

The Influence of the Government Internal Control System During the COVID-19 Pandemic on Fraud Prevention at Universitas Tadulako

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ABSTRACT

Fraud can occur even within educational institutions (universities) and research organizations. Budget management in universities has become a primary concern for decision-makers at both the university and faculty levels. At the end of 2019, the world was struck by the Coronavirus Disease (COVID-19) pandemic. To control the spread of COVID-19 on campus, Universitas Tadulako implemented restrictions on campus activities, combining Work from Home (WFH) and Work from Office (WFO) arrangements within the Rectorate, Faculties, and other administrative units. Each work unit scheduled employees for on-campus activities. Teaching and examinations were conducted online, and student activities were temporarily held virtually. This study employs a survey research design, utilizing a quantitative approach with a verificative research method. The research respondents consist of leaders from each work unit who serve as budget users at Universitas Tadulako, totaling 136 work units. The findings indicate that the government's internal control system has a significant simultaneous effect on fraud prevention at Universitas Tadulako. Specifically, the control environment significantly influences fraud prevention, risk assessment significantly impacts fraud prevention, control activities do not have a significant effect on fraud prevention, information and communication do not significantly affect fraud prevention, and monitoring has a significant impact on fraud prevention at Universitas Tadulako.

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INTRODUCTION

Higher education institutions are often perceived as centers of advanced ethical thinking, making the notion that universities may engage in fraud difficult for the public to accept. However, fraud can occur even within educational institutions (universities) and research organizations. Budget management in universities has become a primary concern for decision makers at both the university and faculty levels.

At the end of 2019, Indonesia, along with the rest of the world, was alarmed by the emergence of a novel virus that attacks the lungs and causes fatalities—Coronavirus Disease (COVID-19). This virus was first detected in Wuhan, China, and rapidly spread across the globe, reaching Indonesia. Governments worldwide implemented various measures to combat the virus, including social distancing policies.

The implementation of social distancing policies significantly impacted the global economy, including financial management policies within universities. The World Health Organization (WHO) defined social or physical distancing as the practice of maintaining physical space between individuals, meaning that people should keep a safe distance from one another and that activities should be conducted remotely whenever

possible. The shift in operational procedures due to the COVID-19 pandemic led universities to adjust and revise their activities accordingly.

During the pandemic, remote work became mandatory for all employees under the Work from Home (WFH) system, which provided greater flexibility to support work-life balance for faculty and staff. WFH emerged as a solution to minimize the risk of COVID-19 transmission and ensure the safety of employees and lecturers.

To control the spread of COVID-19, Universitas Tadulako imposed restrictions on on-campus activities. The implementation of Tridharma (the three pillars of higher education) and administrative tasks continued through a combination of WFH and Work from Office (WFO) arrangements. Universitas Tadulako remained committed to preventing the spread of COVID-19 while ensuring that faculty, staff, and students remained healthy, productive, and engaged in their academic and professional activities. An official circular was issued regarding Campus Activity Restrictions for Controlling the Spread of the COVID-19 Pandemic at Universitas Tadulako, stipulating that academic and administrative activities in the Rectorate, Faculties, and other work units would be conducted under a hybrid model, with 75% of employees working remotely and 25% working on-site. Each work unit was responsible for scheduling staff attendance on campus, and all on-site activities adhered to strict health protocols. Teaching and examinations were conducted online, while student activities were temporarily shifted to virtual platforms.

A well-managed university reflects transparent governance, independence, accountability, and fairness. Institutional performance is measured by the achievement of its vision and mission. Fraud can occur anywhere, including in universities with strong internal control systems, particularly during crises such as the COVID-19 pandemic. Even with robust governance, universities cannot fully guarantee the absence of fraud in their service operations. The consequences of fraud include financial losses, reputational damage, legal complications, and, in severe cases, the inability of the university to continue its operations. The implementation of an effective internal control system is essential in preventing fraud. This aligns with Arens (2006), who emphasizes that internal control is crucial for effective management oversight.

Fraud within universities can result in catastrophic losses, affecting institutions regardless of their size or type. It can occur at any level, from administrative offices to top leadership, making every university unit a potential victim. According to a study published by the Association of Certified Fraud Examiners, corruption is the most prevalent form of fraud in the education sector, accounting for 38% of reported cases. University corruption schemes often involve the abuse of power in business transactions, bribery, and conflicts of interest for personal gain. Cases of bribery and corruption have been documented in the United States, as reported by The Daily Signal, where over 50 individuals were involved in bribery schemes to manipulate test scores for college admissions. In Indonesia, similar cases have been reported, including grade-buying scandals and diploma forgery in both public and private universities. An audit by the Inspectorate General of Universitas Tadulako revealed that fraud had occurred in one of the university's budgetary units in 2015.

The Government Internal Control System (SPIP) at Universitas Tadulako was established under Inspectorate General of the Ministry of National Education Decree No. Kep. 370/B/KP.2009, dated November 30, 2009. SPIP is a comprehensive internal control system designed to ensure governance integrity at Universitas Tadulako. Internal control is an integral, continuous process carried out by university leadership and all staff to ensure the achievement of the university's vision and mission through effective and efficient activities, reliable financial reporting, asset protection, and compliance with laws and regulations.

Based on the above discussion, strong internal control is essential. If an organization's internal control is weak, the likelihood of errors and fraud increases, particularly during crises such as the COVID-19 pandemic. Conversely, strong internal control systems can significantly reduce the risk of fraud and errors. Even if fraud occurs, it can be quickly detected and addressed through timely corrective measures. The establishment and implementation of robust internal controls are expected to serve as a deterrent against misconduct among university personnel at Universitas Tadulako.

METHODOLOGY

The method employed in this study is a verificative research method using a quantitative approach. The research was conducted on work units at Universitas Tadulako, with the population consisting of all work units within Universitas Tadulako that are subject to inspection by the Inspectorate, totaling 136 work units.

RESULTS

Statistical Test Results

The parametric statistical analysis utilized in this study is multiple linear regression, which aims to determine and measure the influence of Control Environment (X1), Risk Assessment (X2), Control Activities (X3), Information and Communication (X4), and Monitoring (X5) on Fraud Prevention.

The study, conducted with 136 work units (respondents), examines the presumed impact of the independent variables (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) on Fraud Prevention. The results of the statistical calculations are presented as follows:

Table 2. Results of Multiple Regression Analysis Dependent Variable (Y): Fraud Prevention

Variabel Dependen (Y) = Regression Coefficient			
Variable	Regression Coefficient	t	sig.
Constant	0,214	0,380	0,705
Control Environment (X1)	0,240	2,476	,014
Risk Assessment (X2)	0,275	2,950	,004
Control Activities (X3)	0,251	2,346	,027
Information and Communication (X4)	0,268	2,611	,010
Monitoring (X5)	0,216	2,796	,006
R	=	0,891 ^a	
R square (R2)	=	0,794	
Ajusted R Square	=	0,783	
Sig F	=	74,792	

(Source: Research Data, 2021)

The calculation results show that $F_{\text{calculated}} = 74.792$ at a significance level of $\alpha = 0.05$ or $P < 0.05$. The table indicates a probability significance value of 0.000, which confirms that the independent variables collectively (simultaneously) have a significant influence on the dependent variable. Partial testing is conducted to examine the effect of each independent variable on the dependent variable, as follows:

Control Environment (X1)

The Asset Inventory variable shows a regression coefficient of 0.240 with a significance level of 0.014, whereas the P-value > 0.05 at a 95% confidence level. Thus, it can be concluded that the Control Environment variable does not have a significant influence on Fraud Prevention. Based on this finding, the second hypothesis, which states that "partially, the Control Environment has a significant effect on Fraud Prevention at Universitas Tadulako,"

Risk Assessment (X2)

The Risk Assessment variable has a regression coefficient of 0.275 with a significance level of 0.004, while the P-value < 0.05 at a 95% confidence level. Therefore, it can be concluded that the Risk Assessment variable has a significant influence on Fraud Prevention. Based on this finding, the third hypothesis, which states that "partially, Risk Assessment has a significant effect on Fraud Prevention at Universitas Tadulako,"

Control Activities (X3)

The Control Activities variable has a regression coefficient of 0.251 with a significance level of 0.027, while the P-value < 0.05 at a 95% confidence level. Therefore, it can be concluded that the Control Activities variable has a significant influence on Fraud Prevention. Based on this finding, the fourth hypothesis, which states that "partially, Control Activities have a significant effect on Fraud Prevention at Universitas Tadulako,"

Information and Communication (X4)

The Information and Communication variable has a regression coefficient of 0.268 with a significance level of 0.010, while the P-value > 0.05 at a 95% confidence level. Therefore, it can be concluded that the Information and Communication variable does not have a significant influence on Fraud Prevention. Based on this finding, the fifth hypothesis, which states that "partially, Information and Communication has a significant effect on Fraud Prevention at Universitas Tadulako,"

Monitoring (X5)

The Monitoring variable has a regression coefficient of 0.216 with a significance level of 0.006, while the P-value < 0.05 at a 95% confidence level. Therefore, it can be concluded that the Monitoring variable has a significant influence on Fraud Prevention. Based on this finding, the sixth hypothesis, which states that "partially, Monitoring has a significant effect on Fraud Prevention at Universitas Tadulako,"

DISCUSSION

The Implementation of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring in Fraud Prevention at Universitas Tadulako

Government Regulation No. 13 of 2008 explains that the internal control system includes the organizational structure, methods, and coordinated measures to safeguard organizational assets, verify the accuracy and reliability of accounting data, and ensure the proper implementation of internal control systems. If the internal control system within an institution operates effectively and with high quality, the reliability of financial reporting can be ensured, thereby reducing the likelihood of misuse and fraud.

Furthermore, according to Government Regulation (PP) No. 60 of 2008, the internal control system is defined as an integrated process within an organization, involving continuous actions and activities carried out by leaders and all employees. This process is designed to provide reasonable assurance regarding the achievement of organizational objectives through effective and efficient activities, reliable financial reporting, asset protection, and compliance with laws and regulations.

Regardless of how well rules and procedures are formulated, their effectiveness is ultimately determined by the individuals responsible for implementing them. Since not all individuals can be trusted or possess high integrity, preventive measures are necessary to minimize the occurrence of fraud.

The implementation of internal control in managing institutional performance at Universitas Tadulako is crucial to preventing fraud, misconduct, and irregularities. A strong internal control system can help restrict opportunities for university staff to engage in activities that deviate from their primary duties. The results of this study confirm that all five variables have an impact on fraud prevention, indicating that Universitas Tadulako has successfully implemented its internal control system to mitigate fraud risks effectively.

The Influence of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring on Fraud Prevention at Universitas Tadulako

Internal control is an integral part of risk management that must be implemented by every organization to achieve its objectives. The necessity of internal control within an organization mandates its consistent implementation to ensure sustainability and maintain the trust of donors and the public. Internal control should be executed as effectively as possible, particularly in government institutions, to prevent and mitigate errors, fraud, and misconduct.

The multiple regression analysis results indicate that Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring have a significant impact on Fraud Prevention at Universitas Tadulako. Furthermore, the findings suggest that an improvement in any of these variables will enhance fraud prevention efforts at Universitas Tadulako.

The Influence of Control Environment on Fraud Prevention at Universitas Tadulako

The Control Environment refers to the organizational setting at Universitas Tadulako that influences the effectiveness of internal control. A control environment is effective when it is supported by competent individuals who understand their responsibilities and authority, possess adequate knowledge, maintain full awareness, and are committed to ethical practices. These individuals must also adhere to organizational policies, procedures, and ethical standards.

Research findings indicate that all eight elements of the Control Environment variable have a significant impact on fraud prevention. Field research further highlights that all units at Universitas Tadulako have implemented integrity enforcement and ethical values. Integrity encompasses honesty, courage, and responsibility, forming the foundation of trust in decision-making, while ethical values define moral standards distinguishing right from wrong. The enforcement of integrity and ethical values is a crucial element of an effective internal control system.

The Influence of Risk Assessment on Fraud Prevention at Universitas Tadulako

Risk assessment is a management activity supported by employees who possess an understanding of risk management practices. Research findings indicate that Risk Assessment has a positive influence on Fraud Prevention. The better the risk assessment implementation across units at Universitas Tadulako, the more effective the fraud prevention measures will be.

This study aligns with the perspective of Arens (2003), which emphasizes that risk assessment is

essential for management in designing and operating an internal control structure to minimize material misstatements and irregularities. Ony and Rahman (2014) define risk as an activity aimed at detecting or evaluating the likelihood of errors or a decline in quality resulting from operational processes. Risk assessment is crucial as it enables organizations to identify potential fraud risks and implement preventive measures.

Based on risk assessment, control activities are developed as regulatory mechanisms for managing risks and ensuring that units achieve their objectives. The performance of university units is influenced by both internal and external factors, necessitating a comprehensive risk assessment that includes fraud and corruption risks. Proper risk identification plays a vital role in fraud prevention. Thus, risk assessment significantly contributes to fraud prevention at Universitas Tadulako.

The Influence of Control Activities on Fraud Prevention at Universitas Tadulako

The study findings indicate that Control Activities do not have a significant effect on Fraud Prevention. Control activities are periodically evaluated to ensure their alignment with organizational objectives and compliance with regulations, policies, and procedures. However, interview findings suggest that rules and policies have not yet been formally established as Rector Regulations at Universitas Tadulako. Consequently, research results indicate that the Control Activities variable does not significantly impact Fraud Prevention.

The Influence of Information and Communication on Fraud Prevention at Universitas Tadulako

Research findings reveal that Information and Communication do not have a significant effect on Fraud Prevention. This result suggests that the high significance value of the Information and Communication variable prevents it from influencing fraud prevention.

This finding is consistent with Fawzi (2011), who asserts that the effectiveness of internal control does not have a significant impact on fraud tendencies. Information and communication are fundamental components of the government's internal control system, enabling leaders to manage public finances effectively, efficiently, transparently, and accountably. However, when information and communication are ineffective, financial management becomes non-transparent, increasing the risk of fraud.

The Influence of Monitoring on Fraud Prevention at Universitas Tadulako

Research findings indicate that Monitoring has a positive influence on Fraud Prevention. The more effective the monitoring mechanisms, the stronger the fraud prevention measures will be. This finding aligns with Wilopo (2006), who concluded that stronger and more effective internal control systems lead to lower fraud occurrences in government sectors. Monitoring of internal control is essential for ensuring that government agencies implement internal control measures effectively and make necessary improvements. Proper implementation of monitoring mechanisms facilitates fraud prevention efforts at Palu City Government.

According to Government Regulation (PP) No. 60 of 2008, the Monitoring variable comprises continuous monitoring, separate evaluations, and audit resolution.

Internal control monitoring is essential for leadership as it serves as a tool to ensure the effectiveness of internal control systems within the institution. It allows for continuous evaluation and enables the organization to anticipate and respond to changes effectively. The monitoring components within Universitas Tadulako have been fully implemented, contributing significantly to fraud prevention efforts. Thus, monitoring has a significant impact on fraud prevention at Universitas Tadulako.

CONCLUSION

Summary of Findings

Control Environment has a significant effect on Fraud Prevention at Universitas Tadulako. Risk Assessment has a significant effect on Fraud Prevention at Universitas Tadulako.

Control Activities have a significant effect on Fraud Prevention at Universitas Tadulako. Information and Communication have a significant effect on Fraud Prevention at Universitas Tadulako. Monitoring has a significant effect on Fraud Prevention at Universitas Tadulako.

RECOMMENDATIONS

Universitas Tadulako should enhance awareness and training on the Internal Control System (SPI), as many employees lack an understanding of SPI's operational framework. It should be properly implemented in work regulations and employee behavior to effectively prevent fraud.

The Control Environment and Control Activities variables should be further improved, particularly in implementing stricter regulations and ensuring that authority and responsibilities are assigned to qualified individuals with appropriate human resources.

Universitas Tadulako should strengthen information and communication to foster effective

communication between leadership and staff, ensuring that issues are resolved efficiently. Risk Assessment and Monitoring should be maintained and further enhanced for better implementation.

Future researchers are encouraged to explore other variables related to the Internal Control System's impact on Fraud Prevention, thereby expanding academic references and identifying additional factors that significantly influence fraud prevention at Universitas Tadulako.

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