

The Effect of Governance, Digitalization, Internal Auditors on Fraud Prevention and Impact on Public Accountability (Survey at the Ministry of Finance)

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Abstract

The Covid-19 pandemic has changed work patterns, which mostly rely on information technology. This makes the span of control wider so that Governance, Digitalization, and Internal Auditors to prevent fraud that needs to be evaluated. This research is a quantitative research through surveys with questionnaires and a variance-based SEM approach with SmartPLS. The sampling technique used was purposive sampling in the population at the Ministry of Finance of 1,054 offices spread throughout Indonesia by the Yamane/Isaac and Michael formula (290 samples) and total of 655 respondents were employees in the internal compliance/financial reporting department. Before testing the hypothesis, validity and reliability were first tested. This study finds that the law enforcement for fraudulent behavior in government must be carried out objectively free from the influence of power interests. Furthermore, the Ministry of Finance needs to review the digitization of the State Revenue Module (MPN) and the State Treasury and Budget System (SPAN) to ensure compliance with best practices considering that these systems have weaknesses in fraud prevention. The novelty in this research is related to the influence of democracy, legal culture, MPN and SPAN in fraud prevention and their impact on public accountability.

Keywords: Governance, Digitalization, Internal Auditors, Fraud Prevention, Public Accountability

Introduction

Fraud in the management of state finances is a problem that still occurs today. Reform of the management of state finances has not completely freed the management of state finances from the problem of fraud. Based on the data published by the Corruption Eradication Commission (KPK) it can be described the handling of fraud cases in the management of state finances from 2016 to 2020 based on the following types of cases.

Table 1: Fraud Handling 2016-2020 Based on Cases Type

No.	Fraud Cases in State Financial Management	2016	2017	2018	2019	2020
1	Procurement of goods/services	14	15	17	18	30
2	Licensing	1	2	1	-	-
3	Bribery	79	93	168	119	56
4	Collection	1	-	4	1	-
5	Budget Abuse	1	1	0	2	2

6	Money Laundering Crime	3	8	6	5	3
7	Impede the Process of the Corruption Eradication Commission	-	2	3	-	-
Total Cases		99	121	199	145	91

Source: KPK (Corruption Eradication Commission, 2021), processed

Therefore, fraud prevention measures are important for organizations because fraud can harm the organization both in terms of its resources and the image of the organization. Baesens (Baesens, 2015, p. 10) states that fraud prevention refers to actions that can be taken to avoid or reduce fraud.

In addition to the problem of fraud, there are several problems related to the management of state finances, as revealed by the Chairman of Audit Board of the Republic of Indonesia Agung Firman Sampurna that Audit Board found 4,094 financial cases out of 5,480 problems examined in the Semester Examination Results Summary II of 2019 (finance.detik.com, 5 May 2020). In accordance with the thematic examination conducted by BPK RI on the PC-PEN policy on 241 objects, it was found that the policy had not realized effectiveness, transparency, accountability, management compliance, and financial responsibility (dpr.go.id, 22 June 2021).

In the New Public Management (NPM), transparency is a key feature of NPM. Pollitt dan Bouchaert (Pollitt & Bouchaert, 2011, p. 2) explained that Public Management Reform is a change in the structure and process of public sector organizations with the aim that the organization can run better.

In this regard, the Bureaucratic Reform at the Ministry of Finance was carried out from 2002 – 2006 (period I). Furthermore, in 2007 (period II) the Ministry of Finance carried out massive Bureaucratic Reform which was implemented through Three Main Pillars, namely the Organization Pillar, the Business Process Pillar, and the Human Resources Pillar.

In addition, the Ministry of Finance in improving the governance of state finances has implemented system digitalization for the purpose of transparency and accountability. One of the ways to digitize the system in managing state finances is through the implementation of the State Revenue Module (MPN) and the State Treasury and Expenditure System (SPAN). MPN and SPAN are the implementation of e-government/digitalization systems in government as part of the development of the Integrated Financial Management Information System (IFMIS) and the implementation of Enterprises Resource Planning (ERP).

E-government refers to the implementation of work that utilizes information technology. Khan (Khan, 2018a, p. 2) defines digitalization of systems in public finance as an important part of public administration and the government is responsible for developing effective mechanisms for e-governance. Digitalization according to Lund, White, and Lamb will provide enormous benefits for organizations/companies to minimize fraud (Gupta et al., 2017b, pp. 3–4). Sandoval-Almazan (Sandoval-Almazán et al., 2017, p. 3) introduces a digitalization strategic framework for governments based on digital governance strategies to create public value.

Basically, internal auditors are required to remain independent in carrying out their roles. According to Arens (Arens, 2017, p. 827) dan Louwers, et. al (Louwers et al., 2018, p. 24), internal auditors as consulting and assurance activities that are carried out independently and objectively to increase organizational values and operations.

As explained by Anderson (Anderson et al., 2017, p. 2.5) that the International Professional Practices Framework (IPPF) includes mandatory guidelines and recommended guidelines. What is quite

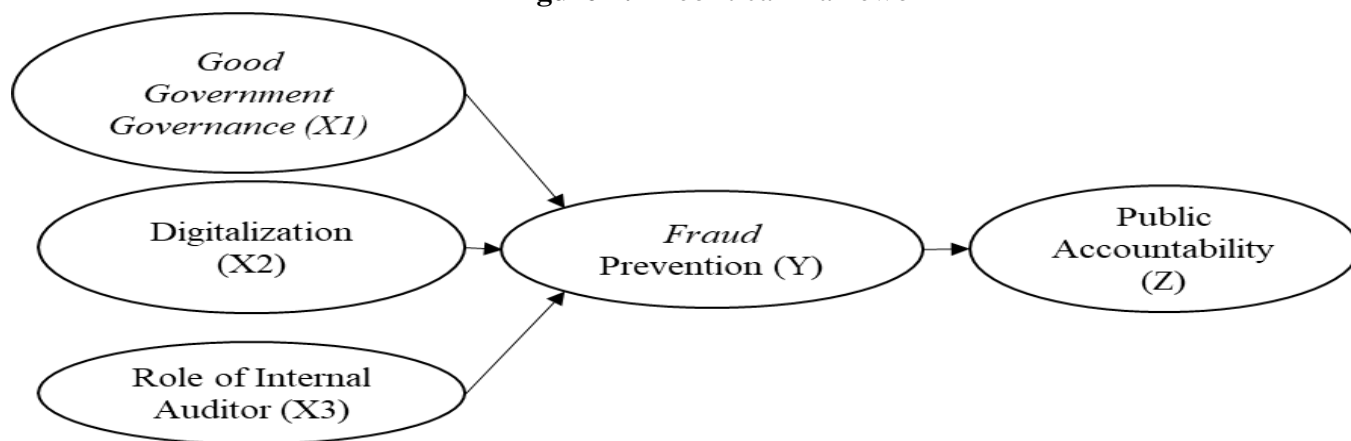
important in the IPPF in addition to the basic principles and standards that become mandatory guidelines is the Code of Ethics.

The implementation of good governance, digitalization and internal auditors is intended to achieve accountability in the management of state finances. Accountability in the management of government resources is important as a form of government accountability (Zhou, 2019).

According to Haroon A Khan (Khan, 2018b, p. 121), accountability is based on fairness, integrity, doing the right thing and respecting others. There are several dimensions of public accountability according to Hopwood and Tomkins (1984) and Elwood (1993) as quoted by Mahmudi (Mahmudi, 2019, pp. 10–11) namely: 1) Program Accountability; 2) Policy Accountability; and 3) Financial Accountability.

Based on the phenomenon, theoretical search and the results of previous research, this research focuses on the framework of thought as shown below.

Figure 1: Theoretical Framework



The considerations that form the basis of research are due to the current Covid-19 Pandemic which has caused the organization's work patterns to change following government policies that prioritize the implementation of activities carried out through the Work from Home system.

Based on the explanation above, this study uses another perspective in preventing, detecting and handling fraud. This is different from previous research where the conceptual framework for detecting fraud, namely forensic audits and investigative audits (Mamahit & Urumsah, 2018). The audit is an action to determine that fraud has occurred in the organization's financial management. Basically, this research places more emphasis on prevention and mitigation measures that might be taken to minimize fraud by implementing good governance, digitalization, and internal auditors.

This study re-examines the relationship between the implementation of good governance, digitalization, and internal auditors in the preventing fraud which Martins dan Junior (Martins et al., 2020), Tseng dan Wu (Tseng & Wu, 2016), Sadaf et al. (Sadaf et al., 2018), who concludes that good governance has an effect on fraud prevention.

In the other hands, Utami (Utami et al., 2021) states that the number of good governance implementations has a significant and positive effect on the quality of risk management disclosure. Besides that, Vamela dan Setiyawati (Vamela & Setiyawati, 2021) concluded that management morality has a significant effect on the tendency of fraud in accounting.

Although in this case, Birol (Birol, 2019) concluded that good governance has not had the expected effect on fraud risk because of the process in implementing good governance.

Related to digitalization, Suryanto (Suryanto, 2016), Ali (Ali et al., 2017), and Daliri (Daliri, 2020) stated that IT has a role in helping organizations/companies to prevent/detect fraud. This is different from the results of Utami's research (Martins et al., 2020) which concludes that IT governance in the banking industry has an insignificant effect on early warning of fraud/fraud due to the need for massive use of IT governance to prevent fraud.

The implementation of good governance, digitalization and sharpening the functions of the internal auditors are related to the prevention, detection and handling of fraud and public accountability. This relationship can basically be known through the principles of good governance such as transparency and accountability. Transparency is needed so that supervision by the public and the business world on state administration can be carried out objectively. Accountability is needed so that every state institution and state administrator carry out their duties responsibly.

Furthermore, this research is expected to contribute to government organizations in detecting and handling fraud, especially in managing state finances. This research is also expected to be able to increase the accountability of state financial management with financial management that is accountable, responsible, transparent and on target.

LITERATURE REVIEW

Agency Theory

Agency theory as expressed by Jensen and Meckling (Jensen & Meckling, 1976) explains the agency relationship which is an agreement between the owner of the company (Principal) and management (Agent) to perform several services on behalf of the Principal which involves delegating some decision-making authority to the Agent (management). According to Eisenhardt (Eisenhardt, 1989), Agency Theory basically identifies the solution to two problems that can occur in agency relationships, namely:

- a) Agency problems that arise as a result of different desires or goals of the principal and agent. However, the principal has limitations in testing the actual actions carried out by the agent. The fundamental problem with this is that the principal cannot test that the agent has acted appropriately in carrying out the agency relationship.
- b) The problem of shared risk that arises when the Principal and Agent have different views on risk. The basic problem with this is that the Principal and Agent have different priority actions due to different risk preferences.

Agency theory according to Eisenhardt (Eisenhardt, 1989) has made a special contribution to thinking about organizations namely:

- a) Information processing. In agency theory, information is considered a commodity: it has a cost, and it can be purchased. This gives important roles to formal information systems, such as budgeting, MBO, and boards of directors, and informal, such as managerial oversight, which is unique in organizational research. The implication is that organizations can invest in information systems to control agent opportunism.
- b) Risk implications. Organizations are considered to have an uncertain future. The future can bring prosperity, bankruptcy, or an intermediate outcome, and that future is only partly controlled by organizational members. Environmental effects such as government regulations, the emergence of

new competitors, and technical innovations can affect results. Agency theory extends organizational thinking by pushing the consequences of outcome uncertainty to their implications for creating risk.

Based on this, Eisenhardt (Eisenhardt, 1989) suggests that agency theory can be used in conducting an analysis of the most effective and efficient relationship between Principal and Agency. This means that agency theory can be used as a reference for Principal and Agency relationships to build governance such as information systems, outcome uncertainty, incentives, and risks. Agency theory is also an empirically valid perspective, especially when combined with complementary perspectives to solve Principal and Agency problems.

In principle, the implementation of government can be categorized as organizing an organization that is built based on Agency Theory. Principals in public organizations can be identified as the community/people while agents (government) are people who work and provide information to principals. According to Mahmudi (Mahmudi, 2019, p.9) public accountability is closely related to the agency's obligation to manage resources, report and disclose all activities and activities in using public resources to the principal. In the context of government organizations, accountability can be realized in the provision of information regarding government activities and performance to interested parties.

Accountability is a form of accountability in managing the resources owned by the organization in order to achieve organizational goals by prioritizing the principles of justice and truth in accordance with the provisions. According to Haroon A Khan (Khan, 2018a, p.121), accountability is based on fairness, integrity, doing the right thing and respecting others. Furthermore, Sujarweni (Sujarweni, 2015, p. 28), states that accountability is a form of obligation for a person (leader/official/executor) to ensure that the duties and obligations they carry have been carried out in accordance with applicable regulations.

Based on Agency theory, the implementation of good government governance, digitalization of the system, and the role of internal auditors to create public accountability need to be monitored so that the management of government resources is carried out in accordance with the provisions and is aimed at the welfare of the people.

Fraud Prevention

According to Arens, et al (Arens et al., 2021, p. 89), fraud is defined as an intentional misstatement of financial statements. Meanwhile Messier (Messier, 2017, p. 41) defines fraud as a fairly broad problem that affects almost every organization. Meanwhile Louwers, et al (Louwers et al., 2018, p. 126), states that fraud is an act that is carried out intentionally in making a material misstatement of facts that encourages someone to believe in lies and act based on these facts and thus will suffer loss or damage. Based on this, fraud can be interpreted as ways that are done or not done by a person consciously to make the situation profitable for him both financially and other personal benefits that result in losses for other parties.

Prevention and detection of fraud can be done to minimize the occurrence of fraud. Baesens (Baesens, 2015, p. 10) states that fraud detection refers to the competence to understand or find fraudulent activity, while prevention refers to actions that can be taken to avoid or reduce fraud. Arens further explained (Arens et al., 2021, p. 255), that there are three elements to prevent and detect fraud, namely: 1) A high culture of honesty and ethics; 2) Management's responsibility to evaluate the risk of fraud; and 3) Audit Committee Supervision.

Governance

Government organizations have their own characteristics compared to the private sector. According to Plessis, Jean J. du & Low, Chee Keong (du Plessis & Low, 2017, p. 45), explains that in the government sector, good governance refers to effective leadership. Leaders must be able to face the challenges of modern governance and be characterized by ethical values of responsibility, accountability, fairness and transparency as well as based on moral duty which finds expression in the concept. Leaders who are responsible for directing the strategy and operations of the organization with the aim of achieving sustainable economic, social and environmental performance.

According to the Sandia Team (McNabb, 2017, p. 19) there are five keys to successful transformation in NPM, namely:

- a) Existence of effective and fully committed leadership.
- b) All members of the organization are aware of the urgency of transformation in the organization.
- c) There is a shared vision of change in the organization and the development of a strategic plan that will guide the organization to achieve its goals.
- d) The resources and will required for the successful implementation of the transformation are described in the strategic transformation plan.
- e) The organization identifies and implements appropriate measures of achievement of objectives.

State financial management reform as part of the Public Financial Management reform has been going on for approximately 17 (seventeen) years. The reform began with the issuance of a package of Laws on State Financial Management, namely Law No. 17 of 2003 concerning State Finance, Law No. 1 of 2004 concerning the State Treasury, and Law No. 15 of 2004 concerning Examination of Management and State Financial Responsibility. This package of laws is the basis for the management of state finances to be carried out in an obedient, professional, open and accountable manner so that transparent and accountable state financial management is realized.

In managing state finances, good governance in managing state finances has been translated into general principles, which include both principles that have long been known in managing state finances as well as new ones. These new principles are a reflection of the implementation of good principles (best practices) in the management of state finances as follows:

- 1) The Principle of Accountability is result-oriented, implying that each budget user is obliged to answer and explain the organization's performance for the success or failure of a program that is his responsibility.
- 2) The principle of professionalism requires that the management of state finances be handled by professional staff.
- 3) The principle of proportionality means that the budget allocation is carried out proportionally to the functions of ministries/agencies according to the level of priority and objectives to be achieved.
- 4) The principle of openness in the management of state finances requires transparency in the discussion, determination and calculation of the budget as well as the results of supervision by an independent audit institution.

According to the National Committee on Governance Policy (KNKG, 2008, pp. 15–20), the implementation of good governance in government is carried out based on the following principles:

- 1) Democracy which contains three main elements, namely participation, acknowledgment of differences of opinion and the realization of the public interest.
- 2) Transparency that contains elements of disclosure and provision of adequate information that is easily accessible to stakeholders.

- 3) Accountability which contains elements of clarity of functions within the organization and how to account for them.
- 4) Legal culture that contains elements of law enforcement (law enforcement) strictly indiscriminately and obedience to the law by the community based on awareness.
- 5) Fairness and equality which contains elements of fairness and honesty so that in practice equal treatment of stakeholders can be realized in a responsible manner.

Digitalization

Digitalization of systems in government (e-government) refers to the implementation of work that utilizes information technology. Sanjeev Gupta, et al. (Gupta et al., 2017a, pp. 3–4), argues that digitization allows governments to implement tracking of business activities electronically. Khan (Khan, 2018a, p. 2) defines digitalization of systems in public financial management as an important part of public administration and the government is responsible for developing effective mechanisms for e-governance.

Sandoval-Almazan (Sandoval-Almazán et al., 2017, p. 3) introduces a digitalization strategic framework for governments based on digital governance strategies to create public value. According to Ward & Peppard (2003) as quoted by Ridha Albaar (Ridha Albaar, 2020, p. 7) there are three main objectives of implementing IS/IT in an organization, namely: a) Increasing work efficiency by automating various processes that manage information; b) Improving management effectiveness by fulfilling information needs in decision making; and c) Improving the competitiveness/increasing the competitive advantage of the organization by changing the style and way of doing business.

Along with this, the Ministry of Finance in improving state financial governance has implemented a digital system for transparency and accountability purposes. One of the ways to digitize the system in managing state finances is through the implementation of the State Revenue Module (MPN) and the State Treasury and Expenditures System (SPAN). MPN and SPAN are the implementation of e-government/digitization of systems in government as part of the development of the Integrated Financial Management Information System (IFMIS) and the implementation of Enterprise Resource Planning (ERP).

a. State Revenue Module (MPN)

MPN is an effort by the Ministry of Finance to modernize the management of the state treasury to simplify and sharpen one of the functions of the treasury in collecting all state revenues. MPN is a program of the Ministry of Finance and is one of the backbones of bureaucratic reform. The modernization of this system is intended to meet three demands, namely increasing the collectibility of state revenues, making it easier for savers to fulfill their obligations, and adapting to changes in information technology.

b. State Treasury and Budget System (SPAN)

SPAN is a large-scale transformation program that places the Directorate General of Treasury, Directorate General of Budget and the Center for Information Systems and Financial Technology as leading institutions, including the development of state treasury systems and budgets in accordance with best practices and supported by modern information systems, both related to software as well as hardware. SPAN involves and connects treasury and budget information systems in several echelon I in the Ministry of Finance, five central ministries/agencies, the House of Representatives, State Treasury Service Office, and other designated government agencies.

Internal Auditor

According to Arens (Arens et al., 2021, p. 5) and Louwers, et. al (Louwers et al., 2018, p. 24), internal auditors as consulting and assurance activities that are carried out independently and objectively to increase organizational values and operations. Meanwhile, Messier (Messier, 2017, p. 38), defines employees/individuals of companies, government agencies, and other entities. In this case, Louwers et al. (Louwers et al., 2018, p. 725), revealed that internal auditors add to company value mainly by achieving the following four audit objectives: a) Recognizing and analyzing industrial, business and operational risks; b) Increase the economy and efficiency of operations; c) Ensuring compliance with management directives; and d) Act as a management representative.

Internationally, The Institute of Internal Auditors (IIA) has established guidelines that apply in the implementation of audits by internal auditors, namely the International Professional Practices Framework (IPPF). As explained by Anderson (Anderson et al., 2017, p. 2.5) that the IPPF includes mandatory guidelines and recommended guidelines. What is quite important in the IPPF besides the basic principles and standards which are mandatory guidelines is the Code of Ethics. This is as explained by Zamzami (Zamzami et al., 2015, p. 10), that internal auditors are expected to implement and maintain the following principles: a) Integrity; b) Objectivity; c) Confidentiality; and d) Competence.

In this regard, the Inspectorate General as an internal auditor at the Ministry of Finance has the duties and functions of supervising the implementation of duties and functions at the Ministry of Finance as a whole. The Inspectorate General of the Ministry of Finance is an echelon I level organization that is directly responsible to the Minister of Finance in carrying out its duties. In carrying out its duties, the Inspectorate General carries out the functions of: a) formulating a technical policy on internal control over the implementation of tasks; b) implementation of supervisory duties; c) implementation of supervision for certain purposes; d) preparation of reports on the results of supervision.

Public Accountability

Accountability is a form of accountability in managing the resources owned by the organization in order to realize organizational goals by prioritizing the principles of justice and truth in accordance with the provisions. According to Haroon A Khan (Khan, 2018a, p. 121), accountability is based on fairness, integrity, doing the right thing and respecting others. Furthermore Sujarweni (Sujarweni, 2015, p. 28), states that accountability is a form of a person's obligation (leader/officer/executor) to ensure that the duties and obligations carried out by him have been carried out in accordance with the applicable provisions.

The principles of accountability put forward by LAN and BPKP (Lembaga Administrasi Negara dan Badan Pengawasan Keuangan dan Pembangunan RI (2000:12), 2000) include the following: 1) commitment of the leadership and all agency staff; 2) a system that can guarantee consistent use of resources; 3) indicates the level of achievement of goals and objectives; 4) oriented towards achieving the vision and mission as well as results and benefits; 5) honest, objective, transparent and innovative. There are several dimensions of public accountability according to Hopwood and Tomkins (1984) and Elwood (1993) as quoted by Mahmudi (Mahmudi, 2019, pp. 10–11), namely: 1) Program Accountability; 2) Policy Accountability; and 3) Financial Accountability.

HYPOTHESIS DEVELOPMENT

The Effect of Good Government Governance Implementation on Fraud Prevention

In principle, the implementation of government is built on agency theory. Principals in public organizations can be identified as the community/people while agents are people who work and provide information to principals.

Problems that arise in the administration of government can be overcome by applying the principles of good government governance. The application of the principles of good government governance indicates the seriousness of the government in responding to the challenges of implementing government tasks and/or improving performance and enforcing rules by imposing sanctions on failures in government to meet public standards (Taylor, 2018).

With the implementation of good governance, stakeholders get assurance that government resources are managed properly and are aimed at the welfare and prosperity of the people.

According to Plessis, Jean J. du & Low, Chee Keong (du Plessis & Low, 2017, p. 45), explains that in the government sector, good governance refers to effective leadership. Leaders must be able to face the challenges of modern governance and be characterized by ethical values of responsibility, accountability, fairness and transparency as well as based on moral duty which finds expression in the concept.

According to the National Committee on Governance Policy (Komite Nasional Kebijakan Governance, 2008, pp. 15–20), the implementation of good governance in government is carried out based on the principles of: a) Democracy, b) Transparency, c) Accountability, d) Legal culture, and e) Fairness and equality.

This study is intended to determine the effect of implementing good government governance as a whole, not only related to the principles of good government governance but also its implementation. As research conducted by Martins and Junior (Martins & Júnior, 2020), Tseng dan Wu (Tseng & Wu, 2016), Sadaf et al. (Sadaf et al., 2018), Luminita Ionescu (Ionescu, 2017), Utami (Utami et al., 2021) and Taryn Vian (Vian, 2020) which show that good governance affects the prevention, detection and handling of fraud. Different results are shown by Birol (Birol, 2019), that the application of corporate governance has no effect on reducing financial manipulation.

H₁ : Implementation of Good Government Governance has an effect on fraud prevention

The Effect of System Digitalization on Fraud Prevention

Digitalization of the state revenue and expenditure system is expected to be able to minimize/prevent fraud in the management of state finances. David E. McNabb (McNabb, 2017, p. 35) explains that there are factors that drive changes in government, namely the loss of public trust, performance-based management, depletion of resources, retirement of baby generation workers boom, the shift from traditional bureaucratic organizational structures to business organizational structures, and mandates for greater collaboration and collaboration within and across institutions.

One of the things that encourage changes in government in achieving accountability is the decline in resources and technology that is obsolete so that it requires the use of information technology developments. According to Khan (Khan, 2018a, p. 2), digitalization of systems in the management of public finances as an important part of public administration and the government is responsible for developing effective mechanisms for e-governance.

Thus, the management of government resources is expected to be carried out through digitalization of the system. Sanjeev Gupta, et al (Gupta et al., 2017a, pp. 3–4), suggests that digitization enables the government to implement tracking of business activities electronically.

According to Ridha Albaar (Ridha Albaar, 2020, p. 7) there are three main objectives of implementing IS/IT in an organization, namely:

- a. Improve work efficiency by automating processes that manage information;
- b. Improving management effectiveness by satisfying information needs in decision making; and
- c. Improving the competitiveness/increasing the competitive advantage of the organization by changing the style and way of doing business.

MPN is an attempt by the Ministry of Finance to modernize the management of the state treasury to simplify and sharpen one of the Treasury's functions in collecting all state revenues.

SPAN was developed based on an integrated database concept through business process automation to minimize manual input errors. SPAN is divided into six modules, namely: Budget Management Module (Spending Authority), Commitment Management Module (Budget Commitment), Payment Module (Payment), Government Receipt Module, Cash Management Module (Cash Management), and Accounting and Reporting Module (General Ledger & Accounting).

Elbardan and Kholeif (Elbardan & Kholeif, 2017, p. 15) stated that ERP as a business management system, which is a module-based integrated software package, controls the flow and process of seamlessly integrated information across all functional areas within the organization and includes at least financial modules and accounting and other modules as a single system with a shared database system.

In accordance with Tulus Suryanto's research (Suryanto, 2016), Tenvir Ali, et. al (Ali et al., 2017), and Sajjad Daliri (Daliri, 2020) IT can help prevent/detect fraud. Unlike the case with research from Wiwik Utami, et. al (Martins et al., 2020), which shows that the use of IT has no significant effect on fraud prevention.

The digitalization of the state revenue and expenditure system is expected to be able to minimize/prevent fraud in the management of state finances. Therefore, this study is intended to determine the effect of digitizing the state revenue and expenditure system on the detection and handling of fraud. Tulus Suryanto (Suryanto, 2016), Tenvir Ali, et. al (Ali et al., 2017), and Sajjad Daliri (Daliri, 2020) in their research show that IT is able to assist in preventing/detecting fraud. Unlike the case with research from Wiwik Utami, et. al (Utami et al., 2020), which shows that the use of IT has no significant effect on fraud prevention.

H₂ : *System digitalization has an effect on Fraud prevention.*

The Influence of the Role of Internal Auditors on Fraud Prevention

To ensure the accountable management of government resources, the role of an adequate internal auditor is required. Louwers et al. (Louwers et al., 2018, p. 725), revealed that internal auditors add value to the company mainly by achieving the following four audit objectives:

- a. Recognize and analyze industrial, business and operational risks;
- b. Improve economics and operating efficiency;
- c. Ensuring compliance with management directives; and
- d. Serves as a management representative.

According to Arens (Arens et al., 2021, p. 5), Louwers, et. al (Louwers et al., 2018, p. 24) and Messier (Messier, 2017, p. 38), internal auditors are auditors employed by companies to audit the board of directors and company management.

This is as explained by Zamzami (Zamzami et al., 2015, p. 10), that internal auditors are expected to apply and maintain the following principles: a) Integrity; b) Objectivity; c) Confidentiality; and d) Competence.

In this regard, the Inspectorate General as an internal auditor at the Ministry of Finance has organizes: a) preparation of technical policies for internal supervision of the implementation of tasks; b) implementation of task supervision; c) implementation of supervision for certain purposes; and d) preparation of reports on the results of supervision.

In the perspective of fraud detection and handling, internal auditors are expected to be with the best ability to analyze every incident that will lead to fraud. Based on this perspective, this study will analyze the influence of the role of internal auditors on the detection and handling of fraud. Habib, et. al (Habbe et al., 2019) concluded in the results of his research that in general APIP is very willing to become a whistleblower. Furthermore, Ardian Natoen, et al. (Natoen et al., 2018) concluded that audit knowledge has a positive and significant effect on the quality of APIP's work.

H₃ : *The role of the Internal Auditor has an effect on Fraud prevention.*

Impact of Fraud Prevention on Public Accountability

According to Eisenhardt (Eisenhardt, 1989), Agency Theory basically identifies the solution to two problems that can occur in agency relationships, namely:

- a) Agency problems that arise as a result of different desires or goals of the principal and agent.
- b) The problem of shared risk that arises when the Principal and Agent have different views on risk.

Agency theory according to Eisenhardt (Eisenhardt, 1989) has made a special contribution to thinking about organizations namely:

- a) Information processing.
- b) Risk implications.

Prevention of fraud can be done to minimize the fraud. Furthermore explained by Arens (Arens et al., 2021, p. 255), that there are three elements to prevent fraud, namely:

- a. Management and the board promote a culture of honesty and high ethics through implementing programs and controls based on core values.
- b. Management's responsibility to evaluate the risk of fraud.
- c. The audit committee's oversight of management and internal auditors.

Accountability is a form of accountability in managing the resources owned by the organization in order to achieve organizational goals by prioritizing the principles of justice and truth in accordance with the provisions. Mahmudi (Mahmudi, 2019, p. 9), states that public accountability is the obligation of agents to manage resources, report and disclose all activities and activities related to the use of public resources to the mandate giver (principal).

The principles of accountability as stated by State Administrative Agency and State Administration and Development Supervisory Agency (Lembaga Administrasi Negara dan Badan Pengawasan Keuangan dan Pembangunan RI (2000:12), 2000), include the following: 1) commitment from the leadership and all agency staff; 2) a system that can guarantee consistent use of resources; 3) indicates the level of achievement of goals and objectives; 4) oriented towards achieving the vision and mission as well as results and benefits; 5) honest, objective, transparent and innovative.

According to Mahmudi (Mahmudi, 2019, pp. 10–11) the dimensions of public accountability may include:

- a. Program Accountability.
- b. Policy Accountability.
- c. Financial Accountability.

According to Ni Komang Astri Yulistyawati, et. al. (Yulistyawati et al., 2019), opportunity and rationalization have an effect on fraudulent financial reporting. Meanwhile, according to Anup Chowdhury and Nikhil Chandra Shil (Chowdhury & Chandra, 2019), reforms in public management can increase management responsibility and performance. Meanwhile, F. Todd DeZoort and Paul D. Harrison (DeZoort & Harrison, 2018), concluded that the perception of responsibility positively affects the number of brainstorming detection procedures and partially mediates significant accountability-brainstorming relationships.

The occurrence of fraud can harm certain parties and organizations so that it needs to be prevented as early as possible and if it occurs it needs to be handled in accordance with the provisions.

H₄ :*Fraud Prevention has an impact on Public Accountability.*

Based on the description above, this research is expected to contribute to government organizations in detecting and dealing with fraud, especially in the management of state finances. The results of this study are expected to be implemented in government organizations to optimally improve the implementation of Good Government Governance, Digitizing the System and sharpening the function of the Internal Auditor to detect early (alert and warning system) the occurrence of fraud. This research is also expected to increase the accountability of state financial management.

RESEARCH METHODS

Type of research

This study measures variables and examines the relationship between variables to reveal patterns, correlations, or causal relationships using linear data collection and analysis methods that produce statistical data with the use of primary data for the purpose of explaining or evaluating. Based on the problems and objectives that have been formulated, this research is classified as causal research.

This study will explain the influence of the implementation of Good Government Governance (independent variable (X1)), System Digitalization (independent variable (X2)), Internal Auditor Role (independent variable (X3)) on Fraud Prevention (dependent variable (Y)) and its impact on Public Accountability (the dependent variable (Z)). The operational variables of this study are shown in Table below.

Table 2: Operational Variables

Variables	Dimensions	Indicator	Scale	Part	No. Instrument Items
Good Government Governance (X1)	Democracy (X1.1)	a. Participation b. recognition of differences c. Public interest	Interval	A.1.	A.1.1, A.1.2, A.1.3 A.1.4, A.1.5, A.1.6 A.1.7, A.1.8, A.1.9
	Transparency (X1.2)	Disclosure of organizational performance and financial information	Interval	A.2.	A.2.1, A.2.2,A.2.3,A.2.4, A.2.5

Variables	Dimensions	Indicator	Scale	Part	No. Instrument Items
	Accountability (X1.3)	a. Clarity of function b. Accountability for organizational performance and finance	Interval	A.3.	A.3.1, A.3.2 A.3.3, A.3.4
	Legal culture (X1.4)	Law enforcement	Interval	A.4.	A.4.1, A.4.2, A.4.3
	Fairness and Equality (X1.5)	Application of the principles of fairness and honesty to stakeholders	Interval	A.5.	A.5.1, A.5.2, A.5.3
System Digitalization (X2) Kemenkeu Tulus Suryanto (Suryanto, 2016)	State Revenue Module (MPN) (X2.1)	a. the collectibility of state revenues increases b. make it easier for depositors to fulfill their obligations c. adaptation to changes in information technology	Interval	B.1.	B.1.1 B.1.2 B.1.3
	State Treasury and Budget System (SPAN) (X2.1)	a. According to best practices b. modern information system	Interval	B.2	B.2.1 B.2.2 B.2.3
The Role of Internal Auditors (X3)	1. Integrity (X3.1)	Internal auditors with high integrity	Interval	C.1	C.1.1, C.1.2, C.1.3, C.1.4
	2. Objectivity (X3.2)	Objective internal auditors	Interval	C.2	C.2.1, C.2.2, C.2.3, C.2.4
Faiz et al (Zamzami et al., 2015),	3. Confidentiality (X3.3)	Internal auditors maintain the confidentiality of information	Interval	C.3	C.3.1, C.3.2, C.3.3
PMK 217/PMK.0	4. Competency (X3.4)	Competent internal auditors	Interval	C.4	C.4.1, C.4.2, C.4.3, C.4.4

Variables	Dimensions	Indicator	Scale	Part	No. Instrument Items
1/2018 jo. PMK 229/PMK.0 1/2019	5. Formula- tion of Pol- icy (X3.5)	Prudent, transparent and accountable internal audit policies	Interval	C.5	C.5.1, C.5.2, C.5.3 C.5.4
	6. Implemen- tation of Task Over- sight (X3.6)	Implementation of task supervision in accordance with the provisions	Interval	C.6	C.6.1, C.6.2, C.6.3, C.6.4
	7. Implemen- tation of Supervision for Specific Purposes (X3.7)	Implementation of supervision of certain objectives according to the policy	Interval	C.7	C.7.1 C.7.2 C.7.3
	8. Internal Audit Re- porting (X3.8)	Objective and appropriate reporting	Interval	C.8	C.8.1 C.8.2 C.8.3
<i>Fraud Prevention (Y)</i> Arens, et al (Arens, 2021)	1. Culture of honesty (Y1)	a. Leadership com- mitment	Interval	D.1	D.1.1
		b. Positive workplace envi- ronment	Interval	D.1	D.1.2
		c. Appropriate em- ployee position	Interval	D.1	D.1.3
		d. Discipline	Interval	D.1	D.1.4
	2. High Ethic (Y2)	a. Gifts from outside sources	Interval	D.2	D.2.1 D.2.2
		b. Impartiality in Carrying Out Offi- cial Duties	Interval	D.2	D.2.3 D.2.4
		c. Conflicting Finan- cial Interests	Interval	D.2	D.2.5 D.2.6
	4. Manage- ment Re- sponsibility (Y3)	a. Fraud Risk Identi- fication and Mea- surement	Interval	D.3	D.3.1
		b. The risk of fraud is under control	Interval	D.3	D.3.2
		c. Fraud prevention	Interval	D.3	D.3.3

Variables	Dimensions	Indicator	Scale	Part	No. Instrument Items
		programs and controls			D.3.4
	5. Oversight of the audit committee (Y4)	Audit Committee Responsibilities	Interval	D.4	D.4.1 D.4.2 D.4.3 D.4.4
Public Accountability (Z)	1. Program Accountability (Z1)	The program is in accordance with the strategy, mission, vision and goals of the organization	Interval	E.3	E.1.1 E.1.2 E.1.3 E.1.4
Mahmudi (Mahmudi, 2019)	2. Policy Accountability (Z2)	Targeted policy formulation	Interval	E.4	E.2.1 E.2.2 E.2.3
	3. Financial Accountability (Z3)	Financial organization economical, efficient and effective	Interval	E.5	E.3.1 E.3.2 E.3.3

Population and Sample Research

The populations in this study were all work units within the Ministry of Finance, totaling 1,054 (one thousand and fifty four) work units. The sampling technique used is purposive sampling. The sample was determined by considering: a) The Ministry of Finance has implemented bureaucratic reforms since 2002 – 2006 (period I). b) In 2007 (period II) the Ministry of Finance carried out a massive Bureaucratic Reform which was implemented through 3 Main Pillars. c) The sample is a work unit at the Ministry of Finance representing each echelon I, echelon II, and echelon III units at the Ministry of Finance; and d) The sample represents the entire region in Indonesia.

The sampling technique was carried out using the Yamane and Isaac and Michael formulas (Sugiyono, 2020, p. 137) as follows.

$$n = \frac{N}{1 + \frac{N e^2}{Ne^2}}$$

Description:

n = Number of samples required

N = Total population

e = Sample error rate (sampling error e=0,05).

Calculation of the number of samples to be studied as follows.

$$n = \frac{1054}{1 + 1054 (0,05)^2} = \frac{1054}{1 + 2,635}$$

$$n = \frac{1054}{3,635} = 290 \text{ Samples}$$

Respondents in this study were officials/employees in the internal compliance/financial reporting department at 290 work units of the Ministry of Finance. The scale used is an interval scale in the form of a Likert scale with an indexation of 1-5 scale. This study uses a Structural Equation Model (SEM) approach with testing on two sub models, namely the measurement model and the structural model using SmartPLS version 3.3.9.

Table 3:Skala Likert

Index	Respondent's Answer	Value
1	Strongly Disagree	1
2	Disagree	2
3	Undecided	3
4	Agree	4
5	Strongly Agree	5

Source: Sekaran (Sekaran & Bougie, 2019, p. 19)

Descriptive Statistical Analysis

According to Ferdinand (Ferdinand, 2014, pp. 231–232), index numbers are used to get an idea of the degree of respondent's perception of the variable to be studied. The Likert scale used is an index number of 1 for answers that strongly disagree with the highest score of 5 which is used to reflect answers that strongly agree with the indexation formula as follows.

$$\text{Index Value} = \frac{[(\%F1 \times S1) + (\%F2 \times S2) + (\%F3 \times S3) + (\%F4 \times S4) + (\%F5 \times S5)]}{5}$$

Calculation of the index value of the answer will produce a value.

- The minimum score is obtained if 100% of respondents answer a score of 1: $1 \times 100\% = 100\%$, thus the minimum index value is obtained by 100% divided by $5 = 20\%$.
- The maximum score is obtained if 100% of respondents answer a score of 5: $5 \times 100\% = 500\%$, thus the maximum index value is obtained by 500% divided by $5 = 100\%$.

List of index interpretations as presented in **Table 4** below.

Table 4: Respondent Perception Index Range

No	Index Range	Category
1	20,000 – 46,66	Low interpretation
2	46,67 – 73,33	Moderate interpretation
3	73,34 – 100	High interpretation

This study uses the Structural Equation Model (SEM) approach with Partial Least Square (PLS) software called SmartPLS software version 3.3.9. The use of SmartPLS software version 3.3.9 with the following considerations: 1) the research is aimed at finding causality predictions between variables; 2)

high complexity in determining a model with weak theoretical support (causal-predictive analysis research); and 3) there are no normality requirements and the sample does not have to be large. Analysis with PLS-SEM consists of two sub-models, namely the measurement model and the structural model with assessing the outer model or measurement model below.

Table 5: Rule of Thumbs Validity Test and Reliability Test

Validity Test	Parameter	Rule of Thumbs	Reliability Test	Parameter	Rule of Thumbs
Convergent	Loading Factor	> 0,7	Cronbach's Alpha	Cronbach's Alpha	> 0.7
	AVE	> 0.5			
	Communality	> 0.5			
Discriminant	AVE roots and correlation of latent variables	-	Composite Realibility	Composite Realibility	> 0.7
	Cross Loading	> 0,7			

Hypothesis test

Based on the conceptual diagram of the PLS model, the following mathematical equation can be formulated.

Sub structure Model Equation 1.

$$PF = \rho_1 GGG + \rho_2 DG + \rho_3 PAI + \epsilon_1$$

Sub structure Model Equation 2.

$$AP = \rho_4 DPF + \epsilon_2$$

Description:

GGG = *Good Government Governance*

DG = *Digitalization*

PAI = *The Role of Internal Auditors*

PF = *Fraud Prevention*

AP = *Public Accountability*

ρ = regression coefficient

ϵ = epsilon

Based on the SmartPLS 3.3.9 application test, it can be seen that the effect of the exogenous construct on the endogenous construct is significant or not significant by going through the path coefficient of one construct against another construct (t-count), then a comparison is made of the path coefficient with t-table of (1, 96). The t-table calculation is generated using $\alpha=5\%$ with CI=95%.

1) Testing the Sub Structure Hypothesis 1

a) The effect of the variable X1 on Y can be expressed in the form of the equation

$$\rho_{YX1} \cdot \rho_{YX1} = (\rho_{YX1})^2$$

b) The effect of variable X2 on Y can be expressed in the form of the equation

$$\rho_{YX2} \cdot \rho_{YX2} = (\rho_{YX2})^2$$

c) The effect of variable X3 on Y can be expressed in the form of the equation $\rho_{YX3} \cdot \rho_{YX3} = (\rho_{YX3})^2$.

2) Testing the Sub Structure Hypothesis 1

The effect of the fraud prevention variable (Y) on the public accountability variable (Z) can be expressed in the following form.

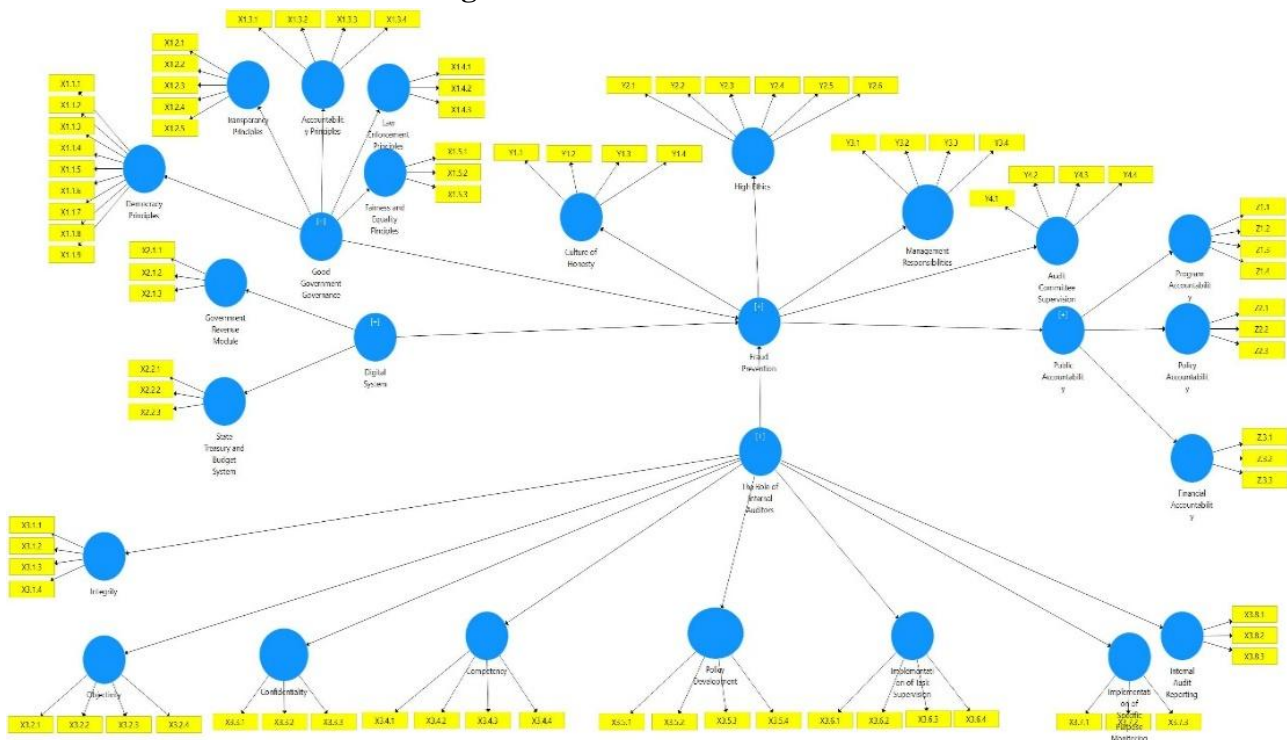
$$Z = \rho_{zy}Y + \rho \square 2$$

Other factors that influence outside the variables studied are determined in the following way.

$$\rho Z \square 2 = \sqrt{1 - R^2_{ZX1YX2X3}}$$

Based on the explanation above, the PLS measurement model is obtained as presented in **Figure 2**. below.

Figure 2: PLS Measurement Model



Interpretation of the path coefficient value of each research variable in order to determine the magnitude of the relationship between variables based on the following criteria (Guilford, 1956).

Table 6: Criteria for assessing the relationship between research variables

Based on Path Coefficient Value No	Path Coefficient Value	Correlation Criteria
1	Less than 0.20	<i>Slight correlation, almost negligible relationship</i>
2	0.20 – 0.40	<i>Low correlation, definite but small relationship</i>
3	0.40 – 0.70	<i>Moderate correlation, substansial relationship</i>
4	0.70 – 0.90	<i>High correlation, marked relationship</i>
5	0.90 – 1.00	<i>Very high correlation, very dependable relationship</i>

RESULTS

Descriptive Statistical Analysis

Descriptive statistical analysis was conducted by assessing the tendency of respondents' answers to each variable. The results of the descriptive statistical analysis can be explained as follows.

Table 7: Index Description of Good Government Governance Variable

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
1	Democracy	Participation	0,25	0,05	1,12	12,28	86,30	96,86
		Recognition of differences	0,25	0,10	1,38	12,03	86,24	96,78
		Public interest	0,05	0,25	2,19	19,13	78,37	95,10
2	Transparency	Disclosure of organizational performance and financial information	0,00	0,21	1,59	21,74	76,46	94,89
3	Accountability	Clarity of functions	0,00	0,23	1,60	20,31	77,86	95,16
		Accountability for organizational performance and finance	0,00	0,08	1,60	20,00	78,32	95,31
4	Legal Culture	Law enforcement	0,10	0,41	0,92	17,40	81,17	95,83
5	Fairness and Equality	Application of the principles of fairness and onesty to stakeholders	0,00	0,31	2,34	20,15	77,20	94,85
Variable Average Index							95,60	

Source: Primary Data processed (2022)

Good government governance is measured through five dimensions with a percentage index of 95.60 (high interpretation). This means that the leaders and members of the organization have a high commitment to implementing good government governance. The organization has also implemented internal control, risk control and Whistleblowing System and has a mutually supportive relationship with stakeholders.

Table 8: Index Description of Digitalization Variable

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
1	Modul Penerimaan Negara (MPN)	The collectibility of state revenues increases	0,00	0,00	2,75	17,86	79,39	95,33
		Make it easier for depositors to fulfill their obligations	0,31	0,15	4,43	24,73	70,38	92,95
		Adaptation to changes in information technology	0,31	0,31	4,12	23,05	72,21	93,31
2	Sistem Perbendaharaan dan Anggaran Negara (SPAN)	According to best practices	0,00	0,21	1,59	21,74	76,46	94,89
		modern information system	0,00	0,23	1,60	20,31	77,86	95,16
Variable Average Index							93,86	

The system digitalization variable is measured by two dimensions with a percentage index of 93.86 (high interpretation). This means that MPN is a fairly reliable system in managing state revenues and SPAN describes the efficiency and effectiveness in managing state expenditures.

Table 9: Index Description of the Role Internal Auditor Variable

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
1	Integrity	Internal auditors with high integrity	0,00	0,00	1,11	16,07	82,82	96,34
2	Objectivity	Objective internal auditors	0,00	0,04	1,11	16,60	82,25	96,21
3	Confidentiality	Internal auditors maintain the confidentiality of information	0,00	0,00	1,17	15,06	83,77	96,52

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
4	Competency	Competent internal auditors	0,00	0,00	1,34	20,76	77,90	95,31
5	Formulation of Policy	Prudent, transparent and accountable internal audit policies	0,00	0,04	1,15	17,94	80,88	95,93
6	Implementation of Task Oversight	Implementation of task supervision in accordance with the provisions	0,00	0,04	0,53	17,44	81,98	96,27
7	Implementation of Supervision for Specific Purposes	Implementation of supervision of certain objectives according to the policy	0,00	0,00	1,42	18,42	80,15	95,75
8	Internal Audit Reporting	Objective and appropriate reporting	0,00	0,05	1,27	17,51	81,17	95,96
Variable Average Index								96,04

The internal auditor's role variable is measured by eight dimensions with a percentage index of 96.04 (high interpretation). In this case, internal auditors carry out their role in improving the efficiency and effectiveness of the organization to provide added value to the organization and provide recommendations for management to improve processes in the organization.

Table 10: Index Description of Fraud Prevention Variable

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
1	Culture of honesty	Leadership commitment	0,15	0,15	1,22	12,67	85,80	96,76
		Positive workplace environment	0,00	0,00	0,76	15,42	83,82	96,61
		Appropriate employee	0,46	0,46	1,53	21,98	75,57	94,35

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
		position						
		Discipline	0,15	0,00	1,07	16,95	81,83	96,06
2	High Ethic	Gifts from outside sources	0,08	0,08	0,61	16,56	82,67	96,34
		Impartiality in Carrying Out Official Duties	0,23	0,31	1,68	21,15	76,64	94,73
		Conflicting Financial Interests	0,08	0,15	2,14	18,63	79,01	95,27
3	Management Responsibility	Fraud Risk Identification and Measurement	0,00	0,00	0,76	17,56	81,68	96,18
		The risk of fraud is under control	0,00	0,00	0,92	15,88	83,21	96,46
		Fraud prevention programs and controls	0,00	0,00	1,30	17,33	81,37	96,02
4	Oversight of the audit committee	Audit Committee Responsibilities	0,00	0,04	2,56	20,08	77,33	94,94
Variable Average Index								95,79

The fraud prevention variable is measured by four dimensions, namely the culture of honesty, high ethics, management responsibility and supervision of the Audit Committee with a percentage index of 95.79 (high interpretation). This means that the leaders and members of the organization apply a culture of honesty and high ethics in carrying out their duties. In addition, the supervision of the Audit Committee has increased the level of the organization in implementing governance, risk, and control as well as taking action against violations that occur.

Table 11. Index Description of Fraud Prevention Variable

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
1	Program Accountability	The program is in accordance	0,00	0,00	0,73	14,92	84,35	96,73

No.	Dimensions	Indicator	Frequency of Respondents Answers (%)					Index (%)
			1	2	3	4	5	
		with the strategy, mission, vision and goals of the organization						
2	Policy Accountability	Targeted policy formulation	0,00	0,00	1,93	18,17	79,90	95,59
3	Financial Accountability	Financial organization economical, efficient and effective	0,00	0,00	0,87	17,15	81,98	96,22
Variable Average Index							96,18	

The variable of public accountability is measured through three dimensions with a percentage index of 96.18 (high interpretation). This means that the organization's public accountability has good quality, the formulation of policies carried out has been right on target and fraud prevention is able to increase public accountability.

Validity and Reliability Test

The validity test was conducted to determine the ability of the research instrument to express/translate the indicators/dimensions of a variable to be measured. In SmartPLS 3.3.9., the validity test is carried out by testing the outer model as shown below.

Figure 3: Output Loading

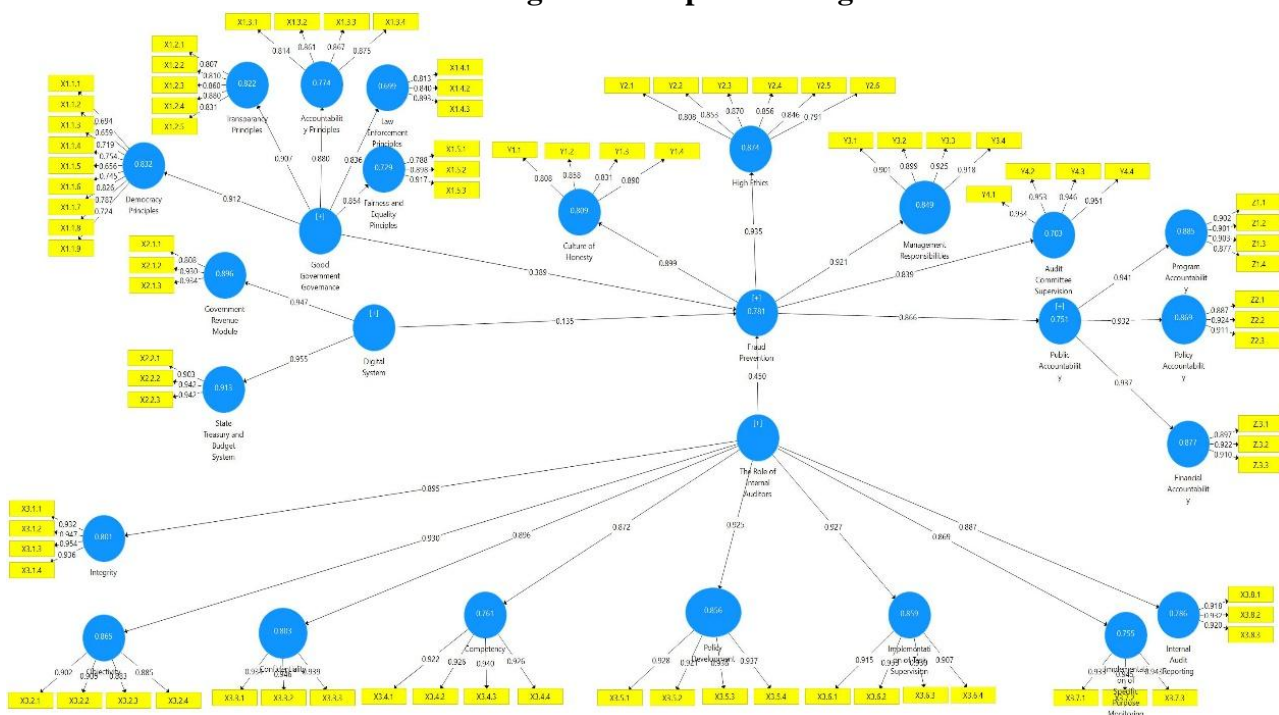


Table 12: Validity and Reliability Test Results

Variables	Cronbach's Alfa	Composite Reliability	AVE Value
Good Government Governance	0,958	0,962	0,513
System Digitalization	0,932	0,947	0,750
Internal Auditor	0,985	0,985	0,698
Fraud Prevention	0,965	0,968	0,629
Public Accountability	0,956	0,962	0,716

The statement in this study is valid because the loading factor value is above 0.50 to the construct and is positive and the AVE value is obtained for all research variables > 0.5. Cronbach alpha value > 0.7 and composite reliability > 0.7. This means that the research instrument has a high level of reliability (consistent) and will produce the same data when used for several tests on the same object and the statements in the questionnaire can be understood by the respondents.

Inner Model Test

Table 13: Inner Model Test Results

Variables	R Square	R Square Adjusted
Fraud Prevention	0,781	0,780
Public Accountability	0,751	0,750
Predictive Relevance (Q ²)	-	0,945

The value of R Square (R²) for the fraud prevention variable is 0.781 (strong) and the value of Adjusted R-Square (Adj-R²) is 0.780. This means that the fraud prevention construct variable model can be explained by the construct variable of good governance, digitalization, and internal auditors by 78%, while 22% is explained by other variables outside this research model. While the value of R Square (R²) for the variable of public accountability is 0.751 (strong) and the value of Adjusted R-Square (Adj-R²) is 0.751, the variable of the construct of public accountability can be explained by the fraud prevention construct variable of 75% while 25% is explained by other variables. outside of this research model.

Hypothesis testing

In SmartPLS hypothesis testing is done through Bootstrapping to obtain the tstatistic value which is then compared with the t table. The criteria for testing the hypothesis in this study are the significance level (α) 5% and the following criteria: 1) If t count > t table (1.96) then the hypothesis is accepted; and 2) If t count < t table (1.96) then the hypothesis is rejected.

In accordance with the path picture above, it can be explained that the results of testing the relationship between constructs (variables) with dimensions where all dimensions in the research variables are significant in forming the construct (Tstatistic value is greater than t table (1.96). Meanwhile, the relationship between exogenous and endogenous variables is as presented in **Table 14** below.

Figure 4: Output Inner Model

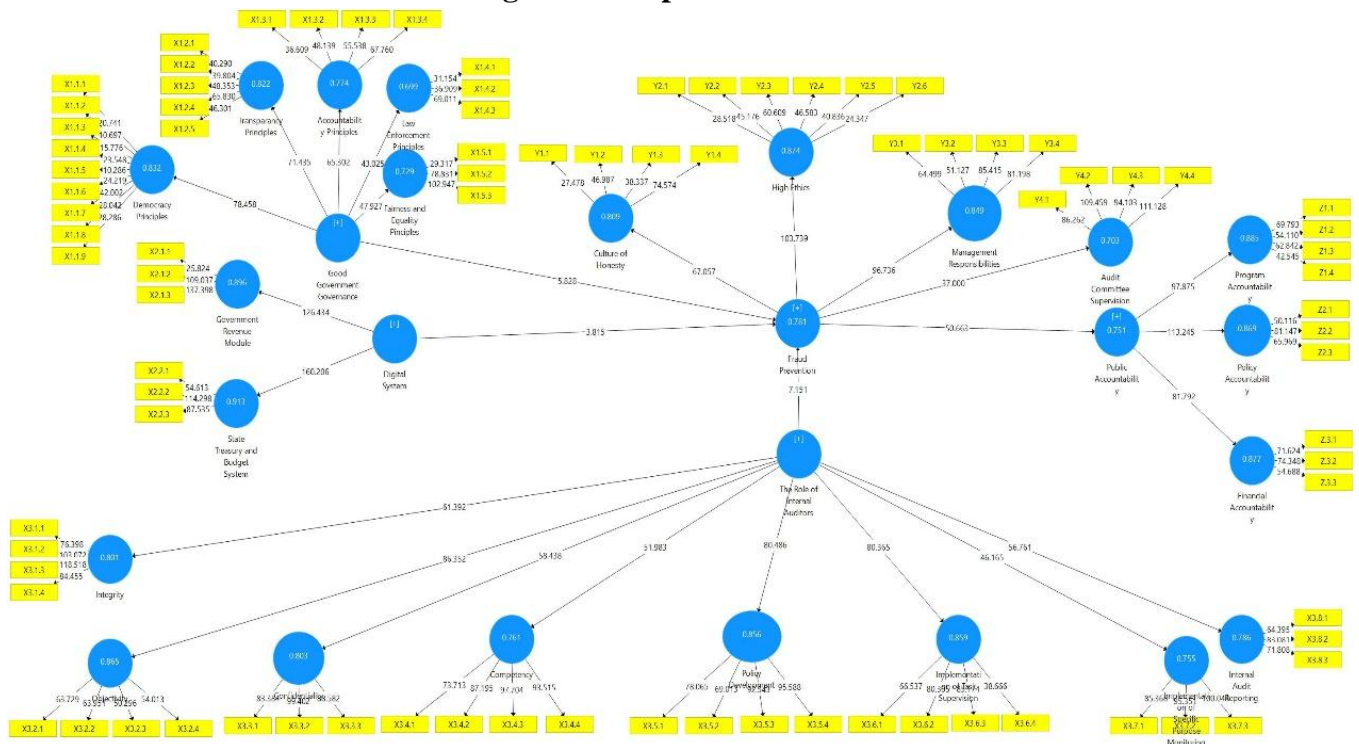


Table 14: Path Diagram Results and Hypothesis Testing

Effect Between Variables	parameter coefficient	T Statistics	P Values	Ket
Good Government Governance -> Fraud Prevention	0,389	5,828	0.000	Significant Influence
System Digitalization -> Fraud Prevention	0,135	3,815	0.000	Significant Influence
The Role of Internal Auditor -> Fraud Prevention	0,450	7,151	0.000	Significant Influence
Fraud Prevention -> Public Accountability	0,866	50,663	0.000	Significant Influence

Source : Output SmartPLS (2022)

In accordance with **Table 14:**, the statistical value of the governance variable is 5.828 or greater than t table 1.96 ($5.828 > 1.96$) with a significance level of 5% and P Values of 0.000 ($0.000 < 0.05$). The results of statistical tests prove that good government governance has a significant and positive direction on the prevention and handling of fraud. This shows that the better the implementation of good government governance, the better the prevention of fraud will be.

In accordance with **Table 14:**, the t-statistic value of the system digitalization variable is 3.815 or greater than t-table 1.96 ($3.815 > 1.96$) with a significance level of 5% and P Values of 0.000 ($0.000 < 0.05$). The results of statistical tests prove that system digitization has a significant and positive direction on fraud prevention. This means that the digitization of the system that has been implemented by the Ministry of Finance through MPN and SPAN can prevent fraud. This shows that the better the digitization of the system, the better the prevention of fraud will be.

In accordance with **Table 14:**, the t-statistic value of the internal auditor's role variable is 7.151 or greater than t-table 1.96 ($7,151,963 > 1.96$) with a significance level of 5% and P Values of 0.000 ($0.000 < 0.05$). This shows that there is a significant influence on the role of internal auditors on fraud prevention. The parameter coefficient value is 0.450 and the direction is positive which means that the better the internal auditor's role, the better the prevention of fraud, including the handling of fraud, is carried out in accordance with the provisions and professional ethics, and vice versa.

In accordance with **Table 14:**, the t-statistic value of the fraud prevention variable is 50.663 or greater than t-table 1.96 ($50.663 < 1.96$) with a significance level of 5% and P Values of 0.000 ($0.000 > 0.05$). The results of statistical tests prove that prevention of fraud has a significant impact and a positive direction on public accountability. Thus, the better the prevention of fraud, the better the impact on public accountability. The fraud prevention program can be used as an early warning system for indications of fraud so that management and internal auditors will take important steps to minimize further fraud, such as recommendations for improvements to business processes and tightened supervision so that there is no room for fraudulent behavior. Thus, public accountability will be of better quality.

DISCUSSIONS

Effect of Good Government Governance Implementation on Fraud Prevention

Statistical test results prove that good government governance has a significant and positive effect on the prevention and handling of fraud. This shows that the better the implementation of good government governance, the better the prevention of fraud.

The results of this study are also similar to the agency theory as shown by Jensen and Meckling (Jensen & Meckling, 1976), where the implementation is carried out based on the agreement of the Principal (people) and Agent (government) effectively and efficiently to achieve common goals.

Agency relationships that encourage organizational commitment to implementing good governance. The commitment of the leadership and members of the organization regarding the awareness to implement good governance makes the organization make governance improvements that are transparent, accountable, responsible, independent and open information. This means that Agency Theory encourages organizations to build governance within government such as a state financial information system, mitigation of future uncertainty and risk and governance of performance-based delivery.

In addition, this research is relevant to the principles of good governance originating from the KNKG that the implementation of GCG in government based on the principles of democracy, transparency, accountability, legal culture, and legal culture can increase effectiveness in preventing fraud.

Furthermore, the test is also related to the dimensions of transparency and accountability that reflect the organization in providing performance and financial information to stakeholders. In addition, good governance also measures fairness and what constitutes an organization's condition that treats stakeholders fairly.

Effect of System Digitalization on Fraud Prevention

Statistical test results prove that system digitization has a significant and positive effect on fraud prevention. This means that digitizing the system that has been implemented by the Ministry of Finance

through MPN and SPAN can prevent fraud. This shows that the better the digitization of the system, the better the prevention of fraud.

The results of this study are also in line with Agency theory as expressed by Jensen and Meckling (Jensen & Meckling, 1976), where agency relationships encourage organizations to build and implement effective and efficient governance through system digitization.

The Effect of the Internal Auditor's Role on Fraud Prevention

The results of statistical tests prove that the role of internal auditors has a significant and positive effect on fraud prevention. This means that with an adequate role of internal auditors, prevention of fraud can be carried out optimally. Thus, it can be interpreted that the better the role of internal auditors, the better the prevention of fraud, and vice versa.

The results of this study are also in line with Agency theory as expressed by Jensen and Meckling (Jensen & Meckling, 1976), where agency relationships encourage organizations to build and implement effective and efficient governance through mitigation of future uncertainties and risks as well as governance of incentives. based on performance that needs to be monitored intensively.

The Impact of Fraud Prevention on Public Accountability

Statistical test results prove that prevention of fraud has a significant and positive impact on public accountability. Thus, the better the prevention of fraud, the greater the impact on public accountability. The fraud prevention program can be used as an early warning system for indications of fraud so that management and internal auditors will take important steps to minimize the occurrence of further fraud, such as recommending improvements to business processes and tightening supervision so that there is no room for fraudulent behavior. Thus, public accountability will be of better quality.

CONCLUSIONS, IMPLICATIONS, AND LIMITATIONS

Conclusions

The results of this study indicate that the implementation of good government governance has a significant and positive effect on fraud prevention. Organizational commitment and leadership have an important role in the implementation of good government governance because with this commitment the organization will make improvements to business processes carried out in completing work towards good governance.

Digitalization has a significant and positive effect on fraud prevention. Digitalization can cut down the bureaucracy in the process of managing state finances which minimizes corruption and collusion from irresponsible parties in terms of fulfilling rights and obligations to the state. This is because the application of strict authorization on the digitalization of the system can be so that indications of fraud due to a violation of authority can be detected early.

The role of internal auditors has a significant and positive influence on fraud prevention. Integrity, confidentiality, objectivity, competence and adequate authority of the internal auditors have contributed to the prevention of fraud. This is because the implementation of supervision to prevent fraud does not only depend on the human resources of the internal auditors and professional code of ethics but also requires a basis that gives authority to internal auditors in carrying out supervisory duties in government units.

Fraud prevention has a significant and positive effect on public accountability. This is because if indications of fraud are detected, management and internal auditors will take important steps to

minimize further fraud and handle fraud properly. Thus, financial accountability will be of higher quality.

Implications and Limitations

This research was conducted using a survey technique that was delivered to all respondents online so that they have limitations in terms of further deepening of survey statements due to time constraints and a fairly wide span of control. Therefore, the authors suggest for further research and the Ministry of Finance as the object of this research as follows.

1. Future research can add competency variables to system users.
2. The government can adjust the organizational structure by establishing an Audit Committee in each state ministry/institution. The implication for the government will be to add new structures to state ministries/agencies as well as additional budget allocations.
3. The leadership commitment in law enforcement on fraudulent behavior in government must be carried out objectively free from the influence of the interests of power to provide a deterrent effect on fraudulent behavior.
4. The Ministry of Finance needs to consider a fairly wide span of control in carrying out the duties of the internal auditor due to the implementation of state financial management.
5. The Ministry of Finance needs to consider effectiveness and efficiency in the implementation of supervision on the implementation of tasks and work including paying attention to the implementation of flexible working space, the size of the supervision area and a fairly wide span of control.
6. The Ministry of Finance needs to review MPN and SPAN to ensure compliance with the best practices of digitalization.

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