



# Implementation of Government Internal Control System and Organizational Commitment's Impact on Fraud

Rita Martini  
Accounting Department  
Politeknik Negeri Sriwijaya  
Palembang, Indonesia  
ritamartini@polsri.ac.id

Amelia Karlina  
Accounting Department  
Politeknik Negeri Sriwijaya  
Palembang, Indonesia  
ameliakarlina16@gmail.com

Yevi Dwitayanti  
Accounting Department  
Politeknik Negeri Sriwijaya  
Palembang, Indonesia  
yevi\_dwitayanti@polsri.ac.id

**Abstract**—Fraud is a form of unlawful act in that is deliberately carried out by individuals/groups in order to get benefits and cause other parties to suffer. One form of fraud is corruption, which harms the state. There are several factors that can influence Fraud actions, including the government's internal control system and organizational commitment. This study aims to determine the influence of the government's internal control system and the organization's commitment to Fraud in the Regional Financial and Asset Management Agency of South Sumatra. This research is a quantitative research that uses primary data as its source. The study method is a survey qualification by distributing questionnaires to 69 respondents of Regional Revenue, Financial Management and Assets Agency of South Sumatra Province employee. The data were analyzed by multiple linear regression using IBM SPSS Statistics 26. The results of the study found that the government's internal control system and organizational commitment had a positive effect on the Fraud.

**Keywords:** *Fraud; Government Internal Control System; Organizational Commitment*

## I. INTRODUCTION

Government organizations have a very crucial role for the progress and development of a country. However, fraud that includes agency members every year has increased. Fraud is an act that resists for a special purpose carried out by employees from outside and within the agency deliberately in order to obtain profits so as to result in losses to other parties. Association of Certified Fraud Examiners or ACFE groups fraud into 3 (three) including fraudulent statements, asset misappropriation and corruption. The grouping of fraud or fraud is called the term "fraud triangle". Palembang is a city that has problems with irregularities and involves active officials. An example of a fraud case has just occurred in Palembang city as reported by namely the Corruption Case for the Construction of the Sriwijaya Mosque. The Head of the High Prosecutor's Office of the South Sumatra Provincial

Government has made 3 (three) employees of the South Sumatra Provincial government with the status of suspects regarding alleged corruption in the allocation of grant funds sourced from the south Sumatra provincial budget funds in 2015 and 2017 to the Sriwijaya Mosque Waqf Foundation Institution in Palembang in the process of building the Sriwijaya Mosque Palembang.

The officials involved include the former Governor of the Provincial Government of South Sumatra from 2008 to 2013 and the term of office from 2013 to 2018 responsible for the decision of grant funds. The other two suspects are the Former Head of BPKAD of the South Sumatra Provincial Government who was responsible for the disbursement of funds carried out not according to procedures in the grant process for the construction of the Sriwijaya mosque and the Former Treasurer of the Sriwijaya Mosque Waqf Foundation Palembang. After the issuance of a governor's regulation in 2015 the South Sumatra Provincial Government stipulated that the APBD in 2015 issued a grant of 50 billion. In 2017, APBD funds were reissued amounting to Rp 80 billion. However, the implementation of the grant budget is carried out without procedures in accordance with the laws and regulations that should be, such as not submitting proposals from the Sriwijaya Mosque Waqf Foundation Institution, which in this case is the recipient of the grant. But only with the instructions and orders of the former governor of the province of south sumatra alone. As a result, the state suffered a loss of Rp 130 billion from these irregularities.

Every individual who commits fraud has a different motivation. The Fraud Triangle Theory is one of the theories that explains how a person acts fraudulently developed by [1] there are 3 components in the fraud triangle theory, including pressure, opportunity, and rationalization. The importance of this test is carried out in order to find out the influence of the internal control system and organizational commitment to the occurrence of fraud. In order to find out the causes and be able to suppress the causes of fraud in the government sector.

Fraud diamond theory is an update of opinions and knowledge on the occurrence of fraud that is conveyed[2]. There are four elements, including pressure, opportunity, rationalization and ability.

The relationship between the diamond fraud theory and this study is that there is an act of someone who commits an act of fraud. Involvement is a way of how pressure can motivate perpetrators to commit fraud, pressure can come from superiors, for example tribute obligations, channeling a certain amount of funds to superiors or leaders or other agencies and organizations as a form of repayment or return for having fought for the budget of a tender or project. Opportunity proxies the weakness of the internal control system in a government.

Rationalization which results in a person's mindset that fraud is a normal act and has often occurred. Employees who commit fraud rationally feel that acts of misappropriation are a common occurrence, with the justification that the value stolen is still in a small nominal which results in the shortage being not so visible and clear. Meanwhile, capability is the expertise or ability possessed by individuals in seeing gaps regarding the place and time to commit fraud. Even if an employee who has a low position despite having the ability to cheat, but cannot act for cheating while in an honest environment. The higher a person's position, the greater the ability to take advantage of corruption. The four sides of diamond theory fraud are certainly one of the reasons why employees commit fraud.

## II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

According to PP No. 60 of 2008, the internal control system is a series of structured activities and activities carried out cyclically and patterned in order to present sufficient trust in achieving an agency or organization's goals with effective and efficient operations, reliable financial reporting, securing state wealth and compliance with legal requirements. A good SPI will assist the government in shading assets, ensuring financial statements with reliable administration, law and regulatory enforcement, minimizing the risk of loss. Research by [3] also shows the results of research that fraud is influenced by significant negative SPI. The research shows that the better the internal control system can reduce the possibility of fraud.

Organizational Commitment is a form of obedience, obedience, loyalty and sacrifice that an employee has to the organization in which the employee works. The research of [4][5][6] resulted in organizational commitments having a significant negative effect on fraud. This shows that the higher the level of organizational commitment in a government, the more it can reduce the possibility of fraud that will occur. [7] conducted a study entitled Analysis of factors affecting fraud in the Dairi Regency government environment with SPI results and organizational commitment has a significant negative influence on fraud.

## III. RESEARCH METHODOLOGY

This type of research is quantitative research and primary data as the source of the data. The acquisition of primary data was carried out by distributing questionnaires to respondents as many as 69 BPKAD employees of South Sumatra Province using the purposive sampling method. Selection of samples whose criteria are State Civil Apparatus working at BPKAD of South Sumatra province, who have a minimum service period of 5 years in the Regional Apparatus Organization, work in the field of finance or keuangam reporting and accountability reports. From these criteria, 69 employees were selected to be the sample and respondents in this study.

To analyze the Government Internal Control System and Organizational Commitment on Fraud, multiple linear regression analysis method. The hypothesis proposed in this study is as follows:

H<sub>1</sub>: The internal control system negatively affects fraud in the government sector.

H<sub>2</sub>: Organizational commitment negatively affects fraud in the government sector.

H<sub>3</sub>: The internal control system and organizational commitment negatively affect fraud in the government sector.

The data type is the data of the subject with the primary data source. Data collection used questionnaires with closed questions arranged using the Likert scale with a score of 1 (lowest) to 5 (highest). Data Analysis Techniques and Hypothesis Testing.

$$Y = a + B_1X_1 + B_2X_2 + \varepsilon$$

Data analysis using multiple linear regression analysis with the help of statistical software SPSS 26.0 for Windows. Before being analyzed, a research instrument test consisted of a validity test using pearson's correlation coefficient (r) and a reliability test using the Cronbach Alpha coefficient, followed by testing classical assumptions as a condition of multiple regression. The basic model of multiple regression equations is as follows:

Information:

Y = The value of the fraud variable (Fd);

X<sub>1</sub> = Variable value of the government's internal control system (SPIP);

X<sub>2</sub> = Variable value of organizational commitment (KO);

ε = Error, interference variable.

The magnitude of the influence of independent variables on dependent variables is calculated by looking for the coefficient of determination or R<sup>2</sup>. Hypothesis testing consists of a t-test and an F test.

#### IV. RESULT AND DISCUSSION

The multiple linear regression equation in this study is as follows:

$$Fd = 24.389 - 110 \text{ SPIP} - 0,222 \text{ KO} + \varepsilon$$

From the multiple linear regression equation above, the constant value is 24,389 which means that if the internal control system and organizational commitments are worth 0, then the fraud value is 1,826. The value of the coefficient of the internal control system is worth 0.110. Which shows that if the SPIP increases by one unit, fraud increases by 0.262. The value of the coefficient is negative, meaning that there is a negative relationship between SPIP and the occurrence of fraud. Significance of 0.000 means less than 0.05 ( $0.000 < 0.05$ ). So  $H_{01}$  is rejected and  $H_{a1}$  is accepted meaning that the government's internal control system has a negative influence on fraud. Organizational commitments value a regression coefficient of 0.222. This value means that organizational commitment increases by one unit, then fraud increases by 0.222. The coefficient value is negative, meaning that there is a negative correlation between organizational commitment and fraud variables. The significance level of 0.033 is lower than 0.05 ( $0.033 < 0.05$ ). So that  $H_2$  is accepted and  $H_{02}$  is rejected, meaning that organizational commitment has a significant negative influence on fraud.

The  $F_{\text{calculated}} > F_{\text{tabel}}$  values of  $12,797 > 4.00$  with a significance of  $0.000 < 0.05$ . Showing that  $H_{03}$  and  $H_{a3}$  are accepted, meaning that the variable x1 SPIP and organizational commitment have a negative influence simultaneously due to fraud. It is known that the value of  $R^2$  or coefficient determination says Adjusted R Square 0.292, which means that the internal control system and the organization's committee are able to explain independent variables (fraud) worth 0.292 or 29.2%. While the remaining 70.1% variables were not mentioned in this study.

##### A. The Influence of Internal Control System on Fraud

From the hypothesis test of significance t, the internal control system ( $X_1$ ) shows a calculated score of -3.798 meaning it is higher than the  $t_{\text{table}}$  of -1.998 ( $-3.798 > -1.998$ ) a significance of 0.000 meaning less than 0.05 ( $0.000 < 0.05$ ). So  $H_{01}$  is rejected and  $H_{a1}$  is accepted meaning that the government's internal control system has a negative influence on fraud. The beta value in the unstandardized coefficients of the internal control system variable worth -0.110 means that if the SPIP increases by one unit of fraud decreases by 11%. The test results prove that SPIP has a negative influence on fraud. This is because the maturity level of SPI in the south Sumatra provincial government is at the level of 3,083 which means that the implementation of the government's internal control system is at a defined level. At this level, policies and procedures have implemented internal control practices and are well documented. Thus, this research is in line with the research who said SPIP had a significant negative effect on fraud. It can be concluded that the better SPIP can minimize the possibility of fraud that can occur. Fraud can occur if there is an opportunity. The greater the chance that cheating can occur frequently. An opportunity can be reduced by the implementation of an effective internal control system. This

research is supported by fraud diamond theory where it is known that there are 4 (four) elements that cause someone to commit fraud, including pressure, opportunity, rationalization and capability. In this study, the opportunity element is related to the variables of the internal control system. So the conclusion is that the better the SPIP, the chances and opportunities for fraud to occur can decrease.

##### B. The Influence of Organizational Commitment on Fraud

Meanwhile, the results of testing the significance hypothesis t known to be organizational commitment variables ( $X_2$ ) showed a calculation of -2.177 meaning higher than the  $t_{\text{table}}$  of -1.998 ( $-2.177 > -1.998$ ) a significance level of 0.033 lower than 0.05 ( $0.033 < 0.05$ ). So that  $H_2$  is accepted and  $H_{02}$  is rejected, meaning that organizational commitment has a significant negative influence on fraud. So the conclusion is that the high commitment in an organization can minimize fraud that will occur. Research which showed a significant negative influence of organizational commitment to fraud. This means that the greater the commitment of the organizational committee in an agency, the more it can minimize the possibility of fraud that will occur. This research is supported by fraud diamond theory where organizational commitment is a form of rationalization or justification. Commitment is associated with the values and ways of agencies or organizations in doing everything including fraud or fraud.

##### C. The Influence of the Government's Internal Control System and Organizational Commitment to Fraud

The calculated  $F_{\text{value}}$  is 12.797 and the significance is 0.000. This means that the  $F_{\text{count}}$  of 12,797 is greater than the  $F_{\text{table}}$  of 3.15, so it can be stated that simultaneously the independent variables (the government's internal control system and organizational commitment) affect the dependent variable, namely fraud. The significance level of 0.000 is less than 0.05 or 5%, so it can be concluded that  $H_{03}$  is rejected and  $H_{a3}$  is accepted as a whole the government's internal control system and organizational commitment has a significant influence on the dependent variable, namely fraud. This means that the government's internal control system and organizational commitments have been implemented effectively and are running well. Based on these conclusions, the research hypothesis that the government's internal control system and organizational commitment affect fraud ( $H_{a3}$ ) is acceptable. The results of the simultaneous analysis of relationship strength to find out how much independent variables explain the dependent variables, can be known through the coefficient of determination  $R^2$  of 0.292 or 29.2% while the remaining 70.8% is influenced by other variables that the researcher did not include in this study, such as human resource competence, organizational ethical culture, leadership style, compensation suitability, enforcement of regulations, unethical behavior and others. The value of 29.2% explained that the fraud variable was influenced by the government's internal control system and organizational commitment of 29.2% at the Regional Financial and Asset Management Agency of South Sumatra Province.

## V. CONCLUSION

From the test results, spip's conclusions were found to be negative and significant for fraud in the government sector. The organization's commitment has a negative and significant impact on fraud. And fraud is significantly negatively influenced simultaneously by SPIP and organizational commitment. This test has implications for BPKAD of South Sumatra Province to be able to improve the implementation of the internal control system, namely by evaluating internal control using adequate documentation. With this, the researcher expects the BPKAD government agencies of South Sumatra Province to be able to carry out agency activities and activities in accordance with the regulations applied, increase control activities, and evaluate internal control using adequate documentation.

And it is also expected for BPKAD agencies of South Sumatra Province to further increase the commitment of employees to the agency by giving rewards for the achievements achieved, holding gatherings to foster love and pride in the institution, conducting trainings, workshops, seminars and other self-development activities so that employees have knowledge about the dangers of fraud. This research is limited to the perceptions of agency employees so that there are differences in perceptions between government employees of BPKAD employees of South Sumatra Province. Subsequent studies are expected to use other methods such as information interviews in order to obtain accurate information and data.

## REFERENCES

- [1]. ACFE. 2004. *Report to The Nations on Occupational Fraud and Abuse*. USA: Association of Certified Fraud Examiners.
- [2]. Wolfe, D. T., & Hermanson, D. R. 2004. "The Fraud Diamond : Considering the Four Elements of Fraud." *The CPA Journal* 74 (12): 38–42.
- [3]. Wulandari, Y & Widodo, S. 2020. Faktor-faktor yang Mempengaruhi Fraud (Studi pada Pemerintah Desa se-Kabupaten Bantul). *Journal of Business and Information Systems (e-ISSN: 2685-2543)*, 2(1), 12–20. <https://doi.org/10.36067/jbis.v1i2.34>
- [4]. Adinda, Y. 2015. Faktor yang Mempengaruhi Terjadinya Kecurangan (Fraud) di Sektor Pemerintah Kabupaten Klaten. *Skripsi*. Universitas Negeri Semarang.
- [5]. Kurrohman, T., Lailiyah, A., & Wahyuni, N. I. 2017. Determinant of fraudulent in government: An empirical analysis in Situbondo Regency, East Java, Indonesia. *International Journal of Economics and Management*, 11(SpecialIssue1), 133–140.
- [6]. Sudarmawanti, E., Mar'ati, F.S & Riyanti, B. 2022. Analisis Faktor-Faktor yang Mempengaruhi Kecurangan (Fraud) untuk Mewujudkan Sustainable Development Goals (SDGs). *Jurnal Akuntansi Indonesia*, 11 (1), 14-25 Sugiyono. 2019. *Statistika untuk Penelitian*. CV Alfabeta.
- [7]. Simbolon, D. 2017. Analisis Faktor-Faktor Yang Mempengaruhi Fraud di Lingkungan Instansi Pemerintah Kabupaten Dairi. *Tesis*. Universitas Sumatera Utara
- [8]. Republik Indonesia. (1999). *Undang-Undang Nomor 31 Tahun 1999 Tentang Tindak Pidana Korupsi*.
- [9]. Republik Indonesia. (2001). *Undang-Undang Nomor 20 Tahun 2001 Tentang Pemberantasan Tindak Pidana Korupsi*.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

