

Prevention of Fraud Over the Management of Capital Expenditures Through the Implementation of Elements of the System of Internal Control in Bulukumba Regency Government

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Abstract:- This study aims to measure the influence of the control environment, risk assessment, control activities, information and communication, monitoring against fraud prevention capital expenditures in Bulukumba Regency Government. The population in this research is the official Head-level structural unit of work, work-Unit Secretary, head of the Financial unit of work and Work Units in the County Treasurer Bulukumba, who numbered as many as 112 people. Sample withdrawal technique is purposive random sampling. Sample size is calculated using the formula with a precision level of solving 5%, so that the number of samples obtained as many as 88 people. Method of data collection using the technique of questionnaire. A questionnaire distributed to 88 respondents, the questionnaire is returned and can be processed to talling 60 copies, so that the rate of return used was of 68%. Data analysis using Multiple regression analysis (Multiple Regression Analysis). The results showed that the control environment, risk assessment, control activities negative effect significantly to the prevention of fraud capital expenditures in Bulukumba Regency Government, whereas information and communication the negative effect is not significant.

Keywords:- control environment, risk assessment, control activities, information and communication, control, fraud capital expenditures.

I. INTRODUCTION

A. Background

Transparency International Institutions survey results Indonesia, pointed out that corruption in Indonesia are still relatively high. In the year 2014 indication perceptions of corruption in Indonesia ranked 117 out of 175 countries in the world with a score of 34-scale 0-100 (0 means very corrupt and 100 means very clean). In the data also revealed that corruption is the top ranks of 18 (eighteen) factors restricting the ease of trying in Indonesia. And by the year 2015 the potential corruption has increased. It further explained that the potential corruption more done by public institutions (Thohary, et al, 2015). The behavior of corruption is a form of cheating against the assets of the country and affect the country's losses.

Capital spending as a form of government investment to increase the regional and property assets can be used as a tool of improving reception areas, especially the original Income area (Rahmadi&Safri, 2014). However, there are still problems in management. The body of the Financial Examiner (CPC) discovered the existence of irregularities in the realization of the capital expenditures for public facilities which resulted in losses to the State valued at Rp 817.47 billion from 1,453 cases. (Source: <https://bisnis.tempo.co/>). Then Indonesia Forum for transparency of budget stated that local governments still not because manage budgets capital expenditures for public facilities, resulting in financial losses in the region of Rp 4 726 billion (source: <https://nasional.kompas.com/>). The rise of such cases caused by weak internal control systems. MR. RI find 15,568 problems, among them, as much as a debilitation 7,661 SPI (source: CPC News-RI October edition of 2016).

In connection with the case, then the Government has published Government Regulation No. 60 Year 2008 regarding the internal control System of Government (SPIP), in an effort to secure State assets from misappropriation. Then Atmadja& Saputra (2017) and Kiswanto, [et.al](#) (2017) explained that, any kind of financial fraud in action is an organization/governance can be prevented through a system of internal control is effective and adequate. Next Tuanakotta (2013) argued that internal control designed by management to prevent, find or correct the cheating might be going. Thus, the application of elements of internal control by the local authorities in managing capital expenditures will prevent the occurrence of fraud.

Internal control elements consist of; environmental risk assessment, pendalian, control activities, information and communication, and monitoring. The implementation of an effective internal control elements then minimize cheating occurs. The results of research conducted by Nisak, dkk (2013) that control environment, risk assessment, control activities, information and communication as well as monitoring the effect significantly to the prevention of fraud. Pura&Sufiati (2014), internal control application effect negatively and significantly to the prevention of fraud ... Then Adam and Suzan (2015) shows the components of the internal control influence on cheating. Next Kiswanto, [et.al](#) (2017)

suggests that an effective control system negative effect against the tendency of fraud. This means that by applying the elements of an effective control system so it will reduce and prevent the tendency of a person to perform a fraud.

B. Formulation of The Problem

Based on the description of the background, then the problem of research can be formulated that does control environment, risk assessment, control activities, information and communication, as well as monitoring the effect on prevention of fraud over the management capital expenditures in Bulukumba Regency Government.

C. research purposes

To measure the influence of the control environment, risk assessment, control activities, information and communication, as well as monitoring against the prevention of fraud over capital expenditures in Bulukumba Regency Government.

II. REVIEW OF THEORY AND HYPOTHESIS DEVELOPMENT

➤ *Review of The Theory*

A. Fraud capital expenditures

Fraud is a deliberate deed by one or more members of management, or the Manager, or employees, or any third party, by means of deception to gain unauthorized or unlawful (Tuanakota (2013).

Capital expenditure is an expenditure budget for the acquisition of fixed assets and other assets that benefit more than one accounting period. Capital expenditures include, among others, capital expenditures for the acquisition of land, buildings and premises, equipment, intangible assets (PP No. 71 of the year 2010).

Thus fraud capital expenditures is an act done intentionally by one or more persons to obtain unauthorized benefit in managing capital expenditures.

Incentive or pressure factors make someone cheating or giving the opportunity for cheating (Tuanakota, 2013). Next Cressey (1953) in Dewiyani&Charii (2015) says that there are three factors that lead to fraud, known as the fraud triangle. Fraud triangle explains three factors are present in every situation of fraud:

- Pressure (the pressure), the presence of incentives/pressure/needs to conduct a fraud. The pressure can include almost anything including economic demands, lifestyle, and others including financial and non-financial matters..Najahningrum (2013) explained that the pressure is coming from individual conditions that cause someone did the cheating. Pressure from the inside of a person may be influenced by the environment of the place of work. One of the environmental factors, which

may cause pressure on an employee is on organizational justice within the company. The justice is concerned with how a person get a reward in the form of a salary or other compensation over his work (Justice distributive) and how the procedures related to the reward (procedural justice).

- Opportunity (Opportunity), that is a situation that opens an opportunity to allow for a cheating case. Najahningrum (2013) explained that the factors that can influence the occurrence of the condition within the scope of government entities include the enforcement of the regulations, the effectiveness of internal control systems, and information asymmetry.
- Rationalization (Rationalization), namely attitude, character, or a series of ethical values that allow certain parties to perform acts of cheating, or people who are in an environment that is sufficiently pressing that makes they rationalize the actions of fraud. Rationalisation is becoming an important element in the occurrence of fraud, where perpetrators are looking for justification of his actions. Rationalization is part of the fraud triangle is most difficult to measure. Organizational culture and organizational commitment is a factor that allegedly made the excuse of justification for why employees doing the cheating.

B. Internal Control System

According to the Government Regulation Number 60-year 2008, the system of internal control is an integral process in actions and activities performed continuously by the leadership and all employees who provide adequate confidence over achievement objectives of the Organization through effective and efficient activities, the reliability of financial reporting, safeguarding the assets of the State and adherence to a rule. The purpose of the system of internal control according to the Fres (2008) in Nisak, et al (2008) are: 1) in order to protect assets; 2) business information is accurate; 3) Employees comply with the rules and conditions that have been set.

Elements of the system of internal control described in the Government Regulation Number 60 Years 2008, consists of: control environment, risk assessment, control activities, information and communication, monitoring.

- Control Environment. Tuanakota (2013) explained that the control environment is the Foundation of an effective internal control. GR No. 60 Year 2008 explains that the leadership of the institutions obliged to create and maintain an environment that creates positive behavior control and the application of a system conducive to the internal control Environment control, include: enforcement integrity and ethical values; commitment to competence; leadership conducive; Adaptive organization structure; delegation of authority and responsibility; and the preparation and implementation of healthy policy of fostering human resources. Environmental control is the

most important component because it forms the cultural and human behavior becomes more aware of the importance of control.

- risk assessment. Risk assessment is the process of identification and analyzing risks (internal and external) with regard to the target of his achievements (IAPI, 2008).
- Control Activities. Tuanakota (2013) explained that the control activities are the policies and procedures that ensure management directives and instructions were implemented. Control activities include; separation of duties, authorization, reconciliation, IT applications, and physical restraint
- information and communication. Tuanakota (2013) said that information systems identify, record and disseminate information to support the achievement of the goals and objectives of the financial reporting internal controls. Information systems relevant to financial reporting purposes include the business process and the accounting systems of the entities concerned. Effective communication internally helps employees understand the purpose of internal control, as well as message and the business process and the responsibilities of each employee. The communication will also help understand the link between activities conducted with the activities of others, as well as ways to report irregularities to the appropriate supervisor within the entity.
- monitoring. Tuanakota (2013) explained that the monitoring is effective assessment of internal control performance over time. The leadership of the Government agencies obligated to perform monitoring routinely conducted by way of an internal audit conducted independent auditors, so that it can detect fraud (fraud),

III. DEVELOPMENT OF THE HYPOTHESIS

A. The influence of Environmental control of Fraud Prevention the main elements of any organization is its people, their individual attributes is called integrity, ethical values and competencies, and the environment in which they operate. A good control environment will minimize or prevent the occurrence of fraud. The research of Adam & Suzan (2015) and Nizak, dkk (2013) shows that the negative effect control environment significantly to the prevention of fraud.

Page 1: environmental control of negative effect significantly to the prevention of fraud

B. *The influence of risk assessment Against Fraud Prevention*

The entity assessing risk will result in financial statements that are free from food materials (Tuanakota, 2013). Research results Nisak, dkk (2013) shows that the negative effect risk assessment against the prevention of fraud, while the research of Adam & Suzan (2015) showed that risk assessments do not affect significantly to the prevention of fraud.

Page 2: influential risk assessment significantly to the prevention of fraud

C. *The influence of the activities of the control of Fraud Prevention*

Control activities are designed to cope with risks that can happen in a day – a day like the processing of transactions and safeguarding of assets. Control activities ensure that the procedures and management directives can be implemented well then reduce the behaviour of fraud. The research of Adam & Suzan (2015) and Nizak, dkk (2013) shows that the negative effect control activities significantly to the prevention of fraud

Page 3: Activity control negative effect significantly to the prevention of fraud

D. *Information and communication Influence towards the development of Fraud.*

Information and communication is done effectively will prevent fraud behavior. The research of Adam & Suzan (2015) and Nizak, dkk (2013) shows that informs and negative influential communication significantly to the prevention of fraud.

Page 4: influential negative information and communication significantly to the prevention of fraud

E. The influence of Fraud Prevention Monitoring Monitoring aims to identify and address risks facing (Nizak, dkk, 2013). The research of Adam & Suzan (2015) indicate that informs and negative influential communication significantly to the prevention of fraud. Therefore, monitoring is done on an ongoing basis will reduce the occurrence of fraud.

Page 5: monitoring of the significant negative effect against the prevention of fraud

IV. RESEARCH METHODS

The method of this research is a descriptive analytical method a research method that takes a sample of a population and use the questionnaire as a data collection tool (Riduwan, 2008).

The population in this research is the official Head-level structural unit of work, work-Unit Secretary, head of the Financial unit of work and Work Units in the County Treasurer Bulukumba, who numbered as many as 112 people. Sample withdrawal technique is purposive random sampling. Sample size is calculated using the formula with a precision level of solving 5%, so that the number of samples obtained as many as 88 people.

Method of data collection using the technique of questionnaire. A questionnaire distributed to 88 respondents, the questionnaire is returned and can be processed totaling 60 copies, so that the rate of return used was of 68%.

Data analysis using Multiple regression analysis (Multiple Regression Analysis). Regresinya equation as follows:

$$Y = \alpha + \beta_1 LP + \beta_2 PR + \beta_3 KP + \beta_4 IK + \beta_5 PM + \varepsilon$$

Where:

Y	=	Fraudprevention capital expenditures
α	=	Constants
β_{1-5}	=	The regression coefficient
LP	=	Environment control
PR	=	Assessment of risk
KP	=	Activity control
IK	=	Information and communication
PM	=	Monitoring
ε	=	Residual Value or variable other than the variables examined

V. RESEARCH RESULTS

A. *The influence of Environmental control of Fraud capital expenditures in Bulukumba Regency Government.*

The results of the calculation of the coefficient regression of environmental influences control of fraud prevention capital expenditures coefficient negative value obtained registration-0.199. The value of the thitung variable to control the environment of non-significant value and 2.021 0.048. Thus the results of this research show that the negative effect control environment significantly to the prevention of fraud capital expenditures in Bulukumba Regency Government. So the first hypothesis put forward in this study are acceptable/proven. The results of this research provide better environmental control meaning it will reduce fraud capital expenditures in Bulukumba Regency Government.

B. *The influence of the valuation of Risk Against Fraud capital expenditures in Bulukumba Regency Government.*

The results of the calculation of the risk assessments influence regression koofisien against fraud prevention capital expenditures accrued value of 0.334-negative coefficient. The value of the variable thitung to the free assessment 2.287 of risk and significant in the value of 0.026. The results of this study indicate that the risk of significant negative effect assessment against fraud prevention capital expenditures in Bulukumba Regency Government. Thus the second hypothesis put forward in this study are acceptable/proven. This means that the higher the level of risk assessment it will reduce capital spending on shopping fraud County Government Bulukumba.

C. *Control Activities Influence Against Fraud capital expenditures in Bulukumba Regency Government.*

The results of the calculation of the koofisien regression control activities influence against fraud capital expenditures koofisien negative value obtained of 0.239. The value of the thitung variable to control the activity of non-significant value and 2.085 0.042. Thus, the results of this research show that the negative effect control activities significantly to the prevention of fraud capital expenditures in Bulukumba Regency Government. So the third hypothesis put forward in this study are acceptable/proven. This means that the more effective the activity control is done then it would reduce fraud capital expenditures in Bulukumba Regency Government.

D. *Information and communication Influence Against Fraud capital expenditures in Bulukumba Regency Government.*

The results of the calculation of the coefficient regression information and communication influence against fraud prevention capital expenditures accrued value of negative koofisien of 0.237. The value of the thitung variable to free communication and information of 0.910 and insignificant at 0.367. The results of this research show that the negative effect of information and communication not limited significantly to the prevention of fraud capital expenditures in Bulukumba Regency Government. So the fourth hypothesis proposed in this study cannot be accepted/not proven. This reflects that the communication and information have no effect against the reduced fraud capital expenditures in Bulukumba Regency Government.

E. *Influence of Monitoring Against Fraud Fraud capital expenditures in Bulukumba Regency Government.*

The results of the calculation of the coefficient regression monitoring influence against fraud prevention capital expenditures accrued value of negative coefficient of 0.360. The value of thitung variable for the monitoring of non-significant value and 3.289 0.002. The results of this study indicate that monitoring of significant negative effect against fraud prevention capital expenditures in Bulukumba Regency Government. So the fifth hypothesis proposed in this study are acceptable/proven. This reflects that more monitoring is done continuously it will reduce fraud capital expenditures in Bulukumba Regency Government.

VI. CONCLUSION

The control environment, risk assessment, control activities and monitoring of the significant negative effect against fraud prevention capital expenditures in Bulukumba Regency Government, while the negative effect of information and communication is not significantly to the prevention of fraud capital expenditures in Bulukumba Regency Government.

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ATTACHMENT

Table of calculation of the Koofisien Regression using SPSS Software
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	59,161	6,208		9,530	,000
LP	-,199	,099	-,220	2,021	,048
PR	-,334	,146	-,294	2,287	,026
KP	-,239	,115	-,229	2,085	,042
IK	-,237	,261	-,117	-,910	,367
PM	-,360	,109	-,332	3,289	,002

Table a. Dependent Variable: FR

Advanced table.....
Coefficients^a

Model	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	46,715	71,607					
LP	-,397	-,002	,384	-,265	,199	,820	1,220
PR	-,627	-,041	,506	-,297	,225	,585	1,708
KP	-,469	-,009	,364	-,273	,205	,803	1,245
IK	-,761	,286	,439	-,123	,090	,586	1,706
PM	-,579	-,140	,326	-,409	,324	,954	1,049

Table b. Dependent Variable: FR