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The Effect of The Internal Control System Effectiveness and the Quality of Financial Reporting and Its Impact on Fraud Prevention of Bandung Regency

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ABSTRAK

Pencegahan fraud menjadi sangat penting ketika kita berbicara tentang bagaimana korupsi muncul sebagai topik utama pembahasan di berbagai negara termasuk di Indonesia. Laporan Tahunan Komisi Pemberantasan Korupsi Tahun 2018 mengungkapkan bahwa secara umum tren penindakan KPK selama 10 tahun terakhir menunjukkan kenaikan yang signifikan. Hal ini pun ditegaskan Presiden Jokowi bahwa salah satu problem besar Bangsa Indonesia adalah yang berkaitan dengan korupsi. Penelitian ini dilakukan untuk memahami fraud yang dilihat dari perspektif laporan keuangan melalui pengaruh sistem pengendalian internal dan good corporate governance. Penelitian ini menggunakan pendekatan penelitian penjelasan (explanatory research) untuk menganalisis bagaimana suatu variabel mempengaruhi variabel yang lain melalui pengujian hipotesis. Pengumpulan data dilakukan menggunakan kuesioner yang disebarakan kepada seluruh perangkat daerah di Kabupaten Bandung dan diisi oleh kepala perangkat daerah serta dianalisis melalui analisis jalur menggunakan alat bantu pengolahan data SPSS. Hasil penelitian menunjukkan, secara simultan efektivitas sistem pengendalian internal, implementasi good corporate governance dan kualitas laporan keuangan berpengaruh positif terhadap pencegahan fraud sementara secara parsial variabel efektivitas sistem pengendalian internal tidak berpengaruh secara signifikan terhadap fraud, sementara dua variabel lain berpengaruh signifikan.

ABSTRACT

The corruption has emerged as the main topic of discussion in many countries and fraud prevention becomes important as well. The 2018 Annual Report of the Corruption Eradication Commission (KPK) revealed that in general the KPK's enforcement action over the past 10 years showed a significant increase. This was also confirmed by President Jokowi that one of the big problems of Indonesia is related to Corruption This study is aimed to discover fraud prevention from the perspective of financial statements through the internal control system effectiveness and good corporate governance implementation. This study uses an explanatory research approach to analyze how one variable affects other variables through hypothesis testing.

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The data was collected using a questionnaire which distributed and filled by all regional authorities in Bandung Regency and then analyzed through path analysis using SPSS data processing tools. The results indicate that the effectiveness of internal control systems along with the good corporate governance implementation and the quality of financial statements have a positive effect on fraud prevention and partially the effectiveness variable of the internal control system has no significant effect, while the other two variables have a significant effect.

INTRODUCTION

The importance of financial reports was expressed by Nunuy Nur Afiah when speaking at Graha Widyaloka, Universitas Brawijaya Malang (2018), that the quality of financial reports is very important to mitigate the occurrence of corruption because financial statements are a form of government transparency to the public. President Jokowi himself in 2016 on an occasion at the National Corruption Eradication Conference (KNPK) in Jakarta stated that the Indonesian nation faces 3 (three) major problems, namely corruption, bureaucratic inefficiency, and infrastructure.

During the period 2004 - 2019, the KPK has handled corruption cases of regional heads, namely regents as many as 74 cases and 23 cases involving mayors and 17 cases involving governors, while throughout 2018 five regional heads in West Java province were entangled in corruption cases, namely the Regent Cirebon, Regent of Bekasi, Regent of Subang, Regent of West Bandung and Regent of Cianjur. Then the dynamics of significant changes in Bandung Regency's opinion on financial statements from a disclaimer to getting the highest level of Unqualified Opinion in the last 5 years have attracted the attention of researchers by trying to see the factors that affect the quality of financial reports produced by the Bandung Regency Government. Based on this background, the researcher is interested in conducting more in-depth research to find out how the effectiveness of the internal control system and the implementation of good corporate governance can facilitate the task of reporting and managing regional finances, to achieve the objectives of financial reporting and how the impact on fraud prevention is.

LITERATURE REVIEW

Nagor et al. (2015) and Agbenyo et al. (2018) state that internal control plays an important role and is positively correlated to the quality of financial reports, this is also in line with several previous studies (Astuti, 2016; Rokhlianasari & Hidayat, 2016; Widyaningsih, 2015). Ramdany (2015) mentions that there is a relationship between accounting information systems, the effectiveness of internal control, and the quality of financial reports, where the accounting information system and the effectiveness of internal controls have a significant effect on the quality of financial reports, as well as research by Darmawan et al. (2017) who concludes that there is a positive effect. and significant between the variables of the effectiveness of internal control, work experience, and the quality of human resources in the accounting field on the quality of financial reports. Meanwhile, in another study, Nurlis and Yadiati (2017) stated that human resource competence had a positive effect on the quality of financial reports, while the

effectiveness of internal control and the use of information technology did not significantly affect the quality of financial reports.

Good corporate governance which is commonly used by private organizations then becomes relevant to be used to measure public organizations as the development of the New Public Management (NPM) concept as an approach by adopting private sector values to be applied to the government sector as mentioned by Indahsari and Raharja (2020) and Wicaksono (2018) also stated that the main substance in the implementation of New Public Management (NPM) is to adopt the values that apply to the private sector in managing the public sector. The results of research by Onuorah et al. (2016) stated that corporate governance indicators have a significant effect on the quality of financial reports. This is in line with the opinion of Akeju and Babatunde (2017) that with the increasing level of corporate governance described as managerial independence and freedom of internal auditors, the implications for increasing the quality of financial reports, the same conclusion is also obtained by Trai et al. (2018) Mihalea and Iulian (2012) state that corporate governance and an internal control cannot be separated from each other, an organization without a long-term view of its leadership, an effective internal control mechanism will not last long so that corporate governance will not work effectively without internal control. Good governance. Afiah and Azwar (2015) conclude that partially the implementation of the government's internal control system has a significant and positive effect on the quality of local government financial reports and the quality of financial reports also has a significant and positive effect on the principles of good governance. But simultaneously the implementation of the government's internal control system through the quality of financial reports does not have a significant but positive effect on the principles of good governance. According to Sukmadilaga, Pratama, and Mulyani (2015) state that the government has an important role in realizing good governance, because in general when good governance has become part of governance, public trust will be easily obtained.

Jannah (2016) concluded that the application of the principles of good corporate governance affects increasing fraud prevention, this result is in line with Soleman's (2013) research on 72 SKPD of the North Maluku Provincial Government with research results showing that good corporate governance has an effect on fraud prevention and the results are Saputra (2017) also found that good corporate governance affects fraud prevention. Kustiawan (2016) in his research on the influence of Internal Control and Follow-up on Audit Findings on the Quality of Financial Statements with Implications for Fraud Prevention, concluded that the quality of financial reports has implications for fraud prevention. Purnamasari et al. (2015) state that partially the effectiveness of the internal control system has a significant negative effect on fraud and simultaneously the effectiveness of the internal control system, compliance with accounting rules, perceptions of compensation suitability, and implementation of good governance have a simultaneous negative effect on the tendency of fraud. Nura'eni (2016) in her research analyzing the effect of the effectiveness of the internal control system and the quality of human resources on fraud, concluded that simultaneously the effectiveness of the internal control system and the quality of human resources affect fraud, Conscience and Octavia (2016) mention the influence of the effectiveness of the system. internal control on fraud prevention.



The author then tries to elaborate on various existing studies, we can see the internal control system, good corporate governance and financial statements that have strong relationships but have never been studied together how their impact on fraud prevention. The researcher himself took data at the Bandung Regency locus on the grounds that the research location was the only Regency in Greater Bandung that had never been involved in a corruption case.

So, from the framework of thought and explanation of the relationship between variables in previous studies, the following hypotheses can be written:

1. "The effectiveness of internal control has a positive effect on the quality of financial reports"
2. "Implementation of Good Corporate Governance has a positive effect on the quality of financial reports"
3. "The effectiveness of internal control has a positive effect on fraud prevention"
4. "Implementation of Good Corporate Governance has a positive effect on fraud prevention"
5. "The quality of financial reports has a positive effect on fraud prevention"

RESEARCH METHODS

This research was conducted at the Bandung Regency Government, West Java Province, with Pratama leadership officials in all regional apparatuses in Bandung Regency, West Java Province as research subjects. The research population is all echelon 2 Pratama leaders in the Bandung Regency regional apparatus which consists of 34 regional apparatuses. The unit of analysis in this study itself is the Primary Leadership in the regional apparatus of Bandung Regency in West Java Province using the census nonprobability sampling technique because the entire population is taken as the research sample.

This study uses an explanatory research approach and is collaborated with quantitative descriptive research which is a study of problems in the form of current facts from a population. This research was conducted to test the hypothesis (hypothesis testing) by testing the relationship to all the variables studied (causal research). The method used in this study is path analysis with the help of SPSS through Likert scale measurements (Sugiyono, 2016).

The independent variables used in this study are the effectiveness of the internal control system and the implementation of good corporate governance. The variable effectiveness of the internal control system consists of four dimensions, namely effective and efficient activities, reliable financial reports, safeguarding state assets, and compliance with laws and regulations. Meanwhile, the implementation of good corporate governance consists of fairness, accountability, responsibility, and transparency. The dependent variable in this study is the Quality of Financial Reports and Fraud Prevention. The quality of financial reports consists of the following dimensions, namely relevant, reliable, understandable, and comparable. Fraud

prevention is described in the dimensions of setting anti-fraud policies, standard prevention procedures, organization, control techniques, and sensitivity to fraud.

The variables used in this study were then tested from the data obtained in the form of descriptive analysis and verification analysis. This research was conducted using a questionnaire so that the validity and reliability tests were carried out by the authors using the Pearson moment product validity test and the reliability test by measuring the value of Cronbach's alpha.

RESULTS AND DISCUSSIONS

Descriptive Analysis

The variable of implementing good corporate governance gets the lowest average value compared to the others, which is 3.86. This indicates that the implementation of good corporate governance is considered not optimal in Bandung Regency. Meanwhile, the financial report quality variable gets the highest average value at 4.34, indicating the perception of respondents who think that the quality of the Bandung Regency Government's financial reports is considered quite good.

Table 1 Descriptive analysis of variables and dimensions

Variables	Dimensions	N	Min	Max	Total score	Average score
Internal Control System Effectiveness	<i>effective and efficient activities</i>	102	102	510	420	4,12
	<i>reliable financial reports</i>	102	102	510	418	4,10
	<i>safeguarding state assets</i>	136	136	680	520	3,82
	<i>compliance with laws and regulations</i>	102	102	510	416	4,08
	<i>Total value</i>	442	442	2.210	1.774	4,01
The Implementation of Good Corporate Governance	<i>Fairness</i>	68	68	340	283	4,16
	<i>Accountability</i>	102	102	510	366	3,59
	<i>Responsibility</i>	102	102	510	386	3,78
	<i>Transparency</i>	68	68	340	278	4,09
	<i>Total value</i>	340	340	1.700	1.313	3,86
Quality of Financial Reports	<i>Relevant</i>	136	136	680	596	4,38
	<i>Reliable</i>	136	136	680	592	4,35
	<i>Understandable</i>	68	68	340	294	4,32
	<i>Comparable</i>	102	102	510	438	4,29
	<i>Nilai total</i>	442	442	2.210	1.920	4,34
Fraud prevention	<i>Setting anti-fraud policy</i>	102	102	510	426	4,18
	<i>Standard prevention procedures</i>	86	86	340	298	4,38
	<i>Organization</i>	86	86	340	298	4,21



<i>Variables</i>	<i>Dimensions</i>	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Total score</i>	<i>Average score</i>
	<i>Control techniques</i>	86	86	340	595	4,35
	<i>Sensitivity to fraud</i>	86	86	340	566	4,06
	<i>Nilai total</i>	374	374	1.870	1.582	4,23

Verification Analysis

From the results of the validity test, it was found that each question item tested produced a value above 0.3, so it can be said that all the question items used in this study were considered valid and the data could be used further for analysis. The results of the reliability test also found that all items representing the variables to be studied were all above 0.7, so the questions in this questionnaire could be used in this study. Then based on the normality test with the Kolmogorov-Smirnov test, the KSZ value of 0.618 and Asymp.sig of 0.840 is greater than 0.05, it can be concluded that the data is normally distributed.

Table 2 Normality test results

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			34
Normal Parameters ^{a,b}	Mean		,0000000
	Std. Deviation		3,08207277
Most Extreme Differences	Absolute		,106
	Positive		,063
	Negative		-,106
Kolmogorov-Smirnov Z			,618
Asymp. Sig. (2-tailed)			,840

a. Test distribution is Normal.

b. Calculated from data.

Equation Model

Through data processing, the results of the calculations used to develop the equation model are as follows:

- First path model coefficient

Table 3 Processing results of path coefficient I
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0 1	,797 ^a	,636	,612	5,32796

a. Predictors: (Constant), The Implementation of GCG, The Effectiveness of SPI

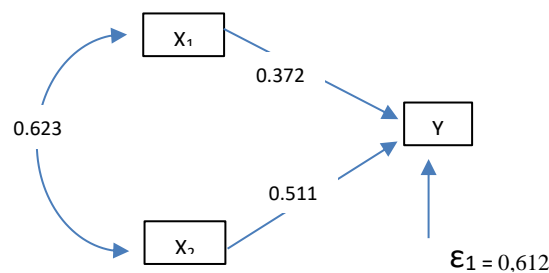
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4,224	6,962		-,607	,548
	Efektivitas SPI	,564	,209	,372	2,693	,011
	Implementasi GCG	,800	,217	,511	3,692	,001

a. Dependent Variable: The quality of Financial Reports

It can be seen that the significance value of the two variables, namely the effectiveness of the internal control system is 0.011 and the implementation of good corporate governance is 0.001, less than 0.05. These results conclude that the variables of the effectiveness of the internal control system and the implementation of good corporate governance have a significant effect on the quality of financial reports. The value of The R square contained in the model summary table is 0.612. This shows that the contribution of the effectiveness of the internal control system and the implementation of good corporate governance to the quality of financial reports is 61.2%, while the remaining 38.8% is the contribution of other variables not included in the study. This is in line with several similar studies, namely Onourah et.al (2016), Bangun Tua (2015), and Kesuma et al. (2017), which state that the internal control system and good corporate governance affect the quality of financial reports. Meanwhile, for the value of $e1 = (1 - 0.612) = 0.623$, the path diagram of the first structural model is obtained as follows:

Figure 1 Model path coefficient I





b. Second path model coefficient

Table 4 Processing results of path coefficient II

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,905 ^a	,819	,801	2,69357

a. Predictors: (Constant), Kualitas Lapkeu, Efektivitas SPI, Implementasi GCG

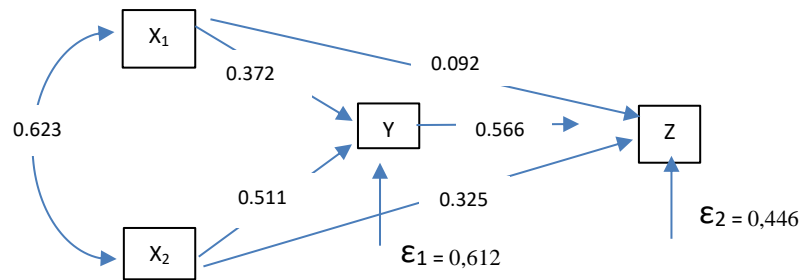
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,725	3,540		1,335	,192
	Efektivitas SPI	,100	,118	,093	,846	,404
	Implementasi GCG	,360	,131	,325	2,736	,010

a. Dependent Variable: Fraud prevention

Based on the output of the second regression, it can be seen that the significance value of the three variables is the effectiveness of the internal control system = 0.404, the implementation of good corporate governance = 0.010, and the quality of financial reports = 0.000 which is smaller than 0.05. These results indicate that the effectiveness of the internal control system on fraud prevention in this study is not significant while the implementation of good corporate governance and the quality of financial reports have a significant effect on fraud prevention. The value of The R square contained in the summary model is 0.801. This shows that the effectiveness of the internal control system, the implementation of good corporate governance, and the quality of financial reports contribute to the prevention of fraud by 80.10%. While the remaining 19.90% is a contribution from other variables not examined. This shows the magnitude of the simultaneous influence of the three independent variables on the dependent variable together, so that an increase in the internal control system, good corporate governance, and the quality of financial reports will have an impact on the level of fraud prevention in the Bandung Regency Government with an increase of 80, 10%, fraud. This can be seen from the achievements of Bandung Regency in financial management and audit findings where in the last 3 (three) years Bandung Regency has received an Unqualified Opinion (WTP) on the Audit Result Report (LHP) by the Supreme Audit Agency which is the highest achievement in Opinion rating issued by the Supreme Audit Agency. These results are in line with several other similar studies, namely Nurani & Octavia (2016), Jannah 2016, Spatacean (2012), Manik & Kusasi (2019), and Omoolorun & Abilogun (2017), that the effectiveness of the internal control system, implementation of good corporate governance and the quality of financial reports affect the prevention of fraud. And for the value of $e1 = (1 - 0.801) = 0.446$ Thus the diagram of the path structure II model is obtained as follows:

Figure 2 Path coefficient model II



Simultaneous Test

We can see in table 5 below that the probability value of Sig is 0.000. Based on the provisions, if the probability value of Sig is greater than the alpha value = 0.05 or (0.05 Sig) then H0 is accepted and Ha is rejected, meaning that it is not significant. Meanwhile, if the alpha value of 0.05 is greater than or equal to the probability value of Sig or (0.05 Sig) then H0 is rejected and Ha is accepted, meaning that it is significant, so we can conclude the variable effectiveness of the internal control system, implementation of good corporate governance and Quality of Financial Statements simultaneously have a significant effect on fraud prevention.

Table 5 Simultaneous test results

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	984,090	3	328,030	45,212	,000 ^a
	Residual	217,660	30	7,255		
	Total	1201,749	33			

a. Predictors: (Constant), The Quality of Financial Reports, The Effectiveness of SPI, The Implementation of GCG

b. Dependent Variable: Fraud prevention

The effect of the effectiveness of the internal control system on the quality of financial reports

From the calculation results, the significance value (sig) of the variable effectiveness of the internal control system on the quality of financial reports is 0.011, which means it is smaller than the probability of 0.05 ($0.011 < 0.05$), it can be concluded that the variable effectiveness of the internal control system has a significant effect on the quality of financial reports. Thus, H0 is rejected and Ha is accepted, which is the hypothesis of the effect of the effectiveness of the internal control system on the quality of financial reports. This can also be seen from the calculation of tcount, which shows the effectiveness of the internal control system on the quality of financial reports. In the results of the variable test, it was found that tcount of 2,693 was



greater ($>$) than the value of t_{table} ($\alpha=0,05$) 1,690, which means that there is an effect of the effectiveness of the internal control system on the financial report quality variable or the hypothesis is accepted. This is in line with research by Ramdany (2015) and Darmawan et al. (2017) that the effectiveness of internal control has a significant effect on the quality of financial reports. From the calculation results, it can be seen that the effectiveness of the internal control system has an effect of 37.2% on the quality of financial reports. The internal control system implemented in Bandung Regency is directly proportional to what was achieved by Bandung Regency in 2018, where the SAKIP assessment in that year was better than the previous year which scored B to BB. SAKIP itself is an integration of the planning system, budgeting system, and performance reporting system, which is in line with the implementation of the financial accountability system. In this case, every organization is required to record and report every use of state finances and their compliance with applicable regulations.

The effect of the implementation of good corporate governance on the quality of financial reports

The implementation of good corporate governance produces a significance value of 0.001 through calculations. This means that this variable has a significant effect, wherefrom the comparison it can be seen that $\text{sig } 0.001 < 0.05$, so it can be concluded that the implementation of good corporate governance has a significant effect on the quality of financial reports. This can also be seen from the calculation of t_{count} which obtained the implementation variable of good corporate governance on the quality of financial reports. In the variable test results, the t_{count} is 3.692, which is greater ($>$) than the t_{table} value ($\alpha=0.05$) 1.690, which means that there is an effect of the implementation of good corporate governance on the variable quality of financial reports or the hypothesis is accepted. These results confirm the research conducted by Akeju and Babatunde (2017) and Trai et al. (2018), Mihalea and Iulian (2012).

The effect of the effectiveness of the internal control system on fraud prevention

From the results of calculations involving the effectiveness of the internal control system and fraud, it is found that the significance value of the effectiveness of the internal control system against fraud is 0.404 or greater ($>$) than the probability value of 0.05. This indicates that the effect of the effectiveness of the internal control system on fraud prevention in this study is not significant. It can also be seen from the t_{count} calculation that the variable effectiveness of the internal control system against fraud prevention on the variable test results obtained t_{count} of 0.846, smaller ($<$) than the t_{table} value ($\alpha=0.05$) 1.690 which means that there is no effect of the effectiveness of the internal control system on fraud prevention partially so that H_0 is accepted or the hypothesis of the effect of the effectiveness of the internal control system on fraud prevention is rejected. While the path coefficient obtained is 0.093, in other words, the effect of the effectiveness of the internal control system on fraud is 9.3%, and the indirect effect of the effectiveness of internal control on fraud through the quality of financial reports is $= 0.093 \times 0.566 = 0.0526$ or the effectiveness of the internal control system has an effect of 5.2% through the quality of financial reports on fraud prevention. Purnamasari et al. (2015) research that (1)

partially the effectiveness of the internal control system has a significant negative effect on fraud, (2) partial accounting rule compliance has a significant negative effect on fraud, (3) partially the perception of compensation suitability has a significant negative effect on fraud, the implementation of good governance partially has a significant negative effect on fraud and (5) simultaneously the effectiveness of the internal control system, compliance with accounting rules, perceptions of compensation suitability and the implementation of good governance have a simultaneous negative effect on the tendency of fraud

The effect of implementing good corporate governance on fraud prevention

The calculation results get a significant value for the variable implementation of good corporate governance on fraud prevention of 0.010 or it can be said that the implementation of good corporate governance has a significant effect on fraud because $\text{sig } 0.010 < \alpha$ probability value of 0.05. The same result is obtained from the t-count calculation which shows that the variable implementation of good corporate governance on fraud prevention in the variable test results obtained tcount of 2.736 which is greater ($>$) than the value of ttable ($\alpha=0.05$) 1.690 which means that there is a significant effect implementation of good corporate governance on fraud prevention partially so that h_0 is rejected and h_a is accepted or the hypothesis of the effect of implementing good corporate governance on fraud prevention is accepted. This is in line with Saputra's research (2017), that good corporate governance both jointly and partially has a significant effect on fraud where the application of good corporate governance can reduce the level of fraud. These results are also in line with Soleman's (2013) research which examined the effect of internal control systems and good corporate governance on fraud prevention, through questionnaires distributed to 72 SKPD of the North Maluku Provincial Government. The results of this study indicate that good corporate governance affects fraud prevention. Then, Jannah's research (2016) concluded that the application of the principles of good corporate governance organized by BPRs in Surabaya affects increasing fraud prevention, which is proven by the ability of BPRs in Surabaya to maintain their existence and compete with other banks of larger size.

The influence of the quality of financial reports on fraud prevention

From the analysis of the calculation results, the significance value of financial report quality is 0.000 or less than the probability value of 0.05, so it can be concluded that there is a direct significant influence on the quality of financial reports on fraud prevention. The same result was then obtained from the calculation of tcount which obtained the variable quality of financial reports on fraud prevention. In the variable test results, it was found that tcount of 4.399 is greater ($>$) than the value of ttable ($\alpha=0.05$) 1.690, which means that there is a significant influence on the quality of financial statements on fraud prevention partially so that h_0 is rejected and h_a is accepted or the hypothesis of the influence of report quality financial support for fraud prevention is accepted. When viewed from the equation that has been obtained is 0.566, meaning that there is an influence of 56.6% on fraud prevention. This is following the results of Kustiawan's research (2016) which states that together the internal control variables, audit findings, and the quality of financial reports affect the prevention of fraud as much as



35.69%. The quality of financial reports and fraud prevention in this study got a high score on average when this questionnaire was distributed and then tabulated for description, each getting a total average score of 4.39 for financial reporting quality and 4.32 for fraud prevention. The characteristics of the quality of financial reports, according to Agung and Winarningsih (2016), which at least must be met so that financial statements can be useful for users, namely understandable, relevant, reliability and comparability get an average score above 4. It can also be seen that for 3 years Lastly, Bandung Regency received a WTP opinion on financial statements and the improvement in financial management as indicated by the reduced findings on financial administration audits as an implication of an indication of reduced fraud in Bandung Regency, then in terms of compliance with the principle of compliance, key performance indicators for assessment Reports on the Implementation of Bandung Regency Regional Government or commonly called LPPD in the last two years show that Bandung Regency always submits financial reports on time based on the mandate of Government Regulation Number 8 of 2006 Financial Reporting and Instant Performance the Government.

CONCLUSIONS

The results showed that the effectiveness of the internal control system simultaneously, the implementation of good corporate governance, and the quality of financial reports had a significant effect on fraud prevention. The results of the research on the relationship between variables partially there are two variables, namely the implementation of good corporate governance and the quality of financial reports have a significant and positive effect while the variable effectiveness of the internal control system has a positive and insignificant effect on fraud prevention, this shows efforts to implement an effective internal control system in the Regency. Bandung is considered not to have a significant effect on fraud prevention while the quality of financial reports shown by the WTP opinion on financial reports obtained by the Bandung Regency Government significantly affects fraud prevention where out of five urban districts in the Greater Bandung area, four regional heads include except for the district of Bandung, was entangled in corruption cases, although this should be done further research to see more deeply the extent to which financial statements affects the phenomenon of corruption in Indonesia. regional government. Judging from the path coefficient obtained more than zero (> 0) or positive with the contribution of the variable effectiveness of the internal control system, the implementation of good corporate governance and the quality of financial statements have a significant effect on fraud prevention by 80.10 % while the remaining 19.90 % is a contribution from other variables not examined.

The suggestion that the writer can put forward is to improve the management of regional assets which are still not optimal, the Bandung Regency Government can maximize the role of external auditors who can help identify the mapping of assets owned professionally and objectively. This research was conducted in the scope of regional apparatus in Bandung Regency so that similar research can also be carried out with more respondents and with a wider distribution so that it can provide another perspective on the current research results

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