

**THE INFLUENCE OF INTERNAL CONTROL ON FRAUD PREVENTION
IN COMPANY FINANCIAL MANAGEMENT**



UNDERGRADUATE THESIS

Prepared to Fulfill the Requirements for Completing Education of Applied Bachelor
(D-IV) in Public Sector Accounting at the Accounting Department of
Sriwijaya State Polytechnic

BY:

RAHMA DAMAYANTI

062140512711

POLITEKNIK NEGERI SRWIJAYA

PALEMBANG

2026

**THE INFLUENCE OF INTERNAL CONTROL ON FRAUD PREVENTION
IN COMPANY FINANCIAL MANAGEMENT**



UNDERGRADUATE THESIS

Prepared to Fulfill the Requirements for Completing Education of Applied Bachelor
(D-IV) in Public Sector Accounting at the Accounting Department of
Sriwijaya State Polytechnic

BY :

RAHMA DAMAYANTI

062140512711

POLITEKNIK NEGERI SRIWIJAYA

PALEMBANG

2026

**KEMENTERIAN PENDIDIKAN TINGGI, KEBUDAYAAN, RISET DAN
TEKNOLOGI**



**POLITEKNIK NEGERI SRIWIJAYA
JURUSAN AKUNTANSI**

**Jalan Srijaya Negara, Palembang 30139
Telepon (0711) 353414 Fax. 0711-355918**

Website : www.polsri.ac.id E-mail: akuntansi@polsri.ac.id



NON-PLAGIARISM DECLARATION

The undersigned :

Name : Rahma Damayanti
Nim : 062140512711
Major : Akuntansi Sektor Publik
**Thesis Title : The Influence of Internal Control on Fraud Prevention in
Company Financial Management**

Hereby declare :

- 1. The thesis that I wrote with the title as stated above and its contents are the result of my own writing.**
- 2. The thesis is not plagiarized or copied from someone else's thesis.**
- 3. If this thesis is later declared to be plagiarized or a copy of someone else's thesis, then I am willing to bear the consequences.**

Thus, I have made this statement letter truthfully in a conscious state, to be known and used as it should be.

Palembang , 2026

Who made the statement



Rahma Damayanti

NIM 062140512711

DECLARATION FORM

With this, I declare that work has been carried out by the regulations of Management Science University. This result is original from my own work and that no part of the work on this thesis has been submitted in support of the application for any other degree or diploma from this university or any other university or institution of learning.

I here by declare that have been supplied with the Academic Rules and Regulations for Under Graduate, Management and Science University, regulating the conduct of my study and research.

Name of student	: Rahma Damayanti
Student Number	: 012024090475
Programme	: Bachelor in Accounting and Finance
Faculty	: Faculty of Business Management and Professional
Studies Research Title	: The Influence of Internal Control on Fraud Prevention in Company Financial Management

Signature of Student :

Date : 2026

KEMENTERIAN PENDIDIKAN TINGGI, KEBUDAYAAN, RISET DAN
TEKNOLOGI



POLITEKNIK NEGERI SRIWIJAYA
JURUSAN AKUNTANSI

Jalan Srijaya Negara, Palembang 30139
Telepon (0711) 353414 Fax. 0711-355918

Website : www.polsri.ac.id E-mail: akuntansi@polsri.ac.id



FINAL REPORT RATIFICATION PAGE

Name : Rahma Damayanti
Nim : 062140512711
Major : Akuntansi Sektor Publik
Subject : Analisis Laporan Keuangan
Thesis Title : The Influence of Internal Control on Fraud Prevention in
Company Financial Management

Has Been Tested/Colloquium Exam On May 22, 2025

Before The Accounting Departement Examiner Team

Sriwijaya State Polytechnic and Management & Science University

Palembang, 2026

Mentor I,

Suryanti Binti Mamat

Employee No. S012021100012

Mentor II,

Jovan Febriantoko, S.E., Ak., M.Acc

NIP 199102022020121000

Head of Accounting Departement,

Dr. Kartika Rachma Sari, S.E., M.Si., Ak., Ca

NIP 197104121998022001

MOTTO DAN PERSEMBAHAN

Motto:

“Maka sesungguhnya bersama kesulitan ada kemudahan. Maka apabila engkau telah selesai (dari suatu urusan), tetaplah bekerja keras (untuk urusan yang lain).

Dan hanya kepada TUHAN mu lah engkau berharap”

(QS. Al-Insyirah, 6-8)

“Allah tidak membebani seseorang melainkan sesuai dengan kesanggupannya.”

(QS. Al-Baqarah: 286)

Persembahan:

Skripsi ini penulis persembahkan kepada Ayah, Ibu, dan Nyai tercinta yang senantiasa memberikan doa, kasih sayang, serta dukungan tanpa henti selama penulis menempuh pendidikan. Terima kasih atas segala pengorbanan, perhatian, nasihat, dan kesabaran yang telah diberikan. Semoga pencapaian ini dapat menjadi kebahagiaan dan kebanggaan bagi Ayah, Ibu, dan Nyai.

Skripsi ini juga penulis persembahkan kepada kakak tercinta dan kakak ipar yang selalu memberikan bantuan, dukungan, serta semangat selama proses penyelesaian skripsi ini. Terima kasih atas segala kebaikan dan bantuan yang telah diberikan. Tidak lupa, penulis persembahkan skripsi ini kepada orang terdekat yang senantiasa memberikan doa, perhatian, semangat dan motivasi dalam setiap langkah.

ACKNOWLEDGEMENT

This study was made possible through the support and guidance of several individuals to whom I am deeply grateful. First and foremost, my utmost praise and gratitude go to the Almighty Allah SWT, whose countless blessings and guidance enabled me to successfully complete this research.

I would like to extend my sincere appreciation to my supervisor, Madam Suryanti Binti Mamat and Sir Jovan Febriantoko, S.E., Ak., M.Acc, for continuous support, valuable insights, and unwavering guidance throughout every phase of this study. I would also like to thank my research project lecturers Dr. Abd Hadi bin Mustaffa and Assoc Prof. Dr. Azzam Abdelhakeem Khalid for the guidance, support, and patience in helped me from the very start until the end of completing this study.

I owe my deepest gratitude to my beloved parents Mukhyar and Yusmalawati, my sister Mutia Shirly Delfa Yanti, S. Pd., Gr and my grandmother Nurbaya for your unconditional love, prayers, and sacrifices. Constant encouragement has been the foundation of my perseverance and motivation. You have made me feel extremely lucky to have such a wonderful family.

Additionally, I would like to thank my friends Maulidyah Rais , Revi, Fatma, Lika and Citra for their companionship, understanding, and support throughout this journey. Your presence made the process more bearable and meaningful. And also to my beloved cats, Cimoy and Neng, whose presence provided comfort and motivation throughout the completion of this thesis.

I am also grateful to Muhammad Fauzan Ramadhan who always has unwavering support throughout the preparation of this thesis, thank you for being a part of my life journey. May this thesis serve as a reflection of the collective support and kindness I have received.

(RAHMA DAMAYANTI)

Bachelor in Accounting and Finance

THE INFLUENCE OF INTERNAL CONTROL ON FRAUD PREVENTION IN COMPANY FINANCIAL MANAGEMENT

Rahma Damyanti¹, Suryanti Binti Mamat², Jovan Febriantoko³

*¹Faculty of Business Management and Professional Studies Management and Science
University, Malaysia*

²Accounting Departement, Sriwijaya State Polytechnic, Indonesia Corresponding author

email : rahmadamayanti0411@gmail.com

ABSTRACT

Fraud prevention is a critical concern for organizations aiming to protect their assets and ensure operational integrity. This study examines the influence of risk assessment, control environment, and control activities on fraud prevention within companies. Using panel data regression analysis on data collected from 2021 to 2023, the study evaluates the effects of Debt to Equity Ratio (DER) as a proxy for risk assessment, Return on Equity (ROE) for control environment, and Activity Testing Ratio (ATR) for control activities. The results indicate that risk assessment (DER) has a positive but statistically insignificant impact on fraud prevention. In contrast, control environment (ROE) exhibits a significant negative effect, suggesting potential weaknesses or misalignments in this area. Meanwhile, control activities (ATR) demonstrate a significant positive effect, underscoring their vital role in mitigating fraud risks. The overall model explains approximately 55% of the variance in fraud prevention outcomes. These findings highlight the importance of strengthening control activities to effectively prevent fraud, while also calling for a reevaluation of control environment practices. This study contributes to the understanding of internal control mechanisms and offers practical insights for managers and policymakers aiming to enhance fraud prevention strategies.

Keywords: Fraud Prevention, Risk Assessment, Control Environment, Control Activities, Panel Data Regression

Pengaruh Pengendalian Internal terhadap Pencegahan Kecurangan dalam Manajemen Keuangan Perusahaan

Rahma Damyanti¹, Suryanti Binti Mamat², Jovan Febriantoko³

¹Faculty of Business Management and Professional Studies Management and Science University, Malaysia

²Accounting Departement, Sriwijaya State Polytechnic, Indonesia Corresponding author

email : rahmadamayanti0411@gmail.com

ABSTRACT

Pencegahan kecurangan merupakan aspek penting bagi perusahaan dalam melindungi aset dan menjaga integritas operasional. Penelitian ini bertujuan untuk mengetahui pengaruh penilaian risiko, lingkungan pengendalian, dan aktivitas pengendalian terhadap pencegahan kecurangan pada perusahaan. Penelitian ini menggunakan analisis regresi data panel dengan data yang dikumpulkan selama periode 2021 – 2023. Penilaian risiko diukur dengan Debt to Equity Ratio (DER), lingkungan pengendalian diukur dengan Return on Equity (ROE), dan aktivitas pengendalian diukur dengan Activity Testing Ratio (ATR). Hasil penelitian menunjukkan bahwa penilaian risiko (DER) berpengaruh positif tetapi tidak signifikan terhadap pencegahan kecurangan. Sebaliknya, lingkungan pengendalian (ROE) berpengaruh negatif dan signifikan terhadap pencegahan kecurangan, yang menunjukkan adanya kemungkinan kelemahan atau ketidaksesuaian dalam penerapan lingkungan pengendalian. Sementara itu, aktivitas pengendalian (ATR) berpengaruh positif dan signifikan terhadap pencegahan kecurangan, yang menunjukkan peran penting aktivitas pengendalian dalam mengurangi risiko terjadinya kecurangan. Secara keseluruhan, model penelitian mampu menjelaskan sekitar 55% variasi dalam pencegahan kecurangan. Hasil penelitian ini menunjukkan bahwa penguatan aktivitas pengendalian diperlukan untuk meningkatkan efektivitas pencegahan kecurangan serta perlunya evaluasi terhadap penerapan lingkungan pengendalian. Penelitian ini memberikan kontribusi terhadap pemahaman mengenai mekanisme pengendalian internal serta memberikan wawasan bagi manajemen dan pembuat kebijakan dalam meningkatkan strategi pencegahan kecurangan.

Kata Kunci: Pencegahan Kecurangan, Penilaian Risiko, Lingkungan Pengendalian, Aktivitas Pengendalian, Regresi Data Panel

TABLE OF CONTENT

FRONT COVER PAGE	i
INSIDE COVER PAGE	ii
NON-PLAGIARISM DECLARATION	iii
DECLARATION FORM	iv
FINAL REPORT RATIFICATION PAGE	v
MOTTO DAN PERSEMBAHAN	vi
ACKNOWLEDGEMENT	vii
ABSTRACT	viii
TABLE OF CONTENT	x
LIST OF TABLES	xiii
BAB 1 INTRODUCTION	12
1.0 Introduction.....	12
1.1 Background of Study	12
1.2 Problem Statement	15
1.3 Research Questions.....	17
1.4 Research Objectives.....	17
1.5 Significance of Study.....	17
1.5.1 Theoretically Significance.....	17
1.5.2 Practical Significance	18
1.6 Research Gap	18
1.7 Scope of the Study	19
1.8 Definition of Key Terms.....	19
1.8.1 Internal Control.....	19
1.8.2 Fraud Prevention	19
1.9 Chapter Summary	20
BAB 2 LITERATURE REVIEW	21
2.0 Introduction.....	21
2.1 Literature Review	21
2.1.1 Internal Control.....	21
2.1.2 Risk Assesment.....	23

2.1.3 Control Environment	24
2.1.4 Control Activities.....	24
2.1.5 Fraud Prevention	25
2.2 Underpinning Theory.....	29
2.2.1 Fraud TriangleTheory.....	29
2.2.2 Theory of Planned Behavior	30
2.2.3 Relevance of Internal Control Theory to Fraud Prevention	31
2.3 Conceptual Framework.....	31
2.4 Hypothesis Development	32
2.4.1 The Effect of Risk Assessment on Fraud Prevention in Corporate Financial Management	32
2.4.2 The Effect of Control Environment on Fraud Prevention in Corporate Financial Management	33
2.4.3 The Effect of Control Activities on Fraud Prevention in Corporate Financial Management	34
2.5 Chapter Summary	34
BAB 3 RESEARCH METHODOLOGY	36
3.0 Introduction.....	36
3.1 Research Design	36
3.2 Data and Sources	36
3.3 Population and Sample	37
3.4 Measurement of Dependent Variable	38
3.4.1 Fraud Prevention	39
3.5 Measurement of Independent Variable.....	40
3.5.1 Risk Assesment.....	40
3.5.2 Control Environment.....	41
3.5.3 Control Activities.....	42
3.6 Research Model Design.....	44
3.7 Chapter Summary	45
BAB 4 RESULTS AND DISCUSSION	46
4.1 Introduction.....	46
4.2 Data Analysis	46
4.3 Descriptive Statistic Analysis	46

4.4 Correlation Test	49
4.5 Selection of Panel Data Regression Models (Before Cochran - Orcutt Transformation).....	50
4.6 Panel Data Regression Analysis Test.....	52
4.7 Coefficient of Determination Test	53
4.8 Classical Assumption Test.....	54
4.9 Selection of Panel Data Regression Models (After Cochran - Orcutt Transformation).....	56
4.10 Panel Data Regression Analysis Test	57
4.11 Determination Coefficient Test.....	59
4.12 Discussion.....	59
4.13 Chapter Summary	61
BAB 5 CONCLUSION AND RECOMMENDATION	62
5.1 Introduction.....	62
5.2 Overview of Study	62
5.3 Summary of Research Findings	63
5.3.1 The Influence of Risk Assessment on Fraud Prevention	64
5.3.2 The Influence of Control Environment on Fraud Prevention	64
5.3.3 The Influence of Control Activities on Fraud Prevention	65
5.4 Contribution of Study	66
5.4.1 Body of Knowledge	66
5.4.2 Theory	67
5.4.3 Practical.....	67
5.5 Limitation of Study.....	68
5.6 Suggestion for Future Research	68
5.7 Conclusion	69
REFERENCES	70
APENDICES	75

LIST OF TABLES

Table 3.1 Summary of Variable Measurement	44
Table 4.1 Descriptive Statistic	46
Table 4.2 Pearson Correlation Test.....	49
Table 4.3 Chow Test	50
Table 4.4 Hausman Test.....	51
Table 4.5 Lagrange Multiplier Test	51
Table 4.6 Random Effect Model Regression Test	52
Table 4.7 Coefficient of Determination Test	53
Table 4.8 Normality Test	54
Table 4.9 Autocorrelation Test	54
Table 4.10 Heteroscedasticity Test	55
Table 4.11 Multicollinearity Test	55
Table 4.12 Chow Test	56
Table 4.13 Hausman Test.....	56
Table 4.14 Lagrange Multiplier Test	57
Table 4.15 Panel Data Regression Analysis Test.....	58
Table 4.16 Determination Coefficient Test.....	59
Table 5.1 Summary of the Hypothesis Testing	63
Table 5.2 Hypothesis Testing Result	63