

LITERATURE REVIEW: THE RELATIONSHIP BETWEEN INTERNAL CONTROL SYSTEM OF THE GOVERNMENT (SPIP), GOOD GOVERNMENT GOVERNANCE (GGG), AND FRAUD PREVENTION

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Abstract: The aim of this article is to clarify the connection between the government's internal control system, good government governance, and endeavors to thwart fraud, alongside the influencing factors. The methodology utilized encompasses a review of literature utilizing data drawn from international and national journals, with a total of 23 journals as the sample. From the analysis, it was determined that good government governance serves as an intermediary between the internal control system of government and the action of fraud prevention. In simpler terms, the more robust the internal control, the more adept it is at fostering effective and high-quality good governance, ultimately bolstering efforts to prevent fraud. Elements that must be taken into account for effective fraud prevention encompass: (1) Enhancing internal government supervision involves documenting and reinforcing the organization's dedication to the relevant code of ethics and conduct; (2) Ensuring a distinct division of roles and responsibilities; (3) Interpreting regulations comprehensively and ensuring consistent, unambiguous, and clear meanings; (4) It is essential to have qualified personnel matching their fields and expertise, whether through recruitment or competency development like education and training; (5) Utilizing information technology; (6) Conducting effective risk assessment and monitoring is crucial for overseeing organizational and identifying potential fraud risks.

Keyword: *internal control, good governance, government, fraud.*

INTRODUCTION

The reform spirit endeavors to draw nearer and enhance both the quality and quantity of public services provided to the community. Through the introduction of the concept of regional autonomy, there is an expectation that local governments can catalyze advancements in development and public services by aligning with the aspirations and needs of the community. The ultimate goal is to realize specific objectives that contribute to the well-being of the community. However, in its development, there are still challenges faced by regional governments in creating the quality of development and public services, one of which is the practice of fraud. In principle, fraud is intentional deception to take assets or rights of others.

The prevalence of fraud cases indicates the weakness of fraud prevention in Indonesia. Cases of fraud, such as corruption, are one of the widespread forms of fraud. As a broad overview, Transparency International Indonesia (TII, 2023), which conducted a survey on the Corruption Perceptions Index (CPI) of 180 countries, revealed that Indonesia ranked 96th out of 180 countries. Based on this ranking, Indonesia has a

relatively high perception of corruption. According to the Indonesian Corruption Watch (ICW) report, the management of cases related to corruption in Indonesia is relatively low, accounting for about 24% of the total number of corruption cases that occur.

Furthermore, based on ICW data, in 2021, there were 474 cases of corruption that occurred in regional governments. Subsequently, based on information from the Corruption Eradication Commission (KPK), about 90 percent of corruption cases took place within the sector of procuring goods and services. The Vice Chairman of the KPK disclosed that the majority of corruption incidents take place in the procurement of goods and services, and when discussing corruption in regional areas, 90 percent of it is associated with the procurement of goods and services (Achmad, 2023).

More specifically, amidst the prevalence of cases of corruption in the procurement of goods and services are not the only instances; there are still other cases happening, such as the bribery case related to the National Economic Recovery (PEN) fund involving the regent of Muna (Ernes, 2023). With these cases, the Muna Regency Government has to bear a substantial debt that burdens the Regional Budget (APBD). Another significant case in Muna Regency is the corruption case involving social assistance funds for rice field printing by officials from the Agriculture Department of Muna Regency, resulting in a total state loss of IDR 2.117 billion (Marlina, 2017). The weakness of fraud prevention is also evident in another sector, namely official trips. The Muna District Prosecutor's Office reported that they are currently investigating a case of corruption involving fictitious official trips by 30 members of the Muna Regional People's Representative Council (DPRD) in the Fiscal Year 2021 (Suyoto, 2023). Therefore, preventing fraud in the administration of government is highly important and urgent to safeguard the governance process transparently and accountably, as well as to ensure freedom from practices of corruption, collusion, and nepotism.

As per the ACFE Report to The Nation 2022, fraud is categorized into three types based on actions outlined in the fraud tree. The Occupational Fraud Tree has three primary branches, classifying fraud into three categories: Corruption, Asset Misappropriation, and Fraudulent Statement. These are detailed in **Figure 1** as follows:

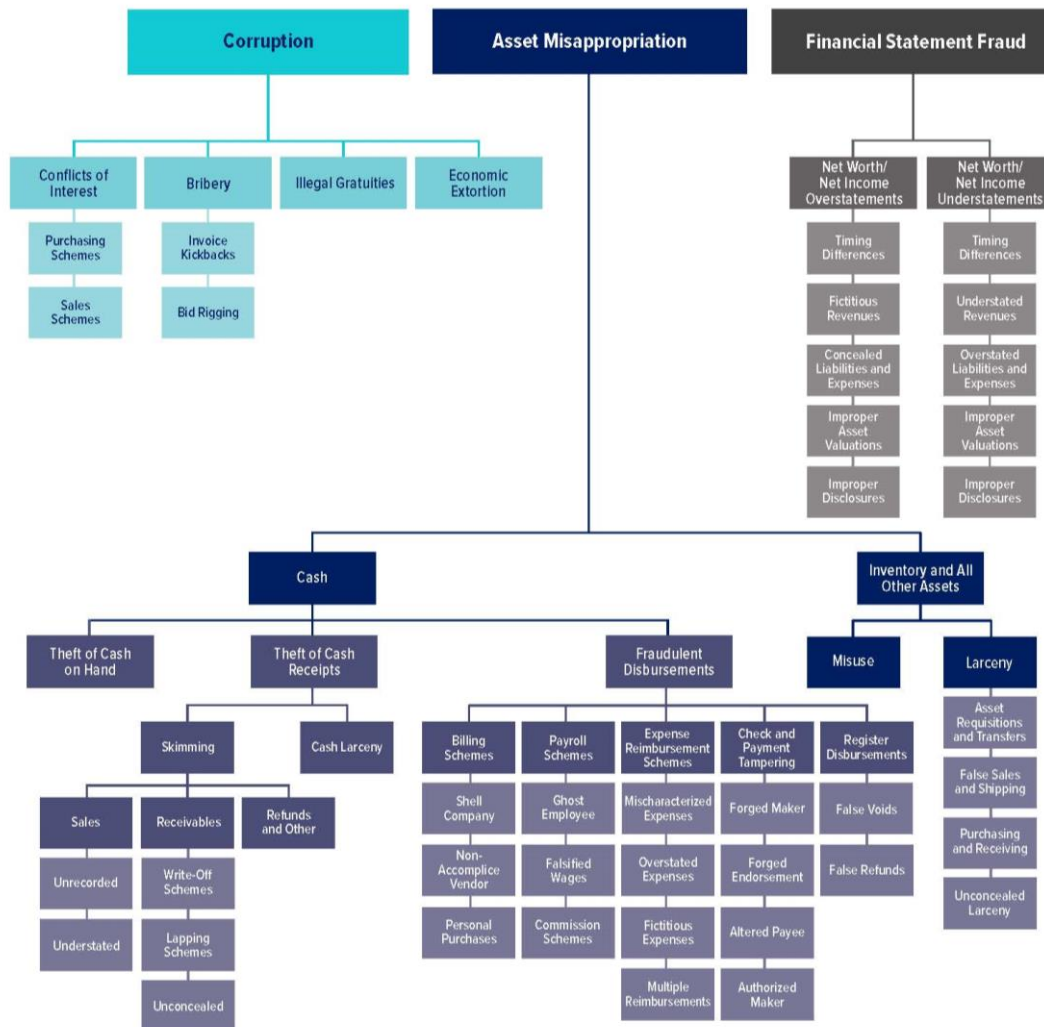


Figure 1 The Classification System for Occupational Fraud and Abuse (The Fraud Tree)

Source: a report to the nation (2022)

Regarding fraud prevention, Singleton (2010) provides an explanation that, in general, there are two efforts in preventing fraud: (1) a prevention environment, which includes improving governance structures, leadership styles, realistic goals, as well as policies and procedures, and (2) the perception of detection, which involves supervision, enforcement of ethics, and the implementation of audits. Preventing fraud can be understood as the actions carried out by management to formulate policies, systems, and procedures ensuring that organizational members take necessary steps to provide sufficient assurance in accomplishing three primary objectives: compliance with relevant laws and regulations, the effectiveness and efficiency of operations, and the reliability of financial reporting (Rahmadhani & Suparno, 2020).

In connection with this, implementing the principles of good governance is essential

to reduce opportunities for fraud and foster a culture of honesty and ethics. The incorporation of good governance in the public sector has the potential to mitigate the adverse effects of crimes on economic growth. Consequently, an improvement in good governance correlates with a decline in the crime rate (Dewata et al., 2022). Broadly speaking, governance refers to the decision-making process and the execution of those decisions. The notion of governance is applicable in diverse settings, including corporate governance, international governance, national governance, government governance, and local governance. Effective governance can be interpreted as the provision of streamlined public services, a trustworthy judicial system, and a government that is answerable to the public. Previously, Prameswari (2022) stated that good governance entails a sequence of socio-political interactions between the government and society across various domains linked to public interests, involving government intervention in those concerns. Consistent with this understanding, we also explained that good governance is the competent and accountable management of the state, characterized by efficiency and effectiveness, through fostering positive interactions among government sectors, the private sector, and interconnected communities, with each entity fulfilling its designated roles (Prameswari et al., 2022).

Furthermore, the application of good governance within the government sector will actualize and strengthen the integrity system (Prameswari et al., 2022), which is a component in fraud prevention. Based on the preceding explanation, one can infer that instituting good governance in the government sector serves as a preventative action against fraud, fostering a reduction in fraud instances. Consequently, the more effective the implementation of good governance, the more successful the prevention of fraud. Effective governance necessitates the government to function in accordance with principles of adept management, including independence, justice, transparency, openness, accountability, and participation. This guarantees that the state resources overseen by the government genuinely contribute to the objectives of the welfare and advancement of the people and the nation. The financial aspect of the state holds a pivotal position in the nation's developmental process, encompassing its nature, quantity, and its impact on progress, economic stability, and resilience (Prameswari et al., 2022).

Equally important in fraud prevention is internal control or internal control systems (Utama et al., 2023). The greater the degree of internal control, the more effective the prevention of fraud as well (Taufik et al., 2017). The concept and comprehensive implementation of internal control essentially create governance to better control and manage the risks faced (Taufik, 2019). Based on Government Regulation of Indonesia No. 60 of 2008 Article 1 (1), it explains that SPIP is a comprehensive process that leaders consistently undertake to attain the organization's objectives by ensuring effective and efficient operations, reliable financial reporting, protection of state assets, and compliance with laws and regulations. The internal control process seeks to assist stakeholders engaged in organizational activities by mitigating risks to accomplish predetermined objectives, encompassing: (1) ensuring the accuracy and trustworthiness of financial and operational information; (2) proficient execution of operational activities, achieving desired outcomes efficiently; (3) safeguarding assets; and (4) ensuring organizational activities and decisions adhere to relevant laws and regulations. Nevertheless, despite being formulated and executed by a government agency, internal control inherently possesses limitations stemming from factors such as considerations, misinterpretation of instructions, management breaches, collusion, and cost constraints

within the internal control framework (Prameswari et al., 2022).

From various discussions that have been presented, the author is interested in conducting a study on the relationship between fraud prevention, good governance, and the internal control system of government. The aim of this article is to outline the factors that need to be considered in enhancing fraud prevention through good governance and internal control system.

METHODS

In this study, a literature review method was applied through the literature review procedure. The literature research approach was chosen because the focus of this research is oriented towards the literature of previous research results. The main objective is to develop and formulate theoretical formulas related to fraud prevention. The literature research process follows a series of stages that are steps to be taken by researchers. The initial stage includes collecting research materials from international and national scholarly publications. Keywords used in searching for journals include 3 (three) keywords:

- (1) internal control and fraud
- (2) internal control and good governance
- (3) good governance and fraud

The next stage involves the activity of reading research materials, where readers compare various sources to develop ideas relevant to the research title. From this stage, 23 journals were obtained for discussion and analysis. Subsequently, the research note-taking stage is conducted, followed by the processing stage of these notes. All analyzed materials will be processed to reach a conclusion.

The methodology employed in this study is a qualitative approach, which is a research method designed to delve into and analyze perceptions, events, phenomena, social activities, as well as the thoughts of individuals and groups in detail. Various descriptions are employed to recognize principles and explanations that can provide guidance in reaching conclusions. The data utilized in this study originates from secondary sources, encompassing previous research articles and reports that address topics such as fraud prevention, governance, the functions of internal audit, inspectorate supervision functions, and internal control.

The articles selected for analysis will be presented in **Table 1** as follows:

Table 1 The Article about Correlation between Internal Control, Good Governance and Fraud Preffection

No	Title Author (Year)	Result
1	Governance Mechanisms in the Malaysian Banking Sector: Mitigation of Fraud Occurrence Zuraidah Mohd-Sanusi, Mohd Nor Firdaus Rameli, Normah Omar, Michihiro Ozawa (2015)	Corporate governance and fraud prevention program would affect negatively to the occurrence of internal or employee fraud

No	Title Author (Year)	Result
2	Internal control effectiveness – a clustering approach. Aapo Länsiluoto, Annukka Jokipii, Tomas Eklund (2016)	The analysis reveals four alternative types of internal control effectiveness in firms and visually presents how the components of the internal control structure are associated with each one
3	Good governance and crime rates in Malaysia Muzafar Shah Habibullah, Badariah H. Din, Baharom Abdul Hamid (2016)	The results suggest a negative relationship between crime rates and good governance in Malaysia. This suggests that good governance reduces crime rates in Malaysia.
4	Relationship between good governance and integrity system: Empirical study on the public sector of Malaysia Jamaliah Said, Md. Mahmudul Alam, Maizatul Akmar Khalid (2016)	Among the factors of good governance, practices of strategic planning, audit and fraud control have statistically significant positive relationship with the practices of integrity in the public sector of Malaysia
5	Analysis of Factors Influence in Realization of Good Governance (Study on SKP (Tax Assessments) Pekanbaru City) Taufeni Taufik, Yusraini, Yunieta Anisma (2017)	The results of research indicate that local financial management has significant influence in realizing good governance, performance accountability system of government institution has not significant influence in realizing good governance, internal control system has significant influence in realizing good governance.
6	Pengaruh Tata Kelola Dan E-Government Terhadap Korupsi Dwi Prihatni Amrih Rahayuningtyas, Dyah Setyaningrum (2018)	The research findings indicate that the implementation of accountability, professionalism, and e-government has a negative effect on reducing the probability of corruption
7	Internal control and employees' occupational fraud on expenditure claims Anuar Nawawi, Ahmad Saiful Azlin Puteh Salin (2018)	This study found that the internal control of the expenditure claim procedure was weak and needed improvement. This study also found that a strong internal control and a better remuneration paid to the employees could reduce the risk of the occupational fraud committed in the company
8	Pengaruh Penerapan Sistem Pengendalian Internal Pemerintah Terhadap Kecurangan: Survei Pada Pemprov Sumatera Utara Aditya Amanda Pane (2018)	The result of this research indicate that the implementation of Government Internal Control System has a significant effect to fraud behavior.
9	The Effect Of Internal Control System Implementation In Realizing Good Governance And Its Impact On Fraud Prevention Taufeni Taufik (2019)	The conclusions of this study is Good governance can mediate as a part of the relationship between the regional internal control systems implementation and fraud prevention
10	Analisis Faktor-Faktor Yang Berpengaruh Terhadap Pencegahan Fraud Di Dalam Proses Pengadaan Barang Dan Jasa (Riset Empiris Pada Direktorat Jenderal Pengelolaan Ruang Laut Kementerian Kelautan Dan Perikanan) Yarry Septia Larasati, Surtikanti (2019)	The results of this research show that there is a positive and significant influence of Internal Control Role, Whistleblowing System, and Good Governance both partially and simultaneously on Fraud Prevention.

No	Title Author (Year)	Result
11	Faktor-Faktor yang Mempengaruhi Akuntabilitas Dana Desa Muhammad Nur Aziiz, Sawitri Dwi Prastiti (2019)	The results of this study indicate that the competence of village officials, the use of information technology and SPIP affect the accountability of village funds
12	Pengaruh Good Corporate Governance Dan Pengendalian Internal Terhadap Pencegahan Fraud Pratomo Cahyo Kurniawan, Khairina Nur Izzaty (2019)	The analysis technique used is multiple linear regression analysis. The results of the analysis show that good corporate governance has a positive effect on fraudprevention. The results of the second analysis show that there is a positive influence between internal control and prevention of fraud.
13	Pengaruh Sistem Keuangan Desa dan Sistem Pengendalian Intern Pemerintah Terhadap Akuntabilitas Pengelolaan Dana Desa Mufti Arief Arfiansyah (2020)	The results showed that 1) The Village Financial System (SISKEUDES) affected the accountability of village fund management. 2) Government Internal Control System (SPIP) influences the accountability of village fund management
14	Sistem Pengendalian Internal Dan Peran Audit Internal Terhadap Pencegahan Kecurangan Karlina Ghazalah Rahman (2020)	The test result of multiple linier regression indicated that internal control system and audit internal role positively effect the fraud prevention of Makassar City
15	Pengaruh Sistem Pengendalian Internal Pemerintah (SPIP) Dan Peran Komite Sekolah Terhadap Pencegahan Fraud Pengelolaan Dana Bantuan Operasional Sekolah (Bos) Pada Smp Negeri Di Banda Aceh Lisa Rahmadhani, Suparno (2020)	The results of this research show that both partially simultaneously, Government Internal Control System (SPIP) and the role of school comittee are significantly influential to the fraud prevention of management of school operational funds (BOS) of Junior High Schools in Banda Aceh.
15	The Influence of Organizational Culture, Internal Control on the Implementation of Good Corporate Governance through the Integration of Accounting Information Systems (Research at Dr. Chasbullah Abdulmadjid General Hospital, Bekasi City) Yanka Perkasa, Fardinal (2021)	The results of this study illustrate that organizational culture variables have an effect on the information system for accounting integration variable, Variables in the internal control system have an impact on the integration of accounting information systems variable. The accounting information system has the following impact of on the variable of strong corporate governance implementation.
17	Good Governance and Internal Control on the Prevention of Fraud in the Procurement of Goods and Services for Government Agencies Evada Dewata, Elfira Hidayanti Farah, Hadi Jauhari, Yuliana Sari (2022)	Partially, there is a positive and significant effect of good governance and internal control on the prevention of fraud in the procurement of goods and services.
18	Elucidating corporate governance's impact and role in countering fraud Rasha Kassem (2022)	This paper finds that effective corporate governance can help reduce fraud risk, prevent fraudanddetect fraud, particularly corporate fraud, insider fraudandasset diversion

No	Title Author (Year)	Result
19	Internal control implementation in higher education institutions: determinants, obstacles and contributions toward governance practices and fraud mitigation Hafiez Sofyani, Haslida Abu Hasan, Zakiah Saleh (2022)	Internal Control implementation is perceived to have a positive contribution to accountability enhancement and fraud mitigation
20	Corruption as distinct crime: the need to reconceptualise internal control on controlling bureaucratic occupational fraud Ach Maulidi, Jake Ansell (2022)	This result indicates that if the COSO internal control framework is only designed for routine financial control and asset protection, it significantly and negatively influences its efficacy to deal with occupational fraud. This study has both theoretical and managerial implications, discussed separately.
21	Does internal control contribute to quality management in higher education institutions? Indonesia's adoption experience of the COSO integrated framework Hafiez Sofyani, Haslida Abu Hasan, Zakiah Saleh (2022)	This study deduced that internal control implementation could contribute to HEI quality management and improvement if integrated with other control policies, such as internal quality assurance, performance measurement systems and performance-based budgeting.
22	Pengaruh Whistleblowing, SPIP, Good Governance, Dan Kompetensi Terhadap Pencegahan Fraud Dana Desa Kadek Sinta Prameswari, Putu Cita Ayu, Ni Putu Trisna Windika Pratiwi (2022)	The results showed that the variable whistleblowing system, government internal control system, good government governance, and village apparatus competence had a positive and significant effect on preventing fraud in the management of village funds
23	Is it suitable for your local governments? A contingency theory-based analysis on the use of internal control in thwarting white-collar crime Nanang Shonhadji, Ach Maulidi (2022)	It shows that control systems can support managers to align employee capabilities, activities and performance with the organisation's goals and missions.
24	Pengaruh Internal Control Dan Internal Audit Terhadap Upaya Meminimalisasi Kecurangan Dalam Laporan Keuangan Inspektorat Kota Baubau Nurfina Wati, Samsul Bahari (2022)	The results showed that Internal control and internal audit have a positive and significant effect simultaneously on efforts to minimize fraud in the financial statements of the Baubau City Inspectorate.
25	Creating good village governance: an effort to prevent village corruption in Indonesia Caesar Marga Putri, Josep Maria Argiles-Bosch, Diego Ravenda (2023)	The findings highlight three major issues contributing to poor governance and the failure to prevent and detect corruption.
26	Pengaruh Pengendalian Internal Terhadap Pencegahan Fraud, Dengan Transparansi Dan Akuntabilitas Sebagai Variabel Intervening Daniel Aditya Utama, Riana Sitawati, Subchan (2023)	The results of the study (1) transparency is not able to mediate the effect of internal control on fraud prevention; (2) accountability is not able to mediate the effect of internal control on fraud prevention.

RESULTS AND DISCUSSION

(1) The correlation between the execution of SPIP and the prevention of fraud.

The implementation of SPIP has a substantial and positive impact on fraud prevention. This implies that a more effective implementation of SPIP corresponds to a higher level of fraud prevention, ultimately reducing the likelihood of fraudulent activities. Weaknesses in internal control can elevate the risk of fraud (Dewata et al., 2022; Larasati & Surtikanti, 2019; Pane, 2018; Perkasa & Fardinal, 2021; Prameswari et al., 2022; Rahman, 2020; Utama et al., 2023).

Efficient deployment of internal control system of government proves advantageous in both preventing fraud and rendering it more challenging. This is because the internal control system incorporates a blend of stringent (hard) and flexible (soft) controls to counteract fraudulent activities. Rigorous controls, such as segregating tasks and authorizing transactions, are put in place to forestall potential fraud opportunities. Meanwhile, adaptable controls, such as instilling a code of ethics and promoting strong ethical values, function as preventive measures against fraud. (Taufik, 2019). Therefore, to enhance fraud prevention, it can be achieved if the five components of SPIP, including control environment through task separation and responsibilities in accordance with SOP and the implementation of a code of ethics, risk assessment outlined in the framework of reference, activity control, information and communication, and continuous monitoring, are well realized (Rahmadhani & Suparno, 2020).

The effectiveness of SPIP depends on the organization's members because every line in the organization plays a crucial role in monitoring internal control efficiency, as member awareness is a crucial indicator for overseeing and reporting fraud indications to management. Equally important is the reorganization and well-being of organization members to avoid collusion and the temptation to commit fraud. Hence, it is necessary to standardize and publish practices concerning internal control within each department to guarantee that all individuals within the organization are briefed and understand the importance of following standardized procedures and adhering to internal controls. The distinction between guidelines and processes contributes to the presence of vulnerabilities that create opportunities for fraud (Nawawi & Salin, 2018).

Moreover, the proficient execution of internal controls can play a role in safeguarding assets, diminishing the likelihood of fraud, and enhancing accountability practices across all levels of management units. Successful execution of internal controls necessitates various crucial factors, including the commitment and endorsement from upper management, as well as the efficacy of internal auditors (Sofyani et al., 2022). Efficient internal controls serve as a valuable instrument for handling the risks associated with fraud, identifying the most susceptible risks, and devising appropriate responses to fraudulent activities. Establishing a more thorough fraud control framework necessitates continuous and timely data collection for trend analysis over an extended period. The execution of such measures relies on the internal control environment within an organization, establishing the atmosphere for addressing the specific risks encountered by the entity (Maulidi & Ansell, 2022). Internal control systems aid leaders in harmonizing the competencies, endeavors, and performance of employees with the objectives and mission of the organization through activities like risk assessment and monitoring. This approach proves effective in regulating organizational activities and has the capacity to identify potential risks, including fraud, that may impede the attainment of organizational

goals. Ideally, these processes should be ongoing if an organization aims to forestall the proliferation of diverse potential threats. In essence, a failure to conduct thorough risk assessments will lead to undisclosed potential risk of fraud. The more precise the evaluation of risk, the more skilled the identification of fraud becomes (Shonhadji & Maulidi, 2022).

(2) The Correlation between the Execution of SPIP and the Enhancement of Good Governance

The execution of SPIP is considered to have a beneficial impact on good governance, with implies that the more effective the implementation of SPIP, the more proficiently governance will be carried out (Taufik, 2019; Taufik et al., 2017; Utama et al., 2023). To achieve this, SPIP needs to achieve successful realization through the efficacy and efficiency of operational activities, the dependability of financial reports, and adherence to relevant laws and regulations must be ensured, considering several components including: (1) control environment, which is the foundation of the code of ethics and culture within the organization; (2) control activity, which is a set of standard procedures in operational activities and program activities such as SOP; (3) risk management; (4) communication and information; (5) monitoring (Länsiluoto et al., 2016). Other studies mention the efficiency of SPIP within the control environment can assist the government in reducing vulnerabilities, mitigating errors, and minimizing the risks of fraud so that organizations can achieve their goals effectively and efficiently, meaning that the more effectively SPIP is implemented, the more proficiently good government governance is executed (Taufik et al., 2017).

Poor good governance is partly caused by the weak implementation of internal controls. This is due to several factors, including poorly documented internal control regulations, weak commitment to violations leading to justifications for ethical violations. Another issue is the lack of clarity in task and authority separation, where many tasks are performed by one person without adequate competence and expertise. Weak supervision is due to position and structural issues, making it non-independent. This gap is further exacerbated by the infrequent implementation of audits, weakening control over operational activities (Putri et al., 2023). Internal controls enhance accountability (Arfiansyah, 2020; Aziz & Prastiti, 2019), supporting organizations to ensure that strategic plans are achieved and improving the financial governance of the organization as an indicator of the quality of organizational governance. Internal controls also contribute to fostering a positive organizational atmosphere and culture, including the leadership tone, a cohesive environment, and a favorable organizational culture, all of which elevate the quality of organizational governance (Sofyani et al., 2022).

(3) The Correlation between Good Governance and Preventing Fraud

The beneficial impact of effective governance on deterring fraud implies that a more effective implementation of good governance can significantly improve endeavors to prevent fraud (Dewata et al., 2022; Kurniawan & Izzaty, 2019; Larasati & Surtikanti, 2019; Prameswari et al., 2022). Good governance, through fraud prevention programs, develops plans to avert and identify fraud within organizations. risk management effectiveness should be in harmony with business assumptions and aid in mitigating potential business failures. Robust risk management negatively impacts the occurrence of fraud incidents (Mohd-Sanusi et al., 2015). To maximize the effectiveness of

governance, attention needs to be paid to good governance factors such as strategic planning practices, audits, and fraud control as they can enhance integrity, mitigating fraudulent practices (Said et al., 2016).

GGG characteristics can also play a role in reducing fraud through accountability and professionalism principles, making it highly recommended to enhance GGG principles, especially accountability, through improved executing the suggested actions from audits and cultivating professionalism in practice through education and training that can enhance competence. Empirically proven to reduce fraudulent practices (Rahayuningtyas & Setyaningrum, 2018).

Competent organizational governance plays essential role in diminishing the fraud risks, preventing fraudulent activities, and identifying fraud, particularly in instances of corporate fraud and internal fraud. Additionally, corporate governance serves to reduce the occurrence of asset misappropriation. After uncovering fraud, certain companies utilize organization governance mechanisms to enhance their reputation. Conversely, deficient mechanisms of government governance heighten the vulnerability to fraud, offer opportunities for deceptive actions, and diminish the probability of detecting fraud. This pertains to the role of good governance in tackling fraudulent activities, involving the classification of good governance mechanisms into four dimensions: leadership and ethical responsibility; features, composition, and organizational structure; independence; and accountability. Governance attributes can serve as a framework for leaders to formulate effective controls for evaluating and mitigating fraud risks, contributing to risk management and guiding policy development in the ongoing evolution of good governance. (Kassem, 2022).

(4) The Correlation between Execution of SPIP, Good Government Governance, and Fraud Prevention

The Execution of SPIP has a notable positive influence on the implementation of good governance, resulting in an improvement in endeavors to prevent fraud. Therefore, the more effectively SPIP is implemented, the greater the improvement in fraud prevention, reducing the incidence of fraudulent activities. In simpler terms, good governance can serve as an intermediary between internal control and the prevention of fraud (Taufik, 2019).

Furthermore, from the specific perspective of the internal control system, it positively affects accountability. SPIP provides adequate confidence in the governance process in accordance with regulations, fulfilling accountability criteria (Arfiansyah, 2020; Aziz & Prastiti, 2019). Similar results also indicate that The COSO internal control framework is crafted for regular budget oversight and has the potential to decrease the likelihood of fraudulent activities (Maulidi & Ansell, 2022).

Consistent with previous research, another study suggests that internal control significantly influences integrated accounting information systems. By periodically evaluating and monitoring, it enhances the organization's value, ultimately improving governance implementation through the presentation of reliable, accurate, and timely information via integrated accounting information systems (Perkasa & Fardinal, 2021). Moreover, another study demonstrates that internal control can improve management quality through integration into control policies, performance assessment systems, and budget functions. This improvement can lead to enhanced employee performance, budget savings, achievement of program and budget targets, the presentation of reliable

information, and improved communication and coordination effectiveness, contributing to good governance and fraud prevention (Sofyani et al., 2022).

The occurrence of fraud is notably affected by internal control, and good governance can play a pivotal role in diminishing the probability of fraudulent activities. However, human intervention, such as collusion, and technological advancements can render internal control ineffective (Mohd-Sanusi et al., 2015). In line with this, fundamentally, poor governance leads to poor fraud management, resulting from poor management quality. This is due to weak internal controls that create opportunities for fraud. Therefore, fraud prevention can be enhanced if the five components of SPIP, including control environment through task separation and responsibility in accordance with SOP and the application of a code of ethics, risk assessment included in the framework, activity control, information and communication, and continuous monitoring, are well implemented (Rahmadhani & Suparno, 2020).

- (5) The factors that need to be considered in preventing fraud are related to the implementation of SPIP and GGG

To achieve maximum fraud prevention efforts, it is essential to pay crucial attention to the implementation of SPIP and GGG, including:

- (a) Enhancing internal government supervision involves documenting and reinforcing the organization's dedication to the relevant code of ethics and conduct. The objective is to promote awareness of fraudulent conduct and its risks, ensuring that all organization members adhere to the code of ethics in the performance of their duties. Matters concerning the code of ethics should receive considerable attention, encompassing both disciplinary measures and acknowledgment (Nawawi & Salin, 2018; Putri et al., 2023)
- (b) Ensuring a distinct division of roles and responsibilities is essential to prevent the overlapping of positions and the abuse of authority resulting from conflicts of interest. By clearly separating functions, it becomes possible to accurately gauge workload based on capacity and capability. Equally crucial is the prevention of authority misuse stemming from conflicts of interest, particularly when multiple functions and powers are centralized in a single individual (Putri et al., 2023)
- (c) Interpreting regulations comprehensively and ensuring consistent, unambiguous, and clear meanings is crucial to prevent various interpretations of the rules that might lead to potential loopholes for violations. Clear regulations offer explicit guidance, consequences for breaches, and safeguards for members of the organization in the performance of their duties and functions (Putri et al., 2023)
- (d) It is essential to have qualified personnel matching their fields and expertise, whether through recruitment or competency development like education and training. The objective is to create a well-defined, organized, and efficient governance system that can effectively support the tasks and functions, contributing to the achievement of the organization's objectives (Putri et al., 2023)
- (e) Utilizing information technology is essential to establish a dependable financial information system for preparing financial reports. Furthermore, the integration of the financial information system helps prevent presentation errors, ensures that information is readily accessible and complete when required, and the financial data available becomes essential for enhancing the precision of program and activity planning (Putri et al., 2023)

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- (f) Conducting effective risk assessment and monitoring is crucial for overseeing organizational activities and identifying potential fraud risks that may impede the attainment of organizational objectives. Ideally, these processes should be continuous to proactively mitigate various potential threats. The emphasis of this program lies in systematically applying and integrating elements of identification, assessment, and response to fraud risks across the entire organization. This approach facilitates the integration of anti-fraud initiatives into the risk management program and offers a method to document insights for future identification or mitigation efforts. Timely and consistent data collection is essential for ongoing trend analysis. In essence, inadequate execution of risk assessments by an organization may lead to unidentified potential fraud risks (Kassem, 2022; Maulidi & Ansell, 2022; Mohd-Sanusi et al., 2015; Shonhadji & Maulidi, 2022)

CONCLUSION

This research aims to explain about correlation between the internal control system of government, good government governance, and the prevention of fraud, along with the factors that exert influence. According to the research findings, it is established that effective government governance can serve as an intermediary between the internal control system of government and the preventing fraud. The more proficient the internal control system, the greater its ability to establish efficient and high-quality good governance, resulting in enhanced efforts in preventing fraud.

The factors that need to be considered for effective fraud prevention include enhancing internal government supervision involves documenting and reinforcing the organization's dedication to the relevant code of ethics and conduct; ensuring a distinct division of roles and responsibilities is essential to prevent the overlapping of positions and the abuse of authority resulting from conflicts of interest; interpreting regulations comprehensively and ensuring consistent, unambiguous, and clear meanings is crucial to prevent various interpretations of the rules that might lead to potential loopholes for violations; it is essential to have qualified personnel matching their fields and expertise, whether through recruitment or competency development like education and training; utilizing information technology is essential to establish a dependable financial information system for preparing financial reports; and conducting effective risk assessment and monitoring is crucial for overseeing organizational activities and identifying potential fraud risks that may impede the attainment of organizational objectives.

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