

The Influence of Internal Control, Financial Pressure, and Compensation Compatibility on the Tendency of Accounting Fraud (Experimental Study in Local Government Context)

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ABSTRACT

This research discusses the influence of internal control, financial pressure, and compensation compatibility on the tendency of accounting fraud. Two experiments were conducted to test the effect of these factors. Experiment 1 examined the influence of internal control and financial pressure on the tendency of accounting fraud. Experiment 2 scrutinized the effect of internal control and compensation compatibility on the tendency of accounting fraud. The samples in this study were 122 participants selected using a purposive sampling method. Analysis of Variance (ANOVA) was employed for the hypothesis built in this study. The test results in Experiment 1 revealed that individuals in conditions where there was no internal control tended to commit accounting fraud compared to those in conditions where there was an internal control. The test results also indicated that individuals in financial pressure conditions tended to commit accounting fraud compared to conditions with no internal control. This test's results specified that there was no interaction between internal control and financial pressure on individual decisions in the tendency of accounting fraud. Besides, the test results in experiment 2 proved that individuals who received incompatible compensation were more likely to commit accounting fraud than those who received appropriate compensation. The test results also showed that individuals in the conditions of internal control absence and inappropriate compensation were more likely to commit accounting fraud than those in conditions with internal control. The further additional analysis results disclosed that internal control manipulation in experiment 2 has succeeded in replicating the experiment 1 results.

Keywords: *Internal Control, Financial Pressure, Compensation Compatibility, Fraud Accounting.*

1. INTRODUCTION

Current regional finance in Indonesia is the result of developments in the post-reform system. In particular, from the accounting perspective, reforms have begun to be strengthened, namely by implementing accounting accountability in the public sector and the demand for transparency and accountability in the accounting system at both the central and local government levels. [19] defines public accountability as the information's disclosure and provision on the local governments' activities and performance to information users' financial statements. Besides, the rapid development of accounting not only provides benefits in practice but also brings problems, namely the existence of fraudulent practices (fraud). According to [34], accounting fraud is an intentionally committed error to mislead accounting reports' users, and

the action uses negative motives for personal gain or certain parties' interests. Meanwhile, according to the ACFE (Association of Certified Fraud Examiners), three types of accounting fraud are (1) fraud in financial reports, (2) misuse of assets, and (3) corruption cases. Accounting fraud, in general, is related to corruption acts (source: acfe.com).

ICW (Indonesian Corruption Watch) stated that there were 576 cases of corruption prosecution in the goods and services procurement sector in 2017, with a state loss of IDR 6.5 trillion. It has increased from 2016, with a total of 94 corruption cases and an increase in the loss value of IDR 820 billion (source: icw.or.id, 2017). The sector most corrupted in the procurement of goods and services was related to public services. Further, corruption cases ranked first based on institutions were in the regional government;

namely, there were 222 cases with total state losses of IDR 1.17 trillion and the number of suspects as many as 326. It indicates that Indonesia is still not out of the condition of corruption cases, particularly those related to public services at local government institutions. The Corruption Perception Index (CPI) stated that, in 2017, the Indonesian state was perceived to be very corrupt. The CPI index ranges from 0-100, where a score of 0 is perceived as a highly corrupt country, while a score of 100 means that it is clean from corruption. Indonesia scored 37 and was ranked 96 out of 180 countries surveyed (source: riset.ti.or.id). A score of 37 confirms that Indonesia is still not out of a very corrupt country perception. Based on this case, the government should be accountable to the public by reporting financial reports and managing government institutions' financial activities.

The Fraud Triangle Theory is a fundamental theory to explain fraud causes [1]. The theory consists of three elements necessary for fraud to occur: pressure, opportunity, and rationalization. Therefore, there must be measures to prevent fraud by considering these three factors. Opportunity is a condition where someone has the opportunity to commit fraud. According to [4], an opportunity is a condition that allows someone to commit cheating, where the condition is considered safe by the doer, and he assumes that his action will not be detected. However, the government can actually anticipate this fraudulent act by enforcing the law and the internal control system's effectiveness.

Internal control is a process carried out by the management board of commissioners and other personnel of the entity, which is designed to provide adequate assurance about the accomplishment of the three-goal groups, namely (a) financial reporting reliability, (b) operations' effectiveness and efficiency, and (c) compliance with applicable laws and regulations (Public Accountant Professional Standards, SA Section 319). Accounting fraud can occur when someone sees an opportunity for weak internal control [35]. The authors believe that if an entity's internal control system is good and capable of being appropriately implemented, internal control will overcome fraud. Based on the 2017 Semester Audit Results Summary (IHPS) results, the Financial Audit Agency (BPK) found that internal control problems were getting weaker from 2017 to 2018, with the number of 7,284 increasing to 7,539 cases (source: bpk.go.id, 2017) and bpk.go.id, 2018). BPK's findings on this case lay on the central government, local governments, state-owned enterprises (BUMN), and other agencies. However, most findings were found in local governments.

Table 1. Findings of the Number of SPI Problems in Semester I, 2017 and 2018

Semester/ Year	Number of SPI Problems			
	Central Government	Local Government	BU MN and other agencies	Total
I/2017	983	6.053	248	7.284
I/2018	998	6.222	319	7.539

(Source: bpk.go.id)

[8], in their research, explained that entities that have an internal control system are more likely to detect and report fraud themselves than those that do not have an internal control system. In their research, [26] stated that the organization's internal control system could minimize the tendency of accounting fraud. In the company or organization context, the internal control existence can ensure that its assets are better preserved than the absence of internal control [13]. Moreover, [29] argue that when the pressure is extreme, fraud or cheating cannot occur unless there is an opportunity.

The second element in the fraud triangle theory is pressure. There are two pressures: financial and non-financial pressures. Pressure, which is often associated with accounting fraud, is financial pressure, where a person is experiencing problems in his economy. According to [32], financial pressure is triggered by the need for money and an excessive lifestyle. This financial pressure existence makes someone commit crimes, such as money embezzlement. Financial pressure can affect individuals' tendency to commit accounting fraud [26].

The last element in the fraud triangle theory is rationalization. Rationalization is an essential element in the fraud occurrence because the doer seeks justification for his actions. This justification can occur when the doer wants to make his family and loved ones happy; the doer feels deserved something more (position, salary, promotion) because he has been serving the company for a long time, or he takes some of the profits because the company has made a large profit [28]. One form of rationalization used as an excuse for committing fraud is the incompatible compensation received. Based on data from the State Civil Service Agency (BKN), there were 2,357 State Civil Servants (ASN) proven to have corruption (source: Kompas.com). This corruption occurred due to dissatisfaction with the salary allowances received by them, which prompted them to look for other ways to get additional income, namely by committing irregularities.

According to [33], the compensation compatibility definition is the suitability and satisfaction received by the organization or institution's employees in the form of

hourly wages and periodic salaries as a reward for the work that has been done. Thus, the compensation compatibility is received by employees as a form of reward or in place of contributions for their services that have been carried out to the organization either in the form of money or goods, directly or indirectly. In their research, [23] stated that inappropriate compensation encourages individuals to commit accounting fraud. [1] and [10] explained in their research results that the compensation system could be used as an alternative to reduce accounting fraud or increase performance and awareness to achieve performance. These findings are supported by [31] and [33], who elucidate that companies can implement a compensation system to reduce the occurrence of fraud. The research results are different from [9], which describes that if the compensation system is based solely on physical performance, which is directly measured in units of money, it will encourage unethical behavior. These findings are supported by [35] and [3], who found that the compensation compatibility did not affect the tendency of individuals to commit accounting fraud.

This research has important implications for organizations, especially local governments, in designing an effective internal control system. Therefore, this research is expected to contribute to the government in implementing a compensation system scheme to minimize fraud occurrence. In terms of the methodology, this research can demonstrate a causal relationship between the internal control system, financial pressure, and compensation compatibility with the tendency to commit fraud, in which previous research has used secondary data and primary data. Besides, this study developed two experimental research models to enrich the literature review of experimental research in accounting.

2. REVIEW LITERATURE AND HYPOTHESIS DEVELOPMENT

Fraud Triangle Theory

The fraud triangle theory was first introduced by Cressey, a criminologist and sociologist, in 1973 [34]. Three factors can cause fraud: opportunity, pressure, and rationalization. These three factors can influence a person to commit fraud acts. Opportunity is the first important fraud element. Opportunities are created by ineffective controls that allow a person to commit fraud within the organization. In accounting, it is an internal control weakness in an organization. [29] argue that fraud cannot occur when the pressure is extreme unless there is an opportunity.

Second, pressure is a factor that causes someone to commit fraud. The pressure felt by a person refers to the factors that lead to unethical behavior. Every fraudster faces some pressure to behave unethically [1]. These pressures can be in the form of financial or non-financial pressures. This pressure existence can refer to fraud acts, especially in

terms of financial need, which is the most common factor for committing a crime.

Meanwhile, rationalization is the third element of the fraud triangle theory. Rationalization refers to the justification and excuse that immoral behavior is different from criminal behavior. Rationalization is difficult to pay attention to because it is not possible to read someone's thinking of committing fraud. This element is vital in the fraud occurrence because individuals will seek justification for their behavior.

Internal Control and the Tendency of Accounting Fraud

Internal control is a process designed and implemented by the party responsible for achieving organizational goals regarding efficiency and effectiveness, financial reports' reliability, and compliance with applicable regulations. According to [16], internal control is a process influenced by the organizational structure, people, and management information systems, designed to help the organization achieve specific goals or objectives. The fraud triangle theory explains that one of the factors that cause fraud is an opportunity. This opportunity will arise when an organization's internal control system is weak, lacks supervision, and abuses authority. [27] confirmed that good internal control practices are grounds for accurate fraud prevention, fraud detection, and finance. Thus, an organization or company needs to design and implement an internal control system expected to address business risks that threaten the achievement of organizational goals.

[13] explained that internal control in the company or organization context could ensure that its assets are better preserved. [8] also clarified that organizations that properly design the internal audit function would find it easier to detect fraud. This opinion is supported by [29], who stated that fraud could not occur in a company unless there is no opportunity. Opportunity is created by ineffective controls, which allows someone to commit fraud. Thus, if a company has internal control, but it cannot be implemented effectively, there is an opportunity for someone to commit fraud.

Based on the explanation above, this study assumes that the existence of effective internal control will minimize organization's individuals or employees to commit fraudulent acts than those that do not have internal controls or have not been running it effectively, as formally stated in Hypothesis 1 below:

H₁: Individuals in a condition where there is no internal control are more likely to commit accounting fraud than in a condition where there is internal control.

Financial Pressure and the Tendency of Accounting Fraud

The fraud triangle theory explains that pressure is one of the factors causing fraud. The pressure often associated with

fraud is financial pressure. The existence of economic problems cause individuals to experience financial pressure, for example, debt, a luxurious lifestyle, drug dependence, and others. Therefore, individuals will try to take various actions to get out of these problems. Financial pressure faced by a person can motivate him to commit money embezzlement.

Some research stated that about 95% of all fraud involved financial pressure to commit a crime [32]. According to [22], financial pressure is taken seriously because it creates a tendency to commit fraud. [26] research found that financial pressure could affect individuals' tendency to commit accounting fraud. The research showed that when individuals experienced financial pressure or faced economic problems, these conditions would urge the individual to do whatever it took to meet their needs.

Based on the explanation above, the second hypothesis in this study reads:

H₂: Individuals in financial pressure conditions are more likely to commit accounting fraud than those in conditions with no financial pressure.

Financial Pressure and Internal Control on the Tendency of Accounting Fraud

The Fraud Triangle Theory is a fundamental theory to explain the factors causing fraud [1]. These factors are pressure, opportunity, and rationalization. The pressure is a factor encouraging individuals to commit fraud. These factors come from the individual's condition and can be influenced by the environment. The pressure often associated with fraud is financial pressure. According to [32], the trigger factors for financial pressure are the need for money and a luxurious lifestyle that must be fulfilled. Individuals will try to find loopholes to take various actions to get out of these problems. Financial pressure will encourage someone to commit fraudulent acts or money embezzlement. According to [22], financial pressure is taken seriously because it creates a tendency to commit fraud [26] research identified that financial pressure could affect individuals' tendency to commit accounting fraud. According to the fraud triangle theory, opportunities are created by ineffective controls that allow someone to commit fraud in the organization. This condition is an internal control weakness. The internal control existence in an organization is an effort to reduce fraud occurrence. Internal control is crucial in an organization to protect the organization from errors that are not according to the rules [35]. Internal controls designed to be effective and implemented accordingly can close individuals' opportunities to commit fraud. [8] elucidated that organizations that properly design the internal audit function will find it easier to detect fraud.

Based on the explanation above, this study deduces that when there are financial pressure and no internal control, someone's tendency to commit fraud will be higher than in conditions where there is financial pressure, and there is no

internal control. When someone experiences economic problems and the organization's condition does not have effective internal controls, individuals' opportunity to commit fraud is even greater.

Based on this explanation, the third hypothesis in this study reads:

H₃: Individuals with financial pressure conditions, and no internal control tend to commit accounting fraud compared to those in internal control conditions.

Compensation Compatibility and the Tendency of Accounting Fraud

Rationalization, according to the fraud triangle theory, is an essential element in the fraud occurrence because the doer seeks justification for his actions. This justification can occur when he wants to make his family and loved ones happy; he feels deserving of something more (position, salary, promotion) because he has been serving the company for a long time, or the doer takes some of the profits because the company has made a large profit [28]. The results of research by [18] support the fraud triangle theory concept that one of the three risk factors for fraud, which is rationalization, has been proven to have a relationship with fraudulent financial statements.

Compensation compatibility is something that employees receive as a form of reward or in place of contributions for their services that have been performed to the organization, either directly or indirectly, in the form of money or goods. [23] asserted that improper compensation encourages individuals to commit accounting fraud. This research is supported by [31] and [33], which affirmed that the compensation system could be used as an alternative to reduce accounting fraud or increase performance and awareness to achieve performance. Different research results were uncovered by [35] and [3] that the compensation compatibility did not reduce the tendency of individuals to commit accounting fraud. The research disclosed that if an organization implements an appropriate compensation system, it can motivate someone to prevent detrimental actions to the principal and encourage employees to work optimally. It is because individuals are satisfied with the compensation received in accordance with what was done.

Based on the explanation above, the third hypothesis in this study is:

H₄: Individuals in the condition of receiving inappropriate compensation are more likely to commit accounting fraud than those who receive appropriate compensation.

Compensation Compatibility and Internal Control toward the Tendency of Accounting Fraud

According to the fraud triangle theory, rationalization is an essential element in the fraud occurrence because the doer seeks justification for his actions. Research result from

[18] supports the fraud triangle theory concept that one of the three risk factors for fraud, rationalization, has been proven to have a relationship with fraudulent financial statements.

Indicators for compensation compatibility, according to [35], is the suitability of honorarium or income with the additional workload, the suitability between honorarium or income with job performance, the achievement of tasks within a specific time, maximal duties according to ability, knowledge, and expertise, and total income that generates adequate incentives. Compensation given to employees can encourage their performance to provide the best performance in their organization. If someone's compensation feels inappropriate or insufficient, it will cause a sense of disappointment, which encourages the individual to commit fraudulent acts. It is supported by [31], [10], [1], and [33], who stated that the compensation system could be used as an alternative to reduce accounting fraud or increase performance and awareness to achieve performance.

The fraud triangle theory describes that one of the factors causing fraud is an opportunity. This opportunity will arise when an organization's internal control system is weak, lacks supervision, and abuses authority. The internal control existence in an organization is to reduce fraud occurrence. Internal control is crucial in an organization to protect the organization from errors that are not according to the rules [35]. [27] confirmed that good internal control practices are grounds for accurate fraud prevention, fraud detection, and finance. According to [29], internal controls that have not been implemented effectively and the individuals' dissatisfaction who receive improper compensation for their work can encourage them to commit fraud acts.

Based on this description, this study assumes that individuals who receive improper compensation in the absence of internal control tend to commit fraud. It is because the feeling of disappointment over the compensation received is not proportional to the work done, and the absence of internal control further encourages individuals to commit fraud. Thus, the fifth hypothesis in this study is:

H₅: Individuals with inappropriate compensation and in a condition where there is no internal control are more likely to commit accounting fraud than those with internal control.

3. RESEARCH METHODS

Research Design

Experimental research is research in which there is the manipulation of the independent variable by the researcher. According to [25], manipulation is simply a process of changing the independent variable's level differently to determine its impact on the dependent variable. This research type is quasi-experimental, in which the researcher

was not as capable of manipulating and randomizing as the real/pure experiment [11]. This research used the experimental method because it is more robust and describes real conditions than non-experimental research. Another reason is the ability to precisely manipulate one or more of the variables the researcher wants. In this study, two separate experiments were carried out to test the hypotheses developed in this study. The experimental model in this study was adopted from the research of [15]. Both experiments were quasi-experiments with a factorial design of 2 x 2 between subjects.

In this study, randomization was carried out in determining the subject by randomly allocating participants to one of four different decision scenarios (cell 1 to cell 4). This randomization was done to ensure that each group could be compared with other groups and control other confounding variables [25]. Experimental scenario 1 was the manipulation given to each participant and came from a combination of crossovers between financial pressure (exists/does not exist) and internal control (exists/does not exist). The second experimental scenario was the manipulation given to each participant and came from a combination of crossovers between compensation (appropriate/inappropriate) and internal control (exists/does not exist).

Treatment	There is Internal Control.	No Internal Control
There is Financial Pressure.	Group A	Group B
No Financial Pressure	Group C	Group D

Figure 1. Experimental Design 1

Treatment	There is Internal Control.	No Internal Control
Appropriate Compensation	Group A	Group B
Inappropriate Compensation	Group C	Group D

Figure 2. Experiment Design 2

Research Subject

This study's subjects were students of S1 Accounting Study Program Universitas Muhammadiyah Yogyakarta (UMY) at least the fifth semester. The choice of research location at the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, was because it was A accredited Accounting Study Program so that the respondents' quality would be better than the Accounting Study Program accredited under A.

Furthermore, other subjects in this study were students from universities other than UMY with the criteria of accounting study programs and faculties that have been accredited A, at least fifth semesters who have taken courses in auditing, managerial and internal auditing, and public sector accounting.

This study's subject was selected as a manager's proxy in the local government sector (Head of SKPD) because most students in that semester had taken public sector accounting courses. Subjects were given an overview of the managers' role in the government sector due to the difficulty in gathering SKPD heads to serve as participants in this study. The manager's role in this study was described by providing an understanding of the SKPD head's background with conditions in the field.

Data Collection Technique

The data in this study were collected using experiments. Before experimenting, a pilot test was first to be carried out. A pilot test was conducted to find out whether the cases given to participants could be understood. This pilot test was the same as conducting an experiment where the aim was only to see if the participants could understand the cases designed by the researcher. Participants in this pilot test were students of the Accounting Study Program, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, who have taken auditing courses.

The experiments in this study were designed through four research stages:

Participant Demographic Data Filling Stage

At this stage, the participants were asked to fill in the background information themselves, including university, gender, Student ID Number, GPA, current semester, and options for courses that have been taken. This stage was an initial requirement to ensure that participants met the criteria in the study.

Experiment Stage

The second stage of this research was conducted in a classroom, where participants were divided into four groups for each experiment or a total of eight groups. Each participant would get one case from several cases, namely cases A, B, C, and D, from each experiment. In this research experiment, participants were directed or manipulated to become the SKPD head and, in each case, a scenario was given regarding internal control information (exists/does not exist), financial pressure (exists/does not exist), and compensation (appropriate/inappropriate) in making decisions related to accounting fraud.

Decision-Making Stage

In this third stage, participants were asked to determine their answers using a Likert scale of 1-7 to measure accounting fraud. It indicated that the higher the participants determined the numbers, the more likely they were to cheat.

Manipulation Check Stage

The four stages of this research experiment were that the participants performed a manipulation check. This manipulation check was done by answering the questions that have been provided. The manipulation check was carried out to ascertain the extent to which the participants understood and appreciated the manipulations given until finally, the manipulations' effectiveness had been given.

Operational Definition of Research Variables and Their Measurement

The dependent variable in this study was accounting fraud. Accounting fraud is a mistake intentionally committed for personal gain or certain parties' benefit [34]. The decision scenario used in this study was adopted from [5] research, adjusted to the study's conditions. In this study, respondents were given a scenario related to a manager in the local government sector (the SKPD head), then the respondent was given a person's background description of the SKPD and the conditions that occurred in the organization. The accounting fraud variable was measured using a Likert scale of 1-7 by answering questions from the given scenario, where the higher the respondent gave his assessment points, the more likely he was to cheat.

The independent variables in this study were internal control, financial pressure, and compensation compatibility. Internal control is a process designed and implemented by the party responsible for achieving organizational goals regarding efficiency and effectiveness, financial reports' reliability, and compliance with applicable regulations. Internal control is vital in an organization to ensure that organizational goals are achieved. In this study, internal control variables were manipulated by two schemes in the scenario; namely, there was an element of internal control and no element of internal control. Conditions, in which there were internal control elements, were described by implementing authority and responsibility, periodic recording of transactions, physical controls, a comprehensive accounting system, and periodic monitoring and evaluation of the organization. Internal control scenario manipulation refers to research instruments performed by [26].

The pressure is the cause someone to cheat. According to [26], pressure refers to something that happens in a person's life that motivates him to steal. The pressure in this study was manipulated by two schemes: the financial pressure element and no financial pressure. The financial pressure condition was illustrated by the personal economic problems experienced by the SKPD head. Meanwhile, the absence of financial pressure was demonstrated by the absence of economic problems experienced by the SKPD head. Manipulation of financial pressure scenarios refers to the research instruments performed by [26].

Compensation compatibility is the suitability and satisfaction given by an organization or agency and received by employees in the form of hourly wages and

periodic salaries as a reward for the work that has been done [33]. Compensation is something that employees receive as a form of reward or in place of contributions for their services that have been performed to the organization either directly or indirectly in the form of money or goods. The compensation compatibility variable was manipulated by two schemes: the appropriate compensation element and inappropriate compensation. The conditions for appropriate and inappropriate compensation were described by providing remuneration in the form of basic salary, performance allowances, and honoraria. Compensation compatibility scenario manipulation refers to research by [23].

4. RESEARCH RESULTS

Data Collection

As previously explained, the study participants were undergraduate students of the Accounting Study Program who had attended courses in auditing, managerial and internal auditing, and public sector accounting. These criteria were to ensure that participants had sufficient knowledge of the experimental concept in this study.

Participants were gathered in the classroom to participate in the experiment. The decision-making simulation was led by the experimenter and being a guide for conditions in the simulation implementation. The experimenter distributed the decision scenario sheet and gave participants the right to decide on the case in the scenario.

Table 2. Criteria for Experimental Research Samples 1

No	Information	Total
1	Participants - Experiment 1:	70
	Group A: Treatment 1	18
	Group B: Treatment 2	17
	Group C: Treatment 3	18
	Group D: Treatment 4	17
2	Participants who passed the manipulation check:	61
	Group A: Treatment 1	15
	Group B: Treatment 2	15
	Group C: Treatment 3	15
	Group D: Treatment 4	15
3	Participants who did not pass the manipulation check:	9
	Group A: Treatment 1	3
	Group B: Treatment 2	2
	Group C: Treatment 3	3
	Group D: Treatment 4	2

(Source: primary data processed, 2020)

Table 3. Criteria for Experimental Research Sample 2

No	Information	Total
1	Participants - Experiment 2:	72
	Group A: Treatment 1	18
	Group B: Treatment 2	18
	Group C: Treatment 3	18
	Group D: Treatment 4	18
2	Participants who passed the manipulation check:	61
	Group A: Treatment 1	15
	Group B: Treatment 2	15
	Group C: Treatment 3	15
	Group D: Treatment 4	16
3	Participants who did not pass the manipulation check:	11
	Group A: Treatment 1	3
	Group B: Treatment 2	3
	Group C: Treatment 3	3
	Group D: Treatment 4	2

(Source: primary data processed, 2020)

The total number of participants who participated in this decision or experiment was 142, and only 122 participants passed the manipulation check. Participants who passed the manipulation check were 122, who were divided into eight groups with different treatments. The total time required for participants in this simulation was approximately 20 minutes. The following provides details of the sample criteria data in the study.

Participants' Characteristics

The data obtained were 142 participants, of which 20 participants failed to answer the manipulation check questions so that only 122 data could be processed. Table 3 shows the demographic data of 122 participants. Of which 69.67 percent were UMY students, 13.93 percent were UAD students, and 16.39 percent were UNDIP students. Furthermore, the participants' GPA data obtained were 2.75-3.00 as much as 2.46 percent, the GPA level > 3.00-3.50 as much as 13.93 percent, the GPA level > 3.25-3.50 as many as 23,77 percent, and 59.94 percent were participants with a GPA > 3.50-4.00. Of the 122 participants, all of them had taken courses in auditing, managerial and internal auditing, and public sector accounting.

Table 4. Demographic Characteristics

Data	Level	Frequency	Percentage
University	UMY	85	69,67%
	UAD	17	13,93%
	UNDIP	20	16,39%
GPA	2,75-3,00	3	2,46%
	>3,00-3,25	17	13,93%
	>3,25-3,50	29	23,77%

Data	Level	Frequency	Percentage
	>3,50-4,00	73	59,84%
Auditing	Has been taken	122	100%
	Not yet been done	0	0%
Internal Auditing	Has been taken	122	100%
	Not yet been done	0	0%
Public Sector Accounting	Has been taken	122	100%
	Not yet been done	0	0%

(Source: primary data processed, 2020)

Pilot Test

Participants in the pilot test in this study were students of the Accounting Study Program at the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, who had taken auditing, internal audit, and public sector accounting courses, with data distribution to 15 participants. The pilot test results showed that all participants passed the manipulation check questions, with a ratio of 2: 1, where there were three questions in the manipulation check. It indicated that if the participant could answer two questions correctly, and one question was answered incorrectly, the participant was considered to have passed the manipulation check. It could be concluded that the participant could understand the given decision scenario.

Normality Test

The first requirement that should be met before the ANOVA test was carried out was the data normality test. According to [12], the normality test was performed to test or see whether the residuals were normally spread or were normally distributed. Table 4 and Table 5 show this study's data normality test results.

Table 5. Experimental Normality Test 1 Results

Dependent Variable: The tendency of accounting fraud	
	Unstandardized Residual
N	61
Mean	0,0000
Std. Deviation	0,97468
Asymp. Sig. (2-tailed)	0,559

(Source: primary data processed, 2020)

Based on the normality test results in the second experiment, the Asymp. Sig. (2-tailed) was 0.559 higher than the significance of 0.05. It illustrated that the data residuals were spread normally or were normally distributed.

Furthermore, the following table 5 presents the normality test results in experiment two.

Table 6. Experimental Normality Test 2 Results

Dependent Variable: The tendency of accounting fraud	
	Unstandardized Residual
N	61
Mean	0,0000
Std. Deviation	0,97468
Asymp. Sig. (2-tailed)	0,588

(Source: primary data processed, 2020)

Based on the normality test results in the second experiment, the Asymp. Sig. (2-tailed) was 0.588 higher than the significance of 0.05. It showed that the data was normally spread or was normally distributed.

Homogeneity Test

The homogeneity test was the second prerequisite before doing the ANOVA test. [12] stated that the dependent variable should have the same variance in each category/group of independent variables. Table 6 and Table 7 display the homogeneity test results in this study.

Table 7. Experimental Homogeneity Test 1 Results

Dependent Variable: The tendency of accounting fraud			
F	df1	df2	Sig
1,729	3	57	0,171

(Source: primary data processed, 2020)

Levene's test results of homogeneity of variance in experiment one showed a significance of 0.171 higher than a significance of 0.05, meaning that the homogeneity assumption was accepted that all population variances were the same.

Table 8. Experimental Homogeneity Test 2 Results

Dependent Variable: The tendency of accounting fraud			
F	df1	df2	Sig
0,332	3	57	0,803

(Source: primary data processed, 2020)

Based on Levene's test results of homogeneity of variance in table 7 in experiment two, it presented a significance of 0.803 higher than a significance of 0.05, indicating that the homogeneity assumption was accepted that all population variances were the same.

Randomization Test

Table 8 shows the test results between the university's demographic variables and the GPA in experiment one. The university variable showed a probability of 0.829, higher than the significance of 0.05. The GPA variable showed a probability of 0.556, higher than the significance of 0.005.

These results indicated that universities' demographic variables and GPA in experiment 1 did not affect individuals' tendency to commit accounting fraud.

Table 9. Experimental ANOVA Test Results 1

Dependent Variable: Tendency of Accounting Fraud				
Source	Sum of Square	Df	F	Sig
Control variable				
University	1,234	2	0,188	0,829
GPA	6,904	3	0,701	0,556

(Source: primary data processed, 2020)

Furthermore, Table 9 reveals the test results between the university's demographic variables and the GPA in experiment two. The university variable showed a probability of 0.160, higher than the significance of 0.05. The GPA variable showed a probability of 0.088, higher than 0.05. These results indicated that the demographic variables in experiment two did not affect individuals' tendency to commit accounting fraud.

Table 10. Experimental ANOVA Test Results 2

Dependent Variable: Tendency of Accounting Fraud				
Source	Sum of Square	df	F	Sig
Control variable				
University	9,666	2	1,898	0,160
GPA	17,572	3	2,300	0,088

(Source: primary data processed, 2020)

Hypothesis Testing Results - Experiment 1

Two-ways ANOVA was performed to test the overall hypothesis in experiment 1. Hypothesis 1 (H1) states that individuals in the absence of internal control are more likely to commit accounting fraud than those in conditions where there is internal control. Table 10 shows that the average response to decision selection on project evaluations in conditions of no internal control (mean = 8.0667) was higher than the average response in internal control conditions (mean = 5.0750). The test results in Table 11 show that testing the main effect of internal control was significant with a value of $F = 14,177$, and a significance value of 0,000 was less than 0.05. It indicated that the average response to decision selection on project evaluation in these conditions was statistically significant. Thus, it could be concluded that H1 was supported.

Table 11. Mean and Number of Participants in Each Group

Financial Pressure	Internal Control		Total
	Exist	Does not exist	

Exist	Group A	Group B	
	Mean = 2,8750	Mean = 4,6667	Mean = 7,5417
	N = 16	N = 15	N = 31
Does not exist	Group C	Group D	
	Mean = 2,2000	Mean = 3,4000	Mean = 5,6000
	N = 15	N = 15	N = 30
Total	Mean = 5.0750	Mean = 8,0667	Mean = 13,1417
	N = 31	N = 30	N = 61

(Source: primary data processed, 2020)

Table 12. Dependent Variable: Tendency of Accounting Fraud

Source	Sum of Square	Df	F	Sig
Corrected Model	49,179a	3	6,816	0,001
Intercept	657,918	1	273,566	0,000
Internal Control	34,096	1	14,177	0,000
Financial Pressure	14,362	1	5,972	0,018
PI*TF	1,334	1	0,555	0,460
Error	137,083	57		
Total	842,000	61		
Corrected Total	186,262	60		

ANOVA Test Results

(Source: primary data processed, 2020)

Research hypothesis (H2) states that individuals in financial pressure conditions are more likely to commit accounting fraud than those in conditions with no financial pressure. Table 10 presents that the average response to decision choices on project evaluations under financial pressure conditions (mean = 7.5417) was higher than the average response in conditions of no financial pressure (mean = 5.6000). The test results in table 11 showed that testing the main effect of financial pressure was significant, with a value of $F = 5.972$, and a significance value of 0.018 was less than 0.05. It signified that the average response to decision selection on project evaluation in these conditions was statistically significant. Therefore, it could be concluded that H2 was supported.

Hypothesis three (H3) states that individuals who experience financial pressure and are in a condition where there is no internal control tend to commit accounting fraud than those with internal control. The interaction effect test results in table 11 displays that the value of $F = 0.555$ and the significance value of 0.460 were higher than 0.05. It denoted that the hypothesis (H3) was not supported.

Hypothesis Testing Results - Experiment 2

Two-ways ANOVA was again conducted to test the hypothesis in experiment two. Hypothesis four (H4) states

that individuals who receive inappropriate compensation are more likely to commit accounting fraud than those who receive appropriate compensation. The test results in Table 12 show that the average response to decision selection on project evaluations in an inappropriate compensation condition (mean = 7.0792) was higher than the average response in the appropriate compensation condition (mean = 5.2666). The test results in table 13 reveal that the primary effect test of financial pressure was significant, with a value of $F = 6.883$, and a significance value of 0.011 was less than 0.05 . It indicated that the average response to decision selection on project evaluation in these conditions was statistically significant. Thus, it could be concluded that H4 was supported.

Table 13. Mean and Number of Participants in Each Group

Compensation	Internal Control		Total
	Exist	Does not exist	
Appropriate	Group A	Group B	
	Mean = 2,3333	Mean = 2,9333	Mean = 5,2666
	N = 15	N = 15	N = 30
Inappropriate	Group C	Group D	
	Mean = 2,2667	Mean = 4,8125	Mean = 7,0792
	N = 15	N = 16	N = 31
Total	Mean = 4,6000	Mean = 7,7458	Mean = 12,3458
	N = 31	N = 30	N = 61

(Source: primary data processed, 2020)

In this study, the fifth hypothesis (H5) was formulated that individuals with inappropriate compensation and in a condition where there is no internal control tend to commit accounting fraud compared to those with internal control. The test results in Table 12 show that the average response to decision selection on project evaluation in group D (mean = 4,8125) was higher than the average response in group C (mean = 2.2667). Suppose seen from the interaction effect test results in table 13 with a value of $F = 7.933$ and a significance value of $0.007 < 0.05$, the test results were significant, or there was an interaction between internal control and compensation compatibility. Based on the Post Hoc test results in table 14, the probability between group D and group C had a significant value, 0.000 less than 0.05 . Based on the test results, it revealed that there were significant differences between the two groups, so it could be concluded that H5 was supported.

Table 14. ANOVA Test Results

Dependent Variable: Tendency of Accounting Fraud

Source	Sum of Square	Df	F	Sig
Corrected Model	66,559a	3	22,186	0,000
Intercept	580,646	1	319,352	0,000
Internal Control	37,700	1	20,735	0,000
Compensation Compatibility	12,515	1	6,883	0,011
PI*KK	14,424	1	7,933	0,007
Error	103,637	57		
Total	762,000	61		
Corrected Total	170,197	60		

(Source: primary data processed, 2020)

Table 15. Post Hoc Test Result

Dependent Variable: Tendency of Accounting Fraud					
	(I) GRUP	(J) GRUP	Mean Difference (I-J)	Std. Error	Sig.
Tukey HSD	Group A	Group B	-0,6000	0,49237	0,618
		Group C	0,0667	0,49237	0,999
		Group D	-2,4792*	0,48461	0,000
	Group B	Group A	0,6000	0,49237	0,618
		Group C	0,6667	0,49237	0,533
		Group D	-1,8792*	0,48461	0,002
	Group C	Group A	-0,0667	0,49237	0,999
		Group B	-0,6667	0,49237	0,533

		Group D	-2,5458*	0,48461	0,000
	Group D	Group A	2,4792*	0,48461	0,000
		Group B	1,8792*	0,48461	0,002
		Group C	2,5458*	0,48461	0,000

5. DISCUSSION

Differences in the Effect of Internal Control on the Tendency of Accounting Fraud

Based on the hypothesis testing (H1) results, it indicated that H1 was supported. The test results seen in Table 10 revealed that the average response to decision selection on project evaluations in conditions of no internal control (mean = 8.0667) was higher than the average response in conditions of internal control (mean = 5, 0750). Further investigation in Table 11 also shows that the results of testing the main effect of internal control were significant, with a value of $F = 14.177$, and a significance value of 0.000 was less than 0.05. The average response results in decision selection in a condition where there was no internal control were higher than there was an internal control. It indicated that individuals in a condition with no internal control tended to commit accounting fraud compared to individuals in internal control conditions control.

Internal control is a process designed and implemented to achieve organizational goals regarding efficiency and effectiveness, financial reports' reliability, and compliance with applicable regulations. If an organization does not have or cannot implement internal control properly, there will be opportunities for the internal control weakness so that accounting fraud can occur. Thus, this study's results support the fraud triangle theory, which explains that fraud can occur due to a weak internal control system. This study also proved that effective internal control existence could minimize individuals/employees in a company from committing fraud.

This study's results are in line with [8] study results, which explained that organizations that properly design the internal audit function would find it easier to detect fraud. Supported by the research of [13], internal control in the company or organization context can ensure that its assets are better maintained. This study's results also confirm the results of research conducted by [29] that fraud will not occur if there is no opportunity.

Differences in the Effect of Financial Pressure on the Tendency of Accounting Fraud

Based on the hypothesis testing (H2) results, it showed that H2 was supported. The study's results seen in Table 10 expose that the average response to decision selection on project evaluations under financial pressure

(mean = 7.5417) was higher than the average response in conditions of no financial pressure (mean = 5, 6000). The test results in table 11 show that testing for the main effect of financial pressure was significant, with a value of $F = 5.972$, and a significance value of 0.018 was less than 0.05. The average response results in choosing decisions in financial pressure conditions were higher than there were no financial pressures. It indicated that individuals who were in financial pressure conditions tended to commit accounting fraud than those in conditions of no financial pressure.

The pressure is one of the factors of the fraud triangle theory. According to this theory, the pressure often associated with cheating is financial pressure. Financial pressure is a condition in which someone experiences financial problems. Financial pressure can motivate a person to commit illegal acts, such as stealing. According to [32], the trigger factors for financial pressure are the need for money and a luxurious lifestyle that must be fulfilled. Individuals will try to find loopholes to take various actions to get out of these problems. This test's results align with the fraud triangle theory, namely the pressure factor in which an individual would commit fraud if the individual were under pressure. Thus, if individuals experienced financial pressure, and it could not be adequately controlled, it would motivate individual behavior to commit fraud.

This study's results agree with [26] research, which elucidated that individuals who experience financial pressure are less likely to commit accounting fraud than those who do not experience financial pressure.

The Interaction Between Internal Control and Financial Pressure to the Tendency of Accounting Fraud

Based on the hypothesis testing (H3) results, it was found that H3 was not supported. The test results were seen from the interaction effect test in table 11, showing that the value of $F = 0.555$ and the significance value of 0.460 were higher than 0.05. These results indicated that there was no interaction between internal control and financial pressure. It means that individuals in conditions of financial pressure and no internal control might not commit accounting fraud. It could occur because other factors, such as organizational culture, namely employees who worked at the organization have worked professionally and were aware of their responsibilities, and employees already felt part of the organization. Therefore, employees in these organizations cared about

the progress and fate of their organization in the future. [36] found that organizational culture had a positive effect on fraud. Furthermore, this influence was strengthened by the internal control system's existence. Thus, these studies' results indicated that organizational culture affected fraud prevention through the internal control system. The results of testing this hypothesis are in accordance with the research by [26], which indicated that there was no interaction between internal control and financial pressure.

Differences in the Effect of Compensation Compatibility on the Tendency of Accounting Fraud

Based on the hypothesis testing (H4) results, it uncovered that H4 was supported. The test results can be seen from Table 12, showing that the average response to decision selection on project evaluations that were in an appropriate compensation condition (mean = 7.0792) was higher than the average response in the appropriate compensation condition (mean = 5.2666). Besides, the test results in table 13 show that the primary effect test of financial pressure was significant, with a value of $F = 6.883$, and a significance value of 0.011 was smaller than 0.05. The average response results to decision selection on inappropriate compensation conditions were higher than those in the appropriate compensation conditions. It showed that individuals in an inappropriate compensation condition were less likely to commit accounting fraud than those in an appropriate compensation condition.

Rationalization, according to the fraud triangle theory, is an essential element in the fraud occurrence because the doer seeks justification for his actions. This justification can occur when he wants to make his family and loved ones happy; he feels he deserved something more (position, salary, promotion) because he has been serving the company for a long time, or the doer takes some of the profits because the company has made a large profit [28].

This research is in accord with the fraud triangle theory and supports the research results [18], which explained that the rationalization factor had a relationship with fraudulent financial statements. This research agrees with [10], [31], and [33], which stated that the compensation system could be used as an alternative to reduce accounting fraud or increase performance and awareness to achieve performance. [31] study discovered that the compensation compatibility negatively affected fraud so that the higher the compensation, the smaller the level of fraud.

The Interaction Between Internal Control and Compensation Compatibility toward the Tendency of Accounting Fraud

In this study, the hypothesis (H5) compared the test results between group D and group C had a higher mean. The hypothesis testing (H5) results disclosed that H5 was supported. The test results seen in Table 12 show that the average response to decision selection on project evaluation in group D (mean = 4.8125) was higher than the average response in group C (mean = 2.2667). Furthermore, seen from the interaction effect test results in table 13 with a value of $F = 7.933$ and a significance value of $0.007 < 0.05$, the test results were significant, or there was an interaction between internal control and compensation compatibility. The Post Hoc test in table 14 results also reveals that the probability between group D and group C had a significant value, 0.000 smaller than 0.05. It signified that individuals in conditions of compatible compensation and no internal control would tend to commit accounting fraud than those in conditions of inappropriate compensation and internal control. It was because internal controls designed to be effective and could be adequately implemented could close the opportunity for individuals to commit fraud.

This test's results are also in line with the fraud triangle theory, which explains that opportunity and rationalization factors lead to fraud. Opportunities can be created if the internal control system is weak. Thus, this test's results proved that individuals tended to commit fraud when there was no internal control. Rationalization is also crucial in fraud occurrence because employees will seek to justify their behavior.

This test's results are consistent with previous research by [23], which explicates that the provision of inappropriate compensation creates a feeling of disappointment because the compensation received is not proportional to the work that has been done. Primarily, the organization's condition that does not apply effective control, which makes the doer or individual freely take the opportunity to commit fraud for personal gain.

Additional Analysis

This section provides additional analysis of the data obtained from experiment 1 and experiment 2. This additional analysis aimed to deepen the study of the effect of internal control, financial pressure, and compensation compatibility on accounting fraud tendency.

Like the participants in experiment 1, the participants in experiment 2 also received the same internal control manipulation, either in the form of internal control or no internal control. Therefore, experiment 2 was a replication of the internal control test on the tendency of accounting fraud.

Based on the H1 testing results in experiment 1, it was known that internal control existence could significantly

affect individuals' tendency to commit accounting fraud. In experiment 2, the test results in table 12 show that the average response to decision selection on project evaluations in conditions of no internal control (mean = 7.7458) was higher than the average response in conditions of internal control (mean = 4,6000). The test results in Table 13 reveal that testing the main effect of internal control was significant, with a value of $F = 20.735$, and a significance value of 0.000 was less than 0.05. It denoted that the average response to decision selection on project evaluation in these conditions was statistically significant. Therefore, it could be concluded that the internal control manipulation in experiment 2 has successfully replicated the results of experiment 1 while providing additional support for H1.

6. CONCLUSION

This study's results indicated that individuals tended to commit fraud if there was no internal control, financial pressure, and inappropriate compensation. It is consistent with the fraud triangle theory, which explains that when individuals who experience financial pressure tend to do whatever it takes to meet their needs, even if individuals rationalize the compensation received as not according to the efforts made. Besides, when the individual is in an organization that is not designing or implementing effective internal control, there is an opportunity for these individuals to commit fraud.

This research's practical implication is to contribute to organizations (government or private) through the applications of an internal control system and a compensation system to minimize fraud occurrence. In terms of literature, this study can be used as a reference for further research using experimental methods in accounting and is not limited to this study's variables. Future research can include behavioral aspects.

This study has several limitations that need to be noted: this study was conducted using an experimental method to examine the effect of internal control, financial pressure, and compensation compatibility on the tendency of accounting fraud. The decision scenario used was a simplification of the organization's conditions, where, in fact, the organization has more complex problems. The other factors' influence from the organization could be a more influential factor than the factors presented in this research scenario. Thus, the generalization of this study's results in real conditions must consider these real organizational conditions' complexity. Second, this study participants were undergraduate students who did not have real background experience as a conditioned role in the decision scenario. The instrument also used only case illustrations, so some participants did not understand the illustrations provided. Therefore, some participant responses did not pass the manipulation check question and could not be processed.

Based on the research limitations, the suggestions given for further research are as follows. First, this research case instrument can be redesigned to suit better the conditions that occur in the field. Second, it is better to use government employees as participants because they already have real experience with the real situation.

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