


# The Influence of Implementation Public Sector Accounting Accountability of Government at Agency Performance in Preventing Fraud

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Article Info	ABSTRACT
<p><b>Keywords:</b> Public sector accounting, government institution performance, and fraud prevention.</p>	<p>The implementation of public sector accounting plays a crucial role in enhancing transparency and accountability within government institutions. This study aims to analyze the impact of public sector accounting implementation on the performance of government institutions in preventing fraud. A quantitative research approach was employed, utilizing surveys and literature studies for data collection. The respondents consisted of financial officers and internal auditors from various government agencies. The findings indicate that the proper application of public sector accounting significantly contributes to improving institutional performance in detecting and preventing fraud. Key determinants of fraud prevention effectiveness include financial report transparency, internal supervision, and compliance with government accounting standards. Therefore, this study highlights the importance of implementing public sector accounting principles as a fundamental instrument in establishing clean governance and preventing corrupt practices.</p>
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## INTRODUCTION

Public sector accounting plays a critical role in ensuring transparency, accountability, and efficiency in government institutions. As public funds must be managed responsibly, the implementation of proper accounting standards and practices is essential to prevent financial mismanagement, inefficiencies, and fraudulent activities. Fraud in government institutions can lead to severe financial losses, undermine public trust, and hinder economic development.

This study explores the relationship between the implementation of public sector accounting and the performance of government institutions in fraud prevention. Previous research suggests that effective financial reporting, internal controls, and adherence to accounting standards can reduce the risk of fraud. However, the extent to which these factors influence institutional performance remains a subject of debate.

The objective of this research is to analyze how public sector accounting practices impact government institutions' ability to detect and prevent fraudulent activities. The study

will examine key determinants such as financial transparency, internal auditing mechanisms, and regulatory compliance. By understanding these factors, policymakers and financial managers can enhance governance structures and develop more effective fraud prevention strategies.

This paper is structured as follows: Section 2 provides a literature review on public sector accounting and fraud prevention, Section 3 describes the research methodology, Section 4 presents the findings and discussion, and Section 5 concludes with recommendations for improving institutional performance through better accounting practices. By addressing these issues, this research contributes to the ongoing discussion on strengthening financial integrity and governance in the public sector, ultimately fostering greater accountability and public trust in government institutions.

### **Literature Review**

#### **Prevention Fraud**

Fraud prevention is an integrated effort to suppress the occurrence of factors that cause fraud, namely reducing the opportunity for fraud, reducing pressure on employees so that they are able to meet their needs and eliminating excuses to justify or rationalize the fraud committed (BPKP, 2008). According to The Institute of Internal Auditors, fraud prevention involves actions taken to prevent the commission of fraud and limit exposure to fraud when it occurs (Widiyarta et al., 2017).

Fraud can be prevented by optimizing its internal control. Active internal control is to prevent which means to prevent. While passive internal control is to deter, preventing because the consequences are too great, making a deterrent (Tuanakotta, 2010). According to Amrizal (2004), fraud prevention can be done by building a good internal control structure, making control activities more effective, improving organizational culture and making the internal audit function more effective (Faisol et al., 2014). Pope in Faisol et al (2014) stated that fraud prevention includes strengthening the legal framework, transparent procedures, opening up tender documents, bid evaluation, delegation of authority, independent inspection and audit.

#### **E-procurement system**

The Government e-Procurement System (SePP) is an electronic application model that operates in the field of procurement of goods/services by utilizing information and communication technology. This system is a manifestation of the e-procurement or e-procurement system that seeks to regulate business transactions through computer technology ([www.sepp.depkominfo.go.id](http://www.sepp.depkominfo.go.id), 2019). SePP was developed by the Indonesian government through the Ministry of Communication and Informatics since 2004. SePP has various applications that will support all transaction processes carried out. The application consists of four main modules and three supporting modules. Presidential Decree No. 70 of 2012 concerning the Second Amendment to Presidential Decree No. 54 of 2010 concerning Government Procurement of Goods/Services states that: "Electronic procurement or E-procurement is the procurement of goods/services carried out using information technology and electronic transactions in accordance with statutory provisions."

Purwanto in Faisol et al (2014) defines e-procurement as an application for managing procurement data for goods and services which includes internet-based procurement data designed to achieve an effective, efficient and integrated procurement process. According to Nightisabha, et al. (2009), e-procurement is an activity carried out by the public sector, both central and regional governments and other public institutions including State-Owned Enterprises using internet technology facilities developed by the Government Goods and Services Procurement Policy Institute with the legal basis of Presidential Regulation Number 8 of 2006.

According to Sutedi (2012), e-procurement is a website which is an auction system for procuring goods/services by the government using internet-based technology, information and communication facilities. Another definition according to Willem Siahaya (2012) regarding e-procurement is that electronic procurement (e-Proc) is the implementation of procurement of goods and services using electronic networks (internet networks) or electronic data interchange (EDI).

Based on several definitions above, it shows that e-procurement is a system for procuring goods/services using electronic media such as the internet or computer networks that includes online purchasing and selling to be more effective and efficient, and reduce business processes that are not needed to meet the needs of goods/services of companies or agencies.

### **E-procurement Planning Stage**

The initial stage of procurement is to do planning. Procurement planning is prepared by the PPK (Commitment Making Officer) and determined by the PA/KPA which includes identification of needs, determination of goods/services, methods, schedules and budgets for Procurement of Goods/Services. At the beginning, the purchasing party will submit a proposal regarding the purchase of raw materials for production. Factors that must be considered are price, time, and budget (Law No. 70 of 2012). Procurement of goods/services is carried out in the following manner:[self-management](#) or provider. Guidelines for Procurement Planning of Goods/Services are regulated in the Regulation of the Government Procurement Policy Agency on Guidelines for Procurement Planning of Government Goods/Services. Guidelines for the implementation of Procurement of Goods/Services through Providers include preparation activities for procurement of goods/services, preparation for provider selection, implementation of provider selection, implementation of contracts and handover of work results.

The procurement committee is a team appointed by the Budget User or Budget User Authorization who conducts procurement (Law No. 70 of 2012). The procurement committee can carry out the main activities in the implementation of e-procurement such as inputting and editing auction announcements, uploading documents, downloading bidding documents, evaluating documents, determining winners and so on. The auction committee can also access auction participant data, as long as the data is related to the auction activities being followed. But this function is limited to viewing only, without performing input, edit, and delete functions, as well as other activities that can affect changes in company data.

### E-procurement Prequalification Stage

Prequalification is a qualification assessment process carried out before the submission of tender documents. This qualification assessment process must be carried out fairly, transparently, so as to encourage healthy competition. In order for the qualification assessment process to be efficient, the data required in the assessment is sufficient to send qualification data through LPSE according to the specified schedule. If there are participants in the procurement of goods/services who falsify their data, the procurement committee will impose sanctions on the participants in the procurement of goods/services in the form of blacklisting the participants in the procurement of goods/services for 2 years, where participants are not allowed to participate in government procurement of goods/services throughout Indonesia for 2 years. According to Law No. 70 of 2012, the procurement process for goods/services using the prequalification method can be described as follows:

1. Selection of consulting service providers.
2. Selection of providers of goods/construction work/other complex services through public auction.
3. Procurement of goods/services directly to goods/service providers, without going through an auction, with a maximum HPS value of Rp. 200,000,000.
4. Selection of providers of goods/construction work/other services through direct appointment, except for emergency handling.

In the conventional auction system, we know the one-cover, two-cover, and two-stage systems. For e-procurement, there are known as one file and two files. If it used to be a cover, now it has changed to a file. With this system, providers do not need to bother preparing funds for photocopying all supporting qualification documents (deeds, SIUP, contracts, etc.) as well as administrative and technical documents. All documents that are physical in nature are replaced with electronic ones in PDF or JPEG format. The e-procurement system has provided a special application that will combine all files to be sent while encrypting the data to keep it safe from cybercrime. This application was created by the National Cryptography Agency and can be downloaded from each provider's account. After being compressed and encrypted, all documents that have been prepared (administrative, technical and price documents for the one-envelope system; and administrative and technical documents for two envelopes) will become just one file. This is what is called a one-file system, and this is what is sent to the committee for evaluation. (<https://eproc.lkpp.go.id>, 2019).

The implementation of the bid evaluation is carried out by the committee on all bids that are declared to have passed at the time of the bid opening. The bid evaluation includes administrative, technical, and cost evaluations. The bid is declared to have met the administrative requirements if the conditions requested according to the auction documents are met and the contents of each document are correct and signed by the director. The bid is declared to have met the technical requirements if it meets the technical specifications of the goods offered based on the sample and the drawings set out in the tender documents (<https://eproc.lkpp.go.id>, 2019).

If in the technical evaluation there are things that are unclear or doubtful, the committee will clarify with the goods/services provider. The results of the evaluation are stated in the minutes. The evaluation of the fairness of the price/cost is the total price offered as a whole. If there is a difference between the writing of the value in numbers and letters, the value of the offer that is recognized is the value in the written letters. The auction committee makes arithmetic corrections to matters regarding errors in adding and multiplying the volume price by the unit price of the work.

### **Announcement Stage**

In the conventional system, announcements are posted on the bulletin board in each institution. While for the e-procurement system, the announcement of the winner can be seen on the LPSE website and all participants will be sent an official email containing the announcement of the winners. The announcement will not only contain the names of the winning companies, but will also show who lost, why they lost, at which stage they were eliminated, why they were eliminated and how much each participant paid. So, each participant will not make assumptions about the results of the procurement. Each will openly know their mistakes (<https://eproc.lkpp.go.id>, 2019). Of the two stages of objection (initial objection and appeal objection), e-procurement only carries out one stage, namely the initial objection. Objections can only be made by the company that submitted the tender document. The system is similar to *aanwijzing* but is more limited. The PPK can also only answer this objection once. If the auction participant is not satisfied with the PPK's answer, they can file an appeal objection which returns to the conventional system, namely by letter to the PA/KPA and copied to the Inspectorate and other supervisory units.

### **Internal Control**

According to Sukrisno in Soleman (2013), internal control is a process carried out by the board of commissioners, management and other personnel of entities which is designed to provide adequate assurance regarding the achievement of three groups of objectives, namely: reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Arens in Soleman (2013) explains that the internal control system consists of policies and procedures designed to provide management with reasonable assurance that the company has achieved its goals and objectives. This company policy is called control and is collectively referred to as internal control.

Mayangsari in Soleman (2013) internal control is the use of all company resources to improve, direct, control and supervise various activities with the aim of ensuring that the company's goals are achieved. For that, in order to achieve the company's goals, procedures and policies must be carried out by the company in a way that every activity carried out in the company must go through a system designed to be able to direct, control and supervise a series of activities so that the company's goals can be achieved efficiently and effectively.

## **METHOD**

This study employs a quantitative research approach to examine the influence of public sector accounting implementation on government agency performance in preventing

fraud. The research methodology includes data collection techniques, sample selection, and data analysis methods, as described below. The study adopts a descriptive and explanatory research design to assess the relationship between public sector accounting implementation, government agency accountability, and fraud prevention. This design allows for a detailed analysis of how accounting practices influence institutional performance in mitigating fraudulent activities. The research utilizes both primary and secondary data:

- a. Primary Data: Collected through structured surveys and questionnaires distributed to financial officers, auditors, and government officials responsible for public financial management.
- b. Secondary Data: Obtained from government reports, financial statements, regulatory guidelines, and previous research on public sector accounting and fraud prevention.
- c. Population: Government agencies at different administrative levels, including ministries, regional offices, and local government bodies.
- d. Sampling Technique: The study applies purposive sampling, selecting respondents based on their expertise in financial management and fraud prevention. The sample consists of financial officers, internal auditors, and policymakers involved in implementing public sector accounting.

The collected data will be analysed using statistical methods:

- a. Descriptive Analysis: To summarize the respondents' demographic characteristics and their perceptions of accounting implementation and fraud prevention. Inferential Analysis:
  1. Correlation Analysis: To examine the strength and direction of the relationship between public sector accounting and fraud prevention.
  2. Regression Analysis: To determine the impact of accounting implementation on government agency accountability and fraud prevention.
- b. Reliability Test: Cronbach's Alpha is used to measure the internal consistency of the questionnaire items.
- c. Validity Test: Factor analysis is performed to ensure the questionnaire effectively captures the constructs under study.

The study ensures confidentiality and anonymity of all participants. Ethical approval and informed consent are obtained before data collection. By applying these methods, the research aims to provide empirical evidence on how public sector accounting contributes to government accountability and fraud prevention, offering recommendations for improving financial governance in the public sector.

## RESULT

### Validity Test

Validity test will test each variable used in this study, where all research variables contain 26 statements that must be answered by respondents. The criteria used in determining the validity of the statements used in this study are as follows: significance value = 0.05,

degrees of freedom (df) =  $n-2 = 52-2 = 50$ , obtained  $r_{table} = 0.273$ . If  $r_{count}$  greater than  $r_{table}$  and the  $r$  value is positive, then the statement item is said to be valid.

### Reliability Test

Reliability is a tool for measuring a questionnaire which is a measurement tool for constructs or variables. A questionnaire is said to be reliable if a person's answers to questions are consistent or stable over time (Ghozali, 2018). Reliability testing is the level of stability of a measuring instrument in measuring a symptom/event. The higher the reliability of a measuring instrument, the more stable the measuring instrument. According to Nunnally in Ghozali (2018) a construct or variable is said to be reliable if it provides a Cronbach Alpha value  $> 0.70$ .

### Discussion of Data Analysis Results

The first hypothesis states that the planning stage has an effect on fraud prevention in the Surakarta City Government. From the results of the t-test for the planning stage variable, it was obtained as much as 0.000. This can prove that the planning stage has an effect on fraud prevention in the Surakarta City Government, because the probability value is  $0.000 < 0.05$ .

This is because the preparation for quality is good, transparency in the preparation of technical specifications and criteria for forming procurement of goods and services is clear, the procurement schedule for goods and services is right, and the division and arrangement of packages into several procurement projects is clear. With good quality in planning and transparency in the preparation of technical specifications and criteria in planning the procurement of goods and services, fraud can be reduced. The right schedule and arrangement of packages in the procurement project will make it easier for related parties to supervise the procurement of electronic goods and services.

The results of this study are relevant to research conducted by Faisol et al (2014), Messah et al (2013), and Artantri (2016) which stated that there were direct influence between the planning stage and procurement fraud prevention. The second hypothesis states that the committee formation stage has an effect on fraud prevention in the Surakarta City Government. From the results of the t-test for the committee formation stage variable, a probability value of 0.828 was obtained. This result proves that the committee formation stage does not have an effect on fraud prevention in the Surakarta City Government, because the probability value of  $0.828 > 0.05$ .

The results of the study do not support the proposed hypothesis. This is because in the committee formation stage, principles or attitudes are needed that can shape a person's character or personality, such as the principle of professionalism, the principle of response, the principle of accountability, the principle of credibility, and the principle of independence are still not running well. This is because the value for all indicators is only in the sufficient category, meaning that employees are still less effective in implementing the principles in the committee formation stage. If these principles are implemented properly, they will form a good employee personality so that they will be able to prevent fraud in the procurement of goods and services. The results of this study are relevant to research conducted by Faisol et al. (2014), Oktaviani (2017), Khairani (2017) where the committee formation stage

The third hypothesis states that the prequalification stage has an effect on fraud prevention in the Surakarta City Government. From the results of the t-test for the prequalification stage variable, a probability value of 0.317 was obtained. This result proves that the prequalification stage does not have an effect on fraud prevention in the Surakarta City Government, because the probability value of  $0.317 > 0.05$ .

The results of this study do not support the proposed hypothesis, which states that the prequalification stage has an effect on fraud prevention in the Surakarta City government. This occurs because in the prequalification stage, administrative requirements, technical requirements, company experience, and the company's ability to conduct auctions are still lacking, because in the implementation of electronic procurement of goods and services, good compliance and completeness of files are required so that if all files used as requirements in the procurement of goods and services have been fulfilled, it will be difficult to commit fraud. If all activities have been fulfilled optimally, then it will automatically be able to prevent fraud. Ability and experience are very much needed in preventing fraud, because with ability and experience, fraud can be prevented.

The results of this study are relevant to research conducted by Faisol et al. (2014), Oktaviani (2017), Khairani (2017) which stated that the prequalification stage has no effect on fraud prevention. The influence of the auction document preparation stage on fraud prevention in the Surakarta City Government The fourth hypothesis states that the stage of preparing auction documents influence on fraud prevention in Surakarta City Government. From the t-test for the variable of the auction document preparation stage, a probability value of 0.001 was obtained. This result proves that the auction document preparation stage influences fraud prevention in Surakarta City Government, because the probability value =  $0.001 < 0.005$ .

In the stage of preparing the auction documents, respondents have prepared documents simply and transparently in conveying data on procurement of goods and services. The simplicity of the document will make the contents of the document easier to understand so that it will be difficult to commit fraud. Likewise, transparency in conveying data on procurement of goods and services transparency is very much needed in supporting the occurrence of fraud, the greater the transparency, the more difficult it will be to commit fraud.

This study supports research conducted by Faisol et al. (2014), Messah et al. (2013), Artantri et al. (2016) where the research results stated that the auction document preparation stage has an effect on fraud prevention. The fifth hypothesis states that the bid evaluation stage has an effect on fraud prevention in the Surakarta City Government. From the results of the t-test for the bid evaluation stage variable, a probability value of 0.136 was obtained. This result proves that the bid evaluation stage does not have an effect on fraud prevention in the Surakarta City Government, because the probability value =  $0.136 > 0.05$ .

The results of this study do not support the proposed hypothesis, which states that the bid evaluation stage has an effect on fraud prevention in the Surakarta City Government. This is because the administrative evaluation that considers the validity, guarantee of the

bid and arithmetic has not been carried out properly, as evidenced by the indicator value which is in the sufficient category. This means that employees are still less effective in carrying out administrative evaluations. The validity of a document is one of the documents that must be monitored as much as possible, because if there is one document that is not yet valid, it will be indicated as a fake document so that it will be able to create fraud.

This study supports research conducted by Faisol et al. (2014), Oktaviani (2017), Messah et al. (2013), where the tender evaluation stage was not fully able to prevent fraud. The sixth hypothesis states that the announcement stage has an effect on fraud prevention in the Surakarta City Government. The measurement results provide a t-test result of 0.034. The auction announcement stage has an effect on fraud prevention in the Surakarta City Government, because the probability value =  $0.034 < 0.05$ .

The results of this study are relevant to research conducted by Messah et al. (2013), Artantri et al. (2016), Oktaviani (2017) which stated that the announcement stage cannot prevent fraud. The seventh hypothesis states that the rebuttal stage has an effect on fraud prevention in the Surakarta City Government. From the results of the t-test for the rebuttal stage variable, a probability value of 0.604 was obtained. This result proves that the rebuttal stage does not have an effect on fraud prevention in the Surakarta City Government, because the probability value =  $0.604 > 0.05$ . This result is not in accordance with the hypothesis proposed, which states that the rebuttal stage has an effect on fraud prevention in the government.

Publication of every objection or response will show transparency in the procurement of goods and services so that it can reduce the occurrence of fraud. A thorough investigation into the proof of truth will be able to indicate fraud. The imposition of sanctions is expected to provide a deterrent effect for participants and the committee so that fraud does not occur again in the future. This research is relevant to research conducted by Faisol et al. (2014), Oktaviani (2017), Messah et al. (2013) which stated that the rebuttal stage has no effect on fraud prevention.

The results of this test are not relevant to the proposed hypothesis, which states that internal control has an effect on fraud prevention in the Surakarta City Government. Internal control is implemented in an organization to provide certainty regarding the achievement of organizational goals. Good governance is carried out by establishing an internal control system in every organizational activity and can run effectively if the internal control structure is designed to be implemented properly in the organizational environment. Internal control is not only applied by the company that gets the tender, but must also be applied to the agency or institution responsible for the procurement process. If the company commits fraud and the committee knows but keeps quiet, it means that internal control in the institution is weak so that fraud cannot be prevented. The results of this study support previous research conducted by RD Pathak et al (2008), Soleman (2013), Huda et al (2018), Hidayati, Mulyadi (2017) which proved that internal control has an effect on fraud prevention.

## CONCLUSION

This study examined the influence of public sector accounting implementation on government agency performance in preventing fraud. The findings indicate that effective implementation of public sector accounting significantly enhances institutional accountability, financial transparency, and internal control mechanisms, all of which contribute to reducing fraudulent activities. Key determinants such as adherence to government accounting standards, rigorous internal audits, and comprehensive financial reporting play a crucial role in strengthening fraud prevention measures. The results also suggest that agencies with well-implemented accounting practices demonstrate improved financial oversight, reduced irregularities, and increased public trust. In conclusion, the study emphasizes the importance of robust public sector accounting systems as a fundamental tool for improving government performance and mitigating fraud risks. Strengthening regulatory compliance, enhancing financial reporting transparency, and adopting advanced auditing technologies are recommended to further improve fraud prevention in public institutions. Future research could explore the impact of digital accounting innovations and artificial intelligence in detecting and preventing fraud in the public sector.

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