

Development of the Determinants of Fraud in the Government Sector in Indonesia



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ABSTRACT: This study aims to evaluate and document the development of research related to fraud in Indonesia so that it can become a literature review material for further analysis. This study uses the "Charting the Field" method developed by Hesford et al. (2007) with a population of 20 articles published in accredited national and international journals that examine factors influencing fraud in the government sector, with a period of 2013-2022, all of which can be accessed online. The research results show that systems and people can be the leading causes of fraud. The system may consist of a financial management system and officers or other individuals with power over finances. The main sources of fraud are weak institutions and dishonest officials and individuals.

KEYWORDS: Fraud, Indonesia.

INTRODUCTION

An individual or group's deliberate action that affects the financial statements and may lead to losses for the entity or other parties is fraud. The government should perform its tasks successfully and efficiently as the custodian of the people's confidence, ensuring sound financial management and transparency. However, the state and the community might suffer direct harm from any fraudulent actions. The widespread exposure of unethical behavior, particularly corruption in government, reveals two sides of the reality of its execution. Government agencies have an essential role in achieving the goals of a government. It must be supported by good employee behavior or actions in realizing these goals. However, in reality, many fraud cases have occurred among central and regional government agencies (Mustikasari, 2013). Fraud, according to the standards of the Institute of Internal Auditors (IIA) in Sawyer (2006: 339) is an act of fraud that includes various irregularities and illegal acts characterized by intentional fraud.

Fraud has many dimensions. From a review of the political size, fraud cases undermine the democratic system and good governance (Marsha Isnadiva & Haryanto, 2021). The phenomenon of fraud that occurs a lot in local governments will reduce public trust in the performance of local governments (Marsha Isnadiva & Haryanto, 2021). Fraud is often associated with law enforcement, internal control, and information asymmetry. All parties engaged in the region's advancement, including those managing the regional revenue and expenditure budget, must implement and abide by local law enforcement (APBD). Law enforcement is related to regulations and laws that can control local governments so that APBD management runs transparently, following the public interest (Adi et al., 2016).

To reach the purpose of development itself, namely the welfare of society, it is imperative to look into the fundamental causes of fraud. This is partly due to the numerous corruption cases that ultimately impede the operation of the government. Government fraud in Indonesia has reached alarming proportions. Komisi Pemberantasan Korupsi (KPK) was established and given authority by the government even in the last ten years to combat corruption in Indonesia. Unfortunately, the results are still below expectations, with Indonesia continuing to rank among the top 10 most corrupt nations in the world (Adinda & Ikhsan, 2015)

LITERATURE REVIEW

In general, fraud is any effort to deceive or present something wrong to another party. Fraud can also be interpreted as an attempt to direct all the means that can be used, then encouraged by someone to get benefits from other people through incorrect delivery, including all surprises, deception, misdirection, and all that is unfair to commit fraud (Zainudin & Hashim, 2016).

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An explanation of the reason someone commits fraud is described in various theories. The Hexagon Fraud Model is the latest fraud approach developed by Georgios L. Vousinas (2019). Hexagon fraud elaborates on the theory of fraud as a background for someone to commit fraud by perfecting the invention of the fraud theory by Cressey (1953) called the fraud triangle, the fraud theory discovered by Wolfe and Hermanson (2004), which is called the diamond fraud and the pentagon fraud theory which was previously refined by Crowe (2004). 2011). Vousinas (2019) argues that the Pentagon's fraud model needs to be updated to adapt to the current development of fraud incidents that continue to increase. All the factors in the previous model, namely pressure, opportunity, rationalization, capability, and arrogance, are developed in the hexagon fraud model by adding one element, collusion.

Cressey defines pressure as a financial problem that cannot be delegated to other parties, thus encouraging someone to commit fraud (Vousinas, 2016).

Opportunities can be created from internal control weaknesses in a company, thus allowing fraud to occur freely. Cressey argues that there are two components that fraud perpetrators believe that their fraud will not be detected, namely general information and technical expertise (Vousinas, 2016). Public information is knowledge in which an employee's position of trust may be breached. This can also be obtained from other instances of embezzlement or even from a general awareness that the employee is in a situation that can benefit from the trust of his superiors. Technical expertise is the expertise or ability needed to commit fraud, generally related to the perpetrator's position in a company.

Rationalization is an attitude, character, or ethical value that exists. It serves as justification for management or staff to engage in dishonest behavior or they are in a stressful situation that drives them to justify their actions. Vousinas (2016) considers that fraud perpetrators do not recognize themselves as perpetrators of crimes, so they explain what they have done as the truth until they admit it as a crime.

According to Wolfe & Hermanson, (2004), the ability factor of the perpetrator of fraud or *capability*, assesses that fraud will not be carried out if the perpetrator does not have the ability or knowledge in terms of what he will be cheated on so that five things are grouped that can encourage the power of perpetrators of fraud, namely first the position of the perpetrator of fraud. Second, a fraudster is intelligent enough to be aware of and comprehend the shortcomings in the firm's internal controls. Third, specifically that the offender has a big ego and a lot of self-confidence, lowering the likelihood that other parties will suspect that fraud has been committed. Fourth, fraudsters have the power to coerce other parties into participating in their scheme or conceal evidence that fraud has been achieved. The fifth and last condition possessed by The excellent thing about fraudsters is that they can cope with stress at high levels, allowing them to conceal their fraud for a long time.

Element of arrogance or ego, according to Mulya et al., (2019) is a trait of lack of conscience which is a trait of superiority or arrogance and has a high level of self-confidence so that the perpetrators believe that the internal controls or rules that exist in the company do not apply to him. Fisher (2015) defines someone selfish as a party controlling, narcissistic, self-confident, and wanting acceptance from other parties. Parties with the above criteria are included in the category of bullies, capable of giving fear to others, do not follow existing rules, and do not like criticism from other parties. These parties also tend to be obsessed with power, where they can regulate, control and reject criticism of their behavior.

Vousinas identified the collusion element as a new element in fraud theory, so the fraud model he put forward developed into the SCCORE model: Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego. Vousinas believes that the leading cause of fraud cases, such as Enron, WorldCom, and Parmalat, is the collusion of white-collar crimes that can have a significant financial impact. Collusion involves two or more employees who conspire to steal assets or commit errors in recording. This evil agreement makes fraud more difficult to detect, especially if the collusion involves a third party (Arens et al., 2012).

RESEARCH METHODS

This study uses the "*Charting the Field*" method developed by Hesford et al. (2007). Through this approach, this study uses 20 articles published in accredited national and international journals that examine the factors that influence fraud in the government sector in 2013-2022, all of which can be accessed online. The articles used can be described in distribution based on the published journal in Table 1.

No	Journal	Number of Articles	Writer
1	Journal R&D of Pekalongan City	1	Adi et al., (2016)
2	Accounting Analysis Journal	4	Mustikasari, (2013) ; Zulkarnain, (2013) ; Adinda & Ikhsan (2015) ; Faisal, (2012)
3	EMBA Journal	1	Manossoh (2016)

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4	Journal Economac	1	Setiawan & Helmayunita (2017)
5	Journal Accountancy	1	Rahmawati et al., (2020)
6	Accounting And Business Journal	1	Umar et al., (2019)
7	Diponegoro Journal of Accounting	1	Novitasari & Chariri, (2018)
8	Journal International Research Applied Business and Economics	1	Maria & Gudono (2017)
9	JIL	1	Sari & Khoiriah, (2021)
10	Journal Research Accounting And Finance	1	Marsha Isnadiva & Haryanto (2021)
11	Journal Indonesian Accounting and Finance	1	Didi & Kusuma, (2018)
12	Proceedings of The 11th Industrial Research	1	Padhilah & Burhany (2020)
No	Journal	Number of Articles	Writer
	Workshop and National Seminar		
13	Perspective Accountancy	1	Haurissa & Dewi, (2021)
14	Journal of Master of Accounting Trisakti	1	Naa & Pohan, (2019)
15	Integrity : Journal Anti Corruption	1	Farikhoh & Chariri, (2022)
16	Balance: Journal Accounting , Auditing and Finance	1	Siregar, (2021)
17	Journal of Accounting and Business Studies Latest	1	Fitri, (2020)
	TOTAL	20	

Furthermore, all of these articles were reclassified based on the authors, research methods, and research themes in Table 2.

No	Writer	Year	Title	Method
1	Adi et al., (2016)	2016	Analysis Factors determinant Fraud (Fraud) in the Government Sector (Study Cases in the Revenue Service Management Regional Finance and Assets of Pekalongan City)	Case Study
2	Mustikasari (2013)	2019	Influencing Factors _ Fraud in the Government Sector Regency Stem	Case Study
3	Zulkarnain (2013)	2013	Analysis Influencing Factors _ Happening Fraud in the Surakarta City Service	Case Study
4	Adinda & Ikhsan (2015)	2015	Influencing Factors _ Happening Fraud (Fraud) in the Government Sector Regency Klaten	Case Study
5	Faisal (2012)	2013	Analysis Fraud in the Government Sector of Kudus Regency	Case Study
6	Manossoh (2016)	2016	Factors Reason Happening Fraud in the Government in North Sulawesi Province	depth interview

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7	Setiawan & Helmayunita (2017)	2017	Influence Internal Control, Pressure Financial, And Morality Individual To Trend Fraud Accounting : Study Experiments in Context Regional Government	Literature study
8	Rahmawati et al. (2020)	2020	determinant Fraud Prevention In Government Village in Banjar Regency	Case Study
No	Writer	Year	Title	Method
9	Umar et al., (2019)	2019	Determination Prevention Fraud Report Quality Finance Regional Government	Surveys
10	Novitasari & Chariri, (2018)	2018	Analysis Factors Influencing Fraudulent Financial Statements In The Pentagon 's Fraud Perspective	Case Study
11	Maria & Gudono, (2017)	2017	Empirical Test Theory Triangle Local Government Fraud (Evidence from Indonesia)	Case Study
12	Sari & Khoiriah (2021)	2021	Detection Fraud Hexagon Report Finance Local Government as Prevention Fraud in the Crisis Era Pandemic	comparative
13	Isnadiva & Haryanto (2021)	2021	INVESTIGATION RESULTS AND CORRUPTION CASES IN LOCAL GOVERNMENT Government Study Province In Indonesia 2015-2018 _	Case Study
14	Didi & Kusuma, (2018)	2018	Influential Factors _ To Trend Fraud (Fraud): Perception Employee Regional Government of Bogor City	Case Study
15	Padhilah & Burhany (2020)	2020	Influencing Factors _ fraud (Study The case at the District Government West Bandung)	Case Study
16	Haurissa & Dewi (2021)	2021	Meta Analysis of Fraud in Indonesian Government	Literature study
17	Naa & Pohan (2019)	2019	Analysis Triggering Factors _ Potential for Fraud (Fraud): Study Government Research _ Regency Mimika , Papua	Case Study
18	Farikhoh & Chariri (2022)	2022	Analysis bibliometric sector corruption _ public	Literature study
19	Siregar, (2020)	2020	Triangle Fraud And Corruption in Indonesia	depth interview

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20	Fitri (2020)	2020	Influencing Factors _ Trend Fraud Accountancy With Commitment Organization As an Intervening Variable	Case Study
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When classified based on the method, of the 20 articles obtained, the case study method dominates with 11 pieces (50% of the total articles), the rest using survey, literature review, experimental and comparative approaches, described in Table 3 as follows:

Table 3. Article Categories based on Research Methods

Number of Method	Articles	Percentage
Case Study	13	65%
Surveys	1	5%
Literature Review	3	15%
Deep interview	2	10%
comparative	1	5%
Total	20	100%

RESULTS AND DISCUSSION

Cressey, a criminologist, and sociologist, initially presented the theory of accounting fraud in 1973. Three things encourage fraud attempts, namely pressure, rationalization, and opportunity. These three things are called the fraud triangle.

In general, fraud is illegal conduct done by individuals inside and outside the organization who want to gain an unfair advantage or cause harm to the opposing party. Fraud variables can be measured with indicators developed by IAI (2001) as follows: (1) report fraud finance, (2) misuse of assets, and (3) corruption (Mustikasari, 2013).

Elements of the fraud theory:

1. Pressure

One element that results from unique circumstances and contributes to fraud is pressure. In various kinds of research, pressure can be proxied by: a. Compensation suitability

Appropriateness of compensation is the employee's perception of the suitability of rewards or salaries for their work (Mustikasari, 2013). All income received by employees in the form of money or goods, whether directly or indirectly, in exchange for services rendered to the business is referred to as compensation (Adi et al., 2016). According to pay suitability indicators, the likelihood of fraud in the public sector increases with the appropriateness of the compensation received by employees of government agencies (Mustikasari, 2013). According to Zulkarnain (2013), the higher the perception of the appropriateness of employee compensation in government agencies, the lower the level of fraud in the government sector. In , agencies will provide appropriate compensation for employees' excellent performance to minimize fraud. As a result, employees feel they are getting proper balance in accordance with the rights and duties completed correctly.

b. Procedural justice

Procedural justice is a consideration made by employees regarding perceived fairness regarding organizational processes and procedures used to make allocation and resource decisions (Mustikasari, 2013). Indicators of procedural justice have no impact on fraud in the public sector. Hence, the more equitable procedures cannot prevent fraud in the public sector (Mustikasari, 2013). In practice, procedural justice relates to the perception of the valuation system as the basis for determining compensation. The higher the employee's perception of procedural fairness, the can suppress fraud (Didi & Kusuma, 2018).

c. Leadership style

Effective leadership styles in government organizations result from good relationships between superiors and subordinates, where the leader effectively communicates the division of tasks. This results in an agency's good communication process, which produces a method of getting good information from superiors to subordinates (Zulkarnain, 2013). By outlining to subordinates how to enhance performance, communication helps to keep employees motivated. So that collaboration is developed to fulfill the institution's predetermined goals.

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Pressure will make employees tend to commit fraud, whether it's a financial pressure factor from individuals or non-financial problems related to the pressure factor of the work itself, namely from the leadership of a superior; pressure from a leader will make an employee act, not following what is desired the leader. This phenomenon triggers fraud in an agency (Faisal, 2012) .

d. The Aspect of Pressure on Officials Leads to Fraud

Officials under pressure while in a position of authority or temporarily employed in a particular role are more likely to engage in fraud. Officials may experience a variety of pressures at work, including pressure brought on by monetary issues, the workplace, and pressure from negative people. Greed or the desire of officials who are never satisfied with material things might generate financial issues. They feel that their current pay, which includes performance bonuses, is insufficient, so they take advantage of their position by engaging in different financial management crimes (Manossoh, 2016) .

2. Opportunity

Opportunity is a factor that can lead to fraud opportunities. In various kinds of research, pressure can be proxied by: a. Law enforcement

Law enforcement is a natural action by legal subjects against the applicable law in a country (Mustikasari, 2013) . Indicators of law/regulation enforcement hurt government sector fraud. Hence effective law/regulation enforcement in an agency can stop government sector fraud (Mustikasari, 2013) . All parties involved must implement and obey regional law enforcement to advance the area, including managing the regional revenue and expenditure budget (APBD) (Adi et al., 2016) . The regulation is one of the controls from the regional government so that the management of the APBD runs transparently following the public interest. If the command is not carried out following applicable regulations, it will allow fraud from people directly or indirectly involved in the control. Law enforcement in government agencies is more inclined to the establishment of rules/regulations that exist in government agencies.

b. Internal control effectiveness

The effectiveness of internal control is the employee's perception of the processes implemented and carried out within the company or agency (Mustikasari, 2013) . Internal control efficacy indicators make it more difficult to commit fraud in the public sector, therefore, agencies with high internal control effectiveness can avoid fraud there (Mustikasari, 2013) .

According to Zulkarnain (2013) Government accounting fraud will be less likely to occur thanks to internal government controls. Government accounting fraud decreases with improved internal government bureaucratic controls.

c. Information asymmetry

The employee's view of the discrepancy between the knowledge held by the principal and the agent is known as information asymmetry (Mustikasari, 2013) . Information asymmetry is a situation where there is a mismatch of communication between those who have or provide information and those who need information (Adi et al., 2016) .

The information asymmetry between principals and agents allows agents to commit fraud in financial reporting. When a company's internal control system (SPI) is inadequate, opportunities will also present themselves (Maria & Gudono, 2017). The presence of information asymmetry can cause fraud in the government sector because information asymmetry indicators have a favorable impact on fraud in the public sector (Mustikasari, 2013) .

d. Internal Control System

The internal control system of an organization with many employees helps stop fraud in the public sector. This can result from the agency's effective control environment, efficient information and communication systems, and useful control activities (Zulkarnain, 2013) .

The development of internal government control in Indonesia is marked by the issuance of Government Regulation (PP) number 60 of 2008, concerning the government internal control system (SPIP). According to PP SPIP, the internal control system is a continuous process of actions and activities that leaders and all employees carry out to provide adequate assurance of achieving organizational goals through reliable financial reporting, protecting state assets, and adherence to laws and regulations (Adi et al., 2016)

e. The existence of opportunities for officials to cause fraud

Whether brought on by systems, rules, or law enforcement, the existence of possibilities can result in fraud. Influential individuals will act in a discretionary manner or in a way that is advantageous to themselves or a particular group of people. Officials will want to outfit themselves with amenities that go above and beyond what is currently required, such as vehicles, office supplies, and so forth (Manossoh, 2016) .

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3. Justification (Rationalization)

A mindset or way of thinking that uses moral considerations from individual employees to justify fraud is known as justification (or rationalization). Fraudsters are constantly looking for explanations for their behavior. This is done to ease the anxiety so that he won't feel afraid if it's done. In various kinds of research, pressure can be proxied by: a. Ethical management culture Management's ethical culture is employee perceptions of actions, behavior patterns, and beliefs that have become role models for all agency employees (Mustikasari, 2013) . Organizational culture is the fundamental set of behaviors that an organization accepts to act, solve problems, develop individuals who can adapt to their surroundings, and bring its members together (Adi et al., 2016) .

The indicator of management's ethical culture harms fraud in the government sector, which means that the better the culture applied by management, the less fraud occurs in the government sector (Mustikasari, 2013) . An individual often follows the actions most people take in an organization/company, let alone see that the leadership also does the same thing. Sometimes individuals feel that what they are doing is correct because most of their colleagues do the same thing even though what is being done is a form of fraud (Adi et al., 2016) .

b. Organizational commitment

Organizational commitment is an employee's perception of his trust, involvement, and loyalty to the organization concerned (Mustikasari, 2013) . Indicators of organizational commitment harm fraud in the government sector, which means that the better one's commitment to an organization, the less fraud occurs in the government sector (Mustikasari, 2013) . Employees of government agencies tend to be committed to the organization if the conditions and situations resulting from their duties and responsibilities are favorable to them, but the opposite happens (Adi et al., 2016) .

c. Organizational culture

Implementing the Good Corporate Governance's guiding principles can help to improve organizational culture. They are interconnected to effectively promote the use of the company's resources, creating long-term economic value for the company's shareholders and the local society (Zulkarnain, 2013) .

Two factors can influence an individual's behavior: internal and external factors. External factors come from the form of stimulation or the influence of environmental factors. In comparison, internal factors come from elements within the individual, such as experiences, feelings, thinking abilities, frames of reference, and motivation. The source of an individual's most significant impact is within that person (internal). Such factors as avarice, the desire for a luxury lifestyle, and more praise for work performance can encourage employees to commit fraud. This is the main factor that encourages people to conduct fraud (Faisal, 2012) .

According to Zulkarnain (2013), the higher the perception of the organizational culture of government agency employees, the lower the level of fraud in the government sector. This can mean that agency employees can organize their work and devote all their abilities to it. Agency employees have a sense of security with work and feel proud and valued by the agency environment to achieve conditions of an ethical work culture. In addition, employees have achieved integration or unity of views to create an ethical organizational culture.

d. The reasons for justifying officials led to fraud.

Following a boss's or coworker's lead, feeling that they had accomplished a lot, believing that what was taken was not much, or considering that they were borrowing intending to return it later all led to fraud in various instances. Feeling that you have done much justifies an official committing fraud (Manossoh, 2016) .

CONCLUSION

Systems and people can be the leading cause of fraud. The system is the financial management system, and the actors are the officials with the power to handle finances. Under certain conditions, an exemplary system can run financial management well and vice versa. In other situations, officials who have good behavior will make financial management run well, and vice versa.

Weak officials, processes, and people are poor reasons for fraud. An inefficient system is one where the rules, steps, and processes are not followed accurately and appropriately, the applications are still manual, and many people do not use a computerized system.

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