

## PalArch's Journal of Archaeology of Egypt / Egyptology

### HOW TO PREVENT FRAUD? (CASE STUDY ON PT. ALFARIA TRIJAYA)

*Ibnu Rachman<sup>1</sup>, Wien Dyahrini<sup>2</sup>*

<sup>1,2</sup>Widyatama University, Indonesia

<sup>2</sup>[ibnu.rachman@widyatama.ac.id](mailto:ibnu.rachman@widyatama.ac.id)

**Ibnu Rachman, Wien Dyahrini. How To Prevent Fraud? (Case Study On Pt. Alfaria Trijaya)-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(10), 1944-1953. ISSN 1567-214x**

**Keywords: Internal Control, Fraud Prevention, Internal Auditing.**

#### **ABSTRACT**

The purpose of this study is to find out the effect of internal auditing on fraud prevention by internal control as a moderating variable on PT. Alfaria Trijaya. The research method used in this research is the exoplanet research method. The population in this research is corporate audit finance division and operation division PT Alfaria Trijaya. Data collection techniques used in this study are using questionnaires. While the analysis method used in this study is regression moderation analysis at a significance level of 5%. Programs used in analyzing data using SPSS Ver. 23.0. The results show that internal auditing, fraud prevention, and internal control at PT. Alfaria Trijaya. belongs to the excellent category. In addition, the results of partial and simultaneous research showed that the Internal auditing on Fraud Prevention (Fraud) had a significant effect by moderating internal control in PT. Alfaria Trijaya. That is, internal control can moderate that is strengthening the relationship.

#### **INTRODUCTION**

A company or organization when established certainly has goals that must be achieved through strategic planning (Kabuye and Kato, 2019). However, along with the growth of the company, certainly cannot be separated from various obstacles and problems faced by the company (Bagh and Nazir, 2016) resulting in the company faced with increasing risks making it difficult to supervise all activities and operations of the company (Oussi and Neila, 2019). According to this will lead to fraud in the company . Effective internal control can support the role of internal auditing to test the feasibility of internal control procedures within the company to prevent fraud (Gamage, 2014). According to Chue, et al (2020) control is an internal auditing activity should evaluate the adequacy and effectiveness of control in *responding to risks in the governance process, operations, and organizational information systems*, which include; Achievement of the organization's strategic objectives; Reliability and integrity of financial and operating information; Effectiveness

and efficiency of operations and programs; Asset security; Compliance with laws, regulations, policies, procedures and contractual agreements (Suyono and Hariyanto, 2012).

In addition, the function of internal auditing is felt to help in preventing fraud that occurs in the company (Li and Li, 2020). According to Chen and Chan (2017) among the functions of internal auditing is to report that the workers have carried out their duties in accordance with the company's standards. Internal auditing is an important element that the company needs in order for the company to survive in the face of increasingly complex competition (Fan and Jang, 2013). Therefore, the management of the company needs the assistance of the internal inspection function or internal auditing to supervise all activities that are difficult to overcome by the top leadership and to identify and minimize risks. Sohn (2016) explained *that fraud prevention* can be done using tools that can control or monitor, and this is the most widely applied.

Pt. Alfaria Trijaya Tbk (AT) *is experiencing fraud related* to the misuse of assets, namely illegally taking assets carried out by a person authorized to manage or supervise the asset. From year to year there is fraud committed by Alfamart employees, in 2019 fraud was carried out by 4 Alfamart *employees including the Chief of Store, Assistant Chief of Store, and two other employees*, by damaging the CCTV receiver *cable* to remove evidence. (<https://tribunnews.com>, January 2019). The previous year, assistant chief of store Alfamart *reported himself to be the victim of theft* by force, apparently during the investigation all the scenarios of perpetrators to trick officers and employees (<https://news.detik.com>, January 2017).

Based on this, this study tries to examine the effect of internal control on fraud prevention with internal auditing as moderation variables in PT. Alfaria Trijaya Bandung. The problem formulation in this research is; (1) Does Internal Control affect fraud prevention? (2) Does internal auditing affect fraud prevention? Does the internal auditing moderate the internal mortgage relationship against fraud prevention?

## **THEORETICAL FRAMEWORK**

### ***Internal Control***

Internal control is a system used as a procedure to guide the operations of a company or organization to identify, analyze, and communicate any organizational event (Oussi, 2019).. The Company generally uses an internal control system to direct the company's operations and prevent abuse from various parties (Li and Li, 2020). Therefore, internal control is essential to ensure the achievement of the organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies. In the broad concept of internal control involves everything that controls risk for an organization (Muna and Haris, 2018). Oussi (2019) explained that internal auditing should be able to report

that employees have performed their duties in accordance with the International Standards of Professional Practice of Internal auditing.

According to Gamage (2014) stated that Internal control is a policy and procedure that can protect against abuse and provide accurate information to the company. The effectiveness of internal control can be interpreted that the company's objectives have been running in accordance with planning with control and supervision so that with the control and supervision of fraud will not occur (Megayani and Ni Nyoman, 2020). According to Dewi and Ajeng (2016) there are three pillars in the effectiveness of internal control, among others: Organizational Independence, Proficiency, and observance.

### ***Fraud Prevention***

Fraud is a criminal act that intends to benefit the individual or group financially. According to Nyoman (2020) this is a criminal act committed with malicious intent. And from these evil acts he benefits and harms his victims financially or non-financially (Ardyana and Tashia, 2017) defines fraud as an act that is done intentionally using internal resources unnaturally and incorrectly in presenting facts with the aim of obtaining personal gain. Megayani (2020) defines accounting fraud as, (a) misstatement or intentional omission of amounts or disclosures in financial statements to trick users of financial statements. (b) misstatement arises as a result of fraud against assets (as abuse or embezzlement) relating to the theft of entity assets. This incident resulted in the process of making financial statements presented not in accordance with generally applicable financial principles. According to Eniola, A (2020) categorizes accounting fraud into three parts, namely: (a) corruption, (b) financial report fraud and (c) misuse of assets. Among the factors that cause cheating are, pressure, opportunity, and justification.

### ***Internal Auditing***

Internal auditing is an important element of the internal control structure in an organization because it is created to monitor the effectiveness of its internal activities. The Definition of Internal auditing according to Chen and Chan (2017) is an independent and objective consulting and insurance activity designed to add value and improve the organization's operations. It helps organizations achieve their goals by providing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. From this definition, it can be interpreted that Internal auditing is an independent activity that provides objective assurance and consultation designed to add value and improve the operation of the organization. This activity also assists the organization in achieving its objectives with a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Dwi (2016) explained that internal auditing should be able to report that they have carried out their duties in accordance with the International Standards of Professional Practice of Internal auditing.

### *The Effect of Internal Control on Fraud Prevention*

As explained by Dewi (2016) Internal control is a system used as a procedure for operational guidelines of a company or organization to identify, analyze, and communicate every organizational event. Research states that internal control can prevent fraud in a company. Similarly, Kbuye and Kato's research (2019) stated that internal control can affect the prevention of fraud carried out by certain individuals. The research was conducted at a private hospital.

H1. Internal control affects fraud prevention

### *The Effect of Internal auditing on fraud prevention*

The role of internal auditing in an organization can help in order to achieve the goals that have been set. Among the functions of this internal audit is to give an overview of all activities that have been carried out over several periods (Li and Li, 2020). Megayani Research (2020) stated that internal auditing can prevent fraud by examining every report presented. Internal auditing is an independent activity that provides objective assurance and consultation designed to add value and improve the operation of the organization.

H2. Internal auditing affects fraud prevention

### *Internal auditing moderates the relationship between internal controls on fraud prevention*

Megayani (2020) explained that internal auditing should be able to report that all activities can carry out their duties in accordance with established standards. The most common way to prevent cheating is to have a good control system. According to Sohn (2016), effective control is the most important step to eliminate or reduce the chance of committing fraud. Internal auditing functions are more capable and more likely to detect and fix minor control problems before they become severe enough that this can prevent the occurrence of Fraud actions.

H3. Internal auditing is influential in moderating the relationship between internal controls on fraud prevention

## **RESEARCH METHODS**

The method in this study uses the explanatory method because it aims to obtain an overview of how the relationship of internal control to fraud prevention with internal auditing as a moderating variable on PT. Alfaria Trijaya. The population in this study is 100 workers. Because the population is less than 100 people, the sample in this study was all employees of 98 people, and using simple regression analysis and moderation using SPSS 23.

## **RESULTS AND DISCUSSION**

From the survey results, respondents obtained with the following percentages:

**Table 1.1.** Percentage of Respondents

Gender	Responses
--------	-----------

Male	64%
Women	36 %
Total	100%

**Source:** Data processed 2020

From these results can be seen that the respondents are mostly men with a total percentage of 64% and women 36%. The validity and reliability test are as follows:

**Table 1.2.** Validity Test

Variable	Items	r count	r critical	Description
Internal Control (x)	P1	0,755	0,30	Valid
	P2	0,829	0,30	Valid
	P3	0,473	0,30	Valid
	P4	0,606	0,30	Valid
	P5	0,572	0,30	Valid
	P6	0,593	0,30	Valid
	P7	0,551	0,30	Valid
	P8	0,673	0,30	Valid
	P9	0,771	0,30	Valid
	P10	0,592	0,30	Valid
Fraud Prevention (y)	P11	0,946	0,30	Valid
	P12	0,887	0,30	Valid
	p13	0,888	0,30	Valid
	P14	0,693	0,30	Valid
	P15	0,643	0,30	Valid
	P16	0,699	0,30	Valid
	P17	0,591	0,30	Valid
	P18	0,559	0,30	Valid
	P19	0,779	0,30	Valid
	P20	0,483	0,30	Valid
Internal auditing (z)	P21	0,542	0,30	Valid
	P22	0,676	0,30	Valid
	P23	0,547	0,30	Valid
	P24	0,540	0,30	Valid
	P25	0,628	0,30	Valid
	P26	0,730	0,30	Valid
	P27	0,628	0,30	Valid
	P28	0,674	0,30	Valid
	P29	0,682	0,30	Valid
	P30	0,650	0,30	Valid

Based on the measurement of validity, the validity value of the data obtained in this study has Sig. An alpha  $\leq 0.30$  means that this research variable is valid. The reliability test is as follows:

**Table 1.3.** Reliability Test

Variable	Items	Cronbach's Alpha	Description
Internal Control	X	0,944	Reliable
Fraud Prevention	Y	0,898	Reliable
Audit Internal	Z	0,886	Reliable

Based on table 1.3 can be known that *the Value of Cronbach Alpha* of all variables tested above 0.60, it can be concluded that all variables in this study were declared reliable.

**Table 1.4.** Simple Linear Regression Test the Effect of Internal Control on Fraud Prevention

Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	,753	,247		3,044	,003
	Internal prevention (X)	,594	,090	,559	6,609	,000

Based on the calculation results in the table above, a simple linear regression equation is obtained as follows:

$$Y=0.753+ 0.594 x + 0.090$$

From the linear regression equation above obtained a constant value of 0.753. That is, if the fraud prevention variable on PT. Alfaria Trijaya is not affected by free variables that are internal control, then the average amount of Fraud Prevention (Y) in PT. Alfaria Trijaya will be worth 0.753. The regression coefficient value for the internal prevention variable is 0.594 in a positive direction, meaning that if the Internal auditing variable (X) increases by one unit it will cause an increase in Fraud Prevention (Y) in PT. Alfaria Trijaya by 0.594

**Table 1.5.** Regression Test the effect of internal control and internal auditing on fraud prevention

Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	,272	,243		1,117	,267
	Internal Control (X)	,445	,086	,420	5,157	,000
	Internal auditing (Z)	,407	,084	,395	4,856	,000

a. Dependent Variables: Fraud Prevention (Y)

Linear regression is as follows:

$$Y_2 = 0.272 + 0.445X + 0.407Z + \varepsilon$$

From the above multiple linear regression equations obtained a constant value of 0.272. That is, if the Fraud Prevention variable on PT. Alfaria Trijaya is not influenced by the free variables, namely Internal Control and Internal auditing, the average amount of Fraud Prevention at PT. Alfaria Trijaya will be worth 0.272. The regression coefficient value for the Internal Control variable is 0.445 in a positive direction, meaning that if the Internal Control variable increases by one unit it will also cause increased Fraud Prevention (Y) in PT. Alfaria Trijaya source of 0.445. The regression coefficient value for the Internal auditing variable is 0.407 in a positive direction, meaning that if the Internal auditing variable increases by one unit it will also cause increased Fraud Prevention (Y) in PT. Alfaria Trijaya of 0.407.

***Regression Analysis of the Effect of Internal Control on Fraud Prevention with Internal auditing as Moderation***

**Table 1.6.** Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,995	,643		3,104	,003
	Internal auditing (X)	1,244	,257	1,172	4,833	,000
	Internal Control (Z)	1,448	,300	1,406	4,834	,000
	X*Z	,359	,113	1,476	3,167	,002

a. Dependent Variable: Fraud Prevention (Y)

Based on the calculation results in the table above, the form of multiple linear regression equations is obtained as follows:

$$Y_3 = 1.995 + 1.244X + 1.448Z + 0.359XZ + \varepsilon$$

From the above multiple linear regression equations obtained a constant value of 1.995. That is, if the Fraud Prevention variable on PT Alfaria Trijaya is not influenced by the free variables, namely Internal Control and Internal auditing, the average amount of Fraud Prevention at PT. Alfaria Trijaya will be worth 1,995. The regression coefficient value for the Internal Control variable is 1,244 in a positive direction, meaning that if the Internal Control variable increases by one unit it will also cause increased Fraud Prevention in PT. Alfaria Trijaya of 1,244. The regression coefficient value for the Internal auditing variable is 1,448 in a positive direction, meaning that if the Internal auditing variable increases by one unit it will also cause increased Fraud

Prevention in PT. Alfaria Trijaya of 1,448. The regression coefficient value for moderation of Internal Control and Internal auditing is 0.359 in a positive direction, meaning that if the moderation of Internal Control and Internal auditing increases by one unit will lead to increased Fraud Prevention in PT. Alfaria Trijaya amounting to 0.359.

**Table 1.7.** Coefficient of Correlation of Internal Control to Fraud Prevention with Internal auditing as Moderation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860a	,740	,732	,25489

a. Predictors: (Constant), X\*Z, Internal auditing (X), Internal Control (Z)

In the table above, it means that internal control variables have an effect of 73.2% on Fraud Prevention with Internal auditing as Moderation on PT. Alfaria Trijaya. The remaining 26.7% is a variable contribution other than internal Control and Audit.

**Table 1.8.** Test t Effect of Internal Control on Fraud Prevention with Internal Auditing as Moderation

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,995	,643		3,104	,003
	Internal Control (X)	1,244	,257	1,172	4,833	,000
	Internal auditing (Z)	1,448	,300	1,406	4,834	,000
	X*Z	,359	,113	1,476	3,167	,002

a. Dependent Variable: Fraud Prevention (Y)

Based on the table above it can be seen that the Internal Control variable has a calculated t value greater than the table t value. Because the value t calculates (4,833) > t table (1,986), then H02 is rejected. Therefore, it can be concluded that Internal Control has a significant effect on Fraud Prevention (Y) on PT. Alfaria Trijaya. Internal auditing variables have a calculated t value greater than the table t value. Because the value t calculates (4,834) > t table (1,986), H03 is rejected. Therefore, it can be concluded that the Internal auditing has a significant effect on the Prevention of Fraud (Y) on PT. Alfaria Trijaya. Moderation of Internal Control and Internal auditing has a calculated t value greater than the table t value. Because the value t calculates (3,167) > t table (1,986), H01 is rejected.

## CONCLUSION

Based on the results of research that has been done on the influence of Internal Control on Fraud Prevention with Internal auditing as a moderation variable



on PT. Alfaria Trijaya , it is concluded that: (1) Implementation of Internal Control at PT. Alfaria Trijaya has been very good, (2) Implementation of Internal auditing at PT. Alfaria Trijaya has been very good, (3) Implementation of Fraud Prevention at PT. Alfaria Trijaya has been very good, (4) Internal Control affects the Prevention of Fraud in PT. Alfaria Trijaya, (5) Internal auditing affects Fraud Prevention in PT. Alfaria Trijaya. (6) Internal auditing can moderate and strengthen the relationship of Internal Control to Fraud Prevention.

## REFERENCES

- Ardyana, Tashia. 2017. Factors Affecting Audit Quality (Empirical Study at Public Accounting Firm in Surakarta and Yogyakarta). Thesis. Surakarta: Muhammadiyah University.
- Bagh, T., Nazir, M. I., Khan, M. A., and Razzaq, S. (2016). The impact of working capital management on the firm's financial performance: Evidence from Pakistan. *International Journal of Economics and Financial Issues*, 6(3), 1097-1105.
- Chue, T, Lan, H, T, and Huy, P (2020) Factors influencing the effectiveness of internal control in cement manufacturing companies. *Management Science Letters* 10 (2020) 133–142.
- Chen, J., Chan, K.C., Dong, W., Zhang, F., 2017. Internal control and stock price crash risk: Evidence from China. *Euro. Account. Rev.* 26 (1), 125–152.
- Dewi, Ajeng. (2016). Pengaruh Pengalaman Kerja, Kompetensi, dan Independensi Terhadap Kualitas Audit dengan Etika Auditor Sebagai Variabel Moderasi. Skripsi, Universitas Negeri Yogyakarta.
- Eniola, A, A (2020) Internal control procedures and firm's performance. *International Journal of Scientific and Technology Research. Vol 2, No 3*.
- Fan, J., Zhang, Y., Liu, Q., 2013b. Internal control, auditor industry expertise, accrual and real earnings management. *Account. Res.* 4, 81–96 (in Chinese).
- Faturachman, Aman. (2015). Pengaruh Due professional care Terhadap Kualitas Audit pada Kantor Akuntan Publik di Kota Bandung. *Jurnal Riset Akuntansi dan Keuangan*. Bandung: Universitas Pendidikan Indonesia.
- Gamage, C. T., Lock, K. L., & Fernando, A. A. J. (2014). A proposed research framework: Effectiveness of internal control system in state commercial banks in Sri Lanka. *International Journal of Scientific Research and Innovative Technology*, 1(5), 25-44.
- Kabuye, F, Kato, J, Irene, and Nicolas (2019) Internal control systems, working capital management and financial performance of supermarkets. *Accounting, Corporate Governance & Business Ethics Research Article* (18): 12.
- Li, Y, Li, X, Erwei, and Hardian (2020) Financial distress, internal control, and earnings management: Evidence from China. *Journal of Contemporary Accounting and Economics* 16 (2020) 100210.
- Megayani, K, Ni Nyoman, and Ayu, S (2020) Pengaruh Independensi, Due Professional Care Dan Locus of Control Terhadap Kualitas Audit

- Dengan Pengalaman Auditor Sebagai Variabel Moderasi Pada Kap Di Provinsi Bali. *Jurnal Riset Akuntansi Dan Keuangan*, 8 (1), 2020, 133-150.
- Oussi, A, and Neila, B (2019) The impact of internal auditing function characteristics on internal control quality. *Managerial Auditing Journal*. 0268-6902. Emerald Publishing Limited.
- Suyono, E., & Hariyanto, E. (2012). Relationship between internal control, internal auditing, and organization commitment with good governance: Indonesian case. *China-USA Business Review*, 11(9), 6-13.
- Sohn, B.C., (2016). The effect of accounting comparability on the accrual-based and real earnings management. *J. Account. Publ. Policy*. 35 (5), 513–539.