

# The Necessity of Acting in the Public Interest: Corruption and Fraud in the Public Sector

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## INTRODUCTION: THE CONCEPT OF PUBLIC INTEREST

The concept of public interest (Canning and O'Dwyer, 2001: 728), which is an issue where universal acceptance cannot be achieved as to what it is and how it can be measured, has an interdisciplinary importance and meaning today. Moreover, according to Sturm (1978 cited in Dellaportas and Davenport, 2007: 1084), it is at the centre of interpretations in political and social life.

Although the roots of the concept of public interest in the modern sense were first introduced by the French Revolution of 1789 (Saraç, 2002: 1), it can be said that the concept originated from the “common good” applied in England in the 17th century (Dellaportas and Davenport, 2007: 1084). Traditionally, common good is clearly a political idea and consists of some specific goals designed to promote the general well-being of all people, such as peace, order, prosperity and justice. Special goals, which were surrounded by common good until the mid-17th century, led to the collapse of medieval feudalism in England and the gradual disappearance of common good with the rise of national monarchies, and to clarify the distinction between common good and public good (Douglass, 1980, p. 107). In this context, the concept of public interest, which took its place as a separate concept in the literature, developed primarily with its managers or representatives interested in the material welfare of individuals rather than the welfare of the state. Then led to the attachment of individual welfare to the property rights and private interests of British property owners (Dellaportas and Davenport, 2007).

Although the public interest has developed its own identity, it remains a concept that cannot determine the content of the public or public interest. According to Gunn, the basis of this is that the term “interest has no definite meaning (Dellaportas and Davenport, 2007). The effects of uncertainty in the concept of interest can be found in P. Herring’s study. According to the author, in fact the laws passing through the parliament are full of uncertainties and sometimes are ‘parliamentary’ activities that sometimes occur ‘so that they do not grow’, and the task of bureaucrats is to produce public policies which are operative from these unqualified obligations, and even this process can often be described as the public good itself (Shafritz et al. ., 2015). In addition to Herring expression, Flathman (cited in Dik, 2005: 3) points the process as a tool that the government considers while producing policies and provides legitimacy for the administration to carry out its activities easily.

Today, the concept of public interest, which forms the basis of the state and administration in the modern sense, tries to get rid of the uncertainty mentioned above and the law itself and everything that

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is legal, is defined as public interest (Saraç, 2002). In this study, first, explanations of corruption and fraud are brought to the necessity of the concept of public interest for both the private and public sectors. Then, in the context of the necessity of acting in the public interest for public institutions, explanations and evaluations regarding the phenomenon of corruption and fraud are given.

### **The Case of Corruption: The Necessity of Acting in Favour of Public Interest**

In the literature, fraud and ignoring the principle of public interest lie at the root of corruption incidents. Corruption is a phenomenon dating back to ancient times (Tanzi, 1998: 559). With the definition adopted by the World Bank, corruption is expressed as the abuse of public power and resources of private interests (Tanzi, 1998: 564; Bardhan, 1997: 1321; Huntington, 2002: 254). The public administration glossary defines the phenomenon of corruption as fraudulent, improper, irregular work and behavior that occurs in violation of the rules, is not done properly. Again, in the literature, the concept of corruption in the legal and sociological sense is expressed as the fraudulent use of public duties, powers and resources contrary to the legal and social norms and standards that form the basis of social order (Uğur, 2012: 302-304). By linking the concept of corruption to fraudulent acts (Özbaran, 2003: 18), the Council of Europe Convention on Anti-Corruption Private Law defines bribery that directly or indirectly leads to deviations in the lawful performance of the duties or conduct of a person who obtains an illegal interest (cited in Yardimcioglu et al. 2014: 172).

In the accounting literature, the concept is explained on the basis of professional ethics and this requires a realistic presentation of the information provided by private or public enterprises. Although the concept of corruption refers to the use of personnel in public institutions in order to achieve specific results by violating the accepted norms, corruption is also observed in all societies but in every society in different ways than others. This situation arises when there is no effectiveness of political institutionalization. Especially in a society, as the differences between political development and modernization increase, it is possible to see various forms of corruption (Huntington, 2002: 254). However, although the explanations do not directly express corruption and similar activities in private sector enterprises, it is also known that regulations are made at the public level for events taking place in terms of private sector enterprises (Tanzi, 1998: 564).

In this context, it is possible to say that the necessity to act in the public interest constitutes the common point in the definition and the explanations about corruption. According to Shaub and Braun (2014: 5), the public interest approach is one of the most controversial parts of the accounting and auditing profession and the code of ethics. This controversial section may lead to the uncertainty of the concept in other areas of the literature. The International Federation of Accountants (IFAC - 2012) defines the public interest as follows:

*“The net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy.”*

As can be seen from this definition, the concept of public interest embodies a professional structure that produces good results for the general public in accounting. In particular, the four sources used by IFAC (2012) in developing the concept of public interest are important to explain the scope of this definition. The first source in the development of the concept is the meaning of the concept of public interest in the literature of politics, economy and psychology. The second source is the study of the studies emphasizing the relationship between public interest and accounting in the professional and academic literature,

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