

Reinventing a National Public Sector Risk Management Framework: A Collaborative Governance Approach to Fraud Detection and Prevention

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ABSTRACT

Despite decades of regulatory reforms and intensified law enforcement, corruption and fraud remain persistent challenges in public sector governance. Prevailing anti-corruption strategies tend to emphasize punitive enforcement and perception-based measurement, while underestimating the preventive potential of risk management systems. This article develops a conceptual policy framework for a National Framework of Risk Management for the Public Sector (NFRM-PS) grounded in risk governance and collaborative governance theory. Drawing on public sector risk management literature, fraud theory, and integrity system research, the study argues that effective fraud detection and prevention require a systemic, multi-actor ecosystem rather than fragmented institutional interventions. Using Indonesia as an illustrative context, this paper proposes a staged, collaborative, and culture-oriented national risk management framework integrating internal auditors, supreme audit institutions, anti-corruption agencies, and academia. The article contributes to the literature by reframing risk management as a preventive anti-corruption infrastructure and offering a transferable governance model beyond enforcement-centric approaches.

KEYWORDS: Public Sector Risk Management; Risk Governance; Fraud Prevention; Collaborative Governance; Anti-Corruption Policy.

INTRODUCTION

For the past two decades, fighting corruption has been a top priority around the world. Governments and international organizations have responded by creating more regulations, stepping up law enforcement, and strengthening oversight bodies (OECD, 2016; Mungiu-Pippidi, 2015). And yet, a growing body of research makes it clear that corruption is still deeply embedded in how the public sector operates, especially in developing nations where institutions and accountability can be weak (Klitgaard, 1988; Rothstein & Varraich, 2017).

A major problem with our current approach is that it's piecemeal and always a step behind. The groups responsible for auditing, investigating, and prosecuting often work in their own separate silos, hemmed in by their specific mandates. This means they don't coordinate well, and their efforts rarely have a widespread impact. While a focus on enforcement might catch more wrongdoers, it doesn't fix the underlying problems that allow fraud to flourish in the first place: poor internal controls, secretive decision-making, and workplace cultures that quietly tolerate bad behavior. This article argues that we should think of corruption as more than just a legal or moral failure. It's a systemic risk, baked into the very structure of our public institutions and administrative routines. From this perspective, a national strategy for managing risk across the public sector offers a powerful way to shift our focus from simply reacting to corruption to systematically finding and preventing it before it ever takes hold. Accordingly, the study advances a National Framework of Risk Management for the Public Sector (NFRM-PS) as a policy innovation grounded in collaborative governance and risk governance theory, capable of integrating multiple actors and governance levels in addressing corruption risk (Ansell & Gash, 2008; Renn, 2020). Fraud is most commonly conceptualized through the fraud triangle, which posits that unethical conduct emerges from the interaction of opportunity, pressure, and rationalization (Cressey, 1953; Wolfe & Hermanson, 2004). What makes this framework so effective is that it connects individual choices to the larger organizational systems at play. For instance, opportunities for fraud tend to pop up where internal controls or oversight are weak. The pressure to act might come from financial needs, political incentives, or intense performance goals. People then find it easier to rationalize their decisions if the company's culture tolerates or even normalizes cutting corners (Albrecht et al., 2019; Power, 2007). The fact that corruption remains a persistent problem everywhere tells us that a crackdown-focused approach just isn't enough to solve the root causes. A growing amount of research on governance shows that our work environment plays a decisive role in shaping our behavior, either by reining in the misuse of power or by enabling it. This really gets back to Lord Acton's famous observation that power tends to corrupt. It highlights that we shouldn't treat corruption as a rare fluke, but as an inherent, systemic risk that is baked into the very structure of power itself (Klitgaard, 1988; Renn, 2020).

Risk management came to the public sector during a wave of modernization reforms, borrowing an idea that was first developed for the business world. The hope was that it would be a tool to improve accountability, performance, and decision-making. In practice, however, studies have found that it often becomes a symbolic, box-ticking exercise instead of being truly embedded in an organization's culture (Power, 2007; Mikes, 2011). Because of this, recent thinking has started to move beyond simple risk management toward a broader idea of risk governance. This newer approach emphasizes bringing many different groups into the process, recognizing that various institutions have their own unique roles, and focusing on continuous learning to handle today's complex public risks (Renn, 2020). Risk governance is particularly relevant for corruption prevention, which transcends organizational boundaries and involves multiple public and non-public actors.

METHODOLOGY

This article employs a conceptual and normative research design, an approach that is well established in public administration and governance scholarship, particularly for addressing complex and multi-dimensional policy problems (Dunn, 2018; George, Bennett, & Checkel, 2005). The analysis combines three interrelated components. *First*, it draws on a structured review of the literature on public sector risk management, fraud prevention, and collaborative governance to identify prevailing theoretical arguments and empirical insights (Bracci et al., 2021; Mikes, 2011). *Second*, it undertakes a policy-oriented analysis of anti-corruption and risk management practices in order to examine institutional arrangements and governance mechanisms shaping implementation outcomes (Howlett, Ramesh, & Perl, 2020). Third, the study employs conceptual modelling to synthesize these insights into a coherent national-level risk governance framework capable of addressing systemic corruption risks (Renn, 2020). Rather than testing causal hypotheses, the primary contribution of this research lies in theoretical integration and policy design, consistent with established traditions of high-impact conceptual research in governance and public policy studies (Ansell & Torfing, 2016; Peters, 2018).

RESULT AND DISCUSSION

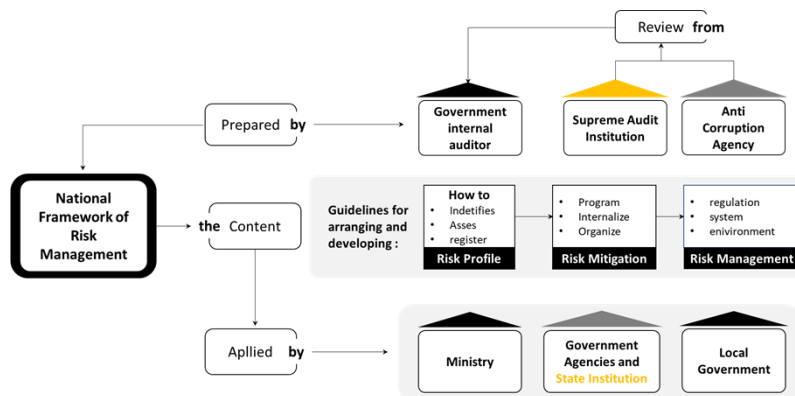
Limitations of Existing Anti-Corruption and Risk Management Approaches: Existing scholarship consistently identifies a number of structural weaknesses that undermine the effectiveness of public sector risk management and anti-corruption systems. First, implementation is often constrained by bounded rationality, uneven institutional capacity, and limited professional expertise, which lead to inconsistent application of risk management practices across public organizations (Simon, 1947; Bracci et al., 2021). Second, technological and data integration gaps continue to impede the alignment of risk management frameworks with internal control and financial reporting systems, particularly in complex and digitally transforming public administrations (Power, 2007; Lodge & Wegrich, 2021). Third, risk management in many public institutions remains predominantly compliance-oriented, functioning as a formal reporting exercise rather than evolving into an embedded organizational culture that informs strategic and operational decision-making (Mikes, 2011; Carlsson-Wall et al., 2019). Fourth, anti-corruption and oversight mandates are frequently institutionally fragmented, producing coordination mechanisms that fall short of genuine collaboration and collective problem-solving (Ansell & Gash, 2008; Rothstein & Varraich, 2017). Finally, public sector reforms often suffer from a lack of long-term sustainability, as risk management initiatives are treated as episodic policy interventions rather than as continuous and adaptive governance processes (Renn, 2020; OECD, 2020). At the end of the day, these systemic problems are the real reason why so many anti-corruption efforts fail to make a dent in fraud, no matter how many new regulations or enforcement agencies we throw at the issue.

Reinventing Public Sector Risk Management

To get serious about public sector risk, we have to move beyond treating it as a simple box-ticking exercise. The current approach is too rigid and limited. Instead, we should see risk management as a core part of how a country is governed. We already know that you can't solve complex problems like corruption with top-down control alone; it requires people to get involved, learn as they go, and share responsibility. A better approach would need a few key things. First, it has to be participatory. That means actively involving people across an organization in designing and implementing risk management, which builds a sense of ownership that you just don't get from forcing rules on them. Second, we have to embrace technology. With the growing complexity and sheer volume of transactions in the public sector, integrating risk management with digital controls and reporting systems is no longer an option—it's a necessity. Third, we need to shift our focus from procedures to culture. The goal should be to make risk awareness and integrity so ingrained in the organization that they become core values that shape everyday decisions. Fourth, because a risk like corruption cuts across so many different areas, agencies can't keep working in their own bubbles. We need real, collaborative governance where the roles of oversight bodies, auditors, and anti-corruption agencies are clearly defined and connected, turning isolated mandates into a functioning network. Finally, this can't be a one-and-done reform. It has to be a gradual, sustainable process that we're constantly evaluating through audits, research, and feedback. That's the only way for it to adapt and evolve, rather than becoming just another forgotten initiative.

National Risk Governance Architecture

Figure 1 illustrates that the NFRM-PS is not designed as a rigid template, but rather as a governance framework that structures roles, responsibilities, and interactions among key public sector actors. Three analytical dimensions are particularly significant. *First*, the framework introduces functional differentiation between institutions responsible for compilation, review, and implementation. Government Internal Auditors act as primary framework developers, while the Supreme Audit Institution and the Anti-Corruption Agency provide external review and integrity oversight. Such differentiation is a core principle of risk governance, as it reduces concentration of authority and mitigates the risk of regulatory capture (Renn, 2020, pp. 52–54). *Second*, the framework content comprising risk profiling, risk mitigation, and risk management systems signals a shift from episodic risk identification toward institutionalized risk governance. Rather than treating risk registers as static compliance artefacts, the framework embeds risk mitigation into organizational regulations, internal control systems, and decision-making processes. Bracci et al. (2021, pp. 9–11) emphasize that public sector risk management becomes effective only when it is integrated into routine governance practices rather than existing as a parallel technical exercise.



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Figure 1. NFRM for the Public Sector: Institutional Compilers, Content, and Users

Third, the identification of ministries, government agencies, and local governments as direct users highlights the multi-level governance nature of corruption risk. This design reflects collaborative governance theory, which stresses that complex public problems require both horizontal collaboration across institutions and vertical alignment across administrative levels (Ansell & Gash, 2008, pp. 546–549). Taken together, Figure 1 operationalizes the argument that corruption prevention requires a shared governance ecosystem, not isolated institutional interventions.

Phased Risk Governance Model: Through Figure 2, risk governance is conceptualized as a gradual maturity process, reflecting empirical findings that organizational and institutional change cannot be achieved instantaneously. In the engaged phase, public entities are required to comply with standardized risk management instruments derived from the national framework. Although this phase relies on formal compliance, it plays a crucial role in establishing a minimum risk awareness baseline. Power (2007, pp. 64–67) argues that early compliance-oriented risk management often functions as an entry point for broader organizational learning. The arranged phase emphasizes habituation and institutional learning. Risk mitigation measures begin to be integrated into internal programs, supported by advisory and assurance services from internal auditors. This phase aligns with Carlsson-Wall et al. (2019, pp. 11–14), who demonstrate that risk management gains practical relevance only when translated into everyday routines and supported by professional mediation.

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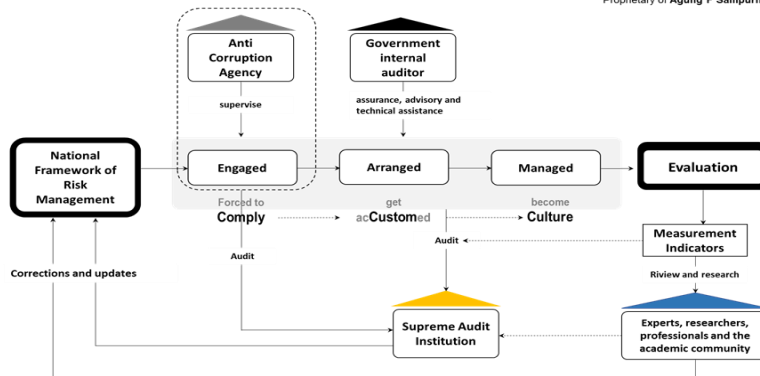


Figure 2. National Framework for Public Sector Risk Management: Multi-Actor and Multi-Sector Collaboration in Fraud Detection and Prevention

The managed phase marks a qualitative transformation: risk management evolves from procedural compliance into organizational culture. Risk considerations are embedded in strategic planning, budgeting, and operational decision-making. This transition corresponds to Mike's (2011, pp. 234–236) distinction between “calculative” and “holistic” risk management, where the latter reflects cultural internalization rather than formal reporting. Finally, the evaluation phase institutionalizes learning and accountability through performance audits, expert reviews, and academic research. This phase directly addresses a persistent weakness of anti-corruption policy: reliance on perception-based indicators. OECD (2020, pp. 91–97) stresses that integrity systems must be evaluated based on observable governance outcomes, not reputational indices alone.

Theoretical and Policy Contributions

By integrating Figures 1 and 2 into the analytical framework, this study contributes to the literature in three significant ways. First, it extends public sector risk management theory by repositioning risk management as national risk governance, consistent with contemporary governance scholarship (Renn, 2020). Second, it reframes anti-corruption policy as a preventive governance infrastructure, rather than a post hoc enforcement mechanism. This perspective aligns with comparative governance research that views corruption as an equilibrium problem rooted in institutional design (Mungiu-Pippidi, 2020, pp. 88–92).

Third, the framework provides a replicable policy model that can be adapted across jurisdictions without relying on country-specific legal arrangements. By emphasizing collaboration, graduality, and evaluation, the NFRM-PS offers a practical pathway for strengthening public integrity systems in developing and developed contexts alike.

CONCLUSION

It's a central paradox in the fight against corruption today: despite extensive regulatory reforms, tougher enforcement, and more oversight institutions than ever before, fraud and corruption are still stubbornly rooted in the public sector. By conceptualizing corruption as a systemic governance risk, the article demonstrates that enforcement-centric approaches alone are insufficient to reduce fraud risk sustainably. Drawing on risk governance and collaborative governance theories, the study proposes a National Framework of Risk Management for the Public Sector (NFRM-PS) as a preventive and integrative policy innovation. The framework repositions public sector risk management from a fragmented, compliance-oriented practice into a national risk governance system that emphasizes participation, digital integration, culture-building, institutional collaboration, and gradual yet sustainable implementation. Through its institutional architecture and phased operational model, the NFRM-PS integrates internal auditors, supreme audit institutions, anti-corruption agencies, and academia into a coherent ecosystem for fraud detection and prevention.

The article contributes theoretically by extending public sector risk management into the domain of national risk governance, and practically by offering a transferable model that complements enforcement mechanisms with prevention-oriented governance. While corruption may never be fully eradicated, this study concludes that its intensity and systemic embeddedness can be significantly reduced through a collaborative, adaptive, and governance-based approach to public sector risk management. As articulated by Ibn Sina (970–1037), “There are no incurable diseases, only a lack of will; there are no worthless herbs, only a lack of knowledge.”

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