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Whistleblowing, Integrity, and Culture in Local Government Fraud Prevention

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Abstract

Purpose – This study examines the effects of whistleblowing systems and employee integrity on fraud prevention in local government institutions, and tests whether organizational culture moderates these relationships, addressing a gap in research that has rarely examined systemic and individual fraud prevention mechanisms jointly.
Design/Methodology/Approach – Using Partial Least Squares Structural Equation Modeling (PLS-SEM), primary data were collected through a structured questionnaire administered to 214 civil servants across 29 Regional Apparatus Organizations (OPD) in Merauke Regency, Indonesia, selected through purposive proportional sampling.
Results – Whistleblowing systems ($\beta = 0.312$, $p < 0.001$) and employee integrity ($\beta = 0.374$, $p < 0.001$) both significantly enhance fraud prevention, jointly explaining 47.8% of its variance. Organizational culture significantly strengthens the relationship between whistleblowing–fraud prevention ($\beta = 0.143$, $p = 0.027$), but does not significantly moderate the relationship between employee integrity and fraud prevention ($\beta = 0.089$, $p = 0.141$).
Originality – This study extends the Fraud Diamond framework by testing organizational culture as a moderator of both systemic (whistleblowing) and individual (integrity) fraud prevention mechanisms simultaneously, a combination rarely examined together in local government settings, particularly in Indonesia's eastern regions such as Merauke Regency.
Research limitations/Implications – The cross-sectional, single-regency sample limits the generalizability of the findings. The results suggest that formal reporting mechanisms are more context-dependent on organizational culture than individual moral commitment, so local governments should combine systemic, individual, and cultural interventions to strengthen fraud prevention efforts.

Keywords: Employee Integrity, Fraud Prevention, Local Government, Organizational Culture, Whistleblowing Systems

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Introduction

Fraud in the public sector remains a significant challenge that undermines governance effectiveness, erodes public trust, and diverts resources intended for development and public services (Akhtar et al., 2025). In developing countries, including Indonesia, fraudulent practices such as corruption, asset misappropriation, and financial statement manipulation continue to occur at various levels of government (Ikbal et al., 2020). According to the Association of Certified Fraud Examiners (2024), tips and whistleblowing remain the most common fraud detection method globally, yet many local government organizations in Indonesia lack effective reporting mechanisms and integrity-building systems.

Local governments in Indonesia manage substantial public resources through Regional Apparatus Organizations (OPD), making them particularly vulnerable to fraud risks. Despite the implementation of Government Internal Control Systems (SPIP) mandated by Government Regulation No. 60 of 2008, fraud cases in regional government settings persist. This suggests that formal control mechanisms alone may be insufficient, and that additional factors related to organizational behavior, ethical culture, and reporting mechanisms deserve scholarly attention.

Whistleblowing systems represent one critical mechanism for fraud prevention in public organizations (Sudiadnyani et al., 2025). Defined as the disclosure of illegal, immoral, or illegitimate practices by organizational members to parties who can take action (Near & Miceli, 1985), whistleblowing enables early detection and deterrence of fraudulent behavior. When employees perceive that reporting channels are accessible, confidential, and responsive, they are more likely to report suspected wrongdoing, thereby reducing opportunities for fraud to persist undetected (Handajani et al., 2023).

Employee integrity constitutes another fundamental factor in fraud prevention. The Fraud Diamond theory (Wolfe & Hermanson, 2004) identifies capability, an individual's position, skill, and authority to exploit control weaknesses, as a fourth element alongside pressure, opportunity, and rationalization; employee integrity is conceptually distinct from this dimension and instead operates through the pressure and rationalization elements of the framework. Employees with high integrity are less likely to engage in or tolerate fraudulent behavior (Shindika & Cheteni, 2023). In public sector settings, employee integrity encompasses compliance with regulations, rejection of unethical requests, and accountability for decisions and actions.

While both whistleblowing systems and employee integrity are expected to contribute to fraud prevention, their effectiveness may depend on the organizational context. Organizational culture, understood as the shared values, norms, and behavioral patterns within an organization (Denison & Mishra, 1995), can either strengthen or weaken these relationships. A culture that emphasizes ethical behavior, transparency, and accountability may amplify the deterrent effects of whistleblowing systems and integrity practices, whereas a permissive culture may diminish them (Bogale & Debela, 2024).

Previous studies have examined various determinants of fraud prevention in the public sector (Pratiwi et al., 2024; Rexhepi et al., 2020). Weaknesses in governance and internal control remain a persistent concern across Indonesian local government institutions, as reflected in declining audit opinions and unresolved accountability issues (Damarjati, 2026; Nemnay & Novatiani, 2026). However, few studies have simultaneously examined whistleblowing systems and employee integrity as predictors of fraud prevention in local government contexts. The moderating role of organizational culture in these relationships has received limited empirical attention, particularly in Indonesian local government settings (Setyawantika et al., 2025). Research on fraud prevention in eastern Indonesian regions, where institutional capacity and governance maturity may differ significantly, remains scarce.

The regional government of Merauke Regency in South Papua Province provides a relevant research setting. As a regency in a newly established province with ongoing administrative development, Merauke faces unique governance challenges that make fraud prevention particularly important (Irianto et al., 2025). This study seeks to examine the influence of whistleblowing systems and employee integrity on fraud prevention, with organizational culture as a moderating variable, to provide empirical evidence for strengthening anti-fraud strategies in local government. Strengthening employee integrity and whistleblowing system effectiveness at the local government level also represents a concrete contribution to Indonesia's development agenda, aligning with the Sustainable Development Goals (SDGs) pillar on peace, justice, and strong institutions (SDG 16) and the national research and higher education roadmap (Renstra) on law and governance.

Building on this context, this study has three specific objectives: (1) to examine the direct effects of whistleblowing systems and employee integrity on fraud prevention in local government; (2) to test whether organizational culture moderates the strength of these two relationships; and (3) to determine which of these mechanisms, systemic (whistleblowing) or individual (integrity), exerts the stronger influence on fraud prevention outcomes.

Theoretically, this study contributes to the Fraud Diamond framework (Wolfe & Hermanson, 2004) by positioning organizational culture as a boundary condition that shapes the effectiveness of a systemic control mechanism (whistleblowing systems) and an individual factor operating through the pressure and rationalization elements of the framework rather than through capability (employee integrity) in preventing fraud, a joint test rarely undertaken in prior fraud-prevention research. In doing so, the study also extends Agency Theory by showing how formal reporting mechanisms and informal cultural norms interact to reduce information asymmetry between principals and agents within local government institutions.

Practically, the findings are expected to provide local government policymakers, particularly in Merauke Regency and other developing regions in eastern Indonesia, with empirical guidance for prioritizing anti-fraud interventions, whether by strengthening formal whistleblowing channels, reinforcing employee integrity through recruitment and training, or cultivating an organizational culture that supports ethical reporting behavior.

Literature Review and Hypothesis Development

Theoretical Foundations

This study integrates the Fraud Diamond theory (Wolfe & Hermanson, 2004), Agency Theory (Jensen & Meckling, 1976), and Organizational Culture Theory (Denison & Mishra, 1995). The Fraud Diamond extends the classical Fraud Triangle (pressure, opportunity, and rationalization) by adding capability as a fourth element, positing that fraud requires not only motivation and opportunity but also the personal position, skill, and authority to exploit them.

In this study, employee integrity is theorized to operate primarily through the pressure and rationalization elements of the framework rather than through capability, which concerns an individual's position and skill in overriding controls and is conceptually distinct from moral character. Recent extensions of this framework, such as the fraud hexagon model, incorporate collusion as an additional element and have been applied in the Indonesian accounting context (Sagala & Siagian, 2021).

Agency Theory explains how information asymmetry between government officials (agents) and citizens (principals) creates opportunities for self-interested behavior. Whistleblowing systems and integrity mechanisms serve as monitoring devices that reduce this asymmetry (Antoh et al., 2024; Hakim Z et al., 2019). Denison's organizational culture model identifies four dimensions (involvement, consistency, adaptability, and mission) that can influence how fraud prevention mechanisms function within an organization. Empirical evidence from Indonesian manufacturing firms similarly underscores the complexity of organizational culture as a fraud determinant, given inconsistent findings across studies (Fernaldy & Susilawati, 2024).

Whistleblowing System and Fraud Prevention

A whistleblowing system encompasses the formal mechanisms, policies, and procedures that enable organizational members to report suspected illegal or unethical practices (Near & Miceli, 1985). Effective whistleblowing systems serve a dual function: enabling early detection and creating a deterrent effect by increasing the perceived likelihood that fraud will be discovered (Handajani et al., 2023). Their effectiveness depends on employee awareness of reporting channels, perceived confidentiality and safety, trust in organizational response, and protection against retaliation (Andon et al., 2018). Empirical evidence supports the positive relationship between whistleblowing systems and fraud prevention in both public and private sectors (Association of Certified Fraud Examiners, 2024).

H1: Whistleblowing systems positively affect fraud prevention.

Employee Integrity and Fraud Prevention

Employee integrity refers to the moral quality of individuals in performing their duties honestly, consistently, and in adherence to ethical values (Shindika & Cheteni, 2023). Within the Fraud Diamond framework, integrity is conceptually linked to the pressure and rationalization elements rather than to capability, which instead concerns an individual's position, skill, and authority to exploit control weaknesses (Wolfe & Hermanson, 2004). High-integrity employees are less likely to succumb to financial, social, or organizational pressure and less likely to construct the self-serving rationalizations that typically precede fraudulent acts (Suryandari et al., 2023), they are also more inclined to report suspicious activities. When a critical mass of employees demonstrates high integrity, it creates a normative environment that discourages fraud among all organizational members by raising the perceived social cost of rationalizing wrongdoing (Suryandari et al., 2023).

H2: Employee integrity positively affects fraud prevention.

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The Moderating Role of Organizational Culture

Organizational culture is theorized to moderate the relationships between the independent variables and fraud prevention, consistent with Denison and Mishra's (1995) view that culture shapes how formal and informal control mechanisms are enacted within an organization. Cultures high in consistency and involvement establish shared norms and accountability structures that reinforce the credibility of formal reporting channels, so that a strong ethical culture may amplify the positive effects of whistleblowing systems because employees feel more supported in using reporting channels and leadership demonstrates commitment to addressing reported concerns (Suryandari et al., 2026).

For employee integrity, organizational culture is expected to moderate its effect by shaping the social cost of rationalization: in a strong ethical culture, peer expectations and consistent leadership example raise the psychological and reputational cost of constructing self-serving justifications for wrongdoing, thereby strengthening the deterrent effect of individual integrity, while cultural reinforcement through reward systems further signals that integrity is valued and monitored (Toro-Arias et al., 2022). Conversely, a culture that tolerates rule-breaking may weaken both mechanisms by normalizing rationalization and reducing the perceived risk of bypassing formal reporting channels.

H3: Organizational culture moderates the relationship between whistleblowing systems and fraud prevention, such that the relationship is stronger when organizational culture is more supportive.

H4: Organizational culture moderates the relationship between employee integrity and fraud prevention, such that the relationship is stronger when organizational culture is more supportive.

Conceptual Framework

Based on the theoretical foundations and hypothesized relationships, this study positions whistleblowing systems and employee integrity as direct predictors of fraud prevention, with organizational culture as a moderating variable. Figure 1 presents the conceptual framework.

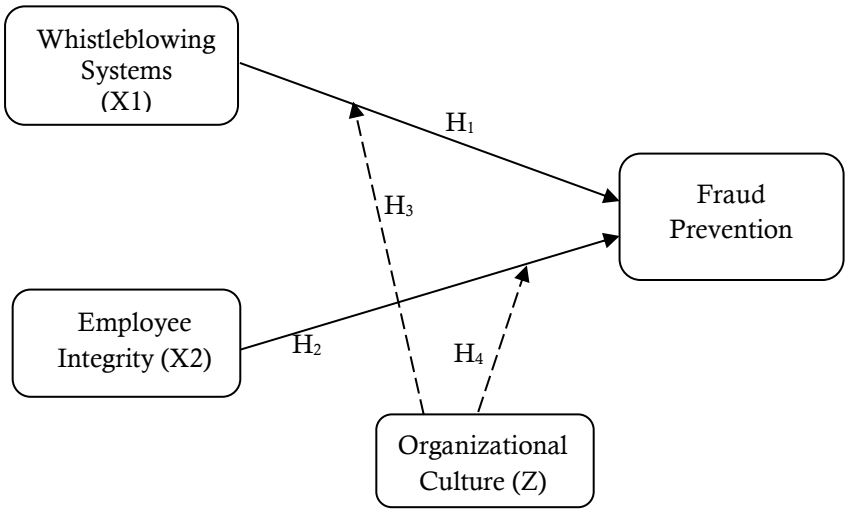


Figure 1
Conceptual Framework

Methods

This study utilizes an explanatory quantitative research design to investigate the relationships among whistleblowing systems, employee integrity, organizational culture, and fraud prevention in local government. Both direct effects and moderation effects are examined using Structural Equation Modeling based on Partial Least Squares (PLS-SEM), which is appropriate for complex models with multiple latent variables and moderation analysis (Hair et al., 2022).

The population comprises civil servants (ASN/PNS) in Regional Apparatus Organizations (OPD) in Merauke Regency who hold structural positions and/or have responsibilities related to financial management, planning, procurement, asset management, internal oversight, and government information systems; based on OPD data, the population totals 524 officials across 29 OPDs. The sample size was determined using the Slovin formula with a 5% margin of error ($n = N / (1 + N(e)^2)$), yielding n = 226.84,

rounded to 227 respondents. Purposive proportional sampling was employed, allocating the sample proportionally based on the population size of each OPD.

Respondents were required to meet the following inclusion criteria: (1) active ASN/PNS status; (2) minimum two years of service; (3) a structural/functional position related to financial management, procurement, oversight, or information systems; and (4) routine access to SIPD or other government financial systems. Of the 227 questionnaires distributed, 214 were returned and deemed usable, yielding a response rate of 94.3%. Data were analyzed using PLS-SEM with SmartPLS software. The analysis comprised two phases: measurement model evaluation (indicator reliability, internal consistency, convergent validity via AVE, and discriminant validity via the HTMT ratio) and structural model evaluation (path coefficients, t-statistics via bootstrapping with 5,000 subsamples, R^2, and f^2 effect sizes). For moderation analysis, the product indicator approach was employed to assess the interaction effects of organizational culture (Hair et al., 2022). Table 1 summarizes the operationalization of the four research variables.

Table 1
Measurement of Research Variables

Variable	Operational Definition	Items	Main Source
Whistleblowing System (X1)	Perceptions of ASN regarding the effectiveness of violation reporting mechanisms, including channel availability, accessibility, confidentiality, protection, follow-up, and trust	8	Near & Miceli (1985)
Employee Integrity (X2)	Perceptions of ASN regarding honesty, responsibility, regulatory compliance, moral consistency, ethical courage, and commitment to public service	8	Kaptein (2008)
Organizational Culture (Z)	Perceptions of ASN regarding values supporting ethics, transparency, accountability, and fraud prevention, measured through Denison's dimensions	8	Denison & Mishra (1995)
Fraud Prevention (Y)	Perceptions of ASN regarding the effectiveness of fraud prevention through internal controls, monitoring, information systems, audit, sanctions, and awareness	10	Wolfe & Hermanson (2004)

Table Source: Adapted From Primary Sources Listed Above

Research Results

Respondent Characteristics

Of the 227 questionnaires distributed to civil servants across 29 OPDs in Merauke Regency, 214 were returned and deemed usable for analysis, yielding a response rate of 94.3%. The demographic profile of respondents is presented in Table 2.

Table 2
Respondent Demographics (n = 214)

Characteristic	Category	Freq.	%
Gender	Male	134	62.6
	Female	80	37.4
Age	25–35	44	20.6
	36–45	93	43.5
	46–55	64	29.9
	>55	13	6.1
Education	Diploma (D3/D4)	8	3.7
	Bachelor (S1)	117	54.7
	Master (S2)	83	38.8
	Doctoral (S3)	6	2.8
Work Experience	2–5 yrs	36	16.8
	6–10 yrs	63	29.4
	11–15 yrs	68	31.8
	>15 yrs	47	22.0

Table Source: Primary Data Processed (2026)

The majority of respondents were male (62.6%), aged 36 to 45 years (43.5%), held a bachelor's degree (54.7%), and had 11 to 15 years of service tenure (31.8%). These characteristics indicate that respondents possessed sufficient professional experience and educational background to provide informed assessments regarding whistleblowing systems, integrity practices, organizational culture, and fraud prevention mechanisms in their respective organizations.

Descriptive Statistics

Descriptive statistics were calculated to provide an overview of respondents' perceptions regarding the variables examined in this study. The results are presented in Table 3.

Table 3
Descriptive Statistics of Research Variables

Variable	Mean	Std. Dev.	Category
Whistleblowing System (X1)	3.78	0.68	High
Employee Integrity (X2)	4.12	0.54	High
Organizational Culture (Z)	3.91	0.63	High
Fraud Prevention (Y)	3.85	0.61	High

Table Source: Primary Data Processed (2026)

All variables exhibited mean values above 3.40 on the five-point Likert scale, indicating generally favorable perceptions among respondents. Employee integrity recorded the highest mean (4.12), suggesting that respondents perceived civil servants as having relatively strong moral and ethical commitment. The whistleblowing system had the lowest mean (3.78), indicating room for improvement in the accessibility, socialization, and trustworthiness of violation reporting mechanisms across OPDs.

Measurement Model Assessment

Indicator Reliability

Indicator reliability was evaluated using outer loading values. All indicators were retained as their loadings exceeded the 0.70 threshold, confirming acceptable reliability. The outer loading values ranged from 0.738 to 0.856 across all four constructs, with employee integrity items showing the most consistently high loadings, further reinforcing the indicator reliability of the measurement model. The complete outer loading values for all indicators are presented in Table 4.

Table 4
Outer Loadings (All Indicators Reliable, Loading > 0.70)

Whistleblowing System (X1)		Employee Integrity (X2)		Organizational Culture (Z)		Fraud Prevention (Y)	
Ind.	**Loading**	**Ind.**	**Loading**	**Ind.**	**Loading**	**Ind.**	**Loading**
WBS1	0.738	EI1	0.823	OC1	0.781	FP1	0.806
WBS2	0.812	EI2	0.856	OC2	0.834	FP2	0.843
WBS3	0.795	EI3	0.798	OC3	0.809	FP3	0.778
WBS4	0.847	EI4	0.814	OC4	0.772	FP4	0.821
WBS5	0.796	EI5	0.762	OC5	0.845	FP5	0.795
WBS6	0.831	EI6	0.841	OC6	0.798	FP6	0.758
WBS7	0.804	EI7	0.797	OC7	0.821	FP7	0.834
WBS8	0.756	EI8	0.808	OC8	0.763	FP8	0.812
						FP9	0.769
						FP10	0.791

Table Source: Primary Data Processed (2026)

Internal Consistency Reliability and Convergent Validity
Internal consistency was assessed using Cronbach's Alpha and Composite Reliability (CR), while convergent validity was evaluated using Average Variance Extracted (AVE). The results are presented in Table 5.

Table 5
Construct Reliability and Convergent Validity

Variable	α	CR	AVE
Whistleblowing System (X1)	0.893	0.914	0.573
Employee Integrity (X2)	0.908	0.926	0.610
Organizational Culture (Z)	0.901	0.919	0.588
Fraud Prevention (Y)	0.924	0.937	0.598

Table Source: Primary Data Processed (2026)

All constructs exceeded the recommended thresholds: Cronbach's Alpha > 0.70, Composite Reliability > 0.70, and AVE > 0.50 (Hair et al., 2022). These results confirm that the measurement model demonstrates satisfactory internal consistency reliability and convergent validity.

Discriminant Validity
Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio criterion. All HTMT values should be below 0.85 to confirm discriminant validity (Hair et al., 2022). Table 6 presents the HTMT results.

Table 6
Heterotrait-Monotrait (HTMT) Ratio

	WBS	EI	OC
Employee Integrity (EI)	0.647		
Organizational Culture (OC)	0.581	0.614	
Fraud Prevention (FP)	0.723	0.698	0.652

Table Source: SmartPLS Output (2026)

All HTMT values are below the 0.85 threshold, confirming that discriminant validity is established among all constructs. The highest HTMT value (0.723) was observed between whistleblowing system and fraud prevention, which is expected given their conceptual proximity while remaining well within acceptable limits.

Structural Model Assessment
Prior to evaluating the structural model, collinearity was assessed using Variance Inflation Factor (VIF) values. All inner VIF values ranged from 1.284 to 1.697, well below the threshold of 5.0, indicating that collinearity is not a concern in the structural model.

Structural Model Results
The structural model was evaluated using path coefficients, t-statistics, and p-values obtained from bootstrapping analysis with 5,000 subsamples. Effect sizes (f^2) and the coefficient of determination (R^2) were also calculated. The combined results are presented in Table 7.

Table 7
Coefficient of Determination and Hypothesis Testing Results

Relationship	β	t	p	f^2	Result
H1: WBS → FP	0.312	4.187	0.000	0.112	Supported
H2: EI → FP	0.374	5.642	0.000	0.163	Supported
H3: WBS×OC → FP	0.143	2.218	0.027	0.024	Supported
H4: EI×OC → FP	0.089	1.473	0.141	0.009	Not supported
OC → FP (control variable)	0.218	3.341	0.001	0.057	Significant
R^2 (Fraud Prevention)	0.478	-	-	-	-
R^2 Adj. (Fraud Prevention)	0.469	-	-	-	-

Table Source: SmartPLS Output (Bootstrapping 5,000 Subsamples) (2026)

The model explains 47.8% of the variance in fraud prevention ($R^2 = 0.478$; R^2 Adj. = 0.469), representing a moderate level of explanatory power (Hair et al., 2022). The predictive relevance of the model was confirmed through the blindfolding procedure, which yielded a Q^2 value of 0.289 (> 0), indicating adequate predictive relevance for the endogenous construct. The results demonstrate that whistleblowing systems have a significant positive effect on fraud prevention ($\beta = 0.312$, $t = 4.187$, $p < 0.001$), supporting H1. Employee integrity also exerts a significant positive effect on fraud prevention ($\beta = 0.374$, $t = 5.642$, $p < 0.001$), supporting H2. Among the direct predictors, employee integrity shows the strongest effect on fraud prevention, as indicated by both its higher path coefficient and larger effect size ($f^2 = 0.163$, classified as medium).

Moderation Analysis

The moderation analysis reveals mixed results. Organizational culture significantly moderates the relationship between whistleblowing systems and fraud prevention ($\beta = 0.143$, $t = 2.218$, $p = 0.027$), supporting H3. This indicates that the positive effect of whistleblowing systems on fraud prevention is amplified when organizational culture more strongly supports ethical behavior, transparency, and accountability. The effect size is small ($f^2 = 0.024$) but meaningful in organizational research contexts. However, the moderating effect of organizational culture on the relationship between employee integrity and fraud prevention is not statistically significant ($\beta = 0.089$, $t = 1.473$, $p = 0.141$), meaning H4 is not supported. Although the direction of the effect is positive as hypothesized, the magnitude is insufficient to reach statistical significance, suggesting that the impact of employee integrity on fraud prevention remains relatively stable regardless of the strength of organizational culture. The direct effect of organizational culture on fraud prevention is positive and significant ($\beta = 0.218$, $t = 3.341$, $p = 0.001$), indicating that organizational culture also independently contributes to fraud prevention beyond its moderating role.

Discussion & Conclusion

This study examines how whistleblowing systems and employee integrity contribute to fraud prevention in local government, with organizational culture as a moderating variable. The results provide partial support for the proposed research model, with three of four hypotheses supported.

First, the finding that whistleblowing systems positively and significantly affect fraud prevention (H1 supported) is consistent with the Fraud Diamond theory's emphasis on reducing opportunity and increasing the perceived risk of detection (Wolfe & Hermanson, 2004). This result aligns with prior studies demonstrating that accessible and trustworthy reporting channels deter fraudulent behavior (Association of Certified Fraud Examiners, 2024; Handajani et al., 2023). In the context of Merauke Regency OPDs, this finding suggests that investment in reporting infrastructure, including confidential channels, whistleblower protection, and systematic follow-up procedures, can meaningfully reduce fraud. However, the relatively low mean score for whistleblowing system (3.78) compared to other variables indicates that these mechanisms are still developing and require further strengthening.

Second, employee integrity emerges as the strongest direct predictor of fraud prevention (H2 supported, $\beta = 0.374$). This finding is consistent with the pressure and rationalization dimensions of the Fraud Diamond (Wolfe & Hermanson, 2004), which imply that high-integrity individuals are less susceptible to pressure and less able to rationalize wrongdoing, and with Shindika and Cheteni's (2023) application of the corporate ethical virtues model in public organizations, both of which emphasize that individual moral character plays a decisive role in whether fraud occurs. The strong effect of integrity underscores that technical controls alone are insufficient; government agencies must also cultivate ethical awareness, compliance culture, and personal accountability among civil servants. The high mean score for employee integrity (4.12) suggests that respondents in Merauke Regency OPDs generally perceive themselves and their colleagues as having strong moral commitments, which represents a positive foundation for fraud prevention efforts.

Third, the significant moderation of organizational culture on the whistleblowing-fraud prevention relationship (H3 supported) provides empirical evidence that systemic mechanisms operate more effectively within supportive cultural contexts. This finding is consistent with Denison and Mishra's (1995) organizational culture model and Suryandari et al.'s (2026) work on ethical culture and governance mechanisms. When organizational values emphasize transparency, accountability, and ethical behavior, employees feel more supported in reporting wrongdoing and are more confident that their reports will be taken seriously. This cultural reinforcement amplifies the deterrent effect of whistleblowing systems, creating a synergistic relationship between formal mechanisms and informal norms.

Fourth, the non-significant moderation of organizational culture on the integrity-fraud prevention relationship (H4 not supported) is a noteworthy finding. One possible explanation is that employee integrity, as a deeply internalized personal trait, operates relatively independently of organizational context; individuals with strong moral convictions may resist fraudulent behavior regardless of whether the surrounding culture reinforces or undermines ethical norms (Toro-Arias et al., 2022). This pattern may be particularly salient in Merauke Regency's institutional context, where formal organizational culture is still consolidating amid the region's ongoing administrative development as a newly established province; in such transitional settings, formal cultural mechanisms may not yet be sufficiently embedded to systematically reinforce or undermine individual conduct, leaving personal integrity to function as an independent line of defense rather than one contingent on institutional culture. Another interpretation is that in the sampled population, the variance in organizational culture may not be sufficient to detect a moderation effect on an already strong direct relationship.

This finding has practical implications: while organizational culture can enhance institutional mechanisms such as whistleblowing systems, reliance on individual integrity as a fraud prevention strategy may be less sensitive to cultural interventions. The significant direct effect of organizational culture on fraud prevention ($\beta = 0.218$) further confirms that culture operates as both a contextual moderator and an independent determinant, consistent with Bogale & Debela's (2024) systematic review positioning organizational culture as a fundamental influence on member behavior across organizational functions. This non-significant moderation aligns with recent findings from Indonesian manufacturing firms, where organizational culture likewise failed to significantly influence employee fraud tendencies (Fernaldy & Susilawati, 2024).

These results have important implications for fraud prevention strategy in local government entities. For OPDs in Merauke Regency and similar developing regions, a comprehensive approach should combine: (a) strengthening whistleblowing system accessibility, confidentiality, and credibility; (b) investing in employee integrity development through ethics training, codes of conduct enforcement, and merit-based human resource management; and (c) cultivating organizational cultures that explicitly value transparency, accountability, and intolerance of corruption. The interaction between systemic mechanisms and cultural context suggests that piecemeal interventions are less effective than integrated strategies that address both formal systems and organizational norms simultaneously.

From a theoretical standpoint, this study contributes to the public sector accounting literature by integrating the Fraud Diamond theory with organizational culture theory to explain fraud prevention in local government. The finding that organizational culture selectively moderates certain relationships but not others advance understanding of the boundary conditions under which fraud prevention mechanisms operate effectively.

Practically, these results suggest that local governments should adopt integrated anti-fraud strategies that simultaneously strengthen whistleblowing infrastructure, develop employee integrity through ethics programs, and cultivate organizational cultures that reinforce ethical behavior. For developing regions such as Merauke Regency, where institutional capacity is still growing, these findings provide evidence-based guidance for prioritizing fraud prevention investments. These efforts are consistent with, and directly support, the SDGs pillar on strong institutions and good governance (SDG 16) as well as Indonesia's national Renstra agenda for legal and governance reform, positioning integrity-building and whistleblowing reinforcement at the local government level as a tangible contribution to that broader agenda.

Limitations & Future Research

Several limitations should be acknowledged, which also point to directions for future research. The sample is confined to civil servants in one regency, limiting generalizability; future studies should expand to multiple regencies. The cross-sectional design captures perceptions at a single point in time, so longitudinal designs would allow researchers to track changes over time. Self-reported data introduces possible common method bias and social desirability bias. Future research should also incorporate additional variables such as leadership commitment, digital governance maturity, or external audit effectiveness.

Declaration of Generative AI Use

The authors report that generative AI (Claude Sonnet 5, Anthropic) was used to assist with manuscript formatting, structural reorganization in accordance with journal template requirements, and language refinement. Generative AI was not used to generate, analyze, or interpret the research data or findings. All substantive content, analysis, and conclusions remain the responsibility of the authors.

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