The Internal Control System and Good Corporate Governance on Fraud Prevention in The National Road Planning and Supervision Unit of The Province of South Sumatra in 2022.

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A R T I C L E   I N F O

ABSTRACT

This research is a quantitative research that aims to determine the effect ofthe internal control system, good corporate governance on the prevention of fraudin the Work Unit for Planning and Supervision of National Roads of South SumatraProvince. The data used in this research is primary data in the form of a questionnaire. The method used in this research is multiple linear regression analysis. The results of this study indicate that the internal control system variablehas a positive effect on fraud prevention. Good corporate governance has anegative effect on preventing fraud in the Planning and Supervision Work Unit forthe National Roads of South Sumatra Province in 2022.

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1. INTRODUCTION

Fraud is often found within the scope of goods, services, manufacturing and banking companies. The act of fraud is an unethical act that has a negative impact not only on individuals, but also on the organisation or environment. Fraud is an unlawful act that occurs because there are factors of pressure, opportunity, and rationalisation carried out to seek personal or group gain that comes from inside or outside the organisation and can harm others (Zaenal & Nugroho, 2022) .

All organisations of any type, in terms of operations, have a risk of fraud or fraud. fraud in general is an illegal act committed intentionally to deceive other parties which will cause losses and the perpetrators of fraud benefit. Based on this, it can be concluded about illegal actions, intentions, profits that will harm others. In the scope of accounting, the concept of fraud is an entity that must be applied through deviations from accounting procedures. These deviations will have a negative impact on the presentation of financial statements in a company (Damayanti & Primastiwi, 2021).

Fraud is often found within the scope of goods, services, manufacturing and banking companies. Companies are built to be able to generate as much income as possible for shareholders in accordance with their investment and resources and provide welfare for stakeholders. However, business has inherent risks in achieving its goals that cannot be completely avoided (Kesumawati & Pramuki, 2021). Fraud is one of the threats, and it is quite damaging to the business. Fraud in a company will affect the achievement of profit goals, which will affect organisational performance. In

addition, the effects of fraud losses are very concerning because they damage the economic stability of a country, result in financial losses, and trigger a crisis of confidence.

Fraud prevention efforts begin with effective internal controls. Fraudulent acts must be reduced or eliminated and must even be prevented early on because they will not cause large losses. One type of control that can be obtained from a coordinated structure is Internal Control, which helps leaders to secure organisational assets, prepare financial reports more thoroughly, and avoid fraud in business (Cahyani, 2020). IAPI defines Internal Control as a process carried out by the board of commissioners, management and other personnel of the entity, which is designed to provide reasonable assurance about the achievement of these three groups of objectives the reliability of financial reporting, compliance with existing laws and regulations, effectiveness and efficiency of operations. Apart from the internal control system, fraud can also be prevented by paying attention to corporate governance.

Good Corporate Governance (GCG) is a method of decision making that positions the organisation to be much more structured and organised, with work processes that follow established company standards and are ready to accept sanctions if these rules are violated (Ratu & Meiriasari, 2021). A company with Good Corporate Governance should not have fraud in it. If in the company there is still fraud committed by people who are directly or indirectly involved in it, it is certain that Good Corporate Governance has not been implemented (Rustandy et al., 2020). There are 3 conditions that occur in financial management which are usually called the fraud triangle, namely pressure, opportunity and attitude. Of these 3 conditions, one of them, the opportunity is under the control of the company, reducing the opportunity for someone to commit fraud in the organisation. Closing the opportunity gap that can be utilised by fraudsters is one strategy to prevent someone from committing fraud.

Satker P2JN (National Road Planning and Supervision Unit) is a government agency engaged in the planning and supervision of roads and bridges. Based on the Organisational Structure within the Minister of Public Works Regulation No. 08/PRT/M/2010. The P2JN Satker also works to accelerate the land acquisition process for road and toll road construction, data collection of national road conditions, conducting surveys which include routine inspection, detailed inspection, and special inspection, as well as quality control of work to ensure the quality of achievement and detect quality deviations early. From the monitoring carried out by P2JN South Sumatra, there are obstacles in the planning consultant package in the Cost Budget Details (RAB) which have been agreed between the two parties in the contract document, among which are the costs of several personnel, which are not fulfilled by the consultant because in fact some of these personnel are not included by the consultant. This is indicated as a crime because the funds that have been budgeted in the contract document are deliberately taken and used for personal gain.

Therefore, government agencies have an important role in achieving government goals. Regarding the government's goals, it is supported by taking good actions from all employees. However, in actual conditions there are still many cases of fraud that occur in the private sector and in the public sector, namely government. One of the cases that is said to be fraud is corruption (Damayanti & Primastiwi, 2021). The occurrence of fraud is also caused by a poor internal control system and the non-implementation of controls by the company. If this continues to happen, the company will eventually suffer losses.

From these problems, it illustrates the lack of internal control controls, incomplete administration due to the non-realisation of activities in accordance with the agreed RAB and the lack of internal controls carried out by the company. Based on the above phenomena, the researcher raises the title "The Effect of Control Systems and Good Corporate Governance on Fraud Prevention at the National Road Planning and Supervision Unit of South Sumatra Province".

2. RESEARCH METHOD

In this study the authors took the object of research at the National Road Planning Work Unit (P2JN) of South Sumatra Province in 2022. The scope of this study is to determine the effect of the independent variable (X), namely the Internal Control System and Good Corporate Governance on the dependent variable (Y), namely Fraud Prevention at the P2JN Work Unit of South Sumatra

Province. The object of this research is internal control and corporate governance (GCG) which have an effect in preventing fraud (Fraud). The subjects in this study were employees of the P2JN Satker of South Sumatra Province in 2022, located on Jl. R. E. Martadinata, RBO Bina Marga, Kecamatan Kalidoni, Palembang City, South Sumatra.

The type of data used in this study is quantitative and the data source in this study is primary data. The data collection technique in this study is by distributing questionnaires to respondents via Google Form which is given directly by visiting agencies / companies or through social media such as Whatsapp. This study uses a closed questionnaire, namely a questionnaire that has the answers provided, so that respondents only need to choose and answer directly (Napitupulu & Ramadhita, 2022).

The population in this study is the entire staff of P2JN South Sumatra Province, totalling 40 people. While the sample in this study used a total sampling method or saturated sample where if the population is less than 100 people, then the total sample is taken as a whole, but if the population is greater than 100 people, then 10-15% or 20-25% of the population can be taken (Suparno & Rahmadhani, 2020). The sample is a set of parts of a population. A good sample is a sample that is able to represent as many characteristics of the entire population as possible (Samanto et al., 2022). The sample in this study were 40 employees of the South Sumatra Province P2JN Satker in 2022. The analysis technique in this quantitative research usesSPSS 26 software.

The data analysis method in this study uses multiple regression analysis to determine the effect of the independent variable on the dependent variable. Starting from testing data quality analysis then proceeding with the classical assumption test consisting of normality test, heterocedaticity test, and multicolonierity test, multiple regression analysis test after everything is fulfilled then hypothesis testing is carried out to determine the validity of the data.

3.   RESULTS AND DISCUSSIONS

3.1 Validity and Reliability Testing
a.   Validity Test

A questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire, so the validity test wants to measure whether the questions in the questionnaire that have been made by the researcher can actually measure what is said. Validity testing using SPSS facilities.

Table 1. Internal Control System Validity Test Results

Statement No.	R_{count}	R_{table}	Criteria
1	0,842	0,312	Valid
2	0,618	0,312	Valid
3	0,710	0,312	Valid
4	0,711	0,312	Valid
5	0,687	0,312	Valid
6	0,693	0,312	Valid
7	0,654	0,312	Valid
8	0,531	0,312	Valid
9	0,498	0,312	Valid
10	0,585	0,312	Valid

Source: Management Results with SPSS Version 26.0 (2022)

Table 2. Good Corporate Governance Validity Test Results

Statement No.	R_{count}	R_{table}	Criteria
1	0,755	0,312	Valid
2	0,755	0,312	Valid
3	0,638	0,312	Valid
4	0,661	0,312	Valid
5	0,567	0,312	Valid
6	0,726	0,312	Valid
7	0,649	0,312	Valid
8	0,779	0,312	Valid
9	0,745	0,312	Valid
10	0,492	0,312	Valid

Source: Management Results with SPSS Version 26.0 (2022)

Table 3. Validity Test Results of Fraud Prevention

Statement No.	R_{count}	R_{table}	Criteria
1	0,806	0,3120	Valid
2	0,667	0,3120	Valid
3	0,668	0,3120	Valid
4	0,667	0,3120	Valid
5	0,699	0,3120	Valid
6	0,688	0,3120	Valid
7	0,835	0,3120	Valid
8	0,759	0,3120	Valid
9	0,676	0,3120	Valid
10	0,550	0,3120	Valid

Source: Management Results with SPSS Version 26.0 (2022)

Based on the Validity Test of the three variables, it shows that all questions from the internal control system variable (X1), good corporate governance (X2), and fraud prevention (Y) have a correlation greater than rtable (0.3120), it can be concluded that the internal control system, good corporate governance and fraud prevention variables can be declared valid and suitable for use for research data.

b. Reliability Test

The reliability test aims to show the extent to which a measurement result is relatively consistent, if the measurement is repeated two or more times. So, in other words, reliability is an index that shows the extent to which a measuring device can be trusted or relied upon. Reliability testing on this research instrument uses Cronbach's alpha formula using SPSS 26. The results of reliability testing on this research instrument were declared reliable all because the alpha value of each variable was above 0.60. The test results can be seen in the following table:

Table 4. Reliability Test Results

No	Variable	Cronbach Alpha	Criteria	Description
1.	Internal Control System	0,852	> 0,60	Reliable
2.	*Good Corporate Governance*	0,868	> 0,60	Reliable
3.	Fraud Prevention	0,883	> 0,60	Reliable

Source: Management Results with SPSS Version 26.0 (2022)

Based on the table 4, the results of the reliability test that the internal control system and human resources variables on fraud prevention show the Croanbach Alpha value of the internal control

system of 0.852, good corporate governance of 0.868 and fraud prevention of 0.883 greater than the value of 0.70. Then the respondent's answer is said to be reliable.

3.2 Classical Assumption Test
a. Normality Test

The normality test on the regression model is used to test whether the residual value resulting from the regression is normally distributed or not. Test residual normality in the test of normality table using Kolmogrov Smirnov (K-S) the basis for decision making is if the sig value> 0.05, then the research data is normally distributed, otherwise if the sig value <0.05 then the research data is not normally distributed.

Table 5. Kolmogrov-One Sample Normality Test Results

		Unstandardized Residual
N		40
Normal Parameters[a,b]	**Mean**	.0000000
	Std. Deviation	2.03084167
Most Extreme Differences	**Absolute**	.124
	Positive	.064
	Negative	-.124
Test Statistic		.124
Asymp. Sig. (2-tailed)		.124[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Management Results with SPSS Version 26.0 (2022)

Based on the table 5, it can be seen that the Kolmogrov Smirnov test results show a significant value of 0.124 or greater than 0.05, meaning that the data in this study are normally distributed. Therefore, the results of this test are consistent with the previous test.

b. Multicoloniarity Test

The muliticoloniarity test is used in research to determine the correlation between independent variables by testing the regression model. The model is said to be good if there is no correlation between the independent variables. This study uses the Tolerance value and the Variance Inflation Factor (VIP) value to see whether or not there is multicollinearity in the **regression model.**

Table 6. Multicollinearity Test Results

Model	Collinearity Statistic	
	Tolerance	**VIF**
1 (Constant)		
Internal Control System (X_1)	.324	3,083
Good Corparate Governance (X_2)	.324	3,083

Source: Management Results with SPSS Version 26.0 (2022)

Based on the table above, it shows that the tolerance value is 0.324> 0.01 and the VIF value is 3.083 < 10, meaning that there is no multicollinearity so it can be concluded that there is no multicollinearity between the independent variables in the regression model.

c. Heteroscedasticity Test

The heteroscedasticity test is a test carried out to test whether in the regression model in the study there is an inequality of residual variance from one observation to another. If the residual variance from one observation to another is constant, it is called homoscedasticity. However, if in one observation to another observation is different, it is called heteroscedasticity.

Table 7. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.407	1.999		1.204	.236
	Internal Control System	-.075	.073	-.291	-1.025	.312
	Good Corporate Governance	.055	.081	.191	.670	.507

a. Dependent Variable: RES2

Source: Management Results with SPSS Version 26.0 (2022)

In the table 7, the significant value obtained from the test is 0.312 for the internal control system variable, the good corporate governance variable is 0.507. The values obtained by all variables have met the statistical requirement that the significance value in this test must be above 0.05. Therefore, it can be interpreted that there is no heteroscedasticity. So that the regression model is suitable for predicting fraud prevention based on the variables of internal control and good corporate governance.

3.3 Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the effect or linear relationship between two or more independent variables with one dependent variable.

Table 8. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.543	3.275		.166	.869		
	Internal Control System	.782	.120	.761	6.503	.000	.324	3.083
	Good Corporate Governance	.205	.133	.180	1.537	.133	.324	3.083

a. Dependent Variable: Fraud Prevention

Source: Management Results with SPSS Version 26.0 (2022)

Based on the table above, it shows that the regression analysis results obtained are the coefficient for the Internal Control System variable of 0.782 and for the Good Corporate Governance variable of 0.205 with a constant of 0.543.

3.4 Hypothesis Testing
a. Partial Test (t-test)

Partial test aims to show the results of whether the independent variables (accounting information systems and human resources) partially have an influence on the dependent variable (quality of financial statements). If the $t_{count} > t_{table}$ value and significant <0.05, it is certain that the hypothesis is accepted. If the value of $t_{count} < t_{table}$ and significant> 0.05, it is certain that the hypothesis is rejected. Ttabel can be seen using the formula df = n - k.

Table 9. Partial Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.543	3.275		.166	.869
	Internal Control System	.782	.120	.761	6.503	.000
	Good Corporate Governance	.205	.133	.180	1.537	.133

a. Dependent Variable: Fraud Prevention

Source: Management Results with SPSS Version 26.0 (2022)

Based on Table 9, it shows that the tcount value for the internal control system is 6.503> from t_{table} 2.026 with a significance level of 0.000 <0.05, then the Internal Control System has a positive effect on Fraud Prevention. Meanwhile, Good Corporate Governance has a t value of 1.537 < t_{table} 2, with a significance level of 0.133 < 0.05, so Good Corporate Governance has no positive effect on Fraud Prevention.

b.   Simultaneous F Test

The F test is used to test all the effects of the independent variable on the dependent variable. With a significant level of 0.05, it means that there is a joint influence of all independent variables on the dependent variable.

Table 10. Simultaneous F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	818.752	2	409.376	94.169	.000^b
	Residual	160.848	37	4.347		
	Total	979.600	39			

a. Dependent Variable: Fraud Prevention
b. Predictors: (Constant), Good Corporate Governance, Control System Internal

Source: Management Results with SPSS Version 26.0 (2022)

Based on the test results in the table above, it can be seen that the Fcount value is 94.169 with the Ftable value of 3.24 so that the f_{count}> F_{table} value or 94.169> 3.24 and the significance level is 0.000 <0.05 then **H_0 is rejected and H_a is accepted**, so it can be concluded that the Internal Control System (X1) and Good Corporate Governance (X2) variables simultaneously have a significant effect on Fraud Prevention.

3.5 Discussion

a.   The Effect of Internal Control System on Fraud Prevention

Based on the results of the research that has been conducted, the results show that the internal control system has a significant positive effect on fraud prevention. This can be seen from the results of the partial test (t) which obtained a value of 0.000 <0.05 while the value for tcount was 6.503> ttable 2.026, it can be concluded that H_1 the internal control system has an effect on fraud prevention In the results of this study that the implementation of the internal control system in an agency is good. When the implementation is good, prevention will also increase against fraud that occurs in the agency. This is in line with agency theory that there is an agency relationship that occurs when the P2JN Satker (principal) provides a service or hires a consultant (agent) and then gives decision-making authority to the agent.   This research is also in line with the research of Zaenal & Nugroho (2022) where the internal control variable has a positive and significant effect on fraud prevention. This means that the better the implementation of internal control of a company or institution, the more prevention of fraud will increase. The internal control system that has been implemented against fraud is considered successful if the objectives of the institution or company are in line with what is anticipated.

b.   The Effect of Good Corporate Governance on Fraud Prevention

Based on the results of the research that has been carried out, it is found that good corporate governance has no positive effect on fraud prevention. this can be seen from the results of the partial test (t) where t $_{count}$ 1.537> t $_{table}$ 2.024 with a significance level of 0.133 <0.05. So it can be concluded that H2 the internal control system has an effect on fraud prevention, is rejected. When viewed from agency theory which states that the implementation of GCG principles can reduce fraud committed by parties who do not have an interest.

This research is also in line with Faiqoh's research (2019) which states that good corporate governance has no positive effect on fraud prevention where the good corporate governance variable itself has not been able to interfere or has not been able to become a factor in preventing fraud. The results of this study state that good corporate governance is not properly improved, which means that the principles of good corporate governance are not implemented by agencies, especially in dealing with fraud.

4. CONCLUSION

This study aims to determine the effect of the Internal Control System and Good Corporate Governance on the National Road Planning Work Unit of South Sumatra Province. The sample in this study were employees of the National Road Planning and Supervision Work Unit of South Sumatra Province who were taken using the total sampling method with 40 respondents. Based on the research results that have been described, it can be concluded that the internal control system has a positive effect on fraud prevention in the national road planning and supervision work unit of South Sumatra province. Meanwhile, good corporate governance has no positive effect on fraud prevention in the National Road Planning and Supervision Work Unit of South Sumatra Province.

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