

THE IMPACT OF INTERNAL CONTROL AND INTERNAL AUDIT ON FRAUD PREVENTION: EVIDENCE FROM BANK PERKREDITAN RAKYAT (BPR) MALANG CITY

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Abstract

This study used a quantitative approach with a survey method by distributing questionnaires to all employees as the research sample. The data were analyzed using validity and reliability tests, classical assumption tests, multiple linear regression, t-test, F-test, and coefficient of determination with the help of SPSS. The test results showed that all research instruments were valid and reliable, and that the data met the normality assumption, with no multicollinearity and no heteroscedasticity symptoms. The results of the study indicate that internal control has a positive and significant effect on fraud prevention. Internal audit was also proven to have a positive and significant effect on fraud prevention, with a greater influence than internal control. Partially and simultaneously, both variables have a significant effect on fraud prevention at Bank Perkreditan Rakyat (BPR) Malang City. In conclusion, the better the internal control and the more effective the internal audit, the higher the bank's ability to prevent fraud. The contribution of both independent variables to fraud prevention is relatively strong, so strengthening the control system and audit function is a strategic step that needs to be continuously improved.

Keywords: *internal control, internal audit, fraud prevention, bank*

INTRODUCTION

In Indonesia, banks are companies that play an important role in the national economy because they manage payment systems and maintain financial stability. Banks are also trusted by the public as a safe place to keep their funds. Therefore, a bank's performance can affect public trust in that bank. As a place where money circulates, banks are vulnerable to misuse of authority, commonly known as fraud.

According to Bank Indonesia in Circular Letter for Indonesian Commercial Banks (SEBI) Number 13/28/DPNP of 2011, fraud is a deliberate act of misconduct carried out to manipulate a bank, resulting in losses for the bank, its customers, or other parties, while the fraudster gains benefits either directly or indirectly. The 2020 *Report to the Nations* by the Association of Certified Fraud Examiners (ACFE) revealed that Indonesia had the highest number of financial fraud cases among 16 Asia-Pacific countries studied. In one year, financial fraud cases in Indonesia reached 36, higher than China with 33 cases and Australia with 29 cases. Therefore, fraud cases must be handled more seriously so that the losses caused by such actions can be avoided. Due to the large number of fraud cases in Indonesia, internal audit is highly necessary in the banking sector, considering that internal audit is an independent and objective activity, including consultation, designed to improve the value and operations of an organization or company. Internal audit can support an organization in achieving its goals through a structured and disciplined approach. This internal audit approach is carried out by evaluating and improving the effectiveness of risk management, control, and corporate governance processes (IIA, 2012).

In addition to internal audit, internal control is also essential to prevent fraud. According to the 2011 Statement of Auditing Standards (SPAP), internal control is a process carried out by the board of commissioners, management, and other personnel of an entity to provide reasonable assurance in achieving three objectives: operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

Internal audit has a significant effect on fraud prevention, both simultaneously and partially (Widilestariningtyas, 2012). With internal audit, it is expected that fraud, errors, and

actions that harm an organization can be reduced or even avoided (Gusnardi, 2011). High-quality and evenly implemented internal audit is also a major supporting factor in achieving the effectiveness of a company's internal control system (Agoes, 2012). If a company's internal control is weak, the likelihood of errors and fraud becomes greater. Conversely, if internal control is strong, the possibility of errors and fraud can be minimized. This is also supported by Bank Indonesia's role as the banking regulator, which previously issued Circular Letter Number 13/28/DPNP of 2011 on the Implementation of Anti-Fraud Strategy for Commercial Banks, expecting this strategy to encourage commercial banks to improve their efforts in preventing fraud that causes losses to both internal and external banking parties.

SEARCH METHODS

The type of research used in this study was quantitative research. Quantitative research is a type of research based on positivism (concrete data), where the research data are in the form of numbers measured using statistics as a calculation tool, related to the problem being studied in order to produce a conclusion. The non-probability sampling technique used in this study was saturated sampling (Sugiyono, 2019:133). In this study, the sample consisted of all 44 employees of Bank Perkreditan Rakyat (BPR) Malang City. Data collection techniques used a five-point Likert scale with validity and reliability tests conducted through a closed questionnaire, so that primary data could be obtained. SPSS 22 was used to process, test, and analyze the data so that the effects could be seen both partially and simultaneously.

RESULT

Validity Test

There were 44 respondents in this study. To ensure that each statement could measure the intended target accurately, a validity test was conducted. The significance level used was 0.05, and to obtain the rrr-table value, the calculation used $df=N-2$. Therefore, the r-table value was 0.297.

Table 1. Validity Test

Variable	Item Question	Pearson Correlation	R Table	Information
Internal Control (X1)	X1.1	0.622	0.297	Valid
	X1.2	0.498	0.297	Valid
	X1.3	0.484	0.297	Valid
	X1.4	0.649	0.297	Valid
	X1.5	0.648	0.297	Valid
	X1.6	0.356	0.297	Valid
	X1.7	0.686	0.297	Valid
	X1.8	0.327	0.297	Valid
	X1.9	0.487	0.297	Valid
	X1.10	0.343	0.297	Valid
	X1.11	0.583	0.297	Valid
	X1.12	0.361	0.297	Valid
	X1.13	0.473	0.297	Valid
	X1.14	0.493	0.297	Valid
Internal Audit (X2)	X2.1	0.674	0.297	Valid
	X2.2	0.736	0.297	Valid
	X2.3	0.584	0.297	Valid
	X2.4	0.506	0.297	Valid
	X2.5	0.617	0.297	Valid
	X2.6	0.642	0.297	Valid
	X2.7	0.726	0.297	Valid
Fraud Prevention (Y)	Y1	0.628	0.297	Valid
	Y2	0.653	0.297	Valid
	Y3	0.647	0.297	Valid
	Y4	0.566	0.297	Valid
	Y5	0.679	0.297	Valid
	Y6	0.763	0.297	Valid
	Y7	0.489	0.297	Valid

Source : SPSS Output, 2026

Based on the validity test results, all instruments used were declared valid. The Internal Control variable (X1), consisting of 14 items, showed calculated rrr values ranging from 0.327 to 0.686, where the smallest calculated rrr value (0.327) was greater than the table rrr value (0.297), so X1 was declared valid. The Internal Audit variable (X2), with 7 items, had calculated rrr values ranging from 0.506 to 0.736, with the lowest value of 0.506 greater than 0.297, so X2 was declared valid. The Fraud Prevention variable (Y), also consisting of 7 items, had calculated rrr values ranging from 0.489 to 0.763, where the lowest value of 0.489 was greater than 0.297, so Y was declared valid

Reliability Test

Tabel 2. Reliability Test

Variable	Cronbach's Alpha	Information
Internal Control (X1)	0.729	Reliable
Internal Audit (X2)	0.754	Reliable
Fraud Prevention (Y)	0.750	Reliable

Source : SPSS Output, 2026

Based on the reliability test, all three variables showed adequate internal consistency. The Internal Control variable (X1) had a Cronbach's Alpha value of 0.729, the Internal Audit variable (X2) had a value of 0.754, and the Fraud Prevention variable (Y) had a value of 0.750. All of these values are above the minimum threshold of 0.60, so the three variables were declared reliable.

Classical Assumption Test

Table 3. Normality Test and Multicollinearity

No	Test	Parameter	Unstandardized Coefficients	Criteria	Information
1	Normality (K-S)	Asymp. Sig	0.261	. > 0.05	Normal
2	Multicollinearity	Tolerance	0.718	> 0.10	Not Occur
		VIF	1.393	< 10	Not Occur

Source : SPSS Output, 2026

Based on Table 3 and the classical assumption tests, the normality test showed an Asymp. Sig value of 0.200 > 0.05, indicating that the data were normally distributed. In the multicollinearity test, the Tolerance value was 0.718 > 0.10 and the VIF value was 1.393 < 10, so no multicollinearity occurred among the research variables. Thus, the data met the requirements for regression analysis.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.507	1.971		2.793	.008
	X1	-0.027	.034	-0.136	-0.798	.429
	X2	-0.092	.055	-0.283	-1.654	.106

Source : SPSS Output, 2026

The significance value for the Internal Control variable is 0.429 and for the Internal Audit variable is 0.106. These results indicate that all significance values are greater than 0.05, so each variable is free from heteroscedasticity symptoms.

t-test (Partial Test)

Tabel 5. t-test (Partial Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.848	3.010		0.946	.350
	X1	.147	0.052	0.265	2.846	.007
	X2	.629	0.085	0.085	7.425	.000

Source : SPSS Output, 2026

Based on the t-test results table, the t-table value is 2.018 with a significance level of less than 0.05. The test results show that the Internal Control variable (X1) has a calculated t-value of 2.846 with a significance value of 0.007. Because the calculated t-value is greater than the t-table value ($2.846 > 2.018$) and the significance value is less than 0.05, the Internal Control variable (X1) has a positive and significant effect on the Fraud Prevention variable (Y).

The Internal Audit variable (X2) has a calculated t-value of 7.425 with a significance value of 0.001. Because the calculated t-value is greater than the t-table value ($7.425 > 2.018$) and the significance value is less than 0.05, the Internal Audit variable also has a significant effect on the Fraud Prevention variable (Y).

F Test (Simultan Test)

Tabel 6. F-test (SimultanTest)

No	Model	F	Sig
1	Regression	59.667	0.000

Based on Table 5 and the F-test results, the calculated F value is greater than the F-table value ($59.667 > 3.23$) and the significance value is less than 0.05 ($0.000 < 0.05$). Therefore, it can be concluded that internal control and internal audit variables simultaneously have a significant effect on the fraud prevention variable.

Multiple Linear Regression Analysis Test

Tabel 7. Multiple Linear Regression Analysis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.848	3.010		0.946	.0350
	X1	0.147	0.052	.265	2.846	.007
	X2	0.629	0.085	.692	7.425	.000

Sumber: Output SPSS, 2022

The regression analysis shows that both independent variables, namely Internal Control and Internal Audit, have positive regression coefficients, indicating a positive direction of influence on fraud prevention. The constant value of 2.848 means that if all independent variables are considered constant, the fraud prevention value remains at 2.848. Partially, the effect of Internal Control (X1) on Fraud Prevention (Y) has a coefficient of 0.147, meaning that every increase in Internal Control will increase Fraud Prevention by 14.7%. Meanwhile, Internal Audit (X2) has a coefficient of 0.629, meaning that every increase in Internal Audit will increase Fraud Prevention by 62.9%.

Coefficient of Determination Test

Tabel 8. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.863 ^a	0.744	0.732	1.09430

Sumber: Output SPSS, 2022

From the table above, the Adjusted R Square value is 0.732. This means that the two independent variables, Internal Control and Internal Audit, jointly contribute 73.2% to the dependent variable, Fraud Prevention. The remaining 26.8% is explained by other variables not included in this study.

DISCUSSION

The Impact of Internal Control on Fraud Prevention

Based on the results of the *t*-test, the Internal Control variable (X1) obtained a *t*-value of 2.846 with a significance value of 0.007, which is lower than 0.05. Therefore, H_0 was rejected and H_1 was accepted, indicating that Internal Control has a significant effect on Fraud Prevention at Bank Perkreditan Rakyat (BPR) Malang City. Furthermore, the Beta coefficient of 0.147 indicates a positive effect, meaning that the better the implementation of internal control, the higher the level of fraud prevention, and conversely, weaker internal control tends to result in lower levels of fraud prevention. This finding is supported by the questionnaire results, which indicate that the internal control system at Bank Perkreditan Rakyat (BPR) has been implemented effectively through the control environment, control activities, risk assessment, information and communication systems, as well as regular monitoring. These components contribute to reducing pressure, opportunity, and individual moral issues associated with fraudulent behavior. This finding is also consistent with the study conducted by Firmansyah (2020), which concluded that Internal Control has a positive and significant effect on Fraud Prevention.

The Impact of Internal Audit on Fraud Prevention

Based on the results of the *t*-test, the Internal Audit variable (X2) obtained a *t*-value of 7.245 with a significance value of 0.000, which is lower than 0.05. Therefore, H_0 was rejected and H_1 was accepted, indicating that Internal Audit has a significant effect on Fraud Prevention. The Beta coefficient of 0.629 indicates a positive effect, meaning that the more effective the role of internal audit, the higher the level of fraud prevention. This finding suggests that when the internal audit function at Bank Perkreditan Rakyat (BPR) is implemented effectively, supported by auditor independence, professional competence, an adequate scope of work, proper audit execution, and sound internal audit management, the potential for fraud can be minimized. These results are further supported by field evidence showing that internal audits at Bank Perkreditan Rakyat (BPR) are conducted regularly and are effective in detecting irregularities in transactions and company records. Therefore, these findings are consistent with the study by Firmansyah (2020), which concluded that Internal Audit has a positive and significant effect on Fraud Prevention.

The Influence of Internal Control and Internal Audit on Fraud Prevention

The calculated *F*-value of 59.667 is greater than the *F*-table value of 3.23, with a significance value of 0.000, which is lower than 0.05. These results indicate that Internal Control and Internal Audit simultaneously have a significant effect on Fraud Prevention. Therefore, both

variables are important factors that should be taken into consideration by the management of Bank Perkreditan Rakyat (BPR) Malang City in strengthening fraud prevention efforts.

CONCLUSION

The purpose of this study was to examine the effect of Internal Control and Internal Audit on Fraud Prevention at Bank Perkreditan Rakyat (BPR) Malang City, using multiple linear regression analysis as the analytical method. The simultaneous test results indicate that both variables have a significant effect on fraud prevention, suggesting that effective internal controls and a well-functioning internal audit contribute to enhancing the effectiveness of fraud prevention within the bank.

Partially, the study found that Internal Control has a positive and significant effect on Fraud Prevention. This finding highlights the importance of a strong control environment, effective control activities, comprehensive risk assessment, reliable information and communication systems, as well as continuous and systematic monitoring. Likewise, Internal Audit was found to have a positive and significant effect on Fraud Prevention. Auditor independence, professional competence, an adequate scope of work, effective audit execution, and strong management support for the internal audit function all contribute to strengthening fraud prevention efforts at Bank Perkreditan Rakyat (BPR).

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