

ABSTRACT

This study aims to find empirical evidence about the influence of organizational culture, internal control, supervisory functions and fraud awareness on the effectiveness of fraud prevention. The effectiveness of fraud prevention is a proactive measure that is implemented to avoid or stop fraud. Therefore, the research objective is to investigate the influence of organizational culture, internal control, supervisory functions, and fraud awareness on the effectiveness of MSME fraud prevention in Semarang, Indonesia

The research sample was 102 MSMEs in Semarang City in 2020. The data collection method used questionnaires directly or through online questionnaires. There are 98 research data that have been tested. Research data were tested using validity test, reliability test, classic assumption test and regression analysis.

The results showed that MSMEs in Semarang City have an organizational culture, internal control, supervisory function and fraud awareness that affect the effectiveness of fraud prevention. This finding is consistent with the fraud triangle theory which states that fraud (the effectiveness of fraud prevention) is influenced by three elements namely pressure (supervisory function), opportunity (internal control), rationalization (organizational culture). Appropriate supervisory functions can make the absence of pressure, so that fraud prevention can be maximized. Internal controls that are done well can make a person have a small opportunity when working on fraud, so fraud prevention can be effective. Organizational culture that is built properly can produce good rationalization so that the effectiveness of fraud prevention is maximum.

Keywords: SMEs, effectiveness of fraud prevention, organizational culture, internal control, supervisory function, fraud awareness