

## CHAPTER 5

### CLOSING

#### 5.1 Summary

Sustainability reporting is growing in popularity since stakeholders require not only information from an economic perspective, but also information on a company's social and environmental aspects. However, there are arguments that companies publish sustainability reports mainly to satisfy stakeholders without committing more effort into sustainable practices, leading rise to the perception that a company's sustainability report may not accurately reflect its actual sustainability performance. This research explores the concept of "sustainability fraud", which is described as manipulation done by sustainability managers in relation to their sustainability-related activities. This research aims to examine the determinants that affect fraud prevention performance in sustainability reporting, as well as the mediating effect of perceived internal control effectiveness.

This study applied a quantitative approach and obtain primary data from industrial manufacturing companies registered in the Indonesian Ministry of Industry using online questionnaires. The online questionnaire was delivered to the selected companies through email. After the required number of responses was achieved, the data were processed using SPSS version 24 and SMARTPLS version 3.3.3.

The following conclusions can be made from the discussion and analysis of the research described previously:

**1. Determinants of fraud prevention performance in sustainability reporting have an effect on perceived internal control effectiveness.**

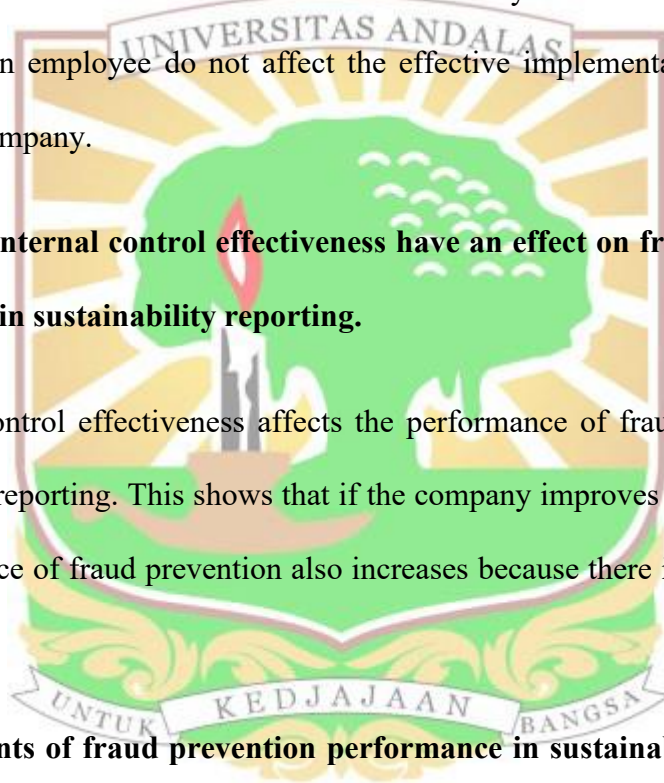
Stakeholder pressure and quality of assurer affect the internal control effectiveness. Thus, stakeholder pressure and quality of assurer need to be considered to improve the effectiveness of an internal control in organization. However, social sustainability factors and skills have no effect on internal control effectiveness. This means that the social sustainability factors of a company and the skills of an employee do not affect the effective implementation of internal control in a company.

**2. Perceived internal control effectiveness have an effect on fraud prevention performance in sustainability reporting.**

Internal control effectiveness affects the performance of fraud prevention in sustainability reporting. This shows that if the company improves internal control, the performance of fraud prevention also increases because there is less chance of fraud.

**3. Determinants of fraud prevention performance in sustainability reporting have an effect on fraud prevention performance in sustainability reporting.**

Social sustainability factors and skills affect the performance of fraud prevention in sustainability reporting. Thus, a company's social sustainability factors and good employee skills can improve fraud prevention performance in sustainability reporting. However, stakeholder pressure and quality of assurer appear to have had no effect on fraud prevention performance in sustainability



reporting. Consequently, stakeholder pressure and the quality of the assurer will not affect the performance of fraud prevention in sustainability reporting, regardless of whether it is good or not.

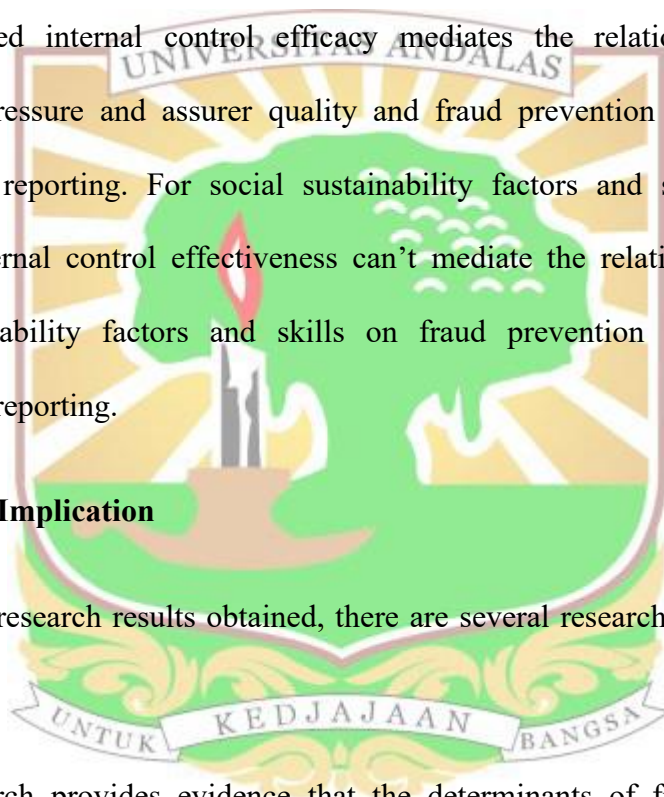
#### **4. Perceived internal control effectiveness mediates the relationship between determinants of fraud prevention performance in sustainability reporting and fraud prevention performance in sustainability reporting.**

Perceived internal control efficacy mediates the relationship between stakeholder pressure and assurer quality and fraud prevention performance in sustainability reporting. For social sustainability factors and skills, however, perceived internal control effectiveness can't mediate the relationship between social sustainability factors and skills on fraud prevention performance in sustainability reporting.

#### **5.2 Research Implication**

Based on the research results obtained, there are several research implications as follows:

1. This research provides evidence that the determinants of fraud prevention performance affect the perceived internal control effectiveness, so it is expected that sustainability managers and employees will pay attention to the determinants of fraud prevention performance in order to help increase effectiveness in the implementation of internal control.
2. This research provides evidence that perceived internal control effectiveness affects fraud prevention performance in sustainability reporting; therefore,



sustainability managers and employees are expected to maximize internal control effectiveness to reduce fraud opportunities in a company's sustainability reporting.

3. This research provides evidence that the determinants of fraud prevention performance affect fraud prevention performance in sustainability reporting, so it is expected that sustainability managers will pay more attention to the determinants of fraud prevention performance in order to improve fraud prevention performance in a company's sustainability reporting.

4. This study provides evidence that perceived internal control effectiveness has an effect on mediating the relationship between the determinants of fraud prevention performance and fraud prevention performance in sustainability reporting, so it is hoped that sustainability managers and employees who implement internal control to pay attention to the determinants of fraud prevention performance in order to help improve fraud prevention performance in sustainability reporting.

### **5.3 Research Limitation**

Based on the research that has been done, there are several limitations of the study that can be used as a reference for further researchers. The following are limitations in this study:

1. This study examines the determinants of fraud prevention performance in sustainability reporting using four independent variables: stakeholder pressure, social sustainability factors, skills, and quality of assurer. Whereas, the

determinants of fraud prevention performance in sustainability reporting can be viewed from a variety of perspectives.

2. The limited sample in the research used, which only focuses on manufacturing companies in Indonesia. Thus, the sample of this study only represents manufacturing companies in Indonesia.

#### **5.4 Suggestion**

Based on the results and limitations in this study, there are several suggestions for further researchers:

1. Further researchers can use or add other variables related to fraud prevention performance such as corporate governance.
2. Researchers can conduct research on the different sector of companies, such as extractive companies that directly take and utilize natural resources, such as mining companies, open sea fishing, legal logging, and seaweed extraction.

