Determinants of Fraud Prevention in Surakarta City Government

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Article info	Abtract
	This research aims to find empirical evidence of the relationship between the government's internal control system, compliance with accounting rules, and fraud prevention in the Surakarta City government. Primary data was collected using a questionnaire. The total sample for this research was 120 employees of the Finance Department of the Regional Office of Surakarta City, spread across 30 Regional Apparatus Organizations. Data were analyzed using multiple regression analysis. The research results found that the government's internal control system and compliance with accounting rules positively affected fraud prevention in the Surakarta City government. Additional testing by adding educational level and background as control variables provides consistent findings that the internal control system and compliance with accounting rules positively affect fraud prevention. In contrast, academic level and background do not affect fraud prevention. These findings confirm that the Surakarta City government's success in suppressing fraud cases in the area is because it has an excellent internal control system and adheres to accounting rules
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1. Introduction

The use of technology in accounting science besides having many benefits in business, also has a negative impact, namely accounting fraud practices. Fraud is a conscious and deliberate mistake that can be made by individuals or companies to benefit themselves or groups by harming others (Rizky & Aida Fitri, 2017; Firdausy & Sari, 2022). Accounting fraud tends to be committed by someone who has a higher position or power (Rizky & Aida Fitri, 2017; Maria *et al.*, 2019). Generally, accounting fraud is related to corrupt practices, misuse of assets, and manipulation of financial statements, which can harm others intentionally carried out which is usually carried out by state apparatus or regional apparatus (Firdausy & Sari, 2022).

Accounting fraud is at the centre of many people's attention, especially in Indonesia. Accounting fraud occurs not only in private institutions, but also in government agencies. Referring to the

CPI (Corruption Perception Index), Indonesia is included in a country that has a high level of corruption. Out of 180 countries, Indonesia is ranked 110th in the world (Transparency International, 2023). Many corruption cases have occurred in Indonesia, such as the e-KTP case which cost the state as much as Rp. 2.3 trillion, the case of PT Asuransi Jiwasraya (Persero) which failed policies to customers and made the state lose up to Rp. 13.7 trillion, PT Asabri which cost the state up to Rp. 22.7 trillion, and many others (Dzulfaroh, 2023). The practice of accounting fraud also occurred in Surakarta City, such as alleged corruption in the case of loan funds for the Micro, Small and Medium Enterprises Cooperative Revolving Fund Management Agency (LPDB KUMKM) by BMT Nur Ummah with potential state financial losses of up to Rp. 1 billion (Marwoto, 2022). This means that accounting fraud is still a serious problem, including in Surakarta City. Therefore, fraud prevention efforts need to be done.

Previous research has examined factors that can prevent fraud such as internal control systems and accounting rule compliance (Rizky & Aida Fitri, 2017; Wardana *et al.*, 2017; Gustina, 2018; Kartadjumena & Indriyati, 2021; Irwansyah & Syufriadi, 2019; Tumpal Manik and Firmansyah Kusasi, 2019; Taufik, 2019; Ayu Kurnia & Jaeni, 2022; Fauziyah & Setyawan, 2022). Good internal control can reduce opportunities for fraud due to effective governance in the organisasi organisasi (Rizky & Aida Fitri, 2017; Wardana *et al.*, 2017; Maria *et al.*, 2019; Pitaloka *et al.*, 2020). The government is obliged to implement an internal control system to ensure that state assets and finances are managed reliably and safely. This condition encourages all planning, implementation, supervision, and accountability activities to be controlled (Hindriani *et al.*, 2020; Arfiansyah, 2020). In contrast to the results of previous studies, research by Wonar *et al.*, (2018), Sopian, (2020), Sumaryati *et al.*, (2020), Kivaayatul Akhyaar *et al.*, (2022), actually found that the internal control system has no effect on fraud prevention. This happens because of the mismatch between the division of tasks and responsibilities and the field of education of employees in the institution.

Fraudulent practices in local governments can be prevented if the government complies with accounting rules (Gustina, 2018; Hasibuan *et al.*, 2020; Purboraras, 2020; Sopian, 2020; Dalimunthe & Pane, 2021). Government Accounting Standards (SAP) are mandatory guidelines for financial management and reporting in local governments (Maranatal & Ratmono, 2017; Rodiah *et al.*, 2019). However, research by Firdausy & Sari, (2022) and Sinen, (2022) found different things, adherence to accounting rules had no effect on preventing accounting fraud in local governments because the State Civil Servants (ASN) of financial managers did not have an educational background in Accounting and did not understand SAP. The inconsistency of these results encourages research on the determinants of fraud prevention in local government still needs to be done.

Research on the determinants of fraud prevention, namely the internal control system, compliance with accounting rules will be carried out in the Surakarta City government. There are two reasons underlying the selection of the object of research. First, there is a decreasing trend of fraud in the Surakarta City government (Anandya & Easter, 2023). Second, the Surakarta City government has successfully maintained an unqualified audit opin-

ion (WTP) on its financial statements for 12 consecutive years. This study will try to answer whether the success of fraud prevention in the Surakarta city government is influenced by the government internal control system (SPIP) and the observance of accounting rules. Therefore, the purpose of this study is to find empirical evidence of the effect of SPIP and the observance of accounting rules on fraud prevention in the Surakarta City government. This research is expected to contribute theoretically and practically. Theoretical contributions, the results of the study are expected to provide empirical evidence of the role of the internal control system and the observance of accounting rules on fraud prevention in local government. In addition, practical contributions for the Surakarta City government. The results of this study can be used as a basis for consideration of making fraud prevention policies.

2. Hypothesis Development

Fraud is an act of fraud or error made by a person or entity who actually knows that the error has a negative impact on other parties (Maria et al., 2019). There are three types of sketches of fraud that are commonly committed, one of which is corruption, which is an unlawful act with the aim of enriching itself and can harm the organisation or the state (Khumairoh *et al.*, 2022; Nur, 2022). Corruption is widely practiced in various organisations, including the government. Corruption is a fraud that is difficult to detect because of the many parties involved (Firdausy & Sari, 2022). To prevent and minimise corruption, the implementation of government activities needs to implement a government internal control system (SPIP). In addition, the application of compliance with accounting rules that have been stated in PP No. 71 of 2010 is expected to prevent fraud (Sopian, 2020; Kivaayatul Akhyaar *et al.*, 2022; Sinen, 2022).

According to the fraud triangle theory, fraud occurs if there is an opportunity or chance, namely when SPI is weak (Maria *et al.*, 2019) and unclear policies (Fitri *et al.*, 2019). Therefore, the government needs to make prevention efforts to minimise and eradicate fraud (Putu *et al.*, 2018; Prena & Kusmawan, 2020; Sinen, 2022; Prameswari *et al.*, 2022). SPIP implementation provides adequate assurance in the process of government administration and management of funds in accordance with the law (Abdulrahman, 2019; Arfiansyah, 2020; Pitaloka *et al.*, 2020; Sopian, 2020; Firdausy & Sari,

2022). SPIP implementation must be integrated and become an integral part of the activities of government agencies and must run together with other activities in the Regional Work Unit PP No. 60/ 2008 (Kartadjumena & Indriyati, 2021). Effective and efficient SPI can reduce accounting fraud Rizky & Aida Fitri, 2017; Wardana *et al.*, 2017; Irwansyah & Syufriadi, 2019 because SPI combines hard controls, such as separation of duties and soft controls, such as ethical values (Taufik, 2019).

This means that SPIP has an effect on fraud prevention (Rizky & Aida Fitri, 2017; Wardana *et al.*, 2017; Gustina, 2018; Taufik, 2019; Angraini *et al.*, 2020; Arfiansyah, 2020; Kartadjumena & Indriyati, 2021; Fauziyah & Setyawan, 2022). The higher the agency implements SPIP, the better the fraud prevention in the agency, and vice versa. In order to examine the relationship between SPIP and fraud prevention in the Surakarta City government, the first hypothesis of this study is stated as follows:

H$_1$: The government internal control system has a positive effect on fraud prevention in the Surakarta City government.

Obedience to accounting rules, namely compliance in complying with all terms and conditions or accounting rules in preparing financial reports (Irwansyah & Syufriadi, 2019). Organisations that comply with accounting rules will present financial reports in accordance with standards to reduce the opportunity for fraud (Sinen, 2022). The fraud triangle theory states that opportunity is one of the factors that encourage fraud in organisations (Cressey, 1953). Accounting rules are made to prevent deviant actions that can harm the organisation (Irwansyah & Syufriadi, 2019; Rodiah *et al.*, 2019; Swatan & Pancasari Kusumawardani, 2022). Government Accounting Standards (SAP) are guidelines for financial management and reporting in local governments (Maranatal & Ratmono, 2017; Rodiah *et al.*, 2019; KSAP, 2021). Its implementation is regulated in Government Regulation No. 71/ 2010. Institutions that comply with accounting rules will become transparent and accountable institutions, so that financial management becomes accurate, effective, reliable, and accountable (Fadhilah et al., 2021; Firdausy & Sari, 2022). Compliance with accounting rules affects fraud prevention (Gustina, 2018; Rahmah & Haryoso, 2018; Hasibuan *et al.*, 2020; Pertiwi & Utami, 2020; Purboraras, 2020; Sopian, 2020; Dalimunthe & Pane, 2021). The higher the agency applies the obedience of accounting rules, the better the fraud prevention in the agency, and vice versa. In order to test the relationship between the observance of accounting rules on fraud

prevention in the Surakarta City government, the second hypothesis of this study is stated as follows:

H$_2$: Adherence to accounting standards has a positive effect on fraud prevention in the Surakarta City government.

3. Data and Methods

The research method used is a quantitative research method using primary data sources obtained from questionnaire answers. The aim is to examine the effect of the government's internal control system (SPIP) and the observance of accounting rules on fraud prevention in the Surakarta City government. The population in this study were all employees of the Finance Section of the Surakarta City Government Regional Office in 30 Regional Apparatus Organisations (OPD). The sample was selected using purposive sampling, with the criteria, State Civil Apparatus (ASN) who understand the process and are directly involved in preparing financial reports. The research data was collected by filling out a questionnaire distributed online via Google Forms. Population and sample selection is based on fraud tree theory, namely corruption, State Civil Apparatus (ASN) who are directly related to finance tend to be more easily tempted and look for opportunities to commit acts of bribery than State Civil Apparatus (ASN) whose work is not related to finance.

Variable Operationalisation and Measurement

The dependent variable of this study is fraud prevention, while the independent variables of this study are SPIP and accounting rule compliance. This study also uses control variables, namely the level of education and educational background. The operational definitions of the variables and how they are measured are presented below.

Fraud Prevention

This study uses the definition of fraud prevention in Faiqoh (2019), namely efforts to reduce fraud by reducing opportunities for fraud, reducing pressure and rationalising actions to cheat. Fraud prevention is measured using four indicators, namely the implementation of agency culture, fraud awareness training according to responsibilities, implementation of a code of ethics and sanctioning violators of the code of ethics, providing a deterrent effect on fraud (Faiqoh, 2019).

Government Internal Control System

This study uses the definition of SPI contained in PP No. 60/2008 concerning the government internal control system (SPIP), which is an integral process of activities carried out continuously and continuously by leaders and all employees to provide assurance of the achievement of goals effectively and efficiently and compliance with laws and regulations. SPIP adopts the elements of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control, namely the control environment, risk assessment, control activities, communication and information, and monitoring (Gustina, 2018; Maria *et al.*, 2019; Hindriani *et al.*, 2020). The statement to measure SPIP indicators in this study was developed by Isniawati *et al.* (2022).

Compliance with Accounting Rules

Accounting rule compliance is the obligation to comply with the guidelines used in preparing financial statements and presenting reports so that the resulting information is effective, reliable, and accurate (Prihandoko & Rusdi, 2020). Compliance to accounting rules is measured using five indicators, namely disclosure requirements, presenting useful information, objectivity, prudence, and consistency of presentation (Prihandoko & Rusdi, 2020). The statements to measure indicators of compliance with accounting rules in this study were developed by Prihandoko & Rusdi (2020). This research variable is measured using a 5 Likert scale. Score 1 for Strongly Disagree (STS), score 2 for Disagree (TS), score 3 for Disagree (KS), score 4 for Agree (S), and score 5 for Strongly Agree (SS).

Control Variables: Education Level and Educational Background

Education Level

The level of education is the stage of education of a person. The higher the level of education in a particular field, the greater the understanding in that field (Wungow *et al.*, 2016). The level of education of financial managers is expected to understand fraud prevention practices in the field of accounting with the understanding gained from previous education. Education level is measured using an ordinal scale. Score 1 for high school, score 2 for Diploma 3, score 3 for Bachelor Degree 1 / Diploma 4, score 4 for Master, score 5 for Doctorate.

Educational Background

Educational background is a person's experience that has been obtained from learning programmes (Mukaromah & Ari, 2021). Employees with an educational background in accounting (finance) are able to prepare financial reports in accordance with SAP (Mia *et al.*, 2016). With an educational background that comes from the accounting field, it is assumed that it will be easier to understand fraud prevention practices. Educational background is measured using a nominal scale. Educational background will be grouped into five sections, namely score 5 for Economics, score 4 for Science/Education, score 3 for Law/Informatics, score 2 for Faculty of Social Sciences, score 1 for other majors.

Data Analysis Technique

This research questionnaire was tested for validity using Pearson Product Moment (Muna, 2019), and reliability testing using Cronbach Alpha**.** (Gustina, 2018). Based on the validity test, 34 questions in this questionnaire have a significance value <0.05, so each item of this research question is valid and can be used for further research. The reliability test results show that all research variables have a Cronbach alpha value> 0.6, so all variables in this study are reliable and can be used for further research.

This research data was analysed in three ways. First, the classic assumption test, consisting of normality test, multicollinearity test, heterosceda-sticity test. The normality test is carried out to test whether the data used for hypothesis testing is normally distributed or not using Kolmogorov Smirnov analysis. If the data is not normal, the prediction results of the model are not good. The data is normally distributed, if the significance value is> 0.05. The multicollinearity test aims to assess whether each independent variable is correlated with each other by looking at the tolerance value and VIF (Variance Inflation Factor). If the VIF value <10 and the tolerance value> 0.1, then there is no multicollinearity. The het-eroscedasticity test aims to test whether the regression model has the same error or not. If the significance value of the t-test>-0.05, then the regression model is free from heteroscedasticity, and vice versa.

Second, hypothesis testing using multiple linear regression analysis, namely the t test. The goal is to measure how far the influence of the independent variables, namely the internal control

system and the observance of accounting rules, explains the variation of the dependent variable, namely fraud prevention in the Surakarta City government. If the value of t sig.<0.05, then the hypothesis is supported, if sig.>0.05, it can be concluded that the hypothesis is not supported (Handoko Swatan & Pancasari Kusumawardani, 2022). The multiple linear regression model tested in this study is presented in equation 1. Third, additional testing using multiple linear regression analysis. Additional testing is conducted to test how robust the previous test results are by adding other variables, as control variables in order to obtain better analysis results. The model in equation 1 will be tested again by adding the variables of education level and educational background, such as equation:

$$PF_i = \beta_0 + \beta_1 SPIP_i + \beta_2 KA_i + \varepsilon_i$$
$$PF_i = \beta_0 + \beta_1 SPIP_i + \beta_2 KA_i + \beta_3 TP_i + \beta_4 LP_i + \varepsilon_i$$

Where: PF is fraud prevention, i is the Surakarta City government, β_0 is a constant, β_{1-2}, is the coefficient of the independent variable, namely SPIP is the government's internal control system, KA is the observance of accounting rules, β_{3-4} is the coefficient of the control variable: TP is the level of education, LP is the educational background ε is the confounding variable.

4. Results

Descriptive Statistic

Respondents of this study are State Civil Apparatus (ASN) in the Surakarta City Government who understand and are directly involved in the preparation of financial reports. This research data was obtained by distributing questionnaires using google form directly on 12 June to 1 July 2023. The total number of respondents was 130 respondents, but there were 10 respondents who were deleted because they were not included in the predetermined criteria because they were not directly involved in the preparation of financial reports. So, the total number of respondents processed in this study was 120 people.

Demographic information of the respondents is presented in Table 1. Based on gender, the majority of respondents were male, 59.2 per cent (71 people), while those who were female were 40.8 per cent (49 people). Based on age, the majority of respondents aged 26-40 years as much as 56.7 per cent (68 people), then those aged> 40 years as much as 43.3 per cent (52 people).

Table 1 Demografi responden

Demographics	Criteria	Total	%
Total responden		120	100
Gender	Male	71	59.2
	Female	49	40.8
Age	>40	52	43.3
	26-40	68	56.7
Education	High School	8	6.7
	Diploma	15	12.5
	Undergraduate/ D4	40	33.3
	Master	34	28.3
	Doctor	23	19.2

Classical Assumption Test Results

The classic assumption test in this study uses three tests. First, the normality test uses Kolmogorov Smirnov and finds an asymp.sig (2- tiled) value of 0.134 greater than 0.05. This means that the data in this study is normally distributed. Second, the multicollinearity test of the tolerance value of the government internal control system variable and the observance of accounting rules is 0.919 and the VIF is 1.089. All variables in this study have a tolerance value> 0.1 and a VIF value of <10. This means there are no symptoms of multicollinearity. Third, the heteroscedasticity test uses the Glejser test. The test results found the significance value of SPIP (0.769) and the significance value of the observance of accounting rules (0.070). All variables have a significance value> 0.05, so there are no symptoms of het-erokedasticity, and testing can be continued.

Hypothesis Test Results

The results of the hypothesis test are presented in Table 2. The results of the H1 test obtained a t-count value for the government internal control system variable of 1.997 and a p-value of 0.048. This means that the government internal control system affects fraud prevention in the Surakarta City government, so H1 is supported. A positive relationship means that the better the government internal control, the better the level of fraud prevention in the Surakarta City government. The results of the H_2 test obtained a t-count value for the accounting rule compliance variable of 14.348 and a p-value of 0.000. This means that the observance of accounting rules affects fraud prevention in the Surakarta City government, so H_2 is supported. The positive relationship shows that the better the adherence to accounting rules that are applied, the better the fraud prevention carried out by the Surakarta City government.

The coefficient of determination test results show the R^2 value of 0.709. This means that the

independent variables, namely SPIP and compliance with accounting rules together affect the dependent variable, namely fraud prevention in the Surakarta City government by 0.709 and the remaining 0.291 is influenced by other variables that are not included in this research model, such as asymmetric information, leadership style, organisational commitment, and others. Meanwhile, the Adjusted R^2 value is 0.703, which means that SPIP and accounting rule compliance have an effect of 70.3 per cent on fraud prevention in the Surakarta City government and the remaining 29.7 per cent is influenced by variables outside this study.

Table 2. Regression analysis results

Variable	β	t	Prob.
(Constant)	2.679	10.532	0.000
SPIP	0.052	1.997	0.048
KA	0.193	14.348	0.000
R^2		0.709	
Adjusted R^2		0.703	

Additional Test Results

The results of additional tests are presented in Table 3. The results of additional tests found that SPIP and accounting rule compliance have a positive effect on fraud prevention in the Surakarta City government, while the level of education and educational background have no effect on fraud prevention. After adding the control variables, level and educational background, the coefficient of determination (R^2) was found to increase to 0.725. This means that the independent variables, namely the internal control system and the observance of accounting rules together affect the dependent variable, namely fraud prevention in the Surakarta City government by 0.725 and the remaining 0.275 is influenced by other variables outside this research model. Meanwhile, the Adjusted R^2 value is 0.714, meaning that the government internal control system and compliance with accounting rules have an effect of 71.4 per cent on fraud prevention in the Surakarta City government and the remaining 28.6 percent is influenced by variables outside this study.

Table 3. Additional Test Result

Variable	β	t	Prob.
(Constant)	2.670	10.532	0.000
SPIP	0.054	2.119	0.037
KA	0.194	14.090	0.000
TP	-0.007	-2.369	0.020
LP	0.002	0.762	0.448
R^2		0.725	
Adjusted R^2		0.714	

5. Discussion

The Effect of Government Internal Control System on Fraud Prevention

The results of the study found empirical evidence that SPIP has a positive effect on fraud prevention in the Surakarta City government. This means that the better SPIP is implemented, the better fraud prevention there is, and vice versa. A good SPI can provide adequate assurance that the process of organising local government and managing funds is carried out in accordance with the laws and regulations (Abdulrahman, 2019; Arfiansyah, 2020; Pitaloka *et al.*, 2020; Sopian, 2020; Firdausy & Sari, 2022). The opportunity to commit fraud is wide open, if SPI is weak (Maria *et al.*, 2019). Therefore, the implementation of integrated SPI in activities in government agencies is carried out in an effort to minimise opportunities for fraud to occur (Putu *et al.*, 2018; Prena & Kusmawan, 2020; Kartadjumena & Indriyati, 2021; Prameswari *et al.*, 2022; Sinen, 2022) and as an effort to prevent fraud (Rizky & Aida Fitri, 2017; Wardana *et al.*, 2017). Adequate SPIP implementation can prevent fraud because every activity is fully supervised (Sopian, 2020). The results of this study are in line with the research findings Ndege Joseph et al., (2015), Rizky & Aida Fitri, (2017), Wardana et al., (2017), Gustina, (2018), Arfiansyah, (2020), Kartadjumena & Indriyati, (2021), and Fauziyah & Setyawan, (2022).

The Effect of Accounting Rule Adherence on Fraud Prevention

The results of the study found empirical evidence that the observance of accounting rules has a positive effect on fraud prevention in the Surakarta City government. This means that the better the adherence to accounting rules that are applied, the better fraud prevention there is, and vice versa. By applying the observance of accounting rules can prevent fraud (Irwansyah & Syufriadi, 2019; Rodiah *et al.*, 2019; Handoko Swatan & Pancasari Kusumawardani, 2022). Government agencies use Government Accounting Standards (SAP) as accounting rules in managing and reporting their finances in accordance with the mandate of PP No. 71/2010. A government that complies with accounting rules will become a transparent and accountable institution (Gustina, 2018; Fadhilah *et al.*, 2021; Firdausy & Sari, 2022). The findings of this study are in line with the research findings of Gustina (2018), Rahmah & Haryoso (2018), Sopian

(2020), Purboraras (2020), Dalimunthe & Pane (2021).

The test results by adding control variables, namely, education level and educational background in the research model provide consistent results that SPIP and accounting rule compliance have a positive influence on fraud prevention in the Surakarta City government. This finding reinforces that fraud prevention is created when the opportunity for someone to commit fraudulent behaviour is reduced, with the implementation of SPI and enforcement of accounting rules (Munadi *et al*., 2022). The level of education does not correlate with fraud prevention. This happens because the level of education cannot change the conditions that pressure individuals to commit fraud. In addition, ethical awareness about the value of honesty of each individual is also different. Second, there is no relationship between educational background and fraud prevention in the Surakarta City government. Currently, education implemented in Indonesia still prioritises hard skills over soft skills, hard skills prioritise expertise while soft skills prioritise honesty, integrity, ethical commitment, and others (Wijayanti & Hanafi, 2018). This finding is in line with the findings of Wungow *et al*., (2016), and Wijayanti & Hanafi (2018). Both low and high levels of education are prone to fraud. In addition, many employees are also assigned not in accordance with their educational background, so that some employees also do not understand their responsibilities. Employees who do not have an accounting education background also have limitations in the knowledge of preparing financial statements if they are not accompanied by senior employees or employees who understand the preparation of financial statements.

6. Conclusions and Suggestions

Conclusion

This study aims to find empirical evidence that the relationship between government internal control system (SPIP), accounting rules compliance and fraud prevention in Surakarta City government. The results found that SPIP has a positive influence on fraud prevention in the Surakarta City government. That is, the better the SPIP implemented, the better the fraud prevention there, and vice versa. In addition, compliance with accounting rules also has a positive influence on fraud prevention in the local government of Surakarta City. That is, the more obedient the Surakarta City govern-

ment is to accounting rules, the better the fraud prevention, and vice versa. Additional testing by adding level and educational background as control variables provides consistent findings that SPIP and adherence to accounting rules have a positive effect on fraud prevention in Surakarta City government, while level and educational background have no effect on fraud prevention there. This finding confirms that the success of the Surakarta City government in suppressing fraud cases in the area is due to the implementation of good SPIP and compliance with accounting rules.

Suggestions

Suggestions for future research are as follows. First, future research is recommended to examine the phenomenon of fraud prevention in other local governments, so that the results can be generalised to the context of the Indonesian government. Second, to deal with respondent bias, future research can insert tricky questions in the questionnaire. The Surakarta City Government needs to provide training on fraud awareness, and create a conducive work environment, as well as increase monitoring for new employees who are directly related to finance.

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