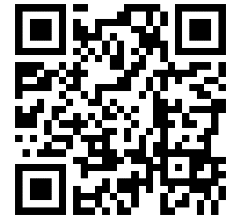


Implementation of Internal Control, Good Corporate Governance and Whistleblowing System for Fraud Prevention



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ABSTRACT: This research aims to determine the effect of implementing internal control, good corporate governance and whistleblowing systems on fraud prevention. The type of research used is associative research. The location of the research was carried out at four Rural Banks in Palembang City. The data used is primary data. Data collection techniques are through interviews and questionnaires. The sample collection method uses purposive sampling. The population in this study included 47 respondents from the internal control system, compliance and risk management, head of operations, head of credit & legal information, internal audit and finance. The data analysis method used is quantitative analysis. Technical analysis uses multiple linear regression and t test. The t test results show that the Implementation of Internal Control has no effect on Fraud Prevention, Good Corporate Governance has an effect on Fraud Prevention, and the Whistleblowing System has no effect on Fraud Prevention.

KEYWORDS: Internal Control, Good Corporate Governance, Whistleblowing, Fraud

I. INTRODUCTION

Fraud is deliberate deception that causes losses without the injured party realizing it and provides profits for the perpetrator of the fraud. Fraud generally occurs because there is pressure to commit fraud or encouragement to take advantage of existing opportunities and there is a (generally accepted) justification for the action (Betri, 2022: 17). Fraud can be eliminated by implementing fraud prevention. Fraud prevention is an activity carried out by management in establishing policies, systems and procedures that ensure that the necessary actions have been taken by the board of commissioners, management and other personnel to provide adequate confidence in achieving goals (Isnawati et al, 2022). Prevention Fraud serves as a strong barrier against individuals who attempt to commit fraud (Sumendap et al, 2019). Therefore, efforts to effectively prevent fraud will be a strong deterrent for potential fraud perpetrators. Early prevention of fraud is seen as a solution to avoid potential perpetrators, limit space for activities, and recognize practices that have a high possibility of fraud (Gaurina et al, 2017).

Fraud prevention can be carried out if Internal Control is implemented more effectively by the organization. Effective Internal Control helps protect assets, ensures the availability of reliable financial and managerial reporting, increases compliance with applicable rules and regulations, and reduces the risk of losses, deviations and violations (Ardianingsih, 2021). Internal Control is a process influenced by the board of commissioners, management and other company personnel, designed to provide adequate guarantees to achieve the objectives of effectiveness and efficiency of activities, reliability or trustworthiness of financial reports and compliance with applicable laws and regulations (Syofyan, 2021: 61). Internal control is a way to supervise, direct and measure the resources of an institution or organization and has an important role in preventing and detecting acts of fraud (Noya, 2023). Prevention of fraud cannot be separated from the implementation of Good Corporate Governance (GCG) principles. The Cadbury Committee defines Good Corporate Governance as a system that directs and controls a company with the aim of achieving a balance between the powers of authority required by the company, to ensure its continued existence and accountability to stakeholders (Sudarmanto, 2021:3).

Implementation of Good Corporate Governance is a system and structure used to prevent fraud. Good Corporate Governance in a company is important because with this implementation employees will be more compliant with company rules and applicable laws and increase the level of employee integrity in supporting the company's clean goals without any fraud that will be detrimental (Ariastuti, 2020). Good Corporate Governance is a cycle and structure used to coordinate, supervise business and company responsibilities and can further develop organizational implementation in order to increase share value in the long

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term while remaining focused on the interests of other stakeholders. Implementing Good Corporate Governance in organizational implementation is a path to progress for organizations to obtain long-term benefits and be able to compete well in international business (Suryanto & Refianto, 2019).

Fraud cannot be completely eliminated but can be reduced. Whistleblowing System is a system that is used as a medium for whistleblowers to convey information regarding indications of violations that have occurred within an organization, namely in the form of fraud, misappropriation, discrimination or other forms of deviation while still upholding the principles of justice in the relationship between the organization and stakeholders (Suhardi, 2022: 106). Whistleblowing System is a report carried out by members of an organization regarding violations, illegal acts or immoral acts to parties inside and outside the organization. In addition to preventive audit efforts, efforts to reveal perpetrators of fraud by parties who know about violations are also able to minimize fraud. (Widyawati et al, 2019) Several studies have been conducted on fraud prevention, but have produced varying results. Research conducted by (Ansori & Kuntandi, 2022) and (Paramitha & Adiputra, 2020) shows that Internal Control has an effect on preventing fraud. However, research conducted by (Azhari et al, 2022) and (Glenardy et al, 2022) states that Internal Control has no effect on fraud prevention.

Based on research (Azhari et al, 2022), it is not in accordance with agency theory which states that if management supervision regarding internal control is weakened, it can cause differences in interests between principals and agents so that the emergence of agency problems. Internal Control has no effect on preventing fraud in the company. Thus, Internal Control has no effect on fraud prevention. Research conducted by (Ansori & Kuntandi, 2022), (Paramitha & Adiputra, 2020) and (Azhari et al, 2022) states that Good Corporate Governance influences fraud prevention. However, research conducted by (Nurfahira et al, 2023) shows that Good Corporate Governance does not have a significant influence on fraud prevention. Based on research (Nurfahira et al, 2023) shows that Good Corporate Governance does not have a significant influence on fraud prevention. There are several reasons why Good Corporate Governance does not have a significant effect on fraud prevention, namely that the implementation of Good Corporate Governance does not focus on fraud prevention issues but rather on maintaining operational quality which is then shown in the performance reports of all units in the company. company. Research conducted by (Yanto, 2023) and (Paramitha & Adiputra, 2020) states that the Whistleblowing System has an effect on preventing fraud. However, research conducted by (Sakinah & Ponirah, 2021) states otherwise that there is no influence between the Whistleblowing System and fraud prevention.

Based on research (Sakinah & Ponirah, 2021), it shows that the Whistleblowing System has no effect on preventing fraud because it is indicated that internal policies such as the company's code of ethics are used more intensively in preventing fraud. The phenomenon related to preventing fraud in the banking world is the existence of fraud cases that occur at Rural Banks. One of the Rural Banks in South Sumatra was a case related to cashing checks for billions of rupiah without permission (Romi, 2022). There was a criminal case of corruption related to fake collateral credit at BPR Sukahaji Branch, Majalengka Regency (Sumarja, 2023). A number of shares of Lippo Group companies listed on the Indonesian Stock Exchange slumped. Shares of PT Lippo Cikarang Tbk, developer of the Meikarta project, fell 240 points (14.77%) to IDR 1,385 after opening at IDR 1,625. while PT Lippo Karawaci Tbk shares also fell 8 points (2.68%) to IDR 290 (Purwanto, 2021). This is evidence of our low awareness of the importance of implementing all aspects of Good Corporate Governance so that the effect leads to widespread cases of corruption or other criminal acts of fraud. The case related to the Whistleblowing System is a scandal that befell the second largest bank in Switzerland which was involved in dirty money transactions worth billions of US dollars based on a project report on organized crime and corruption (Putri, 2022).

Research (Megawati & Reskino, 2023) states that Internal Control influences the prevention of fraud, reinforced by the results of research conducted by (Ansori & Kuntandi, 2022) and (Paramitha & Adiputra, 2020) that the effectiveness of Internal Control influences the prevention of fraud. (fraud). However, different from the results of previous research, research conducted (Azhari et al, 2022) stated that the implementation of Internal Control had no effect on fraud prevention, and research conducted (Glenardy, 2022) stated that Internal Control did not have a significant effect on fraud prevention.

Research (Lisdiono & Suwarno, 2023) and (Ansori & Kuntandi, 2022) states that Good Corporate Governance has an effect on preventing fraud. In line with previous research, research conducted by (Azhari et al, 2022) and (Paramitha & Adiputra, 2020) shows that Good Corporate Governance has an effect on preventing fraud. However, different from the results of previous research, research conducted (Nurfahira et al, 2023) states that Good Corporate Governance does not have a significant and significant influence on fraud prevention, and research conducted (Glenardy et al, 2022) states that Good Corporate Governance does not have a significant effect on prevention. cheating (fraud).

The results of research (Yanto, 2023) and (Megawati & Reskino, 2023) state that the Whistleblowing System has an effect on preventing fraud, reinforced by research conducted (Paramitha & Adiputra, 2020) stating that the Whistleblowing System has an effect on preventing fraud. However, different from the results of previous research, research conducted (Sakinah & Ponirah,

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2021) stated that the Whistleblowing System had no effect on preventing fraud, and in line with previous research, research conducted (Utami, 2018) stated that the Whistleblowing System had no effect on fraud prevention.

II. LITERATURE REVIEW

Internal control

Internal Control includes values, structures, policies and procedures designed and implemented within the Company to achieve the objectives of operational efficiency and effectiveness, reliability of reporting and compliance with laws and regulations (Soemarso, 2018:325) (Ladewi, 2021:43) (Betri, 2022:213). If the company's Internal Control objectives can be achieved well, it should be (Ladewi, 2021:46-47) as follows: 1) An organizational structure that clearly separates departmental responsibilities. 2) An authority system and recording procedures that provide adequate protection for assets, debts, income and costs. 3) Healthy practices in carrying out the duties and parts of each organization 4) Employees whose quality is in accordance with their responsibilities.

Internal control has 5 components (Soemarso, 2018: 327-333), (Achmad, 2021, p. 41) as follows: 1) Control environment. The control environment consists of a set of standards, processes and structures which are used as the basis for carrying out internal control at the company. 2) Risk assessment, Risk assessment includes a dynamic, iterative process to identify, assess and overcome the risks faced by the Company. 3) Control activities. Control activities are carried out by every level in the company organization, at every stage of the business process and with the technology applied. 4) Information and communication, Communication to external parties can be in the form of information that must be disseminated and information that the Company wishes to disseminate. 5) Monitoring and evaluation activities are intended to identify weaknesses in design and compliance in implementation. Weaknesses in design need to be evaluated regarding their impact on achieving internal control objectives.

Good Corporate Governance

Good Corporate Governance is a system, process and set of regulations that regulate the relationship between various interested parties, especially in the narrow sense, the relationship between shareholders, board of commissioners and board of directors in order to achieve organizational goals (Sudarmanto, 2021: 5). Good Corporate Governance is a process and structure used to direct and manage business and company affairs towards increasing business growth and company accountability (Syofyan, 2021: 102). The principles of Good Corporate Governance based on the regulation of the Minister of State for State-Owned Enterprises number: PER-01/MBU/201, (Soemarso, 2018: 228-230) are: 1) Transparency, namely openness in carrying out the decision-making process and openness in disclosing information material and relevant regarding the Company. 2) Accountability, namely clarity of function, implementation and accountability so that Company management is carried out effectively. 3) Accountability, namely conformity in the management of the Company to statutory regulations and healthy corporate principles. 4) Independence, namely a situation where the Company is managed professionally without conflicts of interest and influence/pressure from parties or which are not in accordance with statutory regulations and healthy corporate principles, and 5) Fairness, namely fairness and equality in fulfilling rights. stakeholders that arise based on agreements and statutory regulations.

Whistleblowing System

Whistleblowing System is a system that is used as a medium for reporters to convey information regarding indications of violations that occur within an organization in the form of fraud, misappropriation, discrimination or other forms of deviation while still upholding the principles of justice in the relationship between the organization and stakeholders (Suhardi, 2022: 106). The Whistleblowing System is a careful supervision that makes early detection easier. It will also prevent cheating because the perpetrator who will do it is aware that "other people are watching". Because supervision by colleagues is an effective way to catch dishonest acts, Section 307 of the Sarbanes-Oxley Act 2002 requires all public companies to have a whistleblower system that makes it easier for employees and other parties to report suspicious activities (Zimbelman, 2014: 453). In the published Whistleblowing System guidelines (KNKG, 2008), the Whistleblowing System consists of 3 aspects, namely: 1) Structural Aspect. The structural aspect is an aspect that contains elements of the Whistleblowing System infrastructure. 2) Operational Aspects Operational aspects are aspects related to the working mechanisms and procedures of the Whistleblowing System. There must be a mechanism for submitting violation reports that can make it easier for employees to submit violation reports. The company must provide a special channel used to submit violation reports, whether in the form of an email with a special address that cannot be penetrated by the company's Information Technology (IT) department, a special post box that can only be taken by violation reporting system officers, or a special telephone line that will be handled by special officers too. 3) Maintenance Aspect The maintenance aspect is an aspect that ensures that the Whistleblowing System can be sustainable and increase in effectiveness. Companies must provide training and education to all employees, including Whistleblowing System unit officers.

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Fraud Prevention

Fraud prevention in general is an activity carried out by management in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other company personnel to be able to provide adequate confidence in achieving 3 (three) The objectives are: reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with applicable laws and regulations (Betri, 2022:238). Fraud prevention is the most proactive fraud-fighting measure. The development and implementation of fraud prevention and fraud detection must be a coordinated effort by top management with all officials and employees of the organization/company. Collectively, fraud cleaning must be directed at the risks of fraud in a company organization (Aziz, 2015:42). There are various ways to effectively prevent fraud, there are 2 (two) basic activities (Betri, 2022:198-199), namely: 1) Creating and maintaining an honest and ethical culture. There are 5 general elements that are most important: Top management influence, Hiring the right employees, Communicating expectations of honesty and integrity, Fraud awareness training that helps employees understand the potential fraud problems they may encounter and how to resolve or report them. Communicate consistent expectations regarding sanctions for violators. 2) Creating a positive work environment, handling fraud and fraud perpetrators appropriately when fraud occurs. 3) Assess and reduce the risk of fraud. Effective fraud prevention involves two basic activities, namely (Mark F Zimbelman, 2014: 398): 1) Taking steps to create and maintain an honest and ethical culture and 2) Assessing the risk of fraud and developing concrete responses to reduce the risk and minimize the opportunity for fraud to occur .

III. METHODOLOGY

This type of research uses associative (Sujarweni V., 2021:16). Associative research is to determine the effect of implementing internal control, good corporate governance and whistleblowing systems on fraud prevention in rural banks in Palembang City. Research variable; Internal Control (X1) with indicators of Control Environment, Risk Assessment, Monitoring, Information and Communication and Control Activities. Good Corporate Governance (X2) with indicators of Transparency, Accountability, Responsibility, Independence and Fairness. Whistleblowing System (X3) with indicators for structural aspects, operational aspects and maintenance aspects. Fraud Prevention (Y) with indicators Creating and maintaining an honest and ethical culture, and Assessing and reducing the risk of fraud. Population is the total number of units or individuals which can be people, institutions and objects whose characteristics are to be studied (Jaya, 2020:73). The population in this study were 14 Rural Banks in Palembang City. The sampling technique uses purposive sampling. Primary data was obtained through distributing questionnaires to respondents, namely the Internal Control System, Compliance and Risk Management Section, Head of Operations, Head of Credit and Legal, IT Section, Internal Audit Section, Finance Section. Data collection methods use interviews and questionnaires. The data analysis method uses quantitative analysis, with the following stages; Validity Test and Reliability Test, Classic Assumption Test and Hypothesis Test.

IV. RESULTS AND DISCUSSION

Descriptive Analysis of Research Variables, The results of statistical tests will be described in this section. The variables in this research are 3 independent variables, namely the Implementation of Internal Control, Good Corporate Governance and Whistleblowing System variables. One dependent variable, namely Fraud Prevention. Descriptive Statistical Analysis of Variables

Table: 4.1. Descriptive Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1	47	39	50	44.21	2.475
X2	47	39	50	44.04	2.726
X3	47	28	35	30.51	1.898
Y	47	23	30	26.64	1.916
Valid N (listwise)	47				

Source: Processed data, 2024

In the first analysis, namely, the results of descriptive statistical tests which show an overview or description of data seen from the average (mean), minimum value, maximum value and standard deviation of each research variable obtained that the Implementation of Internal Control variable (X1) has a minimum value of 39, a maximum value of 50, an average value of 44.21 and a standard deviation of 2.47. This shows that the level of the Implementation of Internal Control variable (X1) is good because it has an average value higher than the standard deviation. The Good Corporate Governance variable (X2) has a minimum value

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of 39, a maximum value of 50, an average value of 44.04 and a standard deviation of 2.726. This shows that the level of the Good Corporate Governance variable (X₂) is good because it has an average value higher than the standard deviation. The Whistleblowing System (X₃) variable has a minimum value of 28, a maximum value of 35, an average value of 30.51 and a standard deviation of 1.898. This shows that the level of the Whistleblowing System (X₃) variable is good because it has an average value higher than the standard deviation. The Fraud Prevention variable (Y) has a minimum value of 23, a maximum value of 30, an average value of 26.64 and a standard deviation of 1.916. This shows that the level of the Fraud Prevention variable (Y) is good because it has an average value higher than the standard deviation.

Classic Assumption Test

a. Normality test

Table: 4.2 Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		47
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.66398222
Most Extreme Differences	Absolute	.090
	Positive	.071
	Negative	-.090
Test Statistic		.090
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Ttest distribution is normal		
b. Calculated from data		
c. Lilliefors significance correction		
d. This is a lower bound of the true significance		

Source: Processed data, 2024

Based on table 4.2 the results of the normality test show that the significant value is 0.200 > 0.05, so it can be concluded that the residual value is normally distributed.

b. Heteroscedasticity Test

Another step that can be taken to carry out a heteroscedasticity test is using the glacier test by producing a regression of absolute residual values (Ab_Res) against other independent variables. The results of the glacier test in this research can be seen in the table below:

Table: 4.3 Heteroscedasticity Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	3.523	2.968		1.187	.242
	penerapan pengendalian internal	-.006	.061	-.017	-.095	.925
	GCG	-.040	.052	-.126	-.770	.446
	WBS	-.003	.075	-.007	-.041	.967

a. Dependent Variable: ABS_RES

Source: Processed data, 2024

Based on the data in the table above, the glacier test results can be interpreted that in the regression analysis there are no symptoms of heteroscedasticity, showing a significant value for the Implementation of Internal Control (X₁) variable of 0.925, Good Corporate Governance (X₂) of 0.446, and Whistleblowing System (X₃) of 0.967. These results clearly show that there is not a single significant independent variable that systematically influences the dependent variable ABS_RES value, this is because the significance probability value is above > 0.05 or 5%.

c. Multicollinearity Test

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The multicollinearity test is used to determine whether or not there are deviations from the classical assumptions. The multicollinearity test aims to test whether the regression model finds a correlation between variables (independent variables). To detect whether multicollinearity occurs, it can be seen from the tolerance and variance inflation factor (VIF) values. There was no multicollinearity in this research, the results are as follows:

Table: 4.4 Multicollinearity Test Results

Coefficients ^a		Unstandardized		Standardized	t	Sig.	Collinearity Statistics	
Model		Coefficients		Coefficients			Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	13.976	5.742		2.434	.019		
	Penerapan Pengendalian Internal	.235	.119	.303	1.977	.054	.746	1.341
	GCG	.228	.101	.324	2.258	.029	.853	1.172
	WBS	-.254	.145	-.251	-1.743	.088	.845	1.184

a. Dependent Variable: Pencegahan Fraud

Source: Processed data, 2024

Based on table 4.4 the results of the multicollinearity test show that all independent variables have a tolerance value > 0.10 and a VIF value < 10.00. Thus, it can be concluded that all variables in this study do not have multicollinearity.

4. Hypothesis Testing

a. Multiple Linear Regression Analysis

Table: 4.5 Multiple Linear Regression Test Results

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	13.976	5.742		2.434	.019
	Penerapan Pengendalian Internal	.235	.119	.303	1.977	.054
	GCG	.228	.101	.324	2.258	.029
	WBS	-.254	.145	-.251	-1.743	.088

a. Dependent Variable: Pencegahan Kecurangan

Source: Processed data, 2024

Based on the results of multiple linear regression examined on the variables Implementation of Internal Control, Good Corporate Governance, and Whistleblowing System for Fraud Prevention. The equation used in this research is as follows:

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

$$Y = 13.976 + 0.235 (X_1) + 0.228 (X_2) - 0.254 (X_3) + e$$

b. Coefficient of Determination (R^2). The coefficient of determination is used to find out how much influence the independent variable has on the dependent variable. The coefficient of determination (Adjust R Squer) with the following results:

Table: 4.6 Results of Determination Coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496 ^a	.246	.193	1.721

a. Predictors: (Constant), WBS, GCG, Penerapan Pengendalian Internal

Source: Processed data, 2024

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Based on table 4.6, it can be seen that the coefficient of determination (R^2) is 0.246. This value shows that the Fraud Prevention variable is influenced by 24.6% of the Implementation of Internal Control (X_1), Good Corporate Governance (X_2), Whistleblowing System (X_3) variables. Meanwhile, the remaining 75.4% is influenced by other variables outside the research. Meanwhile, it is based on the Adjusted value. R Square is 0.193. This result states that the influence of Good Corporate Governance (X_2) on Fraud Prevention (Y) is 19.3%, where the remaining 80.7% is influenced by other variables outside the research. Partial Hypothesis Test (t Test). The t test was carried out to determine whether there was an influence of the implementation of internal control, good corporate governance and the whistleblowing system on fraud prevention. The results of hypothesis testing in the t test of this research are seen in table 9. Based on table 9 above, it shows that the ttable value with real rates (α) of 5% (0.05) and $df = n - k - 1 = (47 - 4 - 1) = 42$ is 2.018 so it can be concluded that H_{01} is accepted and H_{a1} is rejected because $t_{count} < t_{table}$, namely $1.977 < 2.018$. The significant value of the Implementation of Internal Control variable (X_1) is $0.054 > 0.05$. So the results of partial hypothesis testing show that the Implementation of Internal Control has no significant effect on Fraud Prevention. The results of the hypothesis test show that the ttable value with a real rate (α) of 5% (0.05) and $df = n - k - 1 = (47 - 4 - 1) = 42$ is 2.018 so it can be concluded that H_{a2} is accepted and H_{02} is rejected because $t_{count} > t_{table}$, namely $2.258 > 2.018$. The significant value of the Good Corporate Governance (X_2) variable is $0.029 < 0.05$. So the results of partial hypothesis testing show that Good Corporate Governance has a significant effect on Fraud Prevention. The results of the hypothesis test show so it can be concluded that H_{03} is accepted and H_{a3} is rejected because $t_{count} < t_{table}$, namely $1.743 < 2.018$. The significant value of the Whistleblowing System (X_3) variable is $0.088 > 0.05$. So the results of partial hypothesis testing show that the Whistleblowing System does not have a significant effect on Fraud Prevention.

V. DISCUSSION OF RESEARCH RESULTS

The Effect of Implementing Internal Control on Fraud Prevention.

Based on partial hypothesis results through the t test, the results of this study show that H_{01} is accepted and H_{a1} is rejected, meaning that the implementation of internal control has no significant effect on fraud prevention. Based on these results, it can be concluded that the implementation of Internal Control implemented by Rural Credit Banks in Palembang City does not affect Fraud Prevention. This means that fraud can occur at Rural Banks even though the implementation of Internal Control has been carried out well. From the results of respondents' responses regarding the Implementation of Internal Control, it is clear that control environment indicators, risk assessment, information and communication, control and monitoring activities have no influence on Fraud Prevention. On the grounds that Ukabima Grazia Rural Bank, Internal Control has implemented monitoring, risk assessment, information and communication, control activities and control environment, so as to prevent fraud. By implementing good Internal Control at Ukabima Grazia Rural Bank, fraud prevention can be avoided. However, unlike the Prima Dana Abadi Rural Bank and the South Sumatra Rural Bank, the implementation of control carried out by the Prima Dana Abadi Rural Bank and the South Sumatra Rural Bank has not been fully implemented so there are obstacles in the control environment where the lack of employee awareness is not yet optimal regarding the need for control. internally, so that someone can commit fraud. Therefore, if the implementation of controls is truly implemented fully then fraud can be prevented. The results of this research are not in line with the theory put forward by (Sulistiyanto, 2018: 107) which states that agency theory explains the relationship that exists between shareholders (principals) and managers (agents). Shareholders and managers have a conflict of interest, namely shareholders want results that can add value to their investment in the company, and managers want adequate compensation for their performance. Agency theory is a sacrifice that arises from any agency relationship, including the relationship in the employment contract between shareholders and company managers. Therefore, in an agency relationship, each party will bear agency costs, not only the principal but also the agent. If management supervision regarding internal control is weakened, it can cause differences in interests between the principal and the agent, resulting in the emergence of agency problems which can lead to fraud. However, the results of this research show that good internal control has not been able to influence the occurrence of fraud.

The results of this research are not in line with the theory put forward by (Soemarso, 2018: 325) that Internal Control includes values, structures, policies and procedures designed and implemented within the Company to achieve the goals of operational efficiency and effectiveness, reporting reliability and compliance with regulations. legislation. Internal control running effectively will be able to secure assets, managerial systems and financial reporting will be guaranteed and trustworthy, so that opportunities for fraud due to chance factors can be prevented by the existence of effective internal control. However, the results of this research show that good internal control has not been able to influence the occurrence of fraud.

The results of this research are in line with the results of research conducted by (Azhari et al, 2022), (Glenardy et al, 2022), (Aryani & Fitri, 2023), (Nyakarimi et al, 2020), (Meutia, 2021) stating that Internal Control has no significant effect significant impact on fraud prevention. Based on research (Azhari et al, 2022) it is stated that if internal control is weak, there will be abuse,

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deception which causes fraud so that Internal Control has no effect on preventing fraud in the company. Thus, Internal Control has no effect on fraud prevention. However, this is not in line with the results of research conducted by (Ansori & Kuntandi, 2022), (Megawati & Reskino, 2023), (Paramitha & Adiputra, 2020), (Kurniawan & Izzaty, 2019), (Hartono & Nugroho, 2022) that Internal Control has an effect on preventing fraud. This shows that fraud can be prevented by building good Internal Control and increasing anti-fraud awareness among all parties within the organization's corporate environment.

The Effect of Good Corporate Governance on Fraud Prevention

Based on partial hypothesis results through the t test, the results of this study show that Ha2 is accepted and Ho2 is rejected, meaning that Good Corporate Governance has a significant effect on Fraud Prevention. Based on these results, it can be concluded that the Good Corporate Governance that has been implemented by Rural Banks influences Fraud Prevention. Which means that the higher the level of Good Corporate Governance, the higher the level of Fraud Prevention. From the results of respondents' responses regarding Good Corporate Governance, the indicators of transparency, accountability, responsibility, independence, fairness have an influence on Fraud Prevention. On the grounds that the South Sumatra Rural Bank, Prima Dana Abadi Rural Bank and Ukabima Grazia Rural Bank are that the Rural Bank has implemented Good Corporate Governance where transparency, accountability, responsibility, independence, fairness have been implemented well, and the implementation of Good Corporate Governance namely to improve the performance of Rural Banks, protect the interests of stakeholders and increase Rural Banks' compliance with applicable laws and regulations.

The results of this research are in line with the theory put forward by Okeh (Sulistyanto, 2018: 107) which states that agency theory explains the relationship that exists between shareholders (principals) and managers (agents). Shareholders and managers have a conflict of interest, namely shareholders want results that can add value to their investment in the company, and managers want adequate compensation for their performance. Agency theory is a sacrifice that arises from any agency relationship, including the relationship in the employment contract between shareholders and company managers. Therefore, in an agency relationship, each party will bear agency costs, not only the principal but also the agent. If the principles of Good Corporate Governance can be implemented well, fraud can be prevented.

The results of this research are in line with the theory put forward by (Sudarmanto, 2021: 5) that Good Corporate Governance is a system, process and set of regulations that regulate the relationship between various interested parties, especially in the narrow sense, the relationship between shareholders, the board of commissioners and the board of directors. in order to achieve organizational goals. Therefore, Good Corporate Governance is a system and structure used to prevent fraud. Good Corporate Governance in a company is important because with this implementation employees will be more compliant with company rules and applicable laws and increase the level of employee integrity in supporting the company's goal of being clean without any fraud so that fraud can be prevented within the Company.

The results of this research are in line with the results of research conducted by (Azhari et al, 2022), (Ansori & Kuntandi, 2022), (Paramitha & Adiputra, 2020), (Lisdiono & Suwarno, 2023), (Aryani & Fitri, 2023), stated Good Corporate Governance influences the prevention of fraud. According to (Sudarmanto, 2021) high levels of supervision over Good Corporate Governance can improve company performance, company goals can run well and can prevent conflicts of interest within the company between principals and agents so that fraud prevention can also be implemented well. However, this is not in line with the results of research conducted by (Nurfahira et al, 2023), (Glenardy et al, 2022), (Kartika & Setiawati, 2023) (Faiqoh, 2019), (Adiko & Astuti, 2019). Based on research (Nurfahira et al, 2023) it is stated that good corporate governance does not have a significant effect on preventing fraud. There are several reasons why Good Corporate Governance does not have a significant effect on fraud prevention, namely that the implementation of Good Corporate Governance does not focus on fraud prevention issues but rather on maintaining operational quality which is then shown in the performance reports of all units in the company. company.

The Effect of the Whistleblowing System on Fraud Prevention.

Based on partial hypothesis results through the t test, the results of this study show that H03 is accepted and Ha3 is rejected, meaning that the Whistleblowing System has no significant effect on Fraud Prevention. Based on these results, it can be concluded that the Whistleblowing System implemented by Rural Banks does not affect Fraud Prevention. This shows that the People's Credit Bank has not implemented whistleblowing fully. From the results of respondents' responses regarding the Whistleblowing System, the indicators for structural aspects, operational aspects, and maintenance aspects have no influence on Fraud Prevention. For the reason that the South Sumatra Rural Bank, Ukabima Grazia Rural Bank and Prima Dana Abadi Rural Bank have implemented a Whistleblowing System where structural aspects, operational aspects, maintenance aspects have been carried out but have not fully carried out whistleblowing so that there are obstacles in the structural aspect where there is a lack of protection for whistleblowers and the lack of role of employees in implementing the Whistleblowing System if fraud is

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discovered. Therefore, the risk of fraud in various segments can still occur and have a detrimental impact on Rural Banks, and therefore whistleblowing needs to be carried out so that the risk of fraud can be reduced.

The results of this research are not in line with the theory put forward by (Sulistiyanto, 2018: 107) which states that agency theory explains the relationship that exists between shareholders (principals) and managers (agents). Shareholders and managers have a conflict of interest, namely shareholders want results that can add value to their investment in the company, and managers want adequate compensation for their performance. Agency theory is a sacrifice that arises from any agency relationship, including the relationship in the employment contract between shareholders and company managers. Therefore, in an agency relationship, each party will bear agency costs, not only the principal but also the agent. If management supervision regarding the Whistleblowing System is weakened, it can cause differences in interests between the principal and the agent, resulting in the emergence of agency problems which can lead to fraud. However, the results of this research show that a good Whistleblowing System has not been able to influence the occurrence of fraud. The results of this research are not in line with the theory put forward by (Suhardi, 2022: 106) that the Whistleblowing System is a system used as a medium for reporters to convey information regarding indications of violations that occur within an organization in the form of fraud, misappropriation, discrimination or other forms of deviation. Others while still upholding the principles of justice in the relationship between the organization and its stakeholders. Therefore, the Whistleblowing System states that reporting carried out by members of the organization regarding violations, illegal acts or immoral acts to parties inside and outside the organization, in addition to preventive audit efforts, efforts to reveal perpetrators of fraud by parties who know of violations it is also able to minimize fraud. So fraud prevention can be done by implementing a good Whistleblowing System in the Company.

The results of this research are in line with the results of research conducted by (Sakinah & Ponirah, 2021), (Anilua & Rusmita, 2023), (Indriyani et al, 2023), (Rizka, 2019), (Utami, 2018) stating that the Whistleblowing System has no effect towards preventing fraud. According to (Sakinah & Ponirah, 2021) the Whistleblowing System has no effect on preventing fraud because it is indicated that internal policies such as the company's code of ethics are used more intensively in preventing fraud, there is a person's reluctance to do whistleblowing, and there is doubt about protection for whistleblowers. However, this is not in line with the results of research conducted by (Yanto, 2023), (Megawati & Reskino, 2023), (Paramitha & Adiputra, 2020), (Melati et al, 2022), (Islamiyah et al, 2020) stating that the Whistleblowing System influence on fraud prevention. According to (Islamiyah et al, 2020), it shows that whistleblowing has an effect on fraud prevention, the higher a person's intention to carry out whistleblowing, the higher the level of fraud prevention.

VI. CONCLUSIONS AND RECOMMENDATIONS

This research was conducted to test and determine the influence of the implementation of internal control, good corporate governance and whistleblowing systems on fraud prevention in rural banks in the city of Palembang. From the research results it can be concluded that:

1. The Implementation of Internal Control variable has no effect on Fraud Prevention
2. The Good Corporate Governance variable influences Fraud Prevention
3. The Whistleblowing System variable has no effect on Fraud Prevention

Based on the conclusions that have been described, the author makes the following suggestions:

1. The results of this research are expected to provide insight for future researchers who want to explore more about what factors can influence Fraud Prevention, so that future research is expected to conduct research using other independent variables outside of the Implementation of Internal Control, Good Corporate Governance and Whistleblowing variables. Systems.
2. It is recommended that Rural Banks, especially in Palembang City, hope that the results of this research can provide input to make Internal Control and Whistleblowing System more effective and implemented, because the Implementation of Internal Control and Whistleblowing System has an influence on Fraud Prevention.

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