THE INFLUENCE OF INTERNAL AUDITORS, INTERNAL CONTROL SYSTEM, WHISTLEBLOWING SYSTEM AND ORGANIZATIONAL COMMITMENT TO FAKE PREVENTION (FRAUD)

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Abstract

The study aims to determine the effects of the an auditor, internal control system, whistleblowing system, and organization the commitment of deception. The independent variable in the study are internal control system, whistleblowing that a system, organizational commitment. Dependent variable is fake prevention. The purpose of this study is to examines the impact in an auditor internal fraud, fraud prevention on the internal control system (fraud prevention), also examines the impact of the fraud of system preventing the whistleblowing, commitment organization on fraud prevention. The effects of an internal auditor, internal control system, whistleblowing system, and organization commitment on fraud prevention. Population in this study all personnel work in financial accounting, auditor in company and a subsidiary of the sample PT. PERTAMINA. The sampling technique used a purposive sampling with sample of 100 respondents. The research finding is the investigation, which took place in both government and private agencies, indicates irregularities and fraud within the body or the company itself. Cheating means dishonesty and dishonesty. So it can be concluded that copy has elements of unlawful conduct, committed by people inside and outside the organization for personal or group gain, and directly or indirectly harms the other party. Auditors internal, internal control systems, and organization commitment have significantly effect on cheating prevention.

INTRODUCTION

Discussing fraud in Indonesia is tantamount to discussing endless paths. Fraud is again getting a lot of media attention as the current dynamic and center of attention. The rise of news regarding investigations that have taken place in government and private agencies indicates that there have been irregularities and fraud within the agency or company itself. Cheating means dishonesty and cheating. It can be concluded that fraud has the elements of an act that violates the law, is carried out by people inside and outside the organization for personal or group gain, and directly or
indirectly harms other parties. Fraud can occur anywhere and is not discriminatory in this incident, making no organization immune to it (Erlangga & Mawardi, 2016). Likewise, with the phenomenon in Pertamina as a national energy company in recent years, where there has been a replacement of leaders in a relatively short time, namely replacing the president and board of directors three times in less than 4 years. One of the values that Pertamina and its subsidiaries have committed is clean, so a series of methods and actions have been made so that the company remains committed to keeping Pertamina and its subsidiaries clean and free from the possibility of fraud in them (Daryanto & Wibisono, 2019).

As the phenomena of the industrial revolution 4.0, existing who the digital era, characterized by the increasing connectivity, interaction, boundaries between people, machine, and other resources through the converging information technology and communication, fourth industrial revolution was also marked by optimization uses information technology and communication, created so that all the efficiency and quality of the process (Scuotto & Morellato, 2013). So through the website, email, and electronic database, employees of Pertamina Hulu Energi and its subsidiaries, have the convenience of reporting (whistleblowing system) the occurrence of corruption, bribery, gratification, conflicts of interest, theft, fraud, ethical violations, and code of conduct including in a manner online fill in and make a declaration that employees are free and not involved in a conflict of interest and have followed the existing code of conduct. Pertamina is a company that has built and implemented a whistleblowing system as a form of control mechanism since 2008; more specifically, this system was launched on August 12, 2008. Several important things have become the focus of implementing the whistleblowing system at Pertamina, namely corruption, fraud, conflict of interest, code of conduct, and increased discipline (Latief, Syarief, & Hasbullah, 2019).

LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling theory, intercourse this is a contract in which one or more set the main other parties to perform services and delegate authority in decision-making. Emphasized the importance of the theory of the shareholders (the company to hand out the management experts) agent better understand how run the company (Jensen & Meckling, 2019). Flexibility of management in managing funds in order to attain resulted much for the company can cause maximizing knight additional economic self-interest figures (use an agent) with the weight and cost to be borne by the company, so that in presenting report on the use of and management of the funds by agents not reporting's company financial information by. That real cost including agency the cost of supervision; by the shareholders expenses incurred by management to produce transparent report, including independent real co auditor and levies; internal control (Arniati, Puspita, Amin, & Pirzada, 2019).
Information Asymmetry Theory

The definition of information asymmetry is when a manager have access to information about a company’s still external stakeholders do not have company. The definition of information asymmetry according to Scott (2009: 105) is as follows: ‘often, one kind of participants, for example will know something about the assets of others (what participants buyers) not know. When this situation is, said information asymmetry characterized by market (Courtney, Dutta, & Li, 2017).

Fraud

According to (Reni & Anggraini, 2016), the definition of fraud is a general term embracing all ways that power the means, human ingenuity who was forced to by one individual, to get an advantage over another by representation cheat, there must be variable and in the rules can be laid as the general proposition on, defines fraud because they include a surprise, tricks cunning and unfair the way with the other is cheating. In general, it can be said that fraud is an intentional misstatement of a truth or a situation that is hidden from a material fact that can influence other people to commit an act or act that is detrimental to it, usually an error but in some cases (mostly done on purpose) it may be a crime; misrepresentation/misrepresentation (misstatement) which is careless / without calculation and inconsistent results in influencing or causing others to act or act; a loss that arises as a result of general information or misrepresentation (misstatement), concealment of material facts or careless / without calculation which influences other people to act or act detrimental to them (Dorminey, Scott Fleming, Kranacher, & Riley, 2012).

Internal Auditor

(Ma’ayan & Carmeli, 2016) defines law: 16. Internal an auditor is works as an auditor internal organization of any kind to audit the internal management. auditor ‘ of varying far, responsibility depends on an auditor leader. Internal operational involved in an audit or having a profusion of skill evaluate a computer system.

Definition of a whistleblowing system

A whistleblower is an employee or community who reports fraudulent practices that occur within the company or government, where the report can be submitted directly by internal or external parties who know the occurrence of fraudulent practices. (Zarefar & Arfan, 2017) adds that the whistleblower phenomenon arises when reports of employees who are suspected of making mistakes in the workplace need to be followed up by making disclosures for the public interest. A whistleblower is often understood as someone who first discloses or reports actions that are considered illegal at work to the organization's internal authority or public monitoring agency. The disclosure is not always based on the reporter's
good faith, but the aim is to reveal crimes or misappropriations that he knows about (Pamungkas, Ghozali, & Achmad, 2017).

There are two criteria for a whistleblower, the first criterion for a whistleblower to submit or disclose a report to the competent authority or the mass media, hoping that the alleged crime can be caught and uncovered. The second criterion, whistleblowers, are insiders, namely people who disclose alleged violations and crimes at their workplace or where they work. So, whistleblowers know the alleged violation or crime because they are at their workplace (Ciasullo, Cosimato, & Palumbo, 2017). The goal is so that institutions' protection witness or the whistleblower can protect it, and the disclosed report can be investigated further. By entering into the witness protection system, whistleblowers have the rights they deserve (Zhang, 2008).

**The effectiveness of implementing the Whistleblowing system**

The whistleblowing system is a violation reporting system that is still relatively new to be implemented in Indonesia. To encourage the creation of GCG (Good Corporate Governance) and provide benefits for improving the quality of GCG implementation in Indonesia. A Whistleblowing System program can be said to be effective if it can reduce the number of violations due to the SPP / WBS program's implementation for a certain period. The effectiveness of the application of SPP / WBS, among others, depends on (Halim, Haryanto, & Manansang, 2013):

a. Conditions that make employees who witness or know about a violation want to report it;  
b. Company attitudes towards retaliation that may be experienced by whistleblowers;

**Organizational Commitment**

The commitment that employees have to the organization is an employee's effort to get involved in the company. The commitment of employees is influenced by factors that come from internal and external employees. According to (Jin, Seo, & Shapiro, 2016), organizational commitment is influenced by the following factors.

a. Personal factors such as age, gender, level of education (Maseleno et al., 2019), work experience, and personality.  
b. Job characteristics such as the scope of position, challenges in work, role conflicts, level of difficulty at work  
c. Characteristics of the structure, such as the organization's size, the form of the organization, the presence of a workers union, and the level of control exercised by the organization towards employees.  
d. Work experience, someone's experience affects the level of employee commitment to the organization. Employees who are new and who have worked for a long time have different levels of commitment.

**Research design**
From the theoretical basis above, the research design can be described as follows:

**Figure 1.**

**RESEARCH METHODS**

This type of research uses causal associative research. This study aims to determine the effect of the Internal Auditor, Internal Control System, Whistleblowing System, and Organizational Commitment as independent variables on fraud detection and prevention as the dependent variable.

**METHODS**

This type of research uses associative causal analysis, in which there is a causal relationship between 2 (two) variables, namely the dependent variable and the independent variable. Causal design is useful for knowing the relationships between variables or useful for analyzing how one variable affects another variable (Sekaran, 2014). The implementation of this study aims to determine the influence of the role of the Internal Auditor, Internal Control System, Whistleblowing System, and Organizational Commitment as independent variables on fraud detection and prevention as the dependent variable. The population in this study were all employees who worked at the company and its subsidiary PT. Upstream Energy Mining and not all of these populations will be the research object, so that further sampling is needed. Samples are carried out if the population is large, and the researcher cannot study everything in the population. Therefore, sampling can represent a population (Cooper and Schindler, 2006). This study's sample was employees who worked in the Finance & Accounting division, the company's Internal Audit, and its subsidiary PT. Pertamina Hulu Energi (P.D, 2014).

**RESULT AND DISCUSSION**

Significance testing is used to test whether there is an influence of the variables exogenous to the endogenous variables. Testing criteria states that if the value of T-statistics ≥ T-table (1.96), then revealed the significant influence of exogenous variables on endogenous variables. The results of the
significance testing and the model can be known through the following table.

**Figure 2.**

![Structural Model The Results Of The Research](image)

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>T Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Auditor -&gt; Prevention Of Cheating</td>
<td>0.26</td>
<td>2.07</td>
</tr>
<tr>
<td>Organizational Commitment -&gt; Prevention Of Cheating</td>
<td>0.22</td>
<td>2.33</td>
</tr>
<tr>
<td>Internal Control System -&gt; The Prevention Of Cheating</td>
<td>0.38</td>
<td>2.96</td>
</tr>
<tr>
<td>Whistleblowing System -&gt; Prevention Of The Hands.</td>
<td>0.19</td>
<td>2.09</td>
</tr>
</tbody>
</table>

1. **Hypothesis 1**, The influence of Internal Auditors on the Prevention of Cheating. The results of the testing are shown in the table above can be seen that the value of T-statistics of 2.07 > T-table of 1.96. This means that it can be concluded that there is an influence of Internal Auditors on the Prevention of Cheating. Thus hypothesis 1 is fulfilled. The coefficients generated $0.26 > 0.05$. It means that the higher the Internal Auditors tends to increase the Prevention of Cheating.

2. **Hypothesis 2**, that the influence of Organizational Commitment towards the Prevention of Cheating. The results of the testing are shown in the
Table 1: The relationship between Organizational Commitment and the prevention of cheating.

<table>
<thead>
<tr>
<th>Variable</th>
<th>T-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment</td>
<td>2.33</td>
</tr>
</tbody>
</table>

The value of T-statistics is greater than the critical value of 1.96, indicating a significant influence of Organizational Commitment on the prevention of cheating. Thus hypothesis 2 is fulfilled. The Coefficient is produced at 0.22, which means that the higher the Organizational Commitment, the tendency to increase the prevention of cheating.

3. **Hypothesis 3**: The influence of the System of Internal Control to Fraud Prevention. The results of the testing are shown in Table 1. It can be seen that the value of the T-statistics is 2.96, greater than the critical value of 1.96. This means that it can be concluded that there is an influence of the System of Internal Control against Fraud Prevention. Thus hypothesis 3 is met. The Coefficient is produced by 0.38, indicating that the higher the Internal Control System, the tendency to increase the prevention of cheating.

4. **Hypothesis 4**: The influence of the Whistleblowing System to prevent cheating. The results of the testing are shown in Table 1. It can be seen that the value of the T-statistics is 2.09, greater than the critical value of 1.96. This means that it can be concluded that there is an influence of the Whistleblowing System to prevent cheating. Thus hypothesis 4 is met. The Coefficient is produced by 0.19, indicating that the better the Whistleblowing System, the tendency to increase the prevention of cheating.

The Coefficient Of Determination (R²)

The Coefficient of Determination (R²) is used to determine the magnitude of endogenous variables' ability to explain the diversity of exogenous variables, or in other words, to determine the magnitude of the contribution of exogenous variables to the endogenous variables. The results of R² can be seen in Table 2 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention of Cheating</td>
<td>0.90</td>
</tr>
</tbody>
</table>

The value of R² Adjusted Prevention of Cheating is worth 0.90 or 90%. It can be shown that the diversity variables the Prevention of Cheating can explain by the variable of Internal Auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment amounted to 90%, or another contribution of the variable of Internal Auditors, Internal Control Systems, the Whistleblowing System, and the Commitment of the Organization towards the Prevention of Cheating by 90%. In comparison, the remaining 10% is contributed by other variables not discussed in this study. This significant contribution in the amount of 90% indicates that simultaneous Internal Auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment affect the Prevention of Cheating. So hypothesis 5 is met.

The influence of Internal Auditors on Fraud Prevention
This study shows that the value of the T statistics of 2.07 > T-table of 1.96 and the Coefficient generated 0.26 > 0.05. This means that it can be concluded that there is an influence of Internal Auditors on Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries.

This study's results are in line with the research of Eka Komaruzzaman (2015) and Santa Clara Perangin-Angin (2015). Eka Komaruzzaman (2015) conducted a study to find out how far the implementation of the internal audit influential in the prevention of fraud in Bank Syariah Mandiri. The research results indicate that there is a significant influence of Internal Audit in the prevention of fraud in Bank Syariah Mandiri or its influence unidirectional. So also with the research Santa Clara Perangin-Angin (2015) which aims to determine the Influence of Internal Audit on fraud prevention at PT. Kereta Api Indonesia's Bandung city. Results Santa Clara Perangin-Angin (2015) show that the internal audit significantly easier influence the prevention of cheating (fraud). The better the role of internal audit, the higher the prevention of cheating.

Organizational commitment to Prevention of Cheating

Organizational commitment is a situation where an employee is siding with a specific organization and goals and his desire to maintain its membership in the organization (Robbins and Judge, 2008:100). The higher the employee commitment to the organization, the more likely they will be to do things that could hinder the achievement of organizational goals. On the contrary, if the employees have a low commitment to the organization, they will tend to do things that hinder their goals for their own personal (Najahninggrum in Ni Putu Sri Widiutami 2017:6). The test results shown in the table above can be seen that the value of T-statistics of 2.33 > T-table of 1.96 and the Coefficient that is produced 0.22 > 0.05. This means that it can be concluded that there is an influence of Organizational Commitment to Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries.

The results of this study in line with the results of the study by Ni Putu Sri Widiutami et al. (2017) and Anisya Yuliana et al. (2016), namely the organizational Commitment effect against cheating (fraud). The higher the level of organizational commitment, then the tendency of cheating (fraud) accounting will be the lower so that the attitude of the employee commitment is high in the organization will make employees will work by the rules which apply in the achievement of organizational goals (Widiutami, N.P.S., et al., 2017: 10; Yuliana, A, et al., 2016: 1276). Employees who have a high commitment to the organization can undoubtedly minimize fraud committed employees’ action because they will strive to work by the organization's applicable rules to continue to survive in the organization (Yuliana, A et al., 2016: 1266). They will move according to the rules and norms prevailing in the organization and fight as much as possible to achieve organizational goals. Thus organizational commitment can increase the prevention of cheating.

The influence of the System of Internal Control on Fraud Prevention
Internal control is the plan of organization and business methods used to safeguard assets, provide accurate and reliable information, encourage and improve the organization's efficiency, and encourage conformity with the policy that has been set (Single, 2011:1). Controls are designed systematically can prevent the existence of errors and irregularities. Prevention occurs if the control can detect the presence of fraud on an activity without waiting for the audit (Karyono, 2013:51). The test results shown in the table above show that the value of the T statistics of 2.96 > T-table of 1.96 and the Coefficient produced by 0.38 > 0.05. This means that it can be concluded that there is an influence of the System of Internal Control to Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries.

Research conducted by Prawira (2014) and Zaenal (2013) also show similar results that there is a significant influence of the System of Internal Control to Fraud Prevention. Prawira (2014) conducted a study on the ENTERPRISES in the District of Buleleng and showed the results that the effectiveness of the internal control system has a significant negative against cheating (fraud). Similarly, the research results conducted by Zaenal (2013) also show that the control system's effectiveness negatively affects cheating (fraud). This means the more influential the system of internal control, then the act of cheating on an enterprise can be reduced or minimized.

A sound control system will be useful for (1) maintain the security of property belonging to an organization; (2) checking the accuracy and correctness of accounting data; (3) promote efficiency in the operation; and (4) help to keep so that no one deviates from the wisdom of the management that has been set in advance (Sutabri 2004:33). Suppose the entire process or activity is run by the company's policies and regulations and run as best as possible. In that case, the company can increase the prevention of cheating. A sound control system, planned and systematic way, will keep the company from acts of cheating (fraud) because it can prevent errors and irregularities.

**The influence of the Whistleblowing System to prevent cheating**

A violation reporting system, commonly called the Whistleblowing System, is a container for a whistleblower to report fraud or violations committed by parties internal to the organization (Octaviari, 2015). This system aims to uncover fraud, which can be detrimental to the organization and prevent fraud are more. The Whistle Blowing System's application into a tool that can be used to prevent the occurrence of corruption or fraud that could occur in the financial management of the receipt PAD. The results of the testing are shown in the table above can be seen that the value of T-statistics of 2.09 > T-table of 1.96 and the Coefficient that is produced of 0.19 > 0.05. This means that it can be concluded that there is an influence Whistleblowing System against Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries. This study's results supported by Luh Utami (2018) and research Ni Kadek Siska Agusyani, Edy Sujana, Made Arie Wahyuni (2016). Luh Utami (2018) conducted a study on service sector companies listed in the Indonesia stock exchange in the period 2016-2017 and aimed to test the influence of the whistleblowing system and an internal audit of the
disclosure of cases cheating. The research results show that the whistleblowing system and a significant adverse effect on the disclosure of cheating cases mean that a whistleblowing system in the company will decrease/reduce cheating cases of cheating (Utami, 2018: 86). While the research Ni Kadek Siska Agusyani, Edy Sujana, Made Arie Wahyuni (2016) in the Local Revenue Office of Buleleng Regency to analyze the influence of the whistleblowing system and the competence of human resources to the prevention of fraud. The results showed that the whistleblowing system effect the prevention of fraud.

Whistleblowing system becomes early detection of fraud that has not been detected directly by the company. With the detection of more early through the whistleblowing system's mechanism, then follow-up and handling can also be done more quickly before the widespread to be a case of fraud that is large and involves more actors in the company (Utami, 2018: 86). More Utami (2018: 86) explains that employees become afraid to do cheating because this system can be used by all employees so that fellow employees to watch each other's backs and are afraid to report other employees because of cheating. This can prevent the fraud that will occur.

The influence of Internal Auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment to Fraud Prevention

Simultaneous Internal Auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment affect the Prevention of Fraud Whistleblowing System against Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries amounted to 90%. The prevention of cheating (fraud) is an attempt to refuse or resist any form of dishonest act that can lead to a chance of loss and a real loss for the company, employees, and others. Prevention is done so that cheating in companies does not occur so that the company's ideals will be achieved and make the company's reputation better. Therefore, the prevention of cheating can be maximized by paying attention to Internal Auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment. It has been proven that the four variables have a significant effect on the Prevention of Cheating simultaneously in PT. Pertamina Hulu Energi and subsidiaries.

The role of the Internal Auditor, the organizational commitment is high, the internal control system, and the Whistleblowing System will be able to prevent the occurrence of cheating (fraud) if all can be run well by the regulations and policies of the company as well as the support of the employees. Cases of fraud are on the rise, making considerable losses for the company. If fraud can not be detected and stopped, it would be fatal for the company. To that end, management should take appropriate action to detect and prevent the occurrence of fraud. Fraud prevention, according to the BPKP (2008:37), is the effort integrated can suppress the occurrence of causal factors of fraud (the fraud triangle), namely: (1) Minimize the chances of the opportunity to do the cheating; (2) Lower the pressure on the employee so that he can meet their needs.; and (3) Eliminate the reason to make a justification or rationalization for the actions of fraud committed. The
company's prevention efforts can minimize the chances of fraud because each act of fraud can be detected quickly and well anticipated by the company.

CONCLUSION

This study aims to test the influence of Internal Audit, System of Internal Control, Whistleblowing system, and Organizational Commitment to fraud prevention (Fraud) either partially or simultaneously. Based on the data that has been collected and the results of the testing that has been done on the problems, it can be concluded as follows.

1. Internal auditors have a positive and significant influence on the Prevention of Cheating on PT. Pertamina Hulu Energi and subsidiaries. Internal auditors should be independently responsible for assisting in the prevention of fraud by testing the adequacy and effectiveness of the internal control system, with a way to evaluate how much the risk potential has been identified. In terms of prevention against fraud that may occur, internal auditors are responsible for examining and assessing the adequacy and effectiveness of management's actions to meet such obligations.

2. Organizational commitment has a positive influence and significance against Fraud prevention at PT. Pertamina Hulu Energi and subsidiaries. The higher the employee commitment to the organization, the these employees will be less likely to do things that could hinder the achievement of The goals of the organization. On the contrary, if the employees have a low commitment to the organization, they will tend to do things that hinder the organization's goals for their own personal. This is to prevent the presence or absence of cheating.

3. The system of Internal Control has a positive and significant influence on Fraud Prevention at PT. Pertamina Hulu Energi and subsidiaries. Control is designed systematically on the organization, and methods a business can prevent any error and irregularity. Prevention occurs if the control can detect fraud on an activity without waiting for the audit.

4. Whistleblowing System has a positive and significant influence against Fraud prevention at PT Pertamina Hulu Energi and subsidiaries. The Whistleblowing System's application and effectively become a tool that can be used to prevent the occurrence of corruption or fraud that could occur by parties internal to the organization, which can be detrimental to the organization and prevent fraud are more.

5. Internal auditors, Internal Control Systems, the Whistleblowing System, and Organizational Commitment simultaneously positively and significantly influence Fraud Prevention at PT Pertamina Hulu Energi and subsidiaries. The role of the Internal Auditor, the organizational commitment is high, the internal control system, and the Whistleblowing System will be able to prevent the occurrence of cheating (fraud) if all can be run well by the regulations and policies of the company as well as the support of the employees. If fraud can not be detected and stopped, it would be fatal for the company. To that end, the management company should take appropriate action to detect and prevent fraud.

REFERENCE


