

The Influence of Good Corporate Governance, The Role of Internal Audit, The Effectiveness of Internal Controls and The Appropriate of Compensation on Fraud Trends

Irwansyah*, Wilensi Zega

Faculty of Economics and Business, Bengkulu University, Indonesia

Info Articles

Keywords:

Corporate governance, Effectiveness of Internal Control, Role of Internal audit, effectiveness of internal control and fraud

Abstract

Fraud is an act that was carried out intentionally for personal or group purposes, where the intentional action has caused harm to certain parties or certain agencies. This study aims to determine the effect of corporate governance, the role of internal audit, the effectiveness of internal controls and the suitability of compensation to the tendency of fraud. The type of data used is quantitative data. The resources used are primary data. The population in this study are business managers, sales managers, finance managers and HR managers. The sampling technique used was purposive sampling method with 10 companies consisting of 49 respondents. The data in this study were processed using multiple linear regression with the help of the SPSS version 25 application. The results of this study indicate that (1) corporate governance has an effect on the tendency of fraud (2) the role of internal audit has a negative effect on the tendency of fraud, (3) the effectiveness of internal control has a negative effect on the tendency of fraud in BUMN in Bengkulu City, (4) the suitability of compensation has an effect on negative to the tendency of fraud.

*Address Correspondence:

E-mail: onesyah2019@gmail.com

p-ISSN 2550-0368

e-ISSN 2549-0303

INTRODUCTION

In the current era of globalization, where economic development is increasingly rapid and also the development of increasingly advanced Science and Technology (IPTEK) not only has a positive impact but also has a negative impact. One of the negative impacts that is rife in Indonesia is fraud. According to Karyono (2002) fraud is an act against or violates the law carried out by people from within or from outside the organization, with the intention of enriching or benefiting oneself, other people or other legal entities that directly or indirectly harm the organization. other parties. Fraud - fraud that occurs can take the form of misappropriation of assets, fraud in recording financial statements, corruption, false statements and computer-related fraud.

The appropriate theory in this study is agency theory, namely that humans are generally self-interested, have limited thinking power regarding future perceptions (bounded rationality), and always avoid risk (risk averse). Based on the Pentagon's fraud theory, fraud can occur due to three things, namely pressure, opportunity, and rationalization. The tendency of fraud has received a lot of attention from various media in Indonesia and in the world as a dynamic that has become the center of attention of business people.

The budget is an important factor where the budget here plays two roles, namely playing a planning role and playing a management role. carry out activities in an organization so that the planning is made more mature and directed in accordance with the goals of the organization.

The tendency for accounting fraud has developed in various countries, including Indonesia, where the corruption index ranking is in position 64 out of 177 countries in the world (Transparency International, 2013). In the public sector, accounting fraud is carried out in the form of leakage of the State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD), the submission of BUMN and private management to courts, tax manipulation, corruption in the election management commission, and DPRD.

As a business entity, BUMN has hundreds of companies and trillions of assets with a business scope classified as strategic. Therefore, it is not surprising that SOEs are in the public spotlight. However, SOEs have not fully adhered to the principles of corporate governance, so there are still many frauds caused by lack of accountability and lack of transparency. In 2015 alone, the Supreme Audit Agency (BPK) found financial management problems in BUMN and other entities amounting to Rp. 8.6 trillion, with findings having a financial impact, namely losses of Rp. 88.9 billion and potential losses of Rp. 692.2 Billion (Sindonews.com 2017).

One way to indicate the occurrence of accounting fraud is to see whether internal audit has been carried out properly in an organization. The Capital Market Management Agency in many countries states that the implementation of good corporate governance in public companies has succeeded in preventing the practice of non-transparent disclosure of corporate financial statements to shareholders, investors and other interested parties.

The effectiveness of internal control plays an important role in the organization to minimize the occurrence of accounting fraud. Weak internal control causes the accounting process fraud to be undetectable so that audit evidence obtained from accounting data becomes incompetent.

The suitability of compensation is also one of the factors that influence accounting tendencies. Compensation is often called an award and can be defined as any form of award given to employees as a reward for the contributions they make to the organization.

The reason for conducting this research is also based on issues that occur in the Bengkulu provincial government, precisely in BUMN agencies. There are several cases of corruption involving local government agencies, such as in the case on the website manualsuku.com where there were findings of regional corruption cases committed by one of the cases of the manager of PT Pelabuhan Indonesia II Bengkulu City in 2016 worth 5.5 dollars. Another case is the construction of a conveyor belt (transfer device) in the Baai Island Port area of Bengkulu in 2019 worth 6 billion. The other case and still in the city of Bengkulu (BPK) found financial management problems in BUMN in 2017 worth Rp. 8.6 trillion.

KThe tendency for accounting fraud to be caused by the opportunity to commit fraud, the pressure exerted by a superior on his subordinates, and an attitude or rationalization to justify fraud committed by a superior. This

is also due to weak corporate governance, the role of internal audit, the effectiveness of internal controls, and the suitability of compensation that can open up employees' freedom to take actions that can harm the company.

Based on the above phenomena related to fraud in BUMN and the results of previous research, the authors are interested in examining the influence of corporate governance, the role of internal audit, the effectiveness of internal controls and the suitability of compensation for the tendency of fraud.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory (Agency Theory)

The theoretical basis used to discuss this research is Agency Theory. From this conflict of interest, there will be selfishness in management. Management will act in its own interests without thinking about the interests of the principal. This will provoke the emergence of several traits that can provoke fraud. As it is known that fraud occurs due to several factors (fraud triangle) which has now developed into a fraud pentagon. Fraud Pentagon Theory provides an illustration that there are four factors a person commits to accounting fraud, including: pressure factor, opportunity factor, rationalization factor, and capability factor.

Agency theory is a factor in the formation of the traits described in detail in the fraud pentagon. Eisenhardt, 1989 divides three types of basic human nature which explains further about agency theory, namely that humans are generally self-interested (self-interested), have limited thinking power regarding future perceptions (bounded rationality), and always avoid risk (risk averse).

Corporate Governance

According to (*Organization for Economic Corporation and Development (OECD), 2004*) defines corporate governance as a set of relationships between the company's management, the board and shareholders as well as other parties who have an interest in the company. *Corporate Governance* as one of the important aspects that must be applied in the company in order to minimize fraud.

The implementation of GCG in Indonesia itself has made special guidelines by the National Committee on Governance Policy (KNKG) which are published (*General Guidelines for Indonesian Corporate Governance, 2006*) To prevent fraud, companies must be able to implement good corporate governance. GCG is needed to maintain the survival and development of the company through management based on the principles of GCG, namely transparency, accountability, responsibility, independence, fairness and equality.

Association of Certified Fraud Examinations (ACFE, 2014), one of the associations in the USA that has main activities in the prevention and eradication of fraud, categorizes fraud into three groups as follows:

1. Fraudulent Financial Statements Fraudulent Financial Statements Fraudulent Financial Statements can be defined as fraud committed by management in the form of material misstatements of Financial Statements that are detrimental to investors and creditors. This fraud can be financial or non-financial fraud.
2. Misappropriation of Assets Misappropriation of assets can be classified into "Cash Fraud" and "Fraud of Inventory and Other Assets", as well as fraudulent disbursement.
3. Corruption (Corruption) According to ACFE, corruption is divided into conflict of interest, bribery, illegal gratuity, and economic extortion.

Role of Internal Audit

According to AAIPI (2014) concluded that internal audit is an independent and objective activity in the form of assurance activities and consulting activities, which are designed to provide added value and improve the operations of an organization (auditi).

The role of internal audit in overcoming accounting fraud is very important, because without a well-run internal audit, the occurrence of accounting fraud practices will be difficult to detect and overcome. In order for the risk of fraud to be minimized as low as possible, the organization must optimize its internal audit role.

the elements of internal audit are as follows:

1. Independence
2. Professional ability
3. Scope of work
4. Execution of assignments

Internal Control Effectiveness

According to Arens, A (2003) an internal control system consists of policies and processes designed to provide management with reasonable assurance that the company achieves its goals and objectives. Krismadji (2002) says that the internal control system is a method used to maintain or protect assets, produce reliable information, improve efficiency and to protect management policies.

The role of internal control in overcoming accounting fraud is very important, because without good internal control, the occurrence of accounting fraud practices will be difficult to detect and overcome. So that the risk of fraud can be reduced as low as possible, the organization must optimize the role of its internal control.

1. The control environment includes: (1) Integrity and ethical values, (2) Commitment to competence, (3) Participation of the board of commissioners or audit committee, (4) Management philosophy and operating style, (5) Organizational structure, (6) Granting authority and responsibility, (7) Human resource policies and practices.
2. Risk assessment includes; (1) Changes in the organizational environment, (2) New personnel, (3) New or improved information systems, (4) New technology, (5) New product lines, products or activities, (6) Overseas operations, (7) New accounting standards
3. Standard Control (control activities) includes (1) Performance review, (2) Information processing, (3) Physical control, (4) Segregation of duties
4. Information and communication is the identification, disclosure and exchange of information in a form over time that enables people to carry out their responsibilities.
5. Monitoring is the process of determining the quality of internal control performance over time.

Compensation Suitability

According to Hasibuan (2011), the suitability of compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. Veithzal (2004) is also interpreted as something that employees receive in exchange for their services in the company. Compensation can be physical or non-physical and must be calculated and given to employees according to the sacrifices they have made to the organization where they work.

Appropriate compensation can reduce pressure to commit fraud tendencies. compensation in the form of rewards/awards is classified into 2 categories, namely: extrinsic rewards and intrinsic rewards.

Fraud

Fraud is a criminal fraud that intends to provide financial benefits to the fraudster (Bologna, Lindquist and Wells in Amrizal, 2004). Usually cheating includes three steps namely: Action, Concealment and Conversion. For example, the theft of inventory assets is an act, then the perpetrator hides the fraud by making evidence of fictitious expenditure transactions.

Cheating tendencies

According to Hall (2009) fraud refers to the false presentation of material facts by one party to another, with the aim of deceiving and influencing other parties to rely on these facts, facts that would be detrimental.

IAI (2001) explains that, accounting fraud as (1) misstatements arising from fraud in financial reporting, namely misstatements or intentional omission of amounts or disclosures in financial statements to deceive users of financial statements, (2) misstatements arising from misappropriation of assets (often referred to as misuse or embezzlement) related to the theft of the entity's assets resulting in the financial statements not being presented in accordance with generally accepted accounting principles in Indonesia.

Previous Research and Hypothesis Development

Effect of Corporate Governance on fraud

According to Eddie (2010), corporate governance is a system and structure for managing a company by increasing shareholder value and accommodating various parties with an interest in the company. Corporate Governance (CG) itself is a rule, norm or guideline that must be used by company leaders and employees so that all actions and decisions they take are in the context of supporting the interests of the company and shareholders, while fraud is related to irregular behavior and illegal actions marked by fraud. intentional, which can be done by and for the benefit of the organization and or individuals both inside and outside the organization. Study(Rustandy et al., 2020)also found that the implementation of corporate governance is able to detect fraud. Zeyn (2012) explains that the implementation of corporate governance will increase transparency and accountability in local financial management. Ramadhany (2017) explained his research findings that the implementation of corporate governance will improve the control function so that it can detect disturbances or obstacles in achieving the goals that have been set.

H1: Corporate governance has an effect on the tendency of fraud

The Influence of the Role of Internal Audit on Fraud

One way to prevent and minimize fraud is to improve internal audit. Internal audit aims to assist the organization in implementing significant controls by checking the level of efficiency and effectiveness and encouraging continuous improvement (Sawyer et al., 2014).

The risks faced by the company include integrity risk, namely the risk of fraud by management or company employees, unlawful acts, or other irregularities that can degrade the company's good name/reputation in the business world or can reduce the company's ability to maintain internal audit is a neutral activity. or independent, impartial belief.

H2:the role of internal audit affects the tendency of fraud

Effect of Internal Control Effectiveness on Fraud

The internal control system is a policy and procedure designed to provide management with reasonable assurance that the company has achieved its goals and objectives, namely: financial reporting reliability, efficiency, and operational effectiveness, and compliance with laws and regulations (Arens, 2006).

According to Tunggal (2012) in GONE theory, namely a theory that proposes four factors that cause and encourage someone to commit fraud, namely Greed (Greed), Opportunity (Opportunity), Need (Desire) and Exposure (disclosure), stating the factors that strongly support the occurrence of fraud. in an organization that is the opportunity (opportunity).

About et al (2002) stated that effective internal control reduces the tendency of accounting fraud in line with this statement. Research conducted by Wilopo (2006), Rahmawati (2012), states that effective internal control has a significant and negative effect on the tendency of accounting fraud.

H3: The effectiveness of internal control has an effect on the tendency of fraud.

Effect of Compensation Appropriateness on Fraud Tendency

Compensation is an "award or reward to workers who have contributed in realizing their goals through activities called work" (Nawawi, 2000). Someone tends to do something to get compensation. If compensation is given to management, then management tends to act according to the agency's wishes and avoid deviant actions in order to continue to get compensation.

According to (Novitasari & Kusumastuti, 2019) shows that there is a positive and significant effect between the suitability of compensation and the prevention of accounting fraud, meaning that a good compensation suitability of the company is able to help as an effort to prevent accounting fraud in the company. research result (Prabawa & Putra, 2021) explained that the suitability of compensation is able to detect fraud.

H4: The suitability of compensation affects the tendency of fraud

METHODS

Population, Sample and Sampling Method

This type of research is quantitative research. The sample in this study uses purposive sampling, namely the sample collection method is based on certain criteria. With a population of 49 SOEs in Bengkulu City. The collection of data and information is done by using a questionnaire. which 55 questionnaires have been distributed. used in this study is the Likert scale. This study uses primary data. The data analysis method in this study uses multiple linear regression analysis using the help of a computer program, namely SPSS Statistics. the validity test uses correlation coefficients while the reliability test uses cronbach alpha. Data in the classical assumption test is tested through normality tests with non-parametric kolmogorov-smirnov statistical tests, multicollinearity test for the assessment of Variance Inflation Factor (VIF) and Tolerance Value. and heteroscedasticity test if the probability is significant. While the hypothesis test uses multiple regression analysis with the equation model

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

The coefficient of determination (R^2) by looking at the percentage Adjusted R^2 . F test and T test which see the significance value of F and T values.

RESULTS AND DISCUSSION

Variable	n	Theoretical Range			Actual Range			Std. Deviation
		Min	Max	Theoretical Mean	Min	Max	Actual Mean	
KF	49	6	30	18	6	14	7.12	2,204
CG	49	19	95	57	42	95	82.04	13,688
PIA	49	4	20	12	9	20	18,20	3,007
EPI	49	17	85	51	38	85	74.96	12,171
KK	49	5	25	15	11	25	22.37	3,779

Source: Primary Data Processed, 2022

Based on table 4.4 above, the variable tendency of fraud has an average value (mean) of 7.12 and the theoretical range has an average value (mean) of 18. It can be seen that the theoretical average value is greater, which means that respondents' answers to the questionnaire statement are at the range of 1 which indicates that

the respondents answered disagree and never committed fraud. The standard deviation value of 2.204 is smaller than the average value (mean) of 7.12, indicating that the respondents' answers have no variation in the data on the fraud tendency variable.

The Corporate Governance variable has an actual average value (mean) of 81.04 from the theoretical mean (mean) of 57, which means that respondents answered the questionnaire statement in the range of 4 (agree) meaning that the corporate governance in the company is correct. one of which is a measuring tool to assess the performance of government employees, including employees in the financial sector of local government, which emphasizes aspects of community welfare and public services. ensure operational regulations and standards run properly. The standard deviation value shows a number of 13.688 which is smaller than the average value (mean) of 81.04 which indicates that the respondents' answers have no variation in the data on the corporate governance variable.

The Internal Audit Role variable shows the actual average value (mean) 18.20 from the theoretical mean (mean) of 12, which means that the respondents' answers to the questionnaire statement are in the range of 4 (agree). Shows that respondents assess that the internal audit in their company has played a role. This shows that the governance of BUMN in Bengkulu City has implemented or has good governance. The standard deviation value shows the number 3,007 which is smaller than the average value (mean).) of 18.20, this indicates that the respondents' answers have no variation in the data on the internal audit role variable.

The effectiveness of internal control variables has an actual average value (mean) of 74.96 from the theoretical mean (mean) of 51, which means that respondents answered the questionnaire statement in the range of 4 (often) meaning that the effectiveness of internal control in the the company is really running well and in accordance with the objectives of the effectiveness of internal control, one of which is to ensure that operational regulations and standards run well. The standard deviation value shows a number of 12.171 which is smaller than the average value (mean) of 74.96 which indicates that the respondents' answers have no variation in the data on the internal control effectiveness variable.

The compensation suitability variable has an actual average value (mean) of 22.37 from the theoretical mean (mean) of 15, which means that respondents answered the questionnaire statement in the range of 4 (often) meaning that the higher the level of compensation suitability, the smaller the compensation. tendency to fraud. The compensation in the company is actually going well and in accordance with the objectives of the compensation suitability, one of which is to ensure that the regulations and operational standards run well. The standard deviation value shows a number of 3.779 which is smaller than the average value (mean) of 22.37 which indicates that the respondents' answers have no variation in the data on the compensation suitability variable.

Data Quality Test Results

Validity test

Based on all the question items on the corporate governance variable, the role of internal audit, the effectiveness of internal control and the suitability of compensation for the tendency to fraud, it fulfills the validity test requirements because the value of r calculated on the Pearson correlation $> r$ table (0.275).

Reliability Test

Reliability Test Results

No	Variable	Conbarch Alpha	Standard	Information
1	CG	0.982	0.70	Reliable
2	PIA	0.948	0.70	Reliable
3	EPI	0.977	0.70	Reliable
4	KK	0.942	0.70	Reliable
5	KF	0.909	0.70	Reliable

Source: Primary Data Processed, 2022

Based on the reliability test, the corporate governance variable, the role of internal audit, the effectiveness of internal control and the suitability of compensation for the tendency of fraud in BUMN in Bengkulu City has a value of $\alpha > 0.70$

Classic Assumption Test Results

Normality Test Results

Model	asympt. Sig. (2-tailed)	Limit	Note.
1	0.085	>0.05	NORMAL

Source: Primary Data Processed, 2022

Based on the test results, the resulting Asymp Sig (2-tailed) value is 0.085. These results indicate that the data in this study are normally distributed because the significance is greater than the significance criterion of 0.05

Test Multicollinearity

Test results Multicollinearity

VARIABLE	Collinearity Statistics				KET.
	Tolerance	Limit	VIF	Limit	
TOTAL CG	0.297	>0.10	3.366	<10	Multicollinearity free
TOTAL PIA	0.153	>0.10	6.518	<10	Multicollinearity free
TOTAL EPI	0.147	>0.10	6.784	<10	Multicollinearity free
TOTAL KK	0.209	>0.10	4.786	<10	Multicollinearity free

Source: Primary Data Processed, 2022

Based on table 4.8, all variables in the regression model are free from multicollinearity symptoms because they have a tolerance value > 0.10 and $VIF < 10$.

Heteroscedasticity Test

Variable	Sign	Limit	Note.
TOTAL CG	0.905	>0.05	Heteroscedasticity Free
TOTAL PIA	0.843	>0.05	Heteroscedasticity Free
TOTAL EPI	0.243	>0.05	Heteroscedasticity Free
TOTAL KK	0.352	>0.05	Heteroscedasticity Free

Source: Primary Data Processed, 2022

In the heteroscedasticity test, the regression model must be homoscedastic with the criteria for the significance value of each variable being greater than 0.05 or 5% and in which all the independent variables are heteroscedasticity.

Hypothesis Testing

Model	Hypothesis Test Results					Information
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	19.738	0.959		20.584	0.000	
TOTAL CG (X1)	-0.126	0.015	-0.784	-8.672	0.000	Hypothesis accepted
TOTAL PIA (X2)	-0.637	0.053	-0.868	-	0.000	Hypothesis accepted
TOTAL EPI(X3)	-0.158	0.013	-0.872	11,994	0.000	Hypothesis accepted
TOTAL KK(X4)	-0.477	0.049	-0.818	12,202	0.000	Hypothesis accepted
R Square						0.805
Just R Square						0.787
F						45,272
Sig.						0.000

Source: Primary Data Processed, 2022

Source: Primary Data Processed, 2022

The first hypothesis, in table 4.10 above, shows that the corporate governance variable in the t test results has a significant value of -0.000, which is smaller than 0.05. This proves that corporate governance has an effect on the tendency of fraud that occurs in BUMN in Bengkulu City. Judging from the value ($\beta_1 = -0.126$) and the t-statistic value of -8.672, which means the direction of the effect is negative, it can be concluded that hypothesis 1 is accepted.

The second hypothesis, seen in table 4.10 above, shows that the variable internal audit role the t test results have a significance value of .000 which is smaller than .05 so it can be concluded that internal audit role affects the tendency of fraud in BUMN in Bengkulu City. To see the direction of the effect, it can be seen at the value ($\beta_2 = -0.637$) and the t-statistic value is -11.994 so that it can be concluded that the effect is negative and hypothesis 2 is accepted.

The third hypothesis, in table 4.10 it can be seen that the variable internal control effectiveness the t test results have a significance value of .000 which is smaller than .05, so it can be concluded that internal control effectiveness affects the tendency of fraud in BUMN in Bengkulu City. To see the direction of the effect, it can be seen in the value ($\beta_3 = -0.158$) and the t-statistic value is -12.202, which means the influence of the variable internal control effectiveness on the tendency of fraud is negative so that hypothesis 3 is accepted.

The fourth hypothesis, in table 4.10 it can be seen that the variable compensation suitability the t test results have a significance value of .000 which is smaller than .05, so it can be concluded that compensation suitability against the tendency of fraud in BUMN in Bengkulu City. To see the direction of the effect, it can be seen at the value ($\beta_4 = -0.477$) and the t-statistic value is -9.761, which means the influence of the variable compensation suitability on the tendency of fraud is negative so that hypothesis 4 is accepted.

The Effect of Corporate Governance on the Fraud Tendency

Based on the results of the t statistical test, it shows that the corporate governance variable (X1) with a significance value of $0.000 < 0.05$ and has a t count of $-8.672 > t$ table value of 1.67, it can be concluded that the X1 variable has a contribution to Y. A negative value indicates that the variable X1 has a relationship that is not in the same direction as Y. So it can be concluded that H1 is accepted so that corporate governance has a negative influence on indications of fraud in BUMN in Bengkulu.

The purpose of implementing the principles of corporate governance according to the Regulation of the Minister of State for Administrative Reform Number: PER/15/M.PAN/2008 concerning General Guidelines for Bureaucratic Reform of the State Minister for Empowerment of State Apparatuses is a clean bureaucracy, transparency, serving the community, accountability, responsibility and independence. This is because the higher the implementation of corporate governance in SOEs, the lower the opportunity to commit fraud. (Ramadhany, 2017) said that effective corporate governance should be able to help reduce problems and reduce negative behavior. This is because the implementation of corporate governance causes the company's management to become more focused and clearer in the division of tasks, responsibilities and supervision.

By having corporate governance, this means that every increase in the level of corporate governance, the tendency for fraud will decrease. The higher the level of corporate governance, the lower the tendency for fraud, and vice versa, the lower the level of corporate governance, the higher the tendency for fraud.

The United Nation Development Program (UNDP) suggests that the characteristics or principles developed in Good Governance are public participation, upholding the rule of law, transparency, fairness, responsiveness, consensus orientation, effectiveness and efficiency, accountability, strategic vision and interrelationships. SOEs as a reflection of the performance of local governments are required to continue to run and improve corporate governance to suppress as early as possible the tendency of fraud that occurs. So it can be concluded that corporate governance has a significant negative effect on the tendency of fraud.

By implementing corporate governance such as openness in conveying correct, complete, precise and easily accessible information to all stakeholders at work, transparency in the company's policy decision process that is written proportionally and communicated, stipulates the details of the duties and responsibilities of each company organ, provide accountability for the management of the company covering five dimensions, namely: economic, legal, moral, social and spiritual, professional and independent decision making that is free from the influence of other parties that will reduce the level of employee fraud tendencies in BUMN in Bengkulu City. This is in line with the function of the existence of corporate governance that monitors behavior to prevent fraud,

Based on the respondents' answers, which showed that on average, the respondents answered that corporate governance in the company was carried out very often, including openness in conveying correct information, openness in the decision process, determining the details of tasks and responsibilities and making professional decisions. This means that it can be concluded based on the respondents' answers that the existing corporate governance in BUMN in Bengkulu City is good.

Based on demographic data, it was found that 50% of the age of BUMN employees in Bengkulu City were in the age range of 25-35 years which showed employees were of productive age to work, so this would also encourage employees to work well and finish well. At this age, employees will show their performance well for the continuation of their careers in the future.

This study confirms agency theory which says that a person's behavior is generally self-interested, has limited thinking power regarding future perceptions (bounded rationality), and always avoids risk (risk averse). Corporate governance in this case plays an important role where the management of the company must be monitored and controlled to ensure that the management of the company is carried out in compliance with various applicable regulations and provisions that can influence the behavior of the tendency of fraud in BUMN in Bengkulu City.

Research (Novi et al., 2021) results that corporate governance has a negative and significant effect on the tendency of fraud (fraud). governance is a guideline for implementing the ideal organizational system that is coveted by all organizations.

The Influence of the Role of Internal Audit on Fraud Trends

Based on the results of the t statistical test, it shows that the internal audit role variable (X2) with a significance value of $0.000 < 0.05$ and has a tcount of $-11,994 > t$ table value of 1.67, it can be concluded that the X3 variable has a contribution to Y. The t value is negative. shows that the X2 variable has a non-unidirectional relationship with Y. So it can be concluded that H2 is accepted so that the role of internal audit has a negative influence on indications of fraud at BUMN in Bengkulu. This proves that the Bengkulu City BUMN has carried out an internal audit well. The better the internal audit, the better the implementation of the government's internal control system will be. Internal audit activities are the main support for the achievement of internal control objectives. When carrying out their activities, internal audit must be objective and its position in the organization is independent. The results of the study also prove that the auditors have carried out their duties and responsibilities well in assessing the effectiveness of the internal control system and the quality of the organization's work.

This shows that a well-run internal audit results in a decrease in the tendency of accounting fraud in Bengkulu City BUMN. Internal audit has an important role in overcoming accounting fraud, because without a well-run internal audit, the occurrence of accounting fraud practices will be difficult to detect and overcome. In order for the risk of fraud to be minimized as low as possible, the organization must optimize its internal audit.

The indicators of independence, professional ability, scope of work, implementation of audit activities and audit management indicate that the internal auditors at the Bengkulu City BUMN do have the ability, knowledge, thoroughness and competence in accounting and auditing so that they can detect accounting fraud as early as possible. . The internal auditor has also re-examined the organization's accounting records and financial

statements. This means that the financial statements of the organization are always reviewed and evaluated by the auditors in order to reduce the risk of fraud in the financial statements. This is also in line with the results of research by Ratna Amalia (2013), that a well-implemented internal audit will affect the prevention and detection of accounting fraud.

This study confirms agency theory which says that a person's behavior is generally self-interested, has limited thinking power regarding future perceptions (bounded rationality), and always avoids risk (risk averse). in this case reveals that Internal Audit is a major part in the management of an organization. Internal audit consists of plans, methods, and procedures used to achieve the organization's vision, mission, goals and objectives, so with an adequate internal audit, any deficiencies or errors and other actions that harm the company will can be kept to a minimum,

This is in line with Gusnardi's (2008) research, that the audit committee's responsibilities include ensuring that the government's internal control within the organization runs well. Internal audit activity is to test and assess the effectiveness and success of the internal control system in the organization by evaluating how far the potential risks have been identified, David Sinason, et., all (2001), in his study, found that internal auditors can prevent and detect fraud that occurs. in government entities, so the better the implementation of internal audits, the less fraud will occur.

Effect of Effectiveness of Internal Control on Trends

Based on the results of the t statistical test, it shows that the internal control effectiveness variable (X3) with a significance value of $0.000 < 0.05$ and has a tcount of $-12,202 > \text{table value of } 1.67$, it can be concluded that the X3 variable has a contribution to Y. The t value is negative. shows that the X3 variable has a non-unidirectional relationship with Y. So it can be concluded that H3 is accepted so that the effectiveness of internal control has a negative influence on indications of fraud in BUMN in Bengkulu.

Based on the results of the tabulation of data that has been carried out, the effectiveness of internal control variables has five indicators, namely the control environment, risk assessment, control activities, information and communication and supervision and rule enforcement. If on average, the percentage of respondents who choose answers strongly agree and agree based on 5 indicators on the effectiveness of internal control variables that is equal to 96.22%. This shows that the level of effectiveness of internal control in BUMN in Bengkulu is interpreted as high by the respondents. This shows that SOEs have High awareness of the importance of disclosing a fraud in BUMN in Bengkulu City, the higher the effectiveness and efficiency of internal control, the lower the level of fraud because the strong internal control system causes no opportunities or opportunities that will lead to fraud, but on the contrary if the lower the effectiveness of internal control in maintain a strong internal control system, the higher the level of tendency to fraud.

In addition to referring to the results of statistical data processing above, there are several things that fall into the category that the implementation of internal control carried out by financial managers in BUMN has been running effectively, among others, (1) implementation of the rules that are the responsibility of each financial management has been running in accordance with the SOP (Standard Operational Procedure). (2) As a form of the process of implementing the use of finance, the finance department of each financial manager has carried out the planning process to the accountability process in detail accompanied by documentary evidence. (3) To prevent fraud involving internal parties (employees,

This study confirms agency theory which says that a person's behavior is generally self-interested, has limited thinking power regarding future perceptions (bounded rationality), and always avoids risk (risk averse). in this case it reveals that the higher the effectiveness and efficiency of internal control, the lower the level of fraud because the strength of the internal control system causes no opportunities or opportunities that will lead to fraud, but on the contrary, the lower the effectiveness of internal control in maintaining a strong internal control system, the higher the level of internal control. cheating tendencies.

This study supports that with the implementation of effective internal control, the activities carried out by management on an ongoing basis can provide adequate confidence in the achievement of organizational goals (Artini, 2014). Likewise, the implementation of a management style on a regular basis in the form of regular performance evaluations can minimize the risk of fraud. These categories can be used as a form of prevention of fraud, the occurrence of budget abuse, theft and embezzlement by the parties concerned. In addition, interested parties can use financial statements in a valid and reliable manner.

The results of this study are in line with research conducted by (Novi et al., 2021), which states that the effectiveness of the internal control system has a significant negative effect on fraud. A negative value indicates the opposite effect, which means that the higher the effectiveness of the internal control system, the lower the fraud. (Ahriati et al., 2015) which states that there is a negative and significant effect between internal control and accounting fraud, which is influenced by the presence or absence of opportunities for fraud. do that. These opportunities can be minimized with effective internal control. The better the internal control that is implemented, the tendency of fraud will decrease in each entity.

Effect of Compensation Suitability on Tendency

Based on the results of the t statistical test, it shows that the compensation suitability variable (X4) with a significance value of $0.000 < 0.05$ and has a tcount of $-9.761 > t_{table}$ value of 1.67, it can be concluded that the X4 variable has a contribution to Y. A negative t value indicates that the X4 variable has a non-unidirectional relationship with Y. So it can be concluded that H4 is accepted so that the suitability of compensation has a negative effect on indications of fraud in BUMN in Bengkulu. The key to motivating someone to behave in a way that advances the ideals of an organization lies in the way in which the organization provides incentives or compensation. Providing compensation to employees will help the company to achieve its goals and acquire, maintain and keep employees well.

As a result of dissatisfaction with payments that are felt to be less will reduce performance, increase complaints, strike and lead to physical and psychological actions such as increasing degrees of absenteeism and fraud. Promotions given and received by the leadership and accounting staff are given on the basis of work performance that has been achieved. This indicates that within the company the leadership has provided appropriate compensation. Accounting staff are able to master their field of work and receive appropriate compensation based on the work they have done.

Providing compensation to employees will help the company to achieve its goals and acquire, maintain and keep employees well. On the other hand, without adequate (appropriate) compensation, existing employees will be very likely to leave the company. As a result of dissatisfaction with payments that are felt to be less will reduce performance, increase complaints, strike and lead to physical and psychological actions such as increasing degrees of absenteeism and fraud.

This study confirms agency theory which says that a person's behavior is generally self-interested, has limited thinking power regarding future perceptions (bounded rationality), and always avoids risk (risk averse). Compensation is a form of appreciation in the form of physical and non-physical for the achievements given to employees in a company for the contribution they have given to the company. Compensation is given with the aim of providing stimulation and motivation to the workforce to improve work performance, as well as production efficiency and effectiveness. The compensation is given with the aim that the employee does not manipulate reports on the condition of the company or organization for his personal gain. Manipulation of financial statements is usually done by changing the actual accounting numbers or ignoring the accounting rules that apply in the preparation process. Both of these are acts of fraud.

This is supported by research conducted (Zainal, 2013) and (Novi et al., 2021) which looked at the effect of compensation on the tendency of fraud (Fraud). The results of their research show that the higher the level of compensation suitability, the smaller the tendency for fraud to occur. The results of this study are not in line with

research (Astarani, 2014) which states that the suitability of compensation has a significant influence on the tendency of accounting fraud.

CONCLUSION

This study was conducted to examine and prove the influence of corporate governance, the role of internal audit, the effectiveness of internal control, the suitability of compensation to the tendency of fraud in BUMN in Bengkulu City. From the data and analysis that has been done in this study, it can be concluded: corporate governance has a negative effect on the tendency of fraud, the results of this study indicate that having good corporate governance will reduce the level of tendency of fraud in BUMN employees in Bengkulu City. The role of internal audit has a negative effect on the tendency of fraud, the results of this study indicate that with an adequate internal audit, any deficiencies or errors and other actions that harm the company will be minimized as much as possible. that the tendency of accounting fraud can be reduced if an effective system of internal control is implemented in the company. The suitability of compensation has a negative effect on the tendency of fraud, the results of this study indicate that appropriate compensation can reduce the pressure to commit fraud tendencies.

REFERENCE

- AAIPI, AA (2014). Indonesian Government Internal Audit Standards.
- ACFE Indonesia Chapter. (2014). Indonesian Fraud Survey. In ACFE Indonesia Chapter. Ahriati Basuki, Widiastuty, E. (2015). Analysis of the Effect of Internal Control Systems, Unethical Behavior and Compensation Suitability on Accounting Fraud Trends in the Regional Government of East Lombok Regency, 41-55.
- Amalia, S. (2020). Effect of Internal Control Effectiveness, Information Asymmetry, Compliance with Accounting Rules, and Implementation of Good Governance on the Trend of Accounting Fraud. *Journal of Business Administration*, 12-26.
- Amrizal. (2014). Fraud Prevention and Detection by Internal Auditors. Arens, A. (2003). *Auditing and Verification Services*. Gramedia: Jakarta.
- Arens, Alvin A., et al. (2008). *Auditing and Assurance Services Integrated Approach*. Edition 12. Jakarta: Erlangga.
- Astarani, J. and AA (2014). Analysis of the Effect of the Role of the Supervisory Board, Control Activities, and Compensation System on the Trend of Accounting Fraud (Study on Cooperatives in Pontianak City), 43-64.
- Auditing, International Standard for the Professional Practice of Internal. (2017). The Institute of Internal Auditors. North America: The Institute of Internal Auditors,.
- Ayu, DW (2017). The effect of effectiveness of internal control, suitability of compensation, and organizational culture on the tendency of fraudulent fraud in the LPD village credit institution in the sub-district is shrinking.
- BPK Finds-Cheating-State-Owned-Owned-Employment-Amounting-Rp8-6-Trillion-This- Details. (nd). <http://archive.rimaneews.com/economy/keuangan/read/20150407/205958>.
- COSO. (1994). *Internal Control Integrated Framework*. New York: AIGPA's Publication Division.
- Cressey Donald, R. (1953). *Others people money, A study in the social psychology of Embezzlement*. Montclair.
- Eddie. (2010). *Accounting An Introduction*.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review*, 14(1), 57-74.
- Friska, A. R. (2015). The Influence of the Role of Internal Audit and the Effectiveness of the Implementation of Government Internal Controls on the Trend of Accounting Fraud (Empirical Study on the Padang City Government SKPD).
- Ghozali. (2016). *Application of Multivariate Analysis With IBM SPSS 23 Program* (8th ed.). Semarang: Diponegoro University Publishing Agency.
- Ghozali. (2018). In *Multivariate Analysis Application With IBM SPSS 25 Program* and Diponegoro University Publisher.
- Gusnardi. (2008). The Role of the Audit Committee and Internal Control on the Implementation of Good Corporate Governance. *Accounting journal*.
- Hall, J. (2009). *Accounting Information Systems Seventh Edition*. Jakarta: Four Salemba.
- Hariandja, Marihat Tua Efendi. (2002). *Human Resource Management*. Jakarta.: Grasindo.
- Hasibuan, H. Malay. (2011). *Human Resource Management, Earth Literacy*, Jakarta.

- Harry. (2010). Portrait of the Internal Audit Profession (In Leading Private and State-Owned Companies). Bandung: Alfabeta.
- Harry. (2011). Auditing 1 Fundamentals of Auditing Accountants. Jakarta: Kencana Prenada Media Group.
- Harry. (2016). Basic Accounting 1 & 2. Jakarta: Grasindo.
- IAI. (2012). Public Accountant Professional Standards (SPAP) Salemba Empat. Jakarta. Indonesian Institute of Accountants.
- (2001). Public Accountant Examination Standards. SA Section 316. Consideration of Fraud in the Audit of Financial Statements.
- Indonesia, I.A. (2001). Public Accountant Examination Standards.
- Indonesia, Association of Accountants. (2001). Public Accountant Examination Standards. SA Section 319. Considerations of Internal Control in the Audit of Financial Statements.
- Indonesia, Accounting Association. (2012). Professional Standards of Public Accountants, Salemba Empat, Jakarta, Irditkesad, Kutiyono.
- Institute of Internal Auditors. (2009). The Professional Practice Framework. USA : The IIA Global Practice Centers.
- James L Bierstaker. et. all. (2004). Internal auditor's fraud prevention and detection methods. Internal Auditing. Boston, 37.
- Jensen, MC, & Meckling, WH (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics.
- Ketut Tanti, K. (2021). The Effect of Internal Control Effectiveness, Individual Morality, and the Role of Panureksa on the Trend of Accounting Fraud in Village Credit Institutions, Sukawati District, Giayar Regency, Bali, 24-33.
- KPK Appoints Askrindo President Director to be a Suspect. (nd). <https://national.sindonews.com/read/1202227/13>.
- Krismadji. (2002). Accounting information system. AMP YKPN: Yogyakarta. Kumaat, GV (2011). Internal audit. Jakarta: Erlangga.
- M, Donnelly, Jr., & Konopaske, R. (2012). Gibson, James. L, Ivancevich, John Organizations: Behavior, Structure, Processes. Fourteenth Edition. McGrawhill. New York.
- Mardiasmo. (2006). Regional Finance Autonomy and Management.
- Meliany, L. (2013). The Effect of Internal Control Effectiveness and Compensation Suitability on Accounting Fraud Trends. Thesis. UPN Veterans Jakarta.
- Nawawi, H. (2003). Leadership makes the organization effective. Yogyakarta: Gajah Mada Press.
- Novi, PD (2021). The Influence of Tri Kaya Parisudha Concept, Effectiveness of Internal Control, Perception of Compensation Suitability and Implementation of Good Corporate Governance on Fraud Trends in Perkre Institutions.
- Novitasari, D., & Kusumastuti, ED (2019). The Influence of Employees' Perceptions on the Effectiveness of Internal Controls and the Suitability of Financial and Non-Financial Compensation on the Prevention of Accounting Fraud. *Organization for Economic Corporation and Development (OECD)*. (2004).
- Panggabean, Mutiara S. (2002). Human Resource Management. Bogor: Ghalia Indonesia. General Guidelines for Good Corporate Governance in Indonesia. (2006).
- The investigation into the alleged corruption of the Pelindo II conveyor belt is seen as stalled.* (Wednesday, July 3, 2019). <https://benngkulu.antaranews.com>.
- Prabawa, good idea Gaga Surya. (2021). The Influence of the Role of Internal Audit, Morality and Compensation Suitability on the Prevention of Accounting Fraud., 15-28.
- Proactive Auditing Fraud Prevention Instruments.* (2019). Proactive Auditing Fraud Prevention Instruments. (2019).
- R, CD (1953). Others people money, A study in the social psychology of Embezzlement. Montclair.
- Ramadhany, I. (2017). The Effect of Internal Control System. Information Asymmetry, Compensation Suitability and Implementation of Good Corporate Governance on Accounting Fraud Trends (study at a Private Hospital in Pekanbaru).
- Sawyer, LB (2006). Internal Auditing. Book I Edition 5. Jakarta: Salemba Empat. Sawyer, LB (2014). . Internal Auditing. Book 2. Jakarta: Four Salemba.
- Now, um. (2006). Research Methodology for Business. Edition 4. Book 1. Jakarta: Four Salemba.
- Sinason, David H., Jefferson P. Jones and Sandra Waller Shelton An. (2001). Investigation of Auditor and Client Tenure. American Journal of Business, 31-40.
- State Financial Audit Standards, BPK Regulation.* (2017).
- Sugiyono. (2009). Statistics for Research in the Twelfth Print, Bandung: CV Alfabeta. Sugiyono. (2019). Quantitative, Qualitative, and R&D Research Methods. Alphabet CV.
- Syakhroza, A. (2003). Corporate Governance Theory. Entrepreneur No. 08 Year XXXII. August.

Transparency International Corruption Perceptions Index .(2013).

Tuanakotta, T. (2010). Forensic Accounting and Investigative Auditing. Jakarta: Four Salemba.

Tugiman, Hiro. (2006). Internal Audit Professional Standards. Yogyakarta: Kanisius.

Tunggal and Amin Widjaya. (2010). Internal Audit Fundamentals Guidelines for New Auditors. Jakarta: Harvard.

Single, AW (2012). The Fraud Auditing: Preventing and Detecting Accounting Fraud. Jakarta: Harvaindo.

Utari, NS (2019). The Effect of Internal Control Effectiveness, Individual Morality, and Whistleblowing on Fraud Trends in Village Credit Institutions in Buleleng District. *Journal of Professional Accounting*, 33-34.

Veithzal, R. (2004). Human Resource Management for the Company. PT Raja Grafindo Persada: Jakarta.

Wilopo. (2006). Analysis of Factors Influencing the Trend of Accounting Fraud Study on Public Companies and State-Owned Enterprises. SNA IX : Padang.