The Effect of Internal Control and Organizational Governance on Fraud Prevention with Commitment as a Moderating Variable

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ABSTRACT

Universities managing public funds must ensure accountability and transparency, yet corruption cases show fraud remains a serious risk. This study aims to analyze the influence of internal control systems and organizational governance on fraud prevention, with organizational commitment as a moderating variable. The research method uses a quantitative approach with an explanatory design, involving employees of universities with public service agency status as respondents. Primary data were collected through questionnaires compiled based on COSO indicators, governance principles, and dimensions of organizational commitment. The analysis was conducted using Partial Least Squares (PLS)-based Structural Equation Modeling using WarpPLS 8.0. The results show that internal control systems and organizational governance have a significant positive effect on fraud prevention. Organizational commitment weakens the effect of internal control systems on fraud prevention but strengthens the effect of governance. These findings confirm that the success of control and governance systems depends not only on formal procedures but also on employee emotional attachment and loyalty to the organization. This study integrates Agency Theory and Organizational Support Theory in explaining fraud prevention mechanisms. The results provide recommendations for universities to strengthen the culture of integrity through a combination of internal control, good governance, and organizational commitment.

Keywords: *Fraud Prevention, Internal Control System, Organizational Commitment, Organizational Governance.*

INTRODUCTION

Higher education institutions are public entities that manage funds sourced from the government and society. Therefore, they are obliged to uphold the principles of accountability and transparency. These transparency demands have intensified alongside rising tuition costs and the increasing complexity of university financial management (Fan, 2016). As public fund managers, universities are required to produce high-quality financial reports free from fraud (Pobrić, 2022). However, various corruption and fund misappropriation cases within universities indicate that fraud risk remains a serious issue (Hasoloan et al., 2022).

Data from Indonesia Corruption Watch (ICW) recorded at least 37 alleged corruption cases in higher education institutions, with total state losses reaching IDR 218.804 billion and bribery amounting to approximately IDR 1.78 billion (Rachman & Yuntho, 2023). These cases involved procurement, research grants, scholarship funds, and bribery in student admissions. This phenomenon reflects weaknesses in internal control systems and organizational governance. The impact of fraud extends beyond financial losses, damaging institutional reputation and eroding public trust (Nurrasyidin et al., 2024).

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From a theoretical perspective, this issue can be explained by agency theory, which emphasizes information asymmetry between principals and agents. University management, acting as the agent, possesses greater access to information than the government and society as principals, thereby creating opportunities for moral hazard. The implementation of an effective Internal Control System (ICS) is essential to mitigate such risks. Prior studies suggest that effective internal controls can prevent and detect fraud (Li et al., 2018; Wang et al., 2022; Faisol et al., 2023). Nevertheless, other studies indicate that internal controls may not always be effective in preventing fraud tendencies without strong integrity commitment and optimal monitoring functions (Wang & Hooper, 2017; Mendes et al., 2022).

In addition to internal controls, corporate governance also plays a crucial role in fraud prevention. Effective governance is expected to promote transparency, accountability, and oversight. Several studies demonstrate that strong governance mechanisms reduce fraud risk (Curti & Mihov, 2018; Pandit, 2025). However, other research finds that certain governance mechanisms are not statistically significant in preventing fraud (Kassem, 2022; Yulianti et al., 2024). These inconsistent findings suggest that governance effectiveness depends heavily on organizational context and implementation quality.

Furthermore, Lyrio et al. (2018) emphasize that studies on corruption and fraud in the public sector should adopt a multidimensional approach rather than focusing solely on formal transparency. This recommendation opens space to examine behavioral and psychological factors within organizations. In this regard, organizational commitment emerges as a relevant variable. Based on organizational support theory, employees' perceptions of organizational support influence their commitment and behavior (Pradesa, 2018). Organizations that demonstrate commitment to good governance foster cultures of 2018 and accountability (Hoo et al., 2024). When employees feel valued and supported, they are less likely to engage in fraudulent behavior (Rizvi et al., 2023).

Previous research also indicates that low organizational commitment may weaken the effectiveness of internal control systems and governance, thereby increasing corruption risks (Zafarullah & Siddiquee, 2001). Additionally, some studies show that the influence of internal control systems on fraud prevention becomes significant when moderated by behavioral variables such as individual morality (Isbandi & Fauzihardani, 2025). This suggests that organizational commitment may function as a moderating variable in the relationship between internal controls, governance, and fraud prevention. Based on empirical phenomena and inconsistencies in prior findings, a clear research gap exists. First, previous studies present mixed results regarding the effects of internal control systems and governance on fraud prevention. Second, research explicitly examining the moderating role of organizational commitment in the context of Indonesian Public Service Agency Universities (*Perguruan Tinggi Negeri-Badan Layanan Umum*/PTN-BLU) remains very limited. The BLU status grants greater managerial flexibility, potentially increasing agency conflicts and moral hazard risks.

This study aims to analyze the effects of internal control systems and organizational governance on fraud prevention, as well as the moderating role of organizational commitment in these relationships within PTN-BLU in Indonesia. This study contributes by integrating agency theory and organizational support theory to explain fraud prevention and enrich the limited literature on fraud prevention in higher education. The findings provide a basis for strengthening internal controls, governance mechanisms, and organizational commitment to support transparent, accountable, and high-integrity universities.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of the Internal Control System on Fraud Prevention

The Internal Control System (ICS) is a set of policies and procedures designed to ensure the achievement of organizational objectives, including operational effectiveness, reliable financial reporting, and regulatory compliance. In the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, ICS consists of five

components: control environment, risk assessment, control activities, information and communication, and monitoring. The control environment reflects integrity, ethical values, and management commitment to good governance. From the perspective of Agency Theory, internal control mechanisms help reduce information asymmetry and limit opportunities for fraud, making ICS an important instrument for maintaining organizational accountability (Iyinomen, 2020).

Empirical studies confirm the role of ICS in fraud prevention. Herlita and Bayunitri (2021) show that internal control positively affects fraud prevention, while Iyinomen (2020) emphasizes that effective internal control strengthens an organization's ability to prevent and detect fraud. Furthermore, Isbandi and Fauzihardani (2025) find that internal control systems significantly influence fraud prevention when supported by behavioral factors. Consistent with these findings, Komalasari and Annisa (2023) also show that stronger implementation of internal control leads to more effective fraud prevention within organizations. These findings indicate that internal control serves as an important mechanism to reduce opportunities for fraudulent behavior. Therefore, organizations need to continuously strengthen and consistently implement internal control systems to enhance fraud prevention effectiveness.

H1: Internal control systems have a positive and significant effect on fraud prevention.

The Effect of Organizational Governance on Fraud Prevention

Organizational governance is a system that regulates the relationship between management, supervisory boards, and stakeholders to ensure that an organization is managed transparently, accountably, and responsibly. Agency theory, which highlights the value of monitoring systems to lessen conflicts of interest between principals and agents, is the foundation of this idea. Governance is an essential tool for ensuring accountability in the use of public resources in the setting of public organizations. Previous studies indicate that organizational governance has a significant influence on fraud prevention. Apristiana and Utomo (2025), in their systematic review, conclude that strong governance practices are negatively correlated with fraud levels. Herawaty and Hernando (2021) also find that good governance significantly affects fraud prevention.

In the higher education sector, weak oversight and accountability have been identified as key factors contributing to fraudulent activities (Harahap & Isgiyarta, 2023). This suggests that organizational governance plays a role not only in structuring formal mechanisms but also in shaping a culture of integrity and ethics. Unlike internal control systems, which focus on operational mechanisms, organizational governance operates at a strategic and normative level. As a result, corporate governance is frequently seen as a macro-level control that establishes the goals, principles, and general efficacy of internal control mechanisms in averting fraud.

H2: Organizational governance has a positive and significant effect on fraud prevention.

Organizational Commitment as a Moderating Variable

Fraud prevention refers to systematic efforts to reduce the risk of misconduct within an organization. Conceptually, fraud is explained through the fraud triangle theory, which emphasizes three main factors: pressure, opportunity, and rationalization. The development of this theory led to the fraud diamond and fraud hexagon theories, which add capability, arrogance, and collusion as additional determinants of fraudulent behavior (Muslim, 2025).

Beyond structural approaches, psychological perspectives further enrich the understanding of fraud. Prabowo and Wardani (2021), through organismic integration theory, highlight that psychological pressure and organizational factors can influence individuals' motivation to commit fraud. Therefore, effective fraud prevention strategies must be comprehensive, including strengthening internal control systems to reduce

opportunities as well as improving organizational governance and ethical culture to minimize pressure and rationalization.

Organizational commitment reflects the degree of emotional attachment, loyalty, and willingness of individuals to remain part of an organization. Ghani and Hussin (2009) state that fair and supportive management practices can enhance organizational commitment, while Philip (2024) and Hoo et al. (2024) also find that perceived organizational support significantly influences employee commitment. In the context of fraud prevention, organizational commitment functions as an internal factor that reinforces adherence to ethical values and organizational norms. Individuals with high commitment tend to avoid opportunistic behavior because they feel responsible for maintaining organizational integrity, thereby strengthening the effectiveness of internal control systems and governance in creating an ethical work environment with lower fraud risk. Accordingly, organizational commitment is expected to strengthen the effectiveness of internal control systems and organizational governance in preventing fraud, as highly committed employees are more likely to comply with ethical standards and organizational rules (Sari et al., 2025).

H3: Organizational commitment moderates the effect of internal control systems on fraud prevention.
H4: Organizational commitment moderates the effect of organizational governance on fraud prevention.

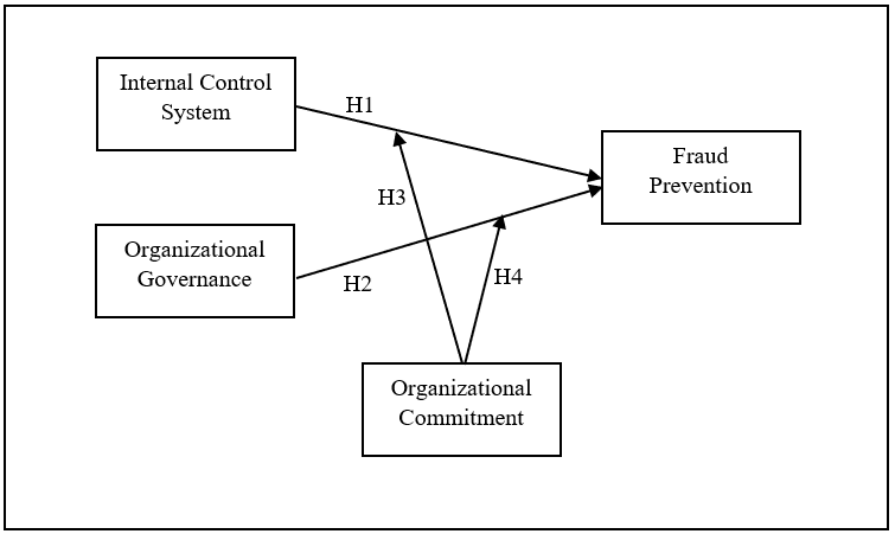

Figure 1. Research Framework

The study's conceptual framework is depicted in Figure 1, which suggests that corporate governance and internal control systems have a direct impact on preventing fraud (H1 and H2). Furthermore, the strength of these associations is influenced by organizational commitment, which functions as a moderating variable. In particular, it moderates the associations between organizational governance and fraud prevention (H4) and internal control systems and fraud prevention (H3). Higher organizational commitment is therefore anticipated to increase the efficacy of internal controls and governance procedures in avoiding fraud, suggesting that behavioral aspects are just as significant as structural controls in boosting fraud prevention initiatives.

RESEARCH METHODS

This study applies a quantitative approach with an explanatory research design to analyze the influence of the Internal Control System (ICS) and organizational governance on fraud prevention, with organizational commitment acting as a moderating variable. The quantitative method is chosen because the research emphasizes testing the

relationships among variables through statistical analysis based on previously formulated hypotheses.

Employees of universities with Public Service Agency (*Badan Layanan Umum*/BLU) status make up the study's population. Purposive sampling is used to pick respondents. Participants are selected based on particular criteria pertinent to the study's goals, such as staff members engaged in administrative, supervisory, and financial management. This method guarantees that the data collected accurately reflects the organization's execution of governance procedures, internal control, and fraud prevention.

The primary data used was gathered by distributing questionnaires. Indicators from pertinent ideas and earlier research were used to create the research tool. The COSO elements control environment, risk assessment, control actions, information and communication, and monitoring were used to measure the internal control system variable. Transparency, accountability, responsibility, independence, and justice were the guiding concepts used to measure the organizational governance variable. Preventive actions that reflected fewer opportunities and improved ethical compliance were used to measure the fraud prevention variable. In the meantime, aspects of emotional attachment, loyalty, and readiness to continue being a member of the organization were used to gauge organizational commitment.

Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) was used to analyze the data. This approach was selected because it supports models with moderating variables and enables the simultaneous testing of latent variable correlations. Evaluating the measurement model (outer model) to evaluate validity and reliability, and evaluating the structural model (inner model) to look at moderating effects and causal links between variables were the two phases of the investigation. This methodology is anticipated to yield empirical data on the degree to which organizational governance and internal control systems aid in preventing fraud, as well as how organizational commitment enhances or diminishes these connections in the context of BLU universities.

RESULTS

The testing of this research model aims to examine the causal relationships among variables and the moderating role proposed in the hypotheses. The analysis employs variance-based Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) approach, assisted by WarpPLS version 8.0 software. This method is considered appropriate because the model involves multiple latent variables and a moderating variable, and it is suitable for complex relationships as well as data that may not meet multivariate normality assumptions.

The analysis is conducted through three main stages, namely the evaluation of the measurement model (outer model), the structural model (inner model), and hypothesis testing. The outer model assessment includes convergent validity, discriminant validity, and reliability testing using loading factors and Average Variance Extracted (AVE), with loading values expected to exceed 0.70. The inner model is used to assess model fit and predictive capability, while hypothesis testing examines both direct and moderating effects among variables. In this study, the internal control system and organizational governance act as exogenous variables influencing fraud prevention as the endogenous variable, with organizational commitment serving as a moderating variable. All constructs are treated as reflective, and the moderating effect in WarpPLS is analyzed using the product indicator approach with the Warp3 PLS regression algorithm to capture potential non-linear relationships in organizational behavior data.

Based on Table 1, the results show that all indicators in the research model meet the convergent validity criteria based on combined loadings and cross-loadings. For the internal control system variable, all indicators have loading factors above 0.70, ranging from 0.779 to 0.860, and are significant at $p < 0.001$, indicating strong consistency in reflecting the construct. For organizational governance, most indicators have loadings above 0.70, while two indicators have values of 0.686 and 0.668, which are slightly below

0.70 but still above the acceptable threshold of 0.60 and remain significant at $p < 0.001$. These indicators were retained because they are theoretically important in measuring governance dimensions. The organizational commitment variable also demonstrates strong convergent validity, with all indicators ranging from 0.723 to 0.803 and significant at $p < 0.001$. Meanwhile, the fraud prevention variable has loading values between 0.650 and 0.742. Although several indicators fall within the 0.60–0.70 range, all exceed the minimum acceptable threshold and remain statistically significant ($p < 0.001$), indicating that they adequately represent the fraud prevention construct.

Table 1. Convergent Validity of Constructs with Reflective Indicators

Variable	Item	ICS	OG	OC	FP	OC*OG	OC*ICS	SE	p-value	AVE
Internal Control System (ICS)	ICS1	0.834	-0.053	-0.088	0.027	0.044	-0.139	0.074	<0.001	0.669
	ICS2	0.819	-0.099	-0.035	0.134	-0.074	-0.081	0.074		
	ICS3	0.779	-0.060	0.115	0.018	-0.044	0.030	0.075		
	ICS4	0.811	0.102	0.041	0.044	-0.103	0.021	0.075		
	ICS5	0.821	-0.034	0.017	-0.012	0.031	0.015	0.074		
	ICS6	0.806	0.015	-0.040	0.017	-0.095	-0.039	0.075		
	ICS7	0.817	0.005	-0.008	-0.017	0.029	-0.002	0.075		
	ICS8	0.860	0.009	-0.047	0.120	-0.042	0.047	0.074		
	ICS9	0.808	0.184	-0.027	-0.151	0.057	0.007	0.075		
	ICS10	0.800	-0.024	-0.074	-0.065	0.133	0.019	0.075		
	ICS11	0.804	-0.075	0.025	-0.010	0.047	0.016	0.075		
	ICS12	0.840	0.122	0.029	-0.152	0.004	0.087	0.074		
	ICS13	0.832	-0.093	0.095	0.040	0.015	0.019	0.074		
Organizational Governance (OG)	OG1	-0.007	0.761	0.038	0.138	-0.031	0.011	0.076	<0.001	0.539
	OG2	-0.050	0.686	-0.131	-0.091	-0.130	-0.044	0.077		
	OG3	0.021	0.743	-0.033	-0.019	-0.020	0.102	0.076		
	OG4	-0.028	0.733	-0.026	0.025	0.025	0.015	0.076		
	OG5	-0.011	0.777	0.140	-0.057	0.191	-0.009	0.075		
	OG6	-0.038	0.720	0.009	0.077	-0.095	-0.036	0.076		
	OG7	0.110	0.668	-0.064	-0.042	-0.000	-0.062	0.077		
	OG8	0.019	0.784	0.063	0.006	0.069	-0.017	0.075		
	OG9	-0.011	0.726	-0.024	-0.007	-0.033	0.030	0.076		
Organizational Commitment (OC)	OC1	-0.040	0.019	0.803	0.091	-0.038	0.013	0.075	<0.001	0.593
	OC2	-0.046	0.083	0.756	-0.032	-0.077	0.045	0.076		
	OC3	0.045	0.077	0.787	-0.050	-0.052	0.089	0.075		
	OC4	0.041	-0.082	0.787	0.069	0.071	-0.064	0.075		
	OC5	-0.098	-0.195	0.723	0.068	0.008	-0.088	0.076		
	OC6	-0.009	-0.122	0.796	0.023	0.067	-0.022	0.076		
	OC7	0.041	0.151	0.765	-0.125	-0.004	-0.107	0.076		
	OC8	0.098	0.078	0.749	-0.131	0.011	0.054	0.076		
	OC9	-0.036	-0.014	0.763	0.081	0.013	0.076	0.076		
Fraud Prevention (FP)	FP1	0.032	-0.092	-0.027	0.679	0.193	0.143	0.077	<0.001	0.476
	FP2	-0.032	0.001	-0.178	0.665	0.012	-0.154	0.077		
	FP3	-0.070	0.118	0.137	0.671	-0.200	0.164	0.077		
	FP4	0.083	0.059	0.108	0.695	-0.096	-0.097	0.077		
	FP5	-0.022	-0.023	0.066	0.742	0.097	0.053	0.076		
	FP6	0.059	0.033	-0.098	0.685	-0.112	-0.011	0.077		
	FP7	0.002	-0.179	0.095	0.650	0.038	-0.248	0.078		
	FP8	-0.051	0.072	-0.103	0.726	0.058	0.126	0.076		
OC*OG	OC*OG	0.000	-0.000	-0.000	-0.000	1.000	-0.000	0.071	<0.001	1.000
OC*ICS	OC*ICS	-0.000	-0.000	0.000	0.000	-0.000	1.000	0.071	<0.001	1.000

The second parameter used to assess convergent validity is Average Variance Extracted (AVE), which reflects the average variance explained by a latent construct in relation to its indicators. The required threshold for AVE is above 0.50, indicating that the construct explains more variance than measurement error (Fornell & Larcker, 1981). The internal control system has an AVE value of 0.669, organizational governance 0.539, and organizational commitment 0.593, all exceeding the required threshold and indicating adequate convergent validity.

Meanwhile, the fraud prevention construct shows an AVE value of 0.476, slightly below the 0.50 threshold. However, according to Fornell and Larcker (1981) and Lam (2012), convergent validity can still be accepted if the Composite Reliability (CR) value exceeds 0.60. In this study, the CR value for fraud prevention is 0.879, indicating strong internal consistency. Therefore, despite the slightly lower AVE value, the fraud prevention construct is still considered valid and appropriate for further hypothesis testing.

Table 2. Fornell Lacker

Variable	ICS	OG	FP	OC	OC*OG	OC*ICS
Internal Control System (ICS)	0.818	0.040	0.093	-0.101	-0.125	0.024
Organizational Governance (OG)	0.040	0.734	0.502	-0.129	0.103	-0.111
Fraud Prevention (FP)	0.093	0.502	0.690	0.077	0.333	-0.104
Organizational Commitment (OC)	-0.101	-0.129	0.077	0.770	0.039	-0.098
OC*OG	-0.125	0.103	0.333	0.039	1.000	0.037
OC*ICS	0.024	-0.111	-0.104	-0.098	0.037	1.000

Based on Table 2, the Fornell–Larcker criterion is applied to assess discriminant validity by comparing the square root of AVE for each construct with the correlations among constructs. The results show that all diagonal values internal control system (0.818), organizational governance (0.734), organizational commitment (0.770), and fraud prevention (0.690) are higher than their respective inter-construct correlations, indicating that each construct shares greater variance with its own indicators than with other constructs. Therefore, all variables satisfy the Fornell–Larcker criterion, confirming adequate discriminant validity and demonstrating that the constructs represent distinct concepts without significant overlap that could bias the analysis.

Table 3. Composite Reliability and Cronbach Alpha Values

Variable	Q-Squared	Composite Reliability	Cronbach's Alpha
Internal Control System (ICS)	—	0.963	0.959
Organizational Governance (OG)	—	0.913	0.892
Fraud Prevention (FP)	0.439	0.879	0.842
Organizational Commitment (OC)	—	0.929	0.914
OC*OG	—	1.000	1.000
OC*ICS	—	1.000	1.000

Table 3 presents the results of instrument reliability and model evaluation, including Composite Reliability (CR), Cronbach's Alpha (CA), and Q-squared (Q^2), which are used to assess the quality of the measurement and structural model in SEM-PLS. The reliability results indicate strong internal consistency across all constructs, as all CR and CA values exceed the recommended threshold of 0.70. The internal control system shows CR of 0.963 and CA of 0.959, organizational governance has CR of 0.913 and CA of 0.892, organizational commitment records CR of 0.929 and CA of 0.914, while fraud prevention demonstrates CR of 0.879 and CA of 0.842. These results confirm that the research instrument is reliable for further analysis. Furthermore, the Q^2 value of 0.439 indicates that the model has strong predictive relevance, as values above zero reflect adequate predictive capability.

Table 4. Output Model and Quality Indices

Index	Value	Acceptance criteria
Average Path Coefficient (APC)	0.293, p<0.001	–
Average R-Squared (ARS)	0.437, p<0.001	–
Average Adjusted R-Squared (AARS)	0.417, p<0.001	–
Average Block VIF (AVIF)	1.097	Acceptable if ≤5, ideally ≤3.3
Average Full Collinearity VIF (AFVIF)	1.220	Acceptable if ≤5, ideally ≤3.3
Tenenhaus GoF (GoF)	0.558	Small ≥0.1, medium ≥0.25, large ≥0.36
Simpson's Paradox Ratio (SPR)	1.000	Acceptable if ≥0.7, ideally = 1

Index	Value	Acceptance criteria
R-Squared Contribution Ratio (RSCR)	1.000	Acceptable if ≥0.9, ideally = 1
Statistical suppression ratio (SSR)	0.750	Acceptable if ≥0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	0.875	Acceptable if ≥0.7

After confirming that the measurement model is valid and reliable, the next step is evaluating the structural model (inner model) to assess the model fit and predictive capability. Based on the results shown in Table 4, the Average Path Coefficient (APC) value is 0.293 (P < 0.001), indicating that the relationships among variables in the model are statistically significant. The Average R-squared (ARS) value of 0.437 (P < 0.001) shows that the model explains about 43.7% of the variance in the endogenous variable, while the Average Adjusted R-squared (AARS) value of 0.417 (P < 0.001) indicates that the model maintains good explanatory power even after adjustment. Regarding collinearity, the Average Block VIF (AVIF) value of 1.097 and the Average Full Collinearity VIF (AFVIF) value of 1.220 are both below the conservative threshold of 3.3. This result indicates that there are no multicollinearity problems among the latent variables and suggests that the model is free from common method bias, which is often found in survey-based research.

The Tenenhaus Goodness of Fit (GoF) value of 0.430 falls into the large category according to Kock (2025), providing empirical evidence that the model has very good predictive quality and explanatory capability. In addition, causality indices such as the Sympson's Paradox Ratio (SPR), R-squared Contribution Ratio (SSR), and Non-linear Bivariate Causal Direction Ratio (NLBCDR) each have values of 1.000. These ideal values indicate that there are no issues of reverse causality or anomalies in the direction of relationships among variables in this research model. This significant positive value confirms that the constructed structural model has good predictive validity. This model is not only capable of explaining current data but is also relevant for predicting future fraud prevention phenomena.

The culmination of this data analysis is hypothesis testing. This testing is performed by examining the path coefficients (beta) and significance levels (p-values) resulting from the bootstrapping procedure. The significance level used is alpha = 0.05 (5%). The hypothesis is accepted if the p-value is <0.05 and the direction of the coefficient aligns with the proposed hypothesis. In PLS analysis, once the model has been proven to fit, the relationships between variables can be tested. The results of the PLS model estimation using WarpPLS 8.0 are presented in Figure 2 below.

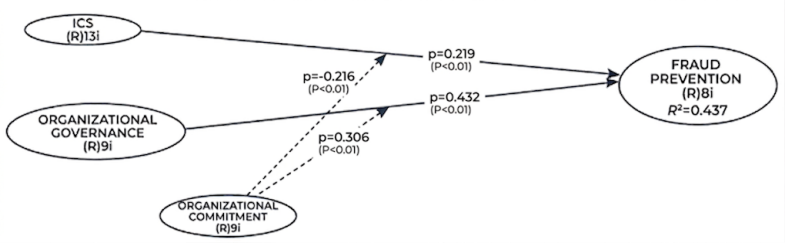

Figure 2. PLS Model Estimation Results

Table 5. Hypothesis Test Results

Hypothesis	Relationship	Path Coefficient	p-value	Result
H1	ICS →Fraud Prevention	0.219	0.006	Supported
H2	Organizational Governance → Fraud Prevention	0.432	<0.001	Supported
H3	Organizational Commitment × ICS → Fraud Prevention	-0.216	0.007	Supported
H4	Organizational Governance × Organizational Commitment→ Fraud Prevention	0.306	<0.001	Supported

Table 5 shows the WarpPLS output in the section on path coefficients and p-values. The hypothesis testing results reveal significant findings and provide strong theoretical implications. The relationship between the internal control system and fraud prevention produces a path coefficient of 0.219 with a p-value of 0.006. Since $p < 0.05$ and the coefficient is positive, the hypothesis stating that the internal control system has a positive and significant effect on fraud prevention is accepted. This finding supports Agency Theory and the COSO framework, which posit that internal control functions as a monitoring mechanism to limit opportunistic behavior. However, the magnitude of the coefficient, which falls into the moderate category, indicates that internal control is not the only effective instrument; its implementation remains influenced by cultural factors and bureaucratic practices in the field.

The effect of organizational governance on fraud prevention shows a coefficient of 0.432 with $p < 0.001$. This hypothesis is accepted with a very strong level of significance. The coefficient value, which is nearly twice as large as that of the internal control system, indicates that governance has a greater influence. This finding underscores that macro-level aspects such as tone at the top, transparency, and supervisory independence play a strategic role in establishing an effective fraud prevention system.

In the moderation testing, the interaction between the internal control system and organizational commitment yields a coefficient of -0.216 with a p-value of 0.007. Although significant, the negative direction of the coefficient indicates that organizational commitment actually weakens the effect of the internal control system on fraud prevention. This finding suggests the presence of a control substitution effect and the potential for excessive loyalty, where high levels of trust and solidarity may reduce firmness in enforcing formal procedures.

Conversely, the interaction between organizational governance and organizational commitment produces a coefficient of 0.306 with $p < 0.001$. This result indicates that organizational commitment strengthens the effect of governance on fraud prevention. In other words, a well-established governance system becomes even more effective when supported by employees who possess a strong sense of belonging and loyalty. The synergy between transparent governance structures and employees' psychological commitment creates a more robust defense mechanism against potential fraud within PTN-BLU institutions.

DISCUSSION

Internal control systems show a positive relationship with fraud prevention, indicating that mechanisms such as standard operating procedures, segregation of duties, and verification processes contribute to limiting fraudulent behavior. However, their influence remains relatively weak, suggesting that formal controls in PTN-BLU institutions have not been fully effective in practice. This finding supports agency theory by Jensen and Meckling (1976), which emphasizes the role of monitoring in reducing opportunistic behavior. Nevertheless, Institutional Theory by DiMaggio and Powell (1983) provides a more contextual explanation, particularly through coercive isomorphism, where control systems are often implemented due to regulatory pressure rather than genuine risk awareness, resulting in decoupling between formal procedures and actual practice. This condition is reinforced by structural limitations, where internal control units lack independence because they operate under institutional leadership, fostering a culture of *ewuh pakewuh*. In addition, the flexibility of BLU status is frequently used to justify bypassing procedures, aligning with the concept of management override of internal control (Kereri, 2019). From the perspective of the fraud triangle by Cressey (1953), although internal controls are designed to reduce opportunity, weak enforcement allows such opportunities to persist.

Organizational governance demonstrates a strong positive influence on fraud prevention, indicating that macro-level governance structures are more decisive than procedural controls. This finding is consistent with stakeholder theory by Freeman and Philips (2002), which emphasizes accountability not only to regulators but also to the

public. The implementation of good university governance through transparency, fairness, and accountability becomes a key mechanism in maintaining trust. This result also aligns with the Fraud Hexagon by Vousinas (2019), where strong governance reduces opportunity, rationalization, and arrogance simultaneously. The importance of tone at the top is evident, as leadership role modeling, consistency in sanction enforcement, and avoidance of conflicts of interest create a strong deterrent effect. Empirical evidence supports this finding, as ACFE reports in 2022 that it identified weak governance as a primary driver of fraud, while Boufounou et al. (2024) confirm that governance structures are more effective than internal audit mechanisms. This also reinforces Puspitarini (2012) and Anggraini and Hanun (2025), who emphasize governance as a prerequisite for accountability in higher education.

Organizational commitment reveals a paradoxical effect. It weakens the effectiveness of internal control systems, challenging prior assumptions such as Van Lier et al. (2013), which suggest that commitment automatically reduces fraud. This phenomenon reflects the dark side of commitment. The trust-control substitution effect by Weibel (2007) explains that excessive trust reduces reliance on formal controls. In PTN-BLU environments characterized by strong familial culture, high emotional attachment leads to reduced skepticism and weakened enforcement of procedures. Furthermore, unethical pro-organizational behavior explains how highly committed employees may rationalize rule violations for organizational benefit. This aligns with Dettori and Giudici (2017) regarding over-identification and groupthink, and Zhang et al. (2021), who show that strong commitment can increase unethical behavior. Pinto et al. (2008) further describe this as collective corruption, where unethical actions are justified as serving organizational interests.

However, organizational commitment strengthens the effectiveness of governance in preventing fraud, indicating that its role depends on context. This finding is explained by organizational support theory by Pradesa et al. (2018), which suggests that employees reciprocate fair and supportive organizational environments with positive behavior. When governance ensures transparency, fair sanctions, and whistleblower protection, commitment transforms into moral courage rather than blind loyalty. This is consistent with Near and Miceli (1985) and Alleyne et al. (2013), who state that committed employees are more likely to engage in voice behavior, particularly when supported by a safe, ethical climate. The implication is that fraud prevention in PTN-BLU cannot simply rely on strengthening formal procedures but must focus on building governance with integrity, independent oversight, and creating psychological safety. Employee commitment needs to be guided through a fair system to transform it into active social control, rather than weakening the control system.

CONCLUSION

This study reveals key insights into governance and fraud prevention in PTN-BLU institutions. The internal control system shows a positive but relatively weak effect on fraud prevention, functioning largely as an administrative compliance mechanism due to the limited independence of supervisory units and the potential for management override. In contrast, organizational governance emerges as the most influential factor, where transparent budgeting, fair sanction enforcement, and strong leadership role modeling ("tone at the top") effectively reduce both the opportunity and intention for fraudulent behavior. Organizational commitment demonstrates a dual role. On one hand, it can weaken the effectiveness of the internal control system, as excessive loyalty fosters hyper-trust that encourages employees to bypass formal controls and engage in unethical pro-organizational behavior for the perceived benefit of the institution. On the other hand, when governance is transparent and protective, organizational commitment strengthens its impact, transforming loyalty into moral courage and motivating employees to actively safeguard organizational integrity through actions such as whistleblowing.

These findings imply that higher education institutions should reinforce ICS independence, embed good governance practices at all levels, and cultivate ethical

commitment to channel loyalty into proactive fraud prevention. However, this study is limited to PTN-BLU institutions in Indonesia, and its cross-sectional design restricts causal interpretation, which may limit generalizability. Future research could examine the long-term effects of governance reforms, test ICS effectiveness across diverse cultural and organizational settings, and explore strategies to balance organizational commitment with adherence to formal controls, providing deeper insights into public sector accountability and ethical organizational behavior.

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