BUDGETING FOR FRAUD MEDIATION AND UNIVERSITY GOVERNANCE: A UNIVERSITY BOARD OUTLOOK

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Abstract

The objective of this study is to analyse the impact of budget implementation and university governance on fraud prevention in Indonesia. Using the purposive sampling method, this study covered 50 private universities with 150 university officials as a sample. The findings demonstrate that effective university governance and budget execution have a substantial and favourable impact on fraud prevention. Nevertheless, it is important to acknowledge several limitations regarding the variables in this study, such as the small sample size and the absence of control over other variables that may influence university governance. The significance of this study stems from its examination of crucial areas, particularly the higher education service sector, which is well recognized for its substantial influence on the future of higher education.

Keywords: Good University Governance, Budget Implementation, Fraud, Higher Education

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1. INTRODUCTION

The human resource function, together with other resources controlled by the institution, is crucial to achieving effective university governance (Munawir et al., 2019). Academic institutions are confronted with fierce rivalry, not just from individuals and nations, but also from other institutions. This phenomenon engenders rivalry and positions the university as a competitor (Musselin, 2021). Global institutional rankings have contributed to increasing competition (Bagley & Portnoi, 2014). Currently, the QS World University Rankings (QS WUR) and the Times Higher Education World University Rankings (THE WUR) are widely used to evaluate the caliber and position of universities worldwide (Salmi, 2013; Collins & Park, 2016; Altbach & Salmi, 2017). Furthermore, alongside the university rankings initiated by the private sector, the government has also formulated its own rating system (Tjahjadi et al., 2019). The motivation behind this tournament stems from the enhancement of the university's worldwide rating.

To address the requirements for capital and human capital, several countries have implemented changes in their higher education systems. These changes include adjustments to funding and governance structures, the establishment of a quality assurance and curriculum reforms, and the introduction of technological innovations

(Minh, 2020). Empirical evidence on contemporary university governance worldwide supports the concept of stakeholder organization governance (Bleiklie & Kogan, 2007; Tuunainen et al., 2024). The establishment of a robust governance structure to replace the outdated academic hierarchy of deans, department heads, and professors. Once the decision-making process becomes collegial, it is integrated into the administrative structures of the organization. An important approach to national growth in both industrialized and developing countries is the establishment of top-tier universities (Tuunainen et al., 2024). The rationale for this is that the university plays a crucial role in the creation and dissemination of knowledge, which is the driving force behind economic growth and worldwide competitiveness (Salmi, 2024).

In recent years, governments have given priority to funding universities because they recognize them as institutions that prepare future intellectual leaders, creative innovators, and educators. They also generate ideas and innovations that will drive the economy for the next generation and provide knowledge and expertise that can support and validate various initiatives (Salmi, 2024). The concept of transparency encompasses a comprehensive, accessible, and timely environment in which policy objectives, legal, institutional, and economic frameworks, policy choices, data and information pertaining to monetary and financial policies, and institutional accountability provisions are made available (Salmi, 2024). The objective of transparency is seldom subject to doubt; however, there are several factors that need to be considered in formulating and implementing transparency (Bowman & Bastedo, 2011). The prevailing view assumes that increased transparency leads to better policy outcomes, but there is no empirical evidence to support this claim (Bowman & Bastedo, 2011; Lapsley & Rios, 2015). Furthermore, there is an ongoing contentiousness regarding the significance of transparency as an inherent entitlement of individuals (Lapsley & Rios, 2015) or simply as a utilitarian principle that can either compete with or support other core values such as efficiency, confidence, responsibility, independence and authority, secrecy, privacy and anonymity, equity and legitimacy (Lapsley & Rios, 2015). Furthermore, there are suggestions for transparency as a means to promote effective government. The implementation of transparency should be tailored to various circumstances (Lapsley & Rios, 2015). Internal transparency is an emerging concept in the literature, particularly in the field of public finance (Lapsley & Rios, 2015; Robbins & Lapsley, 2015; Brun-Martos & Lapsley, 2017). Internal transparency refers to the dissemination of operational information within an organization (Bowman & Bastedo, 2011; Lapsley & Rios, 2015; Robbins & Lapsley, 2015). Effective management decision-making and accountability to external stakeholders are the focal points of this idea (Robbins & Lapsley, 2015).

Academic research in accounting has noted the increasing importance of financial information within public organizations. In the study by Lapsley and Rios' (2015), budget is central to everyone's lives. Nevertheless, in the contemporary economy, budgets are intricate, enabling strategies targeted at achieving budget equilibrium. Therefore, a budget that is greater in transparency can be regarded as a tool for internal management and a means of ensuring accountability for external stakeholders (Lapsley & Rios, 2015). Budget transparency, as defined by the Organisation for Economic Co-operation and Development (OECD), refers to the prompt and methodical complete disclosure of all pertinent budgetary facts (OECD, 2002). Nevertheless, the concept of "budget transparency" lacks a consistent definition, which highlights its intricate nature and the challenges in its assessment (Brun-Martos & Lapsley, 2017). The OECD sets three fundamental principles for budget transparency. These principles include the creation of budget reports, the disclosure of specific non-financial information, and the implementation of processes to guarantee integrity, control, and accountability, such as auditing, accounting, and supervision.

Indonesia Corruption Watch (ICW) has been continuously monitoring college corruption cases for a decade, documenting at least 37 corruption cases related to universities (Robbins & Lapsley, 2015). The incidence of corruption in universities is persistently rising rather than declining. ICW reported that out of all the corruption cases, at least 65 people were behind the misconduct who were members of the academic community (Brun-Martos & Lapsley, 2017). This case demonstrates the lack of implementation and execution, as well as the absence of commitment from the management to uphold effective university governance. Sustained conflicts can render a system susceptible to fraudulent activities and create opportunities for fraud in several sectors. As a platform for intellectuals, higher education should serve as a model for society in effectively eliminate corruption. However, if universities engage in corrupt practices, students, especially those who are implicated in corruption committed by high-ranking officials such as rectors, vice-rectors, lecturers, and professors, will certainly emulate this behaviour.

The efficacy of the implementation of the concept of good corporate governance (GCG) in the management of a firm can be observed through the implementation of good university governance (GUG). The Indonesian Institute for Corporate Governance (IICG) and the Forum for Corporate Governance in Indonesia (FCGI) stipulate that the implementation of corporate governance must comply with four principles: 1) fairness, 2) transparency, 3) accountability, and 4) responsibility (Brun-Martos & Lapsley, 2017). Ibrahim et al. (2024) provide a definition of governance as the systematic procedures and organizational frameworks employed to guide and oversee the overall operations and programmatic activities of an organization. Governance refers to the exercise of power, including the allocation of influence, decision-making authority, and mechanisms for holding decision-makers responsible (Rintoul & MaClellan, 2016). The goals of university governance are to enhance the efficiency and accountability of universities, to facilitate the improvement and expansion of the academic curriculum, and to ensure the appropriate communication and administration of research findings (Trakman, 2008). Universities should implement a governance framework to enhance institutional autonomy while providing transparency to the public and maintaining a higher level of control. It is imperative for universities to integrate governance, autonomy, responsibility, and evaluation (Ramírez & Tejada, 2018).

As institutional efforts such as the World Declaration on Higher Education for the Twenty-first Century (UNESCO, 1998) and the United Nations Decade of Education for Sustainable Development (2005–2014) (DESD) (UNESCO, 2005), have shown, the role of universities has increased significantly over the past two decades. In addition, the European Union has endorsed a novel framework for higher education (Erittu, 2024). As a prominent institution in the field of social development, it is essential to assess the distribution of public finances (Larran et al., 2015) and advocate for good governance (Ibrahim et al., 2024). Universities have demonstrated a growing commitment to accountability and increased transparency of information about their activities (Martin-Sardesai et al., 2017), although these efforts have not been as active as in the business sector. Higher levels of good governance and performance in the university are directly correlated with the success of the GUG, thereby increasing the overall performance of the university (Munawir et al., 2019). Although there is consensus on the significance of university governance in fulfilling the university's objectives in the twenty-first century, there is a lack of particular evidence addressing the topic of university governance, following the difficulties associated with university productivity (Martin-Sardesai et al., 2017).

Universities are intricate and ever-changing entities that are influenced by significant social, political, and economic factors. The effectiveness of bicameral systems can be assessed when confronted with vehemently conflicting perspectives in the environment (Rintoul & MaClellan, 2016). Institutions of higher education are intricately linked to the promotion of economic prosperity and active involvement in society. In addition to their ability to generate and quantify knowledge, this organization also has the ability to attract qualified specialists, generate new concepts, enhance the quality of life and culture, and act as catalysts for change. Higher education is also interconnected with shifts in the economic and political landscape. Combined with globalization, especially in the economic and political spheres, and student mobility, higher education has undergone significant transformations on a global scale.

In response to resource and staffing needs, several countries have implemented substantial changes in their higher education systems. These changes encompass alterations in funding and governance structures, the establishment of quality assurance and accreditation systems, curriculum reform, and technological advances (Holm-Nielsen, 2018). However, achievements in higher education systems worldwide have been inconsistent and divergent. Most developing countries still struggle with the problems arising from insufficient responses to existing issues, such as the ongoing expansion of higher education coverage, reducing inequalities in access and outcomes, the enhancement of the quality and relevance of education, and the implementation of efficient governance structures and management practices (Holm-Nielsen, 2018).

In recent years, the quality of higher education institutions has remained a major concern for many institutions worldwide. Enhancing the quality of higher education is a significant priority for college administration to achieve public recognition and trust (Sayidah et al., 2019). Inadequate quality management in higher education will lead to decreased student enrollment and pose additional risks to the future viability of institutions (Pratolo et al., 2020; Sofyani et al., 2023).

Optimizing the efficiency and effectiveness of plans and initiatives requires a vital function. There are three different categories of control: social, external, and internal. *Social control* refers to the implementation of social mechanisms through the supervision of public policies by their beneficiaries. *External control* refers to the exercise of control by institutions and entities that are positioned outside the organizational body. They function as autonomous and independent administrative entities, refraining from involvement in the activities they carry out. Their responsibilities include monitoring and inspection (Gadelha et al., 2023). *Internal control*, as defined by Gadelha et al. (2023), is a systematic mechanism implemented by an organization's management to enable the attainment of objectives such as effectiveness and efficiency, reliability of financial statements, and compliance with relevant laws and regulations (Gadelha et al., 2023).

Despite the predominant emphasis on responsibility and misconduct in previous internal control research (Sofyani et al., 2023; Zakaria et al., 2016), a number of earlier studies have established a connection between internal control and organizational performance. A study by Sofyani et al. (2022) found that strict adherence to all aspects of internal control will lead to a company achieving excellent performance. Comparable results were achieved by Zhou et al. (2016) using different samples. Given that non-for-profit organization (NFPO), including institutions in Indonesia, has implemented internal control, this development has created new research opportunities. Nevertheless, Chalmers et al. (2019) found that there is a dearth of research on internal control in the NFPO sector, namely universities.

The internal control literature has significantly contributed to the mitigation of fraud within a business. A study by Nawawi and Salin (2018) found that adopting robust internal controls and improving employee compensation can effectively reduce the likelihood of workplace fraud in an organization. Nevertheless, internal control deficiencies can significantly contribute to the occurrence of fraud (Zakaria et al., 2016). Sofyani et al. (2022) argues that fraud is committed when it involves activities related to internal controls. Hence, they propose that in order to mitigate fraud, businesses should prioritize the development of strong procedures and enhance the execution of efficient internal controls.

Enhanced openness in the budgeting process can promote stakeholder engagement and improve governance. However, the current level of internal transparency in the budgeting process is far from being ideal. (Conesa Carril et al., 2020). Within modern organizations, budgeting plays a distinct and specific function (Davidson, 2009). According to

Bhimani et al. (2015), the full list of these responsibilities encompasses the planning of yearly operations, coordination of organizational activities, communication of plans, motivation of managers, control of activities, and evaluation of manager performance. Due to its extensive range, budgeting plays a crucial role in determining the performance of a company. Therefore, the effect of planning and budget control on firm performance has garnered significant attention (Laitinen et al., 2016).

An ongoing and significant concern from the past to the present is the correlation between university governance and the occurrence of fraud. Cases of fraud will have an impact on high school governance. Financial and academic factors will serve as intervening variables through which the GUG will indirectly impact the budget. Analysis of these issues will be crucial for the development of management accounting science, particularly in relation to higher education governance, fraud, internal control, budget execution, and organizational commitment to universities.

Conducting research on these topics is crucial in this period of tremendous growth in higher education, both in private and government-owned universities. The proposition to establish a higher education system that adheres to the principles of good university governance is a compelling research concept that must be pursued due to the scarcity of prior studies on similar matters within the higher education sector. The results of this study will make a valuable contribution by enhancing the empirical data that will be employed for future research on related topics. These findings will also have beneficial consequences for professionals in the higher education sector by providing significant insights for university administration that align with sound university governance principles.

Based on several issues identified in previous studies, the main problem posed in this study is how to develop universities that can exercise good governance without deviations, both financial and academic. Based on the described context and the conflicting results of previous studies, the following research questions can be formulated:

RQ1: Does budget implementation affect university governance?

RQ2: Does fraud affect university governance?

The rest of the paper is structured as follows. Section 2 focuses on the literature review of prior research on related subjects. Section 3 provides a comprehensive account of the research methodology and data analysis. Analysis of the results is detailed in Section 4. A detailed discussion of the findings is presented in Section 5. Finally, Section 6 displays the conclusions of the study, research limitations, and recommendations for future research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Theoretical background and previous studies

Governance is described as a portfolio of processes that guide and control an organization in a way that enables the company to fulfill its responsibilities. These processes are functional, intersecting with all aspects of business operations, including accounting, economics, finance, management, and strategy (Bhimani et al., 2015). Corporate governance (CG) has continued to attract attention in recent decades. A multitude of factors instigated it, including heightened privatization of entities, regulatory reforms, numerous corporate acquisitions and mergers, alterations in the structure of global financial markets, corporate misconduct, and the worldwide economic recession (Zuckweiler et al., 2016). This study is based on agency theory, which states that corporate governance includes developing a long-term perspective on decision making, creating shareholder value and positive financial results, aligning managerial actions with stakeholders, complying with applicable laws and regulations and electing a board of directors (Zuckweiler et al., 2016).

Agency theory is the basis for understanding corporate governance in general. According to Jensen and Meckling (1976), agency relationship is a contract (or agreement) between managers (as *agents*) and investors (as *principals*), which sometimes leads to information asymmetry between managers and investors, and subsequently leads to agency costs. According to Eisenhardt (1989), agency theory is based on three basic human traits, namely: 1) Humans are generally self-interested; 2) Humans have a limited ability to think about future perceptions (bounded rationality); 3) Humans always avoid risk (risk averse). Based on these three basic human traits, managers will act opportunistically, namely, prioritizing their personal interests (Suyono & Farooque, 2018).

According to Shehata (2014), it was concluded that there are three solutions to deal with the emergence of agency theory, among them:

- Activities based on policies (discretionary) made by managers (agents) to solve agency theory problems; managers do ways to solve agency problems by providing various disclosures to investors (principal). This is done to reduce agency costs by monitoring or monitoring management behaviour.
- Association activities carried out by investors to reduce agency costs.
- Efficiency activities that occur naturally in stock market competition.

2.2. Good university governance and fraud prevention

Suyono and Farooque (2018) define governance as the processes and structures an organization uses to direct and manage its general operations and program activities. Governance is about the way in which power is exercised: who has influence, who decides, and how decision-makers are held accountable. Good governance is achieved when an organization's structure, processes, and actions enable it to (a) deliver goods, services, or programs effectively and efficiently; (b) meet the requirements of the law, regulations, published standards, and community expectations of accountability and openness (Office of the Auditor General of British Columbia, 2014, p. 7). Good governance is based on the idea of strong accountability to individuals who have a vested interest in the organization. Maassen and Stensaker (2019) explain that university governance has moved away from a set of ideas called a collection of scholars, another word for it is the stakeholder organization. Some evidence that can be found in the current governance of universities globally, points to the existence of the idea of stakeholder organization governance (Maassen & Stensaker, 2019). This evidence is, for example:

1. Creation of a strong managerial infrastructure to replace structures, faculty heads, department chairs and professors. Collegial decision-making is integrated into the administrative lines of the organization.
2. Replacement of a senate dominated academically by a board, board or trustee that incorporates representatives from business, public service, and politics.
3. Institutional leaders — rectors, vice-chancellors — are closer to the position of chairman of the foundation. This means interference from a central authority in day-to-day operations.

The governance of different types of organizations, public or private, nonprofit in different sectors and industries, differs due to their own specific characteristics. In higher education, governance is defined as the constitutional form and process by which universities regulate their own affairs (Sofyani et al., 2022). More specifically, governance is the way in which power or authority is exercised in the organization of resource allocation and management. It involves the enactment of policies and procedures for decision-making and control in directing or managing an organization's effectiveness (Sofyani et al., 2022). It refers to practices that provide oversight, control, disclosure, and transparency (Harris & Cunningham, 2009), and university structure, delegation and decision-making, planning, coherence and organizational direction (Sofyani et al., 2022). To develop a comprehensive set of indicators, a broad concept of university management is needed that includes all aspects and elements.

The aim of the university governance model should be to ensure more efficient functioning of universities, greater accountability, and adequate management of research results (Trakman, 2008). Universities should link governance, autonomy, accountability, and evaluation. The tool for implementing effective accountability is evaluation, an appropriate evaluation system, it should be fair to ensure that the university's goals are met. A key element to university governance mechanisms is the information that the university itself discloses. Universities operate in a variety of environments, and this information can be expressed in a dispersed and ordered manner.

Successful university organizations reform their governance functions, regulatory bodies and management methods to adapt to structural changes (Sayidah et al., 2019). According to Mussellin (2021), effective university governance is needed for two main reasons: 1) the growing need to find alternatives to public funding, and 2) social pressure on universities to create organizational systems that ensure efficiency, effectiveness, economic viability, and better transfer of knowledge to society, providing accountability, a transparent structure, and the ability to compete internationally with other universities in search of greater excellence.

Governance in higher education refers to the way in which institutions are organized and operate internally (Tuunainen et al., 2024). Governance describes the hierarchy and organization of the decision-making process (Gadelha el al., 2023) and the way in which collective control is exercised to achieve institutional goals (Chalmer et al., 2019). The method of organizing improves decision-making as it defines the means for achieving consensus, resolving conflicts, and legitimizing actions (Pratolo et al., 2020). In addition, university governance, as represented by the European Union, aims to modernize universities in order to build a knowledge society capable of improving productivity and competitiveness and eliminating national barriers, thereby ensuring that universities are independent and accountable, pooling capabilities and competencies for the labor market, reducing the funding gap and increasing the effectiveness of education and research (Erittu, 2024).

Based on the arguments above, the first hypothesis of this study states that:

H1: University governance has a positive effect on fraud prevention.

2.3. Budget implementation and fraud

Budget implementation is an important mechanism of the budgeting process (Massen & Stensaker, 2019). Agency theory assumes that managers are risk averse (Suyono & Farooque, 2018; Jensen & Meckling, 1976). Under a rigorous and risky environment, college leaders are risk averse and often choose to act cautiously in executing strategies, leading to budget implementation, especially when increased risk is not associated with greater rewards as is common in colleges.

College governance is embedded in a broader set of ideas and trends in the public sector. Public governance developed only in the 1980s and 1990s in the OECD) member countries in response to the lack of focus on results, efficiency, and transparency in national bureaucracies. The reform of the new style of public management has had a profound impact on the governance of higher education institutions in European countries. In many countries, universities have been given autonomy in managing their finances and human resources. Increased autonomy has been combined with performance-based funding: public funding is increasingly based on achieving targets expressed in terms of input, output, or outcome indicators (Larran et al., 2015).

Budgets help coordinate different parts of an organization, namely, to control and measure employee performance, motivate staff, and improve communication (Brun-Martos & Lapsley, 2017; Martin-Sadesi et al., 2017; Lapsley & Rios, 2015; Ibrahim et al., 2024). A budget is a management control system (MCS) that influences the behaviour and decisions of managers in translating business goals into action plans, communicating objectives, and providing benchmarks for performance evaluation (Robbins & Lapsley, 2015; Massen & Stensaker, 2019). Laitinen et al. (2016) and Pratolo et al. (2020) further elucidate that a budget constitutes an element of performance measurement employed by an organization to assess plans for a designated timeframe.

The usefulness of budgeting comes from the perception of entrepreneurs and managers. Ibrahim et al. (2024) argue that organizations seeking to change budgeting should reflect the perceptions of their key stakeholders about the budgeting process. Given the need to understand the perceptions of budgeting among preparers and users, it is not surprising that there is great interest in the perceptions of budgeting and its implications for companies. Bowman and Bastedo (2011) noted that when senior managers perceive organizational procedures to be fair, these executives demonstrate higher organizational commitment and adherence to company policies. Such managers are thus more likely to participate and collaborate in achieving budgetary goals.

Larran et al. (2015) and Brun-Martos and Lapsey (2017) argue that participation rates are critical to budgeting perceptions. They note that where there is a perception that the budgeting process is pseudo-participatory, subordinates (users/implementers of budgets) are unlikely to commit to budgeting objectives. This suggests that stakeholder participation in setting budgets improves their perceptions of budgeting. The literature examines factors that influence perceptions of budgeting. Bhimani et al. (2015) identified 12 frequently referenced budgeting deficiencies (Tuunainen et al. (2024). These shortcomings reinforce negative perceptions of budgeting. In addition, the budgeting process creates behavioural problems in the way people work. Jensen (2001) reported that budgeting gives managers the opportunity to lie, cheat, and promote unethical internal competition that usually turns co-workers against themselves.

Budgeting serves different roles in contemporary organizations (Davidson, 2009). Enumerating these roles includes planning annual operations, coordinating organizational activities, communicating plans, motivating managers, controlling activities, and evaluating manager performance (Bhimani et al., 2015). The influence of budgeting and financial control on organizational performance has garnered significant attention from researchers. It is not surprising that the impact of budgeting and budget control on corporate performance has attracted considerable interest among scholars (Laitinen et al., 2016).

In the absence of budgeting, as Laitinen et al. (2016) explain, organizations suffer from a lack of resources. While budgeting provides thoughtful planning for the future performance of an organization (Brun-Martos & Lapsley, 2017), budgetary control provides a structure that allows management to compare actual results with targets and take corrective actions when deviations occur (Larran et al., 2015; Martin-Sadesi et al., 2017). This understanding of budgetary control has motivated greater curiosity among interest users (Massen & Stensaker, 2019; Pratolo et al., 2020; Laitinen et al., 2016).

Many studies have examined why people behave unethically and commit fraud. Cressey (1953) notes three motives associated with fraud: pressure, opportunity, and rationalization. This is called the fraud triangle. Distress can be an early driver of fraud and is typically financial in the sense that fraudsters feel pressured due to, for example, a personal debt. Opportunity is another important factor underlying deviance. For fraud to occur, fraudsters need to find a way to do so. Thus, the internal control structure of a company changes the opportunities for fraud. Rationalization involves reasons or explanations for why fraud is acceptable. Ibrahim et al. (2024) asserted that the rationale for attributing blame to corporations such as the company's indebtedness to its employee contributes to the justification of deception in specific circumstances. The work environment and anger towards the company can also be factors that fraudsters use to rationalize their actions (Gadelha et al., 2023).

In general, governance, ownership, and monitoring are factors that affect an employee's ability to engage in fraudulent behaviour (Nawawi & Salin, 2018). It has recently attracted attention, related to cultural and ethical differences, as an explanation for deception. They found that deviance rates varied widely across major U.S. cities. Focusing on the personal characteristics of fraudsters, Chalmer et al. (2019) found that fraudsters were less likely to hold leadership positions and were less educated.

Sofyani et al. (2022) summarizes the factors that cause people to commit fraudulent acts, including personal characteristics (mistakes in personal life can predict fraud in professional life), cultural differences associated with differences in social norms, and income. Chief Executive Officers (CEOs) who are overconfident, which can ultimately lead them to misreport financial statements.

Frequent scandals in the United States involve nonprofit organizations and are subject to media and public scrutiny and portrayed in a negative light (McDonnell & Rutherford, 2017). Stephens and Flaherty (2013) show that one-sixth of all major fraud cases occur in the nonprofit industry. According to a 2018 report by the Association of Certified Fraud Examiners (ACFE), nonprofits account for up to 9 percent of fraud cases reported and analyzed and suffer an average loss of US$75,000 (ACFE, 2018). These losses may seem insignificant, but for many nonprofits, financial resources are limited, and a loss of $75,000 can be devastating to the effective fulfillment of their mission (ACFE, 2018).

All organizations are prone to fraud, but nonprofits have a higher risk of fraud due to reliance on moral, and ethical values. Increased fraudulent activity can be due to increased availability of funds, lack of compliance with regulations, or weak internal or external controls. Very little empirical research exists on fraud in nonprofits to provide answers as to why the increase is occurring or what could be recommendations on how to reduce the occurrence of fraud.

Plagiarism is the most frequently discussed type of academic fraud in the literature. In practice, plagiarism is the most common academic fraud among students, which is reflected in the existence of anti-plagiarism policies in almost all countries. It refers to the theft of terms, phrases, or ideas that are outside of what is generally considered common knowledge (Chalmer et al., 2019). Plagiarism is the academic act of copying and pasting other sources of knowledge without proper citations (Zhou et al., 2016; Gadelha et al., 2023), appropriating another's ideas and asserting personal authorship

(Nawawi & Salin, 2018). Plagiarism is an academic fraud given the fact that it denies the original author the rights to the plagiarized ideas, giving an unfair advantage to the party plagiarizing the content.

Based on the above thoughts, the second hypothesis is formulated as follows:

H2: Budget implementation has a positive effect on fraud prevention.

3. RESEARCH METHODOLOGY

This paper uses a quantitative method to assess the correlation between variables in the context of the formulated hypotheses. The study sample includes higher education institutions located in Indonesia. Purposive sampling technique was adopted to collect data for this study. Based on the study criteria, a sample of 150 respondents from 50 private universities in Indonesia was selected. The respondents included the rector, vice-rector for academic affairs, research and development, and community development, vice-rector for human resources, finance, facilities, and infrastructure, and vice-rector for alumni and student affairs.

The data collection process involved distributing online questionnaires to individuals who met the criteria for participation in this study; the survey was conducted between January and April 2024. Each item in the questionnaire uses an ordinal scale or Likert scale to assess the level of agreement of respondents. A five-point Likert scale was used, ranging from "Strongly Disagree" (marked 1) to "Strongly Agree" (marked 5).

Further analysis of the obtained sample is carried out using SmartPLS 3.0 statistical software. SmartPLS software is used to obtain comprehensive test data that can effectively examine the hypothesis put forward in this study, where the regression equation explains the relationship between the variables as follows:

$$FD = \beta_0 + \beta_1 IM + \beta_2 UG + \varepsilon \quad (1)$$

where, FD = Fraud prevention; β_0 = constant; β_1, β_2 = Regression coefficient; IM = Implementation of budgeting; UG = University governance; ε = Error.

4. RESULTS

4.1. Descriptive statistics

4.1.1. Discriminant validity and construct reliability

Reliability tests were performed by calculating Cronbach's alpha. When Cronbach's alpha value between 0.6–0.7, it can be said that the test results pass the reality test. If Cronbach's alpha value is between 0.70–0.90, then the reliability of a construct is very satisfactory (Hair & Alamer, 2022). A construct is considered valid when the value of the extracted average variance shows a value greater than 0.5 (Hair & Alamer, 2022). Table 1 presents the validity value of each construct examined.

Table 1. Convergent validity and internal consistency reliability

Variable	*Cronbach's alpha*	*Rho_a*	*Composite reliability*	*AVE*
FD	0.964	0.964	0.969	0.798
IM	0.943	0.955	0.954	0.727
UG	0.917	0.939	0.936	0.685

Source: Authors' elaboration.

From the above data, it is evident that the Cronbach's alpha value of each construct shows a number above 0.7. This result indicates that the reliability is above the minimum standard recommended earlier. For the average variance extracted value, each variable also shows a value above the recommended. Therefore, in terms of reliability and validity, the construct value is very satisfactory.

4.1.2. Discriminant validity: Heterotrait-Monotrait test (HTMT)

For Heterotrait-Monotrait test (HTMT) a value below 0.90 is acceptable (Hair & Alamer, 2022). This value can still be acceptable if it does not exceed the value of 1.0. Table 2 presents the results of the HTMT obtained for each variable.

Table 2. Heterotrait-Monotrait (HTMT) ratio of correlation

Variable	*FD*	*IM*	*UG*
FD			
IM	0.839		
UG	0.919	0.854	

Source: Authors' elaboration.

4.1.3. Determination of R-squared

From statistical analysis conducted using SmartPLS 3.0 software, it was found that the value of R-square determination in this study was 0.791 (or 79.1 percent), which means that the independent variables in this study, namely *Implementation of budgeting* (*IM*) and *University governance* (*UG*), were 79 percent able to predict changes in the dependent variable, namely *Fraud prevention* (*FD*). The remaining 20.9 percent may have been influenced by other factors not examined in the study.

4.2. Hypotheses testing

Hypothesis testing is carried out to find out whether the hypothesis tested is in accordance with the hypothesis proposed. The value of a hypothesis is accepted if the t-statistics value> 1.96 and significant if the *p*-value value is not more than 0.05 (Hair & Alamer, 2022). The value of the hypothesis test in this study can be seen in Table 3.

Table 3. Testing hypotheses

Hypothesis	*Original sample (O)*	*Sample mean (M)*	*Standard deviation*	*t-statistics*	*p-values*
IM → FD	0.284	0.274	0.092	3.084	0.002
UG → FD	0.644	0.656	0.092	6.982	0.000

From Table 3 above, it can be seen that *Implementation of budgeting (IM)* has a positive and significant impact on *Fraud prevention (FD)*. The test results show a t-statistic value of 3.084 and a *p*-value of 0.002. As for the next variable, *University governance* (*UG*), it also showed a positive and significant impact with a t-statistics value of 6.982 and a *p*-value of 0.000. This means that each independent variable in this study showed a positive and significant impact on the dependent variables that were partially reviewed.

5. DISCUSSION

University governance structures can provide effective tools so that higher education institutions can implement control and accountability mechanisms, create long-term business plans, identify strategic mission and vision, develop performance and effectiveness indicators, set annual budgets, and meet stakeholder interests (Musselin, 2021; Ramírez & Tejada, 2018). The implementation of university governance mechanisms aims to improve university management and act as a driver of competitiveness, as it facilitates control, advisory functions, management, and success in setting strategies (Lapworth, 2004).

Cressey (1953), Rintoul and MaClellan (2016), and Gadelha et al. (2023) emphasize the importance of opportunities. Rintoul and MaClellan (2016) emphasize the importance of internal control and how a lack of strong governance practices and effective internal controls can provide opportunities for fraud. Similarly, Gadelha et al. (2023) demonstrate the role of lack of proper internal controls in creating a ripe environment for fraud. Education effectively determines an individual's future behaviour (Collins & Park, 2016; Sayidah et al. 2019). What is taught in the classroom today will shape the behaviour and actions of individuals, specifically their decision-making (Martin-Sadesi et al., 2017). However, bad behaviour and inaction can also occur in the educational environment itself. The existing data indicates that the prevalence of academic misconduct among students is predominantly influenced by negative behaviours, such as dishonesty (Ibrahim et al. 2024; Salmi, 2024; Gadelha et al., 2023). Behaviour is essential in any career including careers involving public trust such as in accounting and auditing. Accountants and auditors are entrusted by various stakeholders including (but not limited to) management, employees, shareholders and regulators to safeguard their respective interests in the company.

Conceptually, academic fraud is inversely proportional to academic integrity where the engagement in such unethical conduct ultimately undermines the integrity of the offenders. Alternately referred to as academic dishonesty, it pertains to any academic act that provides underserved (unduly earned) academic advantage, credit, or recognition to either oneself or others (Gadelha et al., 2023). Furthermore, it also leads to erroneous representation of academic abilities from the students' perspective and understanding of knowledge (Sofyani et al., 2022; Pratolo et al., 2020; Ibrahim et al., 2024). Academic fraud refers to a broad spectrum of activities that undermine the integrity of academia, such as plagiarism, free-riding, falsification of research, and bribery (Tuunainen et al., 2024).

6. CONCLUSION

Numerous studies conducted in different geographical areas have produced results indicating that budget implementation and fraud occurrence have a beneficial effect on university governance. Nevertheless, numerous studies have demonstrated that the budget execution characterized by numerous fraudulent activities integrated within the procedure may not continuously yield a favourable impact on universities.

Through statistical test analysis, this study establishes that effective university governance and budget implementation in Indonesian universities have a significant and beneficial effect on fraud prevention. Consequently, the more effective the administration and development of budgets implemented by campuses in Indonesia, the more effective the process of avoiding fraud problems. Undoubtedly, this will substantially enhance the governance, management, and funding of universities in Indonesia.

However, it is important to acknowledge that this study may have limitations, such as a small sample size or lack of control over other factors that influence university governance. Therefore, it is important to confirm these results by conducting further experimental studies on additional factors that may potentially influence university governance.

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