The Role of Spirituality in Fraud Prevention with the Government Internal Control System

Endah Dwi Kusumastuti, Politeknik Negeri Bandung

Arif Afriady, Politeknik Negeri Bandung

Abstract: Spirituality creates interconnectedness between beings and has the potential to transform the workplace into something extraordinary. SPIP and spirituality are complementary components. SPIP is an integral process in actions and activities carried out continuously by all employees until the organization's goals are achieved. Fraud prevention in village fund management is an urgency considering the contribution of expenditure to the Village Budget continues to increase, so that this study is needed to see the influence of both variables on fraud prevention. This study analyzes the Smart Pls-assisted path using a questionnaire in 9 villages in Kotabaru District, Karawang. The results of this study indicate that spirituality has an influence on fraud prevention and SPIP has an influence as a mediator. This study shows that village officials need to develop activities or motivation to increase spirituality which will have an impact on the government's internal control system and fraud prevention.

Keywords: government internal control system, spirituality, fraud prevention, Village fund management

Introduction

Spirituality at work

Spirituality is not something new, but spirituality in the workplace is something new and abstract. Recently, spirituality has become a new topic in management research, because now management sees that employees are not only satisfied with material things (money). There are several reasons why spirituality in the workplace has become such an important issue. One explanation is the increasing concern about work-life balance that is common today. The definition of workplace spirituality that is widely used is that proposed by (Giacalone, 2010). They define workplace spirituality as those aspects of the workplace, whether individual, group, or organizational, that foster feelings of individual fulfillment through transcendence (Giacalone, 2010). Workplace spirituality can indicate that people bring extraordinary and individual spirit to the workplace and are highly motivated by a spiritual need to experience a sense of transcendence and community in their work (Fry, 2006). Spirituality brings about a connectedness between beings and has the potential to transform the workplace into something extraordinary.

According to Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013), internal control is a process carried out by the Board of Directors, management, and other personnel of an entity, which is designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting, and compliance. Internal control is a set of policies and procedures designed to provide reasonable assurance to management that the company has achieved its goals and objectives (A., Arens et al., 2010). Internal control components are designed and implemented by management to reasonably ensure that internal control objectives will be achieved. Research conducted by Cecilia states that is the implementation of internal control influence on financial accountability in local government in Indonesia.

Accountability in the implementation of the Village Law is very important because the Corruption Eradication Commission (KPK) has conducted a study on the management and allocation of village funds in the 2015 budget year. The disbursement of village funds from the central government with a total budget of IDR 20.7 trillion is considered to have a number of problems that open up opportunities for corruption or fraud. Fraud usually occurs if the existing control system is very weak and there is a lack of supervision in financial management. This is evidenced by the statement (ICW, 2018) that in 2015-2017 cases of fraud in villages increased. In 2015 there were 17 cases and increased to 41 cases in 2016. A more than two-fold spike then occurred in 2017 with 96

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cases. The total number of fraud cases found was 154 cases. The large number of cases of village fund fraud has resulted in large losses. Based on the explanation above, the problem studied in this study is the influence of spirituality on fraud prevention with the influence of SPIP as a mediator in village fund management.

Literature Review

Spirituality

Spirituality is basically not something formal, structured, and organized like religion in general. Spirituality comes from the word 'spiritus' which means the breath of life. Spirit is an invisible force that gives breath to our lives, brings us to life, and gives us energy. Spirit helps us define the truth, the uniqueness of our true selves and affirms our individuality. (Nandaka & Moningka, 2018).

According to research conducted by (Amir ac et al., 2016) Religiosity has methods, ways, or practices of worship taught by religious institutions. Meanwhile, (Afriady et al., 2022) argue that religiosity is a perspective from a behavioral aspect, religion is identical to the term (diversity) which means it is related to knowledge, belief, implementation of worship and faith, and appreciation of the religion that is believed in. The practice of worship that is carried out will bring psychological benefits to individuals if it is carried out with appreciation directed to God Almighty. In its function, spirituality has similarities with religiosity in the sense of helping individuals understand various things or problems in their lives. However, the framework used to understand these problems may be different. In religiosity, because there are theological foundations, guidelines, and guides from religion, there is a framework or reference for understanding it. While in spirituality there are no such guides, but it becomes a personal search for individuals.

Spirituality and religion can be difficult to distinguish, but there are some fairly clear differences between the two. Religion is an organized set of beliefs and practices, usually shared by a community or group. Spirituality is more of an individual practice and is concerned with a sense of peace and purpose. Spirituality is also concerned with the process of developing beliefs about the meaning of life and relationships with others (What Is Spirituality?, n.d.).

Spirituality in the workplace is also interpreted as employees who have an inner feeling towards their work because it has provided food and income for life (Belwalkar et al., 2018). In addition, spirituality is considered a framework of organizational values that are shown in habits that describe the skills and experiences, as well as the work processes of each employee. The results of research conducted by (Purnamasari et al., 2020) stated that employees who have spirituality tend to be reluctant to commit fraud. Spirituality in the workplace significantly strengthens the relationship between religiosity and fraud prevention. Therefore, spirituality has an influence on fraud prevention, especially in the management of village funds. Internal Government Control System (SPIP).

According to PP Number 60 of 2008 concerning the Government Internal Control System (SPIP), it is an integral process in actions and activities carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations (Republic of Indonesia, n.d.-b).

The Government Internal Control System consists of five elements, namely (Republic of Indonesia, n.d.-a):

The control environment includes the attitudes of management & employees towards the importance of internal control of the organization (E. Arens & Beasley, 2012). Its scope includes upholding integrity and ethical values, commitment to competence, conducive leadership, and so on.

Risk assessment is an activity of assessing the possibility of events that will occur that can threaten the achievement of organizational goals and objectives. The scope of risk assessment includes risk identification, and risk analysis

Control activities are actions needed to address risks and the establishment and implementation of policies and procedures to ensure that actions to address risks have been implemented effectively. The scope includes review of the performance of the relevant Government Agency, human resource development, control over the management of information systems, good documents on the Internal Control System and important transactions and events and so on.

Information and communication. The scope includes relevant information and effective communication.

Internal control monitoring is the process of assessing the quality of the performance of the Internal Control System and the process that provides assurance that audit findings and other evaluations are at once followed up including ongoing monitoring and separate evaluations.

The government internal control system is a process that is carried out together and continuously to protect the assets, information and communication of an agency. With the existence of this control system, it is able to create good and effective work. The results of research conducted by The results of research conducted by (Suryo, 2016) show that the role of the Government Internal Control System (SPIP) has an effect on preventing fraud in the management of BOS funds. Therefore, the Government Internal Control System has an effect on preventing fraud, especially in the management of village funds. Fraud Prevention Fraud prevention is eliminating the opportunity or chance to commit fraud by building and implementing risk management (especially fraud risk management), internal control and honest corporate governance (Albrecht, 2012). According to (Karyono, 2013) fraud prevention is as follows: "Fraud prevention is the most effective fraud-fighting activity at a low cost, so it must be supported by all organizational actors. According to (Amrizal, 2004) fraud can be prevented in the following ways:

Building a good internal control structure.

Making control activities effective.

Improving organizational culture.

Making the internal audit function effective.

Research conducted by (Mardjono et al., 2024) proves that the implementation of a good internal control system will be an effective tool for controlling the risk of fraud. Internal control can be fully effective if the organization is able to understand the most vulnerable risks and how to respond to fraud. Based on the theory and previous research studies, spirituality and the government's internal control system can influence fraud prevention in village fund management.

Research Method

This study is a quantitative study that attempts to reveal how spirituality influences the prevention of village fund fraud with SPIP as a mediator. This data was obtained by distributing questionnaires to 3 village officials and one staff who directly manage village finances and planning including the village secretary, head of financial affairs, and head of planning affairs, and one staff (if any). The research was conducted in 9 villages under Kotabaru Karawang sub-district. This study used all of these villages. The processing of the collected data was carried out using smart-pls with path analysis.

Result and Discussion

Respondent Description Analysis

The study was conducted in 9 villages in Kotabaru Karawang. The research sample was taken using the purposive sampling method, namely sampling based on certain criteria. The criteria set are financial management and planning. All questionnaires that meet the criteria are 34 which are then sampled and processed further.

Evaluation of reflective measurement models

Before conducting a hypothesis test, a reflective model test is required. In (Hair et al., 2021) it is stated that the evaluation of the reflective model consists of loading factor> 0.70, composite reliability>0.70, Cronbach alpha and average variance extracted> 0.50 and evaluation of discriminant validity using crossloading. The following is a summary of the highest and lowest outer loadings, composite reliability and average variance extracted.

Based on table 1, it shows that the government internal control system variable is measured by 10 valid measurement items with outer loading between 0.713 0.859 which shows that the 10

measurement items reflect the measurement of the SPIP variable. The spirituality variable is measured by 6 valid items with outer loading between 0.707 0.901 which shows that the items are valid in measuring the spirituality variable. And the valid fraud prevention variable is measured by 8 valid measurement items with outer loading between 0.751 0.855. The level of reliability of the three variables has exceeded the value of 0.70. The level of convergent validity of the three variables also shows > 0.50 which has shown that the convergent validity is good.

Discriminant validity evaluation is used to see that variables are theoretically different and empirically proven through statistical testing. The cross loading criteria in this study have also shown that the testing of the tested variables is higher than other variables.

Structural Model Evaluation

Structural model evaluation is related to hypothesis testing between research variables. This model evaluation examination is carried out by testing several things, namely

a. Multicollinearity Test.

The results of the tests carried out in this study showed that the inner VIF value of each variable was below 5, which means that there was no multicollinearity between the variables, (Hair et al., 2021)

b. Hypothesis Test between variables

The results of the hypothesis test by looking at the t-statistic value or p-value with the provision that t statistic> t table or p-value <0.05. The results of the hypothesis test of this study are presented in the table.

Discussion

The Influence of Spirituality on Fraud Prevention

Based on table 2, it shows that spirituality has a significant effect on fraud prevention based on the p value <0.05. The results of this study are in line with research conducted by (Belwalkar et al., 2018) which states that employees who have a sense of spiritual attachment to the place where they work will produce good organizational values, this is called good spirituality in the workplace. Also in line with research conducted by (Purnamasari et al., 2020) which states that increasing spirituality in the workplace tends to increase fraud prevention in the workplace.

The influence of spirituality has an impact on fraud prevention as indicated by the statement that village officials always try not to betray the trust given to me by people and try to always be honest and maintain the trust given by others. However, this is not a benchmark for the prevailing religious values.

The influence of religious values is still seen to be low where there are still few village officials who participate in religious activities made by the village government or statements that they do not dare to do what is prohibited because they feel supervised by God Almighty. Therefore, here the village government needs to increase the understanding of religion of village officials by encouraging religious activities or religious studies so that the spiritual value of religion is able to encourage village officials to fear God Almighty, not by the village head/leader.

The Influence of the Government Internal Control System as a Moderator Variable on Fraud Prevention Based on the results of this research test, it shows that the government's internal control system has a p-value <0.05, which means that SPIP has an effect on preventing fraud in village fund management. This is in line with research conducted by (Alfiansyah & Afriady, 2022) which shows that the government's internal control system and religiosity have a positive effect on preventing fraud. The results of other studies also state similarly by (Apriana & Lestari, 2024) that the internal control system has an effect on preventing fraud in managing village funds in West Lombok Regency, and spiritual intelligence has an effect on preventing fraud in managing village funds in West Lombok Regency.

The implementation of SPIP in the village has begun to run, marked by a review of performance related to asset management in the process of securing fixed assets owned by the agency, as well as

control over the information system related to asset security through CCTV. What needs to be improved in the village apparatus in Karawang Regency is the need to create a conducive leadership atmosphere in the work environment, such as a situation where leaders always make decisions based on data from risk assessment results. Risk assessment contains two sub-elements, starting with looking at the suitability between the objectives of the activities carried out by the government agency with its target objectives, as well as suitability with the strategic objectives set by the government. After setting the objectives, the government agency identifies risks for internal and external risks that can affect the success of achieving these objectives, then analyzes risks that have a very high probability of occurrence and impact to very low risks. Based on the results of the risk assessment, a response is made to the risk and builds appropriate control activities. In other words, control activities are built with the intention of responding to the risks owned by the government agency and ensuring that the response is effective. All implementation of the SPIP elements must be reported and communicated and monitored continuously for continuous improvement. (SPIP Annual Report 2007, n.d.)

Conclusion

Based on data processing and discussion, it can be concluded that the results of this study are in line with previous theories and research. The role of spirituality has a direct influence on fraud prevention. This certainly provides an opportunity for village officials to increase the spiritual value of village officials to jointly prevent fraud as managers of village fund finances.

The government's internal control system is also able to mediate the influence of spirituality on preventing fraud in village fund management. Strong spirituality will strengthen the government's internal control system so that it will indirectly be able to prevent fraud in village fund management. The results of the study can be input for village work programs. Suggestions for further research can see the effectiveness of the application of the village financial system or village financial performance.

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