

THE INFLUENCE OF INTERNAL AUDIT ON FRAUD PREVENTION AT PT. POS INDONESIA (PERSERO) BANDUNG

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Abstract

The purpose of this research is to determine the influence of internal audits on fraud prevention in PT. POS Indonesia (Persero) Bandung. This research used descriptive and verificative methods. The sampling technique used in this research was saturated because the entirety of the population is a sample, that is the entirety of the Internal Control Unit employees in PT. POS Indonesia (Persero) Bandung total 30 employees. The program that was used for this research was Statistical Package for the Social Sciences (SPSS). The result of this research showed that internal audits had influenced fraud prevention in PT. POS Indonesia (Persero) Bandung. Internal audit contributes to fraud prevention in PT. POS Indonesia (Persero) Bandung of 56,1% while remaining 43.9% is influenced by other factors not researched.

Keywords: Audit, Internal Audit, Fraud, Fraud Prevention

Introduction

Every activity within a company will have some risk. Any activity involves an element of uncertainty that is the same as risk, including fraud^[1] Following the Indonesian Survey Fraud Report hosted by The Association of Certified Fraud Examiners (ACFE) in 2019, 69.9% of the total survey stated that corruption is a fraud that often occurs in Indonesia. Information was obtained that the party most harmed

by fraud was the Government [2]. Generally, fraudulent acts are difficult to find. This fraudulent act is generally found due to an accident or intentional, so management needs to be careful of fraudulent acts that may occur in the companies they manage [3]

There is some information that there is fraud at PT. POS Indonesia, including the West Java High Prosecutor's Office, arrested a suspect in the corruption case of a subsidiary of PT. POS Indonesia, namely PT. POS Finansial (PT. Posfin). The suspect RDC is a former Accounting and Finance Manager at a subsidiary of PT. POS Indonesia (PT. Posfin). Riyono, who is the Special Criminal Assistant of the West Java Prosecutor's Office, explained that the corrupt practice was carried out by RDC and also the former director of PT. Posfin with the initials S, it was known that S had passed away [4].

Allegations of irregularities in the use of finance by the old management of PT. Posfin for the period 2018 to May 2020 [3, 5]. It is suspected that the total loss suffered was Rp. 52.6 billion, there was an illegal use of financial irregularities by PT. Posfin, one of which was by paying a guarantee certificate premium to PT. Berdikari Insurance through broker PT. Cakra Mulia was marked up and canceled by PT. Berdikari Insurance amounted to Rp. 2.8 billion and there was also a fictitious project of Rp. 19.3 billion, namely the procurement of soil monitoring and land rejuvenation equipment which was subcontracted to PT. Posfin. [6].

In another case, the Bandung District Attorney arrested BS, a former official at PT. POS Indonesia, who had been a fugitive for 2 (two) years due to a corruption case. In this case, there are 5 suspects, namely the Director of PT. Dataindo Infonet Prima who has been executed first, BS who escaped after receiving a 6-year prison sentence through a Supreme Court decision, and 3 (three) wanted by police. This case relates to the procurement of goods amounting to Rp 9.4 billion in 2013, at that time PT. POS Indonesia entered into a contract with PT. Datindo Infonet for the procurement of equipment amounting to Rp 10.5 billion. PT. POS Indonesia received the funds from the Badan Usaha Milik Negara (BUMN). In that project, it is indicated that there are many manipulations, from 1,725 tools purchased, many tools do not work and do not meet specifications [7].

PT. POS Indonesia has implemented the internal audit, but the phenomenon that occurs shows that the internal audit has not been running effectively and consistently due to various factors such as weak observations, research, and inspection activities so that there are still many frauds.

Internal audit can help management to prevent, detect, and investigate fraud that occurs in the company. Companies need to implement a good internal audit to minimize and identify the risks that companies have to face, including the risk of fraud [6]. Companies that have weak internal audits will result in fraud prevention in the company not running well and effectively. On the other hand, if the company has a good internal audit, it will encourage the company to run well and effectively and will minimize possible fraud.

Previous research conducted by [8] shows that internal audit affects fraud prevention, fraud prevention is very important for companies with an effective internal audit in preventing fraud. According to [9], internal audit is an important part of a company's activities because it has a positive effect in preventing fraud. According to [10, 11], internal audit affects fraud prevention, and increasing the implementation of internal audit is one of the ways to minimize and avoid cases of fraud. According to [10, 12], internal audit effects for preventing and detecting fraud and financial crimes in private and government-owned institutions. According to [13-15], the role of internal audit in reducing public government corruption is most efficient by taking prevention through the development of ethical standards, procedures, and policies. According to [10, 12, 16], an internal audit has a significant impact on the prevention of fraud, meaning that a better internal audit will increase fraud prevention in the company.

Based on background explanation, problems can be identified as follows:
Does internal audit have an effect on fraud prevention at PT. POS Indonesia (Persero) Bandung.

Literature Review

Internal Audit

The Institute of Internal Auditors says that internal auditors are independent service providers who evaluate and test the company's activities. Internal audit is recognized as the control of a company to measure and evaluate the effectiveness of other controls. When the company has established a plan, the company needs to ensure and monitor that the plan is achieved and on target [17].

Definition of Internal Audit

Internal audits can be used to figure out whether a company's activities are following the rules. One of the roles of internal auditors in fraud prevention is to be able to build an effective internal control structure, control activities and internal audit functions for effective implementation, and to implement the principles of Good Corporate Governance (GCG)[2].

According to [18-21], an internal audit is a consulting activity that gathers information and improves a company's operations. Internal audit also helps the company to improve the risk management, governance processes through systematic and orderly evaluation, and control activities.

The Purpose of Internal Audit

The purpose of an internal audit is to help employees carry out their duties effectively. Analysis, assessment, provide advice, and include in the development a reasonable cost for effective controls will conduct by internal audit [22, 23], a company internal audit has an independent assessment function to study and assess the activities of the company to provide advice to management, this is done to help management carry out responsibilities effectively.

Internal Audit Measurement

The measurement of internal audit based on performance standards consists of :

- a) Managing Internal Audit Activities
- b) Important Matters of Work
- c) Assignment Planning
- d) Task Implementation
- e) Communication Assignment Results
- f) Monitoring Progress
- g) Communication About Risk Acceptance

Fraud Prevention

Fraud is an action that violates the law, characterized by an element of deliberate fraud. Fraud by [24] is an illegal act characterized by deceit, concealment, or threat of trust. Fraud is a problem that still occurs today, there is no company completely free from the possibility of fraud, so prevention is needed to minimize the potential of fraud (The Institute of Internal Auditor).

The triggering factors of fraud are inseparable from the fraud theory that is

pressure, opportunity, rationalization, competence, and arrogance called fraud pentagon [4, 22].

The Association of Certified Fraud Examiners (ACFE) classifies fraud known as the "Fraud Tree" which is a classification system regarding the possibility of fraud committed by employees that can harm the company. The classification is divided into 3 main categories: corruption, asset misappropriation, and fraudulent statements.

According to COSO in [2]. A prevention fraud is a set of policies, systems and procedures to help ensure that the financial reporting and operations of a company are reliable, effective, and in compliance with all applicable laws and regulations.

Fraud Prevention Measurement

Fraud Prevention has been taken to minimize the occurrence of fraud through the development and implementation of risk management (especially in the area of fraud risk management), internal controls and corporate governance [19]. In accordance with [2, 4], fraud can be prevented by doing the following:

1. Building a Good Internal Control Structure

To achieve the goals desired by top management and ensure asset security, management needs to establish good and effective internal controls so that prevention fraud can be carried out effectively and efficiently. According to COSO Internal control consists of 5 (five) components:

- a. Control environment
- b. Risk assessment
- c. Control standards
- d. Information and Communication
- e. Monitoring

2. Making Control Activities Effective

- a. Reviewing the performance, by evaluating current performance with performance in the previous period.
- b. Information processing, processing information accurately and completely.
- c. Physical control, asset management with adequate security facilities.
- d. Segregation of duties, to avoid the existence of dual authority and duties.

3. Improving Corporate Culture

Conducted by applying the principles of Good Corporate Governance (GCG) which are interconnected so that the performance of organizational resources runs efficiently. According to Hasan (2000) basic principles, namely:

- a. Fairness
- b. Disclosure
- c. Accountability
- d. Responsibility
- e. Reliability

4. Creating Internal Audit Function Effectively

Internal auditors can not guarantee that fraud will not be If this happens, good knowledge is needed in detecting fraud. Several things need to be considered so that the internal audit function can assist management, namely:

- a. Internal audit needs to have an independent position within the company.
- b. Internal audit must have professional, capable, objective resources, have high integrity and loyalty.
- c. Internal audit must have an internal audit manual to know the duties, authorities, and responsibilities, to prevent deviations in the implementation of

duties, can determine standards to measure and improve performance, and can provide confidence in providing advice to top management.

Relationship between Internal Audit and Fraud Prevention

The more developed a company is, the greater the opportunity for fraud to occur because it is difficult to monitor all activities in the company. The emergence of fraud in a company indicates that the company is not carrying out its functions properly and consistently. Internal audit has an important role to ensure that activities run effectively, oversee the company's activities and, including fraud prevention [22]. Internal audit can help management to prevent, detect, and investigate fraud that occurs in the company. Companies need to implement a good internal audit to minimize and identify the risks that will be faced by the company, one of which is the risk of fraud [4].

The Institute of Internal Auditors provides guidelines on the International Professional Practice Framework (IPPF) for the practice of internal auditors. The standard explains that the role of internal auditors is to detect, prevent, monitor fraud risk, risk in audits and investigations. In standard 1210.A2 regarding proficiency explains that internal auditors must have enough knowledge to evaluate the risk of fraud and how companies are managing risk. [2]. Practice advisory 1210.a2-1 "identification of fraud", also suggests that the internal auditor is responsible for examining and evaluating the adequacy of the internal control of the company, with the level of risk in various segments of the company's operations.

According to [4] internal audit has an impact on fraud prevention, the company's internal audit plays a major role in controlling and evaluating company activities, especially in preventing fraud. According to [24], internal audit gives a positive value to fraud prevention in the Bandung Regency Government Area, this shows that a good internal audit will be followed by prevention fraud good as well. According to [19] that has an internal audit can detect and report fraud than companies without an internal audit, which suggests the internal audit has an important role in detecting fraud.



Figure 1. Framework

Research Hypothesis

Based on the previous description, the proposed hypothesis is as follows:

H: Internal audit affects the fraud prevention at PT. POS Indonesia Bandung.

Research Methodology

Population and Sample

The population in this research is Internal Control Unit employees in PT. POS Indonesia (Persero) Bandung total 30 employees. The sample in this research is the entirety of the population. Then The sampling technique used in this research was the saturated sampling technique. Sampling technique that uses all members of the population as samples called saturated sampling [4]. The data used in this research are the primary data, obtained by using a questionnaire for collecting information from PT. POS Indonesia (Persero) Bandung. Using a Likert scale measurement, which has the same distance between the scales, it becomes an interval scale [10].

Data Analysis

The approach used in this research is a descriptive and verificative method. In this research, the descriptive method explains internal audit and fraud prevention, and the verificative method is the relationship between internal audit and fraud prevention. This research used quantitative research to seek knowledge about the topic [19].

Validity Test

A validity test is used to measure the validity of a questionnaire it is declared valid if the questions on the questionnaire can reveal something that would be measured by the questionnaire. In this research, the validity of the test was measured by comparing the calculated r_{value} with the r_{table} . If $r_{\text{value}} > r_{\text{table}}$, the statement or indicator is declared valid [4].

Reliability Test

Reliability test is how far the measurements of the same object produce the same data (Sugiono, 2017). Questionnaires are said to be reliable when the response of respondents to statements is consistent from time to time. If Alpha Cronbach $> 0,70$ the variable is declared reliable or feasible, that means the statement or indicator in the questionnaire can be accepted [17].

Classic Assumption Test

Normality Test

The purpose of the normality test is to determine if the confounding or residual variables in the regression model are normally distributed (Ghozali, 2016). Some ways can be used to see the data normality in this research, which is using 2 (two) test tools: The Kolmogorov Smirnov Test and Normal Probability Plot Graphs.

Heteroscedasticity Test

To test the presence or absence of heteroscedasticity use a chart approach scatter plot. If there are the dots scattered above and below the number 0 (zero) on the Y-axis and it has no clear pattern, this model is free from heteroscedasticity problems. On the other hand, if there is a pattern of dots such as a wavy, widened, and then narrowed pattern, this indicates the existence of heteroscedasticity [17].

Hypothesis Testing

Regression Equation

Regression analysis is used to determine how one variable affects another. The simple linear regression equation in this research is as follows:

$$Y = a + bX + e$$

Information :

Y: Fraud Prevention

a: Constanta

b: Regression Coefficient

X: Internal Audit

e: Error Standard

Coefficient Determination Analysis

The coefficient of determination (R2) is to calculate the impact of the independent variable on the dependent variable, the coefficient of determination is between zero and one.

Partial Hypothesis Testing (t-Test)

The T-test is a regression coefficient test that is used to check the effects of independent variables on dependent variables, which is formulated

$$t = \frac{r\sqrt{n - 2}}{\sqrt{1 - r^2}}$$

Information :
 r: Coefficient Correlation
 n: Total data

Result and Discussion

Table 1

Result of Validity Test Variable X

Variable	Item No	Validity Coefficient	Critical Point	Conclusion
Internal Audit (X)	1	0,395	0,361	Valid
	2	0,533	0,361	Valid
	3	0,498	0,361	Valid
	4	0,455	0,361	Valid
	5	0,507	0,361	Valid
	6	0,664	0,361	Valid
	7	0,877	0,361	Valid
	8	0,877	0,361	Valid
	9	0,757	0,361	Valid
	10	0,753	0,361	Valid
	11	0,544	0,361	Valid
	12	0,641	0,361	Valid
	13	0,387	0,361	Valid
	14	0,361	0,361	Valid
	15	0,722	0,361	Valid
	16	0,836	0,361	Valid
	17	0,553	0,361	Valid
	18	0,827	0,361	Valid
	19	0,787	0,361	Valid
	20	0,644	0,361	Valid
	21	0,760	0,361	Valid
	22	0,730	0,361	Valid
	23	0,712	0,361	Valid
	24	0,712	0,361	Valid
	25	0,673	0,361	Valid
	26	0,757	0,361	Valid
	27	0,667	0,361	Valid

Source: Output of SPSS

Based on table 1, the entire statement formed in an internal audit has a value of validity coefficient above 0,361 which indicates that the entire statement is declared valid. Furthermore, the results of validity testing for fraud prevention (variable Y) can be seen in the following table:

Table 2

Result of Validity Test Variable Y

Variable	Item No	Validity Coefficient	Critical Point	Conclusion
Fraud Prevention (Y)	1	0,598	0,361	Valid
	2	0,700	0,361	Valid
	3	0,536	0,361	Valid
	4	0,678	0,361	Valid
	5	0,605	0,361	Valid
	6	0,669	0,361	Valid
	7	0,602	0,361	Valid
	8	0,700	0,361	Valid
	9	0,472	0,361	Valid
	10	0,466	0,361	Valid
	11	0,598	0,361	Valid
	12	0,700	0,361	Valid
	13	0,536	0,361	Valid
	14	0,678	0,361	Valid
	15	0,605	0,361	Valid
	16	0,669	0,361	Valid
	17	0,602	0,361	Valid

Source: Output of SPSS

Based on table 2, the entire statement formed in fraud prevention has a value of validity coefficient above 0,361 which indicates that the entire statement is declared valid.

Reliability Test

Table 3

Result of Research Questionnaire Reliability Test

Variable	Reliability Coefficient	Critical Point	Information
Internal Audit (X)	0,946	0,700	Reliable
Fraud Prevention (Y)	0,889	0,700	Reliable

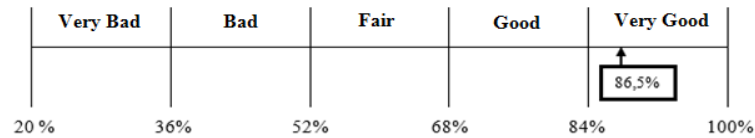
Source: Output of SPSS

Based on the table, Cronbach's Alpha value of 0.946 and 0.889 is bigger than 0.700 so it is declared reliable, and can be concluded that all statements have measured what should be measured and can be used in research.

Descriptive Analysis of Respondents' Responses

Internal Audit

Based on the questionnaire data that has been processed, shows that the actual score obtained from the seven dimensions is 3503 or 86.5% of the expected score. If presented in the form of a continuum line drawing, the percentage value of the score appears as follows:

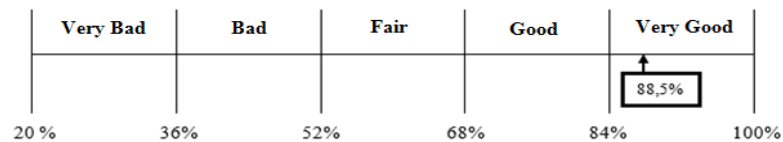


Picture 3. Continuum line internal audit in PT. POS Indonesia (Persero) Bandung

Based on the continuum line, the percentage value of the score is 86,5% included in the "very good" category at the interval "84.1%-100%". These results indicate conducting Internal audit activities at PT. POS Indonesia (Persero) Bandung has been implemented well.

Fraud Prevention

Based on the table, shows that the actual score obtained from the four dimensions is 2258, or 88.5% of the expected score. If presented in the form of a continuum line drawing, the percentage value of the score appears as follows:



Picture 4. Continuum line fraud prevention in PT. POS Indonesia (Persero) Bandung

Based on the continuum line, the percentage value of the score is 88,5% included in the "very good" category at the interval "84.1%-100%". These results indicate that the implementation of fraud prevention activities at PT. POS Indonesia (Persero) Bandung has been implemented well.

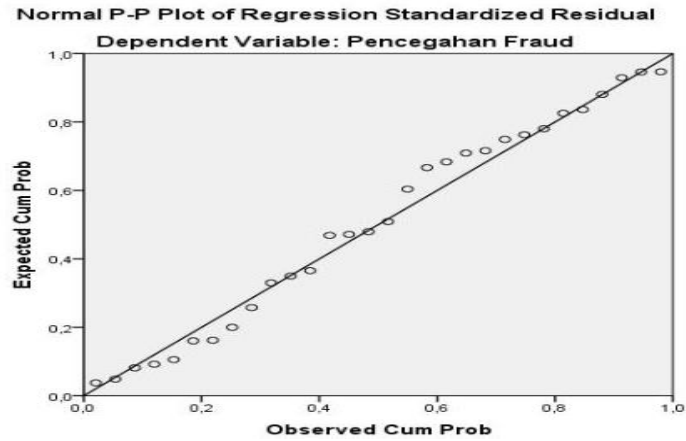
Classic Assumption Test

Table 4

Normality Test		Unstandardized Residual
N		30
Normal parameter, a, b	Mean	.00000000
	Std. Deviation	3.71406833
Most Extreme Difference	Absolute	.103
	Positive	..075
	Negative	-.103
Test Statistics		.0562
Asymp. Sig. (2-tailed)		.910

Source: Output of SPSS

Based on Table 3, it is known that the residual variable is 0.910, which is greater than 0.05 that indicates the data used is normally distributed. In other words, it means that the assumption of data normality is fulfilled. The results of the normality test through the normal p-plot are as follows:

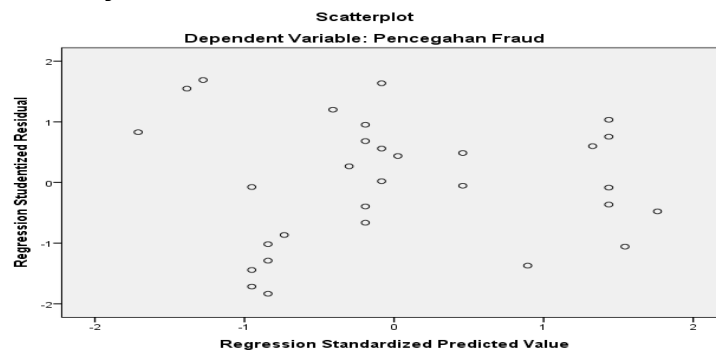


Source: Output of SPSS

Picture 4. Result of Normality Test

Based on the graphic in picture 4 using a normal probability plot, It is known that the dots are scattered diagonally and follow the direction of the normal distribution pattern line, which indicates that the data fulfilled the normality assumption.

Heteroscedasticity Test



Source: Output of SPSS

Picture 5. Heteroscedasticity Test with using Scatterplot

Based on picture 5, shows that the dots are scattered randomly, didn't collect just above or below, and has no clear pattern. And the dots scattered above and below zero on the Y-axis. It can be concluded that the regression model of this research does not have heteroscedasticity, so the regression model can be used for subsequent analysis.

**Simple Regression Equation
Simple Linear Regression**

Table 5

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	22.041	8.919		.2471	.020
Audit internal	.456	.716	.749	5.985	.000

The regression model formed based on the research results is as follows:

$$Y = 22.041 + 0.456X + e$$

From the formula can be explained, if the Internal Audit is considered constant (value 0), then Fraud Prevention will be worth 22,041, and vice versa. The internal audit shows a value of 0.456, meaning that if the Internal Audit has an increase of (one) unit, then Fraud Prevention will be increased by 0.456. It can be concluded that internal audit and fraud prevention have a positive direction

Coefficient Determination

Table 6

Coefficient Determination

Model	R	R Square	Adjusted R Square	Std. Error Of the Estimate
1	.749a	.561	0.546	3.780

Source: Output of SPSS

Based on the coefficient determination test in Table 5, the value of coefficient determination obtained is 56.1%. This shows that internal audit contributes to Fraud Prevention at PT Pos. Indonesia (Persero) Bandung by 56.1% and the remaining 43.9% due to other factors that have not been researched.

Partial Hypothesis Testing (t-test)

Table 7

Partial Hypothesis Testing (t-test)

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	22.041	8.919		2.471	.020
Audit internal	.456	.076	.749	5.985	.000

Source: Output of SPSS

Based on table 6, it can be seen that the t_{count} obtained by Internal Audit (X) is 5.985. This value will be compared with the t_{table} value in the t distribution Table. With $\alpha=0,05$, $df=n-k-1=30-1-1=28$, for the two-sided test, the t_{table} value is ± 2.048 . From these values, it can be seen that the t_{count} value obtained is 5.985. It is outside the t_{table} value (-2.048 and 2.048). Following the criteria for testing the hypothesis that H_a is accepted and H_0 is rejected, it means that Internal Audit has a significant impact on Fraud Prevention at PT. POS Indonesia (Persero) Bandung.

Shown in a graphic, the values for t_{count} and t_{table} are:



Picture 6. Partial Hypothesis Testing

Discussion

From the results of research that has been done regarding the internal audit, as can be seen that the average value of the internal audit variable obtained from the seven dimensions is said to be "Very Good". The "Very Good" criteria mean that the internal audit at PT. POS Indonesia (Persero) Bandung has been going very well, with the implementation of principles based on internal audit performance standards that are managing internal audit activities, notice to the essentials of work, making an assignment plan, implementation of the assignment, communication of assignment results, progress monitoring, and communicating about risk acceptance as one way to maintain the company runs well and avoids all forms of fraud that may occur both from inside and outside the company.

Based on the results of the average value of the internal audit variable included in the "Very Good" criteria, from 27 statements there are 2 statements that are included in the "Good" criteria. Point 1, that is the head of internal audit reports the authority, responsibility, and performance periodically to Senior management who is on the indicators of managing internal audit activities, this shows the lack of management of internal audit activities carried out by the head of internal audit in supervising and reporting activities regularly to senior management.

Point 2 that is internal audit first determines the scope of the internal audit assignment which is on the indicator of assignment planning, this shows that the internal audit department is still lacking in determining the boundaries of its authority and responsibility. Internal audit needs to have an adequate scope of supervision, determination of these limits is necessary so that the activities to be carried out run effectively and there is no equality of authority and responsibility with other sections.

Based on the result of the research fraud prevention variable, It is known that the average value of the fraud prevention variable is obtained from four dimensions included in the "Very Good" criteria. The "Very Good" criteria mean fraud prevention at PT. POS Indonesia (Persero) Bandung has been going very well, fraud prevention carried out by the company is considered good in terms of creating a culture of integrity and high-value ethics, management's responsibility for evaluating fraud risks, and supervision of the audit committee.

However, the author still finds a weakness that the company has not been maximal in building a good organizational culture. The company is also still considered lacking in increasing awareness of employee control, and the company is always open to decision-making and provides information about the policies or activities carried out because it has the smallest answer score and average value. In addition, the company has not been able to instill a deterrent effect on individuals who commit fraud and the current reward system for the results of employee performance has not been effective.

The results of hypothesis testing declared that internal audit has an effect on fraud prevention at PT. POS Indonesia (Persero) Bandung. This is parallel with the theoretical basis by Sawyer et al. (2014), that internal audit can help management to prevent, detect, investigate fraud that occurs in the company. Companies need to implement a good internal audit to minimize and identify the risks that will be faced by the company, one of which is the risk of fraud (Sawyer et al., 2014).

The research result is parallel to previous research by [3, 8-10, 14, 17] which states that internal audit affects fraud prevention.

Conclusions and Suggestion Conclusions

Based on the results of data analysis and discussions as described in the previous chapter, the author concludes that internal audit has a significant impact on fraud prevention at PT. POS Indonesia (Persero) Bandung. These results indicate

that the Internal Audit of PT. POS Indonesia (Persero) Bandung has a role to manage and supervise company activities, especially in fraud prevention.

Suggestion

For PT. POS Indonesia

Fraud prevention at PT. POS Indonesia (Persero) Bandung has been implemented adequately, but there are still some indicators that need more attention from the company. Therefore, the authors intend to make several suggestions, that is:

- a. Head of internal audit PT. POS Indonesia (Persero) Bandung should report the authority, responsibility, and performance of company activities to senior management regularly. The head of internal audit can also hold regular meetings to find out whether the activities have gone according to the previous plan. The head of internal audit should report his assessment of the activity process along with the risks that will occur and the progress of these activities.
- b. For the internal audit department to determine the scope of the assignment and communicate the authority and responsibilities that are expected to reduce the occurrence of conflicts of roles and activities at PT. POS Indonesia (Persero) Bandung can run well. In addition, it can plan activities to be carried out in writing by considering the characteristics, extent, and time of the work.
- c. PT. POS Indonesia (Persero) Bandung is still not optimal in building organizational culture, so it is necessary to evaluate the rules regarding punishment for employees who commit fraud to provide a deterrent effect to these employees. Besides that, PT. POS Indonesia (Persero) Bandung City also needs to evaluate the rules regarding rewards for employee performance results to motivate employees to work optimally

For the next researcher

It is hoped that further research will not only use one factor, namely internal audit. However, can add several other factors that may affect fraud prevention and further researchers can use research subjects in other companies.

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