EFFECT ON EFFECTIVENESS OF INTERNAL CONTROL OPERATION OF GOOD GOVERNANCE AND IMPACT ON THE DECREASE IN FRAUD: Survey on Monitoring the Regional Police Inspectorate of the Republic of Indonesia

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ABSTRACT
The purpose of this research is to offer a model that depicts the influence of internal control effectiveness toward good governance and its impact on reducing the fraud by a survey on regional internal audit of the Indonesia National Police (INP). The model proposed in this research is tested by means of structural equation modeling. The data are collected from a cluster sampling of 217 regional internal auditors in the INP. The verificative results give empirical evidence that the internal control effectiveness influences on the good governance, that the internal control effectiveness influences toward the fraud, and that the good governance has impact on the fraud in INP. This research demonstrates that INP must improve its internal control effectiveness and good governance in order to minimize the risk of fraud tendency especially in INP as a public sector organization. The model proposed in this research gives a comprehensive understanding that the internal control effectiveness influences on the good governance and the importance of them as devices to manage INP’s fraud exposure.

Keywords: internal control effectiveness, good governance, fraud

I. Introduction
One of the government's efforts in encouraging good governance is the application of Performance Accountability Report of Government Agencies (LAKIP) in all departments / ministries and government agencies, including the National Police (Polri) in carrying out its duties and responsibilities as law enforcement, the keeper of security and public order (kamtibmas) as well as a patron and protector of the community in the execution of their duties are expected to be transparent and accountable to the public (accountable).

Based on the source of the Indonesian Forum for Budget Transparency (FITRA) are compiled from the Audit Audit Agency (BPK) the second half of 2012, there were 15 government agencies that indicated to the practices of fraud that cost the state Rp 8.3 trillion. The occurrence of fraudulent financial reporting on the one hand favorable absorption overstated government agencies with the budget and financial situation that looks good in the public eye, but on the other hand harm the public who depend on the economic decisions of financial statement information.

Implementation of police accountability at this time continuously implemented consistently by all ranks of the police apparatus. Leaders also encouraged an active role in creating the tone at the top. They are required to set an example in avoiding practices of fraud, abuse of authority and illegal acts that lead to acts of corruption, collusion and nepotism (KKN).

Fraud can be defined in a variety of viewpoints. Fraud in everyday life translated into the term 'fraud'. Fraud broader than corruption, theft, or embezzlement. Implementation of Internal Control System Government (SPIP) Polri is now carried out with the result of an increase in opinion Audit Board of Indonesia (BPK-RI) of a disclaimer be unqualified With Explanation Paragraph (WTP-DPP) on the financial statements of the National Police in 2009 (CPC 2012).

However, WTP opinion-DPP does not guarantee the absence of fraud as well as stated that the police who have received an audit opinion WTP since 2009 to 2012 of the CPC, it turns in it there is corruption in the procurement SIM simulator (Kompasiana, 2012). Financial Statements of the Police who obtained WTP opinion-DPP, according to CPC there are still weaknesses Internal Control System include the problem of recording and reporting of income Police (CPC 2011).

In connection with the assessment of the financial statements CPC Police are still considered unqualified With Explanation Paragraph (WTP-DPP) becomes a symptom indications of fraud. For example, the National Traffic Management Center (NTMC) Police (2016) states other than WTP opinion, the CPC examination also revealed findings concerning weaknesses of the Internal Control System, including: 1) Non-Tax Revenues (non-tax revenues) are not managed properly, 2) Accountability shopping incomplete, 3) Difference in recording and physical Cash and Cash Equivalents can not be explained, 4) Inventory management is still weak, and 5) Asset Management Fixed inadequate.

In connection with the foregoing, the police still have some records that must be addressed, namely the inadequate internal control systems. Police should take appropriate measures and accountable in order to
maintain and improve the audit opinion of WTP-DPP become WTP (CPC 2012). As an essential element in preventing and detecting fraud, among others, optimizing the role and function of internal audit within the police.

Lack of oversight and internal control Police intended to better ensure that all activities organized in the Police based on a predetermined plan. Supervision and control to prevent the occurrence of various irregularities in the activities of a plan so that various operational activities under way can be done well, meaning not just according to plan, but also with the level of efficiency and effectiveness that is as high as possible in supporting the establishment of the governance of the Police institution nice and clean.

Police have initiated an index measuring Governance Indonesian National Police (ITK) and demonstrate the performance of governance Police throughout Indonesia is still in the red figures, an average of 5.69 (on a scale of 1-10) (Partnership, 2015). This shows that there is still much to be repaired by the Police institution as policy makers and supervisors, and territorial unit itself (Polda) as implementers and policy makers that fit the local context.

In order to uphold the principles of good governance in the agencies in Indonesia in order to prevent fraud, especially police agencies, in particular the principles of transparency and accountability, the presentation of accounting information quality and full in the annual report is needed. It will provide optimum benefits to users of financial statements in making decisions.

II. Theoretical Review

2.1. Internal control

Internal control is a process, which is influenced by leaders, managers and other personnel, designed to provide reasonable assurance of achieving the desired objectives by category effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations (COSO, 2013 and Suratman, 2013: 50).

Karyono (2013) states that based on the type of internal control are grouped into five parts:
1) Control of preventive
   Preventive control is the control that as part of efforts to prevent irregularities and an anticipation manager before the problem occurred.
2) Control detective
   Detective control that controls an emphasis on the discovery of problems that may occur.
3) Control of corrective
   Corrective control is an attempt to correct the cause was identified as a detective control, as anticipated so that the same mistakes are not repeated in the future.
4) Direct Control
   Direct control is performed at the time of control activities are ongoing, with the aim that the activities being carried out in accordance with the provisions.
5) Comprehensive Control
   Comprehensive control that efforts to strengthen the control for a waiver of control activities.

According to Mulyadi (2008), internal control objectives are as follows:
1) Maintain institutional wealth.
2) Checking the accuracy and reliability of accounting data:
   a) Implementation of the transaction through the authorization system has been established.
   b) Recording of transactions that have occurred in the accounting records.

   Committee of Sponsoring Organizations of the Treadway Commission (COSO, 1999, 2013) introduced the five components of internal control that includes: a) Control Environment, b) Risk Assessment, c) Control Activity, d) Information and Communication, and e) Monitoring.

2.2. Good Governance

International Federation of Accountants (IFAC, 2001) states that “Governance is concerned with structures, processes for decision making, accountability, control, and behavior at the top of organizations”. Australian National Audit Office and Department of Prime Minister and Cabinet, Australian Public Service Commision (2006) revealed that “Public sector governance covers the set of responsibilities and practices, policies, and procedures, exercised by an agency’s executive, to provide strategic direction, ensure objectives are achieved, manage risks, and use resources responsibly and with accountability.”

Institute of Internal Auditors (IIA, 2012) explains that “Public sector governance encompasses the policies and procedures used to direct an organization’s activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner.” United Nations Development Programme (UNDP, 1997) also of the opinion that public sector governance is “The exercise of economic,
political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligation, and mediate their differences.”

International Monetary Funds (IMF, 2007) illustrate the public sector governance as “The process by which decisions are made and implemented (or not implemented). Within government, governance is the process by which public institutions conduct public affairs and manage public resources. Good governance refers to the management of government in a manner that is essentially free of abuse and corruption, and with due regard to the rule of law.” World Bank (2007) adds that “The way power is exercised through a country’s economic, political, and social institutions.”

The Chartered Institute of Public Finance and Accountancy (CIPFA, 2014: 10-32) provides guidance on the principles of good governance in the public sector as follows:

1) Acting with integrity, showing a strong commitment to ethical values, and comply with applicable legislation
2) Ensure openness and closeness to stakeholders in a comprehensive manner
3) Defining sustainability benefits of the achievements of economic, social, and environmental
4) Determine the various interventions needed to optimize the achievement of outcomes targeted
5) Develop the ability of entities, including leadership skills and individual within the organization
6) Manage risk and performance with an adequate internal control and strong public financial management
7) Implement good practice in transparency, reporting and auditing to achieve effective accountability.

The first and the second refers to the demands of the public interest against the public sector organizations. While the third to seventh principle is needed to support good public sector governance.

2.3. Fraud
Karyono (2013) states that the definition of fraud is more emphasis on the legal consequences such as fraud, theft by deception, abuse of authority, fraud financial statements, and other forms of fraud that may harm others and profitable culprit. In line with the above statement of The Institute of Internal Auditors (IIA) (2009) defines fraud as follows: Fraud is illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by individuals and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantages.

From the above definition can be said that fraud is an illegal act characterized by deceit, concealment or violation of trust. This action does not depend on the application of threat of violence or physical force. Fraud committed by individuals and organizations to obtain money, property or services, to avoid payment or loss of services, or to secure personal gain or organization.

The Association of Certified Fraud Examiners (ACFE, 2000) classifies fraud into three major groups: 1) asset misappropriation, for example, the theft of inventory, supplies, cash, counterfeit invoices / evidence of expenditure, spending double, cheating in accounts receivable and payroll; 2) The fraudulent financial statements in order to make a profit is not fair, through fictitious income / higher note, concealment of debt and costs, asset valuation is not fair, and cost less recorded; and 3) corruption, such as conflict of interest, bribery, illegal gratuities, and extortion.

III. Theoretical Framework
3.1. Influence Effectiveness of Internal Control against Fraud
Research conducted by Mihaela and Lulian (2012: 8) found that the internal control and good governance cannot be considered a stand-alone case independently. Overall good governance can not be effective without adequate internal controls. Mihaela and Lulian (2012) concluded that between good governance and internal control requires convergence in the context of both, since the findings of the close relationship between the two. Good governance and internal control has become an important concern at this time.

Njaniike et al. (2011: 195) observed similar things and get the results support the notion that the effectiveness of internal control systems contribute greatly to the implementation of good governance. The majority of survey respondents Njaniike et al. (2011: 191) agree that the effectiveness of internal control becomes an essential component of good governance. Wiratno et al. (2013) and Pratolo (2007) also found that the internal control positive and significant impact on the implementation of good governance. With the implementation of good internal control, the financial information produced is reliable and ensure compliance with laws and regulations properly. This indicates that good internal control will lead to the implementation of good governance.
The same thing was found also by Mensah et al. (2003) with empirical evidence that the effectiveness of internal control really improve good governance practices and also reduce the level of corruption. Steinthorsdottir (2004), Ping and Li (2007), Viriyanti (2008) and Bosetti (2008) also examined the relationship between internal control and good governance. The result concluded that internal control is an element of good governance is very important. Strengthening the internal control will support the realization of good governance. Internal control and good governance proved to have a strong integration.

Adeyemi and Adenugba (2011) examined the effect of internal control of good governance and found that the impact on the success of internal control practices of good governance. Internal controls are not adequate cause not achieving good governance. Johnstone et al. (2011) demonstrated that change in the characteristics of good governance coincided with improvements in material weaknesses in internal control.

Danescu et al. (2011) also confirmed that the elaboration and implementation of adequate internal controls will lead to good governance. Mihaela and Lulian (2012) states that an organization can not maintain its sustainability without an effective internal control mechanisms, due to the overall good governance may not be implemented effectively without adequate internal controls.

Research Suyono and Hariyanto (2012) concluded that the internal control and good governance has a significant positive relationship. Vlad (2012) proved that a key element of good governance solid is an adequate system of internal control. Fadilah (2013) also found that the implementation of internal control to support the achievement of good governance. The results of the study indicated that the internal control effect on good governance.

Hypothesis 1: The effectiveness of the internal control effect on good governance

3.2. Influence Effectiveness of Internal Control on Good Governance

Peltier-Rivest and Lanoue (2015) explains that the existing internal controls expected to detect and deter fraud that losses due to fraud can be avoided. Peltier-Rivest research results and Lanoue (2015) showed that the hotlines and surprise audit has significantly reduced losses due to fraud. Hotlines and surprise audit is part of internal control to prevent fraud. Hotlines and surprise audit proved to strengthen internal controls to address fraud.

ACFE (2008) stated that internal control is a method of early detection of fraud. Symptoms of internal control is indicative of fraud strange. Strong internal control become a means of preventing fraud. ACFE research results (2008) asserts that three-quarters of companies that experienced fraud immediately adjust its internal control system as a response to findings of fraud. This shows that in general the organizations assume that most successful fraud occurs due to the weakness of internal control (Cezair, 2009).

Literature on fraud (AICPA, 2007; Beck, 1986; Biestaker et al., 2006, Heier et al., 2005; Hooks et al., 1994; Mautz and Mini, 1966; PCAOB, 2008; Rae and Subramaniam, 2008; Wales 1965; Wells, 2008) has consistently asserted that an effective internal control system is a major tool to prevent, detect, and repair fraud. The results of the study Barra (2010) showed that the internal control system with the separation of functions is a preventive control that proved capable of preventing fraud, where the separation of functions will increase the cost for employees when carrying out fraud in the organization. Therefore, employees will try to benefit from his efforts fraud thus increasing the likelihood of internal controls to detect such fraud.

Dimitrijevic et al. (2015) explains that internal control is the first step in the process to prevent fraud. Development of internal control system represents a protective barrier against various forms of data manipulation and fraud in the organization. Internal controls are expected to focus on identifying fraud prevention is better than just detect fraud. Inadequate internal control will lead to the higher risk of fraud occurred. Therefore, the effectiveness of internal control should be evaluated regularly to ensure that internal control can actually prevent the possibility of fraud.

Salem (2012) states that no organization in the world free 100% of the risk of fraud and that the risk assessment is not an easy job. Thus every organization requires the implementation of adequate internal controls to mitigate the risk of fraud. Strong internal control system is the most effective way to prevent fraud. Reviews and improves the internal control system periodically becomes the primary way to prevent fraud.

In general, a perpetrator of fraud have sufficient knowledge to understand and use internal control weaknesses and utilize the position, function and access authority for the sake of himself (Dorminey et al., 2012). Thus the internal control to prevent fraud should be kept adequately. However, the cost of internal control to prevent such fraud is often considered to outweigh the benefits. Whereas internal control become a key anti-fraud mechanisms to prevent fraud and not just detecting fraud has occurred. Internal controls that prevent fraud will decrease the possibility of large losses due to fraud that can be experienced by the organization.
ACFE (2014) reported three major internal control weaknesses related to the impact on the occurrence of fraud, namely: 1) the application of internal control that is not as it should be, 2) the absence of periodic review of the internal control, and 3) a waiver of the existing internal control. Johnson et al. (2014) found three deficiencies of internal controls that led to fraud, namely: 1) the absence of independent parties in charge of reviewing internal controls, 2) variations in the authority of access to cash, other assets, and information systems, and 3) the records and documents of transactions inadequate. This makes the internal control vulnerable to fraud risk. Internal control weaknesses and deficiencies of the opportunities of fraud.

Research Ozigbo and Orife (2011) found that internal control is effective on prevention of fraud occurring within the organization. Fraud can not happen and will be detected with effective internal control. Internal controls itself truly effective in preventing fraud (Adetiloye et al., 2016). In most cases it was found that fraud occurred because of weak internal control and has not been effective so after the fraud occurred many organizations immediately review its internal controls (Lord, 2010). Effective internal control, is essential in order to prevent and detect fraud, especially that caused by the neglect of the control mechanism (Adams et al., 2006). The results of the study indicated that the internal control effect against fraud.

Hypothesis 2: The effectiveness of the internal control effect against fraud

3.3. Influence of Good Governance against Fraud

Research Argawal and Medury (2013) revealed that good governance plays an important role in preventing and detecting fraud within the organization. Implementation of good governance can strengthen fraud prevention. Good governance process itself requires a restructuring of political, bureaucratic and organizational level because of fraud in the form of corruption and malpractice usually has been deeply rooted in the process of governance that requires a deep reform.

Various literature (Caplan, 1999; Beasley et al., 2000; Young, 2001) have been discussing and focusing on the relationship between the mechanisms of good governance and fraud. The results concluded is that the mechanisms of good governance can solve agency problems with implementing control functions in the organization (Dey, 2008). The agency problem that occurs due to bad governance can lead to conflicts between the various interested parties and ended with the behavior of fraud by those who derive personal advantage of information that is not symmetrical.

Magnanelli (2010) conduct research related to the effect of good governance on fraud and find empirical results that the overall good governance plays an important role in reducing the possibility of fraud and losses they cause. Magnanelli study (2010) revealed that the organization should give special attention to some specific aspects of good governance in order to minimize the possibility of fraud risks and also reduces the amount of loss due to fraud.

Research Tiscini and Donato (2006) found that good governance has relevant relationships with fraud, where good governance affects how fraud carried out. As many as 70% of the total observations prove a link between good governance and fraud. The results of the study indicated that good governance effect on fraud.

Hypothesis 3: Good governance influence on fraud

IV. Research Methodology

The object of this research is the effectiveness of internal control as independent variables and fraud as the dependent variable, while good governance as an intervening variable or variables between. Fraud can be controlled with a good internal control. Adequate internal controls will affect good governance. The practice of good governance is able to suppress the occurrence of fraud. The research was conducted at the Regional Supervising Inspectorate (Itwasda) at the cantonal level police units to illustrate the impact the effectiveness of internal control of good governance and its implication on the overall police fraud.

This study examines more deeply about the effectiveness of internal control, good governance and fraud in the Police, the type of study is a research verification. According to Malhotra (2009: 104) is a research study to test verification testing causally, namely the relationship between independent and dependent variables. In this case the verification study aims to determine the effect of the effectiveness of internal control of good governance and its impact on fraud.

The population in this study is the Regional Oversight Inspectorate (Itwasda) throughout Indonesia as the unit of analysis. As for the observation unit is the internal auditor Itwasda, the Superintendent of Operations (Iribidops), Superintendent of Development (Iribidbin) and the staff examiner. In this study the sample was determined by using a statistical test cluster sampling. Cluster sampling is a technique of selecting a sample of clusters of small units, or clusters (Nazir, 2003: 311).

Based on data from the Indonesian National Police obtained the number of police in Indonesia as many as 32 police, where the police will be the overall research analysis unit. On each of the Police are Itwasda, and every Itwasda consisted of 11 respondents to a target consisting of a Itwasda, 2 Division of Planning and
Administration (Subagremin), 2 Division of Public Complaints and Analysis (Subagdumasan), 3 Inspectorate of Operations (Itbidops), 3 Inspectorate field coaching (Itbidbin).

The data collected is then given a score of 1 to 5 based on the Likert Scale / Rating Scale to indicate the level of implementation. This scale gives space to the respondent to choose the answer that high, high, medium / moderate, low, and the lowest appropriate level of implementation in the organization / institution.

This research seeks to test the theory that the techniques used in data analysis is a quantitative analysis using models Structural Equation Modelling (SEM) or Structural Equation Model that uses tools AMOS 22.0. AMOS (Analysis of Moment Structures) is a tool that is user-friendly so widely used to apply SEM techniques. Therefore, this study chose AMOS as a tool for data analysis.

SEM is a set of statistical techniques that allow the testing of a series of relatively complicated relationships simultaneously. Complicated relationships can be defined as a set of relationships that are built between one or more dependent variables (endogenous) with one or more independent variables (exogenous), and the variables in the form factor or construct constructed from several indicators that are observed or measured directly (Waluyo, 2011: 1). SEM can be described as an analysis that incorporates a factor analysis, structural models, and path analysis (Sugiyono, 2007: 323). According Ghozali (2011: 19), SEM is a combination of separate statistical methods that factor analysis and simultaneous equation modeling.

V. Research Result

Analysis of the structural model relating to the evaluation of the parameters that indicate a causal relationship or influence the latent variables to other latent variables. Analysis of structural models made after the terms of validity and reliability of research instrument are met. Here is presented a picture parameter estimation standardized loading factor.

Based on the picture above, the structural model parameter estimation results are presented in the following table.

![Figure 1](image_url)
Table 2
Summary of Structural Model Parameter Estimation

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
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<tbody>
<tr>
<td>RW</td>
<td>0.417</td>
<td>0.064</td>
<td>6.534</td>
<td>0.000</td>
</tr>
<tr>
<td>SRW</td>
<td>0.442</td>
<td>0.073</td>
<td>4.119</td>
<td>0.000</td>
</tr>
<tr>
<td>GG ← EPI</td>
<td>0.229</td>
<td>0.074</td>
<td>2.221</td>
<td>0.027</td>
</tr>
<tr>
<td>FR ← EPI</td>
<td>0.326</td>
<td>0.074</td>
<td>4.119</td>
<td>0.000</td>
</tr>
<tr>
<td>FR ← GG</td>
<td>0.164</td>
<td>0.074</td>
<td>2.221</td>
<td>0.027</td>
</tr>
</tbody>
</table>

Source: Results of Data Processing (2016)

1) Hypothesis 1: Influence Effectiveness of Internal Control Of Good Governance
Results of hypothesis testing the effectiveness of internal control of the influence of good governance shows the p-value of 0.000 so that Ho is rejected with the error rate of 5%. It can be concluded that the effectiveness of internal control effect on good governance. The research findings indicate the level GG is positively influenced by the high and low EPI, it can be judged from the value of the path coefficient (SRW) > 0. The magnitude of the effect of EPI on the GG is equal to 0.442% or 19:54, pitch variation that occurs in the GG can be explained by EPI. The remaining amount of 80.46% is the influence of other variables that are not described in the model. Estimated structural equation model GG are:

\[ GG = 0.442EPI + 0.20e1; R^2 = 0.1954 \]

2) Hypothesis 2: Influence Effectiveness of Internal Control Against Fraud
Results of testing the hypothesis influence the effectiveness of internal controls against fraud shows the p-value of 0.005 so that Ho is rejected with the error rate of 5%, and it can be concluded that the effectiveness of internal control effect against fraud. The research findings indicate the level FR is positively influenced by the high and low EPI, it can be judged from the value of the path coefficient (SRW) > 0. The magnitude of the effect of EPI on the FR is equal to or 11:06 0.326% high-low variations that occur in the FR can be explained by the EPI. The remaining amount of 88.94% is the influence of other variables that are not described in the model. Structural equation estimation for FR models are:

\[ FR = 0.326EPI + 0.18e1; R^2 = 0.1106 \]

3) Hypothesis 3: Effects of Good Governance Against Fraud
Results of hypothesis testing the effect of good governance on fraud indicate p-value of 0.027 so that Ho is rejected with the error rate of 5%, and it can be concluded that good governance effect on fraud. The study provides empirical evidence that the more effective internal controls will enhance the implementation of good governance. In other words, it can be interpreted that good governance can be achieved with the design and implementation of adequate internal controls. The amount of influence the effectiveness of internal control of good governance is at 19.5% (R2).

\[ FR = 0.169EPI + 0.18e1; R^2 = 0.0286 \]

V. Discussion
The test results influence the effectiveness of internal control of the good governance demonstrated p-value of 0.000 so that Ho is rejected with the error rate of 5%. It can be concluded that the effectiveness of internal control effect on good governance. The study provides empirical evidence that the more effective internal controls will enhance the implementation of good governance. In other words, it can be interpreted that good governance can be achieved with the design and implementation of adequate internal controls. The amount of influence the effectiveness of internal control of good governance is at 19.5% (R2).

The test results influence the effectiveness of internal controls against fraud shows the p-value of 0.000 so that Ho is rejected with the error rate of 5%. It can be concluded that the effectiveness of internal control effect against fraud. The study provides empirical evidence that the more effective internal control will reduce fraud. In other words, it can be interpreted that the detection and prevention of fraud can be done with the implementation of good governance in the organization. The amount of influence the effectiveness of internal controls against fraud is 11.06% (R2).

Results of testing the effect of good governance on fraud indicate p-value of 0.027 so that Ho is rejected with the error rate of 5%. It can be concluded that good governance effect on fraud. The study provides empirical evidence of good governance will reduce fraud. In other words, it can be interpreted that the detection and prevention of fraud can be done with the implementation of good governance in the organization. The magnitude of the effect of good governance on the fraud amounted to 2.86% (R2).
VI. Conclusions, Implication, and Suggestion

Conclusions
Based on the phenomenon, the formulation of the problem, hypothesis, research and discussion which has been described previously, the conclusions of this study are as follows:
1) The effectiveness of the internal control effect on fraud in the Police. Effective internal control lowers the likelihood of fraud, especially in the police institution.
2) The effectiveness of the internal control effect on good governance Police. Internal controls were adequate and effective police encourage the implementation of good governance.
3) Good governance effect on fraud in the Police. Good governance practices that are able to minimize the possible risks of fraud and losses caused by fraud.

Implication
The implication of this study is divided into two: the theoretical implications and managerial implications as follows:
1) Theoretical implication
   a) This study can be used as a reference in developing the science regarding the effectiveness of internal control, good governance, and fraud, especially in the public sector institutions that provide services to the general public.
   b) The effectiveness of internal control that are proven to support good governance, and ultimately have an impact on the good management of the risk of fraud in the Police managed to support agency theory applied in public administration.
2) Managerial Implications
   a) Continue to improve the effectiveness of internal control in the Police with good organizational arrangements, management support and leadership of a real, positive relationship between the internal auditor and the auditee, as well as the internal auditor maintained its quality.
   b) Continue to develop good governance practices of the Police with the real application of the principles of good governance (transparency, accountability, responsiveness, fairness, effectiveness and efficiency, and participation) in daily operations.
   c) Continue to manage the risk of fraud in the police to routinely identify symptoms and redflags, opportunity identification, assessment of symptoms, redflags, and opportunities, as well as reporting fraud.

Suggestion
1. For further research is recommended to continue this research by incorporating a variety of other relevant factors, and for a wider scope. This study focuses on the limited scope of effectiveness of internal control, good governance and fraud. There are still many other factors that can cause a decrease in fraud in addition to the internal control and good governance can be further investigated.

2. Scope of this research is limited to the Police with participants Itwasda throughout Indonesia. Researchers can then expand the research with more diverse participants. The next study was able to replicate the research in different institutions to prove the effectiveness of internal control against the effects of good governance and its implications on fraud. The results were in line is expected to strengthen the existing theories and new discoveries will develop into a new theory.

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