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The Influence of Organizational Culture and the Role of Internal Audit on Fraud Prevention

Josua Panatap Soehaditama

Institut Keuangan Perbankan dan Informatika Asia Perbanas, Indonesia, email:

josua.panatap@perbanas.id

Corresponding Author: Josua Panatap Soehaditama

Abstract: The rise of fraud or fraud that occurs in organizations can cause losses to the organization so that the organization is difficult to develop, so there is a need for awareness of the importance of fraud prevention to minimize losses due to fraud. This article aims to examine and review research related to the factors that influence fraud prevention, namely organizational culture and the role of internal audit. This literature review also has the aim of developing hypotheses about the influence between variables to be used in further research. The results of this research article conclude that organizational culture, and the role of internal audit have a positive effect on fraud prevention. This indicates that the better the organizational culture and internal audit, the better the implementation of fraud prevention in the organization.

Keyword: Organizational Culture, Internal Audit, Internal Control, Fraud Prevention, Systematic Literature Review

INTRODUCTION

Fraud is a serious problem that can threaten the sustainability and integrity of an organization. It can take many forms, such as financial fraud, document forgery, asset theft, and other forms of unethical behavior. In today's increasingly complex and global business era, fraud prevention has become one of the top priorities for companies around the world. Fraud can cost companies financially and damage their reputations, so serious efforts must be made to prevent it. In this effort, two important aspects to consider are organizational culture and the role of internal audit.

Organizational culture refers to the values, norms, beliefs and practices that develop within a company. A good organizational culture can provide a strong foundation for fraud prevention, while a poor culture can be a factor that increases the risk of fraud. Therefore, it is important to understand the influence of organizational culture on fraud prevention efforts. On the other hand, internal audit is a vital function in overseeing the Company's activities and ensuring compliance with applicable procedures and regulations. Internal audit has a significant role in detecting and preventing fraud, but its effectiveness can be affected by various factors, including organizational culture.

The influence of organizational culture and the role of internal audit in fraud prevention have become increasingly important research topics in the business world. The role of

organizational culture in shaping employee behavior, including their likelihood to violate business ethics, has become a serious concern. In addition, effective internal audit can help detect signs of fraud early, which can prevent greater losses. In this context, this research will examine how a strong organizational culture can support fraud prevention, and how the role of internal audit can be enhanced to be more effective in detecting and preventing fraud. With a better understanding of the relationship between organizational culture and internal audit in the context of fraud prevention, companies can develop more effective strategies to protect their assets and maintain their integrity in an increasingly competitive and complex marketplace.

METHOD

The research method used in writing this article is Library Research with a Systematic Literature Review (SLR) method. Sources of data were obtained from internet browsing through one of the most popular sites on the net in journal retrieval, namely <https://scholar.google.com/> and <https://sinta.kemdikbud.go.id/journals>. Systematic Literature Review (SLR) is defined as a systematic method in identifying, evaluating, reviewing and interpreting all relevant literature on a topic in order to derive conclusions about the question under consideration (Purworaharjo & Firmansyah, 2018). The purpose of this literature study research is to obtain a theoretical basis that can support the solution of the problem being studied and reveal various relevant theories. Populations used in this article is all earlier literature in the fields of Organizational Culture and internal audit in fraud prevention. Only articles published between 2019 and 2023 were collected. From the various articles, researchers selected 10 articles that were closely related to the keywords used.

RESULTS AND DISCUSSION

Organizational Culture

According to (Robbins, 2013) who has put the results of his thoughts in a work entitled "Organizational Behavior Concepts, Controversies, Applications" organizational culture is a system of all members of an organisation that has its own characteristics with other organisations. Meanwhile (Munandar & Samsudin, 2013) states another opinion about the understanding of organisational culture, namely that organisational culture is a variety of efforts to think, react or feel from certain patterns within the organisation.

Internal Audit

According to (Marfiana et al., 2021) internal audit is an activity of analysing the actual situation with the provisions that have been made previously. The meaning of the situation is a condition that should be used by the auditor as a guide to evaluate information around accounting and finance.

Fraud Prevention

According to (Nugroho, 2015) fraud prevention is a strategy or tactic in avoiding all forms of fraud or those made by members that can harm the organisation. This is held so that there is no fraud in the organisation so that the goals or ideals of the organisation can be achieved and create a good corporate image. Meanwhile, according to (Harrison, Horngren, Thomas, & Suwardy, 2012) fraud prevention is an activity created to establish systems, policies and procedures that make it easier if the necessary actions have been carried out by the board of commissioners, management and other personnel in an organisation to be able to prove strongly achieve the ideals of the organisation, namely: compliance with applicable laws and regulations, efficiency and effectiveness of operations, and reliability of financial statements). The research method used in writing this article is Library Research with a Systematic Literature Review (SLR) method. Sources of data were obtained from internet browsing through one of the most popular sites on the net in journal retrieval, namely

<https://scholar.google.com/> and <https://sinta.kemdikbud.go.id/journals>. Systematic Literature Review (SLR) is defined as a systematic method in identifying, evaluating, reviewing and interpreting all relevant literature on a topic in order to derive conclusions about the question under consideration (Purworaharjo & Firmansyah, 2018). The purpose of this literature study research is to obtain a theoretical basis that can support the solution of the problem being studied and reveal various relevant theories. Populations used in this article is all earlier literature in the fields of Organizational Culture and internal audit in fraud prevention. Only articles published between 2019 and 2023 were collected. From the various articles, researchers selected 10 articles that were closely related to the keywords used.

The following is a table listing the literature studies that have been selected to be used as a basis for this article.

Table 1. Previous Research

No	Researcher	Title	Results
1	Nyoria Anggraeni Mersa, Sailawati dan Niken Elok Larasatining Malini, 2021	The Effect of Whistleblowing System, Internal Control System, Organizational Culture, and Organizational Justice on Fraud Prevention	The results showed that partially the whistleblowing system, internal control system, organizational culture and organizational justice had a positive and significant effect on fraud prevention.
2	Reskia dan Sofie, 2022	The Effect of Internal Audit, Anti Fraud Awareness, Organizational Commitment and Organizational Culture on Fraud Prevention (Case Study of PT. Inti Persada Nusantara)	The results of hypothesis testing in this study are internal audit and organizational commitment have a positive and significant effect on fraud prevention, organizational culture has a positive and insignificant effect on fraud prevention. not significant on fraud prevention. While anti-fraud awareness is stated to have no effect and insignificant on fraud prevention.
3	Ririn Melati, Agustian dan Siti Rodiah, 2022	The Effect of Organizational Culture, Proactive Fraud Audit, Whistleblowing, and Internal Control on Fraud Prevention in the Management of BOS Funds	The results of this study indicate that organizational culture, proactive fraud audit and whistleblowing affect fraud prevention in the management of BOS funds. Meanwhile, internal control has no effect on fraud prevention in the management of BOS funds
4	Anggi Kirana Septiani, Cris Kuntadi dan Rachmat Pramukty, 2023	The Effect of Organizational Culture, Individual Morality, and Internal Control on Fraud Prevention	The results of this literature research are Organizational Culture, Individual Morality, and Internal Control affect fraud prevention.
5	Monica, Nasrizal dan Rasuli, 2023	The Influence Of Organizational Culture And The Role Of Internal Audit On The Prevention Of Fraud By Internal Control As Intervening Variables	The results showed that organizational culture affects fraud prevention, the role of internal audit has no effect on fraud prevention, organizational culture affects internal control, the role of internal audit affects internal control, internal control affects fraud prevention, organizational culture affects fraud prevention through internal control, and internal audit affects fraud prevention through internal control. internal audit role has an effect on fraud prevention through internal control.
6	Ahmad Mukoffi, Luh Dina Ekasari, Florenstina Nggungu, 2023	The Effect of Organizational Culture, Internal Audit, and Internal Control on Fraud Prevention at BKAD Batu City Government	The research findings show that internal audit, internal control, and organizational culture significantly impact fraud prevention.
7	Ni Luh Putu Suri Witari dan Cokorda Gde Bayu Putra, 2023	The Influence Of Organizational Culture And The Role Of Internal Audit On The Prevention Of Fraud	The results of this study indicate that internal audit has an effect on preventing fraud in the management of village fund management in Denpasar City. Whistleblowing system affects the

		By Internal Control As Intervening Variables	prevention of fraud in the management of village funds in Denpasar City. Organizational culture affects the prevention of fraud in the management of village funds in Denpasar City.
8	Devi Melinda, Enung Nurhayati dan Dendi Purnama, 2023	The Effect of Organizational Culture, Internal Control, Proactive Fraud Audit and Whistleblowing System on Fraud Prevention in the Management of BOS Funds	The results of this study indicate that organizational culture, internal control, proactive fraud audit and whistleblowing system simultaneously and significantly affect fraud prevention in the management of School Operational Assistance funds, organizational culture has a significant positive effect on fraud prevention in the management of School Operational Assistance funds, internal control has a significant positive effect on fraud prevention in the management of School Operational Assistance funds, proactive fraud audit has a significant positive effect on fraud prevention in the management of School Operational Assistance funds, and whistleblowing system has a significant positive effect on fraud prevention in the management of School Operational Assistance funds.
9	Rofiana Adawiyah, Cris Kuntadi dan Rachmat Pramukty, 2023	Literature Review: The Effect of Internal Control, Whistleblowing System, and Internal Audit on Fraud Prevention	The results of this literature research are the science of Internal Control, Whistleblowing System, and internal audit affect fraud prevention.
10	Eka Wiji Kuswati, 2023	The Effect of Organizational Culture, Individual Morality, Internal Control and Whistleblowing System on the Prevention of Accounting Fraud	Organizational culture does not have a positive effect on preventing accounting fraud, individual morality has a positive effect on preventing accounting fraud, internal control has a negative effect on preventing accounting fraud and the whistleblowing system has a positive effect on preventing accounting fraud.

Based on theoretical studies and previous research, the average organizational culture has assessment indicators consisting of people orientation, team orientation and aggressiveness (Reskia and Sofie, 2022). Of the 10 journals studied in the 2019-2023 period which are relevant to the influence of organizational culture on fraud prevention, there is only 1 journal which states that organizational culture does not have a positive influence on fraud prevention (Kuswati, 2023), so that based on the results of previous research it can be concluded that organizational culture has a positive influence on fraud prevention.

These results are in line with 9 other studies which state that organizational culture has a positive influence on fraud prevention, where if fraud that occurs in a work environment is an action that is considered normal by those who work in the company environment, this action will become a culture within the company (Witari and Putra, 2023). To overcome this, it is necessary to increase the values, beliefs and norms that exist within each individual in the company in order to improve the existing organizational culture and compliance with all existing regulations, thus eliminating and preventing fraud. This research is also in line with attribution theory which states that individual behavior is determined by two factors, namely internal and external factors (Fritz Heider in Reskia and Sofie, 2022).

Based on theoretical studies and previous research, the role of internal audit consists of indicators of professional ability and expertise, the scope of audit work, the implementation of tasks in audit activities, the management of the internal audit section (Reskia and Sofie, 2022). The results of research from 5 journals researched from journals relevant to the influence of internal audit on fraud prevention in the period 2022-2023 there is only 1 study which states that the role of internal audit has no effect on fraud prevention (Monica, Nasrizal and Rasuli,

2023) so that it can be concluded that based on the results of research from 4 other journals organizational culture has a significant positive effect on fraud prevention.

The results of this study are in line with Firmansyah's statement in (Witari and Putra, 2023) that the crucial supervisory role against fraud makes internal audit an important work unit. This shows that when internal audit has sufficient expertise and capabilities in finance and accounting, internal audit can carry out its responsibilities to help management prevent fraud (Adawiyah et al., 2023).

CONCLUSION

Based on the summary of research findings provided, we can draw the following conclusions:

1. The majority of studies (9 out of 10) suggest that organizational culture has a positive influence on fraud prevention.
2. When fraud is normalized within an organization's culture, it can lead to increased incidents of fraud.
3. Enhancing values, beliefs, and norms within an organization is crucial for improving organizational culture and promoting compliance with regulations, which, in turn, helps eliminate and prevent fraud.
4. These findings align with attribution theory, which highlights the importance of both internal and external factors in influencing individual behavior.
5. Research indicates that the role of internal audit has a significant positive effect on fraud prevention in the majority of cases (4 out of 5 studies).
6. Proficient and knowledgeable internal audit teams, particularly in finance and accounting, play a critical role in effectively preventing fraud within an organization.
7. Internal audit is considered an important unit for supervising and preventing fraud within organizations.

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