THE INFLUENCE OF INTERNAL AUDIT AND INTERNAL CONTROL ON FRAUD PREVENTION AT BANK BJB SHARIA CIREBON BRANCH

Aulia Febriyani[1], Haulah Nakhwatunnisa[2], Nur Eka Setiowati[3]
[1,2,3] IAIN Syekh Nurjati Cirebon
Email: febriyaniaulia6@gmail.com[1], haulahnakhwatunnisa@syekhnurjati.ac.id[2],
setiowatinureka@gmail.com[3]

Abstract

This study aims to determine the effect of internal audit and internal control on fraud prevention at Bank BJB Syariah Cirebon Branch. This study uses descriptive quantitative research methods. Data collection techniques by means of observation and distributing questionnaires to 31 respondents of Bank BJB Syariah Cirebon Branch employees. The data analysis used is classical assumption test, multiple linear regression analysis, coefficient of determination, and hypothesis testing using the help of SPSS version 22.0 software. Based on the results of the study, it shows that the variables of internal audit and internal control partially and simultaneously have a significant effect on fraud prevention at Bank BJB Syariah Cirebon Branch.

Keywords: *Internal Audit, Internal Control, Fraud Prevention*

1. INTRODUCTION

A company's business activities inevitably involve risks, including fraud. Fraud is also commonly referred to as fraud. Fraud is a major problem that must be addressed because it still occurs frequently in Indonesia. Fraud in financial statements is carried out due to misstatement or intentional or unintentional, both with material and non-material impacts. These errors must be avoided because they will have a detrimental impact on the company and outside parties such as creditors, government and shareholders (Fachruroji, 2020). In addition, in the banking world, it is very important to maintain the trust of customers, because banks are financial institutions that provide various kinds of financial services. In maintaining this trust, of course, the banking sector provides various kinds of convenience and a variety of attractive products for customers (Tupamahu et al., 2022). Many fraud cases reported in the media have attracted the attention of the wider community. Various fraud cases, such as financial statement manipulation, asset misappropriation, and corruption, have shown companies that fraud is inevitable. It also shows that fraud not only causes financial losses but also adversely affects the company's reputation and image (Trisia & Irianto, 2018).

According to ACFE (Association of Certified Fraud Examiners), fraud is divided into three forms of fraud. First, asset misappropriation, which includes theft or embezzlement of company assets. Second, false reports or deliberately false statements. Third, corruption, which includes cooperation with others to benefit oneself and harm the company (Association of Certified Fraud Examiners Indonesia, 2019). The pressure to make a mistake or the desire to take advantage of an opportunity, along with the justification (retionalization) for the action, are factors that usually lead to fraud. More general terms such as theft, embezzlement, forgery, and others are often used to describe fraud.

The Financial Services Authority or OJK plays a very important role in the Indonesian economy as it is responsible for regulating and supervising the banking sector. OJK also recorded banking losses of Rp. 4.62 trillion caused by fraud in the midst of digitalization. This is due to the threat level and mode of electronic transactions, including e-commerce. The cause of this fraud comes from situations inside and outside the banking sector. Compared to 6.444 incidents in the first quarter of 2020, the causes of fraud in the external banking environment increased to 8.218 incidents in the second quarter of 2020 compared to 1.005 incidents in the internal environment (Pratiwi, 2021).

The results of a review in 2022 conducted by the Association of Certified Fraud Examiners (ACFE), the most common and detrimental fraud cases in the banking and financial services sector are corruption with a percentage of 46%, the next order is cash in hand at 14%, embezzlement of checks and payments 14%, cash theft 11%, manipulation of financial statements 11% and so on. Corrupt actions cause the greatest losses due to fraud. This shows that corruption, along with other forms of fraud, is the biggest contributor to losses in Indonesia (Association of Certified Fraud Examiners (ACFE), 2022). One of the biggest examples of fraud is that of PT Asabri, with BPK (Supreme Audit Agency) reporting state losses of Rp. 22.78 trillion, PT Jiwasraya of Rp. 16.81 trillion, and PT Indosurya Inti Finance, according to the Financial Transaction Reports and Analysis Center (PPATK), suffered customer losses of Rp. 106 trillion. This is the most notorious fraud in the financial services sector after the reform and the Century Bank scandal (Patnistik, 2023).

One of the factors that is thought to have an effect on fraud prevention is internal audit. Internal audit is an activity carried out to help management obtain information with the aim of creating additional value for the company (Solechan, 2021). The future of both government and private organizations cannot be separated from the level of reliability of internal audit effectiveness. The effectiveness of internal audit that has been established is a control function for management in achieving organizational goals and objectives (Poltak et al., 2019). Internal audits usually consist of operational audits to assess how effective and efficient the company's operations are. Financial audits are also carried out to assess financial reports and internal control systems used in financial management (Wibowo, 2023).

Apart from that, the factor that is also thought to have an effect on fraud prevention is internal control. The level of fraud inevitably increases due to a poor internal control system. Structured arrangements for planning and supervising entity activities are known as internal controls. It is used to strategize and ensure that company activities run in accordance with applicable regulations (Faiqoh, 2019).

Fraud is very likely to occur in an organization with weak internal audit and internal control. Conversely, if an organization with strong internal audit and internal control has a greater chance of avoiding fraud. If it occurs, fraud can be discovered and prevented immediately (Kusumoaji et al., 2023). Based on the description above, the purpose of this study is to determine the effect of internal audit and internal control on fraud prevention at Bank BJB Syariah Cirebon Branch.

2. METHODOLOGY

This research uses descriptive quantitative methods, namely methods to test certain theories by examining the relationship between variables by seeking information about existing

symptoms, clearly determining the objectives to be achieved, planning approaches, and collecting data as material for making reports (Budiyanti, 2018).

The population in this study were all employees of Bank BJB Syariah Cirebon Branch which amounted to 31 respondents, and the sampling technique used was the saturated sampling method because the samples processed were taken from all members of the population. While the data collection technique was carried out by observation and distributing questionnaires to 31 respondents of Bank BJB Syariah Cirebon Branch employees.

There are two types of data used in this research, namely primary data and secondary data. In this study, researchers obtained primary data from the results of a survey conducted by researchers by distributing questionnaires to employees of Bank BJB Syariah Cirebon Branch Meanwhile, secondary data in this study were obtained from several books, research journals, theses, theses, websites and other sources related to the topics and problems to be studied.

The data analysis techniques used in this study are classical assumption test, multiple linear regression analysis, coefficient of determination, and hypothesis testing using the help of SPSS software version 22.0. The independent variables in this study are internal audit (X_1) and internal control (X_2), while the dependent variable is fraud prevention (Y).

3. RESULT AND DISCUSSION
A. Result
1) Normality Test Result

The normality test is used to determine whether the dependent and independent variables in the regression model have a normal distribution. The basic method of testing normality is to use Kolmogorov Smirnov with a significance level > 5% or 0.05. So, if the significance value is above 0.05, it has a normal distribution (Ghozali, 2016).

Table 1 Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		31
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	2,81890365
Most Extreme Differences	Absolute	,095
	Positive	,073
	Negative	-,095
Test Statistic		,095
Asymp. Sig. (2-tailed)		,200[c,d]

Based on table 1, it can be concluded that the normality test above using Kolmogorov Smirnov has a significance value of 0.200. Because the residual value is normally distributed, namely 0.200 > 0.05, this regression model is suitable for use.

2) Multicollinearity Test Results

The multicollinearity test aims to state that the independent variables are free from multicollinearity symptoms. The multicollinearity test uses the Tolerance and VIF (Variant Inflation Factor) values. Multicollinearity does not occur if the Tolerance value > 0.10 or VIF < 10 (Nugraha, 2022).

Table 2 Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Internal Audit	,419	2,388
Internal Control	,419	2,388

Based on table 2 above, the multicollinearity test results have the same tolerance value for the Internal Audit (X_1) and Internal Control (X_2) variables, namely 0.419. Meanwhile, the VIF value is 2.388. This shows that all independent variables have a tolerance value > 0.10 and a VIF value < 10. So, it can be concluded that there is no multicollinearity between the independent variables.

3) Heteroscedasticity Test Results

The heteroscedasticity test is a test conducted to ascertain whether there is bias or deviation in the regression model analysis. A good research model does not occur heteroscedasticity (Widana & Muliani, 2020). One way to detect the presence or absence of heteroscedasticity can be done by looking at the scatterplot graph.

Figure 3 Heteroscedasticity Test Results
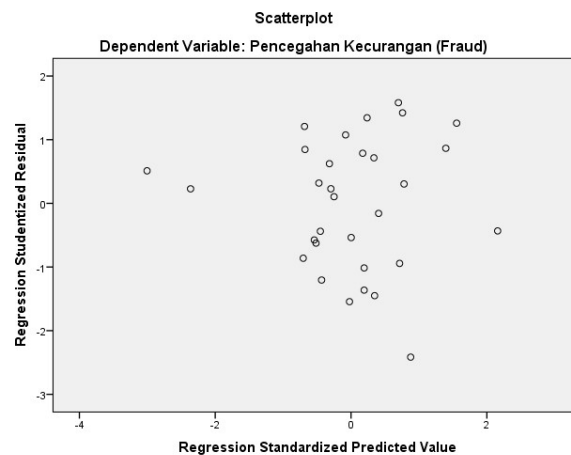
The results of the heteroscedasticity test, which can be seen in figure 3 above, are randomly scattered above and below the number 0 on the Y-axis. So it can be concluded that the regression model does not show heteroscedasticity.

4) Multiple Linear Regression Analysis Results

Multiple linear regression analysis is used to test whether there is an influence between the independent variable and the dependent variable. The main purpose of this analysis is to determine the strength of the relationship between the two variables (Budiyanti, 2018). The following are the results of multiple linear regression tests from this study:

Table 4 Results of Multiple Linear Regression Analysis
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-,365	6,796		-,054	,958
Internal Audit	,182	,062	,313	2,952	,006
Internal Contrrol	,260	,041	,671	6,319	,000
a. Dependent Variable: Fraud Prevention					

Based on table 4 above, the linear regression equation can be arranged as follows:

$$Y = a + \beta 1X1 + \beta 2X2 + e$$
$$Y = -0.365 + 0.182X1 + 0.260X2 + e$$

Information:

Y : Fraud Prevention

a : Constant

$\beta 1$ $\beta 2$: Regression coefficient/parameter

X_1 : Internal Audit

X_2 : Internal Control

e : Standard Error

Based on this equation, it is explained as follows:

a. The constant value (a) is -0.365, which means that if the Internal Audit (X_1) and Internal Control (X_2) variables are assumed to have a value of 0, then the Fraud Prevention variable has a value of -0.365.

b. The $\beta 1$ value of 0.182 states that if the internal audit variable increases or increases by one unit, then the fraud prevention variable will increase by 0.182.

c. The $\beta 2$ value of 0.260 states that if the internal control variable increases or increases by one unit, then the fraud prevention variable will increase by 0.260.

5) t Test Results (Partial)

The purpose of the t test is to test the effect of the independent variable partially on the dependent variable. To determine whether there is an influence or not, it can be seen at a significance level of 5% or 0.05. If the sig value <0.05 or t_{count}> t_{table}, then H_0 is rejected and H_a is accepted, meaning that there is an influence of the independent variable (X) on the dependent variable (Y). Because it uses a two-way hypothesis, when looking for the t table the value of a is divided by 2, which becomes 0.025 with df = n-k-1 (number of data - number of variables - 1) so that it becomes 31-2-1 = 28. Then the ttable value is 2.048 (Ghozali, 2016):

Table 5 T Test Results (Partial)

Model		t	Sig.
1	(Constant)	-,054	,958
	Internal Audit	2,952	,006
	Internal Control	6,319	,000

Based on the results of data testing from table 5, it can be concluded as follows:

a. The internal audit variable gets a tcount value of 2.952 and a significance value of 0.006 <0.05. As for the t_{table} value, it can be calculated in the t_{table} with $a = 0.05$. This shows that the t_{count}> t_{table} value (2.952> 2.048) with a significance level of 0.006 <0.05. So H_{01} is rejected and H_{a1} is accepted, so it can be said that internal audit has a positive and significant effect on fraud prevention.

b. The internal control variable gets a tcount value of 6.319 and a significance value of 0.000 <0.05. As for the t_{table} value, it can be calculated in the t_{table} with $a = 0.05$. This shows that the t_{count}> t_{table} value (6.319> 2.048) with a significance level of 0.000 < 0.05. So H_{02} is rejected and H_{a2} is accepted, so it can be said that internal control has a positive and significant effect on fraud prevention.

6) F Test Results (Simultaneous)

The F test is used to determine whether the independent variables affect the dependent variable simultaneously or simultaneously. If the value of f_{count}> f_{tabel}, it can be said that the two independent and dependent variables have a significant influence on each other (simultaneously).

Table 6 F Test Results (Simultaneous)

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1567,355	2	783,678	92,048	,000b
	Residual	238,387	28	8,514		
	Total	1805,742	30			

The results of the F test, which can be seen in table 6, show an F value of 92.048 with a significant value of 0.000, which indicates that the significant value is less than 5%, or 0.05 (0.000 <0.00), then H_{03} is rejected and H_{a3} is accepted. This shows that simultaneously or jointly the internal audit and internal control variables have a significant effect on fraud prevention at BJB Syariah Bank Cirebon Branch.

7) Results of the Coefficient of Determination R^2

Adjusted R^2 as the coefficient of determination aims to determine how much the independent variable can explain the dependent variable.

Table 7 Results of the Coefficient of Determination R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,932ª	,868	,859	2,91784

The table above shows that the multiple correlation coefficient (R) value of 0.932 indicates that there is a strong correlation between the internal audit and internal control variables on fraud prevention. In addition, the coefficient of determination (R Square) value is 0.868 and the adjusted coefficient of determination (Adjusted R Square) value is 0.859 or 85.9%. This shows that the internal audit and internal control variables can explain 85.9% of the fraud prevention variable. While the rest (100% - 85.9% = 14.1%) is explained or influenced by other variables that are not in this study.

B. Discussion

1) The Effect of Internal Audit on Fraud Prevention at Bank BJB Syariah Cirebon Branch

Based on the results of statistical testing on the hypothesis (H_{a1}), it is known that internal audit has a positive and significant effect on fraud prevention. This is evident in table 5 with the results of the SPSS calculation in the t test, the internal audit variable on fraud prevention has a t_{count} value of 2.952 where t_{count}> t_{table} (2.952> 2.048) with a significance level of 0.006 <0.05. It can be concluded that H_{a1} is accepted because the internal audit variable partially has a positive and significant effect on fraud prevention.

Based on the test results, it can be said that internal audit has an effect on fraud prevention at Bank BJB Syariah Cirebon Branch. This is due to the fact that internal auditors are required to be honest and independent when carrying out their duties, and they must also pay attention to the controls that must be implemented by the company to determine whether everything is going well or if there is still something that needs to be improved. If the company has competent internal auditors and all activities run according to company procedures, fraud will be avoided (Aryanti, 2020)

Prevention of fraud through internal audit certainly aims to minimize the possibility of fraud, limit and even reduce the losses that arise. The better the role of internal audit, the better the protection against fraud. The more effective internal audit is, the better fraud prevention will be. Internal audit can prevent fraud if it can identify the possibility of fraud (Utami, 2018)

2) The Effect of Internal Control on Fraud Prevention at Bank BJB Syariah Cirebon Branch

Based on the results of statistical testing on the hypothesis (H_{a2}), it is known that internal control has a positive and significant effect on fraud prevention. This is evident in table 5 with the results of the SPSS calculation in the t test, the internal control variable on fraud prevention has a t_{count} value of 6.319 where t_{count}> t_{table} (6.319> 2.048) with a significance level of 0.000 <0.05. It can be concluded that H_{a2} is accepted because the internal control variable partially has a positive and significant effect on fraud prevention.

Based on the test results, it can be said that internal control affects preventing fraud at Bank BJB Syariah Cirebon Branch. This means that the internal control system in the company greatly influences the level of fraud in the company. The more effective the internal control system implemented by the company, the lower the tendency to commit fraud that may occur.

The test results show that internal control affects preventing fraud at Bank BJB Syariah Cirebon branch. Because a company's internal control system greatly influences the level of fraud, a better system a company uses will have a lower propensity to engage in fraud. This is

because when a company implements internal control, management will emphasize the importance of control by taking important steps to ensure that company activities comply with applicable laws and regulations, as well as comply with company policies and procedures that enable it to produce quality and responsible financial reports. by reducing accounting errors and producing quality financial reports.

3) The Influence of Internal Audit and Internal Control on Fraud Prevention

After partial hypothesis testing is carried out on each variable, hypothesis testing is carried out simultaneously to find out whether the results of the internal audit and internal control variables have a significant positive influence on fraud prevention. In table 6 the F test results show an F value of 92.048 with a significant value of 0.000, which indicates that the significant value is < 5% or 0.05 (0.000 < 0.00), so H_{03} is rejected and H_{a3} is accepted. This shows that the internal audit and internal control variables have a significant influence simultaneously on the level of fraud prevention at the Cirebon Branch of the BJB Syariah bank.

The results of this research show that the coefficient of determination (R Square) in Table 4.15 is 0.868 and the adjusted coefficient of determination (Adjusted R Square) is 0.859 or 85.9%. This shows that the internal audit and internal control variables can explain 85.9% of the fraud prevention variables. Meanwhile, the remainder (100% - 85.9% = 14.1%) is explained or influenced by other variables that are not in this study.

Based on the results above, it shows that simultaneously or together the internal audit and internal control variables have a significant effect on fraud prevention at the Cirebon Branch of the BJB Syariah bank. This means that the level of fraud will be lower if internal audits and internal controls in a company are running well.

4. CONCLUSION

Internal audit has a positive and significant effect on preventing fraud at Bank BJB Syariah Cirebon Branch. This is based on the test results (t-test), obtained a tcount value of 2.952, where $t_{count} > t_{table}$ (2.952 > 2.048) with a significance level of 0.006 < 0.05. It can be concluded that H_{a1} is accepted because the internal audit variable partially has a positive and significant effect on fraud prevention at Bank BJB Syariah Cirebon Branch. This means that the better the role of internal audit, the higher the prevention of fraud in a company.

Internal control has a significant effect on preventing fraud at Bank BJB Syariah Cirebon Branch. Based on the test results (t-test), the t_{count} value was 6.319, where $t_{count} > t_{table}$ (6.319 > 2.048) with a significance level of 0.000 < 0.05. It can be concluded that H_{a2} is accepted because the internal control variable partially has a positive and significant effect on fraud prevention. This means that a company's internal control system greatly influences the level of fraud that occurs within it.

Internal audit and internal control simultaneously influence fraud prevention. Based on the simultaneous hypothesis results (F test), the F count was 92.048 with a significant value of 0.000. This significant value indicates that it is smaller than 5% or 0.05 (0.000 < 0.00), so H_{03} is rejected and H_{a3} is accepted. This shows that simultaneously or together the internal audit and internal control variables have a significant effect on fraud prevention at the Cirebon Branch of the BJB Syariah bank. This means that if internal audits and internal controls run well, it will reduce the occurrence of fraud in a company.

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