



THE IMPLEMENTATION OF PUBLIC SECTOR ACCOUNTING ON FRAUD

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Abstract

Transparency, people-centeredness, and accountability in financial management are key indicators of good governance. Nevertheless, in practice, the effective implementation of good governance is still lacking. In Indonesia, the occurrence of fraud is extensive, primarily characterized by instances of corruption within both the government sector and non-governmental organizations. An effective approach to address this issue is by implementing public sector accounting. Nevertheless, in light of socio-political transformations and technological upheavals, it is imperative to conduct a more comprehensive investigation into the significance of public sector accounting in relation to fraud. Therefore, this research endeavors to assess the influence of implementing public sector accounting on instances of fraud. The employed approach is a systematic literature review, with the collection strategy based on the PICOC method. The research methodology comprises several steps, namely problem identification, keyword determination, article exploration, scientific article selection, and qualitative descriptive analysis. The research findings indicate that the majority of the literature demonstrates a positive correlation between the adoption of public sector accounting and the reduction of fraudulent activities. Implementing effective governance and supervision in financial management can enhance the performance of this role. Such actions are crucial to optimize the role of public sector accounting in minimizing the potential for fraudulent activities.

Keywords: *fraud, impact, public sector accounting implementation.*

1. INTRODUCTION

Good governance refers to the effective and efficient performance of a government that meets the high standards expected by its citizens. These criteria are typically exhibited through performance that is characterized by transparency, responsiveness, adherence to legal regulations, accountability, participation, promotion of equality, and a focus on the public interest (Kohler & Dimancesco, 2020). The government can utilize guidelines for good governance criteria as a reference to effectively manage its finances. Transparent, accountable, and legally compliant financial management that prioritizes the public interest is a demonstration of the government's responsibility towards its management authority. Regional financial transparency can be conveyed to the public through regional financial reports. When engaging in regional financial management, it is crucial to take into account the financial information system, as it greatly influences the quality of the financial reports generated (Siahaan & Simanjuntak, 2020). Nevertheless, the government has not effectively implemented good governance, both at the regional and central levels. The misappropriation is evidenced by the occurrence of fraud. Fraud, also known as fraudulent action, is a deliberate and manipulative attempt to obtain maximum profit through deceitful means. Fraud can be identified based on specific criteria. These include causing harm to others, having victims, being carried out intentionally, and the victim's willingness to comply with the fraudster's instructions (Dewi et al., 2019). Within the realm of finance, fraud manifests through the misappropriation of assets, acts of corruption, and the illicit acquisition of financial data. Fraud can occur within both governmental and non-governmental organizations that are entrusted with public responsibilities, as well as within companies. There are multiple factors that contribute to the occurrence of fraud by an individual or a group. Agusputri & Sofie (2019) identified several determinants that have an impact on fraud, namely financial targets, external pressure, monitoring, environment, changes in the

audit system, and rationalization. Corruption is a prevalent form of fraud that frequently takes place within the central and regional governments of Indonesia. Corruption in the government sector is affected by factors related to capital expenditure, audit opinions, and opportunities (Wicaksono & Prabowo, 2022; Maria et al., 2019).

Losses stemming from fraudulent activities within the government sector are evident through the depletion of government assets, subpar development of facilities and infrastructure that fail to meet service quality standards, a decrease in public confidence in the government, the emergence of social resentment, and a deterioration in the government's rapport with the community, thereby hindering collaborative development. Hence, multiple entities are endeavoring to detect and ascertain fraudulent elements, utilizing frameworks like the fraud triangle and fraud diamond. The fraud triangle approach posits that fraud occurs as a result of three factors: pressure, opportunity, and rationalization (Kagias et al., 2022). Conversely, the diamond triangle approach suggests that fraud is influenced by four factors: opportunity, rationalization, pressure, and capability (Khaminy et al., 2022). Instances of fraud that contravene professional ethics and exert a detrimental influence on a particular domain underscore the imperative to minimize occurrences of fraud within the government. According to the Indonesian Fraud Survey (2019), Indonesia experienced a total of 167 corruption cases, 50 cases of misappropriation of state and company assets, and instances of fraud in financial reports up until 2019. Corruption has been demonstrated to lead to losses exceeding 300 trillion, misappropriation of assets results in losses surpassing 200 trillion, and losses resulting from fraudulent preparation of financial reports exceed 200 trillion.

Examine the prevalent occurrence of fraud in Indonesia, which remains significantly elevated, resulting in substantial financial losses. It is imperative to implement a financial reporting system that prioritizes accountability, transparency, and aligns with the welfare of the populace. This can be achieved by implementing public sector accounting. Public sector accounting is a method of handling financial statements that prioritizes the well-being of the public, and the financial information provided is readily comprehensible. Public accounting facilitates the government's preparation of financial reports, thereby enhancing the quality of financial reports produced by government agencies (Costari & Belinda, 2021). Public sector accounting is typically characterized by its relevance to societal needs, reliability, and the presentation of financial reports in a reader-friendly format. Public sector accounting encompasses two distinct categories: government accounting and social accounting. Government accounting pertains to the financial management of government agencies, whereas social accounting pertains to the financial management of non-governmental organizations. Public sector accounting, known for its transparency and emphasis on accountability, is believed to effectively reduce instances of fraud. The role of public sector accounting in preventing fraud is supported by empirical evidence from a study conducted by Putri and Retnosari (2023). Their research establishes a robust correlation between public sector accounting and the implementation of measures to prevent fraud. Furthermore, in addition to the advancements and significant technological upheavals, alterations in political and social circumstances have exerted a considerable impact on public accounting. Hence, it is imperative to conduct a study to assess the efficacy of public sector accounting in combating fraud. Therefore, the objective of this research is to elucidate the influence of implementing public sector accounting on the occurrence of fraudulent activities. The findings of this study offer a comprehensive assessment of the efficacy of public sector accounting in mitigating fraud in both government and non-governmental organizations. These results can be utilized as an evaluative tool to determine the relevance of public sector accounting in combating fraud.

2. RESEARCH METHODS

The research employed the Systematic Literature Review (SLR) methodology. The objective of SLR is to address the deficiency in research conducted using diverse methodologies. The requisite data for this research comprises scientific literature in the form of scientific journals. The data was sourced from Google Scholar due to its extensive collection of scientific literature that is pertinent to the research objectives. The software utilized for the data collection process is Publish or Perish 8. The author

employs Microsoft (MS) Excel to carefully choose articles that align with the research objectives. Table 1 provides a comprehensive list of the devices and their respective applications.

Table 1. Devices and their uses in research

No	Software	Utility
1	Publish or Perish 8 and Google Scholar	Search for scientific journals according to research objectives
2	Microsoft Word	Preparing scientific articles and describing a general overview of the findings
3	Microsoft Excel	Scientific article data selection process

The process of searching scientific literature is founded on a framework of systematic review. The term "PICOC literature exploration design" refers to a research methodology employed by Praditya & Utomo (2022). PICOC stands for Population, Intervention, Comparison, Outcomes, and Context. PICOC is employed as a framework for writers to develop appropriate keywords that align with research requirements. Based on the PICOC framework, the target population (P) for this research includes all scientific articles that examine the implementation or application of accounting, accountancy, and fraud. The intervention (I) in this research refers to the application of different types of accounting and the occurrence of fraud in the financial sector. The comparison (C) is used to compare the findings of different interventions. The outcomes (O) are focused on the implementation of public sector accounting and the occurrence of fraud. The context being studied is the impact of implementing public sector accounting on fraud in the public sector. Utilizing the PICOC framework, the author identified several pivotal terms, specifically "Impact", "Implementation of Public Sector Accounting", and "Fraud". Additional keywords are also supplied as an alternative choice in case the primary keyword cannot be located. To provide greater clarity, the keywords can be found in Figure 1.

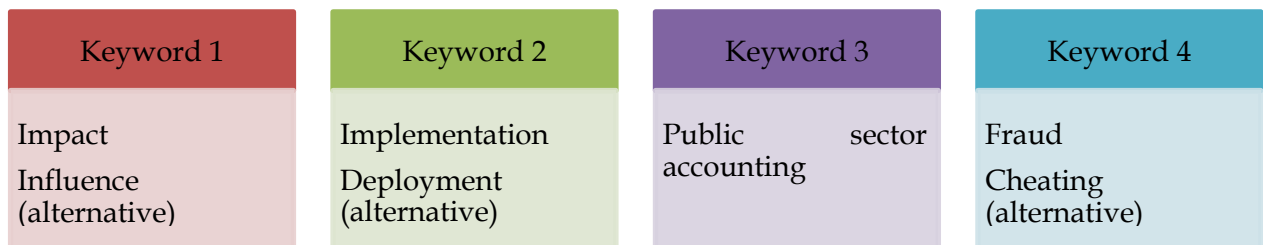


Figure 1. Exploration keywords

The selection process for scientific literature in this research is based on specific criteria. The literature must cover topics related to the impact of implementing public sector accounting on fraud in the public sector, and it must be conducted in Indonesia. The selection of the study location was predicated on the prevailing prevalence of fraud in public sector services in Indonesia. The research process commences by identifying the problem at hand, followed by determining keywords using the PICOC framework. Once the keywords are established, the next step involves exploring them on Google Scholar. Subsequently, a scientific literature selection process is conducted, and upon selecting the relevant scientific articles, data analysis is carried out using a qualitative descriptive approach. Figure 2 provides a comprehensive list of the sequential actions undertaken in this research.

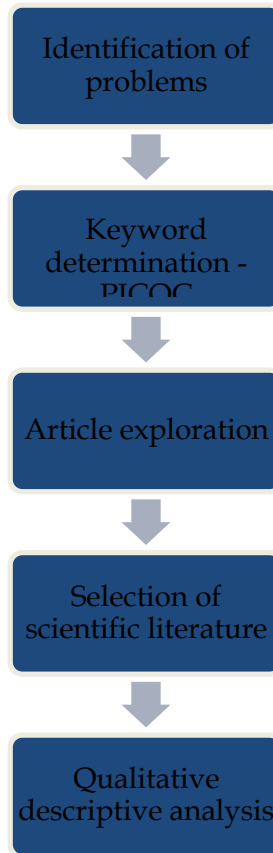


Figure 2. Research procedures.

3. RESULTS AND DISCUSSION

3.1. Results

Out of a pool of 100 scientific literature, a careful examination and selection process yielded 9 scientific articles that were highly pertinent to the subject matter and goals of this research. There is a lack of research on the effects of implementing public sector accounting on fraud in Indonesia. Several of these articles employed various research methodologies, including quantitative, qualitative, and a hybrid approach combining both methods. The research topics primarily concentrate on assessing the effects of implementing public sector accounting solely on fraud, without conducting comparative analysis with other variables. Several articles aim to analyze and compare the impact of different factors on financial management, including the implementation of public sector accounting, internal control systems, good governance, and supervision. The research topics' findings are displayed in table 2.

Table 2. Research topic findings

No	Topic	Frequency of appearance in articles
1	The influence of implementing public sector accounting	9
2	Internal control system	1
3	Problems in the public sector of local government	1
4	Good governance	1
5	Supervision of financial management	1
6	Implementation models and problems of public sector accounting	2
7	Fraud	9



Source: Author's data processing results (2023)

Based on the findings of several scientific articles discussing the topics raised in the research, they are summarized in table 3.

Table 3. Research results

No	Title	Method	Writer
1	The Influence of Implementing Public Sector Accounting Models and Internal Control Systems on Fraud Prevention Efforts	Qualitative descriptive, with data collection methods consisting of data reduction accompanied by data presentation and drawing data conclusions	(Fauziyah & Setyawan, 2022)
2	Public Sector Accounting to Prevent Fraud in the Public Sector in the Digital Era	Qualitative descriptive approach	(Putri & Retnosari, 2023)
3	Implementation Model and Problems of Local Government Public Sector Accounting in Preventing Fraud in the Digital Era	Exploratory research	(Khafifah et al., 2020)
4	Analysis of Public Sector Accounting Models to Prevent Financial Budgeting Fraud	Exploratory research	(Meliyana & Priyono, 2022)
5	Analysis of the Effect of Implementing Public Sector Accounting on Performance Accountability of Government Agencies in Preventing Fraud	Quantitative approach, data analysis used is descriptive statistical tests, classical assumptions, and T tests	(Adieb et al., 2022)
6	Application of Public Sector Accounting to Prevent Fraud in the Public Sector in the Digital Era	Qualitative approach with descriptive techniques	(Putri & Retnosari, 2023)
7	The Influence of Implementing Public Sector Accounting, Good Governance, and Financial Management Supervision on Fraud Prevention	Quantitative research with regression analysis	(Nurjanah & Sastrodiharjo, 2021)
8	Public Sector Financial Reporting Fraud	The qualitative approach and paradigm used is interpretive	(Sholihah & Accounting, 2016)
9	The Effect of Implementing Public Sector Accounting on the Performance Accountability of Government Agencies in Preventing Fraud	Description based on theory	(Santoso & Pambelum, 2008)

3.2. Discussion

The research findings indicate that the study on the implementation of public sector accounting towards the public can be analyzed in terms of its impact and correlation with other variables, models of implementation, and the occurrence of fraud. The initial study, conducted by Putri & Retnosari (2023), demonstrates that the incorporation of technology in public sector accounting practices has the potential to facilitate fraudulent activities. This is due to the increased complexity of detecting fraud when it occurs in the digital realm. The proliferation of the Internet of Things, which enhances the availability of information through internet connectivity, also amplifies the potential for fraudsters to illicitly obtain sensitive data. According to a study conducted by Fauziyah & Setyawan (2022), the adoption of public sector accounting has a significant effect on fraud. This means that as the implementation of public sector accounting becomes more widespread, it will decrease the chances of fraud occurring. However, for this

to be effective, the implementation model must be aligned with accountable performance and utilize fraud prevention techniques in technology strategies. This research further suggests that the implementation of public sector accounting plays a crucial role in reducing fraud, and this effect is enhanced by internal control measures.

In addition to internal control, enhancing efforts to reduce fraud in public sector accounting is also reinforced by the financial report's accountability, particularly when the report emphasizes public performance accountability. Public accountability refers to the government's ability to effectively and responsibly prevent acts of corruption and collusion, thereby ensuring its success and effectiveness (Adieb et al., 2022). A crucial determinant of reduced opportunities for individuals or groups to engage in fraudulent activities is the presence of a robust governance system and effective oversight of financial management within government institutions or companies. Research conducted by Nurjanah & Sastrodiharjo (2021) demonstrates that the adoption of public sector accounting practices has been shown to have a substantial effect in mitigating fraud. Good governance system factors partially contribute to the reduction of fraud opportunities, a phenomenon further reinforced by financial management supervision. The implementation of an effective government system is characterized by the significance of government programs in addressing issues, setting strategic objectives, maintaining transparent financial policies and management, promoting equality and justice, and ensuring that policies are both efficient and accountable. The oversight conducted for financial management is epitomized by the character and integrity of public sector implementers. Moreover, as stated by Meliyana & Priyono (2022), a budget that is centered around the public sector has the capacity to reduce the occurrence of fraudulent activities. Nevertheless, it is crucial to maintain a harmonious equilibrium between the endeavor and the factors influencing the occurrence of unlawful charges. This requires a sense of accountability in carrying out the task, along with the adoption of practical measures to mitigate the prevalence of illegal levies through the integration of specialized systems.

4. CONCLUSION

Based on the evidence, it can be inferred that the majority of the literature indicates that the adoption of public sector accounting has a beneficial effect on reducing fraud. Implementing effective governance and supervision in financial management can enhance the optimization of this role. Effective implementation of internal controls is crucial in order to fully leverage the role of public sector accounting in minimizing the occurrence of fraudulent activities.

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