

THE EFFECT OF GOVERNMENT INTERNAL CONTROL SYSTEM ON FRAUD PREVENTION

(CASE STUDY ON FAMILY HOPE PROGRAM OPERATOR TASIKMALAYA)

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ABSTRACT

Fraud is a crime that can certainly harm various elements because it is carried out with various dishonest actions for the benefit of oneself or a group of people. The main thing to prevent fraud is to create reliable internal control, whether in the various concepts of the control structure or in terms of its implementation. All levels of the organization related to the control structure must be committed to participating in preventing fraud. In 2021, a fraud case in the PKH Social Assistance was found by one of the PKH Facilitators worth Rp. The purpose of this research is to find out how the Government's Internal Control System can affect fraud prevention. The research sample was taken using Convenience Sampling. The data that is used as a reference and used in the study is primary data in the form of questionnaires and then measured with a Likert scale. Questionnaires were distributed to all samples and 102 samples were returned to the questionnaire, then this data was processed. Meanwhile, the data analysis in this study is a simple linear regression analysis and results in research that the government's internal control system has a positive influence on fraud prevention.

Keywords: Government Internal Control System, Fraud Prevention, Social Assistance



1. INTRODUCTION

The problem of poverty in Indonesia has become an open secret that is continuously studied so that it can be minimized. This is in line with the goal of the Indonesian people, namely advancing the general welfare. Various programs have been designed by the Government of Indonesia so that its people are able to be free from poverty.

The Family Hope Program has existed since 2007 until now, it has proven successful in reducing poverty. Based on the latest research conducted in 2019, the Indonesian Ministry of Social Affairs, the Family Hope Program, can reduce the poverty rate by up to 9%. Not only that, the consumption of income per capita has increased by 10% and the consumption of nutritious and high protein foods is 8%. This program can also reduce stunting rates by 23%-27% and increase school attendance by 95%. (www.kemensos.go.id)

The existence of rules regarding the implementation of a program so that it continues to experience good progress every year, of course, various changes are needed that are adapted to the conditions of the times. In 2007-2015, the distribution of this assistance was done in cash through POS, but since 2016 the beneficiary families (KPM) were given an ATM card called the Prosperous Family Card (KKS) for the distribution of various assistance from the Government. One of the differences and changes in regulation of the social assistance fund is to minimize various loopholes for fraud in it.

Deviant behavior is the root of many crimes. In this fraud, the perpetrators should behave rationally and have various strategies to avoid punishment. Various factors can be utilized properly so that the purpose of the fraud can be achieved. According to the theory of Dr. Donald Cressy quoted in the book *Auditing and Assurance Service*, this fraud is supported by three elements which are usually known as the Triangle Theory, namely the existence of pressure, opportunity, and rationalization. (Karyono, 2013).

In terms of carrying out fraud prevention efforts, one of the main things that can be implemented is by suppressing the Government's Internal Control System (SPIP). In his research, Ahmad Saiful et al. (2018) mentions that internal control is also able to reduce the level of fraud and prevent abuse of authority.

This system consists of various procedures and policies that have been created in such a way that later it can lead to proper assurance that an agency has succeeded in achieving its targets and objectives. As explained by the Committee of Sponsoring Organization of the Tread way Commission (COSO) that this internal control has three objectives, namely the effectiveness and efficiency of an activity, then the creation of reliability in financial reports and of course always carrying out various existing rules (Hery, 2019).

Nining Hindriani (2012) in his research states that various elements of the Government's Internal Control System can be created which will later be used as guidelines as well as benchmarks for testing the effectiveness of the implementation of the Internal Control System in an agency. Of course, by considering various aspects of human resources, clear criteria for evaluating effectiveness, the amount of costs and benefits obtained and information technology that is always adjusted along with the times.

When the implementation of this control system is weak, it is possible to create opportunities for someone to commit fraud. Likewise, if the internal control system of an agency is implemented properly, it will minimize various opportunities for fraud. According to Susanto (2013: 93) in Lisa et al. (2020) An internal control system that is carried out comprehensively and can monitor various activities of an organization is something that needs to be considered to detect and guard against various risks that can cause losses that can be caused by fraud. If SPIP can be implemented effectively, every activity and obligation assigned to each member will be carried out properly and various frauds that may occur can be prevented or detected by this internal control, so that organizational compliance with various existing rules will be created.

In the middle of 2021, Minister of Social Affairs Tri Rismaharini explored various fraud cases that might occur in the Social Assistance Program PKH. It turned out that one of the PKH Facilitators was found to be a suspect in the corruption of PKH social assistance funds worth Rp. 450 million which had been carried out since 2017. The motive was the misuse of ATM recipients of assistance or commonly known as the Prosperous Family Card (KKS) as many as 37 recipients. The details are that the 16 KKS were not distributed to the recipients, then 17 KKS belonging to the

recipient's family had died or had moved residence, and 4 other KKS whose assistance was not given in full, in the sense that there was illegal cutting. He used the money to meet personal needs.

Cases like this may occur in other areas, due to similar opportunities and without maximum supervision. Tasikmalaya is one of the regencies that has many KPM and assistants. Plus, the geographical area is quite wide, making the monitoring process feel less than optimal. Therefore, based on the above background, this study aims to find out how the Government's Internal Control System can affect fraud prevention, a case study was conducted on the Family Hope Program Operator Tasikmalaya.

2. LITERATUR REVIEW AND HYPOTHESIS

2.1. Government's Internal Control System (SPIP)

In PP Number 60 of 2008, the Government's Internal Control System is based on the idea that the Internal Control System is inherent throughout the activity, is influenced by human resources, and only provides adequate assurance, not absolute belief. The background of the issuance of PP Number 60 of 2008 concerning the Government's Internal Control System is as a guide for the implementation of State Financial Reform towards Good Governance and Good Government.

The Government Internal Control System according to Agus Supriono et al. (2019) is an integral process for actions and activities carried out on an ongoing basis by all parties from superiors to employees to create confidence towards the achievement of effective and efficient agency goals. The components or elements that cover SPIP are generally the same as the internal control components stated in COSO. The following are the elements of the Government's Internal Control System that must exist in a government management based on PP Number 60 of 2008, Zamzami et al. (2017) and Tunggal (2013): (1) Control Environment. In this control environment, superiors must be able to create and maintain a conducive control environment and provide positive energy, including upholding ethics and integrity values, and having a commitment to competence; (2) Risk Assessment. This is done by identifying and analyzing the risks related to the various activities carried out whether they are in accordance with the standards set previously or not; (3) Control Activities. This control activity consists of several elaborations starting with performance reviews, human resource training, information system control, physical control over assets, then setting performance indicators, segregation of functions, transaction authorization, accurate recording, restrictions on access to resources, accountability of resources. and good documentation of SPIP and important incident transactions; (4) Information and Communication. The head of the agency must provide various means of communication as well as manage, develop, and update the information system on a regular basis; (5) Monitoring. Monitoring of SPIP is carried out on an ongoing basis, through various separate evaluations and of course, recommendations for audit results and other evaluations must be followed up.

2.2. Fraud Prevention

Fraud according to Adeniji and ICAN (in Joseph Kwasi, 2020), is an action carried out by a person or persons among management, employees and even third parties, which results in a misstatement of financial statements, intentionally. As is the case with research Salma Fitri et al (2020) explains that fraud or fraud is a form of act of deviating from the applicable rules in the form of manipulation that is intentionally carried out either individually or by several people to gain profits also causing other parties to suffer losses.

According to a theory that was first proposed by Dr. Donald Cressy and quoted by Alvin A. Arend CS in his book Auditing and Assurance Service, also by Steve Alberecht in his book Fraud Examination, Fraud occurs because it is supported by three elements known as the Fraud Triangle Theory, namely: (1) Pressure. A motivation to commit fraud on employees and managers occurs due to financial pressure, environment, bad habits, and other pressures; (2) Opportunity. With weak internal controls that can prevent and detect fraud, there will be opportunities to commit fraud; (3) Rationalization. Someone who commits fraud will look for various justifications or rationalizations.

Therefore, to prevent the various causes of fraud from occurring, according to Drs. Karyono Ak. M.M in his book Forensic Fraud states that the following steps are needed, namely: 1) Reducing situational pressures that lead to fraud, starting from creating a good work environment, avoiding various external pressures that can tempt

employees to eliminating risky operational barriers; 2) Reducing opportunities to commit fraud, such as increasing control over various structures and segregation of functions; 3) Reduce justifications for committing fraud by applying various rules to behave honestly or with integrity as well as applying strict sanctions if deviations occur.

2.3. Theoretical Frameworks

The results of research from Lisa & Suparno (2020) show that SPIP has a positive effect on fraud prevention, even the effect is significant. These results explain that the increase in SPIP will also be followed by increased fraud prevention related to the management of BOS funds at SMPN in Banda Aceh, where with an effective control system, this will make operational activities run effectively and efficiently, so that the possibility of irregularities occurs. In agency operations in the form of managing BOS funds can also be minimized.

In line with the research of Yasmi et al. (2019), the result of which is that SPIP has a significant positive effect on fraud disclosure looking at the statistical data obtained. The results of this study of course increasingly give confidence that the achievement of one of the goals of SPIP is to make the performance of government agencies obey the law, one of the elements is prevention, disclosure and prosecution of fraud that occurs.

As well as the results of research by Susi and Farid (2013) show the results that the Government Internal Control System has a positive effect on fraud prevention. This means that by implementing SPIP effectively, it will suppress the occurrence of fraud or prevent fraud. The higher the effectiveness of SPIP implementation, the lower the possibility of fraud. On the other hand, the absence of SPIP will provide ample space for individuals to commit fraud.

Several studies also showed similar results to the studies above, including the research of Pura & Sufiati (2014), On Joseph et al. (2015), Maliawan (2017), and Ariastini et al. (2017). The results of these studies provide empirical evidence that good internal control will increase fraud prevention, so that internal control has a positive effect on fraud prevention.

2.4. Hypothesis

Based on the literature review, previous research results and the above framework, the hypothesis in this study is that the Government Internal Control System (SPIP) influences fraud prevention.

3. RESEARCH METHOD

3.1. Type of Research, Population, and Sample

This study uses a descriptive research method through a case study approach with a population of all PKH human resources in 39 sub-districts in Tasikmalaya. Questionnaires were distributed to the entire population, which is about 330 populations and then used convenience sampling technique.

3.2. Operating Variables

The dependent variable in this study is fraud, while the independent variable is the government's internal control system (SPIP). Referring to previous research, the operationalization of variables as follows is presented in Table 1.

Variable	Indicators	Scale
Government Internal Control System (X)	1. Control Environment	Interval
	2. Risk Assessment	
	3. Control Activities	
	4. Information and Communication	
	5. Monitoring Activities	

Fraud Prevention (Y)	1.	Reducing situational pressure that gives rise to fraud	Interval
	2.	Reducing the opportunity to commit fraud	
	3.	Reducing rationalization of committing fraud	

3.3. Data Types and Sources, Data Collection Techniques, and Scaling

The type of data is subject data with primary data sources. The data collection technique is a field study by distributing questionnaires to respondents which are compiled using a likert scale.

3.4. Data Analysis Techniques and Hypothesis Testing

The analytical method in this study uses Simple Linear Regression Analysis. The research instrument in this study was tested first with validity tests, reliability tests and normality tests. The equation model of simple linear regression is:

$$Y = a + bX + \epsilon$$

Description:

Y = Fraud; a = Constant; b = Regression Coefficient; X = Effect of Government Internal Control System; ϵ = Standar Error

To find the magnitude of the influence of the independent variable on the dependent variable, R^2 is used as the coefficient of determination. As well as hypothesis testing using the t test.

4. RESULTS AND DISCUSSION

4.1. Questionnaire Return

Total questionnaires that have been distributed to all samples, the number of returned questionnaires is 102, total data collected is 30% from population, and this amount will be analyzed.

4.2. Validity, Reliability and Normality Test

In testing the validity of a data, all items of the questionnaire statement must meet Pearson's r_{count} or correlation coefficient (r) which is greater than r_{table} . The following r_{table} obtained is worth 0.198 ($\alpha = 0.05$ and $N = 102$). Based on the results of this validity test, all statement items exceed these requirements and are declared valid and have good reliability to measure the variables studied. Then to test the reliability of the data, the Crombach Alpha value of the government's internal control system is 0.79 and for fraud it is 0.729 and it means that both values exceed the critical value of 0.70 so that all items are declared reliable.

Then for the normality test, the Kolmogorov-Smirnov test was used, and the test results gave a significance value of 0.062, which means it is greater than and it can be stated that this regression model is normally distributed.

4.3 Simple Linear Regression Analysis

Simple linear regression analysis produces the following equation model:

$$Y = a + bX + \varepsilon$$
$$Y = 2,649 + 0,351 X + \varepsilon$$

From this equation, the constant value is 2.649 and the SPIP variable coefficient is 0.351. This means that if the variable X is zero, then the value of the variable Y is 2.649.

The calculation of the coefficient of determination shows how well the regression model formed by the independent and dependent variables is. Based on the results of data processing, the coefficient of determination has been obtained at 8.7%. The meaning of this value is that SPIP has an influence of 8.7% on fraud prevention, and the remaining 91.3% is influenced by other factors outside the SPIP variable.

Then to test the hypothesis, a t-test was carried out to see and find out the significance of the influence of the independent variable on the dependent variable. Based on the results of the t-test data processing which has a total of $n = 102$ and $\alpha = 0.05$, the t_{table} value is 1.984 and the t_{count} is 3.090, which means that $t_{count} > t_{table}$, the hypothesis is accepted that SPIP has an influence on fraud prevention.

4.4. Discussion

Based on the explanation of the results of data processing and testing above, it has been shown that SPIP has a significant positive effect on fraud prevention. It can be interpreted that the internal control implemented by the Operators of the Family Hope Program Tasikmalaya is running well so that it can reduce or prevent fraud.

Previously in theory, it has been explained that a good internal control system can suppress fraud in an agency. Especially for the Operators of the family of hope program in Tasikmalaya, so far there has never been a fraud like in other areas. In organizational structure, PKH is a program under the Ministry of Social Affairs and its Operators are implemented by all regional governments throughout Indonesia. Various instructions and policies are ordered directly by the Minister of Social Affairs together with the director of Family Social Security at the Ministry of Social Affairs which are then implemented by each local government.

The implementation of the duties and functions of PKH has been directly regulated by the Ministry of Social Affairs and periodic reporting is carried out through a system called E-PKH so that it can be monitored directly by the center. The large number of potentials that lead to a deviation is of course considering the very high allocation of social assistance funds. The Ministry of Finance announced that the budget for social protection funds in 2021 is IDR 260.1 T and specifically for the Family Hope Program is IDR 28.31 T. (www.kemenkeu.com).

Therefore, the leadership always anticipates various risks that may occur due to changes in the economy, regulations, and activities. Every month, the Minister of Social Affairs conducts safari visits to various regional governments that organize the family of hope program. Not only that, but each Operator also holds regular coordination meetings every week to find out various problems that arise in the community related to the implementation of the family of hope program. In these routine activities, not only risk identification is carried out, but also various control activities are always evaluated, for example in terms of technical assistance distribution, checking various documents along with the relevant authorizations and so on.

This family of hope program has been running since 2007 which of course has gone through many system changes to facilitate its implementation. In essence, the form of this program is a few cash assistance provided to beneficiary families. Starting from the distribution system that is done manually until now it has become easier and more flexible to use an ATM called the Prosperous Family Card. This policy change is, of course, carried out to minimize fraud, such as discounted aid or illegal levies. With this ATM distribution system, assistance is directly transferred by the center to the beneficiary's family and can be taken anywhere by the beneficiary.

So far, the implementation of the family of hope program in Tasikmalaya runs smoothly and there are no people who commit any fraud. One of these things can be controlled because of the monitoring and evaluation of every operational activity carried out. Starting from the disbursement of aid and other assistance activities such as P2K2 activities, namely Family Capacity Building Meetings which are held by social assistants every month with all

beneficiary families in each of their assistance. These activities can monitor the extent to which this program has succeeded in improving the quality of Indonesian families. Beneficiaries will be fostered and directed how to create quality families and can improve their welfare by utilizing various assistance provided by the government.

In this meeting, various recommendations for findings in the field will appear which will then be immediately followed up and reported so that they can be resolved immediately. Usually, community reports are not far from the lack of assistance or even the assistance has not been received, then there are families who no longer have a recipient component, for example death or there are children from the family who have finished their education, or for example there are recipient families who want to resign because they feel prosperous and do not need government assistance anymore. Matters like this will be immediately followed up and then the response will be communicated to various parties including the beneficiary's family.

5. CONCLUSIONS AND SUGGESTIONS

Based on the results of the analysis in this study, a conclusion was obtained that the Operators of the Family Hope Program in Tasikmalaya, the government's internal control system has a significant positive effect on fraud prevention. In the sense that the implementation of the internal control system in this program is running well to prevent fraud.

The suggestions that can be given are:

- a. For the Operators of the Tasikmalaya to always implement various regulations that have been set by both the central and regional governments and continuously improve the quality of performance and always.
- b. Then the next researchers are expected to be able to redevelop this research both in terms of area coverage and other variables that can affect fraud prevention such as work commitments, work compensation, job guarantees and various other government performance systems.

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