
GOOD CORPORATE GOVERNANCE MODERATES THE EFFECTIVENESS OF INTERNAL CONTROLS AND THE SUITABILITY OF COMPENSATION AGAINST INDICATIONS OF FRAUD

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh keefektifan pengendalian internal dan kesesuaian kompensasi terhadap indikasi kecurangan, serta untuk menguji apakah good corporate governance mampu memperkuat pengaruh tersebut. Populasi dalam penelitian ini adalah seluruh pegawai LPD di kabupaten Karangasem yaitu sebanyak 824 pegawai dengan jumlah sampel 89 responden. Penentuan sampel menggunakan metode *simple random sampling*. Pengumpulan data dengan cara penyebaran kuesioner yang dibagikan ke pegawai yang menjadi sampel penelitian. Teknik analisis data yang digunakan dalam penelitian ini adalah *Structural Equation Modeling* (SEM) berbasis *Partial Least Square* (PLS) dengan menggunakan Software SmartPLS 3.0.

Hasil penelitian menunjukkan bahwa (1) Keefektifan pengendalian internal berpengaruh negatif terhadap indikasi kecurangan dan menerima H1. (2) Kesesuaian kompensasi berpengaruh negatif terhadap indikasi kecurangan dan menerima H2. (3) Good Corporate Governance memperkuat pengaruh keefektifan pengendalian internal terhadap indikasi kecurangan dan menerima H3. (4) Good Corporate Governance memperlemah pengaruh kesesuaian kompensasi terhadap indikasi kecurangan dan menolak H4. Untuk penelitian selanjutnya disarankan menambah jumlah sampel yang digunakan dengan memperluas wilayah penelitian. Selain itu, untuk penelitian selanjutnya dapat mencari variabel lain yang belum diuji dalam penelitian ini terkait dengan indikasi kecurangan.

Kata kunci : Kecurangan; Governance; Internal Kontrol; Kompensasi

ABSTRACT

This research aims to analyze the influence of the effectiveness of internal control and appropriateness of compensation on indications of fraud, as well as to test whether good corporate governance is able to strengthen this influence. The population in this study were all LPD employees in Karangasem district, namely 824 employees with a sample size of 89 respondents. Determination of the sample using the simple random sampling method. Data were collected by distributing questionnaires which were distributed to employees who were the research samples. The data analysis technique used in this research is *Structural Equation Modeling* (SEM) based on *Partial Least Square* (PLS) using SmartPLS 3.0 Software.

The research results show that (1) The effectiveness of internal control has a negative effect on indications of fraud and accepts H1. (2) Suitability of compensation has a negative effect on indications of fraud and accepts H2. (3) Good Corporate Governance strengthens the influence of internal control effectiveness on indications of fraud and accepts H3. (4) Good Corporate Governance weakens the effect of suitability of compensation on indications of fraud and rejects H4. For further research, it is recommended to increase the number of samples used by expanding the research area. In addition, for further research, we can look for other variables that have not been tested in this study related to indications of fraud.

Key words : Fraud; Governance; Internal Control; Compensation

INTRODUCTION

Fraud is a mistake by a person or certain group that is carried out intentionally to gain profit, which can harm other people, certain parties or certain institutions. Fraud that occurs can take the form of misuse of assets, fraud in recording financial reports, corruption, false statements and computer related fraud.

Based on fraud triangle theory, it can be classified into three things. First, because of pressure such as financial problems, where a person has a high lifestyle. Second, opportunity, for example, is the company's control which is still weak, this is where there is an opportunity for individuals to commit acts of fraud. Lastly, rationalization, for example by using the alibi that the salary given is not in accordance with the profits the company has received.

Based on the Report to The Nations (ACFE, 2022), the percentage of fraud committed in the form of asset irregularities was 47%, corruption was 12% and financial statement fraud was 1%. As time goes by, fraud cases in Indonesia, especially corruption, continue to increase from year to year. In the trend of prosecuting corruption cases in the first semester of 2022, Indonesia Corruption Watch recorded 252 corruption cases with 612 people named as suspects by law enforcers, including the prosecutor's office, the police and the Corruption Eradication Committee.

In Indonesia, especially in Bali, there is a microfinance institution that operates in the Pakraman village area called the Village Credit Institution (LPD). The Village Credit Institution is a village owned business entity or commonly known as the Pakraman village, namely an operational unit that has the function of being a container or place for wealth belonging to the Pakraman village, such as money or important letters. There are several objectives for establishing an LPD in each traditional village, namely supporting economic development in rural areas by increasing the savings habits of village communities and providing credit for small scale businesses and increasing the level of monetization in rural areas. So from this it can be seen that the role of LPD in village development is very high because it will have an influence on improving the economy of the Balinese people in various fields so that good management and resources are needed in running the organization. Village Credit Institutions are very vulnerable to fraud, even though the LPD has special regulations governing it, there is still a lot of fraud that occurs. This fraud varies, such as misuse of assets, manipulation, fraud in recording financial reports to corruption. The following are several cases of LPD fraud that occurred in Bali :

Table 1. Fraud Case in Bali

No	LPD name	Information	Source
1	LPD Sangeh , District Abiansemal , Badung Regency	Corruption Rp. 57.2 Billion (Mahendro, 2023)	detikBali , August 2023
2	LPD Anturan , Regency Buleleng	Misuse of LPD funds of IDR 155 billion (Hartik, 2023)	Kompas.com, August 2023
3	Umacetra LPD , Peringsari Village , Selat District , Karangasem Regency	Corruption Rp. 5.2 Billion (Juniasa, 2023)	detikBali , August 2023
4	LPD Penaga , Landih Village , Bangli	Corruption Rp. 1.2 Billion (Mercury, 2022)	Tribun-Bali.com, August 2023
5	Tabanan LPD	Corruption Rp. 7.3 Billion (Simabur, 2022)	detikBali . August 2023
6	Yehembang Kauh LPD, District Medoyo , Regency Jembrana	Corruption Rp. 2 Billion (Hasan, 2023)	Kompas.com, August 2023
7	Belusung LPD , Pejeng Kaja, Tampak Siring, Gianyar	Corruption Rp. 2.6 Billion (Candra, 2022)	Tribun-Bali.com August 2023
8	Sega LPD, Bunutan Village , Abang District , Karangasem Regency	Corruption Rp. 548 Million (Nv, 2018)	NusaBali.com August 2023
9	Temega LPD , Subdistrict Padangkerta , Karangasem Regency	Corruption Rp. 840 Million (Mds, 2015)	NusaBali.com August 2023
10	Bugbug Customary LPD , Karangasem District , Karangasem Regency	Misuse of Assets Rp. 4.5 Billion (Pbm4, 2021)	Porosbali.com August 2023

From the table above which has been summarized regarding fraud cases at LPD in Bali, there are seven cases of which there is one district that has the most dominant fraud cases, namely Karangasem district, where there are three cases and the other seven cases consist of Badung, Bangli, Jembrana, Buleleng, Tabanan and Gianyar districts. All these acts of fraud occur due to various factors such as pressure, opportunity and the nature of each individual who commits the act of fraud. So, to overcome these actions, each LPD must pay more attention to the condition of the LPD and employees to minimize fraud that occurs. This act of fraud is due to several factors such as the effectiveness of weak internal controls, the appropriateness of compensation not being implemented so that good governance is needed within an LPD to avoid various things that can harm the parties involved.

Fraud is an act of violating legal rules by a person or group of people, whether from within or outside the organization, where the person or group commits an act of fraud with the aim of enriching themselves or others, (Karyono, 2002).

Internal control has a vital role in an entity, namely to prevent and detect fraud as well as supervise, observe, direct or coordinate and protect resources. Effective internal controls can protect against fraudulent acts such as theft, embezzlement and misuse of assets. Internal control that is strong and implemented well will be able to reduce the level of fraud, and vice versa, if internal control is weak and not implemented well, fraud will increase. So it requires the effectiveness of strong internal controls in an organization, microfinance institutions such as Village Credit Institutions to minimize the occurrence of fraudulent acts. Chintyana et al., (2017) stated that the

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effectiveness of internal control has a significant negative influence on the tendency of accounting fraud. This means that if the effectiveness of internal control in an organization is strong and not easily shaken, fraud will weaken.

Compensation is something that influences how employees behave, someone will act unethically and cheat in order to get maximum profit for themselves. Generally, employees cheat because of dissatisfaction or disappointment regarding the results or compensation they receive, (Shintadevi, 2015). It is very necessary to have a perception regarding the suitability of compensation within an organization or microfinance institution such as a Village Credit Institution to minimize fraudulent acts that could occur. This is supported by research conducted by Dewi et al., (2017) showing that perceptions of compensation suitability have a negative and significant influence on financial fraud. This means that the higher the perceived suitability of compensation, the lower the tendency for fraud to occur.

By implementing good corporate governance, it is possible to strengthen the effectiveness of internal control and the appropriateness of compensation in the event of indications of fraud. To achieve related success, a good formula is needed to manage existing resources. Good corporate governance is a guideline for managing good company management by paying attention to the interests of stakeholders including those within the Village Credit Institution, namely village manners, government, managers and the community, (Dewi, 2014).

The implementation of good corporate governance has an important role in strengthening the effectiveness of internal control in preventing fraud in the company. Good corporate governance helps in establishing clear roles and responsibilities within the internal scope of the organization. This can minimize potential conflicts of interest and ensure that internal control tasks are distributed appropriately. Apart from that, good corporate governance also strengthens the role and function of internal supervision. This includes monitoring an organization's operations, evaluating risks and ensuring that internal controls are working properly. Strong supervision will help identify potential weaknesses or gaps that can be exploited to commit fraud

Good corporate governance can also play a role in strengthening compensation and preventing fraud in terms of compensation in organizations, especially financial institutions. The principles of good corporate governance encourage transparency in the compensation system. This transparency is expected to reduce opportunities for manipulation or abuse in determining compensation. Apart from that, good corporate governance encourages linking compensation with the performance of an organization and individuals. This can prevent situations where individuals or groups receive inappropriate compensation without achieving appropriate performance.

The results of research conducted by Savitri et al., (2019) and Dewi et al., (2017) show that good corporate governance has a significant negative influence on the tendency to cheat (fraud). A related matter means that if the implementation of corporate governance is good, then of course fraud can be avoided within an organization, on the other hand, if corporate governance is not running well, it creates an opportunity for bad actors to carry out fraudulent behavior that can be detrimental to an organization.

Referring to the background above, the researcher wants to research the LPD in Karangasem district, because based on the cases described in the table, the LPD in Karangasem district is an LPD that has a more dominant level of fraud compared to other areas, besides that it is also supported by the health level of the LPD in Karangasem district, where there are still quite a lot of unhealthy LPDs, where another factor causing unhealthy LPDs is acts of corruption or misuse of assets. The following is data on LPD health levels in Karangasem district:

Table 2. LPD Health Level Data in Karangasem Regency

Subdistrict	Healthy	Pretty Healthy	Unwell	Not healthy	Congested	Not yet operational
Rendang	20	3	2	-	-	1
Sidemen	8	7	2	1	1	-
Manggis	16	2	-	1	-	-
Karangasem	16	1	5	1	-	-
Abang	13	2	2	2	1	-
Bebandem	10	1	3	1	-	-
Selat	16	2	6	-	3	-
Kubu	19	8	7	5	2	-
Jumlah	118	26	27	11	7	1

Source : ppid.karangasemkab.go.id

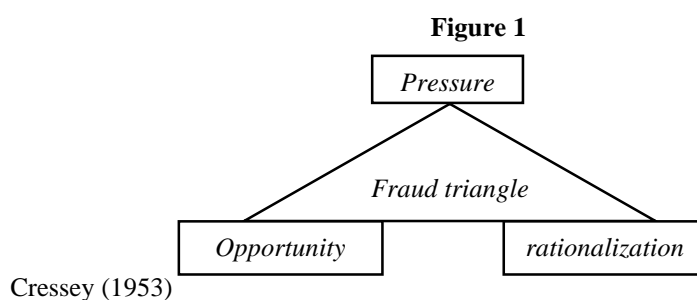
Previous studies have shown inconsistent results. Therefore, researchers want to try to re-examine the effectiveness of internal control and the suitability of compensation for indications of fraud by including the good corporate governance variable as a moderating variable. What differentiates this research from previous research is that first, this research uses two independent variables, one dependent variable and one moderating variable. Second, there are differences in the independent variables used from previous research. Here, the researcher in determining the independent variable chooses the factors that have the most influence on indications of fraud by adding a moderating variable which is able to strengthen the independent variable used for the dependent variable. And third,

the research location used is also different from previous research. The location of the research carried out in this research is located in Karangasem district, more precisely at the village credit institution in Karangasem district, where the determination of this location is also supported based on the phenomena that occur and the level of health of the village credit institution in Karangasem district.

The aim of the research carried out is to analyze the influence of the effectiveness of internal control and appropriateness of compensation on indications of fraud, as well as to test whether good corporate governance is able to strengthen this influence. From the issues and phenomena that have been explained in the background, the researchers were interested in taking the title "**Good Corporate Governance Moderates The Effectiveness Of Internal Controls And The Suitability Of Compensation Against Indications Of Fraud**".

Fraud Triangle Theory

Cressey (1953) stated that people carry out fraudulent activities due to the interaction of drives originating from within the individual's personality and from the external environment. This encouragement is classified into three categories consisting of pressure, opportunity and rationalization.



Priantara (2013) states that pressure arises from urgent financial needs or problems, but it can also be caused by someone's greed so that acts of fraud occur. Hancox (2010) states that it is through this opportunity that fraud can occur, for example internal control. An example of an opportunity is if internal control is weak and there is a lack of supervision, then this opportunity is used to commit acts of fraud. Rationalization is one of the most important parts of the three main factors in the occurrence of fraud Hancox (2010). It is said to be the most important because most people must be able to behave well and correctly according to values in general related to responsibility and trust. Usually individuals who often commit fraud will look for an alibi or an explanation for the actions they have committed and try to excuse their fraudulent actions against other parties.

Fraud

Fraud is defined as an illegal act characterized by deception, concealment or breach of trust, The Institute of Internal Auditors, (2019). Fraud is carried out by parties and organizations to obtain personal gain.

In 2004, the Report to the Nation on Occupational Fraud & Abuse stated that, for the first time stated in the 1996 Report to the Nation, all fraud in employment falls into three main categories, namely, Association of Certified Fraud Examiners (2004) :

- 1) Asset Misappropriation, is something that involves theft and misuse of assets within the organization.
- 2) Corruption, where a fraudster wrongly uses their opportunity in a transaction such as a business transaction carried out in order to gain some profit, which is not in line with their obligations to their superiors or the rights of other people.
- 3) Fraudulent Statements, in this case fraud generally involves falsifying financial reports within an organization.

Good Corporate Governance

Good Corporate Governance has a function as procedures or guidelines in directing and controlling an organization or company with the aim of preventing acts of fraud or errors that can occur which can result in losses for the various parties involved, Setiawan, (2016). There are several principles in implementing good corporate governance such as justice, transparency, accountability, responsibility and independence.

Internal Control Effectiveness

Republic of Indonesia Government Regulation Number 8 of 2006 states that internal control is a process caused by management which is able to create appropriate trust in achieving efficiency, compliance with existing rules as well as reliability in the presentation of a government financial report. There are several components in internal control, namely the control environment, risk assessment, control activities, information and communication and monitoring activities.

Compensation Suitability

The suitability and satisfaction of employees with what the company or organization has given them, whether in the form of hourly wages or periodic salaries as a reciprocal expression of the obligations or work they have done, is called compensation suitability DewiA & Atmadja (2021). There are eight compensation objectives including, (Wahyuni, 2016) : cooperation ties, job satisfaction, effective procurement, motivation, ensuring justice, discipline, union influence and government influence.

Village Credit Institution

The Village Credit Institution (LPD) was first established by a Governor of Bali named Prof. Ida Bagus Mantra. In 1985 he visited West Sumatra Province. There is a well-developed custom-owned financial institution, the financial institution is called "Lumbung Pitih Nagari". Then he attended a seminar in Semarang related to Village Financial Institutions (LKD) or Village Credit Boards (BKD). Related events made him think that Bali itself also had the potential and opportunity to form a financial institution that could be managed by Pakraman village, (Kurniasari, 2007). LPD has an important role, namely its existence is very necessary in ensuring the welfare of the community within the scope of Pakraman village. LPD has provided many economic, social and cultural benefits to Pakraman village manners which need to be improved in its governance as a financial institution belonging to Pakraman village, this is stated in Bali Provincial Regulation No. 3 of 2017 concerning Village Credit Institutions.

Research Hypothesis

The Influence of Internal Control Effectiveness on Indications of Fraud

The internal control system is a procedure that is carried out with the aim of achieving adequate confidence or trust regarding the reliability of financial reports and compliance with applicable regulations, (Mulyadi & Puradiredja, 1998).

The sustainability of internal control can be linked to one of the parts contained in the fraud triangle. One part in question is opportunity. For example, assuming that the individual has weak inner control. If there is an opportunity, it is certain that it will be utilized well and will become more aggressive for parties who wish to commit acts of fraud, regardless of weak control within an organization or weakness within each individual.

Research conducted by Kurniawan & Haq (2022) shows the results that the internal control system has a negative effect on the tendency for accounting fraud, this indicates that effective internal control will prevent the Company from illegal activities that are usually carried out by internal parties within the Company and organizations. The higher the level of the internal control system will help reduce a person's opportunity to commit fraud. The results of research conducted by Pujayani & Dewi (2021) show that the effectiveness of internal control has a negative and significant effect on the tendency for accounting fraud, meaning that the higher the effectiveness of internal control, the lower the tendency for accounting fraud. Sakti et al., (2022) in research conducted shows that internal control has a negative and significant influence on the tendency to cheat. Based on this description, the researcher wants to propose a hypothesis :

H₁: The effectiveness of internal control has a negative effect on indications of fraud

The Effect of Compensation Suitability on Indications of Fraud

Husen (2019) revealed that compensation suitability is a measure of wages or rewards that can be obtained by someone who works in an organization whose amount is in accordance with the responsibilities that have been carried out and is considered appropriate to meet the needs and prosperity of those who receive it.

Judging from the suitability of compensation when connected to the fraud triangle, these three parts represent the overall suitability of compensation for the fraudulent actions that occur. The pressure referred to here is that if a worker has a high standard of living, a more comfortable environment and the compensation they receive is inadequate, then the party concerned is forced to commit fraud. Furthermore, opportunities such as assuming that a worker feels that the wages they receive are low, then assuming that there is opportunity or opportunity, it is certain that a worker will commit an act of fraud. Finally, justification, for example a worker provides an alibi or reason that the compensation obtained is not in accordance with the profits obtained by the company. This justification made by an employee is included in their self-defense after committing an act of fraud because they feel dissatisfied with the compensation they have received.

Amelia & Rahmawati (2020) in their research shows the results that compensation suitability has a negative and significant effect on accounting fraud. This means that the increasing suitability of compensation will reduce accounting fraud and vice versa, the decreasing suitability of compensation will increase accounting fraud. Research conducted by Sudariani & Yudiantara (2021) shows the results that compensation suitability has a negative effect on the tendency for accounting fraud. So, if compensation suitability is high, the tendency for accounting fraud will be lower. The results of research conducted by Damayanti & Purwantini (2021) also show that the suitability of compensation has a negative effect on the tendency for accounting fraud. This can mean that providing inappropriate compensation will give employees the urge to commit fraud in order to meet the needs and pressure they feel due to inappropriate compensation. Based on this description, the researcher wants to propose a hypothesis :

H2: Suitability of Compensation Has a Negative Influence on Indications of Fraud

Good Corporate Governance Moderates the Effect of Internal Control Effectiveness on Indications of Fraud

Wibowo (2010) stated that good corporate governance is a mechanism for managing an organization well in order to manage organizational resources efficiently, effectively, economically or productively based on the principles of openness, accountability, responsibility, independence and fairness in order to achieve the goals desired by each organization.

One component of the fraud triangle can be related to the implementation of good corporate governance. Opportunity is one of the factors that can be linked to good corporate governance. This opportunity means that if a company is bad then there is definitely a possibility that fraud will occur and take advantage of existing opportunities to carry out unethical actions, where the perpetrators are employees of an organization.

Saputra et al., (2023) revealed that good corporate governance has a negative and significant effect on the tendency to cheat. This shows that the level of fraud in an organization or business is determined by how well good corporate governance is implemented. The higher the level of implementation of good company administration, the lower the level of fraud tendencies that occur in an organization.

Good corporate governance plays an important role in strengthening the internal control system to identify and prevent indications of fraud in an organization. By implementing these principles of good corporate governance, an organization can minimize the risk of fraud and ensure the integrity, transparency and reliability of financial reports. Based on this description, the researcher wants to propose a hypothesis :

H3: Good Corporate Governance strengthens the influence of internal control effectiveness on indications of fraud

Good Corporate Governance Moderates the Effect of Suitability of Compensation on Indications of Fraud

The results of research conducted by DewiA & Atmadja (2021) show that the implementation of good corporate governance has a negative and significant effect on the tendency to cheat. This shows that if the level of corporate governance implementation is good, the tendency for fraud will decrease. The higher the level of implementation of good corporate governance, the lower the tendency for fraud.

Previous research on the suitability of compensation conducted by Samanto & Setyaningsih (2020) shows that the suitability of compensation has a positive effect on the tendency for accounting fraud. This indicates that the more appropriate the compensation given will reduce the tendency for accounting fraud. A negative and significant influence was found by Kusuma et al., (2022). The inconsistency of results in previous research prompted the inclusion of moderating variables because it was suspected that there were variables that interacted with the effect of compensation suitability on fraud.

In this case, good corporate governance is used as a moderator in the hope of strengthening the influence of compensation suitability on indications of fraud. So the stronger the suitability of compensation in an organization, the smaller the tendency to commit fraud. Based on the explanation above, the following hypothesis can be drawn :

H4: Good Corporate Governance strengthens the influence of suitability of compensation on indications of fraud

RESEARCH METHODS

This research was conducted at LPDs in Karangasem Regency. Karangasem Regency was chosen as the research location due to the background explained previously, that based on the phenomenon of fraud cases that occur in each district in Bali, three of them are located in Karangasem Regency which makes it the most dominant for fraud cases compared to other districts. Apart from that, Karangasem district was also chosen as the research location because based on the data obtained, there were still quite a lot of LPDs in Karangasem Regency who were recorded as unhealthy. The unhealthy nature of this Village Credit Institution is caused by several factors. As there are still many acts of fraud, whether in the form of corruption or misuse of assets.

The population in this study were all LPD employees in Karangasem district, consisting of 834 people from 190 LPDs spread across eight sub-districts, namely Rendang sub-district, Sidemen sub-district, Manggis sub-district, Karangasem sub-district, Abang sub-district, Bebandem sub-district, Selat sub-district and Kubu sub-district. In taking samples, this research used a simple random sampling method. It is called simple because the sampling of sample members occurs randomly without paying attention to the strata in the relevant population, (Sugiyono, 2019). In determining the sample, the Slovin formula was used to obtain 89 respondents.

The variables measured in this study used a Likert scale of 1 strongly disagree to 5 strongly agree. The measurement of this dependent variable uses 6 question items developed from types of fraud modified by Savitri et

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al., (2019), measured with 2 indicators. The effectiveness of internal control is measured by adopting a questionnaire that has been modified by Wahyuni (2016). This variable is measured using a Likert scale of 1 strongly disagree to 5 strongly agree. The effectiveness of internal control is measured using 4 indicators consisting of 8 question items. Suitability of compensation is measured by adopting a questionnaire that has been modified by Wahyuni (2016). This variable is measured using a 5 point Likert scale using 7 indicators consisting of 12 question items. Good corporate governance is measured using a 5 point Likert scale with a total of 13 question items covering 5 indicators which have been modified by (Sa'diyah, 2016).

The data analysis technique used in this research is Structural Equation Modeling (SEM) based on Partial Least Square (PLS) using SmartPLS 3.0 Software. Partial Least Square (PLS) is a structural equation model (SEM). Hypothesis testing using PLS can be seen from the results of booth strapping in the t-statistic table to see whether there is an influence of the independent variable on the dependent variable with a significance level of 5%. A two-tailed test for a level of significance of 5 percent of an exogenous variable is considered to have an influence on the endogenous variable if it has a minimum t-statistic of 1.96, while for one side (a hypothesis with a positive or negative influence) the minimum t-statistic is of 1.65 (level of significance 10), (Utama, 2016).

RESULTS AND DISCUSSION

R-Square for dependent constructs The R-Square value can be used to evaluate the influence of predictors on each endogenous latent variable. The R-Square value is used to calculate the Q-Square value which is a model goodness of fit test.

Table 3. R Square Test Results

	R Square	R Square Adjusted
Indication of Fraud (Y)	0,294	0,252

Source: Research Data, 2023

Based on table 3, the R-Square value for the variables good corporate governance, effectiveness of internal control and suitability of compensation for indications of fraud is 0.294. This means that the exogenous ability in explaining Y is 29.4% (weak), so it can be said that the ability of the variables good corporate governance, effectiveness of internal control and suitability of compensation in explaining indications of fraud is weak, namely 29.4% while the remaining 70.6% is the influence of variables others not measured in this study.

Hypothesis testing is the process of evaluating the null hypothesis, where the hypothesis can be accepted or rejected. The opposite of the null hypothesis is an alternative hypothesis which states that there are differences in parameters and statistics. Testing this hypothesis can be done by looking at the value of the t-statistic which uses a significance level of 95% (= 0.05 or 5%). Meanwhile, the t-table with a significance level of 95% is 1.96. The criteria for rejecting and accepting a hypothesis are that Ha is accepted and Ho is rejected if the t-statistic is > 1.96 and vice versa.

Table 4. Direct Effect Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Effectiveness of Internal Control (X1) -> Indication of Fraud (Y)	-0,099	-0,136	0,149	0,667	0,505
Suitability of Compensation (X2) -> Indication of Fraud (Y)	-0,217	-0,240	0,127	1,716	0,087
Moderating Effect 1 -> Indication of Fraud (Y)	0,152	0,137	0,140	1,088	0,277
Moderating Effect 2 -> Indication of Fraud (Y)	-0,064	-0,040	0,120	0,531	0,596

Source: Research Data, 2023

Based on the results of data analysis, the p-value of the variable for the effectiveness of internal control against indications of fraud was 0.505, compared to a significant value of 0.05. Because the p-value is > significant (0.505 > 0.05) with a beta value of -0.099 and a t statistics value of 0.667 which is compared to the t-table of 1.96. Because the t-statistics value < t-value (0.667 < 1.96), it can be concluded that the effectiveness of internal control has a negative effect on indications of fraud. This means that every time the level of internal control effectiveness increases, indications of fraud will decrease. The higher the level of effectiveness of internal control, the lower the indication of fraud and vice versa. The results of this research support research conducted by Kurniawan & Haq (2022) which shows that the internal control system has a negative effect on the tendency for accounting fraud. An

effective internal control system will prevent an organization from illegal activities that are usually carried out by internal parties within an organization. The higher the level of the internal control system will help reduce a person's opportunity to commit fraud.

Based on the results of data analysis, the p-value of the variable for the effectiveness of internal control against indications of fraud was 0.087, compared to a significant value of 0.05. Because the p-value is > significant ($0.087 > 0.05$) with a beta value of -0.217 and a t statistics value of 1.716 which is compared to the t-table of 1.96. Because the t-statistics value < t-value ($1.716 < 1.96$) it can be concluded that the suitability of compensation has a negative effect on indications of fraud. This means that every time the level of suitability of compensation increases, indications of fraud will decrease. The higher the level of suitability of compensation, the lower the indication of fraud and vice versa. The results of this research are in line with research conducted by Amelia & Rahmawati (2020) which revealed that compensation suitability has a negative effect on accounting fraud. This means that increasing the suitability of compensation will reduce accounting fraud and vice versa.

Based on the results of data analysis, the p-value of the variable the effectiveness of internal control on indications of fraud is moderated by good corporate governance of 0.277 which is compared to a significant 0.05. Because the p-value is > significant ($0.277 > 0.05$) with a beta value of 0.152 and a t statistics value of 1.088 which is compared to the t-table of 1.96. because the t-statistic is < t-value ($1.088 < 1.96$), it can be concluded that Good Corporate Governance strengthens the influence of the effectiveness of internal control on indications of fraud, but not significantly. The results of this research are in line with research conducted by DewiA & Atmadja (2021) showing that if the level of corporate governance implementation is good, the tendency for fraud will decrease. The higher the level of implementation of good corporate governance, the lower the tendency for fraud.

Based on the results of data analysis, the p-value of the variable suitability of compensation for indications of fraud is moderated by good corporate governance of 0.596 which is compared to a significant 0.05. Because the p-value is > significant ($0.596 > 0.05$) with a beta value of -0.064 and a t statistics value of 0.531 which is compared to the t-table of 1.96. because the t-statistic is more < t-value ($0.531 < 1.96$), it can be concluded that Good Corporate Governance weakens the effect of compensation suitability on indications of fraud, but not significantly. In other words, Good Corporate Governance does not play a role in moderating the relationship between compensation suitability variables and indications of fraud. This means that the ability of good corporate governance does not have an impact on the influence of compensation suitability on indications of fraud. The results of this research are in line with research conducted by Kusuma et al., (2022) showing that the proliferation of internal audits cannot control the relationship between satisfactory compensation and the tendency for accounting fraud.

CONCLUSION

The effectiveness of internal control has a negative effect on indications of fraud and accepts hypothesis one (H1). This means that every time the level of internal control effectiveness increases, indications of fraud will decrease. Suitability of compensation has a negative effect on indications of fraud and accepts hypothesis two (H2). This means that every time the level of suitability of compensation increases, indications of fraud will decrease. Good Corporate Governance strengthens the influence of internal control effectiveness on indications of fraud but not significantly and accepts hypothesis three (H3). Good Corporate Governance weakens the effect of suitability of compensation on indications of fraud but not significantly and rejects hypothesis four (H4). In other words, Good Corporate Governance does not play a role in moderating the relationship between compensation suitability variables and indications of fraud. For further research, it is recommended to increase the sample by using a different formula from this research, for example using the Issac and Michael formula which is supported by a large population size so it is recommended to expand the research area, therefore it is hoped that the research results will be better. Apart from that, further research can look for other variables that have not been tested in this research related to indications of fraud, such as the organizational commitment variable.

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