

The Role of Internal Control Systems in Increasing Accountability and Preventing Fraud in the Public Sector

Alya An Nais Syakilla ¹⁾, Bela Amanda Putri ²⁾, Muhammad Irvan Tanjung ³⁾, Rahmadi Zikri Chandra ⁴⁾,
Windi Wulandari ⁵⁾, Galih Supraja ⁶⁾

^{1,2,3,4,5,6)} Accounting Study Program, Faculty of Social and Sciences and Sciences, Panca Budi Development University

*Corresponding Author

Email : galih@dosen.pancabudi.ac.id

Abstract

This literature explains the importance of the internal control system in carrying out governance in the public sector, especially in increasing accountability and fraud prevention in the public sector, the results show that the implementation of the internal control system / SPI has an important role in emphasizing fraud and accountability. In this finding it is stated that one of the most supportive components in strengthening the implementation of the information control system is human resources, However, not all studies agree that human resources have an effect on the quality of reporting and accountability, as a whole, this literature confirms that strengthening the internal control system is the key to encouraging accountability and fraud prevention in the public sector.

Keywords: *Information Control System, Public Sector Accountability, Fraud Prevention*

INTRODUCTION

Accountability and transparency are the main pillars in the administration of the public sector. The community demands the government and public organizations to manage resources effectively, efficiently, and free from fraudulent practices. However, various studies show that fraud is still a problem that often arises in public sector financial management. Fraud can occur in various forms, such as asset misuse, manipulation of financial statements, to corruption that harms the state. This condition indicates that the public sector needs a strong supervisory mechanism and is able to minimize the chances of irregularities. One of these mechanisms is the Internal Control System (SPI).

SPI serves as a system designed to provide adequate confidence in the achievement of organizational objectives, including operational effectiveness and efficiency, reliability of financial reporting, and regulatory compliance. Various studies in the literature analyzed show that SPI has a significant role in suppressing the tendency to fraud. One journal found that all components of SPI—the control environment, risk assessment, control activities, information and communication, and monitoring—contribute simultaneously to preventing fraud. A strong SPI has been proven to be able to reduce the gap of deviations and improve management integrity.

In addition, several studies highlight that human resource competence also affects the effectiveness of SPI in increasing accountability. However, findings between studies are not always consistent. Some studies show that human resource competence does not have a significant influence on the quality of financial statements or accountability when The reporting system is standardized and technology-based. This indicates that internal control remains the main factor in maintaining the reliability of the reporting process. Training provided to the apparatus was also found not always to strengthen the relationship between SPI and report quality, especially if it was not relevant to technical needs.

Another literature review confirms that a public sector accounting system supported by good internal control is able to reduce the potential for fraud through stricter supervision. Weaknesses in the SPI are consistently cited as the main cause of the deviations. Therefore, strengthening SPI is urgent in increasing accountability and preventing fraud in the public sector.

Based on these findings, this study aims to analyze the role of internal control systems in increasing accountability and preventing fraud in the public sector through an in-depth review of five relevant studies.

RESEARCH METHODS

This study uses a *literature review approach* with a descriptive qualitative method. This approach was chosen to analyze the role of the Internal Control System (SPI) in improving accountability and preventing fraud through the synthesis of findings from various previous studies. The main focus of this method is to understand the patterns, gaps, and consistency of results between studies related to the topic studied.

The data source consists of six scientific articles that were *purposively selected* based on discussing SPI in the context of the public sector, relevant to the theme of accountability and fraud prevention, and available in a complete manuscript. This selection ensures that the literature analyzed is of sufficient quality and relevance to support the research objectives.

The data collection process is carried out through in-depth reading and recording of key concepts from each article. The analysis was conducted using *thematic coding* which included the identification of SPI components, supporting theories such as COSO and Fraud Triangle, as well as the relationship between SPI and accountability, financial report quality, and fraud prevention. Each finding is then compared to see the alignment and differences.

Data were analyzed using *content analysis* techniques to map important patterns in the literature. Source triangulation is used to improve the reliability of results by comparing findings between articles. Through this method, the research resulted in a comprehensive understanding of the contribution of SPI to efforts to improve accountability and prevent fraud in the public sector.

RESULTS AND DISCUSSION

The results of the analysis from the five journals show that the Internal Control System (SPI) is a very influential element in increasing accountability and preventing fraud in the public sector. Although the five studies were conducted in different public organizational contexts, they all provided a complementary pattern of findings and emphasized the importance of internal control as the main pillar of *good governance*.

1. Internal Control Can Reduce the Risk of Fraud

The majority of articles position SPI as the most effective instrument in fraud prevention efforts. The first journal revealed that the implementation of SPI components according to the COSO framework, namely the control environment, risk assessment, control activities, communication systems, and monitoring—directly contributed to the reduction of fraud potential. When the five components run optimally, the gap in opportunities for perpetrators to

commit fraud becomes smaller.

This is in line with journals that discuss fraud through the perspective of Fraud Triangle and Fraud Hexagon. Both models state that fraud occurs due to pressure, opportunity, rationalization, capability, arrogance, and collusion. SPI has proven to be effective in cutting the "opportunity" factor, which is the biggest root of the problem in public sector fraud cases. With stronger oversight, a layered authorization system, and strict documentation procedures, the opportunity to manipulate financial information can be significantly suppressed.

2. The Role of SPI in Increasing Public Accountability

In addition to preventing fraud, findings in other journals show that SPI also makes a major contribution to improving the accountability of public organizations. SPI ensures that every operational activity follows the standards that have been set and produces reliable financial reports. When internal control is effective, the process of recording, reporting, and accountability becomes more transparent.

One of the articles analyzed showed that accountability increased significantly when SPI was applied consistently in every stage of financial management. Financial statements become more accurate, information presentation is easier to verify, and the audit process runs more smoothly. This reinforces the belief that the SPI not only serves as a supervisory tool, but also as a mechanism that ensures the integrity and credibility of public financial statements.

3. HR Competence Is Not Always a Determining Factor

Two journals showed interesting results, namely that HR competence does not always have a significant influence on the quality of financial statements or accountability. In agencies that have implemented a computerized reporting system, the role of human resources has become more limited to the input function, while supervision remains in the control of the system and the structure of the SPI.

This shows that although competent human resources are still needed, the effectiveness of internal control is determined more by the strength of the system, not just the quality of the individual. These findings confirm that training or capacity building of human resources does not necessarily improve the quality of reports or prevent fraud if it is not followed by strengthening the internal control structure.

4. Training Is Not Always Effective as a Moderation Variable

Several studies have used training as a moderation variable to see if this factor can strengthen the relationship between SPI and the quality of financial statements. As a result, training showed no significant effect. The ineffectiveness of training is caused by several things, such as irrelevant material, inappropriate methods, or inadequate training duration. These findings suggest that personal capacity building is not enough without a strong and consistent internal control system.

5. SPI Integration with Modern Accounting Systems

One of the articles emphasized that the integration between SPI and the public sector accounting system plays an important role in preventing fraud. The application of modern accounting technology without adequate internal control still leaves a gap for fraud to occur. Therefore, a good accounting system must be followed by a solid control mechanism so that the reporting process becomes more accountable and reliable.

CONCLUSION

The results of the analysis of the five journals studied, it can be concluded that the Internal Control System (SPI) has a very important and irreplaceable role in increasing accountability and preventing fraud in the public sector. All journals show a consistent pattern of results, namely that internal control is the main pillar that ensures that financial management runs in a transparent, orderly, and in accordance with applicable regulations. Through the implementation of SPI components such as the control environment, risk assessment, control activities, information and communication, and monitoring, public organizations can reduce the chances of irregularities and improve the reliability of financial statements.

SPI has been proven to be able to reduce the risk of fraud, both simple and complex. The findings of the research that adopts the perspective of Fraud Triangle and Fraud Hexagon show that SPI plays a role in breaking the "opportunity" factor, which is the aspect that perpetrators most often use to commit fraud. With clear authorization mechanisms, separation of functions, and layered supervision, the gap for fraud to occur is getting smaller. Therefore, strengthening SPI is an effective strategic step in creating a safer work environment from potential abuse of authority.

In addition, SPI also plays a significant role in increasing public sector accountability. When SPI is implemented consistently, the process of preparing and presenting financial statements becomes more transparent, auditable, and accountable. This has an impact on increasing public trust in government institutions and other public organizations. Thus, SPI is not only a detection and prevention tool, but also a mechanism that strengthens the integrity of the financial reporting system.

Meanwhile, human resource competence and training were found to be supporting variables that did not always have a significant influence on the quality of financial statements or accountability. These results suggest that the effectiveness of SPI is more determined by the structure and implementation of the system, rather than solely by individual qualities. However, increasing human resource capacity is still needed to ensure that the implementation of SPI runs optimally.

Overall, this study concludes that SPI is a key factor that must be strengthened by every public sector organization to maintain integrity, transparency, and accountability and prevent fraud. Strengthening the internal control system must be carried out comprehensively and continuously as part of the organization's commitment to realizing good governance

REFERENCES

- Amalia.Annisa.2022 *The Effect of the Effectiveness of the Internal Control System and the Prevention of Accounting Fraud on the Accountability of Regional Financial Management (Case Study on the Semarang City OPD)*
- Anggraini. *The Influence of Good Givernance and Internal Control on the Performance of Public Sector Organizations*

Arimbi. Supanji.2023 *The Effect of the Implementation of the Public Sector Accounting Model and Internal Control System on Fraud Prevention Efforts*

Purbowati. Nurhayati 2020 *Analysis of Internal Control System Supports Accountability in Minimizing Fraud*

Safira.Siboro.Shafa 2024 *the role of internal supervision in efforts to prevent public sector accounting fraud*

Wijiyanti. Setyawan 2023 *literature review: analysis of internal control and efforts to prevent accounting fraud in the public sector*