



The Role Of IPSAS In Controlling Corruption Of Emerging Country : Study In Indonesia

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Abstract. This study aims to analyze the role of IPSAS in increasing transparency and accountability to control corruption in developing countries such as Indonesia. This research uses descriptive analysis method with literature study approach. The implementation of IPSAS in Indonesia is the right step to take to control corruption that is currently rampant. This study analyzes that IPSAS can improve the quality of public sector financial reporting by creating transparency and accountability that can prevent fraud. However, to adopt IPSAS optimally, Indonesia needs to pay attention to the quality of its staff to be more competent, and improve its infrastructure.

Keywords: IPSAS, Corruption, Emerging country, Indonesia

1. INTRODUCTION

Corruption is an act of fraud committed by an individual or group in obtaining a profit. This social phenomenon has generally occurred in developing countries over the past decade, especially in Indonesia. According to data from Transparency International in 2023, Indonesia scored a corruption level of 34/100 and ranked 115th.

According to data which released by the Corruption Eradication Commission in 2021-2023, the agencies that committed the most acts of corruption were the Regency / City Government with a total of 190 cases, followed by Ministry/Institution agencies with 97 cases.

Table 1. Corruption crimes in Indonesia by agency (2021-2023)

No	Agency	2021	2022	2023	Total
1	DPR RI	1	1		2
2	Ministry / Institution	19	26	52	97
3	BUMN/BUMD	8	12	34	54
4	Commission	-	-	-	0
5	Provincial Governments	8	16	22	46
6	Regency / City Government	72	65	53	190
	Total	108	120	161	

Source: Corruption Eradication Commission (2024)

Based on the table above, the level of corruption in Indonesia from 2021-2023 has increased continuously, starting from a number of 108 to 161. This indicates a serious problem with corruption cases in Indonesia. Putri R.A (2023) stated that qualitatively, corruption is carried out more systematically and extends to everyone's life. Therefore, the outbreak of

uncontrolled corrupt practices not only destroys people's lives but also the nation and state itself.

Economically, the existence of corruption will disrupt the income and wealth transmission mechanism, resulting in income inequality and increasing poverty, corruption can also affect innovation and community productivity due to the decreased role of productive government which has an impact on economic growth (Fajar et al., 2019).

Corruption not only weakens the economy, but also impacts on public trust due to actions that do not involve transparency and accountability. Transparency and accountability means that every activity in the field of treasury management can be fully accounted for and carried out with full openness to the community of resource management activities. Public service accountability is a principle that ensures that every activity in the administration of government can be accounted for openly. Transparency means open access for all people to all related information (Muhammad Adil et al., 2022).

One of the corruption phenomena that occurred in Indonesia that was widely discussed in 2024 was the corruption case of PT ANTAM. The suspect with the initials 'BS' manipulated the gold sale and purchase transaction, this made the company suffer losses worth 1,136 kilograms of precious metal gold or IDR 1.266 trillion. In addition, this case made it difficult for some Indonesians to trust PT ANTAM as before. This phenomenon is a form of action that can eliminate public trust in companies under the auspices of the government.

A country needs to implement a system to prevent or control corruption, one of which is the International Public Sector Accounting Standards (IPSAS). Gebreyesus (2021) states that IPSAS can improve the quality of the main objectives of financial reporting by public sector entities, leading to better assessments of resource allocation decisions, thereby increasing government transparency and accountability to its citizens and leaders.

The implementation of IPSAS in a country can indirectly help control corruption by strengthening transparency, accountability and financial reporting in the public sector. In recent years, there have been studies examining the implementation of IPSAS on corruption. Research conducted by (Hamed et al., 2022) shows that IPSAS significantly reduces the level of reported corruption by increasing transparency and accountability in countries receiving official assistance (ODA).

Furthermore, research conducted by Seiyaibo (2020) empirically examines the impact of IPSAS implementation in reducing corruption in the public sector in Nigeria with Bayelsa state as a case study. The findings of the chi-square analysis show that the accrual method in IPSAS helps forensic accountants build an effective control system that can prevent corruption.

Research results from Cuadrado-Ballesteros (2020) found that the implementation of IPSAS can reduce corruption as the government progresses in public sector accounting reform.

Although there are several studies that show the positive impact of IPSAS implementation, there is a gap between theory and practice. Where, not a few government agencies in Indonesia do not have sufficient expertise or infrastructure to effectively implement IPSAS standards.

This research discusses the role of IPSAS in developing countries such as Indonesia in helping to control corruption. Previously there have been several studies examining the role of IPSAS in controlling corruption through case studies, but this research focuses on a literature review of several previous studies. Through comprehensive analysis, this study aims to provide deeper insights into the implementation and role of IPSAS in controlling corruption in developing countries, as well as provide a foundation for further research. This research is expected to be useful and contribute knowledge in the scope of public sector accounting and for the Indonesian government to improve the transparency and accountability of its financial reporting.

2. LITERATURE REVIEW

Gone Theory

Jack Bologne in *Gone Theory* reveals that the factors that cause corruption are greed, opportunity, needs, and exposure. Kismawandi (2020) explains these factors as follows:

1. Greed

This factor is related to the potential for greedy behavior that exists in everyone. What is related to greed is a very low moral value. It is called very low morals because greed is related to fraud that must have been done many times as a result of this act being believed to be normal and not something wrong.

2. Opportunity

The opportunity to commit fraud depends on the position of the perpetrator against the object of fraud. The opportunity to commit fraud always exists in every position, both on a large and small scale. In general, management in an organization or company has a greater opportunity to commit fraud than employees.

3. Needs

Motivation related to daily needs will encourage the behavior and thoughts of employees who have access to assets owned by the company where they work.

4. Disclosure (exposed)

The last factor is disclosure, which relates to the possibility of disclosing a fraud and the nature and severity of the punishment for perpetrators who have committed fraud. This disclosure itself is a form of fraud that does not guarantee the non-recurrence of fraud either by the same perpetrator or another perpetrator.

Overall, it can be concluded that fraud can occur due to several factors that support the occurrence of these negative actions, namely greed, opportunity, need and disclosure. These factors can indirectly provide the potential for perpetrators to commit criminal acts of corruption.

Corruption

Corruption is an act of abuse of position or authority committed by an official for personal gain. Corruption can also be defined as an act of abuse of trust by a person on a matter or organization in order to gain an advantage (Pustha et al., 2021).

Corruption creates chaos within the public sector by diverting public investment to other projects where bribes and rewards are more readily available. Corrupt bureaucratic officials will increase the complexity of the project to hide the corrupt practices. Finally, corruption reduces the quality of goods and services for the public by reducing compliance with building safety requirements, material and production requirements, health, environmental, or other regulations. Corruption also reduces the quality of government services and infrastructure and adds pressures to government budgets (I Ketut Patra, 2018).

The World Bank Group (2021) sees corruption as a serious challenge to their efforts to end extreme poverty by 2030 and their pride in sharing prosperity with no less than 40 percent of people in less developed countries.

Based on the above opinions, it can be concluded that corruption is an act of abuse of position to gain benefits such as diverting public investment to other projects that will get more bribes or rewards. This is a very serious challenge, especially for a developing country like Indonesia. The level of prosperity in Indonesia will be increasingly threatened by rampant corruption.

IPSAS and Its Implementation in Indonesia

Accounting regulations and standards in the public sector are an important foundation in ensuring transparency, accountability in managing and empowering public resources.

According to (Caruana, 2021) IPSAS is a collection of accounting standards set by the International Public Sector Accounting Standards Board (IPSASB) for use by public sector companies around the world. The potential of these standards to provide easier comparisons, as well as more accurate and transparent financial reporting is one of the main reasons behind their adoption in the public sector.

As part of globalization, many countries have switched or are considering switching to international accounting standards, such as the International Public Sector Accounting Standards (IPSAS). This aims to align public sector accounting practices with internationally recognized standards, improve comparability between countries, and facilitate access to global financial markets (Judijanto et al., 2024).

IPSAS as an accounting standard developed for government entities and the public sector globally can play a role in preventing and controlling corruption. IPSAS is widely adopted around the world. The number of countries adopting IPSAS has increased markedly and more and more developing countries are adopting or deciding to transit to IPSAS (Hamed-Sidhom et al., 2021).

The development of Government Accounting Standards in Indonesia refers to IPSAS by taking into account Indonesian laws and regulations and conditions (Yoga et al., 2024). According to (Nurohmayni Putri, 2024) Implementation of public sector accounting can significantly improve the transparency and accountability of local government finances. However, to achieve optimal results, it is necessary to increase the capacity of human resources and develop adequate technological infrastructure.

Indonesia has fully implemented IPSAS, but the government faces the challenge of the lack of functioning of IPSAS-based reports in decision making and creates higher accounting costs without clear economic benefits, and Indonesia faces problems in the lack of competent staff (Harun et al., 2021).

IPSAS is an international accounting standard that has the potential to provide transparency for financial reporting. The level of implementation is increasing in developing countries, one of which is Indonesia. However, the country needs adequate human resources and infrastructure in order to achieve more optimal results.

3. METHODS

The used method in this research is a qualitative method with a literature study approach. Literature studies allow researchers to gain a more comprehensive and global view of the topic under study, so as to understand trends and developments in the field.

Webster and Watson (2019) emphasize that literature studies are not just about collecting and reviewing relevant literature, but also involve critical analysis of the literature. Researchers need to consider the quality, validity and reliability of the sources of information used, as well as understand the different views in previous studies and the methods used to collect and analyze data.

4. RESULTS AND DISCUSSION

The Role of IPSAS in Increasing Accountability and Transparency to Control Corruption

The role of IPSAS in public sector accounting is proven to increase accountability and transparency in the public sector which can control corruption in developing countries such as Indonesia. In research by Changwony and Paterson (2019) found evidence that the quality of accounting practices in a country plays an important role in determining the contribution of decentralization in reducing corruption in the country. High-quality accounting practices can promote strong control over various acts of corruption because high-quality accounting practices will increase the transparency and credibility of financial information so that public funds can be focused on economic development. Conversely, low-quality accounting practices will be used by powerful officials for personal and group benefits by manipulating financial information, so that public funds are not focused on economic development (Akbar et al., 2020)

The Implementation of IPSAS in Indonesia

In implementing IPSAS in Indonesia, there are several challenges that must be faced such as higher costs, less competent staff and accounting information systems that are not fully integrated. In addition, the readiness of IPSAS adoption also depends on Indonesia's economic growth rate. Polzer et al. (2021) argue that the implementation of IPSAS in developing and low-income countries will require more investment in public education and training.

The above statement is in line with research from (Esam, 2022) which shows that in adopting IPSAS, there is resistance such as the majority of public sector accountants are not trained and qualified to implement accrual-based IPSAS. Moreover, management does not have adequate financial and human resources to do so accrual-based IPSAS implementation which causes top management not to commit to accrual-based IPSAS implementation.

Research results (Setyawan et al., 2023) found that provincial local governments are expected to be better prepared to adopt full of IPSAS. Meanwhile, the level of economic growth of provincial local governments in Indonesia is a benchmark for local governments to disclose

information based on IPSAS elements. The level of economic growth that is getting better or worse can affect the information provider to disclose information in accordance with the elements of IPSAS and become a factor in the readiness of IPSAS adoption.

Although the implementation of IPSAS requires a lot of improvement, the implementation of accrual-based IPSAS will have several advantages, for example, it can improve asset and liability management, decision-making processes, comparison of disclosed financial information, transparency, management expenses, liability management, internal control systems, receivables management, and accountability. Increased transparency is one of the key benefits of IPSAS, which provides increased accountability in making informed resource utilization decisions, better knowledge of financial performance, and improved financial information to support governance, asset management, and decision making (Esam, 2022).

The research conducted by (Perbriyanti & Fera, 2022) states that the implementation of IPSAS in Indonesia is not in accordance with SAP. The factors that most influence the mismatch are the lack of competence and understanding of human resources related to the application of accrual accounting, accounting policies that are not specific and have not been comprehensively complied with, and accounting information system technology that is not integrated and not fully accrual.

IPSAS is a public sector accounting standard needed by Indonesia to control corruption that is rampant today. The purpose of implementing International Public Sector Accounting Standards (IPSAS) in general is to improve governance, increase transparency, and ensure accountability in public financial management. This transparency helps to reduce corruption and promote better governance by giving the public a clearer insight into government activities (Tawiah, 2023).

5. CONCLUSION

The implementation of IPSAS in Indonesia is the right step to take to control corruption that is currently rampant. This study analyzes that IPSAS can improve the quality of public sector financial reporting by creating transparency and accountability that can prevent fraud. However, to adopt IPSAS optimally, Indonesia needs to pay attention to the quality of its staff to be more competent, and improve its infrastructure.

Knowing more about the implementation and role of IPSAS can provide knowledge and insight into how important reporting standards are in creating transparency for

governments, as well as how capable these standards are in controlling corruption in developing countries such as Indonesia.

6. LIMITATION

This research has several limitations. First, this study cannot be generalized more broadly, as it was only conducted in a specific place such as Indonesia, the findings may not be relevant elsewhere. Also, it is difficult to assess the accuracy of the data due to the lack of quantitative approach. Although this study aims to identify the role of IPSAS implementation in controlling corruption, not all factors that affect the corruption can be measured directly. Factors such as institutional quality, effective regulation, public involvement, audit and oversight system, public education and awareness may impact on public sector reporting quality.

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