

THE INFLUENCE OF GOVERNMENT INTERNAL CONTROL SYSTEM AND GOOD GOVERNANCE ON FRAUD PREVENTION IN PURBALINGGA ENVIRONMENTAL SERVICE

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Abstract: This study aims to analyze the influence of the Government Internal Control System and General Principles of Good Governance on fraud prevention at the Environmental Service of Purbalingga Regency. Data were collected through interviews and questionnaires using a modified Likert scale. The research sample was selected using a purposive sampling technique, with a total of 74 employees who met the criteria of having a minimum education of high school and at least two years of work experience. Data analysis was carried out by validity testing, reliability testing, classical assumption testing, and hypothesis testing using SPSS 25 software. The results showed that Government Internal Control System and General Principles of Good Governance had an effect on fraud prevention at the Environmental Service of Purbalingga Regency.

Keywords: Government Internal Control System, General Principles of Good Governance, Fraud

INTRODUCTION

Introduction

In Indonesia, fraud poses a serious challenge. Fraud is defined as any unlawful act involving deception, concealment of information, or a breach of trust (Lubis & Budiwitjaksono, 2022). According to the Association of Certified Fraud Examiners (ACFE), fraud is an intentional unlawful act, often involving the covering up of truth through lies or manipulation, such as in financial statements, to obtain benefits in the form of money or assets from individuals or organizations.

One of the most frequent types of fraud in Indonesia is corruption (Azizah & Erinos, 2022). According to data from the Central Statistics Agency, Indonesia's Anti-Corruption Behavior Index (IPAK) for 2024 was recorded at 3.85 on a scale of 0 to 5. In the government sector, fraud has caused various losses, especially for the community (Kristuti et al., 2023). Corruption cases with various forms of deviation in Regional Apparatus Organizations (OPD) clearly demonstrate the need for adequate supervision and control to minimize the potential for fraud. Fraud prevention involves a series of actions taken to reduce the opportunity for fraud, deter it, and assess activities that have a potential risk of fraud (Dewi & Padnyawati, 2022). One step to overcome and prevent fraud is to implement an efficient and effective internal control system (Sinaga, 2022).

According to Article 3 of Government Regulation (PP) Number 60 of 2008 concerning the Government Internal Control System, an Internal Control System is an integral process in actions and activities carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliability

of financial reporting, security of state assets, and compliance with laws and regulations. The effectiveness of internal control has a significant impact on preventing fraud (Dewi & Padnyawati, 2022). With the implementation of a strong internal control system, government agencies can reduce the risk of fraud.

In addition to the aforementioned factors, other efforts are needed, specifically by implementing the General Principles of Good Governance (AUPB). According to Article 1 (17) of Law Number 30 of 2014, the General Principles of Good Governance, hereinafter abbreviated as AUPB, are principles used as a reference for government officials in exercising authority when issuing decisions and/or actions in the administration of government. The implementation of AUPB is a sign of clean and transparent governance (Hakim, 2022). The application of this principle is a logical consequence for each region because the essence of regional government lies in its authority to manage and regulate its own household affairs.

This research focuses on the Environmental Service (DLH) of Purbalingga Regency. According to Article 4 paragraph 1 of Purbalingga Regent Regulation Number 55 of 2022 concerning the Position, Organizational Structure, Duties, and Functions and Work Procedures of the Purbalingga Regency Environmental Service, the DLH has the task of assisting the Regent in carrying out Government Affairs in the Environmental sector and Waste Sub-Affairs in the Public Works and Spatial Planning Sector which are the Regional Authority. The Purbalingga Regency Environmental Service (DLH) has implemented the Government Internal Control System (SPIP) and general principles of good governance as a step to prevent potential fraud. The SPIP maturity value at the Purbalingga Regency DLH in 2023 was 4.22, which reflects the high level of organizational readiness in carrying out internal control effectively.

Although internal control efforts and the implementation of good governance principles have been carried out, the corruption case at the Purbalingga Regency DLH in 2021 is clear evidence of the need for more effective implementation of SPIP and general principles of good governance. In this case, the judge of the Semarang Corruption Court (Tipikor) sentenced three suspects involved in the misuse of the Purbalingga Regency APBD budget in 2017–2018, which caused state losses of more than IDR 870 million. This incident confirms that strengthening internal control and implementing good governance principles are very important to prevent potential fraud and increase public trust.

This research is motivated by a research gap in previous research. The results of Sinaga's (2022) research show that the internal control system has a positive effect on fraud prevention. Another study conducted by Dewi & Padnyawati (2022) showed that the effectiveness of internal control has a positive effect on fraud prevention. The results of this study are not in line with the research conducted by Kristuti et al. (2023) which revealed that even though the internal control system is optimal, if there are individuals who abuse their authority, collusion can still occur. The implementation of AUPB can reduce the possibility of fraud. This is proven by research from Hakim (2022) which shows that good government is a government that is guided by legal principles, both written and unwritten, including AUPB. By running the government according to the law and AUPB, acts of corruption, collusion, and nepotism can be eliminated. A government that is consistent in implementing these principles will create clean and integrated governance. The results of this study are in line with research conducted by Ira Megasyara & Amrizal Imawan (2023) which shows that the role of AUPB is very important in realizing Good Governance. The principles of AUPB provide guidance for the government to manage resources and provide services in a transparent, accountable, and responsive manner.

Research purposes

The objectives to be achieved in this study are as follows:

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1. Analyze the Influence of the Government Internal Control System on Fraud Prevention at the Purbalingga Regency Environmental Service.
2. Analyze the Influence of the General Principles of Good Governance on Fraud Prevention at the Purbalingga Regency Environmental Service.
3. Analyze the Influence of the Government Internal Control System and the General Principles of Good Governance Simultaneously on Fraud Prevention at the Purbalingga Regency Environmental Service.

LITERATURE REVIEW

1. Agency Theory
Jensen and Meckling (1976) define an agency relationship as a contract between one or more persons (principals) involving another person (agent) to perform some service on their behalf that involves delegating decision-making authority to the agent. Agency theory aims to solve problems that occur in agency relationships, the problem that often arises is the difference in interests between the agent and the principal (Wahyudi et al., 2021).
2. Fraud Diamond Theory
The fraud diamond theory was first introduced by Wolfe and Hermanson in 2004 (Nadia et al., 2023). The theory explains four main factors that cause fraud, which are referred to as the fraud diamond. The fraud diamond consists of capability, pressure, rationalization, and opportunity.
3. Government Internal Control System
According to Article 1 paragraph 1 of Government Regulation (PP) number 60 of 2008 concerning the Government Internal Control System, the Internal Control System is an integral process in actions and activities carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliable financial reporting, securing state assets, and compliance with laws and regulations.
4. General Principles of Good Governance
The principles underlying good governance are known as the General Principles of Good Governance. According to Article 1 (17) of Law Number 30 of 2014, the General Principles of Good Governance, hereinafter abbreviated as AUPB, are principles used as a reference for the use of authority by government officials in issuing decisions and/or actions in the administration of government.
5. Fraud
According to Article 1 Paragraph 8 of the Regulation of the Regent of Purbalingga Regency Number 83 of 2022 concerning Control of Fraud in Regional Financial Management within the Purbalingga Regency Government, Fraud is an act carried out dishonestly with the aim of obtaining profit or causing losses by deceiving, tricking or other means that violate applicable laws and regulations.

RESEARCH METHODOLOGY

This study uses a causal quantitative method with data analysis using a descriptive analysis approach. Causal quantitative research is research conducted to analyze the relationship between variables to research objects that are causal (Sugiyono, 2020:11). Descriptive research is a research method that aims to describe all data or research objects and their situations, analyze and compare them based on current conditions, and try to provide solutions to the problems faced so that they remain relevant (Rengkuan et al., 2023).

RESULTS AND ANALYSIS

The analysis in this study uses classical assumption tests and hypothesis tests with the help of computers through the IBM SPSS version 25 for Windows program.

The Normality Test

The normality test is conducted to ensure whether the data on the independent variable (X) and the dependent variable (Y) in the regression model have a normal distribution. This normality test uses the Kolmogorov-Smirnov method, where the data is considered normally distributed if the significance value is greater than 0.05. The results show a significance value (Asymp Sig) recorded at 0.200. Given that the value is greater than 0.05, it can be concluded that the data on the variable has a normal distribution.

The Heteroscedasticity Test

The heteroscedasticity test aims to check whether there is a difference in residual variance between observations in the regression model. If the significance value of the independent variable is greater than 0.05, then it can be concluded that the model does not experience heteroscedasticity. Conversely, if the significance value is less than or equal to 0.05, then an indication of heteroscedasticity can be found, which indicates that the residual variance is not uniform. The results show that:

1. The sig value for the Government Internal Control System variable (X1) is $0.189 > 0.05$ so that the SPIP variable is declared not to experience symptoms of heteroscedasticity.
2. The sig value for the General Principles of Good Governance variable (X2) is $0.537 > 0.05$ so that the SPIP variable is declared not to experience symptoms of heteroscedasticity.

Multicollinearity Test

Multicollinearity test is conducted to detect significant correlation between independent variables (X) in the regression model. There are two main indicators to analyze multicollinearity, namely Tolerance value and Variance Inflation Factor (VIF). If the Tolerance value is greater than 0.10 and the VIF value is less than 10, then it can be concluded that there is no multicollinearity in the model. The results show that the independent variable has a tolerance value of 0.813, which exceeds the threshold of 0.10. In addition, the Variance Inflation Factor (VIF) value for the independent variable is recorded at 1.230, which is below the maximum value of 10. Based on these results, it can be concluded that there is no indication of multicollinearity among the independent variables in the regression model analyzed.

Hypothesis Testing Using Regression Test

1. Regression Equation

$$Y = -3.201 + 0.339X_1 + 0.399X_2$$

The results of the regression equation and interpretation of the regression analysis equation above are as follows:

- a. The constant value (alpha) is negative, namely -3.201, meaning that if the government's internal control system and the general principles of good governance have a value equal to zero (0), then fraud prevention will decrease.
- b. The coefficient value of the Government Internal Control System variable is 0.339 and has a positive regression coefficient. This shows that the Government Internal Control System variable has a positive effect on fraud prevention at the Purbalingga Regency Environmental Service. If the Government Internal Control System variable increases by 1, fraud prevention will increase by 0.339 and vice versa, assuming other variables are constant.
- c. The coefficient value of the General Principles of Good Governance variable is 0.399 and has a positive regression coefficient. This shows that the General Principles of

Good Governance variable has a positive effect on fraud prevention at the Purbalingga Regency Environmental Service. If the Government Internal Control System variable increases by 1, fraud prevention will decrease by 0.399 and vice versa assuming other variables are constant.

2. Multiple Determination Coefficient

The results show that the R Square value is 0.899, while the Adjusted R Square value reaches 0.809. Given that this study involves two independent variables, the main focus is on the Adjusted R Square value of 0.809. This shows that 80.9% of fraud prevention efforts at the Purbalingga Regency Environmental Service are influenced by the variables of the Government Internal Control System and General Principles of Good Governance.

3. The F Test

The F test is used to assess the collective influence of several independent variables on the dependent variable. This test is carried out by comparing the significance probability value (Sig.F) with a predetermined significance level. This test is carried out with a significance value of 5% and $df_{numerator} = k - 1 = 2 - 1 = 1$ while $df_{denominator} = n - k = 74 - 2 = 72$ so that the F_{table} is 3.97. If $F_{count} > F_{table}$ and $sig < 0.005$, then H_0 is rejected and H_a is accepted. The results show that the F_{count} value of 149.909 $> F_{table}$ of 3.97 with a significance level of $0.000 < 0.05$. Thus, it can be concluded that H_{03} is rejected and H_{a3} is accepted, namely the Implementation of the Government Internal Control System and General Principles of Good Governance Simultaneously Influence Fraud Prevention at the Environmental Service of Purbalingga Regency.

4. The T Test

Partial significance testing (t-test) aims to evaluate whether each independent variable, namely internal control and general principles of good governance, individually has a significant influence on the dependent variable, namely fraud prevention. With a significance level ($\alpha = 5\%$ or 0.05) and degrees of freedom ($df = n - k = 74 - 2 = 72$), the t-table value is 1.993. the results show that:

- a. The t-value for the variable Government Internal Control System (X_1) was recorded at 9.447 with a significance level of 0.000. This figure indicates that t-value is not in the critical area, which ranges from -1.993 to 1.993. Given the significance value is smaller than 0.05, it can be concluded that H_{a1} is accepted, while H_{01} is rejected. Thus, the implementation of the Government Internal Control System has been proven to have a significant influence on fraud prevention in the Purbalingga Regency Environmental Service.
- b. The t-value for the variable General Principles of Good Governance (X_2) was recorded at 9.003 with a significance level of 0.000. This figure indicates that t-value is not in the critical area, which ranges from -1.993 to 1.993. Given the significance value is smaller than 0.05, it can be concluded that H_{a2} is accepted, while H_{02} is rejected. Thus, the implementation of the General Principles of Good Governance has been proven to have a significant influence on fraud prevention at the Environmental Service of Purbalingga Regency.

CONCLUSION

This study was conducted to analyze the influence of the Government Internal Control System and General Principles of Good Governance on Fraud Prevention at the Environmental Service of Purbalingga Regency. Based on the results of the data analysis that has been carried out and

the discussion that has been described in the previous chapter, the conclusions obtained are as follows:

1. The Government Internal Control System has an influence and is significant on fraud prevention at the Environmental Service of Purbalingga Regency.
2. The General Principles of Good Governance have an influence and are significant on fraud prevention at the Environmental Service of Purbalingga Regency.
3. The Government Internal Control System and General Principles of Good Governance simultaneously have an influence and are significant on fraud prevention at the Environmental Service of Purbalingga Regency.

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