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Internal Control, Organizational Commitment, and Morality on Fraud Prevention: The Role of Leadership Style

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ABSTRACT

This study examines the influence of internal control systems, organizational commitment, individual morality, and leadership style on fraud prevention in regional financial management, specifically within the Padang City Government. Utilizing a quantitative approach with Structural Equation Modeling-Partial Least Square (SEM-PLS) analysis, this research tested seven hypotheses involving both direct and moderating effects. Data were collected from 100 civil servants directly involved in regional financial management across various Satuan Kerja Perangkat Daerah (SKPD) in Padang City. The results demonstrate that internal control systems (β = 0.332, t = 5.864, p = 0.000), organizational commitment (β = 0.232, t = 3.629, p = 0.000), individual morality (β = 0.234, t = 4.149, p = 0.000), and leadership style (β = 0.286, t = 5.195, p = 0.000) all have significant direct positive effects on fraud prevention. However, leadership style does not function as a moderating variable for the effects of the three independent variables on fraud prevention. The model demonstrates strong explanatory power with R^2 = 0.739 (adjusted R^2 = 0.727), indicating that 73.9% of the variation in fraud prevention is explained by these variables. These findings suggest that effective fraud prevention strategies in regional financial management require simultaneous strengthening of formal control mechanisms, development of civil servants' moral character, enhancement of organizational commitment, and cultivation of integrity-driven transformational leadership. The study contributes to understanding fraud prevention within the Indonesian public sector context and provides practical recommendations for governance improvements in regional financial management.

1. INTRODUCTION

Regional financial management is a fundamental aspect of good and clean governance. However, the phenomenon of fraud in regional financial management in Indonesia remains a serious problem that threatens governmental accountability and transparency. According to data from Indonesia Corruption Watch (ICW), corruption cases involving local governments dominated the trend from 2016 to 2019, and according to statistics from the Corruption Eradication Commission (KPK), 75 cases involved local governments out of a total of 161 corruption cases recorded in 2023. This high number of cases indicates that fraud prevention efforts in regional financial management have not been effective and require the strengthening of a comprehensive control system[1].

Padang City, as the capital of West Sumatra Province, is not immune to fraud-related problems in regional financial management. The Padang District Attorney's Office handled five corruption cases throughout 2022, resulting in state losses amounting to billions of rupiah, including alleged corruption in the construction of a cultural building, misuse of grant funds, and strategic area development [2]. In 2025, the Padang District Attorney's Office even raided the home of a West Sumatra DPRD member in connection with alleged corruption involving working capital credit, with state losses reaching IDR 34 billion [3]. This fact confirms that fraud in regional financial management in Padang City continues to occur and requires serious attention from various stakeholders.

Internal control systems, organizational commitment, and individual morality are believed to play important roles in minimizing the risk of fraud in the public sector. Cressey's Fraud Triangle Theory [4], which identifies three factors pressure, opportunity, and rationalization as necessary conditions for fraud to occur, provides the foundational framework for understanding fraud prevention mechanisms. The COSO Internal Control Integrated Framework [5] emphasizes that well-designed and effectively implemented internal control systems reduce opportunities for fraud by establishing segregation of duties, proper authorization procedures, and continuous monitoring.

Meyer and Allen's theory of organizational commitment [6] suggests that employees with strong affective, continuance, and normative commitment are less likely to engage in fraudulent behavior, as they identify with and support organizational values. Kohlberg's stages of moral development [7] indicate that individuals at higher moral stages possess autonomous ethical principles that prevent them from rationalizing fraudulent acts. Furthermore, transformational leadership theory by Bass and Avolio [8] emphasizes that leaders who establish integrity-driven organizational cultures significantly influence employee ethical behavior and fraud prevention efforts.

Previous studies have examined the influence of internal control systems, organizational commitment, and individual morality on fraud prevention, both separately and simultaneously [5], [6] yet the findings remain inconsistent across organizational contexts [7], [8]. Studies in [9], [10], [11], and [12] have each examined one of these four variables, but no study has simultaneously tested leadership style as a moderating variable for the influence of all three independent variables within a single integrated model, particularly in the context of the Padang City government. The novelty of this study lies in testing leadership style as a moderating variable that simultaneously conditions the influence of internal control systems, organizational commitment, and individual morality on fraud prevention, with a specific locus on the Padang City Government.

Previous studies have examined the influence of internal control systems, organizational commitment, and individual morality on fraud prevention, both separately and simultaneously [10], [11], [12]. However, these findings remain inconsistent across organizational contexts [13], [14]. While studies have examined these variables individually or in pairs such as Rizkiyani and Rosalina's investigation of internal control and whistleblowing systems [1], Purnama and Lestari's examination of human resource competence and internal controls in village finance [15], and Svanström and Sundgren's focus on individual morality and ethical awareness among public accountants [16] no prior study has simultaneously tested all these variables within an integrated model while also examining leadership style as both a direct predictor and moderating variable.

This integration is theoretically important because it allows for testing whether leadership operates through direct influence on fraud prevention (aligning with transformational leadership theory) or through conditional moderation of other variables' effects (aligning with contingency theory). The theoretical contribution lies in clarifying the mechanism through which leadership operates in fraud prevention contexts, which has implications for organizational design and leadership development in public sector institutions. Furthermore, the Indonesian public sector context presents a unique opportunity to test these relationships, as regional governments face distinct challenges in implementing modern governance frameworks while managing limited resources and capacity.

The novelty of this study lies in testing whether leadership style functions as a moderating variable that simultaneously conditions the influence of internal control systems, organizational commitment, and individual morality on fraud prevention, or operates as a direct determinant, with a specific locus on the Padang City Government. The findings from this integrated model will provide empirically tested recommendations for fraud prevention strategies in regional financial management.

2. METHOD

This study is a quantitative study employing a survey method with a Structural Equation Modeling-Partial Least Square (SEM-PLS) approach. SEM-PLS was selected because it enables the

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researcher to simultaneously analyze complex relationships among manifest and latent variables, including moderation effects, to test the measurement model and structural model concurrently, to handle relatively small sample sizes while maintaining the reliability of the results, and because it does not require strict data distribution assumptions [13]. The formulated hypotheses were tested through SEM-PLS analysis using SmartPLS 4 software.

2.1 Research Design and Population

The unit of analysis in this study is the individual, namely civil servants (ASN) involved in regional financial management within the Padang City Government, covering employees at the Regional Finance and Asset Management Agency (BPKAD), the Inspectorate, the Regional Development Planning Agency (Bappeda), and other regional work units (SKPD) with financial management functions, with an estimated population of 250-300 civil servants. The sampling technique used was purposive sampling with the following criteria: (1) active civil servants serving at SKPDs in Padang City; (2) holding duties related to financial management; (3) having served in their position for at least one year; and (4) willing to participate as respondents.

2.2 Sample Size Determination

Sample size determination employed two complementary approaches. First, the 10-times rule [17] was applied, under which the endogenous variable Fraud Prevention receives six paths (three direct effects and three moderation effects), yielding a minimum required sample of 60 respondents. Second, calculation using the Slovin formula at a 10% margin of error and a population of N = 275 yielded a minimum sample of 74 respondents.

The 10% margin of error was chosen to balance statistical precision with practical feasibility in data collection from busy civil servants in government offices, following the precedent established in similar public sector research by Hair et al. [17] and adopted in Indonesian regional government studies [18]. To increase statistical power and representativeness across SKPDs, this study set a target of 100 respondents, exceeding both minimum thresholds. Actual respondent distribution across major SKPDs was: Bappeda (30 respondents, 30%), Inspectorate (30 respondents, 30%), BPKAD (20 respondents, 20%), and other financial management units (20 respondents, 20%), ensuring representativeness across key government agencies.

2.3 Research Instruments and Adaptation Process

The research instrument was a structured questionnaire using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree), measuring five constructs: Internal Control System (X1, 8 indicators based on the COSO Integrated Framework [5]), Organizational Commitment (X2, 6 indicators based on Meyer and Allen's Commitment theory [6]), Individual Morality (X3, 6 indicators based on Kohlberg's Moral Development Theory [7]), Leadership Style (M, 6 indicators based on Bass and Avolio's Transformational Leadership Theory [8]), and Fraud Prevention (Y, 6 indicators grounded in Fraud Triangle Theory and anti-fraud practices [4]).

The questionnaire items were adapted from established academic instruments that had demonstrated validity in prior research, specifically from comprehensive reviews of fraud prevention literature and validated psychological measurement scales. Items were reviewed for contextual appropriateness to Indonesian public sector environment, translated to standard Indonesian Bahasa, and then back-translated to ensure semantic equivalence. Before full distribution, the questionnaire underwent a pilot test with 20 civil servants to assess clarity, internal consistency, and potential response bias. Minor wording adjustments were made based on pilot feedback to ensure local context comprehension.

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Table 1. Variables, Dimensions, and Sources of Research Instruments

Variable	Dimension/Indicator	Source
Internal Control System (X1)	Control environment, risk assessment, control activities, information and communication, monitoring	COSO (2013); Government Regulation No. 60/2008
Organizational Commitment (X2)	Affective commitment, continuance commitment, normative commitment	Meyer & Allen (1991)
Individual Morality (X3)	Ability to distinguish right from wrong, ethical sensitivity, rejection of rationalization, courage to report fraud	Kohlberg (1984)
Leadership Style (M)	Idealized influence, inspirational motivation, intellectual stimulation, individualized consideration	Bass & Avolio (1994)
Fraud Prevention (Y)	Reduction of pressure, narrowing of opportunity, rejection of rationalization	Cressey (1953)

Data were analyzed through two stages of SEM-PLS model evaluation. First, evaluation of the measurement model (outer model) through tests of convergent validity (outer loading > 0.70 and AVE > 0.50), construct reliability (Cronbach's Alpha and Composite Reliability > 0.70), and discriminant validity using the Fornell-Larcker criterion. Second, evaluation of the structural model (inner model) through the coefficient of determination (R^2) and hypothesis testing using a bootstrapping procedure with 5,000 iterations, with the criteria for hypothesis acceptance being t-statistic > 1.96 and p-value < 0.05 [13]. The conceptual relationships among the research variables are illustrated in Figure 1.

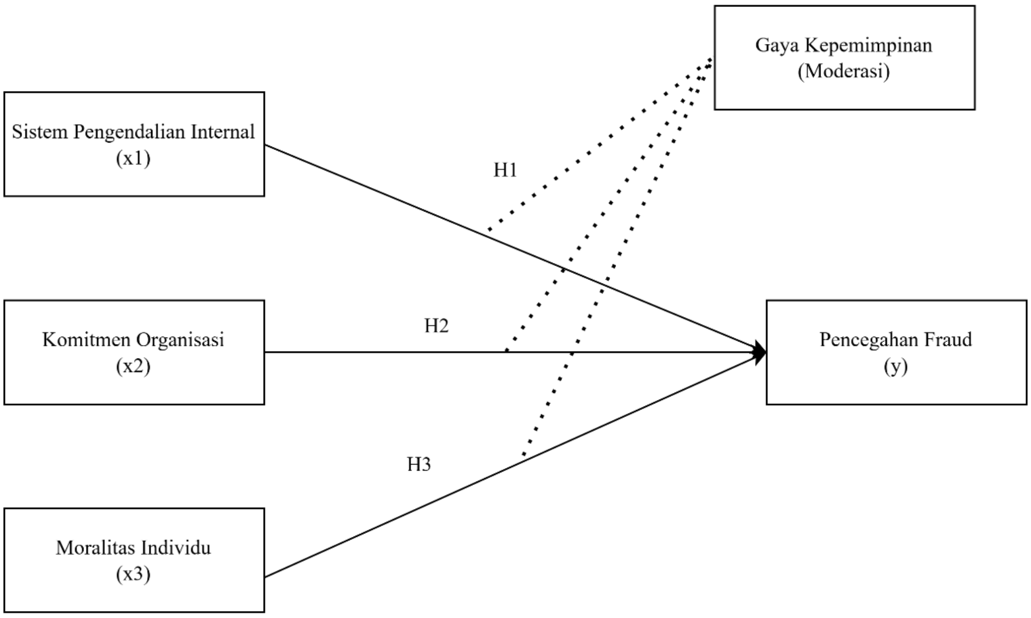

Figure 1. Conceptual Framework

This research integrates five main theories: Fraud Triangle Theory, COSO Internal Control Framework, organizational commitment theory, moral development theory, and transformational leadership theory to formulate seven research hypotheses.

The first through fourth hypotheses focus on direct effects. Hypothesis 1 states that the internal control system has a positive effect on fraud prevention by eliminating the opportunity for fraud through separation of duties, authorization procedures, and continuous monitoring. Hypothesis 2 proposes that strong organizational commitment reduces the financial and emotional pressures that drive fraud behavior, thereby improving fraud prevention. Hypothesis 3 states that individual morality at the post-conventional stage prevents rationalization in the Fraud Triangle by making the individual incapable of justifying fraudulent actions. Hypothesis 4 proposes that transformational leadership styles, which emphasize integrity and create tone at the top, significantly improve fraud prevention.

Hypotheses 5, 6, and 7 focus on the effects of moderation based on contingency theory. These three hypotheses propose that transformational leadership styles can amplify the effects of internal control systems, organizational commitment, and individual morality on fraud prevention. In other words, this study examines whether supportive leadership can improve the effectiveness of the other three fraud prevention mechanisms in the context of regional governments.

2.4 Hypothesis Development

H1: Internal Control Systems and Fraud Prevention

Internal control systems directly reduce fraud opportunities through segregation of duties, authorization procedures, and monitoring [5]. Previous research confirms this positive relationship in Indonesian local government contexts [1], [13]. Thus: Internal control systems have a positive and significant effect on fraud prevention.

H2: Organizational Commitment and Fraud Prevention

Organizational commitment reduces financial and emotional pressures that motivate fraudulent behavior, as committed employees align with organizational values [6]. Empirical studies support this relationship [15], [18]. Thus: Organizational commitment has a positive and significant effect on fraud prevention.

H3: Individual Morality and Fraud Prevention

High moral development at the post-conventional stage prevents rationalization of fraudulent acts through universal ethical principles independent of external pressure [7]. Research confirms this mechanism in public sector contexts [10], [16]. Thus: Individual morality has a positive and significant effect on fraud prevention.

H4: Leadership Style and Fraud Prevention

Transformational leaders establish integrity-driven organizational cultures with strong tone at the top, influencing ethical behavior [8], [9]. Empirical evidence confirms this direct effect [14], [18]. Thus: Leadership style has a positive and significant effect on fraud prevention.

H5: Leadership Style as Moderator of Internal Control Systems

Leadership style moderates the effect of internal control systems on fraud prevention, such that the effect is stronger when leadership style is more transformational.

H6: Leadership Style as Moderator of Organizational Commitment

Leadership style moderates the effect of organizational commitment on fraud prevention, such that the effect is stronger when leadership style is more transformational.

H7: Leadership Style as Moderator of Individual Morality

Leadership style moderates the effect of individual morality on fraud prevention, such that the effect is stronger when leadership style is more transformational.

3. RESULT AND ANALYSIS

Questionnaires were distributed to 100 civil servant respondents directly involved in regional financial management within the Padang City Government, with all questionnaires returned fully completed and valid. A total of 30% of respondents came from Bappeda, 30% from the Inspectorate, and 40% from various other SKPDs. By gender, 58% of respondents were male and 42% female. By age, the majority of respondents (73%) were within the productive age range of 31-50 years.

By education, 85% of respondents held a bachelor's or postgraduate degree. By tenure, 82% of respondents had more than six years of work experience, and by position, the largest group (35%) consisted of treasurers and SKPD financial managers. This respondent profile indicates that the research data were obtained from experienced and competent civil servants in regional financial management, such that the responses given can be considered valid and representative.

Descriptive Statistics of Research Variables

The Respondent Achievement Level (RAL) was calculated using the formula RAL = (Mean/5) x 100%, with the following categories: 90-100% Very Good; 80-89.99% Good; 65-79.99% Fairly Good; 55-

64.99% Less Good; and below 55% Not Good. The descriptive statistics of the research variables, including their mean scores and corresponding RAL categories, are presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Min	Max	Mean	Std Dev	RAL (%)
Internal Control System (X1)	100	1	5	3.92	0.54	78.40
Organizational Commitment (X2)	100	1	5	3.87	0.52	77.40
Individual Morality (X3)	100	1	5	3.90	0.53	78.00
Leadership Style (M)	100	1	5	3.88	0.51	77.60
Fraud Prevention (Y)	100	1	5	3.91	0.55	78.20

Resource: primary data processed (2026)

All research variables had mean values above 3.87, with RAL ranging from 77.40% to 78.40%, indicating that all variables fall into the 'Fairly Good' category. The internal control system had the highest mean value (3.92), while organizational commitment had the lowest mean value (3.87), indicating that further efforts are still needed to strengthen civil servants' loyalty and emotional attachment to their organizations.

3.1. Measurement Model Evaluation (Outer Model)

The structural model tested produced an initial R-Square value of 0.660 prior to bootstrapping. The outer loading test results show that all 32 research indicators had values above the required threshold of 0.70 [13], with the highest value found for the individual morality indicator (0.875) and the lowest for the leadership style indicator (0.714). The results of the construct reliability and validity assessment are presented in Table 3.

Table 3. Descriptive Statistics of Research Variables

Construct	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	AVE	Note
Leadership Style	0.895	0.902	0.920	0.657	Valid & Reliable
Organizational Commitment	0.880	0.881	0.909	0.624	Valid & Reliable
Individual Morality	0.898	0.901	0.921	0.662	Valid & Reliable
Fraud Prevention	0.872	0.872	0.904	0.610	Valid & Reliable
Internal Control System	0.921	0.922	0.935	0.643	Valid & Reliable

Resource: SmartPLS 4 output (2026)

All constructs met the criteria for convergent validity (AVE: 0.610-0.662, above the 0.50 threshold) and reliability (Cronbach's Alpha: 0.872-0.921; Composite Reliability: 0.904-0.935, both above the 0.70 threshold). The Internal Control System construct showed the highest reliability, indicating that the instrument adapted from the [14] framework has very high internal consistency. The results of the discriminant validity assessment using the Fornell-Larcker criterion are presented in Table 4.

Table 4. Results of Discriminant Validity Testing (Fornell-Larcker Criterion)

Construct	LS	OC	IM	FP	ICS
Leadership Style (LS)	0.810				
Organizational Commitment (OC)	0.502	0.790			
Individual Morality (IM)	0.419	0.461	0.813		
Fraud Prevention (FP)	0.691	0.670	0.607	0.781	
Internal Control System (ICS)	0.582	0.558	0.449	0.731	0.802

Resource: SmartPLS 4 output (2026)

The square root of AVE for each construct (shown on the diagonal) was greater than the correlation between that construct and other constructs, with the highest inter-construct correlation found between Internal Control System and Fraud Prevention (0.731), which remains lower than the square root of AVE for both constructs. With the Fornell-Larcker criterion satisfied, all constructs were determined to possess good discriminant validity.

3.2 Structural Model Evaluation (Inner Model) and Hypothesis Testing

Bootstrapping results with 5,000 iterations show an R-Square value for the Fraud Prevention variable of 0.739 (adjusted $R^2 = 0.727$), falling into the strong category ($R^2 \geq 0.67$) according to [13], this value indicates that Internal Control System, Organizational Commitment, Individual Morality, and Leadership Style, together with their moderating interaction effects, are jointly able to explain 73.9% of the variation in Fraud Prevention, while the remaining 26.1% is explained by other factors outside the research model. The detailed results of the bootstrapping analysis and hypothesis testing are presented in Table 5.

Table 5. Hypothesis Testing Results (Bootstrapping, 5,000 Iteration)

Hypothesis/Path	Coef. (O)	STDEV	T-stat	P-value	Decision
H1: ICS → Fraud Prevention	0.332	0.057	5.864	0.000	Accepted
H2: OC → Fraud Prevention	0.232	0.064	3.629	0.000	Accepted
H3: IM → Fraud Prevention	0.234	0.056	4.149	0.000	Accepted
H4: LS → Fraud Prevention	0.286	0.055	5.195	0.000	Accepted
H5: LS×ICS → Fraud Prevention	0.068	0.056	1.207	0.228	Rejected
H6: LS×OC → Fraud Prevention	-0.078	0.062	1.247	0.212	Rejected
H7: LS×IM → Fraud Prevention	-0.001	0.052	0.010	0.992	Rejected

Resource: SmartPLS 4 output (2026)

The seven hypotheses tested, four were accepted (H1-H4), all of which represent direct effects, while three were rejected (H5-H7), all of which represent the moderating effects of leadership style. These findings indicate that leadership style in the context of the Padang City Government functions more significantly as an independent variable with a direct effect on fraud prevention, rather than as a moderating variable conditioning the effects of other variables.

4. DISCUSSION

4.1 The Effect of Internal Control System on Fraud Prevention (H1)

The results show a path coefficient for ICS on Fraud Prevention of 0.332 with a t-statistic of 5.864 ($p = 0.000$), so H1 is accepted. As the strongest determinant in this model, ICS's dominant role can be explained through multiple theoretical and practical lenses. First, from the Fraud Triangle Theory perspective, internal control systems directly address the 'opportunity' element arguably the most controllable component of fraud.

Well-designed control mechanisms eliminate opportunities by implementing segregation of duties, requiring multiple-level authorization for transactions, maintaining independent audit functions, and ensuring transparent financial reporting. Second, from an organizational behavior perspective, formal control systems create structural constraints that make fraudulent behavior physically and procedurally difficult to execute. Third, in the Indonesian public sector context, regulatory requirements such as Government Regulation No. 60/2008 on the Government Internal Control System mandate standardized control frameworks across all regional governments, giving internal controls a quasi-institutional status that transcends individual agency. Fourth, given that 82% of respondents had more than six years of experience, they have likely witnessed the consequences of control lapses or benefited from control improvements, making them acutely aware of the fraud prevention value of robust systems.

This finding is consistent with studies in Regional Apparatus Organizations of Buleleng Regency [19], local governments in East Java [20], and civil servants in Bali [13], all reporting similar dominant effects of internal controls. The practical implication is that strengthening the five COSO-based components of ICS particularly risk assessment and continuous monitoringshould be the top priority in Padang City's fraud prevention strategy, as this single intervention has the highest return on investment in fraud prevention.

42 The Effect of Organizational Commitment on Fraud Prevention (H2)

The path coefficient for Organizational Commitment on Fraud Prevention is 0.232 with a t-statistic of 3.629 (p = 0.000), so H2 is accepted. Civil servants with strong affective commitment have a deep sense of belonging to their organization and thus actively protect it from harmful actions, functioning as 'organizational guardians' who view fraudulent acts as personal betrayals of institutional values. Those with strong normative commitment feel a moral obligation to adhere to organizational standards regardless of personal gain, creating internal ethical restraints.

This finding is consistent with Meyer and Allen's organizational commitment theory [6], in which emotional attachment and internalized obligation reduce the pressure element of the Fraud Triangle by making employees less susceptible to financial or career-related pressures that might motivate fraud. The finding aligns with empirical studies by Cohen et al. [15] and Tesfaye and Nguyen [18], who found similar roles in different governance contexts.

Notably, the fact that organizational commitment emerged with a lower mean value (3.87) compared to internal control system (3.92) suggests that this is a potentially untapped resource for fraud prevention in Padang City. Strengthening organizational commitment needs to be carried out through programs that build pride and a sense of belonging to the institution, such as transparent communication about institutional achievements, employee recognition programs, career development pathways, and support for work-family balance initiatives. Investment in these 'soft' interventions may yield significant fraud prevention returns as commitment strengthens.

4.3 The Effect of Individual Morality on Fraud Prevention (H3)

The path coefficient for Individual Morality on Fraud Prevention is 0.234 with a t-statistic of 4.149 (p = 0.000), so H3 is accepted. This effect validates Kohlberg's moral development theory [7] in a public sector fraud prevention context. Civil servants with high morality at the post-conventional stage possess independent and universal ethical principles that transcend organizational, legal, or social pressure they cannot psychologically construct justifications (rationalization) for fraudulent acts even when pressure and opportunity are present.

At this stage of moral development, individuals have internalized universal principles such as justice, equality, and human rights, making fraud incompatible with their core identity and self-concept. Individual morality functions as an intrinsic self-defense mechanism, independent of external supervision or formal controls, and serves as an essential psychological complement to formal control mechanisms. This finding is consistent with studies by Svanström and Sundgren [16], who found that ethical awareness among public accountants in Asian contexts predicted anti-fraud behavior, and Ariani et al. [10], who identified similar effects in Indonesian local government studies.

The theoretical significance is that individual morality represents a form of 'internal control' that operates at the psychological level, independent of organizational structures. From a practical perspective, while individual morality cannot be easily 'installed' through training (as it represents developmental stages achieved over time), the Padang City Government can create developmental pathways through structured ethics programs, mentorship by high-moral-stage role models, case study discussions of ethical dilemmas, and explicit organizational communication that values principled thinking over mere rule compliance. Such programs should target career advancement criteria that include demonstrated ethical reasoning, not merely technical competence.

4.4 The Effect of Leadership Style on Fraud Prevention (H4)

The path coefficient for Leadership Style on Fraud Prevention is 0.286 with a t-statistic of 5.195 (p = 0.000), so H4 is accepted. This is the second-largest effect after internal control systems (0.332), indicating that leadership commitment to integrity is a crucial factor in the fraud prevention ecosystem of the Padang City Government. Leaders who apply a transformational leadership style, marked by the dimensions of idealized influence (leaders as integrity role models), inspirational motivation

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(articulating compelling visions of ethical organizational culture), intellectual stimulation (encouraging ethical reasoning rather than blind compliance), and individualized consideration (personalizing ethical development support), contribute significantly to fraud prevention through the creation of an integrity-driven 'tone at the top.

' This effect operates through multiple mechanisms: (1) behavioral modeling employees observe and mirror leaders' ethical conduct; (2) normative influence leaders articulate organizational values emphasizing integrity; (3) trust-based relations transformational leaders inspire trust that makes employees more likely to internalize rather than merely comply with rules; (4) organizational culture formation over time, transformational leadership creates cultures where ethical behavior becomes the normalized expectation rather than the exceptional action.

This finding supports transformational leadership research by Louwers et al. [14] and Tesfaye and Nguyen [18], who demonstrated the tangible contribution of transformational leaders in preventing fraud in local governments of developing countries. Practically, this suggests that leadership development programs in Padang City should emphasize transformational leadership competencies, particularly in ethical decision-making, integrity modeling, and the ability to communicate and reinforce anti-fraud values across organizational levels.

4.5 Leadership Style as a Moderator: Why Moderation Effects Are Non-Significant (H5-H7)

The results show that all three moderation hypotheses are rejected: the interaction of Leadership Style × ICS (coef. 0.068; t = 1.207; p = 0.228), the interaction of Leadership Style × Organizational Commitment (coef. -0.078; t = 1.247; p = 0.212), and the interaction of Leadership Style × Individual Morality (coef. -0.001; t = 0.010; p = 0.992). None of these are statistically significant at the 95% confidence level. Rather than viewing this as a null finding, these results provide important theoretical and practical insights into how organizational fraud prevention actually operates in the Indonesian public sector.

The non-significance of moderation effects can be explained through several complementary mechanisms. First, regarding internal control systems: ICS is regulated through standardized rules such as Government Regulation No. 60/2008 on the Government Internal Control System, which establishes mandatory control frameworks applicable to all regional governments regardless of leadership variation. Because compliance with standardized controls constitutes an institutional obligation rather than a discretionary practice, variations in individual leader style have minimal effect on whether controls are implemented or how effectively they function.

The institutional mandate creates a 'compliance baseline' that is largely independent of leadership. This finding suggests that internal controls represent the most stable and leadership-independent fraud prevention mechanism, which explains both their largest direct effect and their resistance to moderation. Second, regarding organizational commitment: the study found that organizational commitment had a lower mean value (3.87) compared to internal control system (3.92), suggesting that civil servants' commitment, while affected by organizational factors, may be grounded in factors beyond immediate supervisory influence, such as career stability, pension security, professional pride, and long-term institutional identification.

Research on public sector motivation [26] indicates that many civil servants are driven by intrinsic factors (duty to public service, job security) rather than leader-dependent factors (charisma, personal relationship with supervisor), meaning commitment levels are less sensitive to variations in any single leader's style. Third, regarding individual morality: morality that has reached Kohlberg's post-conventional stage represents an internalized, autonomous system of universal ethical principles [7]. At this stage, individuals have transcended dependence on external authority, social approval, or institutional pressure their ethical behavior is self-regulated and independent of contextual factors like leadership style. Consequently, individuals at high moral stages will resist fraud regardless of leadership style, while those at lower moral stages may not be significantly aided by even the most ethical leaders.

Additional measurement and design considerations likely contributed to the moderation non-significance. The limited sample size (n=100), while adequate for direct effects testing in SEM-PLS, may have insufficient statistical power to detect moderation effects, which typically require larger samples or larger effect sizes [17]. The interaction terms created through multiplication of centered variables exhibit reduced variance compared to the original variables, potentially limiting the statistical detectability of moderation [27]. Furthermore, if leadership style variation in the respondent sample was limited (i.e., most respondents experienced relatively similar leadership styles), this low variance in the moderator would prevent detection of moderation effects even if theoretically they exist in other contexts with greater leadership variation.

4.6 Theoretical Reframing: Leadership as Direct Determinant vs. Moderator

Overall, the findings regarding the moderation hypotheses indicate that leadership style, in the context of the Padang City Government, plays a more significant role as an independent variable with a direct effect on fraud prevention ($\beta = 0.286$), rather than as a moderating variable that strengthens or weakens the effects of other variables. This finding offers important theoretical nuance. While contingency theory [28] and organizational behavior research have long emphasized moderation effects, the current results suggest that in institutionalized public sector contexts with strong regulatory frameworks (like Indonesian regional governments), leadership effects may operate primarily through direct influence leaders shape organizational culture, establish integrity expectations, and model ethical behavior that independently influences fraud prevention.

This contribution broadens the understanding of transformational leadership's role beyond its commonly assumed moderating function in the literature. In other words, rather than leadership amplifying the effectiveness of controls, commitment, and morality, leadership operates as one among several parallel fraud prevention mechanisms, each with independent validity. This 'parallel pathways' model may be particularly applicable to bureaucratic contexts where formal systems are institutionalized and where multiple psychological and structural mechanisms for fraud prevention operate independently.

5. CONCLUSION

This study aimed to analyze the influence of internal control systems, organizational commitment, and individual morality on fraud prevention, with leadership style as a moderating variable, in regional financial management in Padang City. The results show that internal control system ($\beta = 0.332$), organizational commitment ($\beta = 0.232$), individual morality ($\beta = 0.234$), and leadership style ($\beta = 0.286$) each have a positive and significant effect on fraud prevention ($p < 0.05$ across all paths), with the model demonstrating strong predictive power ($R^2 = 0.739$). In contrast, leadership style was not found to moderate the effects of internal control system, organizational commitment, or individual morality on fraud prevention ($p > 0.05$ across all interaction paths), indicating that leadership style in the context of the Padang City Government functions as a direct determinant rather than a moderating variable.

Based on these findings, an effective fraud prevention strategy in the Padang City Government requires the simultaneous strengthening of the internal control system as the strongest determinant, the development of civil servants' moral character through continuous ethics training, the reinforcement of organizational commitment through improved welfare and career development, and the cultivation of integrity-driven transformational leadership across all levels of the governmental structure.

5.1. Practical Implications for the Padang City Government:

Within the institutional context of the Padang City Government and similar Indonesian regional governments, an effective fraud prevention strategy requires the simultaneous strengthening of four complementary mechanisms: (1) Institutional level: Strengthen internal control systems through rigorous implementation of Government Regulation No. 60/2008 requirements, with particular emphasis on risk assessment functions, transaction authorization procedures, and independent audit mechanisms; (2) Leadership level: Cultivate integrity-driven transformational leadership across all government levels through selective recruitment emphasizing ethical values, leadership development programs focused on ethical decision-making, and performance evaluation criteria including demonstrated integrity; (3) Organizational level: Reinforce organizational commitment by improving internal communication about institutional achievements, establishing transparent career development pathways, supporting work-life balance initiatives, and recognizing outstanding contributions to public service; (4) Individual level: Invest in character-building and ethics training programs that emphasize moral reasoning and principled ethical decision-making rather than mere compliance, particularly targeting career advancement decisions. These four-level interventions should be implemented simultaneously rather than sequentially, as the model indicates parallel rather than hierarchical effects.

5.2. Limitations and Future Research:

This study's findings are specific to the Padang City Government context with 100 civil servants, and generalizations to other Indonesian regional governments or different national contexts should be made cautiously. Future research should: (1) replicate this integrated model in other regional governments to test cross-contextual stability; (2) employ larger sample sizes and longitudinal designs to detect potential moderation effects with greater statistical power; (3) incorporate additional variables such as institutional factors (agency size, budget complexity), individual factors (tenure, age, education), and supervisory factors (leader-member exchange quality) that may interact with or mediate the effects found here; (4) employ qualitative methods (interviews, focus groups) to understand the mechanisms through which these variables operate in Indonesian cultural and institutional contexts; (5) examine whether the balance of effects differs for different types of fraud (embezzlement vs. procurement corruption vs. grant misuse).

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