THE EFFECT OF INTERNAL CONTROL AND GOOD GOVERNMENT GOVERNANCE ON FRAUD PREVENTION

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Abstract

Fraud remains a critical issue in public sector organizations, undermining accountability, transparency, and public trust in government institutions. Strengthening internal control systems and implementing Good Government Governance are widely regarded as essential strategies for preventing fraudulent practices. This study aims to examine the effect of internal control and Good Government Governance on fraud prevention in the public sector. Employing a quantitative research design, data were collected through structured questionnaires distributed to Government Internal Supervisory Apparatus at the Regional Inspectorate of South Konawe Regency, Indonesia. The data were analyzed using multiple linear regression supported by classical assumption testing. The findings indicate that internal control has a positive and significant effect on fraud prevention, demonstrating its role in minimizing opportunities for fraud through effective supervision and control mechanisms. In addition, Good Government Governance positively influences fraud prevention by promoting transparency, accountability, and ethical conduct within public institutions. These results confirm that the integration of robust internal control systems and sound governance practices is crucial for enhancing fraud prevention efforts. This study contributes to the public sector fraud prevention literature by providing empirical evidence that reinforces the importance of governance and control mechanisms in strengthening integrity and reducing fraud risks.

Keywords: Internal Control, Good Government Governance, Fraud Prevention

INTRODUCTION

Fraud remains a persistent and complex problem in both private and public sector organizations, particularly within government institutions that manage public resources. Fraud not only causes direct financial losses but also undermines public trust, weakens institutional credibility, and disrupts the achievement of organizational objectives. In the public sector, fraud manifests in various forms, including corruption, asset misappropriation, and financial statement manipulation, often occurring during planning, budgeting, procurement, and reporting processes (Pusdiklatwas BPKP, 2016). The increasing scale and sophistication of fraud cases indicate that conventional detection mechanisms alone are insufficient, highlighting the importance of preventive approaches.

Recent empirical evidence underscores the seriousness of fraud in Indonesia's public sector. The *Indonesia Fraud Survey 2025* released by the Association of Certified Fraud Examiners (ACFE) Indonesia Chapter reports that fraud cases within government institutions continue to dominate compared to other sectors, with corruption remaining the most prevalent form (ACFE Indonesia, 2025). These findings suggest that systemic weaknesses persist, particularly in governance structures and internal control mechanisms. Consequently, strengthening fraud prevention frameworks has become a strategic priority for public organizations.

One of the primary instruments for fraud prevention is an effective internal control system. Internal control is defined as a process designed and implemented by management to provide reasonable assurance regarding the achievement of organizational objectives related to operational effectiveness, reliable financial reporting, and compliance with laws and regulations (Pusdiklatwas BPKP, 2016). A well-functioning internal control system can reduce opportunities for fraud by establishing clear authority structures, segregation of duties, authorization procedures, and continuous monitoring. Prior studies consistently demonstrate that weak internal controls increase the likelihood of fraudulent behavior, while strong controls contribute significantly to fraud prevention (Wulandari & Nuryanto, 2018).

In addition to internal control, the concept of Good Government Governance (GGG) has gained substantial attention as a critical factor in preventing fraud in the public sector. Good Government Governance emphasizes principles such as transparency, accountability, participation, rule of law, and effectiveness in public administration. These principles are expected to create an environment that discourages unethical behavior and promotes responsible management of public funds (Fitriana & Suwandi, 2023). When governance practices are implemented consistently, they enhance oversight mechanisms and foster ethical conduct among public officials.

Empirical research supports the argument that governance quality is closely linked to fraud prevention. Studies have shown that good governance practices reduce corruption risks by improving accountability and limiting discretionary power (Lisdiono et al., 2023; Shidqi & Arfiansyah, 2025). Furthermore, governance frameworks that integrate internal control and audit functions are more effective in mitigating fraud risks compared to fragmented approaches. This integration ensures that governance principles are operationalized through concrete control activities rather than remaining normative concepts.

Despite extensive research on internal control and governance, inconsistencies remain in empirical findings, particularly regarding their relative and combined effects on fraud prevention. Some studies report that internal control has a dominant influence on fraud prevention (Hadisantoso et al., 2025), while others emphasize the stronger role of governance and organizational culture (Dewanata & Putra, 2024; Fitriana & Suwandi, 2023). Additionally, several studies focus on Good Corporate Governance in private sector settings, leaving a research gap concerning Good Government Governance in public sector institutions (Rahayu et al., 2024).

Moreover, many prior studies examine internal control and governance variables independently, without adequately addressing their interaction within a comprehensive fraud prevention framework. This fragmented approach limits the understanding of how internal control systems and governance principles jointly influence fraud prevention effectiveness. Considering that internal control operates as a technical mechanism and governance functions as a normative and structural framework, their interaction may produce synergistic effects that are not captured when analyzed separately.

Another limitation in existing literature is the contextual focus. Several studies are conducted in banking or corporate environments (Hadisantoso et al., 2025; Lisdiono et al., 2023), while empirical evidence from local government institutions remains relatively limited. Given the complexity of public sector accountability and the high discretion in budget management, examining fraud prevention within government contexts is both relevant and necessary. This study addresses this gap by focusing on public sector governance and control mechanisms.

Based on the above considerations, this research aims to analyze the effect of internal control and Good Government Governance on fraud prevention in the public sector. By integrating these two constructs into a single analytical model, the study contributes to a more comprehensive understanding of fraud prevention mechanisms. The findings are expected to provide theoretical contributions to fraud prevention literature and practical implications for policymakers and government managers in strengthening governance and control systems.

In summary, fraud prevention in government institutions requires not only robust internal control systems but also the consistent application of Good Government Governance principles. Addressing the existing research gaps, this study offers empirical evidence on the combined influence of these factors, thereby supporting the development of more effective and sustainable fraud prevention strategies in the public sector.

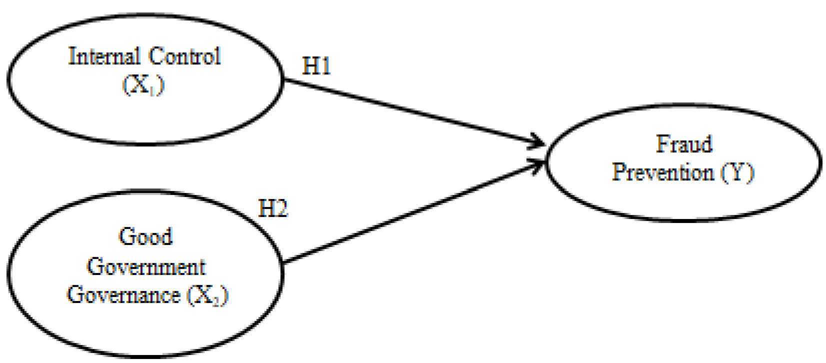

Figure 1.
Conceptual Framework
Source: Research Data, 2025

The conceptual framework of this study illustrates the direct relationships between internal control and Good Government Governance on fraud prevention in the public sector. Internal control is positioned as a key mechanism for preventing fraud by reducing opportunities for misconduct, strengthening supervision, and ensuring compliance with established procedures. Accordingly, this framework supports H1, which posits that internal control has a positive effect on fraud prevention.

Furthermore, Good Government Governance is conceptualized as an essential governance mechanism that promotes transparency, accountability, and integrity within public institutions. The consistent implementation of these principles is expected to create an environment that discourages fraudulent behavior and strengthens ethical conduct. Therefore, the framework supports H2, which states that Good Government Governance has a positive effect on fraud prevention.

RESEARCH METHOD

This study employed a quantitative research design to examine the effect of internal control and Good Government Governance (GGG) on fraud prevention in the public sector. A survey method using structured questionnaires was applied to collect numerical data, enabling objective statistical testing of causal relationships among variables. The research was conducted at the Regional Inspectorate Office of South Konawe Regency, Indonesia, in January 2026.

The population comprised all Government Internal Supervisory Apparatus (APIP) employees at the Regional Inspectorate. A purposive sampling technique was used to select respondents who met predefined criteria, including having more than one year of work experience, involvement in supervisory or audit assignments, and possession of Auditor or PPUPD certification. These criteria ensured that respondents had adequate professional competence and practical experience relevant to internal control implementation, governance practices, and fraud prevention. Based on these criteria, 48 APIP employees were included as the research sample.

Primary quantitative data were obtained directly from respondents through questionnaires developed based on indicators of internal control, Good Government Governance, and fraud prevention. All items were measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5), allowing for consistent measurement and quantitative analysis of respondents' perceptions.

Instrument quality was evaluated through validity and reliability testing. Validity was assessed using corrected item–total correlation, while reliability was examined using Cronbach's Alpha, with values exceeding 0.70 indicating acceptable internal consistency. Data analysis was performed using SPSS software, beginning with descriptive statistics followed by classical assumption tests, including normality (Kolmogorov–Smirnov), multicollinearity (tolerance and VIF), and heteroscedasticity (Glejser test), to ensure the suitability of multiple linear regression analysis.

Hypothesis testing was conducted using multiple linear regression analysis to examine the following hypotheses:
H1: Internal control has a positive effect on fraud prevention.
H2: Good Government Governance has a positive effect on fraud prevention.

The regression model was specified as $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$, where fraud prevention was the dependent variable, internal control, and Good Government Governance were the independent variables, and ε represented the error term. The explanatory power of the model was evaluated using the adjusted R^2, while partial and simultaneous effects were tested using the t-test and F-test at a 5% significance level.

RESULTS AND DISCUSSION

Instrument Validity Test Results

The validity test was conducted to ensure that each measurement item accurately represents the construct being examined. The assessment used the corrected item–total correlation method by comparing the calculated correlation coefficient (r_calculated) with the critical value (r_table) of 0.2403 at a significance level of 5% (one-tailed).

Table 1.
Results of the Validity Test

Variable	Item	$r^{Calculated}$	r^{Tabel}	Sig. 1(Tailed)	Remark
Internal Control (X_1)	X1.1-X1.10	0,510-0,635	0,2403	0,0001-0,0000	Valid
Good Government Governance (X_2)	X2.1-X2.10	0,635-0,695	0,2403	0,0000-0,0000	Valid
Fraud Prevention (Y)	Y1-Y12	0,449-0,587	0,2403	0,0010-0,0000	Valid

As presented in Table 1, all measurement items for internal control, Good Government Governance, and fraud prevention exhibit r_calculated values exceeding the r_table value of 0.2403, with significance levels below 0.05. These results confirm that each item is statistically valid and capable of capturing the conceptual dimensions of the variables under investigation. No indicators were eliminated, indicating that the questionnaire was well-constructed and aligned with the theoretical framework.

These findings are consistent with prior studies that employed similar measurement approaches. (Adawiyah et al., 2023; Ainun & Castellani, 2024) reported that strong item validity reflects the robustness of internal control indicators in explaining fraud prevention mechanisms. Similarly, (Livia et al., 2024; Silvia & Surya, 2023) emphasized that valid governance indicators are essential to accurately assess Good Government Governance in the public sector. The comprehensive validity of fraud prevention indicators in this study also aligns with (Lubis & Budiwitjaksono, 2023), who found that well-validated instruments enhance the credibility of empirical findings related to anti-fraud practices.

Instrument Reliability Test Results

Reliability testing was conducted to evaluate the internal consistency of the measurement instruments using Cronbach's Alpha, with a threshold value of 0.70 indicating acceptable reliability.

Table 2.
Results of the Reliability Test

No	Variable	Threshold	Cronbach's Alpha	Remark
1	Internal Control (X_1)	0,7	0,776	Reliable
2	Good Government Governance (X_2)	0,7	0,767	Reliable
3	Fraud Prevention (Y)	0,7	0,715	Reliable

Based on Table 2, all variables demonstrate Cronbach's Alpha values above the minimum threshold of 0.70, indicating satisfactory internal consistency. The internal control variable recorded the highest reliability coefficient (0.776), followed by Good Government Governance (0.767) and fraud prevention (0.715). These results confirm that the measurement items within each construct are consistently interpreted by respondents and produce stable measurements.

This finding is in line with previous empirical studies. (Faradila et al., 2022; Febriansyah & Indirwan, 2022) similarly reported Cronbach's Alpha values above 0.70 for internal control instruments, highlighting the reliability of internal control measures in fraud-related research. Furthermore, (Badewin, 2021; Ulum & Suryatimur, 2022) demonstrated that governance-related constructs tend to show high internal consistency when measured using standardized indicators of transparency, accountability, and rule compliance.

In the context of fraud prevention, the reliability results align with (Murtiningrum, 2023; Prajanti et al., 2024), who found that reliable fraud prevention indicators contribute to stronger explanatory power in regression models. The consistency observed across these studies suggests that reliable measurement instruments are a critical prerequisite for accurately identifying the determinants of fraud prevention.

Tests of Normality

Prior to conducting regression analysis, a normality test was performed to ensure that the data distribution meets the classical assumption of normality. Normality is essential to guarantee the validity of parametric statistical tests, particularly multiple linear regression. This study employed both the Kolmogorov–Smirnov test with Lilliefors correction and the Shapiro–Wilk test, as recommended for samples below 50 observations.

Table 3.
Results of Normality Test

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
X1	0,105	48	.200*	0,966	48	0,184
X2	0,097	48	.200*	0,974	48	0,366
Y	0,093	48	.200*	0,974	48	0,349

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

As shown in Table 3, the results of the Kolmogorov–Smirnov test indicate that all variables, internal control, Good Government Governance, and fraud prevention, have significance values greater than 0.05. Similarly, the Shapiro–Wilk test results confirm that each variable also demonstrates significance values exceeding the 0.05 threshold. These findings indicate that the data for all research variables are normally distributed.

The fulfillment of the normality assumption suggests that the observed data patterns adequately approximate a normal distribution, allowing for reliable estimation of regression coefficients and hypothesis testing using SPSS. The consistency between the Kolmogorov–Smirnov and Shapiro–Wilk results further strengthens the robustness of the data distribution and minimizes the risk of biased statistical inference.

These results are consistent with prior empirical studies in fraud prevention research within the public sector. (Adhivinna et al., 2022; Ainun & Castellani, 2024) reported normally distributed data when examining the effect of internal control on fraud prevention in procurement and village fund management contexts. Similarly, (Livia et al., 2024; Silvia & Surya, 2023) confirmed that governance-related variables tend to follow a normal distribution when measured using structured questionnaires in public organizations.

Furthermore, studies by (Irwansyah et al., 2023; Prajanti et al., 2024) emphasized that data normality enhances the reliability of regression-based conclusions regarding fraud deterrence mechanisms. The normal distribution of fraud prevention indicators in this study aligns with (Lubis & Budiwitjaksono, 2023), who found that normally distributed anti-fraud variables improve the explanatory power of empirical models.

Multicollinearity Test

Multicollinearity testing was conducted to examine whether there is a high correlation among independent variables that could distort the regression estimates. The presence of multicollinearity may inflate standard errors and weaken the interpretability of regression coefficients. This study assessed multicollinearity using the tolerance and Variance Inflation Factor (VIF) values generated by SPSS.

Table 4.
Results of Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	X1	0,451	2,219
	X2	0,451	2,219
a. Dependent Variable: Y			

Table 4 shows that the tolerance values for both internal control and Good Government Governance are greater than 0.10, while the VIF values are well below the critical threshold of 10. These results indicate that multicollinearity is not present among the independent variables. Consequently, each predictor contributes unique explanatory power to the regression model without overlapping excessively with other variables.

The absence of multicollinearity suggests that internal control and Good Government Governance represent distinct yet complementary governance mechanisms in preventing fraud. This finding supports the conceptual distinction made in the theoretical framework, where internal control focuses on procedural and operational safeguards, while Good

Government Governance emphasizes transparency, accountability, and ethical administration.

This result is consistent with prior empirical studies. Farochi and Nugroho (2022) found no multicollinearity between internal control and governance variables when examining fraud prevention in public organizations. Similarly, (Badewin, 2021; Ulum & Suryatimur, 2022) reported VIF values below 3, indicating that governance-related constructs can coexist in regression models without causing estimation bias.

Furthermore, (Livia et al., 2024; Silvia & Surya, 2023) also demonstrated that internal control and Good Government Governance independently influence fraud prevention in village fund management, supporting the notion that these variables capture different dimensions of organizational control. The present study reinforces these findings by empirically confirming the statistical independence of the predictors through collinearity diagnostics.

Heteroscedasticity Test (Glejser Method)

The heteroscedasticity test was conducted to examine whether the variance of the residuals is constant across observations. Heteroscedasticity may lead to inefficient regression estimates and biased standard errors. This study employed the Glejser test by regressing the absolute residual values (Abs_RES) on the independent variables, namely internal control and Good Government Governance.

Table 5.
Results of Heteroscedasticity Test (Glejser Method)

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	3,934	2,332		1,687	0,099
	X1	-0,143	0,086	-0,359	-1,667	0,103
	X2	0,102	0,079	0,277	1,284	0,206

a. Dependent Variable: Abs_RES

Based on Table 5, the significance values of the independent variables in the Glejser regression model are greater than 0.05. Specifically, internal control shows a significance value of 0.103, while Good Government Governance records a significance value of 0.206. These results indicate that neither independent variable significantly affects the absolute residual values. Therefore, it can be concluded that the regression model does not suffer from heteroscedasticity.

The absence of heteroscedasticity suggests that the variance of the residuals is homoscedastic, meaning it remains constant across different levels of internal control and Good Government Governance. This condition fulfills one of the key classical assumptions of linear regression and ensures that the estimated coefficients are efficient and unbiased.

These findings are consistent with previous empirical studies in the field of fraud prevention and public sector governance. (Farochi & Nugroho, 2022) reported no heteroscedasticity issues when examining the effects of internal control and governance mechanisms on fraud prevention, indicating stable error variances across observations.

Similarly, (Livia et al., 2024; Silvia & Surya, 2023) found that regression models analyzing village fund fraud prevention satisfied the homoscedasticity assumption using the Glejser method.

Moreover, studies by (Irwansyah et al., 2023; Prajanti et al., 2024) emphasized that the absence of heteroscedasticity strengthens the reliability of regression-based conclusions, particularly when analyzing behavioral and governance-related variables in public organizations. The present study reinforces these findings by demonstrating that internal control and Good Government Governance do not introduce systematic variance distortions in the regression residuals.

Multiple Linear Regression Analysis

The multiple linear regression analysis was conducted to examine the effect of internal control and Good Government Governance on fraud prevention. This analysis aims to test the proposed hypotheses and determine the magnitude and direction of the relationships between the independent and dependent variables.

Table 6.
Results of Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6,682	4,150		1,610	0,114
	X1	0,749	0,152	0,618	4,924	0,000
	X2	0,286	0,141	0,254	2,025	0,049

a. Dependent Variable: Y

The regression equation indicates that fraud prevention is positively influenced by both internal control and Good Government Governance. The constant value of 6.682 suggests that when internal control and Good Government Governance are assumed to be zero, the baseline level of fraud prevention remains positive, reflecting the existence of inherent preventive mechanisms within the organization.

The coefficient of internal control (0.749) implies that an increase of one unit in internal control will increase fraud prevention by 0.749 units, assuming other variables remain constant. Similarly, the coefficient of Good Government Governance (0.286) indicates that a one-unit improvement in governance practices leads to an increase of 0.286 units in fraud prevention.

Both independent variables show significance values below 0.05, indicating statistically significant effects on fraud prevention. The standardized beta coefficients further reveal that internal control has a stronger influence on fraud prevention compared to Good Government Governance.

Partial Hypothesis Testing (t-test)

The t-test was conducted to examine the partial effect of each independent variable on fraud prevention. This test determines whether internal control and Good Government Governance individually have a significant influence on fraud prevention at a significance level of 5%.

Table 7.
Results of Partial Hypothesis Testing (t-test)

No	Variable	t-value	t-table	Sig. (t)	Result
1	Internal Control (X_1)	4,9245	2,014	0,000	Significant
2	Good Government Governance (X_2)	2,0249	2,014	0,049	Significant

Based on Table 7, the internal control variable (X_1) has a t-count value of 4.9245, which is greater than the t-table value of 2.014, with a significance value of 0.000 (< 0.05). This indicates that internal control has a positive and statistically significant effect on fraud prevention. Therefore, H1 is accepted.

Similarly, the Good Government Governance variable (X_2) shows a t-count value of 2.0249, which exceeds the t-table value of 2.014, with a significance value of 0.049 (< 0.05). This result confirms that Good Government Governance also has a positive and significant effect on fraud prevention. Thus, H2 is accepted.

These results demonstrate that each independent variable contributes independently to enhancing fraud prevention within the Inspectorate environment, even when analyzed separately.

Table 8
Model Summary and Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825[a]	0,680	0,666	2,70614

a. Predictors: (Constant), X2, X1
b. Dependent Variable: Y

As presented in Table 8, the Adjusted R Square value is 0.666. This means that 66.6% of the variation in fraud prevention can be explained by internal control and Good Government Governance. The remaining 33.4% is influenced by other factors not included in this research model, such as individual morality, organizational culture, audit effectiveness, or anti-fraud awareness.

The strong R value (0.825) indicates a high degree of correlation between the independent variables and fraud prevention, suggesting that the proposed model has substantial explanatory power.

Effect of Internal Control on Fraud Prevention (H1)

The results of the multiple linear regression analysis indicate that internal control has a positive and statistically significant effect on fraud prevention. This finding is supported by the t-test results, which show a t-statistic of 4.924 exceeding the critical t-value of 2.014, with a significance level of 0.000 (< 0.05). Accordingly, Hypothesis 1 (H1) is accepted, confirming that stronger internal control systems significantly enhance fraud prevention efforts.

Empirically, the positive regression coefficient of internal control (B = 0.749) suggests that improvements in internal control mechanisms substantially increase the effectiveness of fraud prevention. This result demonstrates that well-designed and properly implemented internal controls such as control environment, risk assessment, control activities, information and communication, and monitoring play a critical role in reducing opportunities for fraudulent behavior. From a theoretical perspective, this finding aligns with fraud triangle theory, which posits that effective internal control primarily mitigates the "opportunity" element of fraud by strengthening supervision and procedural safeguards.

The findings of this study are consistent with a substantial body of prior empirical research. (Adawiyah et al., 2023) conclude that internal control is a key determinant of fraud prevention, particularly when supported by internal audit and whistleblowing mechanisms. Similarly, (Adhivinna et al., 2022) find that effective internal control systems significantly reduce fraud risks in village fund management by improving accountability and procedural compliance. (Ainun & Castellani, 2024) also report that internal control positively influences fraud prevention in public procurement, highlighting its role in limiting discretionary abuse.

Further support is provided by (Faradila et al., 2022), who demonstrate that internal control effectiveness significantly contributes to fraud prevention in the manufacturing sector, indicating that its impact is not limited to public institutions. Febriansyah and (Febriansyah & Indirwan, 2022) reinforce this conclusion by showing that internal control, when combined with integrity, significantly enhances fraud prevention in state financial management. Recent evidence from (Hadisantoso et al., 2025) confirms that robust internal control systems significantly reduce fraud in regional development banks, underscoring the relevance of internal control across different organizational contexts.

Moreover, the results align with studies emphasizing the systemic role of internal control in public sector governance. (Badewin, 2021) argue that internal control is a foundational mechanism for achieving good government governance through fraud prevention and detection. (Wibowo, 2023) similarly demonstrates that internal control, alongside internal audit, plays a pivotal role in preventing fraud in Islamic banking institutions. These findings collectively suggest that internal control serves as both a preventive and corrective instrument in organizational governance frameworks.

The novelty of this study lies in its empirical evidence showing that internal control exerts a stronger influence on fraud prevention compared to Good Government Governance when both variables are tested simultaneously within a unified regression model. Unlike previous studies that often examine internal control in isolation or emphasize governance mechanisms as dominant factors, this study demonstrates that operational control mechanisms have a more direct and substantial impact on fraud prevention. This finding provides a nuanced contribution to the literature by highlighting that formal governance structures must be supported by effective internal control practices to achieve optimal fraud prevention outcomes in public sector organizations.

Effect of Good Government Governance on Fraud Prevention (H2)

The results of the multiple linear regression analysis indicate that Good Government Governance has a positive and statistically significant effect on fraud prevention. This conclusion is supported by the t-test results, which show a t-statistic of 2.025 exceeding the critical t-value of 2.014, with a significance level of 0.049 (< 0.05). Accordingly, Hypothesis 2 (H2) is accepted, confirming that stronger implementation of Good Government Governance contributes to enhanced fraud prevention.

The positive regression coefficient for Good Government Governance (B = 0.286) suggests that improvements in governance principles—such as transparency, accountability, responsibility, independence, and fairness—play an important role in reducing fraud risk.

Although its standardized coefficient (β = 0.254) is lower than that of internal control, this finding indicates that governance mechanisms operate as a complementary system that reinforces ethical conduct and institutional accountability. In the context of public sector organizations, Good Government Governance strengthens fraud prevention by limiting information asymmetry and increasing external and internal oversight.

These findings are consistent with prior studies emphasizing the role of governance in mitigating fraud. (Badewin, 2021) demonstrates that the effective implementation of Good Government Governance significantly reduces the tendency of accounting fraud in local government institutions. Similarly, (Ulum & Suryatimur, 2022) find that governance principles enhance fraud prevention by reinforcing accountability and transparency mechanisms. (Silvia & Surya, 2023) further support this conclusion, showing that Good Government Governance effectively reduces fraud risk in village fund management. (Livia et al., 2024) also report a significant positive effect of Good Government Governance on fraud prevention, particularly through increased transparency and community oversight at the village government level.

More recent evidence strengthens these findings. (Alfintia & Fathmaningrum, 2024) highlight that Good Government Governance weakens the "opportunity" and "rationalization" elements of the fraud hexagon, thereby reducing the likelihood of fraud occurrence. Additionally, (Irwansyah et al., 2023) argue that governance mechanisms play a strategic role in achieving good government outcomes through fraud prevention and disclosure. Studies by (Sakti et al., 2023; Sekti et al., 2024) further demonstrate that governance practices enhance accountability and performance in public sector organizations, indirectly supporting fraud prevention efforts.

The novelty of this study lies in its empirical demonstration that Good Government Governance exerts a significant but secondary influence on fraud prevention when analyzed simultaneously with internal control within a single regression model. Unlike previous studies that often position governance as a standalone determinant, this study reveals that governance effectiveness depends heavily on its interaction with operational control mechanisms. This finding contributes a more integrated understanding of fraud prevention by emphasizing that governance principles function as an enabling environment rather than a direct substitute for internal control. Consequently, the study advances the literature by highlighting the importance of aligning governance structures with effective internal control systems to achieve sustainable fraud prevention in the public sector.

CONCLUSION

This study aims to examine the effect of internal control and Good Government Governance on fraud prevention in the public sector. Based on the results of multiple linear regression analysis, the findings demonstrate that both internal control and Good Government Governance have a positive and significant effect on fraud prevention. The empirical evidence suggests that fraud prevention is most effective when operational control mechanisms are supported by a sound governance environment. Internal control functions as a direct preventive instrument, while Good Government Governance serves as an enabling framework that ensures controls are implemented consistently and ethically.

From a practical perspective, the findings imply that public sector organizations should prioritize strengthening internal control systems while simultaneously institutionalizing

Good Government Governance principles. Policymakers and public managers are encouraged to enhance transparency, accountability, and monitoring mechanisms to reduce fraud risk. The results also suggest that continuous training, ethical leadership, and effective supervision are essential to ensure the sustainability of fraud prevention efforts.

Despite its contributions, this study has several limitations. First, the research relies on primary data collected through questionnaires, which may be subject to response bias. Second, the scope of the study is limited to specific organizational contexts, potentially restricting the generalizability of the findings. Third, the model explains 68% of the variance in fraud prevention, indicating that other factors such as organizational culture, anti-fraud awareness, and technological controls may also influence fraud prevention outcomes.

Future research is recommended to incorporate additional variables, apply mixed-method approaches, and expand the research context to different sectors or regions. Such efforts would provide a more comprehensive understanding of fraud prevention mechanisms and further strengthen the empirical foundation for effective governance and control systems in the public sector.

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