



Effective Strategies for Corporate Governance and Risk Management in the Public Sector: Preventing Corruption and Abuse of Authority

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ABSTRACT:

In the era of globalization, good corporate governance and risk management are crucial, especially in the public sector, to prevent corruption and abuse of authority. This research aims to identify and analyze effective strategies in corporate governance and risk management in the public sector, with a focus on corruption prevention. Using a quantitative research method, data were collected through surveys and interviews with key stakeholders, including government officials and governance experts. The results show that structured risk evaluation and effective information communication can significantly reduce the risk of corruption. Practices such as strict internal controls and integrated information technology were found to improve transparency and accountability. Policy recommendations include increasing transparency, adopting integrated information systems, and implementing consistent reward and sanction systems to enhance the integrity of public institutions. However, the study's findings are limited by the specific sample used, and further research is needed to evaluate various governance practices across a broader spectrum of public sector organizations over a longer period.

Keywords: Corporate Governance, Risk Management, Public Sector, Corruption Mitigation, Sustainable Development.

INTRODUCTION

Good corporate governance and risk management are critical in this era of globalization, particularly within the public sector (Kuo & Lee, 2024). Government involvement in economic and social activities places a significant responsibility on preventing corruption and the abuse of authority. Despite ongoing efforts to enhance transparency and accountability in the public sector, corruption and abuse of authority persist as serious challenges (Saha & Sen, 2023; Teichmann et al., 2023).

Recent data underscores the severity of these issues. According to the 2023 Global Corruption Barometer, a substantial percentage of citizens across various countries believe that corruption is worsening (Brock, 2023). High-profile cases, such as the mismanagement of public funds in major infrastructure projects, highlight the urgent need to address these problems (Biyygautane, 2023; Faccia, 2023). For instance, a 2022 report by Transparency International revealed that in some countries, up to 40% of public procurement funds are lost to corruption annually.

Corruption and abuse of authority undermine public trust, hinder sustainable development, and result in substantial social and economic costs. These negative impacts include social harm, erosion of public trust, and significant obstacles to sustainable development (Ganesh & Venugopal, 2024; Jovcheska, 2024). The primary focus of this research is to explore how good corporate governance strategies and effective risk management can prevent corruption and abuse of authority in the public sector (Kenneth David et al., 2024; Sadaa et al., 2023). The urgency of this research stems from the severe negative impacts of corruption, which necessitate immediate and effective intervention.

Previous research has highlighted various approaches to address this problem. For example, Azleen (2024) evaluated internal risks and controls using the COSO framework to reduce fraud in government agencies. Meanwhile, Paolino's conceptual approach (2024) integrates agency theory and organizational behavior to understand the dynamics of corruption in social and organizational contexts.

However, this research brings innovation with a focus on effective strategies for corporate governance and risk management in the public sector, especially in efforts to prevent corruption and abuse of power (Branet & Hategan, 2024; Rahmouni, 2023). It includes exploring the implementation of effective and innovative governance practices in prevention approaches.

The main objective of this study is to identify and analyze effective corporate governance and risk management strategies in preventing corruption and abuse of authority in the public sector, as well as to evaluate their practical implementation (Al-Faryan, 2024; Zafeiriou et al., 2023). The results of this study are expected to provide practical guidance for policymakers and practitioners in the public sector to improve corporate governance and risk management, which will strengthen the integrity of public institutions, increase public trust, and optimize the use of public resources for sustainable development (Asikhia et al., 2023).

Thus, this research is expected to make a significant contribution to efforts to prevent corruption and abuse of authority, as well as promote good governance practices in the public sector. Through the analysis of key factors such as risk evaluation, control activities, and information communication, this research provides a deeper understanding of how to strengthen the framework of public organizations to reduce risk and increase transparency and accountability.

RESEARCH METHODS

This study uses quantitative research methods to investigate effective strategies in corporate governance and risk management in the public sector, focusing on the prevention of corruption and abuse of authority (Wallwey & Kajfez, 2023). Data is collected through structured surveys and interviews with key stakeholders such as government officials, auditors, and governance experts. The sample was purposively selected from different levels of government and types of public institutions to reflect diversity in the implementation of governance practices.

Data analysis was carried out using statistical techniques, including descriptive analysis to describe sample characteristics and inferential analysis to test the relationship between variables. Thus, this study provides a deeper understanding of the factors that contribute to the effectiveness of governance and risk management and provides concrete guidance for policymakers in improving public institutions' transparency, accountability, and integrity.

This research method is expected to make a significant contribution to the literature on corporate governance in the public sector by exploring best practices and identifying the challenges faced. The quantitative approach allows for a more systematic evaluation of the implementation of effective governance strategies in preventing corruption and abuse of authority. With in-depth data analysis, this study is expected to produce evidence-based recommendations for policymakers to improve existing policies and practices, as well as to strengthen the integrity of public institutions, increase public trust, and support sustainable development at the local and national levels.

RESULTS AND DISCUSSION

Risk Evaluation in Corporate Governance in Public Institutions

This research highlights the importance of systematic and structured risk evaluation in identifying weak points that are vulnerable to corruption and abuse of authority in public institutions. By applying the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework approach, risk evaluation is considered a crucial initial stage in the risk management process. The risk analysis results conducted on a sample of public institutions are presented in Table 1, which shows the priority areas that require further attention.

Table 1. Risk Evaluation in Corporate Governance in Public Institutions

No.	Potential Risks	Incidence Rate	Potential Impact	Priority Scale
1	Lack of transparency in budget management	High	High	High
2	Limitations in internal control over purchases	High	High	High

3	Conflicts of interest among decision-makers	Low	Tall	Low
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The table above shows the results of risk analysis conducted on a sample of public institutions, identifying significant potential risks. Risk evaluation is carried out based on the level of risk events and potential impacts that can be caused. It is then given a priority scale to determine the level of urgency in handling or mitigating these risks.

The emphasis on transparency in the procurement process, internal financial controls, and conflicts of interest among board members shows a focus on crucial areas in efforts to improve corporate governance. Systematic risk evaluation methods, such as those implemented in the COSO approach, provide a solid foundation for effective risk management and the prevention of potential problems such as corruption and abuse of authority.

Information Communication Strategy in Public Institutions

The results of the survey show that effective information communication between various organizational units can significantly reduce the risk of corruption. Approaches involving the implementation of integrated information systems and periodic reporting have proven effective in increasing transparency and accountability. Table 2 displays the respondents' perception of the effectiveness of information communication in public institutions.

Table 2. Perception of the Effectiveness of Information Communication in Public Institutions

No.	Aspects of Information Communication	Very Ineffective (%)	Ineffective (%)	Quite Effective (%)	Effective (%)	Highly Effective (%)
1	Between Organizational Units	5	10	30	40	15
2	Integrated Information Systems	3	8	25	45	19
3	Periodic Reporting	2	5	20	50	23

The table illustrates the respondents' perception of the effectiveness of information communication in public institutions. Generally, periodic reporting and integrated information systems are rated higher than communication between organizational units, suggesting that these approaches can increase transparency and accountability in the public sector.

Implementation of Effective Governance Practices in public institutions

The implementation of effective governance practices in public institutions can reduce corruption incidents, as shown by inferential analysis. Institutions that implement strict internal controls and periodic training for employees tend to have lower rates of corruption incidents than institutions that do not implement these practices. The results of this study are reinforced by Table 3, which compares the results of the implementation of strict governance practices with those that do not.

Table 3. Comparison of the Implementation of Governance Practices in Public Institutions

No.	Governance Practices Implemented	Corruption Incident Rate
1	Strict Internal Controls	Low
2	Periodic Training for Employees	Low
3	Consistent Rewards and Sanctions System	Low

This study confirms that implementing effective governance practices, such as strict internal controls and periodic employee training, can significantly reduce the risk of corruption in public institutions. In addition, the implementation of a consistent reward and sanction system is also important to strengthen good governance and minimize the potential for corruption.

Discussion

Implications of Outcomes for Public Policy

The results of this study provide a strong empirical foundation for the development of more effective policies in corporate governance and risk management in the public sector. The findings that structured risk evaluation and effective information communication can significantly reduce the risk of corruption indicate governments' need for a more proactive approach (Li et al., 2024).

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), risk evaluation is a crucial initial stage in risk management (Adam et al., 2023). In the context of public institutions, the identification of risks, such as lack of transparency in budget management and limitations in internal control over procurement, is an important step to minimize opportunities for corruption and abuse of authority (Skerritt, 2024). The implementation of effective governance practices, such as strict internal controls and periodic training for employees, has been shown to reduce corruption incidents (Table 2).

Recommendations for Policies

Increased Transparency and Accountability

The government must encourage public institutions to increase transparency in budget management and implement stricter internal controls. Previous studies by Priya et al. (2023) have shown that transparent budgeting and robust internal controls are pivotal in fostering public trust and accountability. This can be achieved through clear guidelines, regulations, and incentives for institutions to adhere to best governance practices.

Development of Integrated Information Systems

The implementation of integrated information systems has proven effective in increasing transparency and accountability (Palea et al., 2024). Therefore, the government must support public institutions in adopting adequate information technology to facilitate effective communication and timely reporting. Previous research underscores the role of integrated

systems in streamlining data management and enhancing oversight capabilities (Karkošková, 2023).

Strengthening the Reward and Sanctions System

To fortify good governance practices, it is crucial to implement a consistent reward and sanction system (Azzahra, 2023). Prior studies by Lino et al. (2022) highlight that such systems play a critical role in reinforcing compliance and deterring corrupt behaviors within public institutions. This approach helps uphold rules and regulations effectively, promoting integrity and accountability across all levels of governance.

Research Limitations and Recommendations for Further Research

While this research provides valuable insights, there are some limitations to be aware of:

1. Generalization of Findings: The study was conducted on only a specific sample of different levels of government. Therefore, further research is needed to broaden the scope and generalize the findings for different governance contexts.
2. Longitudinal Studies: Recommendations for subsequent research include conducting longitudinal studies to evaluate the long-term impact of the implementation of different corporate governance practices. This will provide a deeper understanding of the effectiveness of corruption prevention strategies in public institutions over time.

CONCLUSION

This study identifies that the implementation of good corporate governance and effective risk management is essential in preventing corruption and abuse of authority in the public sector. The findings suggest that structured risk evaluation and effective information communication can significantly reduce the risk of corruption. In contrast, practices such as strict internal controls and the use of integrated information technology can improve transparency and accountability. Policy recommendations include increased use of internal controls, integrated information systems, and the implementation of consistent reward and sanctions systems to support the integrity of public institutions. However, this study has limitations on the generalization of findings because the study was conducted on a specific sample, so further research is needed to expand the scope and evaluate the long-term impact of different governance practices in the public sector.

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