FRAUD PREVENTION THROUGH STRUCTURE OF INTERNAL CONTROL AND SPIRITUAL ACCOUNTING

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ARTICLE INFO

ABSTRACT

This research is about fraud prevention through control structure and spiritual accounting. Fraud occurs because of three main things, namely: the pressure to commit fraud, the opportunities that can be exploited and the justification for these actions. The tendency for accounting fraud has attracted a lot of media attention and has become a prominent and important issue in the eyes of world business. An auditor must make every effort to prevent fraud. Fraud prevention can be analogous to disease, that is, prevention is better than cure. This study aims to measure the effect of implementing internal control structures and spiritual accounting on preventing fraud. The specific target to be achieved is to minimize fraud committed by company management. In this research, the analytical method used is multiple linear regression analysis. Multiple linear regression analysis method consists of two analytical tools, namely Descriptive Statistical Analysis and Infensial Statistical Analysis. The results show that the internal control structure has a negative effect on the auditor's ability to prevent fraud, while spiritual accounting has a positive effect on the auditor's ability to prevent fraud.

Keywords: Fraud, Structure of Internal Control, and Spiritual Accounting.

1. Introduction

The challenge is that companies often experience crises or bankruptcy due to ineffective supervision of employees. Every day there is an act of fraud committed by employees, both intentional and unintentional, which causes adverse effects for the company and provides benefits for the perpetrators of fraud. According to Dennis Greer, the factors that cause this fraud are pressure, opportunity and rationalization, known as fraud training.

Fraud is a fraud that is intentionally carried out by a person or group of people so that it causes losses without being realized by the injured party and provides benefits for the perpetrators of fraud. Fraud generally occurs due to three main things, namely: the pressure to commit fraud, the opportunities that can be exploited and the justification for these actions. Fraud creates a misjudgment or maintains an existing misjudgment to induce someone to enter into a contract. This is done because it involves enriching oneself intentionally by reducing the value of assets in a secret manner (Enofe et.al., 2013).

Kranacher, Riley, and Wells (2011) say fraud detection refers to the process of finding evidence of fraud that can be achieved through good internal control design, supervision, monitoring and actively seeking evidence of fraud. To support the auditor's ability to detect fraud that can occur in the audit, the auditor needs to understand and understand fraud, its types, characteristics, and ways to detect it. Sayyid (2014) also concludes in his research that fraud is a variety of ways of human ingenuity that are carried out indi-vidually or in groups to obtain benefits or ad- vantages from other parties in an incorrect way, causing harm to other parties.

Efforts to prevent fraud will be more effective than repressive efforts. Preventive actions are taken with the aim of avoiding greater losses and damage to the reputation of...
institutions and indi-viduals. In addition, incidents of fraud that are not immediately handled and revealed due to the slow handling will increasingly give the opportuni- ty for the perpetrators to cover up their actions with other frauds. Therefore, it is necessary to make efforts to prevent fraud that is correct and on target.

The efforts of an auditor who has the skills to take fraud prevention actions in each of his audit assignments at his client company. Prevention of fraud can be analogous to disease, which is bet- ter to prevent than cure. If we wait for fraud to be handled, it means that there have been losses that have occurred and have been enjoyed by certain parties. Compared to if we succeed in preventing it, of course, the losses have not all shifted to the perpetrators of fraud (Fitrawansyah, 2014).

Efforts that can be used to reduce fraud or prevent fraud by implementing internal control structures and spiritual accounting models. One of them is preventing fraud by implementing internal control. Internal control is part of a system used by management to regulate and direct each of its activities. The implementation of internal activities is influenced by humans, so that in its implementation it has limitations and weakness-es, including: a) the lack of maturity of a consis-deration in decision making; b) failure to translate orders, resulting in ineffective execution; c) man-agement's neglect, namely management's indiffer- ence to policies and procedures; d) the exist-ence of collusion or conspiracy in its implementa- tion, so that the control carried out is only a for-mality (Karyono, 2013). In the current situation, company management must be able to manage the company more effectively and efficiently to achieve the desired company goals.

The effectiveness of corporate control is very important to prevent fraud from occurring, weak monitoring or supervision provides an opportunity for perpetrators to commit fraud. So the company must be able to determine whether the control system is running effectively or not. The imple-mentation of financial management requires a control function to ensure the security of wealth and finances. Thus, controlling the budget is a process to ensure that the budget to specific mat-ters is carried out appropriately and efficiently. It is also said by Herman, et al., (2013) in their re-search that control acts as a guide to help all activities run as they should.

If the company has strong internal control, it will reduce the occurrence of fraud in the compa-ny. Good internal control allows management to be ready to face rapid economic changes, com- petition, shifts in customer demand and fraud as well as restructuring for future advancements (Ruslan, 2009). By building and implementing internal controls, it is hoped that it will minimize fraud in the company by employees of the com-pany. And with the implementation of internal control in profit and non-profit oriented compa-
nies, it can protect company assets from fraud and of course assist management in carrying out all its activities. For this reason, every organiza-tion is responsible for trying to develop an organi-zational behavior that reflects honesty and ethics which is communicated in writing and can be used as a guide for all employees.

An auditor must be able to instill spiritual accounting before carrying out an audit assignment, because with spiritual accounting, an audi-tor can think logically to seek, find, solve prob-lems in fraud that occurs. If the auditor does not have spirituality, there will be deviations. Auditors must have spiritual intelligence in conducting financial audits. The design of a spiritual account-ing model that can be applied to prevent fraud with five steps, namely Increasing Faith, Identify-ing Problems, Managing Emotional, Self-Control, Solving Solutions. Sumarlin and Sastiana (2016) say spiritual intelligence is intelligence to face and solve problems of meaning and value that place human behavior and life in a broader and richer context that allows a person to unite things that are intrapersonal and interpersonal, and bridge the gap between oneself and others.

2. Literature Review

Fraud

The Institute of Internal Auditors (IIA), an organization of internal auditors in the United States, defines fraud as a collection of illegal and unlawful acts characterized by an element of inten-tional fraud. What this means is that fraud is fraud which contains the meaning of a deviation and unlawful act that is carried out intentionally for certain purposes, such as deceiving or giving a wrong picture (mislead) to other parties, which is carried out by people from within and from out-side the organization. Karyono, (2013).

Furthermore, the Chartered Institute of Pub- lic Finance and Accountancy (CIPFA) states fraud as a deliberate mistake and concealing material facts, omission of evidence to commit fraud and manipulation that is detrimental to the finances of an individual or organization. Fraud includes embezzlement, theft, forgery, misuse, and intentionally eliminating evidence (CIPFA, 2013), while according to Arens.(2012). Fraud is defined as an intentional misstatement of financial statements.

From the definition of the experts above, it can be concluded that the meaning of fraud is an act of deviation carried out by humans intention-ally to get a personal advantage. Everyone can commit fraud. Sometimes it's hard to believe, someone who we think is honest, religious, educated, from a respected social envi-ronment, even from wealthy circles, is actually involved in a fraud case. How can this happen?, Dennis Greer mentions three key elements called the fraud triangle that encourage a person or group of people to commit fraud, namely: pres- sure, opportunity, and justification.
Factors That Drive People To Fraud

Actually, what makes someone commit fraud, even though if they know how it ends, of course people will not commit fraud. What motivates them to do it and justifies what they do? In simple terms the following two triangles can tell a lot about the relationship of the relationship that drives fraud. Fraud can be committed by employees, management, suppliers, customers. Examples of direct fraud by employees include taking cash, company supplies and equipment, and fraud involving third parties such as bribes/kickbacks/bribes. Frauds committed by management include engineering financial statements to increase net income, fictitious investments (investment scams) and others. Fraud committed by suppliers, for example, increasing prices unilaterally (overcharge), sending low-quality goods, shortages or not sending goods that have been paid for. Fraud committed by customers for example not paying for goods sent, bank break-ins and others. Why do people cheat? Factors causing fraud may be due to financial pressure, mental illness, or pressure due to workload.

Structure Of Internal Control

Azhar (2008: 95) Internal Control: "As a process that is influenced by the board of directors, management and employees designed to provide assurance that the organization's goals will be achieved through: operational efficiency and effectiveness, presentation of reliable financial statements, compliance to the applicable laws and regulations."

The internal control structure used in an entity is a factor that determines the reliability of the financial statements produced by the entity. Before the auditor performs an in-depth audit of the information contained in the financial statements, the second standard of field work requires the auditor to understand the internal control structure that applies within the entity. This is in accordance with the second fieldwork standard which reads: "A sufficient understanding of the internal control structure must be obtained to plan the audit and determine the nature, timing and scope of the tests to be performed.

The internal control system has four general objectives, namely safeguarding company assets, ensuring the accuracy and reliability of accounting records and information, encourage efficiency in company operations, measure compliance with policies and procedures set by management. Then, as quoted by Manurung and Apriani (2012), there are five components of internal control according to the Committee of Sponsoring Organization of the Treadway Commission or COSO, namely control environment, risk assessment (risk assessment), information and communication (information and communication), communication, control activities (control activities), and monitoring (supervision).

Spiritual Accounting

Before the auditor performs an audit assignment, the auditor must first be able to instill spiritual accounting with the following steps:

1) Increase Faith; Increasing faith in a person needs to be done because faith is a form of belief in the creator.
2) Identifying Problems; An Auditor first identifies the problem in order to produce accurate information.
3) Managing Emotional; an auditor must have a big soul in completing a financial report, processing emotions is useful to have a positive impact on the auditor and on the company to overcome fraud and prevent fraud both now and in the future.
4) Self-control; the survival of a company lies in a competent auditor, if the auditor loses his job and is unable to control himself not to commit fraud, it is very likely that the company will slowly experience prolonged errors and with self-control it is possible to prevent opportunities that will occur.
5) Solving Solutions; The auditor in completing the assigned task some times finds a dead end, in order to complete the task or solve the solution the auditor must find evidence of the problem, look for the cause of the problem, consider various possibilities to find a way out of the problem, and choose an easy way out, then implement the solution.

3. Research Methodology

Research Location and Time

This research takes place at the Public Accounting Firm in the Makassar area and will be carried out for approximately 2 months from August to October 2021.

Data Collection Instruments and Techniques

The instruments and data collection techniques were carried out in two stages, namely observation and questionnaires.

1) Observation

The initial stage in this research is to record and monitor directly to the research area, namely to record things related to research variables and other information related to research.

2) Questionnaire
The questionnaire is in the form of a questioner questionnaire aimed as a tool in collecting research variable data, namely by distributing a question to the respondent. The score calculation is carried out using a Likert scale technique with five alternative answers, namely: Strongly Agree (score 5), Agree (score 4), Disagree (score 3), Disagree (score 2), and Strongly Disagree. Agree (score 1).

**Population and Sampling Techniques**

The population in this study includes the entire number of auditors at KAPs domiciled in Makassar City who are registered at IAPI Makassar in 2021, which amount to 9 KAPs with a total of 44 auditors. In this study, the sample was taken using a census sampling technique in which the researcher took all samples in the population.

**Data Analysis Techniques**

In this research, the analytical method used is multiple linear regression analysis. Multiple linear regression analysis method consists of 2 (two) analytical tools, namely:

1) Descriptive Statistical Analysis Statistics that describe a general condition of the data. Descriptive analysis provides exposure to numerical data that can be observed from the mean, standard deviation, maximum, minimum, and range.

2) Inferential Statistical Analysis

The use of Inferential statistics to describe the sample data and the results will be degeneralized (differentiated) in the population where the sample is taken. The use of this analysis is to answer the problem while simultaneously testing the hypothesis. The inferential analysis used in this study uses multiple linear regression statistical tools with the formula:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \epsilon \]

Description:

- \( Y \) = Fraud Prevention
- \( X_1 \) = Structure of Internal Control
- \( X_2 \) = Spiritual Accounting

**4. Research Result and Discussion**

**Fraud Prevention through Implementation of Internal Control Structure**

The results of the regression test in this study indicate that the independence value on the internal control structure variable is 0.046. This shows that the internal control structure has a negative effect on the auditor's ability to prevent fraud. Fraud that occurs in an organization is a classic manifestation of weak organizational governance. The opportunity to commit fraud is a risk that arises when internal controls are weak, because the risk of being caught is relatively low (Zakaria, et al., 2016).

Fraud often occurs because internal controls do not exist or are weak or carried out loosely and ineffectively. The role of the auditor in preventing fraud with the aim of eliminating or eliminating the causes of the fraud. Because it is easier to prevent an act of fraud than to overcome fraud that has occurred. So the auditor has a skill in overcoming fraud and pre-venting fraud with two solutions, namely (1). The implementation and optimization of internal control must be carried out, in addition to that it is necessary to periodically evaluate the internal control functions and the role of the commissioners. (2). Build a good control structure and professional internal control. The control structure consists of four elements, namely the control environment, risk assessment, control activities and information and communication research by Rahman and Anwar (2014) also reaffirms this argument that internal control is identified as one of the most effective techniques to prevent.

The results of this study are in line with the research of Gilang Noor Alamsyah (2019) which states that the implementation of an internal control system consisting of elements of the control environment has a negative effect on fraud prevention, because the internal control environment focuses more on exemplary attitudes from agency leaders, so that employees may be triggered to commit fraud due to employee economic pressure. This result is also supported by research by Adinda (2015) and Udayani (2017) who found that there is a negative influence of internal control on the tendency of fraud. Factors triggering fraud are opportunity, pressure and rationality. One's opportunities can be overcome by exercising good control.

With good control, it helps the company in preventing fraud, and avoiding irregularities in a company. Navid (2010) states that internal control can manage the company and improve and advance the company to be more developed. When a company wants to grow, it must have a good internal control system. A company's internal control will run effectively if the elements in it comply with the control system itself (Trisulo and Ardini, 2014).

This is reinforced by Susanto Salim's research (2019) which concludes that internal control is the most effective way within the company to minimize or even eliminate the opportunity for company members to commit fraud. And also has an important role is that internal audit must have sufficient number and quality of human resources and have adequate competence. Because, by upholding the attitude of professionalism, the auditor will be easier to detect if fraud occurs (Hutabarat, 2015). Because based on previous research it was confirmed that there was an increase in the number of financial crimes due to manipulation in accounting and audit failure so that it had a serious negative impact on the economy which resulted in a decrease in the level of trust in the audit profession (Popoola & Samsudin, 2015). This is in line with the findings of previous studies that most auditors cannot detect fraud because they are not specialists in the field of...
fraud, considering that there are differences between audits of fraud and audits of financial statements.

**FRAUD PREVENTION THROUGH THE APPLICATION OF THE SPIRITUAL ACCOUNTING MODEL**

The results of the regression test showed that the value of the spiritual accounting variable was 0.489. This indicates that these results indicate that Spiritual Accounting has a positive effect on the auditor's ability to prevent fraud. This means that an auditor is always looking for and collecting evidence in carrying out audits to prevent fraud. As an auditor, the auditor is able to be responsible for carrying out audit assignments.

This process is carried out with great care. Working on audit assignments is accompanied by a frame of faith in God. Increase Faith; within a person is very important to do so as to prevent acts of fraud. Increase morale in avoiding deviant actions that occur.

One of the factors that cause fraud in an institution or agency is the occurrence of a moral crisis and faith in employees so that they do not hesitate to do what they want without considering the consequences that will be caused. So that moral knowledge and faith have a very important role in doing a job. Many of the employees do not even have a sense of reluctance in committing fraud at work.

Fraud prevention can be done by instilling morality in each individual. Human morality can be seen from the personality that can distinguish good and bad actions and the mindset of those who uphold honesty and justice. The mindset that exists in humans that always reduces the attitude of committing fraud from within a person. Liyana-rachchi (2009) in Wijaya (2017) states that their individual level of moral reasoning will affect their ethical behavior. The higher the level of one's moral reasoning, the more likely it is to do the right thing. This is supported by research conducted by Damayanti (2016) which shows that individuals with low moral levels tend to commit accounting fraud.

**5. Conclusion**

1) Factors triggering fraud are opportunistic, pressure and rationality. Fraud often occurs because internal controls do not exist or are weak or carried out loosely and ineffectively. So the auditor has a skill in overcoming fraud and preventing fraud with two solutions, namely

(a). The implementation and optimization of internal control must be carried out, in addition to that it is necessary to periodically evaluate the internal control functions and the role of the commissioners.

(b). Build a good control structure and professional internal control. One's opportunities can be overcome by exercising good control. With good control, it helps the company in preventing fraud, and avoiding irregularities in a company.

2) An auditor who has skills in audit assignments by paying attention to the spiritual accounting model in preventing fraud. Fraud prevention can be done by increasing faith and instilling morality in each individual.

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