

ABSTRACT

Asset misappropriation is one of the most common forms of fraud occurring within organizations and contributes significantly to financial losses, including in the public sector. In regional financial management, the complexity of administrative processes and the high authority over asset management create opportunities for individuals within organizations to commit asset misappropriation. Previous studies have primarily focused on internal control systems and organizational factors in explaining fraud occurrences. However, studies integrating individual behavioral factors with Fraud Risk Assessment (FRA) mechanisms in explaining the potential for asset misappropriation in the public sector remain limited. Therefore, this study aims to analyze the influence of luxurious lifestyle, altruism, ambition, opportunistic behavior, innocent traits, ethical sensitivity, and religiosity on Fraud Risk Assessment and its implications for asset misappropriation.

This study employs a quantitative approach using a survey method involving employees of the Regional Financial and Asset Management Agency (BPKAD) in Central Java Province who are engaged in regional financial and asset management activities. The sampling technique used is purposive sampling. Data analysis is conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach to examine the structural relationships among variables in the proposed research model.

The results indicate that luxurious lifestyle, ambition, and opportunistic behavior tend to increase the potential for asset misappropriation. In contrast, altruism, ethical sensitivity, and religiosity contribute to reducing such tendencies. Furthermore, Fraud Risk Assessment plays a crucial role in identifying potential fraud risks and strengthening preventive mechanisms against asset misappropriation within public sector organizations.

The theoretical contribution of this study lies in the development of a behavioral fraud model that integrates individual psychological factors with Fraud Risk Assessment mechanisms in explaining asset misappropriation in the public sector. The novelty of this research lies in testing an individual-

based behavioral fraud model linked to fraud risk assessment processes within the context of regional financial management. Practically, the findings are expected to assist government institutions in strengthening internal control systems and developing more effective fraud prevention strategies in managing regional finances and assets.

Keywords: *Asset Misappropriation, Fraud Risk Assessment, Luxurious Lifestyle, Altruism, Ambition, Opportunistic Behavior, Innocent Traits, Ethical Sensitivity, Religiosity.*