

# Internal Control and Organizational Commitment to Fraud Prevention: A Geographical Perspective Study On "X" Hospitalin Bandung City, Indonesia

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## Abstract

The purpose of this study was to examine the effect of internal control and organizational commitment on fraud prevention (cheating), as well as to test the two independent variables on the dependent. This type of research is descriptive quantitative research. The sample in this study were 106 employees of "X Hospital" in Bandung, Indonesia. The data collection method in this study is a questionnaire, and the data analysis used in this study is descriptive analysis method and multiple linear regression analysis. The results of the F test indicate that the internal control variables and commitment have a significant effect on fraud prevention at "X Hospital" in Bandung. Internal Control and Organizational Commitment have an effect on Fraud Prevention by 76.8% and the remaining 23.2% is explained by other variables not examined.

## Keywords

Internal Control, Organizational Commitment, Fraud Prevention.

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## Introduction

Internal control affects the prevention of fraud in the company has an effect that can cause the performance of service companies such as hospitals to decline not only in manufacturing companies but also have an impact on the national economy in general. The creation of good management in a company or organization can make a strength for the sustainability of the business itself. According to (Weygant, 2014) internal control and information systems can be used to identify, analyze, and communicate on every organizational event. When the control and management of the organization is carried out properly, it will make the strength and success of the organization itself. Lutfi (2018) mention when internal control is weak, it can lead to various frauds that exist in the organization. This emphasizes that internal control is very important to protect and prevent fraud and abuse. Fraud that occurs in an organization or company is carried out with an intentional element that can benefit oneself or a group of people. Therefore, the need for an internal control system is important in any organization (Iyinomen et al., 2016). Internal control, without being supported by organizational commitment that exists in its members, the organization cannot produce satisfactory performance.

Organizational commitment is a form of consistent attachment to a person or group of awareness and concern for organizational goals that are seen as shared goals. From this point of view, commitment can be distinguished from motivation because motivation is an impulse to obtain certain benefits or benefits that are expected to be obtained. As a health service entity to the community, an understanding of the internal control that is applied, if this control is implemented effectively, can prevent fraud. In addition, internal control is able to affect the relevance of information that refers to the organization's ability to assess the results of an action. According to Saputra (2016) fraud is defined as fraud or crime that is intended to generate personal or group gains that should not be allowed. Damage caused by fraud can result in losses for the company. Good hospital management will certainly provide an overview of how the hospital is managed transparently, with independence, accountability, and accountability and fairness so that performance can be achieved in accordance with the vision and mission that has been set.

In fact, this hope has not been fully felt due to the inadequacy of the organization to create good management and the lack of high commitment from the managers so that various irregularities, fraud, smuggling and corruption appear. The phenomenon of fraud is something that is common in hospitals (Sakti, 2018). In order to find out about the effect of internal control and organizational commitment to fraud prevention at the "X Hospital" in Bandung, this research was conducted. The research objectives are to determine: (1) whether internal control has an effect on fraud prevention? (2) does organizational commitment affect fraud prevention? and (3) does internal control and organizational commitment affect fraud prevention at "X Hospital" in Bandung?

## Theoretical Framework

### Internal control

Part of the system that is used as a company or organization's operational guidance procedures to identify, analyze, and communicate every organizational event is said to be Internal control. Companies generally use this system to direct the company's operations and prevent misuse of the system, so management needs to implement a good control system in its implementation. Mulyadi (2002) said that the Internal Control system is a process carried out by management that is designed to provide adequate assurance about the achievement of objectives, namely financial reporting, compliance, and operating effectiveness and efficiency. The definition in accounting and auditing, is a process to ensure the achievement of organizational goals in operational effectiveness and efficiency, the existence of reliable financial reports, compliance with laws, regulations, and policies. The big concept that is important, namely controlling risk for an organization is called internal control (Muna, 2018).

According to Iyinomen et al. (2016) stated that Internal control is policies and procedures that can protect against abuse and provide accurate information. The effectiveness of internal control can be interpreted that the company's objectives have been carried out according to planning with good control and supervision, then fraud will not occur (Iyinomen et al., 2016). A control is designed to prevent errors or irregularities that occur in the organization. According to Iyinomen et al. (2016), among examples of prevention that can be done are segregation of duties,

approval, authorization, and verification, as well as asset security. Sari (2015) mentions the importance of internal control in protecting an entity from the weaknesses of its personnel and reducing the potential for errors made. Research conducted by Hogan et al (2008) mentions the role of auditors as part of an internal control system that can reduce and prevent fraud. The influence of individual morals and internal control on the tendency of individual behavior to commit fraud is written in the research of Puspasari and Suwardi (2016).

**H<sub>1</sub>**. Internal control affects the prevention of fraud.

## Organizational Commitment

Organizational commitment as an independent variable, bound, or a mediator that is widely studied is one of the behaviors in organizations stated by (Khikmah, 2005). This is partly because organizations need employees who have a high commitment so that the organization can continue to survive in improving the products produced. Employees who have high organizational commitment are employees who are more stable and more productive, which will be more profitable for the Muna organization (2018).

Another definition states that organizational commitment is a personal value, which sometimes refers to being loyal to the company (Muna, 2018). Meanwhile, Robbins (2003) suggests that organizational commitment is an attitude that reflects feelings of liking or disliking the organization where they work. Etymologically, performance comes from the word performance. As stated by Zarlis (2019), that the term performance comes from the word work performance or actual performance, namely work performance or achievements that are actually achieved by someone with the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities given. to him.

Performance is divided into two, namely individual performance and organizational performance. Individual performance is the result of employee work in terms of quality and quantity based on predetermined work standards, while organizational performance is a combination of individual performance and group performance. Zarlis, (2019) states that employee performance is a measure that can be used to compare the results of the implementation of tasks, responsibilities given by the organization within a certain period and can be used relatively to measure organizational performance or performance (Wilopo, 2006). Zulfitri (2012) states that organizational commitment simultaneously or partially affects fraud.

**H<sub>2</sub>**. Organizational commitment has an effect on fraud.

## Accounting Fraud

Fraud is a criminal deception that intends to provide a financial benefit to the fraudster. Crime here means any act of serious wrongdoing committed with malicious intent. And from these evil actions he benefits and harms his victims financially. Lutfi (2018) define fraud as an act that is carried out intentionally using internal resources unfairly and incorrectly in presenting facts with the aim of obtaining personal gain (Artini et al., 2014). IAI (2011) defines accounting fraud as, (a) intentional misstatement or omission of amounts or disclosures in financial statements to deceive financial statement users. (b) misstatements arise as a result of fraud against assets (as misappropriation or embezzlement) related to the theft of the entity's assets. This incident resulted in the process of preparing financial statements that were not presented in accordance with generally accepted financial principles. According to Muna (2018) categorize accounting fraud into three parts, namely: (a) corruption, (b) fraudulent financial statements and (c) misappropriation of assets.

**H<sub>3</sub>**. Internal control and organizational commitment affect fraud

## Method Used

Explanatory research with a quantitative approach is used in this study. In taking samples from the existing population as many as 106 respondents. The sampling method used purposive sampling technique. In collecting data using a questionnaire and the type of data analysis used is descriptive statistical analysis by adopting multiple regression analysis techniques. The technique used to measure internal control ( $X_1$ ), organizational commitment ( $X_2$ ) to fraud prevention ( $Y$ ) uses a Likert scale.

## Results and Discussion

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

**Table 1.**  
Respondents Criteria Based on Gender

Gender	Percentage
Male	22%
Female	78%

**Source:** Data processed 2020

From these results it can be seen that most of the respondents with female gender have a total percentage of 78% and men have a percentage of 22%.

In testing the validity and reliability tests are stated in the table as follows:

**Table 2.**  
Validity Test

Variables	Question	r Count	r Table	Description
Internal Control (X <sub>1</sub> )	X <sub>1</sub>	.710	.05	valid
Organizational Commitment (X <sub>2</sub> )	X <sub>2</sub>	.719	.05	valid
Fraud Prevention (Y)	Y	.837	.05	valid

Taking into account the above calculations for the measurement of validity and reliability using Sig. Alpha level <0.05 is a measurement of validity, meaning that all variables are valid. For reliability tests carried out as follows:

**Table 3.**  
Reliability Test

Variable	Cronbach Alpha (>0,70)	Information
Internal Control	0,736	Reliabel
Organizational Commitment	0,873	Reliabel
Fraud	0,845	Reliabel

Based on the table above, it can be seen that the Cronbach Alpha value of all tested variables is above 0.70, it can be concluded that all variables in this study are declared reliable.

**Table 4.**

Multiple Linear Regression Test

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.197	1.070		.185	.854
	Internal Control	.255	.112	.156	2.094	.039
	Organizational Commitment	.514	.052	.758	10.190	.000

From the above equation shows that if the internal control and organizational commitment, the value is 0 then the fraud prevention is 0.197.

For the value of internal control of 0.255, which is a regression coefficient, it means that if the variable organizational commitment remains, and internal control has increased, the effect on prevention has increased by 0.255 or 25.5% and has a positive relationship. So internal control has an influence on fraud prevention.

**Table 5 .**

Coefficient of Determination Test

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876 <sup>a</sup>	.768	.753	0,956

- Organizational commitment, internal control (independent variable)
- Fraud prevention (dependent variable).

From the calculation results above, it was found that internal control and organizational commitment were able to prevent fraud by 0.753 or 75.3% of fraud prevention. The rest are other variables that are not examined, the amount of which is 24.7 percent.

**Table 6.**

T Test Results

	Coefficient	t Calculate	Significance	Probability
(Constant)	0,198			
Internal Control	0,236	2,084	0,049	0,05
Organizational Commitment	0,533	10,290	0,000	0,05

Taking into account the results of the calculation of internal control, the amount is 0.049, which is smaller than 0.05, and it is known that the value of sig.0.049 < probability of 0.05 for the t-table value of 1.987. While the t-count value of the internal control variable is 2.084, because the t-count value is 2.084 > t table 1.987, then H1 is concluded to be acceptable. This means that internal control affects the prevention of fraud. The calculation results above also show the effect of organizational commitment on fraud prevention, because the value of sig.0,000 < probability 0.05. The t-table value is 1.987 while the t-count value is 10.290. It can be stated that H2 is accepted. In conclusion, there is an effect of organizational commitment on fraud prevention.

**Table 7.**  
ANOVA<sup>b</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	263.534	2	131.767	134.028	.000 <sup>a</sup>
	Residual	79.588	87	.915		
	Total	343.122	89			

- a. Organizational commitment, internal control (independent variable)  
 b. Fraud prevention (dependent variable).

Taking into account the significance value of 0.000 above, it can be stated that sig. 0.000 < probability 0.05, the value of Ftable is 3.10, while F count is 134.028. Because the calculated F value is greater than F table, it is stated that hypothesis 3 is accepted, meaning that fraud prevention can be carried out through internal control and organizational commitment together.

## Conclusion

It is interesting from the above calculation results that fraud prevention is influenced by internal control variables and organizational commitment variables, either individually or together. The magnitude of this influence is 76.8% derived from organizational commitment and internal control, while the remaining 23.2% comes from other variables not examined in this study.

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