
Empirical Study on Compliance and Accountability in Government Finance

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Abstract

Good governance still needs to improve, especially in terms of compliance with accounting standards and financial accountability and in terms of preparing financial statements. Therefore, this study provides empirical evidence on the effect of the effectiveness of internal control and compliance with accounting standards on government accountability, using the tendency of financial statement fraud as an intervening variable. The data analysis method uses Smart PLS on a sample of 100 local governments in Indonesia. The results of the study showed that the effectiveness of internal control and compliance with accounting standards have a significant effect on financial statement fraud. Furthermore, the effectiveness of internal control and compliance with accounting standards can reduce the tendency of financial statement fraud and can increase government accountability.

Keywords: government accountability, internal control, compliance with accounting standards, tendency of financial statement fraud

1. Introduction

State financial management is a means to achieve better state goals, meaning that the more accountable the state financial management is, the better the state management will be. However, in state financial management, there is much fraud in financial report, and the possibility of deviations is too high. The interplay between systemic (pressure, opportunity, rationalization, etc.) and external (regulatory environment, industry characteristics, corporate culture, etc.) factors creates an environment where financial statement fraud can thrive. Addressing these influences requires a comprehensive approach that includes strengthening internal controls, fostering an ethical corporate culture, and ensuring robust regulatory oversight. By understanding these factors, organizations can better position themselves to prevent financial statement fraud and enhance overall accountability. Akbar (2013) provides an overview of the most frequently used generic measures to measure the implementation of good governance in the public sector, one of which is the achievement of financial accountability reflected in the publication of financial reports. As an illustration, the existence of financial reports is expected

to help users assess whether their income in that year is sufficient to finance the services provided. The results of the Audit Board's audit of 533 Regional Government Financial Reports in 2015 revealed 7,989 findings, including 6,150 weaknesses in the internal control system (SPI) consisting of problems with the accounting and reporting control system, weaknesses in the budget implementation control system, and weaknesses in the internal control structure (Badan Pemeriksa Keuangan RI, 2016; ICW, 2017).

Problems of weaknesses in the internal control system generally occur because the responsible officials/employees are negligent and not careful in complying with and understanding the applicable provisions, have not been optimal in carrying out their duties and responsibilities, are weak in carrying out supervision and control, lack coordination between related officials, have not made policies/procedures for operational activity, and have not followed up on recommendations from the results of the previous BPK audit. Accountability is believed to be able to change the condition of government from previously not providing good public services and being corrupt to a democratic and transparent government system. The decline in accountability is caused by several factors, one of which is the tendency for accounting fraud within an agency (Thoyibatun, 2012). This practice, commonly referred to as window dressing, is often heard to occur in the private sector. However, in the public sector, it has also been heard that it occurs in two BUMNs, namely PT PAL and PT Kimia Farma. At the local government level, the objectives/motives and modus operandi of corporate accounting fraud are mostly the same, although some do not apply to government accounting and financial reporting. The purpose of engineering accounting and reporting of local government financial reports is for accountability for budget realization through budget realization reports (LRA), the validity of expenditures, financial balances, and the financial performance of local governments. A real example of financial reporting fraud that has occurred is in the Semarang City Government, which presented a deposit in the Balance Sheet as of December 31, 2015 of IDR 22 billion. However, it turned out that the cash was not stored in the bank, and only IDR 80 million remained. The deposit was made as part of regional cash management (Detik.com, 2015; Hikam, 2020).

Based on the existing phenomenon, this study aims to obtain empirical evidence on the influence of the effectiveness of internal control and compliance with accounting standards on government accountability in the public sector in Indonesia. In addition, this study also provides an overview of the extent to which government internal control will function effectively in preparing financial reports.

2. Literature Review

2.1 Theoretical background

This study uses two fundamental theories, namely Agency theory and attribution theory. Agency theory (Jensen & Meckling, 1976) describes the working relationship as a "nexus of contract." The authorizer is the investor with the recipient of the authority, namely the manager. In the context of public sector organizations, especially in government, both central and regional

governments, agency theory has been applied consciously or unconsciously. This practice has been supported by the implementation of autonomy and decentralization policies in regional governments since 1999 when independent power occurred. Two perspectives that emerge in the process of preparing and changing the budget indicate the application of agency theory, namely the relationship between the people and the legislature and the legislature and the executive. Meanwhile, from the aspect of financial accountability, it can be understood that the executive has an advantage because he controls more information than the legislature, so he is self-interested because he has the advantage of power (discretionary power). Meanwhile, attribution theory (Gibson, 1994) describes a person's reaction to events around them by knowing the reasons for the events they experience. This theory aims to determine the effect of the effectiveness of internal control on government accountability, which is mediated by the tendency of accounting fraud. Explains that the causal attribute causes the actions taken by a person. So, the actions of a leader or person who is given authority or power are influenced by the causal attribute, and fraudulent actions can be influenced by the existence of an internal control system and monitoring by superiors.

2.2 Internal control effectiveness

Effectiveness is a condition that indicates the level of success of management activity in achieving predetermined goals (Komarudin, 1994), while in the Big Indonesian Dictionary (KBBI) it is explained that effectiveness is while in the Great Dictionary of the Indonesian Language (KBBI), it is explained that effectiveness is the success of an effort or action. Thus, effectiveness focuses more on the level of success of an agency in achieving predetermined goals or targets. 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 (Arens *et al.*, 2015; Siahaan *et al.*, 2019). These policies and procedures are often referred to as controls and collectively form the entity's internal control. In accordance with the Standards for The Professional Practice of Internal Auditing (Standard 300), Scope of Work, the five main objectives of internal control are to ensure Reliability and integrity of information; Compliance with policies, plans, procedures, laws, and regulations; Securing assets; Economic and efficient use of resources; Achieving the goals and objectives of operations or programs that have been set. Regarding the effectiveness of internal control that is built, in practice, the limits on the effectiveness of internal control are stated by Shintadevi (2016), namely in the form of management's success in achieving the agency's goals related to maintaining the Reliability of financial report presentation, operational efficiency and compliance with applicable laws and regulations.

2.3 Compliance with accounting standards

The principles of government accounting are the overall concepts, provisions, methods, procedures, methods, and techniques available both in Indonesia and internationally, both theoretically and practically, to record and classify, summarize, adjust, report, and analyze government financial transactions (Rusmana *et al.*, 2017). The conceptual framework of government accounting is a fundamental concept in the preparation of government accounting

standards (SAP) which are derived from generally accepted accounting principles (GAAP). That is inseparable from the behavior of the organization to comply with existing regulations (Siahaan et al., 2023b, 2024). Compliance with accounting standards is seen as the level of conformity of the organization's asset management procedures, implementation of accounting procedures, and presentation of financial statements and supporting evidence with the rules stipulated by Government Accounting Standards (PP Number 71 of 2010). Disclosure requirements explain that every accounting entity in the government environment is expected to present financial statements and performance reports. The financial report consists of a budget realization report, balance sheet, operational report, cash flow report, and notes to the financial report. In contrast, the performance report contains a summary of the output of each activity and the results achieved from each program as stipulated in the APBN/APBD implementation document regulated in PP Number 71 of 2010 concerning SAP.

2.4 Fraudulent financial reporting tendency

Association of Certified Fraud Examiners (ACFE, 2016) defines financial statement fraud as "financial statement fraud is the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive users of the financial statement." Misleading financial reporting is the deliberate misrepresentation or omission of an amount or disclosure with the aim of deceiving users of the financial statements. Financial reporting that contains fraud sometimes involves the neglect of control by management. Financial statement fraud, like other frauds, is an intentional act to present data that is not true. The need for internal control increases in connection with the increasing development and form of exposure. One form of exposure is embezzlement and accounting/financial statement fraud (Hikmah *et al.*, 2022; Rezaee, 2005). The results of Shintadevi's (2016) study stated that the effectiveness of internal control has a negative effect on the tendency of accounting fraud. The results of this study are supported by previous research conducted by Rashid (2022), which stated that the effectiveness of internal control has a negative and significant effect on the tendency of accounting fraud in public companies and state-owned enterprises in Indonesia. This study proves Arens *et al.* (2015), which states that one of the components of internal control, namely risk assessment of financial reporting, is an action taken by management to identify and analyze risks that are relevant to the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) or generally accepted accounting principles.

H₁: The effectiveness of internal control has a negative effect on the tendency of financial reporting fraud

Theoretically, compliance with accounting standards is an obligation. If financial reports are made without following accounting provisions, then the condition is declared a failure, which will lead to a tendency for accounting fraud. The results of Shintadevi's (2016) study stated that compliance with accounting rules has a negative effect on the tendency of accounting fraud. The results of this study indicate that the more the agency complies with the applicable accounting rules, the lower the tendency of accounting fraud committed by employees and management within it. This study proves the theory of in Wolk and Tearney (1997), which states that

management's disobedience to accounting rules causes failure to prepare financial reports, where which will lead to corporate fraud that auditors cannot detect.

H₂: Compliance with accounting standards has a negative effect on the tendency of financial reporting fraud

2.5 Government accountability

Local government is an important link between the state and citizens, more specifically, as a place of public services. Although, in context, municipalities' jurisdiction and responsibility may differ, good governance in local government is key to maintaining a good relationship between the state and its citizens (Ardigó *et al.*, 2019). The concept of accountability is defined as every individual, ruler, and official must be aware that all his actions have an impact on others, society/public so that he must be accountable for all his actions to the public who are consumers of his services in Tokyo Declaration 1985 (Akbar, 2013). According to The Conceptual Framework for General Financial Reporting by Public Sector in the International Public Sector Accounting Standards (IPSAS) 2015 by Rusmana *et al.* (2017), financial reporting aims to provide information related to entities that are useful for users of government financial reports in the context of accountability and decision making.

The relationship between internal control and government accountability can be seen from the components of internal control designed and implemented by the government, namely. Government accountability can be achieved or increased if human resources have high self-quality, so effective coaching is needed (Lase *et al.*, 2024). Proper risk assessment can reduce obstacles that threaten the organization so as to encourage the realization of government accountability. Control activities are needed to ensure that risk management actions have been implemented effectively based on established policies and procedures. Government accountability can be increased because accountability activities can be carried out periodically, supported by an active, conducive, and continuous communication information pattern. Monitoring carried out periodically is helpful in ensuring accountability for success and failure that is carried out consistently and the achievement of regular internal control. The results of Handayani *et al.* (2020) study showed that the effectiveness of internal control has a positive effect on organizational accountability. This result is consistent with the research of Rahmasari & Setiawan (2022), which states that the effectiveness of internal control has a significant positive effect on the accountability of government agency performance. This study is also in accordance with the research conducted by Afiah & Azwari (2015), which states that the government's internal control system and the quality of financial reports have a positive effect on financial accountability in district governments in the South Sumatera Province.

H₃: The effectiveness of internal control has a positive effect on government accountability

Government Accounting Standards (SAP) are accounting principles applied in preparing and presenting government financial reports. Better compliance with accounting standards is one impact of the importance of actions and steps in strengthening public financial management mechanisms, in addition to the effectiveness of the accounting education system and

competency-based ones that can provide adequate IPSAS knowledge. This can improve public sector performance (Sellami & Gafsi, 2020). The results of Handayani and Yanti (2023) research show that compliance with accounting rules has a positive effect on organizational accountability. The results of this study are in accordance with the research of Zirman. *et al.* (2010), which states that compliance with laws and regulations has a positive and significant effect on the performance accountability of government agencies. Research from Muslimah *et al.* (2023) also states the results of data analysis that compliance with laws and regulations has a positive and significant effect on the performance accountability of government agencies.

H₄: Compliance with accounting standards has a positive effect on government accountability

Accountability brings the effect of individual managerial responsibility. If there is any untruth in it, it will also have consequences for the individual. Therefore, performance accountability is a reflection of the performance of individuals who are delegated authority and duties to control the organization. The results of research conducted by Thoyibatun (2012) show that empirical data does not support the hypothesis that the tendency for accounting fraud affects performance accountability. The empirical test results in this study are inconsistent with the findings of previous studies, which generally state that the increasing tendency of accounting fraud affects the decrease in accountability and performance.

H₅: The tendency of accounting fraud has a negative effect on government accountability

2.6 The mediating role of *fraudulent financial reporting tendency*

Research on the effect of internal control effectiveness on government accountability has been widely conducted. Thoyibatun (2012) is one of those who studied this and concluded that accountability can encourage the formation of organizational culture and behavior of organizational members that can minimize the tendency of accounting fraud. With adequate internal control in the organization, the tendency of accounting fraud can be minimized so that good organizational accountability will be achieved. Several other studies conducted by Handayani and Yanti (2023) and Muslimah *et al.* (2023) also stated that the effectiveness of internal control has a significant positive effect on the accountability of government agency performance.

H₆: The effectiveness of internal control has a positive effect on government accountability through the tendency of financial reporting fraud

Compliance with accounting standards can form high management morality and can reduce the tendency of accounting fraud committed by management. This conclusion was stated by Muslimah *et al.* (2023) in her research. The hypothesis that Compliance with accounting standards has a negative effect on the tendency of accounting fraud has also been proven by Rashid (2022) and Thoyibatun (2012). Both of these studies provide results that show that Compliance with accounting rules has a negative effect on the tendency of accounting fraud. This study is in accordance with the research of Zirman. *et al.* (2010) which states that Compliance with laws and regulations has a positive and significant effect on accountability of government agency performance.

H₇: Compliance with accounting standards has a positive effect on government accountability through the tendency of accounting fraud

3. Research Method

This research is a causal study using cross-sectional data, where data is only collected once, with a non-probability sampling method in the form of convenience sampling. Field survey by taking samples from one population through the distribution of questionnaires as primary data. The level of intervention in this study is minimal, where the research situation is in a real environment with the unit of analysis in the form of local governments and a research sample of 100 local governments spread throughout Indonesia. The primary data in this study uses a data collection method by distributing research questionnaires using electronic mail (email) and online questionnaires (Google Forms) addressed to the target respondents collection. Namely, the parties who are technically involved in recording financial transactions and preparing financial reports. In order to reduce bias in data collection, researchers confirm and follow up via email to related agencies or ask the PIC in the population through good relations with employees at the relevant agencies. The questionnaire uses a Likert scale approach from answers with the lowest value of 1 and the highest value of 5, consisting of 45 questions.

Government accountability as a dependent variable in the context of the public sector is measured using dimensions that refer to the criteria set by the State Administration Institute, including financial accountability, benefit accountability, and procedural accountability. The independent variable of internal control effectiveness is measured using the dimensions of the five elements of internal control issued by COSO, namely: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring. The variable compliance with accounting standards is measured using the dimensions of accounting principles and financial reporting regulated in the Government Accounting Standards Statement (PSAP) 01: Conceptual Framework for Government Accounting (PP Number 71 of 2010). Furthermore, the intervening variable of the tendency of financial statement fraud is measured using a measurable dimension by using the development of statements from the dimensions of the tendency of accounting fraud, namely the existence of actions, policies, methods, cunning, concealment, and disguises that are not appropriate intentionally, in presenting financial statements.

The data analysis method in this study was carried out using the Structural Equation Model (SEM) approach, especially the Partial Least Square (PLS) software, by going through stages starting from the evaluation of the measurement model (outer model), structural model (inner model), and hypothesis testing to meet the Rule of Thumb of each stage, and also testing the mediation effect (intervening), through the bootstrapping method or random duplication. The requirements for the existence of intervening variables are that the influence of the relationship between the independent and dependent variables is significant and that the influence of the intervening variables on the dependent is significant.

4. Results and Discussion

4.1 Results

The parties participating in this study include echelon 3 and 4 levels, namely those who hold positions as Head of Section/Field or Head of Section/Head of Sub-Division at the Regional Financial Management Agency/Office. The population in this study is the Regional Financial Management Agency/Office in the Regional Government in Indonesia. Referring to the latest data released by the Ministry of Home Affairs, the number of Regional Governments in 2017 was 548 entities, consisting of 34 Provinces, 416 Regencies, and 98 Cities. The number of research samples set was 100 Regional Governments (around 20% of the population). The number of questionnaires returned was 94, or 94%. 6 questionnaires still needed to be returned. Ninety-one questionnaires could be processed, or 91%; the remaining three questionnaires could not be processed because there were questionnaire responses that needed to meet the criteria as samples (filled in by non-accounting reporting departments) and were not filled in entirely by respondents. The processed questionnaire sample data covered 11 Provinces, 51 Regencies, and 29 Cities.

Table 1. Outer and inner models

Item	Internal Control Effectiveness	Compliance with accounting standards	Fraudulent Financial Reporting Tendency	Government Accountability
<i>Convergent validity:</i>				
Loading factor	> 0.7			
<i>Discriminant validity:</i>				
Cross-loading	The cross-loading correlation value of the construct with its indicators is greater than the correlation value with other constructs			
AVE	0.5865	0.7525	0.6253	0.7038
	The square root value of AVE for each construct is greater than the correlation value			
<i>Composite reliability:</i>				
Cronbach Alpha	0.9638	0.9551	0.9415	0.9552
<i>Determination Test:</i>				
Cronbach Alpha	0.9598	0.9452	0.9286	0.9469

Table 1 explains that the AVE value is above 0.5; this means that all latent variables used in this study are valid because they have met the recommended AVE value (> 0.5). All constructs have a composite reliability value above 0.70 and Cronbach's alpha above 0.60. So, the construct is reliable. The R2 value for government accountability above 0.7990 indicates that 79.9% of the variance in government accountability can be explained by changes in the influence of internal

control effectiveness and compliance with accounting standards and the remaining 20.1 by other variables outside the model. While for the tendency of financial statement fraud, 0.558 indicates that 55.8% of the variance in the tendency of financial statement fraud can be explained by changes in the variables of the influence of internal control effectiveness and compliance with accounting standards, the remaining 44.2% is caused by other factors outside the model. The calculation results also show a GoF value of 0.6727; the GoF is categorized as significant because it is above 0.36.

Table 2. T-statistic and research coefficient

Relationship between Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ((O/STERR))	Sig. (p-value)	Conclusion
ICE □ FFRT	-0,3582	0,0916	3,91	0	Hypothesis (H1) is accepted
CAS □ GA	-0,4578	0,0994	4,6067	0	Hypothesis (H2) is accepted
ICE □ FFRT	0,3001	0,0727	4,1271	0	Hypothesis (H3) is accepted
CAS □ GA	0,4641	0,0647	7,1686	0	Hypothesis (H4) is accepted
FFRT □ FGA	-0,2384	0,076	3,1351	0,003	Hypothesis (H5) is accepted

Table 2 shows that all variables have a significant effect because the value of t-stat > t table (1.96). Furthermore, it is also seen in Figure 1, which is the formation of a path analysis model. So that the resulting equation model is as follows:

$$FFRT = -0,3582 ICE -0,4578 CAS$$

$$GA = 0,3001 ICE + 0,4641 CAS -0,2384 FFRT$$

Where the direct effect of the effect of internal control effectiveness on government accountability with a coefficient of 0.3001 at t-stat 4.1271 > 1.96, and the effect of compliance with accounting standards on government accountability with a coefficient of 0.4641 at t-stat 7.1686 > 1.96. Furthermore, testing the indirect effect, exogenous variables (independent) on mediating variables (intervening) must be significant at t-statistic > 1.96. The indirect effect of ES - CAS to GA through FFRT is calculated by multiplying the path ES → FFRT by the path FFRT → GA and CAS → FFRT by the path FFRT → GA, in the following manner. ES → FFRT → GA = -0.3582 * -0.2384 = 0.0854; - CAS → FFRT → GA = -0.4578 * -0.2384 = 0.1091.

Testing the total effect by looking at the total effect does not refer to the coefficient table, as mentioned earlier because in the mediation effect, the test is carried out for the direct relationship of the independent variable to the dependent and the indirect relationship of the independent variable to the dependent through mediation. To meet the requirements for the existence of intervening, the influence of the relationship between the independent variable and the dependent (ES to FFRT - CAS to FFRT) is significant, and the influence of the intervening variable on the dependent (FFRT to GA) is significant. The table above shows the relationship between the effectiveness of internal control (ES) and government accountability with sig. 0.000 (<0.05), the relationship between compliance with accounting standards (CAS) and government accountability with sig. 0.000 (<0.05) and the relationship between the tendency of financial report fraud (FFRT) and government accountability with sig 0.003 (<0.05).

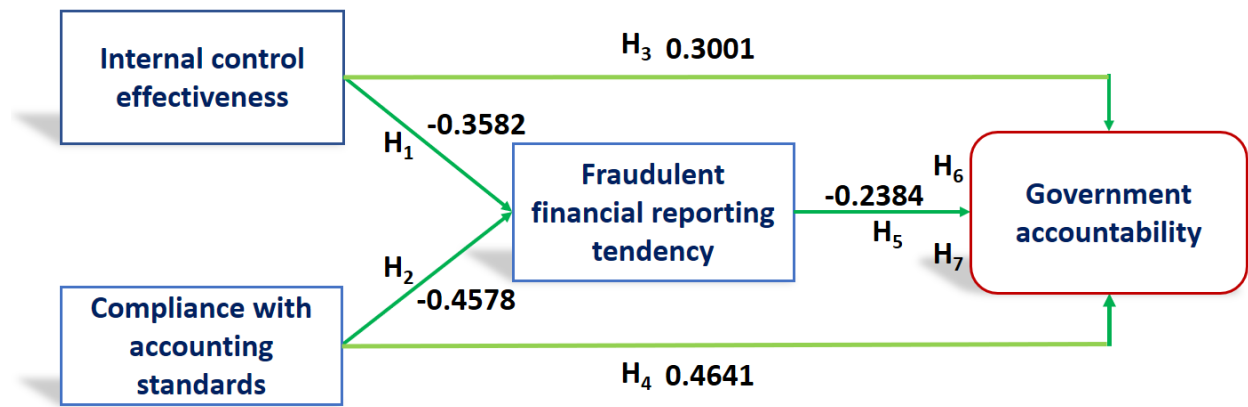


Figure 1. Path analysis model

Table 3. Direct - indirect effects and total effects

Variables	Effect		Sig.	Indirect	Total Effect
	Direct				
	FFRT	GA		GA	GA
ICE	-0.3582	0.3001	0	-0.3582* 0.2384=0.0854	0.3001+0.0854=0.3855
CAS	-0.4578	0.4641	0	-0.4578* 0.2384=0.1091	0.4641+0.1091=0.5732
FFRT		-0.2384	0,003		-0.2384

Table 3 shows the relationship between the effectiveness of internal control and government accountability with sig. 0.000 (<0.05), the relationship between compliance with accounting standards and government accountability with sig. 0.000 (<0.05) and the relationship between the tendency of financial statement fraud and government accountability with sig. 0.003 (<0.05).

4.2 Discussion

The effectiveness of internal control has a negative and significant effect on the tendency of financial statement fraud. This test proves that there is a direct relationship between the effectiveness of internal control and a decrease in the tendency of financial statement fraud. Provides evidence of where fraud cases occur due to inadequate internal control, such as arbitrary management. However, increasing the effectiveness of internal control will decrease the tendency of accounting fraud. Based on interviews, weak internal control occurs, such as inadequate monitoring, high employee turnover, and ineffective accounting and information systems. With such conditions, it can be concluded that adequate internal control will reduce the occurrence of financial statement fraud.

Compliance with accounting standards has a negative and significant effect on the tendency of financial statement fraud. This test proves that there is a direct relationship between compliance with accounting standards and a decrease in the tendency of financial statement fraud. Theoretically, accounting compliance is also an obligation. Suppose financial statements are made without following applicable accounting principles. In that case, this condition is stated as a form of failure and will lead to a tendency for fraud or unethical behavior that cannot or is difficult for auditors to trace. The effectiveness of internal control has a positive and significant effect on government accountability. The effectiveness of internal control plays an important role in building good governance, preventing deviations, and increasing efficiency and transparency in government. All of this directly contributes to increasing government accountability so that the public can assess government performance more positively and confidently. Therefore, effective internal control is important to prevent deviations and fraud, increase process transparency, ensure compliance with regulations, manage risk effectively, improve the quality of financial reporting, encourage operational efficiency and effectiveness, and increase public trust.

Compliance with accounting standards has a positive and significant impact on government accountability. By complying with accounting standards, the government ensures that public financial management is carried out professionally, transparently, and in accordance with applicable regulations. That strengthens accountability because it allows the public and related parties to assess the financial performance and accountability of the government objectively and fairly. The hope is to increase financial transparency, present accurate and reliable information, ensure consistency in financial reporting, encourage compliance with regulations, minimize the potential for financial data manipulation, support government performance evaluation, and increase public trust. The tendency for financial report fraud has a negative and significant impact on government accountability. To improve accountability, the government needs to implement transparency in financial reports, strengthen internal control systems, and ensure compliance with existing regulations. These efforts will help prevent fraud and rebuild public trust in government institutions. In order to reduce the impact of fraud on accountability, such as the increased risk of corruption, information asymmetry, compliance with regulations, the effectiveness of internal control systems, and impacts on public trust that must be maintained (Siahaan *et al.*, 2023a; Umar *et al.*, 2024). Furthermore, the effectiveness of internal control has

a positive effect on organizational accountability through the tendency of accounting fraud. In other words, the effectiveness of internal control can overcome the intention or desire of an individual or group to commit fraud so that government accountability remains better. That can be done through fraud prevention, increased transparency, compliance with regulations, and effective monitoring; organizations can strengthen their accountability to the public and other stakeholders.

Compliance with accounting standards has a positive effect on government accountability through the tendency of financial statement fraud. The tendency of accounting fraud becomes an intervening variable between compliance with accounting standards and government accountability. In the context of preparing regional government financial reports, it can be interpreted that the tendency of accounting fraud that is anticipated by the behavior of compliance with accounting standards will be able to produce accountable financial reports (accountability). Accounting, a discipline that processes financial transactions into financial reports, should contribute significantly to the formation of good governance, including public sector organizations. Fundamentally, the main pillars of good governance are accountability and transparency. Financial accountability emphasizes the responsibility for financial integrity and compliance with laws and regulations so that deviation and fraudulent practices can be avoided. One of the most frequently used generic measures to measure the implementation of good governance is the achievement of financial accountability reflected in the publication of financial reports.

5. Conclusion

Internal control and compliance with accounting standards are 2 (two) main foundations to prevent individuals or groups of people from committing financial reporting fraud. The development of risk management is currently rushing, especially with the issuance of Presidential Regulation Number 39 of 2023 concerning Risk Management, with its main activities being risk assessment and development of control activities or development of responses to possible risks, which is also part of internal control so far. Likewise, after the issuance of Government Regulation Number 71 of 2010, which requires complete disclosure of all activities or events that are material to the financial statements, it has increasingly made groups of people avoid committing financial reporting fraud. Good regional government accountability is reflected in the effectiveness of internal control and compliance with accounting standards. What performance information is reported on service performance accountability and the timeliness of financial reporting are manifestations of good Internal Control. Correct reporting of sources of funds and their use in accordance with applicable central and regional government regulations is also a manifestation of sound financial reporting standards. Although there is an intention of a person or group of people to commit fraud on financial reports, with the existence of regulations that are increasingly improving internal control and also accompanied by improvements in accounting standards, the Accountability of Regional Governments is increasingly trustworthy. However, the level of Anti-Corruption Behavior (IPAK) in 2024 in Indonesia is still relatively high at 3.85 on a scale of 0 to 5, where closer to 5 indicates that society behaves more anti-corruption, or conversely, the index value is closer to 0 indicates that

society behaves more permissively towards corruption. Thus, both the central government and regional governments are always aware of the emergence of new fraud models, especially the development of information technology or Artificial Intelligence. Furthermore, the increasing complexity of financial reporting and the emergence of new fraud models necessitate a robust framework for policymakers to enhance internal control and compliance with accounting standards. The following structured framework outlines key components and actions to effectively implement findings related to internal control and compliance in preventing financial reporting fraud: Assessment of Current Internal Control Systems; Enhancement of Internal Controls; Training and Awareness Programs; Policy Development and Compliance Monitoring; Utilization of Technology; Stakeholder Engagement.

5.1 Limitations and Future Research

This study still has limitations in several aspects, including those related to the segmentation of regional governments. Of the 548 regional governments in Indonesia, sampling was carried out on 100 regional governments. Regarding the regional government used as the testing sample, it is still necessary to refine the specific criteria for the testing sample, such as quantitative segmentation in the Regional Government, such as the amount of APBD managed, income obtained, allocated spending, or assets owned, to see the possible impact of these quantitative aspects on the tendency for financial report fraud associated with the dependent variable. Researchers still admit that limitations in terms of sampling bias during surveys and survey filling bias can affect survey results even though they have made maximum efforts to minimize bias.

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Conflicts of Interest

The authors declare no competing interest

Availability of Data and Materials

Data and materials are available upon request via email to the corresponding author stating the purpose of the request.

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