



## RESEARCH PAPER

### Prevention of Frauds in Public Sector Organizations: A Case of Pakistan

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PAPER INFO	ABSTRACT
<b>Received:</b> May 11, 2021 <b>Accepted:</b> August 28, 2021 <b>Online:</b> September 01, 2021 <b>Keywords:</b> Accountability Causes Detection Fraud Prevention Public Sector	The fraud prevention is neither possible nor sustainable without understanding and eradicating the causes of the fraud, reform and align the Internal control mechanism using 21 <sup>st</sup> century technology, public awareness movements promoting “Corruption as social evil” and corrupt people as “Public foes”. This study presents the global perspective on frauds based on quality research published in impact factor Journals only and local scenario based on expert reflections from audit, accounting, operations and management personnel being the stakeholders of the existing system who witnessed the phenomena inside out. The qualitative study was done using interpretivism approach, implying mixed method and conducting interviews, survey and focus group for data collection and analysis.
<b>*Corresponding Author:</b>  syedaamiralamri zvi@gmail.com	The researcher has developed a Fraud Detection and Prevention mechanism that provides a comprehensive solution and road map to address the issue of Fraud in public sector organizations. This research is equally important for legislature, public sector management, accounts and audit professionals and can be used for capacity building of public sector employees and for developing policy framework.

## Introduction

Wolfe and Hermanson (2004) stated that fraud has emerged as the most serious threat to the global economy, requiring the immediate attention of forensic accountants and traditional auditors, as well as anti-graft organizations around the world. Despite massive attempts to eradicate fraudulent activity, it has been determined that fraud of various types is increasing in occurrence and intensity. Okoye, E.I & Gbegi (2013) informed that, Fraud is seen as a worldwide phenomenon because it has infiltrated both the business and public sector to the point, where no country is immune to its taint, while underdeveloped countries bear the brunt of the consequences.

Fraud costs businesses a lot of money and has a negative effect on employee morale. When our money is taken from us through deception, the consequences can be

devastating. Fraud losses are serious issues that must be managed, controlled, and monitored in the public sector. Lee and Fargher, (2013) reported that in order to detect fraudulent behaviors and practices in organizations, different methods can be used. Whistle blowing, tips, and an internal and external audit are just a few possibilities. Bierstaker et al., (2006) discovered that the development of an effective and powerful detection and prevention fraud mechanism is vital for a company since it can reduce the chances of fraud occurring.

### **Fraud and corruption control mechanism of the Government of Pakistan**

In Pakistan the Auditor General of Pakistan having constitutional post (Pakistan & Government of Pakistan, 2003) is the head of the Supreme Audit Institution of Pakistan (*Ordinance No . 3, 2001*). His reports are presented to elected public representatives in the National, Provincial, and District legislatures, and are reviewed by the respective legislatures' Public Accounts Committees. Whereas the accounts for the Federation, Provinces, and District Governments are prepared and kept up to date by the Controller General of Accounts. CGA also conducts pre-Audit (CGA Ord, 2001). Every Ministry conducts the Internal Audit and maintain internal control of Departments under its control (Govt of Pakistan, 2021) Department itself follow Act ,Ordinance, rules & regulations policies, procedures, observe financial & administrative power and maintain internal control same system is followed by Provincial Governments with the involvement of their finance department. Moreover the Parliament's Public Accounts Committee (PAC) is responsible for providing legislative control of the public pursue by studying the Auditor General's Report on the Federation's Accounts (Book & Members, 2006), which is tabled before both Houses of Majlis-e-Shoora (Parliament). Moreover Public Accounts Committee of every province also oversee these functions at provincial and District level (Cheema, 2018).

In addition at the Federal level, there is the National Accountability Bureau (*Ordinance No. Xviii of 1999 an Ordinance, 1999*) and the Federal Investigation Agency (FIA, 1975), on the other hand at the provincial level, there are Anti-Corruption Establishments (ACEs) that participate in anti-corruption and fraud prevention (Sadiq, 2020). To provide free of cost justice there are five Ombudsman under federal Government (*Mohtasib Reforms. n.d.*) Federal Mohtasib (Ombudsman) (The, 2002) Banking ombudsman (Banking ord, 1962), Tax ombudsman (Law, 2007), Insurance ombudsman (Insurance Ordinance, 2000) and Protection against harassment of woman at workplace (*Islamabad, the 11, 2010*). There are also provincial Ombudsman in every province (Asian Development Bank, 2011)

Prime Minister's Performance Delivery Unit (PMDU) and Pakistan Citizen's Portal (PCP) also redresses the grievances of the residents of Pakistan regarding miscellaneous issues of the citizens corruption, fraud can also be reported there (*PM's Performance Delivery Unit, n.d.*), there is also a mechanism to launch a complaint to the Chief Minister complaint cell in the every province of Pakistan. Judicial system, media, NGOs, CSOs of Pakistan also contribute in the prevention and detection of fraud and corruption (NAB, 2002)

Powerful mechanism at every layer exists for fraud prevention and detection in Pakistan but despite of this fact Pakistan has been ranked 124 and scored 31, in corruption

reported by Transparency International in perception index 2020 (Transparency International, 2020)

### **Theoretical Frame Work**

The development of a model for fraud management in the public sector is one of the study's goals. There have been some fraud theories proposed in the past such as Fraud Triangle Theory of Gressey (1950) and the Fraud Diamond Theory by Wolfe and Hermanson (2004)(Mansor & Abdullahi, 2017). In addition to the three aspects outlined by Cressey's fraud triangle: felt pressure, perceived opportunity, and rationalization, there is an additional element called "capacity that was introduced by Wolfe and Hermanson. Pressure, opportunity, rationalization, and capability are the most well-known fraud elements, and they are all found in most fraud incidents. Fraud in the public sector has risen rapidly in recent years.

### **What is fraud its types, classifications and analysis of frauds specific in public sector**

International professional practices framework, the institute of the Internal Auditors defines fraud as "Any illegal conduct that involves deception, concealment, or a breach of trust. Parties commit frauds in order to get money, property, or services; to prevent payment or loss of services; or to gain a personal or commercial advantage" It should be emphasized that frauds usually have a financial, operational, or psychological impact over the organization.

Fraud is the act of obtaining financial value by deception or trickery, such as through contract inflation, kickbacks, paying or collecting money for non-existent commodities, misappropriation of cash, or accounting manipulation to conceal a false position. Computer fraud, wage fraud, and ghost workers are all forms of frauds

Fraud is the most challenging and destructive social phenomena that have existed throughout the primordial times and continue to exist today. In the age of democracy, high-technology, and information systems, fraud did not lessen. Different kinds of fraud and alternative technologies have arisen.

The government sector is not exempted to the harmful implications of fraud (Ghazali et. al. 2014) According to Gannon & Doig, (2010)perpetration of fraud have existed in daily activities such as , fixation of pay, in procurements etc. Public sector organizations and other private institutions should assess fraud risks, moreover tax administration should take anti-fraud measures.

Tambulasi, (2009) stated that the fraud is regarded as unethical gain derived from professional responsibilities (official position) and social standing. Authorized employees in the public sector misuse their official position while making procurement and in auctioning.

According to Meckevious, (2014) percentage of fraud committed in the public sector is much greater than in the private sector, these frauds influences greatly on public entities, public sector frauds are well organized and planned and supported by management. Consequently it is difficult to track these frauds.

Occupational fraud can be segmented into three categories Asset misappropriation, which involves and employee misusing or stealing the resources of the organization. Majority of fraud cases come in this category. In contrast. Frauds in financial statements are committed by the means in which the perpetrator intentionally causes a material misstatement or omission in the financial statements. Whereas corruption includes offenses such as bribery, extortion and conflicts of interests According to Association of Certified Fraud Examiners (ACFE), (2020) fraud may be classified into three categories: corruption, asset misappropriation, and financial statement fraud.

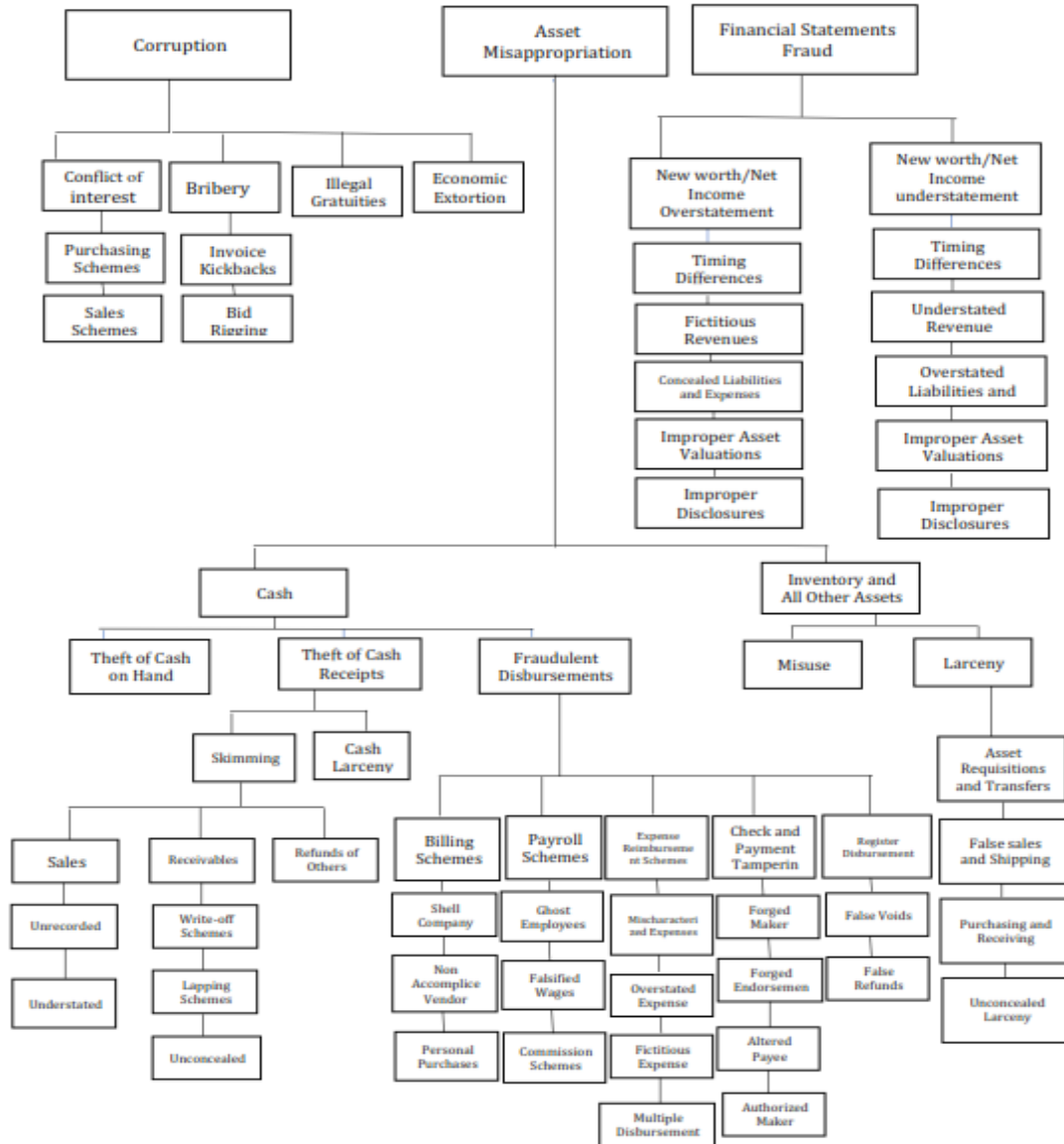


Figure 1 Occupational Fraud and Abuse Classification System (the Fraud Tree)

## **Literature Review**

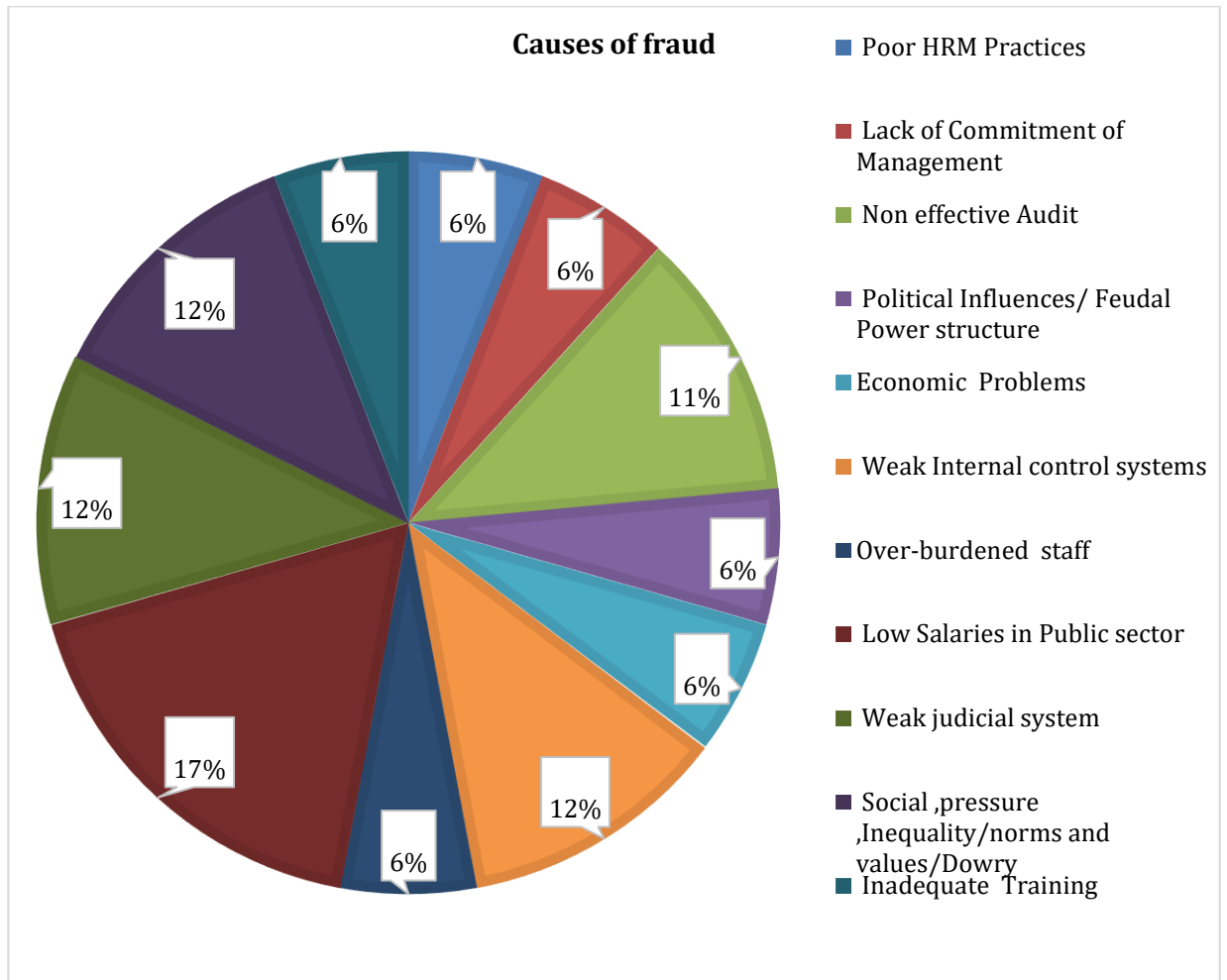
### **Causes**

The public sector is particularly appealing to fraudsters who take advantage of the taxation, relief, and subsidy systems for personal gain (Dwiputrianti, 2011). Fraud costs businesses a lot of money and has a negative impact on employee morale and productivity (Maria Krambia-Kapardis, 2002). Fraud is a serious problem, with bad management practices and economic pressure being the primary reasons (Ghazali et al., 2014) The recession, employee dissatisfaction, disregard to internal control, possible weakening of business ethics, difficulty in teaching ethics, and technological complexity are the core causes of fraud (Pomeranz & Pomeranz, 2009)

Hammad et. al. (2021) emphasized pressure, opportunity, rationalization, and capability are the most well-known fraud aspects, and they are all present in most fraud situations. According to Gbegi & Adebisi, (2015) Fraud in the public sector has risen rapidly in recent years, owing to a lack of antifraud policies, a lack of risk management systems, a lack of managerial integrity, a lack of internal control, and an insufficient use of fraud prevention methods and software. These elements, among others, contribute to public sector fraud.

Low salaries in public sector, economic problems, weak judicial system, social pressures, political influences and non-effective audit are the causes of fraud that were reported by the NAB in report National Anti-corruption strategy (NAB, 2002)

During the literature review we have benchmarked top publishers and all impact factor journals to ensure the quality of the research. In the process we have reviewed 56 impact factor journals on the subject and identified following 11 causes of frauds, to further focus on importance/recurrence of the causes of fraud mentioned by different researchers we have assigned them the percentage mentioned in the graph below.



Graph: 1 (Based on reviewed articles)

### Prevention and Detection

Singal et. al. (2019) determined that the application of management of fraud prevention strategies and the occurrence of these frauds have a substantial beneficial association. To avoid fraudulent operations in the public sector, a very strong internal control mechanism is required, combined with the most up-to-date auditing procedures. Khan stated that when it comes to the prevention, identification, and assessment of fraudulent acts, the internal audit role is important .However Okoye et. al.(2013) discovered that in the public sector, the usage of forensic accountants can assist in better detecting and avoiding fraud incidents.

Othman et. al. (2015) shaded the light on operational audits, strong audit committees, improved internal controls, fraud reporting policy implementation, personnel rotation, fraud hotlines, and forensic accountants are some of the most effective fraud detection and prevention techniques used in the public sector. Moreover according to Robison et. al. (1993) a strong ethical culture and an effective internal control system are essential components of an anti-fraud approach. Effective internal controls can help to protect assets and reduce financial risk exposure. However, various fraud prevention and

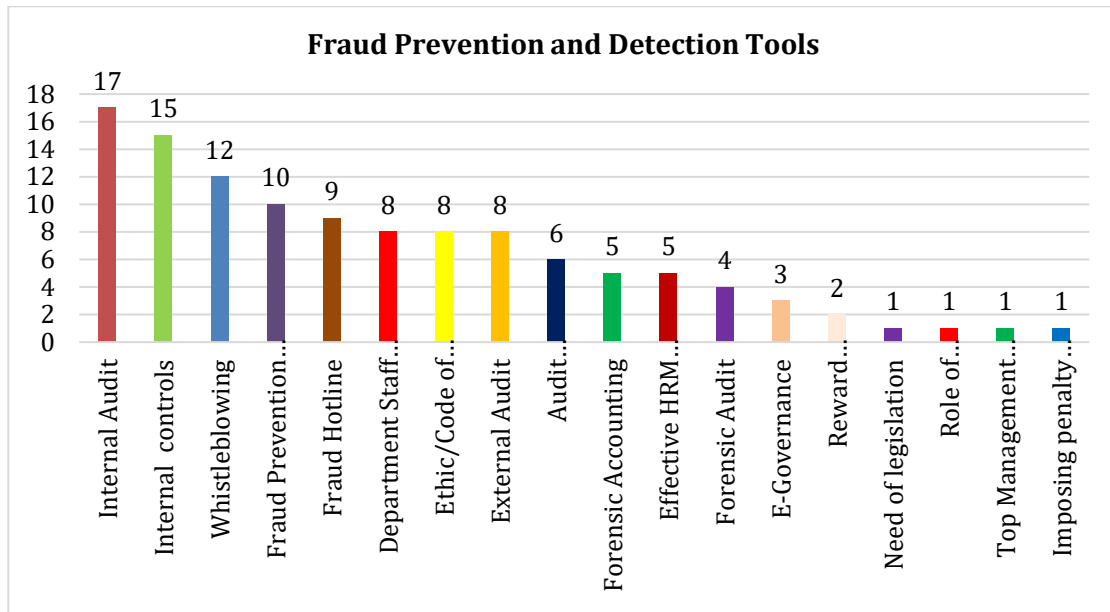
detection approaches, along with a strong internal control system, would give total protection against fraudulent behavior. Murti and Kurniawan, (2020) highlighted the internal control weaknesses as a source of fraud. Although fraud will never be totally eliminated, public sector organizations can use internal controls to prevent and identify it. In order to avoid fraud, public sector management must be able to raise awareness and application of anti-fraud culture at all levels of the organization. In line with Omar and Bakar, (2012) observed the fraud losses are a big problem for businesses. As a result, the key defense against fraud and abuse is to develop and manage the internal control system.

Carey and Stringer, (1995) stated the importance of human resource policies and procedures in fraud prevention and detection. Brennan and Kelly, (2007) determined whistle blowing is an internal control mechanism that can be used to limit or even completely eradicate asset misuse. Whistle blowing procedures are supported because they are considered as part of an organization's internal control. Arena and Ferris, (2017) claimed that the weak legislation is one of the key causes of rising internet fraud; as a result of outdated legalization, criminals take advantage of the opportunity to avoid law enforcement organizations. As a result, the country's latest fraud tactics and laws are also established in accordance with fraud techniques.

According to Omar and Bakar, (2012) internal controls, internal & external audit have been ranked the most significant elements for fraud prevention. Improvement of security measures such as organizational code of conduct, unscheduled audits, efficient and effective audit committee, and disciplinary actions with penalty are also important for fraud precautions.

Stamler et. al. (2014) stated the value of sound ethical culture, and internal control system that are valuable elements for anti-fraud mechanism. Through sound internal controls financial risks are reduced and assets are safeguarded. It provides protection against fraudulent practices.

According to Murti and Kurniawan, (2020) fraud prevention is greatly influenced by internal controls in public sector. Governmental organizations should create anti-fraud awareness. Fraud related trainings and seminars are also very effective for public sector personnel's.



Graph: 2 (Based on reviewed articles)

Elements mentioned in above graphs 2 are tools of prevention and detections of fraud in public sector. We have found these tools and causes on the basis of different countries, cultures, scenarios and organizations. This data was collected from the reviews of 56 impact factor journals on the subject and identified 18 factors mentioned in the graph. We have also mentioned the frequency of repetition of, factors for prevention and detection of fraud.

### Material and Methods

This is basic qualitative research. The philosophy of interpretivism and mixed method were used to develop comprehensive understanding of the phenomena, for validity and quality of the study (Creswell, 1999). The sample size of 10 is appropriate for qualitative research (Sandelowski, 1995) According to Marshall et. al. (2013) the sample size of twelve interviewees can be enough for data saturation in qualitative research. Accordingly in this research conducted personal interviews from 11 Government officials and one focus group representing accounts, audit and operations-. Interviews were conducted face to face and later transcribed. Although topic guide was used, but interviewees were encouraged to speak freely, Purposive sampling was used. Questions that were asked for the interviewees were adapted from the thesis Bejarano, (2008) that is fully aligned with the factors identified in earlier research in literature review section

Data was gathered from the different sources using variety of techniques including interviews' focus group and survey. The research was carried out in the jurisdiction of Karachi the metropolitan city of Pakistan. Each interview took between 60 to 80 minutes to complete and were conducted in their offices. Researcher note down the interview answers in the diary and analyzed for thematic review (Thomas & Harden, 2008)



**Table 1****Sampling Framework**

<b>Structured Interview Participants</b>	<b>Number of Participants</b>
Accounts Officer FIA	01
Accounts Officer AATI	01
Deputy Director Defense Audit	01
Deputy Director P&TS Audit	01
AVP National Bank of Pakistan	01
Branch Manager Sindh Bank	01
Audit Officer Confidential	01
Drawing and Disbursing Officer Works	01
DSPS Central	01
Chief Post Master Saddar GPO	01
Accounts Officer DGPR Karachi	01
Focus Group (Different Govt Departments)	05
Total	16

**Results and Discussion**

The results from interviews discussions are presented in the following section. The findings show the most likely causes, preventions and detection of fraud:

**Causes****Loose internal control**

Loose internal control was reported by all 11 interviewees and focus group (100 percent). Two interviewees highlighted that "There was strict compliance of rules and regulations when they started their services 25 years ago but currently situation has deteriorated leading to more chances of fraud and corruption". One of the respondent mentioned that " Low capacity building interventions and lack of succession planning is prevalent in public sector- it was pointed out that the only way of learning for new employees is to learn from their seniors experiences accordingly they lack expertise thus the risk of fraudulent practices is increased "While other officials shared their experience and mentioned that" there are many loopholes in public sector organizations such as lack of proper risk assessment, internal control and proper monitoring mechanism as well as, delayed information sharing' poor communication - There is also inappropriate coordination among different Government Departments, due to these factors fraudulent activities have escalated"

**Low Salaries**

According to 7 interviewees and focus group, low salaries especially salaries of lower grade employees is one of the cause of fraud, in the public sector. Three respondents mentioned that "The salaries of Government sector employees did not sufficiently increase while high inflation has reduced the purchasing power- Money is required for good education, health and housing facilities in contrast salaries are not enough to meet the expenditures in this commercial environment , there is a huge gap between income and expenditure, consequently the chances of fraud and corruption have intensified" one of

the member of focused group stated that “ to meet their essential needs under pressure, lower level employees easily indulge into corrupt practices”

### **Social Pressures and High Standard of Living**

All interviewees (100 percent) and focus group said that Social pressures and the high standard of living is one of the main cause of fraud in the public sector of Pakistan. Some of them told that “there is a fixed structure of income of public servants, out of which saving is impossible but when children become adult their need and wants increase, high education expenditures, and marriages require lot of money. To fulfill these social needs a person may indulge him/herself into corrupt practices”. Besides that two of interviewees highlighted that “Due increase in the standard of livings good food, air Conditioner, car, dressings, brand attraction and outing have become part and parcel of life. The Urge for better quality of life need money and under this social pressure one may become the prey of corrupt practices”.

### **High Rate of Inflation and Economic Problems**

According to nine interviewees (81 percent) and one focus group indicated the high rate of inflation and economic problems of Pakistan are one of the cause of fraud. The prices of consumers’ goods are going higher and there are many economic factors that are causing troubles. One of the interviewee stated that “when we go outside to purchase goods and services the prices are increasing at faster rate and we cannot purchase ‘while the other people in the community are easily purchasing such services’ that frustrate us and motivate to look for the means to generate more money that is not possible without corrupt practices,

### **Lack of Commitment of the Management**

Eight interviewees (73 percent) and focus group highlighted the lack of commitment of the management is one of the reason of fraud. They told that there is lack of supervision. Supervisors do not take ownership, they shift the responsibilities to junior officers. One interviewee told that “sometimes he has to overlook some irregularities due to the pressure of upper management” Another interviewee told that “Upper management encourage and give their support to the subordinates for corruption and fraudulent activities, to seek their big share out of it” One participant in the focus group informed that “Management of public sector entities do not create and maintain environment to curb corruption neither encourage subordinate staff in their honest deeds”

### **Weak Judicial System**

Six interviewees (55 percent) gave their opinion that the weak judicial system is nuisance for Pakistan, People commit fraud know that they can easily deceive courts and absolve from all charges respectfully. One interviewee expressed that “the slow proceedings and lack of interest of prosecutors weaken the case” whereas other person in the focus group told that “people involved in fraudulent and corrupt practices enjoy privileges and if trapped use money to buy court decision and other means to avoid any punishment

## **Fraud Culture**

Six respondents (55 percent) and members of focus group told that fraud and corruption culture is increasing day by day in Pakistan. Junior Employees drive their motivation for corrupt practices from their senior officials involved in corruption and start taking bribes. Participants of the focus group stated that “corrupt practices are continuously becoming the part of culture” same was highlighted by some other interviewees.

## **Prevention and Detection**

### **Internal Control and Internal Audit**

All 11 interviewees (100 percent) and one focus group said that internal control and internal audit can play very efficient and effective role in fraud prevention and detection. They told that there should be segregation of duties, access controls, periodic reconciliations, reliable financial reporting, and compliance with laws, regulations, standard operating procedures and policies. There should also be control environment, risk assessment, control activities, open communication and strong monitoring process.

Two interviewees added that “Principal Accounting Officer (Secretary) at Federal level and same designated officer at provincial level is responsible to ensure internal control. He/ she can delegate the administrative and financial powers to the officers working under him, hence they are supposed to ensure the control environment. Each Ministry conducts internal audit to the department under its control. Controller General of Accounts also formulate the principles to govern the internal financial control for Government entities”.

One of the interviewee further disclosed that “According to Finance Act 2019 (Finance Act, 2019) The post of chief internal auditor in each Ministry/Division has been created to strengthen the internal audit mechanism for fraud prevention and detection,

### **External and Forensic Audit**

Two Deputy Director and an Audit officer of Pakistan Audit Department told that “the domain to conduct external and forensic audit is assigned to the Auditor General of Pakistan who, conduct audit of Federal Government, Provincial Government, and District, Autonomous & self-accounting entities and embassies/foreign offices of Pakistan around the world therefore this department plays vital role in the fraud prevention and detection”. Some other interviewee reported that “external audit works as watch dog and create environment of fraud preventive”. One Accounts officer told that “Forensic audit is usually conducted for the purpose of the detection of fraud”.

### **Adequate and Proper Training**

The need of adequate and proper training for the purpose of fraud prevention and detection, was reported by 8 interviewees (73 percent) and some members of focus group. Especially training of lower employees who are working in front line. Officer of Audit and

Accounts Training Institute told that "Training and Development plays very significant role in fraud prevention and detection"

### **Whistle blowing**

Some of the respondents delineated the importance of whistle blowing for the purpose of fraud prevention and detection, according to the respondents' employee who highlight fraud cases do not remain protected, therefore there is a need of making laws to prevent whistle-blower. Two of the participants emphasized that "there should be reward system for whistle-blowers to prevent and detect fraud". One participant in the focus group told his experience "He highlighted an issue top management regarding some corrupt practices, he was admired but when persons involved in corrupt practices threatened and abused him, no one protected him"

### **Implementation of Anti-fraud and Punishment Policies**

All respondents (100 percent) and focus group said that there should be implementation of anti-fraud and punishment policies for the purpose of fraud prevention. When employee see non implementation of punishment against culprits they assume that they can also be given leniency. Some interviewees stated that "the judicial system should be made efficient and effective". One person in the focus group stated "When criminal employee is not punished consequently other employees in that entity take motivation for embezzlement therefore there is a need to create anti-fraud culture and apply punishments to mitigate frauds in public sector"

### **Strong HRM Policies**

All respondents (100 percent) and focus group reported that there is a need of reforms in public sector of Pakistan. There should be career path, career planning and development for non-bureaucrats. One interviewee also addressed "the importance for staff rotation for fraud detection". Three interviewees reported that "Junior having high education and skills cannot supersede his senior in Government departments. There is very rigid structure in promotion, giving increments, and career development for non-bureaucratic employees that leads frustration".

### **Management Integrity**

According to 7 respondents (64 percent) and some members of focus group explained that management integrity can mitigate fraud and corruption. Three interviewees and two members of focus group stated that "some officers in higher grades compel and persuade lower staff to commit fraudulent activities and seek their share out of it. Higher management is a role model if they are corrupt the whole staff may be corrupted, therefore management integrity can play vital role in fraud prevention".

### **E- Governance**

Eight interviewees (73 percent) and focus group expressed their view that digitization and e-governance can reduce frauds. They pointed out NADRA, Passport office, and FBR, where e-governance was applied and the chances of duplication and tax evasion decreased. Accounts officer AGPR told that "since SAP (System Applications and Products in Data Processing) was applied in DGPR and AG offices, the chances of fraud and

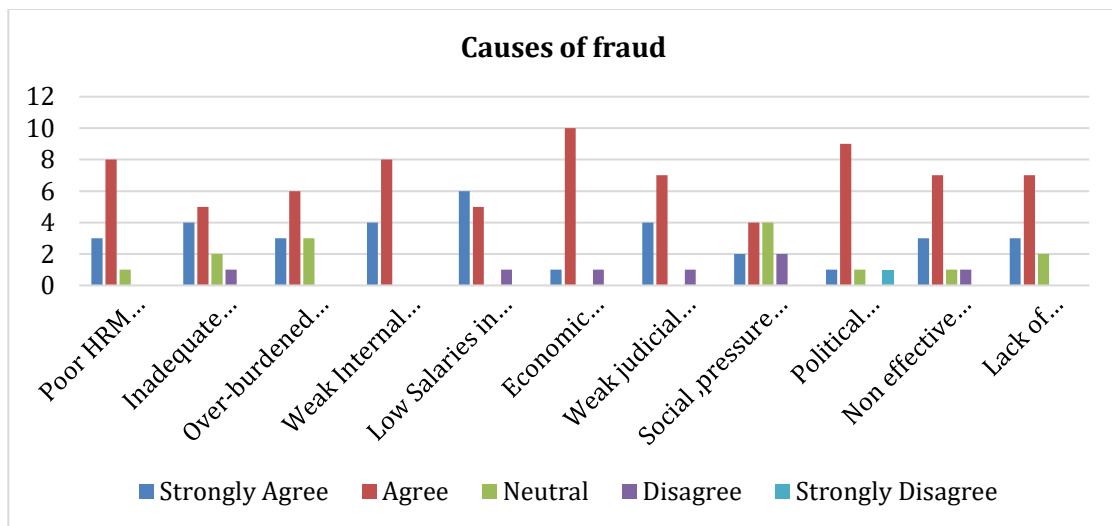
corruption decreased”. One of the interviewee stated “E-governance can play a significant role to combat fraud and corruption and it may help in applying transparency and control, moreover it also can help in transformational change”.

**Need for Legislation**

Eight interviewees (73 percent) and two members of focus group stated that there is no need for making new legislation. They emphasized the implementation of the existing rules is very essential. On the other hand one interviewee expressed that “All rules should be revised and updated according to the new scenarios” whereas two member of the focus group stated that “there is a need to make some rules related to cyber-crimes and internet related issues”

Besides interviewees, a survey from the interviewees was also conducted to determine causes of frauds, prevention and detection tools results of which is shown in graph 3 and 4. The elements to conduct survey were taken on the basis of literature review mentioned in the graphs 1 & 2.

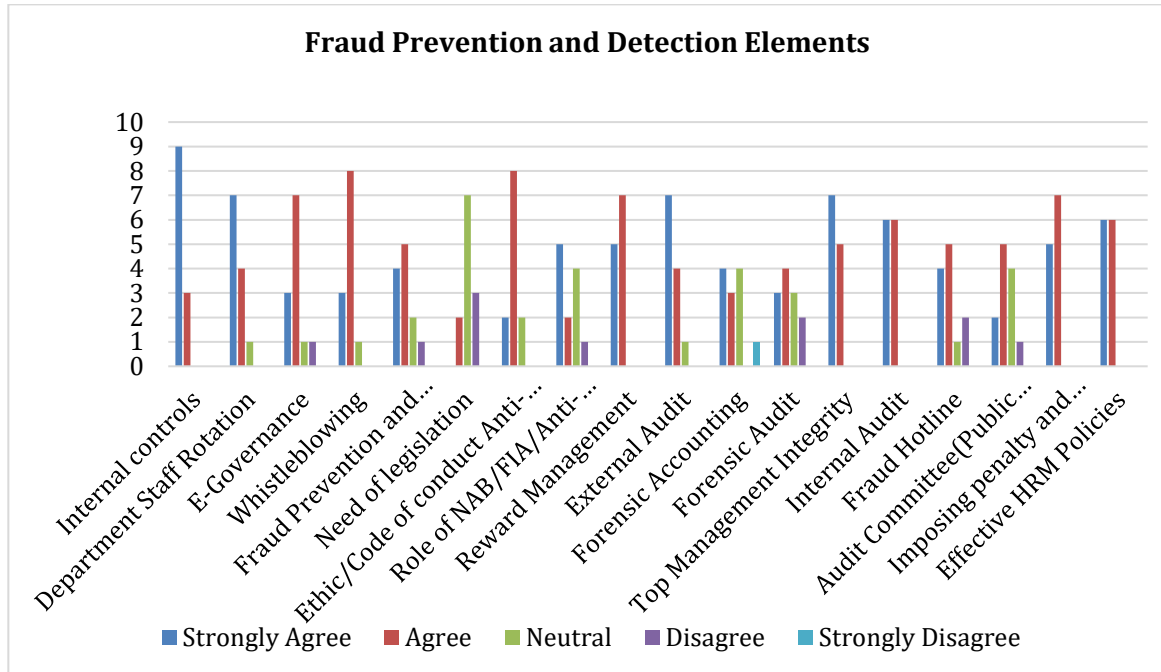
Graph 3 below, is representing the results of survey conducted regarding causes of fraud in the public sector organizations of Pakistan whereas Graph 4 is representing the results of survey about fraud prevention and detection factors in public sector. Answers of survey were taken on Likert scale.



Graph 3

The causes of fraud found in the literature review in graph 1 were endorsed by the interviewees in their interviews and in survey as well, results are shown in graph 3. It was revealed that the salaries of government servants could not increase with increase in inflation consequently to fulfill their needs people were forced to indulge into bribery and fraudulent practices ,Lack of management integrity and red-tape Pakistan economy ranked at 108 out of 190 nations in ease of doing business(Business, 2020) There is also culture of blame among institutions. Poor economic conditions also cause fraudulent

activities. Pakistan real GDP growth in the financial year 2020-21 is 1.3 (Economic, 2021) that is without substance. Weak judicial system is also a nuisance, as per Annual Report 2018-19 published by Supreme Court of Pakistan there are 40091 cases pending in different courts (Supreme Court of Pakistan, 2020)



Graph: 4

All factors of fraud prevention and detections found in literature review in graph 2 were endorsed by respondents in survey. Results of survey are presented in graph 4

## Discussion

In this study different themes have been generated on the basis of responses regarding perceived consideration for fraud causes, prevention and detection in the Government sector of Pakistan. It was founded that Weak judicial practices, , loose internal control, , low salaries, social pressures & high standard of living, high rate of inflation and economic problems, Prevalence of fraud culture, and lack of commitment of the management are the major causes of fraud in the public sector of Pakistan. Internal control, internal and external auditing, training, whistle blowing, staff rotation, implementation of anti-fraud and punishment policies, strong HRM policies, management integrity, E- governance, were deemed more effective elements of fraud preventive and detection

The causes of fraud such as, Poor HRM practices, inadequate training, overburden of staff and weak internal control was reported by (Bhasin & Reporting, 2015) moreover the cause element of fraud, weak judicial system was highlighted by (Kingsley et al., 2015) social Pressure and inequality was revealed by (Zahra, Priem, and Rasheed 2007) weak

internal control and lack of commitment of management was described by (Ghazali et al., 2014). Low salaries in public sector, economic problems, weak judicial system, social pressures, political influences and non-effective audit are the causes of fraud that were reported by the NAB in report National Anti-corruption strategy(NAB, 2002)

The prevention and detection element of fraud such as whistleblowing, training, external and internal audit, fraud hotline, audit Committee and disciplinary action against fraudulent activities were reported by (Omar & Bakar, 2012) same with Omar and Bakar, some more elements such as, internal control staff rotation and effective HRM practices were revealed by (Singal et al., 2019), in line with Singal (Gbegi & Adebisi, 2015) also disclosed these elements as preventive and detective tools to curb fraud occurrence and mitigation. Similar to these elements as prevention and detection were also reported by (Salwani Mohamed et al., 2017) and (Stamler et al., 2014)

## **Conclusion**

The causes, prevention and detection tools of fraud in public sector found in literature review were endorsed and validated by the interviewees and focus group in their interviews and survey results.

There are a variety of factors that may drive someone to commit fraud. Despite differences in culture, race, traditions, customs, and religion around the world, all nations consider fraud, bribery, and corruption as unethical and illegal. Weak judicial practices, loose internal control, low salaries, social pressures & high standard of living, high rate of inflation' economic problems, Prevalence of fraud culture, and lack of commitment of the management are the major causes of fraud in public sector of Pakistan.

Whereas internal control, internal and external auditing, training, whistle blowing, staff rotation, implementation of anti-fraud and punishment policies, strong HRM policies, management integrity and E- governance, each have a substantial impact on fraud prevention and detection. Although fraud cannot be completely eliminated, public sector organizations can mitigate it by implementing these measures. Furthermore, in order to avoid fraud, public sector management must be able to enhance anti-fraud awareness. Employees in the public sector can take part in fraud prevention training, seminars, and other events. Internal control, as a method of analyzing fraud data, can help in detecting possible individual infractions.

In addition, vigorous action against frauds is required. As a result, all employees in the public sector organization will be aware of the consequences of prospective fraud involvement, and fraud detection cannot be avoided by implementing fraud preventive measures.

Government should provide free public programs to raise awareness about the consequences of financial and other types of crimes. In addition, every public entity should offer performance-based bonuses to outstanding employees. Furthermore, Government entities should employ a "hidden navigator"(Whistle-blower) who will assist the organization in detecting fraud, bribery, and corruption in a covert manner before it happens.

Elements that cause fraud should be paid due consideration and substantive policies for fraud prevention made and applied to mitigate fraud in the public sector of Pakistan. Anti-fraud departments should also be made more effective to monitor and eliminate fraudulent activities.

### **Recommendations**

Following are some recommendations based on many disclosures from the research.

There is a need to design strong policies and implement measures to combat fraudulent activities and causes of fraud. These policies must be backed up by guidance from senior management and implemented in true spirit as these should be critical in sustaining and reducing frauds.

The Pakistani public sector should use modern techniques for internal control, internal and external audit, proper training, whistle blowing, fraud hotline, staff rotation, management integrity, anti-fraud and punishment policies, strong HRM policies, E-Governance, and forensic audit and accounting, all of which should be supported by information technology

On the subject of management integrity, applied and practical policies should be established to ensure transparency in the public sector. Those in positions of authority, as well as those at lower levels, should avoid actual or perceived conflicts of interest, refuse any gift, favor, or hospitality that might influence or appear to affect their behavior, and refrain from any other acts that would compromise their integrity. If management integrity is enhanced it will go a long way in preventing fraud in the Pakistan public sectors

Ignorance of law should not be excused, justice should be provided expeditiously on the other hand accused should be punished and sentenced promptly, if proved. Public accounts committees should be made more effective. Through media awareness the evils of fraud should be addressed.

Religious education and materials may be used for making people aware about the nuisance of fraud. Policies should be made to keep standard of living balanced. Along with main (core) education, professional, applied, and technical research based education should also be given top priority.



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