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Implementation of an Internal Control System Based on Tri Hita Karana Culture in Fraud Prevention Efforts in Village Credit Institutions

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Abstract: Fraud in Village Credit Institutions or *Lembaga Perkreditan Desa* (LPD) often arises from weak supervision and low managerial professionalism. LPD Desa Adat Kesiman exemplifies effective fraud prevention through integrating the *Tri Hita Karana* philosophy into its Internal Control System. This study aims to examine the rationale, implementation, and impact of integrating Tri Hita Karana values into the Internal Control System. This qualitative ethnographic study explores the rationale, implementation, and impact of *Tri Hita Karana* integration in preventing fraud. Data were collected from the Head of LPD, Supervisory Board, employees, and community members using interviews, documentation, and artifact analysis, with validity ensured through triangulation and member checking. Findings show that *Tri Hita Karana* values strengthen moral and social control as well as public trust. The *Parahyangan* dimension manifests in spiritual practices; *Pawongan* in honesty, solidarity, and responsibility; and *Palemahan* in environmental awareness. Implementation includes integrity pledges, competent recruitment, technology use, SOP updates, structured communication, layered supervision, and profit allocation per regulations. This integration fosters ethical governance, financial service quality, innovation, and customer loyalty. Embedding *Tri Hita Karana* values enhances integrity, professionalism, and internal control effectiveness while preventing fraud through culturally rooted moral awareness and accountability.

Keywords: Village Credit Institution, *Tri Hita Karana*, Fraud, Internal Control System, Implementation.

INTRODUCTION

Bali, with its strong traditions and culture, initiated the *Lembaga Perkreditan Desa* (LPD) as an instrument of economic prosperity, based on Decree of the Head of the Bali Province Number 972 of 1984 (Sukandia, 2019). LPDs manage the finances and long-term investments of traditional villages through savings and loans, while also supporting the needs of individuals and groups in strengthening the socio-cultural and religious functions of traditional village

communities (Karisma, 2023). Based on data from the Bali Province Village Credit Institution Empowerment Agency in August 2025, the number of LPDs in Bali was 1,439, of which 1,328 were operational and 111 were insolvent or not operational. Not all LPDs are able to develop optimally, as evidenced by a number of cases that have resulted in bankruptcy. This phenomenon indicates that the rampant problems in LPDs are inseparable from fraudulent practices carried out by managers, thereby weakening public trust and institutional sustainability (Indrawati et al., 2023). The Internal Control System plays an important role in directing, supervising, and measuring organizational resources, as well as detecting deviations early, thereby minimizing the potential for losses and fraud (Oktaviana Dewi et al., 2023).

LPDs are owned by traditional village communities bound by local cultural norms, distinguishing them from other financial institutions. Their existence is reinforced by Regional Regulation No. 4 of 2019, which affirms traditional villages as customary law communities based on the *Tri Hita Karana* philosophy and the local wisdom of *Sad Kerti*. Hindu religion teachings, along with the cultural values and local wisdom that developed in Bali, play a strategic role in the development of society, the nation, and the state. In this context, Village Credit Institutions operating in traditional village areas are obliged to comply with the customary law (awig-awig) of the local community (Wiguna et al., 2022). This compliance not only reflects institutional legitimacy but also strengthens the LPD's function as a culturally based economic instrument grounded in the religious and social norms of Balinese indigenous communities. The implementation of the *Tri Hita Karana* teachings is expected to shift the paradigm of modern individualism and materialism, while strengthening the implementation of the LPD's Internal Control System in an effort to continuously prevent fraud. An internal control system based on the noble values of *Tri Hita Karana* can prevent irregularities and ensure that all LPD operational processes and activities are carried out in accordance with sound and accountable governance principles (Astini & Utama, 2023). The Kesiman Traditional Village LPD is one of the high-performing LPDs in Denpasar City, having implemented Regional Regulation No. 3 of 2017. This institution received the "Best LPD in Bali" award for Customer Service from the Bali International Customer Satisfaction Awards in 2015 and 2019. The Kesiman Traditional Village LPD demonstrates consistent financial performance and positive growth each year. This is evident in increases in profits, assets, credit, and public funds through savings and deposits. This growth reflects good governance, high public trust, and effective financial management strategies.

The Kesiman Traditional Village LPD demonstrates consistent financial performance and positive growth year after year. This is reflected in stable profit growth, increased total assets, credit distribution, and the collection of community funds in the form of savings and deposits. This growth demonstrates good governance, strong public trust, and sound financial management strategies implemented by the Kesiman Traditional Village LPD management. All operational activities of the Kesiman Traditional Village LPD are carried out based on customary law (*awig-awig*), Regional Regulations, Governor Regulations, and other government regulations, which are emphasized through Standard Operating Procedures. The overall health of the LPD is measured not only by financial performance but also by the consistent application of local values that strengthen its existence. The Kesiman Traditional Village LPD is a real example of the sustainable application of the *Tri Hita Karana* values. Through the implementation of the *Parahyangan*, *Pawongan*, and *Palemahan* values, the Kesiman LPD is able to create spiritual, social, and environmental balance. This has a positive impact on community trust and contributes significantly to improving the welfare and economic level of indigenous village residents (Gayatri et al., 2022).

An internal control system is a crucial mechanism within an organization to regulate operational activities and prevent fraud. This system encompasses organizational structures, methods, and procedures designed to safeguard assets, ensure the reliability of accounting data,

improve efficiency, and ensure compliance with management policies (Mulyadi, 2017). Internal control also plays a role in reducing conflicts of interest between management and owners (Alabdullah & Maryanti, 2021) and can improve financial literacy, thereby improving the quality of financial reports (Rencana & Permoni, 2023). Internal control components encompass five aspects: the control environment, risk assessment, control activities, information and communication, and monitoring (Sujarweni, 2015). These five components function in an integrated manner to ensure operational processes are effective, efficient, transparent, and accountable, so that organizational goals can be achieved optimally and sustainably. By implementing these three relationships, humans can achieve a harmonious, balanced, and sustainable life in accordance with spiritual and sociocultural values. *Tri Hita Karana* is believed to serve as a foundation for carrying out all work activities. Furthermore, this concept can be incorporated into ethical leadership within organizations (Pramesti & Renaldo, 2023).

The *Tri Hita Karana* philosophy serves as the primary foundation for all institutional activities. In 2019, the Kesiman LPD recorded the highest profit among all LPDs in Bali. Not all LPDs are able to implement control systems consistently due to differences in their respective operational characteristics. The main challenge lies in translating the *Tri Hita Karana* values into strengthening the oversight and accountability functions. Research in the Kesiman LPD regarding the implementation of an Internal Control System based on the *Tri Hita Karana* culture is worthy of study because the LPD of the Kesiman traditional village was able to prevent fraud by integrating the *Tri Hita Karana* culture into the Internal Control System, thereby helping the growth and development of the traditional village economy. This study aims to examine in depth how local wisdom can be internalized in the internal control system without compromising the effectiveness or principles of modern institutional governance. The integration of these local wisdom values not only directs harmonious behavior but also serves as a foundation for character building and human resource integrity in LPD management.

METHOD

This study uses a qualitative approach with ethnographic methods aimed at gaining an understanding of the implementation of the Internal Control System based on *Tri Hita Karana* values in fraud prevention efforts. The study was conducted at the LPD (Resident Community Empowerment Institution) in Kesiman Traditional Village. The informants for this study were the Head of the LPD, the Supervisory Board (*Panureksa*), the Head of the Credit Department, the Head of the Funds Department, the Head of the Accounting Department, the Deputy Head of the Traditional Village, the Head of Banjar, and the indigenous community who are LPD stakeholders. Primary data were obtained through semi-structured interviews and direct field observations. Secondary data included standard operating procedures (SOPs), forms, and financial reports. The data collection process was carried out through participant observation, semi-structured interviews, and artifact analysis. To ensure data validity, this study applied source triangulation, method triangulation, and member checking techniques. Triangulation was carried out by combining interview results from various informants and utilizing various data collection techniques to obtain strong validity. Meanwhile, member checking was carried out by confirming the findings with informants to assess the suitability and increase the credibility of the data obtained. Data analysis in this study was carried out through systematic stages, namely organizing and processing data, comprehensive reading of all data, coding process to identify patterns of meaning, developing categories and themes, presenting the results of the analysis in the form of a comprehensive qualitative narrative, and compiling interpretations based on empirical findings.

RESULTS AND DISCUSSION

The Kesiman Traditional Village LPD (LPD) was inaugurated on May 4, 1991, by the Regent of Badung at the Wantilan Temple of Agung Petilan. This momentum marked the beginning of the journey of this traditional village financial institution, which subsequently demonstrated rapid and consistent growth, earning it the title of one of the most outstanding LPDs in Denpasar City. The success of the Kesiman LPD is not solely determined by its ability to collect and distribute funds to the community, but also by its unique operational system, which is based on the *Tri Hita Karana* philosophy. This philosophy serves as the foundation for every organizational activity, ensuring that spiritual, social, and environmental aspects can function harmoniously. The Kesiman LPD's vision is "To be a healthy LPD, competitive through excellent service." This vision is realized through strategic missions, including encouraging economic development in rural communities, eradicating the practice of ijon (property bondage) and illegal pawning, expanding business opportunities, and increasing community purchasing power.

To support this mission, the Kesiman LPD offers a variety of savings products, such as *Tri Hita Karana* savings for traditional ceremonies, retirement savings, and student savings. In terms of credit, this institution serves a variety of needs, from unsecured loans and vehicle loans to working capital and investment loans. The Kesiman LPD's organizational structure is built on accountability, with the Village Head serving as the highest decision-making body, the Traditional Village Head serving as the head of the supervisory board, and the LPD Head responsible for daily operations. Functional units support technical activities with professionalism, enabling the institution to develop sustainably.

Integration of *Tri Hita Karana* Values in the Kesiman LPD

The *Tri Hita Karana* concept emphasizes the balance of *Parahyangan, Pawongan,* and *Palemahan*, thus creating spiritual, social, and ecological harmony that significantly supports the sustainability of the Balinese economy. (Purnamawati, Jie, & Hatane, 2022). Since its establishment under the leadership of Ketut Adi, the LPD of Kesiman Traditional Village has consistently integrated *Tri Hita Karana* as the primary management foundation to achieve spiritual, social, and environmental harmony. This is reinforced by the statement of the Head of the Credit Department, who stated:

> *"Tri Hita Karana was established by the first Head of the LPD, Mr. Ketut Adi, so he even provided the inscription printed on mica glass. So, we are always reminded of what Tri Hita Karana stands for.."*

The *Tri Hita Karana* values embraced and practiced by LPD employees in Kesiman Traditional Village were analyzed using the religiosity dimension theory approach. This approach encompasses three main dimensions: behavior, affect, and effect. These three dimensions comprehensively represent an individual's level of attachment, appreciation, and implementation of religious teachings (Dewi & Rahajeng, 2021). An analysis of the behavior of LPD employees in Kesiman Traditional Village shows that Hindu religious values, particularly the *Tri Hita Karana* philosophy, are internalized in institutional activities. The implementation of *Tri Hita Karana* is reflected through three main pillars: *Parahyangan, Pawongan,* and *Palemahan.* In the *Parahyangan* dimension, religious practices serve as a moral foundation for preventing deviations. Spiritual beliefs through *sradha* (faith), *bhakti* (devotion) and *dharma* (duty) shape employee integrity. Prayer, one of the formal elements, is believed to instill moral values and strengthen integrity, particularly in preventing fraud (Riduwan & Andajani, 2023). Despite the limitations of the formal oversight system, the Head of LPD emphasized that honesty and accountability are based on belief in Ida Sang Hyang Widhi Wasa or God Almighty.

Regular worship, communal prayer, and belief in the law of *karmaphala*. Karmaphala is the principle that actions (karma) generate their own results (phala) reinforce the awareness that every action has consequences (Widana, 2022), thus encouraging employees to avoid fraud. The *Pawongan* dimension plays a central role in building a conducive social climate (S. Devi et al., 2021). Harmonious relationships between employees and customers are realized through the values of *satya* (honesty), *manyamabraya* (brotherhood), and *swadharma* (obligation) (Pasek & Trisnawati, 2021). Transparency in transactions, social awareness in the form of community donations, and friendly service in accordance with standard operating procedures (SOPs) build public trust. This emphasizes that the LPD functions not only as a financial institution but also as a social institution that strengthens the solidarity of indigenous communities. In the *Palemahan* dimension, ecological awareness is implemented through respect for mother earth and the practice of maintaining environmental cleanliness (apik lan resik). Efforts to maintain a clean and comfortable work environment include maintaining workplace cleanliness, creating environmentally friendly spaces, and considering spatial planning that supports health and work productivity (Mulyawan et al., 2017).

Affect dimension analysis was used to assess the importance of Hinduism and the application of *Tri Hita Karana* values in the institutional activities of the Kesiman Traditional Village LPD. The Head of the Kesiman LPD Credit Division emphasized that *Tri Hita Karana* values embody harmony encompassing relationships with God, fellow human beings, and the environment.

> "*Tri Hita Karana is actually about harmony, namely relationships with God, others, and the environment. We just arrive at the office and already go to God first, second, we greet our colleagues, and of course, we maintain a clean environment. So, employees implementing Tri Hita Karana in the LPD environment can provide good guidance and foster a sense of harmony.*"

The practice of *Parahyangan* values is evident in the spiritual activities that are prioritized upon arrival at the office, strengthening an inner orientation toward responsibility and honesty. The *Pawongan* value is reflected in the culture of greeting each other and maintaining harmony among employees, creating a positive and supportive work climate. Meanwhile, the *Palemahan* value is implemented through concern for cleanliness and the sustainability of the work environment. The effect dimension approach assesses the impact of *Tri Hita Karana* implementation on institutional governance and overall organizational behavior. From a *Parahyangan* perspective, employees cultivate spiritual integrity through religious practices, including prayer, worship, and belief in the principle of *karmaphala*, so that every work action is based on honesty, responsibility, and adherence to institutional ethics. The *Pawongan* aspect fosters harmonious social relations among employees and interactions with the village community, reflected in attitudes of mutual respect, cooperation, and solidarity, which support the formation of a healthy and togetherness-oriented organizational culture. The *Palemahan* aspect emphasizes concern for cleanliness and the sustainability of the physical environment in the workplace, which directly impacts the creation of a conducive and comfortable work atmosphere that supports productivity and service quality. Fraud can be prevented through harmony with others, adherence to religious teachings, and wise use of the environment. The integration of *Tri Hita Karana* directs a more effective internal control system, thereby reducing the opportunity for fraud and strengthening institutional integrity on a sustainable basis.

The implementation of *Tri Hita Karana* values by LPD Kesiman aligns with previous research, which outlines three guiding principles: *Parahyangan*, the harmonious relationship between humans and God Almighty, Ida Sang Hyang Widhi Wasa (Wirajaya et al., 2014). *Pawongan*, the principle of maintaining good relationships with others through mutual

forgiveness, help, appreciation, and respect, which in turn creates a harmonious atmosphere that allows for the achievement of human life goals (Padet, 2018). Palemahan, the harmonious relationship between humans and nature or the environment (Astawa, 2013). The *Tri Hita Karana* values serve as a preventive instrument to prevent fraud through a more comprehensive and effective internal control system. This integration of cultural values strengthens oversight mechanisms, increases accountability, and reinforces the positive influence of internal control systems on LPD financial performance (Astini & Utama, 2023). Research by Anantawikrama et al. (2019) aligns with this finding, demonstrating that the implementation of the *Tri Hita Karana* culture has a significant impact on preventing fraud in village fund management.

Integration of *Tri Hita Karana* values in the components of the Internal Control System

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is widely recognized for developing the COSO Framework, a global standard for internal control and risk management. This framework assists organizations in designing, implementing, and evaluating the adequacy of their internal control systems to ensure operational effectiveness, reliability of financial reporting, and compliance with applicable laws and regulations. COSO identifies five key components of an effective internal control system: control environment, risk assessment, control activities, information and communication, and monitoring. These elements provide an integrated structure that enables organizations to achieve their objectives and prevent irregularities. In the context of the Village Credit Institution (LPD) of Kesiman Traditional Village, the local wisdom-based internal control system aligns with the COSO framework while incorporating cultural values rooted in the Tri Hita Karana philosophy. By embedding values of harmony among humans, nature, and the divine, this system strengthens the ethical foundation and collective responsibility within the organization. The integration of local wisdom with COSO principles has proven to be both relevant and effective in minimizing fraudulent practices and ensuring sustainable governance that reflects both modern management standards and the traditional values of the local community.

Control Environment

The Kesiman Traditional Village LPD demonstrates a strong commitment from management, administrators, and employees to implementing an effective internal control system. This work environment reflects integrity, ethics, and good organizational governance as the foundation for achieving transparency, accountability, and public trust in the institution (Satria, 2020). The Kesiman Traditional Village LPD's commitment to integrity and good governance is demonstrated through the application of ethical values in every aspect of its work. This is reflected in the integrity pact document, which all employees must sign as a moral and ethical commitment to responsibility and honesty. This document serves as a guideline for work behavior and a reminder for all employees to uphold the values of integrity and professionalism. Furthermore, this document emphasizes that any act of fraud or ethical violation will be subject to strict sanctions in accordance with the Traditional Village regulations and applicable legal provisions.

The implementation of clear sanctions not only provides a deterrent effect but also strengthens institutional accountability. The implementation of strict sanctions against all employees found to have committed fraud, whether financial or non-financial, is a strategic step in upholding organizational integrity (Yanti et al., 2020). In addition to formal aspects, the Kesiman Traditional Village LPD also emphasizes spiritual balance through regular prayer activities and *tirta yatra* outlined in the annual work plan. These activities not only serve as a means of spiritual development but also foster togetherness, loyalty, and harmony among employees, in accordance with the principles of *Tri Hita Karana*. Through this approach, employee integrity is not solely maintained through regulations and internal control systems,

but also through the formation of moral and spiritual values that foster a sense of responsibility, honesty, and dedication to the institution and the traditional community.

Structurally, the Kesiman Traditional Village LPD implements a clear organizational system with a defined division of duties and authorities. Individuals in strategic positions generally have broader access to organizational resources, creating greater opportunities for abuse of authority (Nurwahyuni, 2024). Periodic job rotation is also implemented within the LPD to prevent potential abuse of authority. The Fraud Diamond Theory states that individual capabilities can be a risk factor for fraud. Rotating strategic positions allows the LPD to minimize opportunities for abuse of authority, increase transparency, and strengthen its internal control system on an ongoing basis. This job position rotation helps prevent abuse of authority, reduces opportunities for collusion, and increases the effectiveness of internal supervision and control in the organizational environment (Panggalo et al., 2021).

Risk Assessment

Risk assessment is a critical component of the internal control system, identifying and evaluating potential risks. The Kesiman Traditional Village LPD (LPD) applies this approach to managing two main categories of risk: strategic risk and financial risk. Strategic risk arises when the planning and implementation of organizational strategies do not align with environmental changes. One of the obstacles faced by the Kesiman LPD is the use of a manual system for recording transactions, which has the potential to cause delays, errors, and even opportunities for fraud. The use of a manual recording system can open up opportunities for fraud due to weak oversight and minimal transparency in the transaction recording process (Sastri et al., 2019). The LPD is undertaking a digital transformation to improve efficiency, accountability, and transparency. The use of the Electronic Bank System (EBS) application is a concrete step in digitalization. This reduces reliance on manual processes, which tend to be time-consuming, inefficient, and prone to errors and data manipulation (Putra et al., 2025). Collectors can directly input transactions via mobile phones connected to the head office system in real time. The Head of the Funds Division emphasized:

> *"The collector handles 200 customers every day… input directly from each person's cellphone via the EBS application… connect to my computer and I can control it from there."*

The existence of information technology also facilitates the wider and more open dissemination of information on the institution's performance. Customers can transparently access the achievements, asset growth, and awards received by the Kesiman LPD. This approach is implemented by upholding local wisdom values based on *Tri Hita Karana*, with the use of technology understood as a means to maintain harmonious relationships between people. Financial risks include potential losses in fund management, particularly credit. The LPD's greatest challenge does not stem from the system, but rather from the level of debtor arrears due to fluctuating economic conditions. In profit management, the LPD consistently adheres to Regional Regulation No. 3 of 2017, by channeling 20% of profits to Traditional Villages and 5% to social funds. These funds are used for religious, social, and institutional activities in line with the *Tri Hita Karana* value. In the fraud diamond theory, pressure is often the primary trigger for individuals to commit fraud, particularly when facing personal financial problems due to delays or uncertainty in income receipts (Syahfitri et al., 2024). Financial risks are also minimized through the implementation of a timely, transparent, and accountable payroll system. This mechanism ensures that each employee receives their dues in accordance with their performance and applicable regulations, thereby reducing the potential for dissatisfaction and irregularities in the institution's financial management.

Control Activities

The Kesiman Traditional Village LPD (LPD) has an internal control system implemented by employees according to their respective duties and responsibilities. The recruitment process is carried out through systematic stages, starting with the receipt of documents, a written test, an interview assisted by the Denpasar City LPLPD, and a psychological assessment by division. The Head of the LPD explained:

> *"First, we accept applications... written test, interview assisted by LPLPD Denpasar City... those who pass will take a psychological test... participants are representatives from each banjar."*

This recruitment process emphasizes not only technical competence but also integrity, particularly the value of *satya* (honesty), which is part of *Pawongan* in *Tri Hita Karana*. Honest and competent employees will increase the reliability of financial reports and prevent fraud. By emphasizing integrity in recruitment, organizations have the opportunity to acquire superior human resources while preventing fraud (Fahmi & Syahputra, 2019). Furthermore, recruitment aims to produce employees with intellectual capital, encompassing knowledge, skills, and competencies, who play a strategic role in driving innovation and continuous service improvement (Purnamawati, Jie, Hong, et al., 2022).

Personnel competence is not optimal without the support of a clear work system. Therefore, the LPD (Lembaga Perusahaan Daerah/LPD) has developed Standard Operating Procedures (SOPs) as guidelines for task implementation. Effective implementation of SOPs ensures that every transaction runs according to procedure, from recording and data entry to information validation. This improves governance quality and maintains organizational accountability. The success of the internal control system is also reflected in customer satisfaction. Interviews indicate that customers rate LPD Kesiman's services as satisfactory:

> *"Good information delivery, good service, friendly employees, fast response... have an impact on operational services so that customers are more satisfied."*

Friendly and professional staff, along with prompt responses, are crucial elements in creating a satisfying service experience for customers. These factors not only enhance comfort but also strengthen public trust in the institution. Service quality has a positive and significant impact on customer satisfaction and loyalty and plays a strategic role in maintaining the sustainability of LPDs and strengthening bonds between LPDs and indigenous communities (Widyarini & Sanjaya, 2021).

Information and Communication

Information and communication related to accounting processing encompasses the entire process from transaction initiation to the production of financial reports, including the use of electronic tools to access, process, and maintain data. All transactions are recorded administratively by type and archived both manually and systemically. Transaction services are conducted both at the LPD office and outside through collectors and Account Officers (AO), with each transaction supported by a form as evidence of bookkeeping. To maintain information reliability, LPD Kesiman provides periodic reports to stakeholders. This process is reinforced by multi-layered oversight by the Head of Section, the Internal Supervisory Unit, the Internal Supervisory Agency, and an annual external audit. The Head of the Funds Section emphasized:

> *"Every withdrawal transaction is monitored by SPI every day... weekly monitored by the Internal Supervisory Board... at the end of each month, performance results are submitted to the Supervisory Board."*

In preparing reports, the value of dharma (truth) as an implementation of *Parahyangan* in *Tri Hita Karana* is applied to prevent fictitious reports. The *Pawongan* principle of *satya* (honesty) emphasizes transparency and accountability, allowing transaction data to be verified collectively. This mechanism prevents manipulation while strengthening social control through open reporting to the indigenous community. The Kesiman LPD actively uses Facebook and Instagram to disseminate product-related information, socialization, and performance reports. Publications include concise financial data such as assets, credit, third party funds (DPK), profits, and financial ratios (CAR, NPL, LDR, CR). Information disclosure is realized through the principles of transparency, accountability, responsibility, independence, and equality to ensure business sustainability while still considering the interests of stakeholders (Sagala, 2020). Kesiman Traditional Village Regulation No. 04 of 2021 regulates Information and Communication Technology (ICT)-based administrative obligations and document archiving in accordance with Bali Provincial Regulations.

Monitoring

Monitoring is a key element of the internal control system. This process is carried out continuously to assess the effectiveness of implemented policies, procedures, and control activities. Based on the organizational structure, the Kesiman Traditional Village LPD has six Division Heads: the Head of General Affairs, the Head of the Internal Supervisory Unit, the Head of Credit, the Head of Bookkeeping/Accounting, the Head of Cash, and the Head of Funds. Supervision by each Division Head aims to ensure that all operational activities are carried out in accordance with established standards and procedures. This supervision includes verifying transaction documents, such as checking daily documents, deposit receipts, and system data to ensure there is no manipulation or irregularities. Furthermore, regular reconciliations between manual and system data are conducted to detect discrepancies early. Regarding the supervision of transaction document verification, the Head of Accounting stated that:

> *"I support honesty in transactions and record-keeping. We cross-check the transactions received by the teller daily. In accounting, we receive the final results, and we double-check those results."*

The Kesiman Traditional Village LPD implements a cross-matching mechanism for fundraising results from collectors to ensure data consistency and prevent irregularities. This step aligns with Thompson's (1992) dimensions, which emphasize the importance of reducing opportunities for fraud through strict supervision and verification. The Internal Supervisory Unit serves as a supervisory unit within the organizational structure, tasked with monitoring all operational activities in each division. Supervision is conducted daily, encompassing credit analysis, financial report audits, and compliance with applicable regulations and SOPs. If errors are discovered in transactions or recording, the SPI immediately provides corrective notes to the relevant division for same-day follow-up. This mechanism minimizes the potential for errors and maintains the effectiveness of the institution's internal controls.

Supervision by *Panureksa* focuses on three main aspects: oversight of the funds (treasury), employees, and credit. In addition, *Panureksa* also conducts unannounced inspections to verify compliance between administrative records and field conditions. Any findings or evaluation results are publicly communicated in a meeting attended by all members of the Banjar (village) of Kesiman Traditional Village. Through this forum, each finding is discussed together to find solutions and make collective improvements, in order to enhance performance quality and strengthen governance. The Kesiman LPD has also been audited by the Ramantha Public Accounting Firm four times in the past four years. This external audit assesses the fairness of the financial statements in accordance with regulations. The LPD is

also under the supervision of the Denpasar City LPLPD and the Bali Province LPLPD as the supervisory and supervisory institutions. This layered oversight closes the opportunity for abuse of authority, in line with the Fraud Diamond theory, which emphasizes the importance of eliminating opportunities for fraud. This mechanism serves as a layered control system that ensures accountability and transparency in management (A. R. S. Devi et al., 2025).

The Impact of Implementing *Tri Hita Karana*

The implementation of the *Tri Hita Karana* philosophy at the Kesiman Traditional Village LPD has had a positive impact not only on the institution but also on the community and stakeholders. The Kesiman LPD has developed into a financial institution that not only meets economic needs but also plays a strategic partner in financing traditional activities. A significant portion of profits is allocated to support religious activities, traditional infrastructure improvements, community scholarships, and social assistance. This implementation of social responsibility reflects the *Tri Hita Karana* philosophy, adopted from Hindu teachings (Ayu Purnamawati et al., 2023). The implementation of *Tri Hita Karana* has also impacted public services. Employee responsiveness is a crucial element in creating customer satisfaction. The LPD actively visits hamlets (*banjar*) and schools. This strategy serves as both promotion and support for traditional institutions. A Kesiman LPD customer stated:

> *"LPD visited the hamlets to introduce its products, which I found interesting. My husband, my children, and I became customers, and all our savings were transferred to LPD.."*

Strengthening the values of responsiveness and empathy in service is a crucial strategy for improving service quality and the competitiveness of LPDs (Murti et al., 2024). The services provided by the Kesiman LPD are not merely procedural but also reflect the values of friendliness and social harmony that are part of the organization's culture. High levels of community trust were reflected in participation in the 2024 LPD anniversary celebration, when 3,000 invitations were distributed and the community's enthusiasm exceeded capacity. The following year, invitations were increased because many members of the community felt they had not been accommodated. These complaints were conveyed by members of the Supervisory Board.

> *"This year we will invite more people because many people are wondering why they weren't invited.."*

Internalizing the values of *Parahyangan, Pawongan,* and *Palemahan* prevents such rationalization by fostering a sense of shame and moral responsibility (Sanjani & Werastuti, 2021a). An organizational culture based on adherence to customary norms and regulations strengthens public trust (Jelantik et al., 2021). Trust is a fundamental element in maintaining customer loyalty (Jimbaranto et al., 2024). *Tri Hita Karana* values, such as honesty, ethics, and harmony, form a strong moral foundation in the workplace (Ervinia et al., 2021). The stronger the implementation of *Tri Hita Karana* values, the better the internal control system. This has implications for improving organizational performance while minimizing the risk of fraudulent acts that can harm the institution as a whole (Atmadja et al., 2019; Dewanti & Mulyadi, 2019). *Tri Hita Karana* integration has been proven not only to strengthen internal control systems and prevent fraud but also to build an ethical organizational culture oriented towards excellent service.

CONCLUSION

The Kesiman Traditional Village LPD integrates the *Tri Hita Karana* values as an instrument for strengthening moral and social control in mitigating the risk of fraud.

Parahyangan values are embodied through *sradha*, *bhakti*, and *dharma*; *Pawongan* is practiced through *satya*, *menyamabraya*, and *swadharma*; while *Palemahan* is implemented through respect for the environment and cleanliness. *Tri Hita Karana* integration is reflected in the five components of the internal control system. The control environment is enforced through an integrity pact, a solid organizational structure, and job rotation. Risk assessment is strengthened by the use of digital technology for information transparency and targeted credit distribution. Control activities are implemented through competency-based recruitment and updated SOPs. Information and communication are delivered through the traditional *paruman* and digital media. Monitoring is carried out in stages by the Head of Section, Internal Control System, administrators, and the Supervisory Board, and is reinforced by external audits by a Public Accountant and the LPLPD. The implementation of *Tri Hita Karana* strengthens employee ethics, accountability, and integrity, and fosters awareness of *karmaphala*. The impact is evident in the allocation of social funds, prayers, and the development of traditional infrastructure. This success is reflected in customer satisfaction, community participation, innovative services, and the LPD award as an outstanding institution in Denpasar City.

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