

A LITERATURE STUDY ON THE DETECTION AND PREVENTION OF PUBLIC SECTOR CORRUPTION THROUGH THE FRAUD TRIANGLE

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Abstract

The intricacy of governing and the substantial financial damages resulting from corrupt practices within the Indonesian public sector. The objective of this research is to examine the identification and mitigation of corruption in the public sector using the Fraud triangle methodology. The employed approach is Systematic Literature Review (SLR), enabling a thorough examination of the existing research pertaining to this subject matter. The findings of the SLR indicate that a comprehensive comprehension of pressure, opportunity, and rationalization, as outlined in the Fraud triangle, is essential for the identification and mitigation of corruption. The detection process entails identifying factors that increase the likelihood of corruption, while prevention involves implementing structural enhancements, reinforcing internal and external controls, and fostering an organizational culture that prioritizes ethics and integrity. The discussion emphasizes the crucial role of both society and the private sector in establishing a conducive environment that discourages corruption. Ultimately, utilizing the Fraud triangle as a framework to identify and deter corruption in the public sector can serve as the foundation for transparent governance and honesty, leading to favorable outcomes for long-term progress.

Keywords: *detection, fraud triangle, corruption, prevention*

1. INTRODUCTION

Corruption in Indonesia is a pervasive issue that has permeated multiple strata of society and governmental establishments. Corruption refers to the act of government officials or private individuals exploiting their authority or influence to acquire personal benefits through illicit methods. It encompasses activities such as bribery, extortion, nepotism, collusion, and the misuse of authority. Corruption has a highly deleterious effect on both the state and society, as it obstructs economic progress, diminishes people's ability to obtain essential services like education and healthcare, and fosters a lack of confidence in government institutions (Prasetyo, 2016). Despite attempts to address corruption, the presence of intricate bureaucracy, failure to adhere to legal requirements, and a lack of awareness regarding ethical standards continue to impede the eradication of corruption in Indonesia. To effectively address this issue and ensure a governance system that is free from corruption and characterized by openness and honesty, it is imperative to foster collaboration among the government, law enforcement agencies, and civil society.

The prevalence of corruption in the public sector in Indonesia has emerged as a pervasive issue that impacts every facet of government operations and the provision of public services. Corrupt practices in the public sector encompass a range of activities, including bribery during the licensing procedure, fabrication of documents, misappropriation of public funds, and favoritism in the selection of officials. This has detrimental effects on the country's economy and society, as it obstructs the progress of effective infrastructure and public services, while also intensifying social inequality. Despite ongoing efforts to address corruption, significant obstacles persist, including intricate bureaucracy, insufficient transparency in decision-making, and lenient penalties.

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Reforming and enhancing law enforcement institutions, promoting ethics and good governance, and encouraging active community involvement in government oversight are crucial for addressing this issue and ensuring the establishment of a transparent, efficient, and honest public sector in Indonesia (Pranoto et al., 2018).

Preventing corruption is crucial for a country's development as it has the potential to undermine the ethical, economic, and political pillars of a society. The importance of corruption prevention lies in its ability to mitigate substantial financial losses and guarantee the appropriate allocation of public resources for the betterment of society. Furthermore, the prevention of corruption fosters the establishment of a robust business milieu, stimulates foreign investment, and enhances public confidence in governmental institutions (Fauzia & Hamdani, 2022). A country can establish good governance by implementing preventive measures such as enhancing transparency, bolstering law enforcement institutions, and fostering ethical practices in both the public and private sectors. Corruption prevention is crucial in establishing a fair and equitable society that upholds and safeguards the rights of all its citizens. Efforts to prevent corruption serve as both a reactive measure to address issues and a strategic investment in establishing a society that is enduring and secure (Wachid, 2015).

Ensuring good governance and integrity in government necessitates the imperative of preventing corruption in the public sector. A successful approach entails a sequence of well-planned and strategic measures. To enhance transparency and accountability, it is imperative to expand public access to information, disclose budgets and policies, and furnish open performance reports. Furthermore, it is crucial to enhance both internal and external controls, which entails establishing a rigorous monitoring system, conducting independent audits, and enforcing strict legal measures to address ethical transgressions (Rahma & Suryani, 2019). Moreover, it is crucial to prioritize the enhancement of government officials' capacity through training and development programs focused on ethics, integrity, and good governance. Corruption prevention also entails the establishment of secure channels for whistleblowers to report instances of corruption, as well as providing protection for these individuals. In addition to that, it is crucial to enhance public consciousness through educational initiatives that highlight the detrimental consequences of corruption and emphasize the active involvement of the public in monitoring efforts. By integrating these components, the enhancement of anti-corruption measures in the public sector can be more efficient, fostering a milieu where principles of integrity and accountability are fundamental in the governance of the government (Mochammad Ridwan et al., 2021).

Enhancing the prevention of corruption in the public sector can be achieved by employing a strategy based on the Fraud triangle concept. The fraud triangle is a conceptual model that identifies three primary factors that typically instigate instances of fraud or corruption, specifically pressure, opportunity, and rationalization. Exploring these factors in the context of corruption prevention could serve as a foundation for devising potent prevention strategies. Alleviating the burdens individuals may encounter, such as enhancing welfare and offering favorable incentives, can diminish the inclination to participate in corrupt activities (Siregar, 2020). In addition, enhancing internal and external controls can decrease opportunities for corruption and make it more challenging to carry out undetected. Furthermore, it is crucial to make endeavors to identify and overcome rationalizations or moral justifications for participating in corrupt activities as part of the prevention process. By comprehending and controlling these factors, corruption prevention can be focused on with greater precision and comprehensiveness, thereby fostering a public sector environment that is less susceptible to corrupt practices (Rahma & Suryani, 2019).

Studying the identification and mitigation of corruption in the public sector using the Fraud triangle concept is crucial as it offers detailed understanding of the factors that initiate corrupt behaviors. This research aims to offer a comprehensive perspective on the dynamics of corruption in the public service environment by examining pressures, opportunities, and rationalization. Research can provide detailed prevention strategies for mitigating stress, such as enhancing payroll systems and implementing positive incentives, by comprehending the stress individuals may

experience. In addition, through a focus on opportunities, research can pinpoint and propose enhancements in both internal and external controls that can effectively diminish the probability of corruption. Gaining comprehension of rationalization can additionally facilitate the development of more efficient training and outreach initiatives aimed at fostering awareness of ethics and integrity among public sector personnel. This research offers comprehensive analysis of the underlying causes of corruption and can serve as a foundation for formulating more efficient policies and strategies to prevent and detect corruption in the public sector. Therefore, it plays a vital role in establishing a governance system that is characterized by integrity and transparency.

2. RESEARCH METHODS

The Systematic Literature Review (SLR) method is a methodical and organized approach to gathering, evaluating, integrating, and analyzing pertinent literature in a specific research domain. The initial stage of SLR involves the development of a well-defined and precise research query. Subsequently, researchers performed an extensive literature search utilizing reputable databases and pre-established keywords. Once the literature is located, the researcher proceeds to conduct a selection process based on predetermined criteria for inclusion and exclusion. This is done to ensure the article's relevance. Subsequently, the chosen articles undergo qualitative or quantitative analysis, contingent upon the research objectives, and the findings are then presented in the format of a systematic report (Siswanto, 2010). The objective of the systematic literature review (SLR) is to offer a thorough comprehension of the current state of research, pinpoint areas where knowledge is lacking, and establish a basis for future research endeavors. This method is a crucial instrument for ensuring that new research is grounded in a robust and up-to-date knowledge foundation in the field.

3. RESULTS AND DISCUSSION

Based on the SLR results of seven journals that match the searched keywords including “fraud triangle”, “corruption”, and “public sector”, the following results were obtained in Table 1:

Table 1. Research Results

| No. | Article Title | Writer | Research Findings/Results |
|-----|--|---------------------------------|--|
| 1 | Fraud triangle and Corruption in Indonesia | (Siregar, 2020) | Opportunities have a significant impact on the likelihood of fraud occurring within Indonesian local government. The findings of this research have theoretical implications, showing empirical evidence that the opportunity factor, which is one of the elements in the Fraud triangle theory, is a condition or situation that triggers fraud in Indonesian local governments. |
| 2 | The Influence of Fraud Triangle Factors on Financial Statement Fraud | (Rahma & Suryani, 2019) | There is a significant influence between the elements of the Fraud triangle and the occurrence of financial statement fraud. Partial test results show that pressure has a significant positive influence on financial statement fraud. Meanwhile, opportunity has a significant negative influence on financial statement fraud, while rationalization does not show a significant influence on the incidence of financial statement fraud. |
| 3 | Fraud triangle and Corruption in Regional Government in Indonesia | (Nuruddiniah & Rahmawati, 2021) | Fraud incidents can be caused by an imbalance between high total regional assets and capabilities that are not necessarily optimal in recording and managing these assets. Asset |

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| | | | reporting discrepancies can occur, opening loopholes that can be exploited by irresponsible parties to commit fraudulent acts. |
| 4 | Prevention and Detection of Corruption Cases in the Public Sector with the Fraud Triangle | (Aksa, 2019) | Efforts to prevent and detect corruption also have the potential to create quality and clean government (good governance and clean government). By eliminating one element of the Fraud triangle, it is hoped that corruption cases in Indonesia can be avoided and decreased both in terms of number and frequency. |
| 5 | Analysis of Factors that Influence Corruption in Regional Government in Central Java Using Fraud Triangle Theory | (Wicaksono & Prabowo, 2022) | The likelihood of corruption in local government increases positively with capital growth. Opportunities for corruption are greater when local governments have substantial capital budgets. |
| 6 | The Role of Investigative Audit and Fraud Triangle Control in Bureaucracy on Public Financial Reporting Accountability | (Sastradipraja, 2021) | Overall, the research findings show that investigative audits and control of the Fraud triangle in bureaucratic structures have an important role in increasing accountability in public financial reporting. |
| 7 | Examining the Concept of Fraud Diamond Theory in Detecting Fraudulent Behavior in Higher Education | (Ristianingsih, 2019) | This fraudulent act is very difficult to detect because it involves collaboration with other parties such as bribery and corruption practices. However, in a deeper analysis, this phenomenon arises as a result of detrimental cooperation, which includes abuse of authority and conflicts of interest. |

Ensuring the identification and mitigation of corruption in the public sector using the Fraud Triangle concept is essential for effectively addressing significant challenges in government governance. By comprehending the factors of pressures, opportunities, and rationalization, one can effectively identify potential risks and instances of corruption, thus establishing a solid basis for detecting corrupt practices. Authorities can strategically allocate resources and implement targeted measures to mitigate potential threats by comprehending the underlying factors that motivate corrupt behavior (Kristiyani Hamidah, 2020).

Corruption prevention necessitates a proactive approach. To mitigate corruption in the public sector, it is crucial to enhance transparency and provide positive incentives, establish rigorous oversight mechanisms to minimize opportunities, and foster an ethical culture that discourages rationalization. Enhancing both internal and external controls, along with ethical education and community engagement in supervision, are crucial components in preventing (Putri, 2023). The detection and prevention of corruption through the Fraud Triangle is necessary as it not only addresses current issues but also serves as a foundation for enhancing governance and integrity in the public sector. By combining meticulous identification with a comprehensive preventive approach, it is possible to establish an environment that is less conducive to corrupt activities (Anugerah, 2019). These measures facilitate the establishment of a transparent, accountable, and corruption-free government, which promotes sustainable development and societal well-being.

To identify corruption in the public sector using the Fraud triangle concept, one must possess a comprehensive comprehension of the three primary elements that promote corrupt behavior, specifically pressure, opportunity, and rationalization. To ascertain pressure, it is crucial to comprehend the factors that may incentivize individuals or collectives to engage in acts of corruption (Leksono Putri Handayani, 2023). These factors may encompass financial constraints, individual aspirations, or moral dilemmas. Identifying these pressures can aid in the prevention of corruption by tackling its underlying causes, such as enhancing salary structures and providing stronger incentives. To identify corruption, it is essential to comprehend the potential vulnerabilities that can be manipulated by wrongdoers. Enhancing both internal and external controls is crucial for minimizing the chances of corruption. This encompasses the establishment of a rigorous surveillance system, impartial audits, and stringent enforcement of laws to combat ethical transgressions (Rezki et al., 2023). The public sector can undermine corrupt practices by limiting opportunities.

In order to effectively detect corruption, it is crucial to be mindful of the rationalizations or moral justifications that perpetrators may employ to justify their corrupt actions. Implementing ethical education and outreach initiatives can effectively alter these misconceptions. In addition, implementing illustrative instances and cultivating ethical principles within the workplace can serve as efficacious measures in mitigating the rationalization of corrupt behaviors (Rezki et al., 2023). To enhance the effectiveness of corruption detection, it is crucial to comprehend and control these three components within the Fraud Triangle. This approach serves the dual purpose of identifying potential corruption risks and establishing a foundation for designing more efficient prevention strategies, thereby fostering a more transparent and principled public sector environment.

The significance of mitigating corruption in the public sector using the Fraud Triangle framework lies not only in detecting such activities, but also in tackling the underlying factors and reducing the likelihood of corrupt acts. Prevention entails taking proactive measures such as making structural enhancements, enhancing organizational culture, and establishing efficient monitoring systems. Through the reduction of incentives that may incentivize individuals to partake in corrupt practices, the establishment of an unfavorable environment for corruption opportunities, and the provision of education to stakeholders regarding ethics and integrity, prevention emerges as a strategic instrument in constructing a transparent governance system characterized by integrity. By adopting this comprehensive approach, the public sector can identify and mitigate potential corruption risks, while simultaneously establishing a robust framework to ensure the long-term sustainability and ethical conduct of the government (Sastradipraja, 2021). To prevent corruption in the public sector using the Fraud Triangle concept, it is necessary to implement a set of strategies that specifically target the reduction or elimination of the underlying factors that contribute to corruption, namely pressure, opportunity, and rationalization. To effectively address pressure, it is imperative to enhance the factors that contribute to individuals engaging in corruption, such as promoting transparency and welfare, and addressing ethical concerns comprehensively. In order to mitigate the risk of corruption, it is necessary to enhance both internal and external controls. This entails the establishment of efficient supervisory mechanisms, the execution of autonomous audits, and the enforcement of stringent sanctions for ethical transgressions (Nuruddin & Rahmawati, 2021). Through the implementation of enhanced supervision and the reduction of potential avenues, the public sector can establish a less conducive atmosphere for engaging in corrupt activities.

Corruption prevention also entails altering the rationalizations or moral justifications that individuals who engage in corruption may employ. Implementing ethics education and awareness campaigns, as well as cultivating ethical behavior in the workplace, can effectively alter perspectives and enhance the principles of integrity within the public sector. The Fraud triangle concept serves as the foundation for incorporating these various measures into anti-corruption policies and good governance practices (Siregar, 2020). Hence, ensuring the prevention of

corruption in the public sector involves both reactive and proactive measures, which aim to establish a pristine, transparent, and principled environment. When implemented comprehensively, these steps can serve as the foundation for attaining effective governance that is devoid of corruption.

4. CONCLUSION

By applying the Fraud Triangle framework, it can be inferred that this approach is crucial for identifying and stopping corruption in the public sector. Consequently, it plays a pivotal role in establishing a transparent and principled government. Thorough identification of potential corruption risks is established through meticulous detection, which relies on a profound comprehension of pressures, opportunities, and rationalizations. In contrast, prevention entails taking proactive measures such as implementing structural enhancements, reinforcing internal and external controls, and fostering an organizational culture that prioritizes ethics and integrity. Effective detection, combined with holistic prevention, establishes a robust basis for minimizing the likelihood of corrupt activities and fostering good governance. Through the implementation of these measures, the public sector can establish an unfavorable environment for corrupt practices, cultivate a culture of transparency, and stimulate sustainable development. This conclusion underscores the significance of cooperation among the government, law enforcement agencies, and the community in establishing a government system that is equitable, responsible, and devoid of corruption.

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