



THE INFLUENCE OF INTERNAL CONTROL AND ORGANIZATIONAL COMMITMENTS ON FRAUD PREVENTION (A CASE ON KOPDIT CU PARDOMUAN PAKKAT)

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Article history:	Abstract:
<p>Received: 24th March 2022 Accepted: 20th April 2022 Published: 1st June 2022</p>	<p>This study aims to examine whether Internal Control and Organizational Commitment affect the prevention of fraud either partially or simultaneously. The object of this research is the employees of CU Pardomuan Pakkat Kopdit with a total sample of 44 people. By using primary data and SPSS statistical tools, this study found evidence that internal control and organizational commitment have a positive and significant effect on fraud prevention, either partially or simultaneously. Weak internal controls that are built will provide opportunities for fraud to occur, whereas effective internal controls will prevent fraud. High commitment will create a sense of belonging, so that actions are taken fully for the betterment of the organization by avoiding fraudulent actions. Based on the results, it is suggested that in an effort to prevent fraudulent acts, it is recommended to make effective use of internal control and increase organizational commitment.</p>

Keywords: Control, Internal, Commitment, Organization, Fraud

1. INTRODUCTION

Besides being driven by belief in the usefulness of accounting, behavior using accounting information is also driven by important people for users of accounting information to behave (Siallagan, 2022). The development of the accounting field not only has a good influence, but also has a bad influence. Unfavorable things are such as the increasing number of fraudulent acts that occur in organizations, both in small and large numbers (Prabowo, 2013). In general, fraud occurs because of an urge to take advantage of opportunities and or because of pressure from organizational leaders to commit fraud in a structured manner. Various kinds of cases that occur in government institutions and private institutions are often caused by fraud. Referring to various cases both at home and abroad shows that fraud can occur anywhere. Fraud is a dishonest act that causes real potential harm to an organization or government agency, but is not limited to corruption, theft of money, theft of goods, fraud, and forgery (Prabowo, 2013).

Clinton and Skaife (2014) state that referring to Statement on Auditing Standards 99 (316), there are three things (fraud triangle) that lead to fraud, namely: pressure, opportunity, and an attitude of rationalization. Fraud occurs because of pressure from management and pressure to meet the economic needs of the employees themselves; opportunity due to the opportunity and organizational situation to commit

fraud; and the rationalization attitude of employees who justify fraudulent and dishonest actions (Clinton, et al., 2014).

Thus, fraud can occur anywhere, even in small organizations such as cooperatives, although it is not free from the possibility of fraud in it. As one of the official business entities in Indonesia, cooperatives run their business by providing loans and as a place to store people's money. However, in its development, it is not uncommon for various fraud problems to be faced by cooperatives that result in losses for cooperatives. This is caused by the tendency of fraud committed by cooperative members by exploiting the weaknesses of cooperative management.

One of the cooperatives that felt the loss due to the fraud that occurred was the CU Pardomuan Credit Cooperative (Kopdit). One of the cases that occurred was the loss of cash worth approximately 1.2 billion in 2016. Another fact is that in 2019 a member of the cooperative embezzled money belonging to a customer that was not reported in the books. The existence of fraudulent practices that occurred had an impact on the loss of public trust in the cooperative, which ended in losses suffered.

Cases of irregularities can be influenced by the internal control system, therefore the internal control system can be a tool to anticipate the fraud. Weak internal controls that are built within the organization will provide opportunities for members of the



organization to commit fraud. The case that occurred in the credit cooperative (kopdit) of CU Pardomuan was also due to the weakness of its internal control system. Therefore, internal control is believed to be one of the factors that can prevent fraud. Control over behavior makes a person about how to do his job (Siallagan, 2022)

The internal control system is a system consisting of procedures and the formation of certain policies that have been previously planned so that management is more confident in the effort to achieve the company's goals and objectives (Pujayani and Dewi, 2021). Adi, et al., (2016) stated that effective internal control is important to implement in achieving organizational goals. On the other hand, ineffective internal control will provide opportunities for irregularities or fraud committed by employees. Furthermore, Adi, et al., (2016) stated that employees will take advantage of the ineffectiveness of internal control as a company's weak point to commit fraud.

Zulkarnain (2013) says that an effective internal control system is a system consisting of policies, procedures, methods, and regulations set by the company so that plans and goals can be achieved properly. Thus, with effective internal control, deviation actions that can harm the company can be avoided. This is in line with Pujayani and Dewi (2021) who show that the effectiveness of internal control has a negative and significant effect on fraud. Another factor that can influence fraud is organizational commitment. Adi, et al., (2016) stated that organizational commitment directs individuals to take various actions that can lead to deviant behavior tendencies. If the commitment is high, there will be an active and mutually supportive relationship in achieving organizational goals (Manurung, et al., 2015). High commitment will reduce fraudulent actions because they will work in accordance with applicable rules.

Employees' sense of belonging will appear when they have a high commitment. The sense of belonging will encourage employees to do what is best for the organization. Awareness to promote and maintain a good name will also arise because of the assumption that organizational failure is the fault of employees. Employees with high commitment will try to align personal goals with organizational goals, maintain the values and good name of the organization. Thus, it can be concluded that commitment can affect fraud prevention. This is reinforced by Manurung, et al., (2015) who found that organizational commitment has a significant effect on fraud prevention.

2. THEORETICAL REVIEW

All organizations, both government and private, have the risk of experiencing fraud which has an impact on the destruction of reputation, losses, and damage to employee morale. One of the causes of fraud is due to the opportunity. The fraud is carried out to gain profit from deceiving or deceiving someone by providing information that is not in accordance with reality (Karyono, 2017). The internal control system can be used to monitor, detect and prevent fraud (Clinton and Skaife, 2014).

A control is needed by the organization so that what has been determined can be carried out properly. Albrecht, et al (2012) stated that internal control aims to make operational activities in achieving company goals run effectively and efficiently. Clinton, et al (2014) stated that the internal control structure is a variety of policies and procedures that are carried out systematically by the entity with the aim of maintaining the reliability of the entity's financial reporting, the effectiveness and efficiency of operations carried out by the entity as well as compliance with laws and regulations. Thus, an agency must have effective internal control so that all policies and procedures set by the agency are complied with by all employees.

The company's weak point in implementing internal control is often used by employees to carry out their actions to commit fraud. Effective internal control will be able to reduce the opportunities possessed by employees to commit fraud (Adi, et al, 2016). The greater the opportunity to commit fraud, it indicates that the internal control owned by the agency is getting worse.

The existence of an effective internal control system will be able to reduce deviant actions that often occur in an agency that is triggered by personal interests (Clinton, et al, 2014). With internal control, the organization's assets will be protected, the company's financial reporting can be trusted, the risk of loss can be reduced, and compliance with rules and regulations will increase. The higher the effectiveness of internal control owned by an agency, the lower the fraud that will occur. With a good internal control system, the opportunities or opportunities for employees or management to commit fraud are getting smaller. This is in line with the research results of Pujayani and Dewi (2021); Clinton, et al (2014) and Pratiwi and Budiasih (2020) who found that the internal control system had a negative and significant effect on fraud. Thus, the hypotheses to be tested are:

H1: Internal control has a significant effect on fraud prevention

To achieve organizational goals requires passion, hard work and high commitment. Commitment is related to employee behavior to accept organizational



goals and values and strive to achieve organizational goals. With a high commitment, it is hoped that greater hard work is expected to maintain sustainability and position in the organization. Hayati and Wulanditya (2018) state that commitment is marked by the acceptance of organizational goals and values, the desire to achieve the interests of the organization and the desire to maintain a position in the organization.

High commitment will foster a sense of belonging (sense of belonging) and loyalty to the organization (Siallagan, et al., 2017). The high sense of belonging and loyalty possessed can prevent irregularities in the organization. Commitment will guide people in their work and view the effort given to the organization as a positive thing. Commitment will also encourage employees to understand the goals of the organization and try to reduce deviant actions.

Manurung, et al., (2015) stated that the higher the organizational commitment, the lower the level of fraud. Employees with high organizational commitment will give their best effort in achieving organizational goals and will not take actions that are detrimental to the organization. Employees will also prioritize the interests of the organization over personal interests and try to make the organization better.

So, the higher the organizational commitment, the lower the tendency for fraud. This is in accordance with Hayati and Wulanditya (2018) who found evidence that organizational commitment has a significant effect on fraud prevention and Manurung, et al., 2015 and Adi, et al (2016); Wijayanto (2020) who found that organizational commitment had a negative and significant effect on the tendency of fraud. Thus, the hypotheses to be tested are:

H2: Organizational Commitment has a significant effect on fraud prevention.

An organization has various activities that require control and supervision so that these activities can run effectively and efficiently. Effective internal control can reduce the tendency of fraudulent actions by employees. However, if internal control is supported by a commitment to the organization, it will reduce the tendency of employees to commit fraud. That is, if there is a change in commitment or in the implementation of the organization's internal control, it will cause a change in fraudulent actions committed by individuals.

When there is no element of Internal Control in the organization, individuals with a low level of commitment will tend to carry out activities for their personal interests, such as fraudulent actions (Pujayani and Dewi, 2021). Conversely, individuals with high commitment, if they are in a condition where there is or no internal control of the organization, then this will not affect them to commit fraud which will harm many

parties. Because by instilling a commitment to the organization, it can foster behavior that has an attitude, is consistent and is able to eliminate the tendency of fraudulent acts committed by employees. Based on this, the hypotheses to be tested are:

H3 : Internal control and organizational commitment have a significant effect on fraud prevention

3. RESEARCH METHODOLOGY

This study uses numbers in testing the relationship between variables. Based on the source, this study uses primary data collected and processed by the researcher himself using a questionnaire. The population of the study was all employees of the CU Pardomuan Pakkat Kopdit. No sampling was conducted because the entire population was used as the research sample, amounting to 44 people. Before being used in research, the level of validity and reliability of the research instrument was first tested. Based on the test results, it was found that all question items were valid, where the calculated r value $>$ r table was 0.3610. Likewise with the reliability test, the test results show that the resulting Cronbach Alpha value is greater than 0.60. Thus, the three variables can be declared reliable. Then, the classical assumption test was carried out which consisted of normality test, multicollinearity test and heteroscedasticity test.

The research hypothesis was tested using multiple regression method with the help of SPSS software program. Multiple analysis model, in addition to measuring the strength of the relationship between two or more variables, also shows the direction of the relationship between the dependent variable and the independent variable partially or simultaneously. The results of multiple regression analysis can be seen through statistical calculations with the help of the IBM SPSS program. The multiple regression equation is formulated:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Partial test of each independent variable using t test with of 5%. While the simultaneous test of the independent variable on the dependent variable using the F test.

4. RESULTS AND DISCUSSION

By using multiple linear regression analysis, the results are obtained as presented in table 1 below:

Table 1. Multiple Regression Linear Analysis Results Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.



	B	Std. Error	Beta		
(Constant)	-17,177	6,157		-2,790	,010
Internal Controlling	,602	,136	,513	4,439	,000
Organizational Commitment	,700	,166	,488	4,224	,000

a. Dependent Variable: Fraud Prevention
 (Source: SPSS Output Results)

The results showed that the t value was $4.439 > t$ table 2.052 with a significance level of 0.000. These results provide empirical evidence that internal control has a positive and significant effect on fraud prevention, thus H1 is accepted. This result is in accordance with Wiralestari (2016) which states that efforts to prevent fraud start from internal control. The internal control system is a process that is carried out to provide confidence in the achievement of the reliability of financial reports and compliance with the law (Adi et al., 2016). The better the implementation of internal control in the organization, the better the fraud prevention actions that occur.

With the existence of internal controls that are run within the organization, it can help the organization in preventing fraud. Adi, et al (2016) stated that the opportunity to commit deviant actions or fraud occurs when the implementation of internal control is ineffective. Employees take advantage of this ineffectiveness as a weak point for the company to commit fraud.

Fraud can be reduced by effective internal control, because it can help protect assets, reliable financial reporting, and improve compliance with applicable rules and regulations (Clinton, et al, 2014). In addition, good internal control can guarantee that the information produced is more accurate. This is in line with Albrecht, et al (2012) which states that company goals can be achieved when internal control runs effectively and efficiently.

Thus, the more effective the internal control implemented by the Cooperative of CU Pardomuan Pakkat, the better the prevention of fraud that occurs. The internal control applied to the CU Pardomuan Pakkat Kopdit is in the very good category, because the average respondent agrees on the research instrument items. Fraud in financial management is minimized and prevented by improving its internal control system. The results of this study are supported by the results of research conducted by Pujayani and Dewi (2021) and

Clinton, et al (2014) which show a significant effect of the internal control system on fraud and the research of Pujayani and Dewi (2021) which states that internal control has a significant effect on fraud prevention. .

Other results show that the t value of organizational commitment is 0.700 with a sinification level of 0.000. These results provide empirical evidence that commitment to the organization has a positive and significant effect on fraud prevention, thus H2 is accepted. Hayati and Wulanditya (2018) state that organizational commitment is the extent to which employees take sides with the organization. High commitment will create a sense of belonging, so that employees will feel that all good actions taken are actions for the progress of the organization (Siallagan, et al., 2017). This will encourage employees to do their best and carry out a good and clean job based on the laws and regulations.

Commitment is built on the basis of belief in organizational values and loyalty to remain part of the organization (Albrecht, et al, 2012). Loyalty possessed by employees will be able to minimize irregularities that occur, especially in terms of preventing fraud. The high commitment to the organization makes employees prioritize the interests of the organization over personal interests (Siallagan, et al., 2017). Employees who have high organizational commitment will try not to do activities that are detrimental to the organization and provide maximum effort in achieving organizational goals. Thus, he will try to avoid actions to commit fraud that harms many people.

Darwanis (2022) states that individuals with strong organizational commitment will be comfortable working in organizations and tend not to commit fraudulent acts. So, the higher the organizational commitment, the lower the employee's actions to commit fraud. The results of this study are in accordance with the research of Manurung, et al., (2015), Wijayanto (2020) and Darwanis (2022) who found evidence that organizational commitment has a significant effect on fraud prevention.

Table 2. F test (simultaneously)
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	557,702	2	278,851	30,388	,000 ^b
Residual	247,765	27	9,176		
Total	805,467	29			

a. Dependent Variable: Fraud Prevention
 b. Predictors: (Constant), Organizational Commitment, Internal Controlling
 (Source: SPSS output results)



Based on the results of the simultaneous regression test (F test) in table 2 above, the Fcount value is 30.388, > Ftable is 3.34 with a significance level of 0.000. Thus it can be said that simultaneously internal control and organizational commitment have a significant effect on fraud prevention, H3 is accepted. This means that by emphasizing the effectiveness of control and increasing individual commitment to the organization, it will be able to prevent fraud. With the existence of internal control and instilling a commitment to the organization, it will be able to prevent the possibility of a level of fraud in the Cooperative of CU Pardomuan Pakkat.

Individuals (employees) with a low level of commitment and are in a condition of ineffective Internal Control will tend to be easy to commit fraudulent acts. However, individuals with a high level of organizational commitment, even in the presence or absence of internal control, will avoid harmful actions (Darwanis, 2022). Changes in the conditions of internal control (existing and non-existent) will result in changes to individuals with a certain level of commitment (high or low) to commit fraud. People with low organizational commitment will take advantage of the ineffective condition of internal control to take opportunistic actions to fulfill their personal needs, such as committing fraud. So that employees who have a strong commitment to work and are supported by the effective implementation of internal control, will be able to prevent fraudulent actions.

5. CONCLUSION

Based on the results of the study, the following conclusions were obtained: first, internal control had a significant positive effect on fraud prevention. The effectiveness of internal control implemented in the organization will be able to prevent fraudulent actions by reducing the possibility of fraudulent actions in the organization, the first hypothesis is accepted. Second, organizational commitment has a significant positive effect on fraud prevention. The high level of employee commitment to the organization will create a sense of belonging in employees, foster a loyal attitude, and give the best effort for the organization because all good actions taken are actions for the advancement of the organization so that fraudulent actions can be prevented, the second hypothesis is accepted. Third, internal control and organizational commitment have a significant effect on fraud prevention. A strong commitment to work and supported by well-implemented internal control will prevent the occurrence of fraudulent acts in the Cooperative of Credit Union Pardomuan Pakkat, the third hypothesis is accepted.

With the finding of empirical evidence of the influence of internal control and organizational commitment to fraud prevention, the Cooperative of CU Pardomuan Pakkat is expected to be able to maintain and comply with the existing rules. Periodically, monitoring and evaluation of the organization's operational activities can be carried out by improving the existing indicators. However, the infrequent monitoring carried out by Kopdit CU Pardomuan Pakkat on an impromptu manner can be an opportunity for fraud to occur. In addition, it is also hoped that high organizational commitment from employees can prevent possible fraudulent acts that can harm the organization. The results show that the commitment that is owned is quite good, but the weakness of the sustainability component within the organization indicates that employees will not hesitate to leave their jobs when there is a better job offer.

However, the effective contribution of these two variables in influencing the prevention of fraud in the Cooperative of Credit Union Pardomuan Pakkat is only 0.670 (67%). That is, there are still other factors as much as 33% that can affect fraud prevention such as the compensation system, compliance with accounting rules, unethical behavior or other variables that can reduce a person's tendency to commit fraud. Thus, there is an opportunity for the next researcher to conduct further research by identifying other variables that can prevent fraud. In addition, it is also hoped that future researchers will design research not only using questionnaires, but also combining them with interviews so that accurate information that can improve the quality of financial reports can be obtained. The development of the next research should be done by choosing an organization that has a population that is better in quantity and quality according to the research objectives.

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