this study.

Table 2: Demographic information (n =150)

	Item	Frequency	(%)
Gender	Male	49	32.7
	Female	101	67.3
Marital status	Single	32	21.3
	Married	114	76.0
	Others	4	2.7
Age	< 25 years	14	9.3
	25-34 years	69	46.0
	35-44 years	44	29.
	>44 years	23	15.3
Education level	SPM	31	20.7
	STPM	10	6.7
	Diploma	73	48.7
	Degree/Master/PhD	35	23.3
	Others	1	0.7
Position	Management & Professional	29	19.3
	Support Staffs	121	80.7
Salary	RM1300-RM2500	67	44.7
	RM2501-RM3700	53	35.3
	RM3701-RM4900	18	12.0
	RM4901-RM6100	10	6.7
	>RM6101	2	1.3
Duration of working	1-5 years	51	34.0
	6-10 years	61	40.7
	11-15 years	18	12.0
	>16	20	13.3

4. Discussion

Demographic

In this study, 160 respondents from 16 government agencies had provided feedback to the survey. The sampling rate was 88.23% with 150 valid responses. Table 3 depicted the overall demographic profile of the respondents, whereby 67.3% were female, and 32.7% were male. Besides, majority of the respondents were married (76%), followed by those who were still single (21.3%) or had been separated (2.7%). Most of the respondents (46%) were between 25 to 34 years old. There were five categories in the level of education outlined in the survey, with the highest percentage of respondents being diploma holders (48.7%), followed by 23.3% with at least a bachelor, master or PhD degree. Meanwhile, 20.7% of the respondents had at least the SPM certification, while 6.7% received STPM qualifications.

Further investigation showed that most of the respondents (80.7%) are member of the support staff department, such as account assistants and accounts clerk while the accountants comprised of only 19.3% of the respondents. A total of 44.7% respondents earned between RM1,300 and RM2,500, followed by those who earned between RM2,501 and RM3,700 (35.3%), RM3,701 to RM4,900 (12%), and 6.7% respondents earned RM4,901 to RM6,100. Only a mere 1.3% of the respondents earned above RM6,101. This result was understandable as the Head of the Accounting Department in a government sector was, by practice, held by only one person. Respondents who had worked between 6 to 10 years dominated the workforce (40.7%), followed by 34% of respondents having worked between 1 to 5 years. Only 20% of the respondents have worked for more than 16 years.

Table 3: Distribution of understanding financial fraud by position

Items	Yes		No		Total	
	MP*	SS*	MP	SS	Yes (%)	No (%)
Do you understand the meaning of financial fraud?	29	117	0	4	146 (97.3)	4 (2.7)
Are you made aware of financial fraud by the management?	24	99	5	22	123 (82)	27 (18)
Have you been involved in any financial fraud in your organization?	1	1	28	120	2 (1.3)	148 (98.7)
Have you attended any course or program by your organization on integrity?	26	84	3	37	110 (73.3)	40 (26.7)
Does the management enforce a zero tolerance approach to financial fraud?	22	101	7	20	123 (82)	27 (18)
Were you informed on actions to be taken against any financial fraud in	25	99	4	22	124 (82.7)	26 (17.3)

your organization?						
Have you ever thought of committing financial fraud if you have the capability?	4	3	25	118	7 (4.7)	143 (95.3)
Has there been any financial fraud in your organization?	15	52	14	69	67 (44.7)	83 (55.3)

Note: MP – Management & Professional, SS – Support Staff

Understanding of financial fraud

In section B, respondents were enquired to provide an understanding of financial fraud. Table 4 overleaf summarized the response of the participants according to the professional positions. A majority of the respondents understood the meaning of financial fraud (97.3%), were made aware of financial fraud by the management (82%), had attended courses on integrity held by the organization (73.3%) and were acknowledged that management enforced zero-tolerance approach to financial fraud. A large percentage of the respondents were also well-informed on the actions against any financial fraud within the organization (82.7%).

On a more positive note, a majority of the respondents (management, professionals and support staff) had never thought of committing financial fraud, albeit having the capability to do so (95.3%). Most of the respondents also admitted having never been involved in any financial fraud (98.7%). Nevertheless, 44.7% respondents (nearly 52% of the respondents were from the management and professional) admitted that financial fraud had occurred in the respective organizations, which in hindsight, considered to be alarming and may need further investigation.

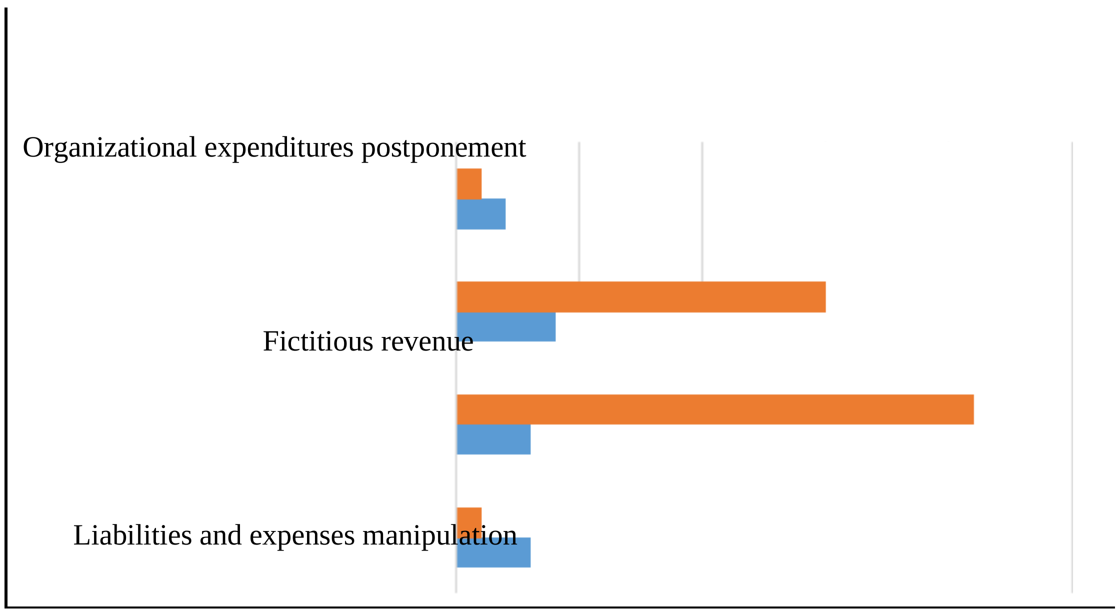
Table 4: Distribution of factors lead to financial fraud by position.

Items	Yes		No		Total	
	MP* (%)	SS* (%)	MP (%)	SS (%)	Yes (%)	No (%)
Lack of understanding on financial fraud	18 (62.1)	79 (65.3)	11 (37.9)	42 (34.7)	97 (64.7)	53 (35.3)
No exposure on financial fraud	18 (62.1)	82 (67.8)	11 (37.9)	39 (32.2)	100 (66.7)	50 (33.3)
Lack of integrity in performing duty	25 (86.2)	113 (93.4)	4 (13.8)	8 (6.6)	128 (85.3)	12 (14.7)
Lack of sense of responsibility above position reputation	24 (82.8)	107 (88.4)	5 (17.2)	14 (11.6)	131 (87.3)	19 (12.7)
Lack of sense of responsibility above organizational reputation	23 (79.3)	111 (91.7)	6 (20.7)	10 (18.3)	134 (89.3)	16 (10.7)

No action taken on misdeed	15 (51.7)	73 (60.3)	14 (48.3)	48 (39.7)	88 (58.7)	62 (41.3)
Lack of ICS within the organization	24 (82.8)	89 (73.6)	5 (17.2)	32 (26.4)	113 (75.3)	37 (24.7)
Misuse of position by the management	23 (79.3)	95 (78.5)	6 (20.7)	26 (21.5)	118 (78.7)	32 (21.3)
Weak corporate governance	22 (75.9)	102 (84.3)	7 (24.1)	19 (15.7)	124 (82.7)	26 (27.3)

*MP – Management & Professional, SS – Support Staff

An additional question posed to respondents who reported an incidence of financial fraud within the organization, needed to reveal the type of financial fraud witnessed, which were mostly from the support staff. Figure 4 showed the distribution of financial fraud by types. The data revealed that the highest type of financial fraud reported by support staff, management and professionals in accounting was liabilities and expenses manipulation, followed by fictitious revenue. The least type of financial fraud was the postponement of organizational expenditures. These findings can be alarming as it may indirectly act as an admission to the financial fraud that exist within the respective organization. The primary concern for financial fraud was having the reports swept under the carpet, with no punishment enforced.



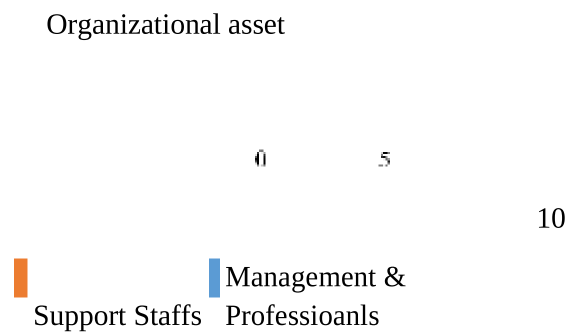


Figure 4: Distribution of financial fraud by position

Factors leading to financial fraud

Another significant element incorporated within the survey was the factors that led to financial fraud. Respondents were presented with ten dichotomous questions, which required a 'YES' or "NO' answer. Table 5 showed the distribution of the factors by the position held by the respondents.

In general, a majority of the staff had provided positive feedback by selecting 'YES' as the answer to most questions. In order of agreement, the three (3) highest factors leading to financial fraud were lacking the sense of responsibility above organizational reputation (89.3%), lacking the sense of responsibility above position reputation (87.3%), and lacking the integrity in performing designated duties (85.3%). On the other hand, the lowest three factors were; no action taken on misdeed (58.7%), lack of understanding on financial fraud (64.7%), and limited exposure on financial fraud (66.7%). Comparatively, by percentage, the support staff provided higher percentage than the management and professional members that may lead to financial fraud, except for two factors, which were the lack of ICS within the organization and misuse of position by the management with 82.8% and 79.3% against 73.6% and 78.5%, respectively.

Table 5: Pearson Correlations Analysis

	1	2	3	4
Financial fraud management	1	.423**	.430**	.408**
Organizational governance		1	.444**	.320**
Organizational internal control			1	.494**
Asset and financial management				1

** Correlation was significant at the level 0.01 level

Cronbach's α method was conducted to test the reliability of the dimensions statistically. All dimensions of Cronbach's obtained the values of 0.869 and 0.747, respectively, which exceeded the lowest level of 0.7 that had been established by Hair et al. (2012). Those findings indicated that all the constructs were internally reliable. The correlation analysis was to identify any relationship among variables and to detect whether any multicollinearity problem existed. Multicollinearity was a phenomenon whereby two or more variables were highly correlated. The high degree of multicollinearity indicated bias relation between two variables, which may affect the accuracy of the multi-regression test result. The problem existed when independent variables were highly correlated with each other, with a correlation that exceeded 0.9, based on Tabachnick and Fidel (2007). However, none of the variables was found to be more than 0.5.

Table 6 showed the results of correlations among the variables, which were financial fraud management and organizational governance, internal organizational control and asset and financial management in the government agencies, based on the Pearson correlation. Financial fraud management had a significance value of 0.00 <0.05 with all the variables, which concluded that both financial fraud management and organizational governance, as well as internal organizational control and asset and financial management, had a significant correlation relationship. There was a medium, positive correlation between organizational corporate governance

and fraud (r=0.393, p<0.0005) and a medium, negative correlation between organizational internal control and fraud (r=0.335, p=0.001). The results also showed a negative correlation between asset and financial management with fraud, but the correlations were not significant. The Pearson Correlation showed in Table 6 value connected between each variable, with an asterisk that showed the significant Correlation between the variables connected.

Table 6: Result of regression

Variables	Fraud Management	
	Coefficient	t-statistic
Intercept	.328	.702
Organizational governance	.260***	3.314
Organizational Internal Control	.205**	2.391
Asset and Financial Management	.224***	2.763
R2	.289	
Adj. R2	.275	
F value	19.797	
p-value	.000	

Note: *** significant at 0.01, **significant at 0.05

As the objective of this study was to identify the relationship between organizational governance, internal control and asset and financial management to fraud. Hence, regression analysis was used to examine the relationship between variables, as presented in Table 7 based on the equation from the empirical model of this study.

Financial Fraud Management = βo + $\beta 1$ Organizational governance + $\beta 2$ Organizational Internal Control+ $\beta 3$ Asset and Financial Management + ε it

Table 7 showed that the presence of organizational governance, internal organizational control, as well as assets and financial management, were positively and significantly related to financial fraud management. This result was consistent with Hypothesis 1, whereby effective governance was essential to prevent corporate scandals and fraud. Besides, Hypothesis 2 was also supported since reasonable internal control may reduce possible fraudulent activity in both the public and the private sectors. The result also supported Hypothesis 3, whereby assets and financial management was also contended to be the foundation of good governance and reduced corruption, graft or fraud. Effective financial management systems would make corruption that occurred detected easier (Mantzaris, 2014).

Table 7: Adjusted coefficient R square

Variables	Fraud Management	
	Coefficient	t-statistic
Intercept	.328	.702
Organizational governance	.260***	3.314
Organizational Internal Control	.205**	2.391
Asset and Financial Management	.224***	2.763
R2	.289	
Adj. R2	.275	
F value	19.797	
p-value	.000	

The adjusted coefficient R square was later used to determine the extent of the dependent variable explained by the independent variable. Based on the results shown in Table 7, the value of R Square was 0.289, which suggested that the independent variable was able to affect the dependent variable by 28.9%. The overall findings had verified results and arguments from past studies that organizational governance, internal organizational control, as well as assets and financial management, were critical success factors in fraud management that could reduce and eliminate fraud cases within the government agencies when practiced efficiently.

5.Conclusion

This study aims to determine the critical factors that lead to successful financial fraud management among state and government agencies. A questionnaire had been developed and disseminated to over 150 employees attached to the accounts department of 16 government agencies within a state in Malaysia. Previous studies have highlighted the state with the highest qualified audit report. Findings from the study have revealed that the three factors; corporate organizational governance, internal organizational control, as well as asset and financial management, have shown a significant effect to the success of financial fraud management in government agencies. These findings are beneficial for policy makers in designing effective financial fraud management policies and initiatives within the government agencies as an effort to mitigate fraud cases.

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