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А.А. РІФДАЯНТІ*

Університет Шривіджая, м. Палембанг, Індонезія

Т. ВАХИЙДІ**

Університет Шривіджая, м. Палембанг, Індонезія

Ю. ЮСНАІНІ***

Університет Шривіджая, м. Палембанг, Індонезія

Шахрайство та неетична поведінка як фактор, що впливає на ефективність місцевого самоврядування в Індонезії

Як свідчать результати дослідження, проведеного у 2016 році Асоціацією сертифікованих експертів з питань шахрайства (ACFE), серед усіх секторів сектор державного управління знаходиться на другому місці по кількості шахрайств. Згідно рейтингу «Глобальний барометр корупції» (2020) Індонезія займає третє місце за рівнем корупції серед країн Азії. Метою даного дослідження є визначення причин, що приводять до випадків шахрайства та неетичної поведінки в роботі органів місцевого самоврядування в Індонезії, а також оцінка впливу цих факторів на ефективність місцевого самоврядування. Об'єктом дослідження обрано 165 державних цивільних апаратів міста Палембанг, які є основною ланкою місцевого самоврядування в Індонезії. Для обробки та аналізу даних використано Smart PLS – програмне забезпечення з графічним інтерфейсом призначене для моделювання структурних рівнянь на основі дисперсії з використанням методу часткового моделювання шляху найменших квадратів. Результати дослідження доводять, що такі змінні як внутрішній контроль, відповідність компенсації та пільг для державних службовців, моральні норми та релігійні переконання впливають на шахрайство і неетичну поведінку як проміжну змінну, що визначає ефективність роботи органів місцевого самоврядування в Індонезії. Внутрішній контроль дозволяє підвищити відповідальність посадових осіб за вчинення протиправних дій, стимулює службовців діяти в межах посадових обов'язків. Також виявлено, що чим більшим буде розмір компенсації та пільг, тим меншим буде рівень шахрайства. Моральні норма мають менший вплив на поведінку службовців, порівняно з релігійними переконаннями, які є більш дієвим фактором в боротьбі з шахрайством та неетичною поведінкою, адже допомагають людям краще контролювати свої дії.

Ключові слова: шахрайство, внутрішній контроль, компенсації та пільги для державних службовців, моральні норми, релігійні переконання, неетична поведінка.

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* Ріфдаянти Аміраг Андіка (RIFDAYANTI Amirah Andika), магістрант факультету економіки, Університет Шривіджая, м. Палембанг, Індонезія.

** Вахийді Тертіарто (WANUYUDI Tertiarito), викладач факультету економіки Університету Шривіджая (м. Палембанг, Індонезія), доктор економічних наук. ORCID 0000-0003-4056-5105

*** Юснаїні Юснаїні (YUSNAINI Yusnaini), викладач, доктор з економіки, Університет Шривіджая, м. Палембанг, Індонезія.

A.A. RIFDAYANTI

Sriwijaya University, Palembang, Indonesia

T. WAHYUDI

Sriwijaya University, Palembang, Indonesia

Yu. YUSNAINI

Sriwijaya University, Palembang, Indonesia

Determinant of Fraud and Unethical Behavior as Intervening Variable on Local Government in Indonesia

Among all sectors, the government sector is in second place by the number of frauds. According to the Global Corruption Barometer (2020), Indonesia ranks third in terms of corruption among Asian countries. The purpose of this study is to determine the factors influencing fraud with unethical behavior as intervening variable on local government in Indonesia. Palembang City was included in 14 cities that contributed State Civil Apparatus involved fraud case in Indonesia. Therefore the sample in this study was 165 State Civil Apparatus with a minimum position as financial management staff from 33 Palembang City Government Offices. Data for the study were collected by online questionnaire. For data processing and analysis the author used Smart PLS – software with graphical user interface for variance-based structural equation modeling using the partial least squares path modeling method. The study results show that internal control, compensation suitability, moral reasoning and religiosity had an effect on fraud with unethical behavior as an intervening variable. Internal control is very important to provide protection for agencies against human weakness and to minimize the possibility of errors and actions that are not in accordance with the rules. Proportional compensation can lead to satisfaction with the commission received. Thus, it reduces unethical behavior. An individual's moral reasoning is one of the factors leading to ethical and unethical behavior. Individuals who have a better moral understanding will obey all applicable rules and policies so as to avoid unethical behavior. The level of a person's religiosity can determine a person's behavior because individuals who have a high level of religiosity will obey the values or rules that have been established by their religion. Individuals who have better religious values will find it easier to avoid and overcome fraud.

Keywords: *fraud, internal control, appropriateness of compensation, moral reasoning, religiosity, unethical behavior.*

1. Background

In 2016, Association of Certified Fraud Examiners (ACFE) conducted a research to find out sectors that commit the most fraud. From the survey results summarized, it turned out that the government sector is in second place. In 2020, Survey results The Global Corruption Barometer Asia, Indonesia is a country for corruption cases the third in Asia (Transparency.org, 2020). It was recorded that in 2019, Indonesia's score in the Corruption Perception Index (CPI) was 40 (Riset.ti.or.id, 2019). According to the report Corruption Eradication Commission RI (KPK), South Sumatra including the 10 corruption province (News.detik.com, 2020). South Sumatra is the only region that obtains an Unqualified opinion (WTP) from the Audit Agency RI Finance that is Palembang city. Not only once, Palembang City has received it ten times. Based on Financial Supervisory Agency (BPK), Palembang is one of the best in terms of financial accountability (Sumselupdate.com, 2019) but according to the inspection by the Corruption Eradication Commission, Palembang City was included in 14 cities that contributed ASN (state civil apparatus) involved in fraud cases,

including Yogyakarta, Surabaya, Bandung, Makassar, Jakarta, Medan, Palembang, Banjarmasin, Jayapura, Denpasar, Manado, Pekanbaru, Banda Aceh and Manokwari (Palembang.tribunnews.com, 2018).

Case that occurred was the corruption case of funds amounting to 1.4 billion in the elevator procurement project at the Palembang City Regional Financial and Asset Management Agency. Based on the investigation, the losses incurred by the state is about to IDR 310,000,000 (News.detik.com, 2019). Based on the results of research by Yusnaini et al (2017), it shows that government internal auditors do not have different perceptions in detecting three types of *fraud* (fraudulent financial reporting, misappropriation of asset and corruption). The corruption occurred in the project of construction of the boundary gate between Ogan Ilir Regency and Palembang City by the Public Works Service of Ciptra Karya and Palembang City Housing. Based on the investigation, the losses incurred by the state was about IDR 505,923,660 (Palpos.id, 2019). The markup for the procurement of plastic bags by the Sanitation Office of the City of Palembang resulted in a loss of Rp 211,504,636 money laundering of Hotel tax

case at the Palembang City Regional Revenue Service (Dispenda) was by falsifying the signature of the tax collector. Money received was not deposited into the state treasury, but for personal gain, such as the purchase of apartments and luxury cars. The state suffered a loss of IDR. 2,136,058,828 (Sumselupdate.com, 2017).

In 1953, a sociologist and criminologist from the USA, Cressey described the reasons for fraud in the fraud triangle theory. Based on Cressey, there are three conditions that lead to fraud, such as 1) pressure to commit fraud, 2) opportunity to commit fraud, and 3) justification of fraud or rationalization. Pressure is an impulse that makes an individual commit fraud. The cause of pressure is due to dissatisfaction with the amount of compensation compared to an individual's contribution or position in a company or government agency. This shows the importance of adjusting the nominal compensation with the portion of employee work that greatly affects employee performance. The right compensation is able to reduce the occurrence of fraud because employees have received decent welfare. They also feel that the company or agency has paid attention and appreciated the performance they have provided (Febrianti and Dhini, 2019).

Priantara (2013) revealed that opportunity to conduct fraud is due to poor organizational management, less strict supervision, abuse of authority by the users and also weak control over the company's internal financial system. Internal control can be in the form of monitoring, checking and evaluating the operational governance of a company or agency, the compliance with the rules and methods of the company or agency in conducting financial reporting. Strengthening internal control in each government agency will make the opportunities for perpetrators to commit fraud smaller (Shintadevi, 2015). Even if it is stronger, it is not impossible that the opportunity to commit fraud will be closed (Artini et al, 2014).

When someone commits an act of fraud, that person will seek justification or rationalization of the fraud (Priantara, 2013). There is a need for rationalization in order to be able to make fraud perpetrators undo their detrimental actions because there is trust given and their desire to defend it (Tuannakotta, 2007). Every action taken by an individual has a process of interaction between the actions to be taken and the moral understanding they have. Where will play an important role in the actions to be taken right or wrong (Bandura, 1991).

The individual that has good moral understanding will see ethics and norms in carrying out every activity (Xu and Ziegenfuss, 2008). Haron et al, (2011) proved that an individual's moral reasoning can be one of the factors that can lead to unethical or ethical behavior, in which the moral reasoning adopted can affect the individual to comply with all applicable rules, policies and can also commit violations over the rules that have been set. High moral reasoning can reduce the possibility of fraud because it encourages the individual to be critical in making decisions (Mathenge, 2014). If it is related to the function of auditors, the research results of Yusnaini et al (2020) show that perception of responsibility for

detecting corruption is higher for auditors with a high level of moral development than a low moral development level.

An aspect that can make individual's behavior to be more controlled is religious nature within. The more religious the individual can be better able to make their behavior more controlled and avoid doing things that deviate from religious norms and values (Grasmick et al, 1991). Individuals who have good religiosity will make the individual feel that all his actions are monitored by God. They believe that God is All-Knowing every person's heart, speech, and behavior movements (Sulistyo, 2014). According to Urumsah et al, (2016) someone who has good faith will tend to stay away from fraudulent acts. By prioritizing faith, one's behavior can be controlled into ethical behavior (Yilmaz and Bahçekapili, 2015). The application of religiosity in the work environment can increase the effectiveness of decision making in the company, and can minimize the occurrence of fraud (Koerber and Neck, 2010).

The researches regarding fraud have widely conducted for example Ahriti et al, (2015), Animan et al, (2018), Tiro (2014), Mustika et al, (2016), Rahmi and Asni (2017), Febriani and Dhini (2019), Haron et al, (2011), (Mathenge, 2014) and (Said, 2018). This research aimed to prove what factors affected fraud with unethical behavior as an intervening variable. This research is different from previous research by presenting the religiosity variable, the unethical behavior variable as an intervening variable and the analysis method used is SmartPLS version 2.0.M3.

2. Literature Review and Hypothesis

2.1 Internal Control and Unethical Behavior

Unethical behavior is deviations carried out by certain individuals to take advantage of their power for personal gain by taking advantage of the Opportunity. With the existence of internal control, every activity is subject to supervision, examination and evaluation of the operational governance of a company or agency, its compliance with the rules and methods of the company or agency in conducting financial reporting. Internal control can reduce opportunities to abuse power (Kusumastuti and Wahyu, 2012).

H₁: Internal Control has effects toward unethical behavior

2.2. Internal Control and Fraud

Opportunity emerges when employees recognize opportunities to commit fraud without being detected. In which, this opportunity comes from several sources, including poor internal inspection, inadequate training, and poor supervision, thus, there are individuals who are not responsible and have the power to commit fraud by taking advantage of existing opportunities (Said et al, 2018). Weak internal control will offer an opportunity for actors to take advantage of this opportunity by manipulating the system without being detected (Dellaportas, 2013). However, if the system is strong, there is an opportunity for cheating that can be suppressed (Eliza, 2015).

H₂: Internal Control has effects toward fraud

2.3 Compensation Suitability and Unethical Behavior

An individual conducts unethical behavior is caused by pressure in which the compensation received was not appropriate, thus, they try to increase their profit. An individual tends to behave deviantly in order to benefit themselves. It is usually experienced by individuals who feel dissatisfied or disappointed with the salary or compensation from the company (Shintadevi, 2015). Therefore, the company should be able to guarantee proportional compensation to employees (Gibson et al, 1997). A proportional amount of compensation can suppress unethical actions by individuals within the company (Kusumastuti and Wahyu, 2012).

H₃: Compensation Suitability has effects toward Unethical Behavior

2.4 Compensation Suitability and Fraud

Most researcher agree that pressure can be a motivation for someone to commit fraud, either in financial, personal or work pressures (Said et al, 2018). This is because of dissatisfaction with the nominal compensation given by the agencies. If the compensation given to employees is in accordance with the portion of the job and position, it can provide motivation and satisfaction to employees in fulfilling their responsibilities. Furthermore, it is able to encourage them to give their best performance to the agency. Appropriate compensation is also able to reduce fraud because employees have received decent welfare. They also feel that the company or agency has paid attention to and appreciated the performance they have provided (Febrianti and Dhini, 2019).

H₄: Compensation Suitability has effects toward Fraud

2.5 Moral Reasoning and Unethical Behavior

Moral reasoning of an individual can become a factor that can lead to unethical or ethical behavior, in which the moral reasoning adopted can affect the individual to comply with all applicable rules, policies and may also violate predetermined rules (Haron et al, 2011). Qualified moral reasoning will make individuals make careful judgments in making decisions with consideration of the norms and ethics that are upheld in their environment (Xu and Ziegenfuss, 2008). For individuals who do not have a good moral understanding, the desire to engage in unethical behavior is even greater. In every action taken by an individual, there is a process of interaction between the actions to be taken and the moral understanding they have. Where will play an important role in the actions to be taken right or wrong (Bandura, 1991)

H₅: Moral Reasoning has effects toward Unethical Behavior

2.6 Moral Reasoning and Fraud

Rationalization is necessary. Thus, perpetrators of fraud can anticipate illegal behavior because they want to maintain their identity as trusted people (Tuannakotta, 2007). Kohlberg (1995) argued that moral reasoning is a form of thought and also the interpretation of whether or not a decision is right and whether or not an action is to be praised. Yet, it does not mean that moral reasoning will provide answers to "what is good or bad?" but to

obtain an understanding of the answers why and how to produce a good or bad decision (Sarwono, 2010). Employees who have a bad understanding of morals at work will think that the fraud committed is considered rational or reasonable because the wages earned do not match what they do (Animah et al, 2018). On the other hand, individuals who have high moral reasoning can reduce the possibility of fraud because they encourage these individuals to be critical in making decisions (Mathenge, 2014).

H₆: Moral Reasoning has effects toward Fraud

2.7 Religiosity and Unethical Behavior

Rationalization leads to character, attitude, or set of ethics that provide justification for individuals to behave unethically. A dominant thing that causes unethical behavior comes from a strong impulse from within the perpetrator. Religious values as an element that can prevent someone from doing these actions. Religious value comes from the inner religious nature. The more religious the individual, he/she can be better to make their behavior more controlled and avoid doing actions that deviate from religious norms (Grasmick et al, 1991). The scopes of religiosity are belief, practice, appreciation, and also knowledge of religious values. Individuals who have all of the above attitudes towards the religion, they will not take actions that are prohibited by God. Individuals who have good religiosity will make the individual feel that all his actions are monitored by God. They believe that God is All-Knowing every person's heart, speech, and behavior movements (Sulistyo, 2014). By prioritizing faith, individual's behavior can be controlled into ethical behavior (Yilmaz and Bahçekapili, 2015).

H₇: Religiosity has effects toward unethical behavior

2.8 Religiosity and Fraud

Rationalization is highly needed to make Individual who conducts fraud can anticipate toward behavior violates the provisions. Because there is an identity that they want to maintain, such as the identity as the most trusted (Tuannakotta, 2007). One of the dominant things that causes fraud is a strong impulse from within the perpetrator. The higher the individual's ability to control himself, the less likely the individual is to commit fraud (Urumsah et al, 2016). Religious values or often called religiosity can control a person's behavior or actions in making a decision even though the environment supports committing fraud (Said, 2018). The more religious, the individual can make their behavior more controlled and avoid doing actions that deviate from religious norms (Grasmick et al, 1991). Individuals who have good religiosity will make the individual feel that all their actions are monitored by God. They believe that God is All-Knowing every person's heart, speech, and behavior movements (Sulistyo, 2014). People who have good religious values in the work environment are expected to be able to control themselves to avoid fraud (Koerber and Christopher, 2010).

H₈: Religiosity has effects toward fraud

2.9 Unethical Behavior and Fraud

Fraud refers to the deliberate action of eliminating or adding to a certain amount in order to gain profit by manipulating financial statements. Meanwhile, unethical

behavior is an act of deviance from an individual who misuses his position and resources for personal gain. The combination of these two things lead to corruption cases in Indonesia (Fauwzi, 2011). Unethical things can lead to fraud. The higher the unethical behavior, the more the desire to commit fraud in financial statements (Mustika et al, 2016).

H₉: Unethical Behavior has effects toward fraud

2.10 Internal Control and Fraud with Unethical Behavior as Intervening Variable

Unethical behavior is deviations by certain individuals to take advantage of their power for personal gain by taking advantage of Opportunity. Opportunity comes from several sources, including poor internal checks, inadequate training, and poor supervision so that irresponsible and authorized individuals are able to commit fraud by taking advantage of existing opportunities (Said et al, 2018). With the existence of internal control, every activity is subject to supervision, examination and evaluation of the operational governance of a company or agency, its compliance with the rules and methods of the company or agency in conducting financial reporting. Internal control can reduce the opportunity to abuse power (Kusumastuti and Wahyu, 2012). Weak internal control will offer an opportunity for actors to take advantage of this opportunity by manipulating the system without being detected (Dellaportas, 2013).

H₁₀: Internal Control has effects toward Fraud with Unethical Behavior as Intervening Variable

2.11 Compensation Suitability and Fraud with Unethical Behavior as Intervening Variable

Most researchers agree that pressure can be a motivation for someone to commit fraud, either in financial, personal or work pressures (Said et al, 2018). One of the biggest effects is financial pressure or life demands. An individual tends to behave deviant in order to benefit himself. It is usually experienced by individuals who are dissatisfied or disappointed with the salary or compensation from the company compared to the work they have completed (Shintadevi, 2015). Appropriate compensation is also able to reduce fraud because employees have received decent welfare. They also feel that the company or agency has paid attention and appreciated the performance they have provided (Febrianti and Dhini, 2019).

H₁₁: Compensation Suitability has effects toward Fraud with Unethical Behavior as Intervening Variable

2.12 Moral Reasoning and Fraud with Unethical Behavior as Intervening Variable

Rationalization is highly needed. Thus, perpetrators of fraud can anticipate illegal behavior because they want to maintain their identity as trusted people (Tuannakotta, 2007). An individual's moral reasoning can be one of the factors that can lead to unethical or ethical behavior, where the moral reasoning adopted can affect the individual to comply with all applicable rules, policies and can also violate the established rules (Haron et al, 2011).

Fraud tends to be carried out by people who do not use moral considerations. On the other hand, good moral considerations will prevent someone from taking moral actions that are clearly unethical and cause harm to others, including fraud (Yulianti, 2016). High moral reasoning can reduce the possibility of fraud because it encourages the individual to be critical in making decisions (Mathenge, 2014). Every action taken by an individual occurs there is a process of interaction between the actions to be taken and the moral understanding they have.

H₁₂: Moral Reasoning has effects toward Fraud with Unethical Behavior as Intervening Variable

2.13 Religiosity and Fraud with Unethical Behavior as Intervening Variable

Rationalization is attitudes, a series of moral values, or character aspects that allow individuals to commit fraud (Adelin and Eka, 2013). Religious values as an element that can prevent someone from doing these actions. Religious value comes from the inner religious nature. The more religious the individual can be better able to make their behavior more controlled and avoid doing actions that deviate from religious norms (Grasmick et al, 1991).

Individuals who have good religiosity will make the individual feel that all his actions are monitored by God. They believe that God is All-Knowing every person's heart, speech, and behavior movements (Sulistyo, 2014). By promoting faith, it can control behavior into ethical behavior (Yilmaz and Bahçekapili, 2015). According to Urumsah et al (2016), acts of fraud will be prohibited for religious people. The application of religiosity in the work environment can increase the effectiveness of decision making in the company, and can minimize the occurrence of fraud (Koerber and Christopher, 2010).

H₁₃: Religiosity has effects toward Fraud with Unethical Behavior as Intervening Variable

3. Research Method

Population in this research was Government of Palembang city and the samples were the State Civil Apparatus who had position in the Financial Management Subdivision. This research used purposive sampling technique, as follow:

1. State Civil Apparatus with a minimum position as financial management staff
2. Have worked for the Government Service for more than three years
3. Minimum education in Bachelor of Economics

This research used questionnaire with a Likert scale of 1-5, distributed via google form to the respective Palembang City Government Offices. In this research, data analysis used path analysis with the Structural Equation Model (SEM). The test tool used was SmartPSL version 2.0.M3, while testing the intervening variables used the Sobel test. The data analysis used to test the hypothesis of this research was to use path analysis with the following structural equation models:

$$Y_1 = \rho X_1 Y_1 X_1 + \rho X_2 Y_1 X_2 + \rho X_3 Y_1 X_3 + \rho X_4 Y_1 X_4 + \rho \epsilon_1 Y_1$$

$$Y_2 = \rho X_1 Y_2 X_1 + \rho X_2 Y_2 X_2 + \rho X_3 Y_2 X_3 + \rho X_4 Y_2 X_4 + \rho Y_1 Y_2 Y_1 + \rho \epsilon_2 Y_2$$

4. Result and Discussion

Based on observation conducted, the total population was 2717 employees. The population according to the purposive sampling was 231 employees spread across 33 Palembang City Government Offices. The final results of returned questionnaires were 165 questionnaires.

4.1 Outer Model

In this model, it is conducted reliability test and it was found several indicators of each variable that can't be used because it is known that the outer loading has a Cronbach's Alpha value of less than 0.7. Therefore, the Cronbach's Alpha value indicator is less than 0.7 removed to get a suitable and reliable measurement model. A recalculation was carried out without entering the invalid indicators. The results of the recalculation are presented in Figure 1.

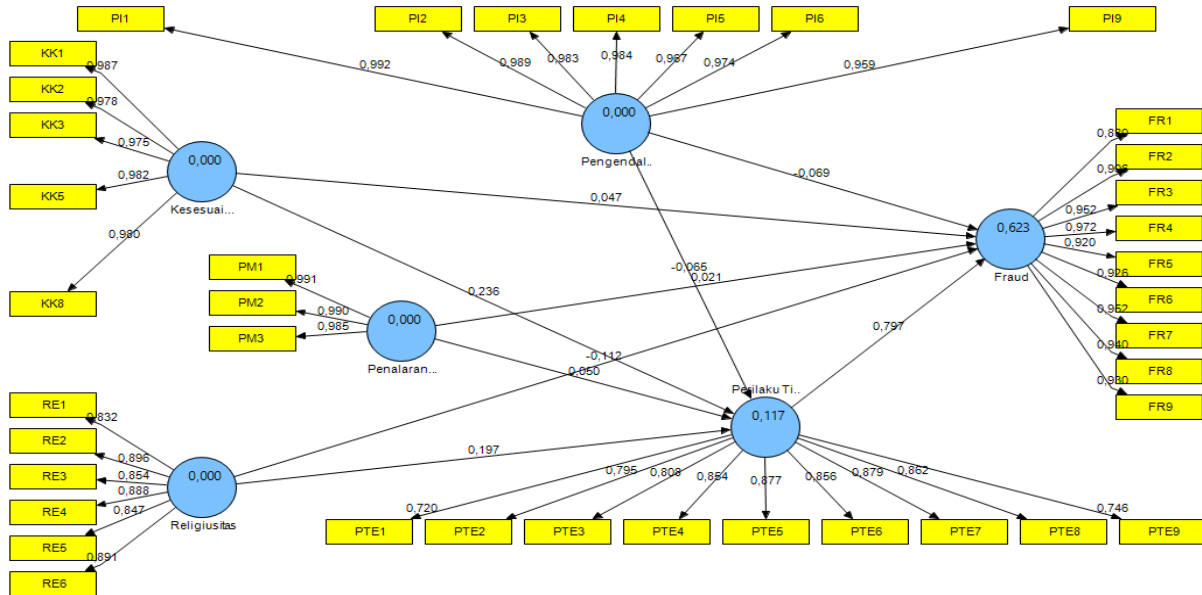


Figure 1. Outer loading after deletion

While the Cronbach's Alpha value of each variable was Internal Control, Compensation Suitability, Moral Reasoning, Religiosity, and Unethical Behavior towards Fraud on the outer loading value meets the standard and is reliable with a value of more than 0.7. The description is in Table 1.

Table 1

Table Cronbach's Alpha for each variable

Variable	Cronbach Alpha
Internal Control	0,992659
Compensation Suitability	0,989861
Moral Reasoning	0,988649
Religiosity	0,935401
Unethical Behavior	0,940123
Fraud	0,980734

The Composite Reliability value is found to have a value of more than 0.7 as shown in table 2.

Table 2

Table of Composite Reliability Value

Variable	Composite Reliability
Internal Control	0,993640
Compensation Suitability	0,991954
Moral Reasoning	0,992480
Religiosity	0,948423
Unethical Behavior	0,949771
Fraud	0,983234

Validity test in this model was carried out to determine the level of convergent validity. To find out the convergent validity value, it can be based on the Average Variance Extracted value. In which the AVE value is known to have met the standard, that is more than 0.5 as shown in table 3.

Table 3

Table of AVE Value

Variable	AVE
Internal Control	0,957122
Compensation Suitability	0,961026
Moral Reasoning	0,977773
Religiosity	0,754132
Unethical Behavior	0,678499
<i>Fraud</i>	0,867041

4.2 Inner Model

Inner model test was conducted using R_2 test. In which, the R_2 value shows the level of determination of the variable. In this research, the R_2 value of the Unethical Behavior variable was 0.117 or 11.7%, while the remaining 88.3% was explained by other variables outside of this study. The R_2 value of the fraud variable was 0.623 or 62.3%, while the remaining 37.7% was explained by other variables outside of this study as shown in table 4.

Table 4

Table of R Square

Variable	R Square
Unethical Behavior	0,117
<i>Fraud</i>	0,623

4.3 Hypothesis Test

Examination of the effect of relation between Internal Control, Compensation Sustainability, Moral Reasoning, Religiosity to Unethical Behavior and Fraud. This test was conducted using the bootstrapping method through the Smart PLS application version 2.0.M3 with a significance level of 0.05 or 5%. In Smart PLS, this effect test is measured by calculating the path coefficients value for each path as shown in table 5.

Table 5

Coefficient Path

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Internal Control -> Unethical Behavior	-0,064858	-0,064968	0,011706	0,011706	5,540799
Internal Control -> Fraud	-0,069330	-0,069616	0,006016	0,006016	11,524654
Compensation Suitability -> Unethical Behavior	0,235996	0,235949	0,013195	0,013195	17,884802
Compensation Suitability -> Fraud	0,047499	0,048188	0,006369	0,006369	7,457797
Moral Reasoning -> Unethical Behavior	0,050063	0,050469	0,010923	0,010923	4,583436
Moral Reasoning -> Fraud	0,021172	0,020991	0,006837	0,006837	3,096632
Religiosity -> Unethical Behavior	0,197354	0,196737	0,012044	0,012044	16,386132
Religiosity -> Fraud	-0,112075	-0,112168	0,005754	0,005754	19,478353
Unethical Behavior-> Fraud	0,796604	0,796264	0,005526	0,005526	144,167160

a. The Effect of Internal Control toward Unethical Behavior

Test result of hypothesis 1 showed that Internal Control had a significant effect toward Unethical Behavior with the original sample value of -0.064858 or it had an effect value of 6.49% and is significant with a Tstatistics value > 1.96, of 5.540799.

b. The Effect of Internal Control toward Fraud

Test result of hypothesis 2 showed that Internal Control had a significant effect toward Fraud with the original sample value of -0.069330 or had an effect value of 69.33% and it was significant with a Tstatistics value > 1.96 of 11.524654.

c. The Effect of Compensation Suitability toward Unethical Behavior

Test result of hypothesis 3 showed that compensation suitability had a significant effect toward unethical behavior with The original sample value is 0.235996 or has an effect value of 23.59% and it was significant with a Tstatistics value > 1.96 of 17.884802.

d. The Effect of Compensation Suitability toward Fraud

Test result of hypothesis 4 showed that compensation suitability had a significant effect toward fraud with the original sample value of 0.047499 or had an effect value of 49% and significant with a Tstatistics value > 1.96 of 7.457797.

e. The Effect of Moral Reasoning toward Unethical Behavior

Test result of hypothesis 5 showed that moral reasoning had significant effect toward unethical behavior with the original sample value of 0.050063 or

had an effect value of 50.06% and significant with a Tstatistics value > 1.96 of 4.583436.

f. The Effect of Moral Reasoning toward Fraud

Test result of hypothesis 6 showed that moral reasoning had significant effect toward Fraud with the original sample value of 0.021172 or had an effect value of 21.17% and significant with a Tstatistics value > 1.96, of 3.096632.

g. The Effect of Religiosity toward Unethical Behavior

Test result of hypothesis 7 showed that religiosity had significant effect toward unethical behavior with the original sample value of 0.197354 or had an effect value of 19.73% and it was significant with a Tstatistics value > 1.96, of 16.386132.

h. The Effect of Religiosity toward Fraud

Test result of hypothesis 8 showed that religiosity had significant effect toward fraud with the original sample value of -0.112075 or had an effect value of 11.20% and significant with a Tstatistics value > 1.96 of 19.478353.

i. The Effect of Unethical Behavior toward Fraud

Test result of hypothesis 9 showed that unethical behavior had significant effect toward fraud with the original sample value of 0.796604 or had an effect value of 79.66% and significant with a Tstatistics value > 1.96, that was is equal to 144.167160.

j. The Effect of Internal Control toward Fraud with Unethical Behavior as Intervening Variable

The effect of Internal Control toward Fraud through Unethical Behavior is evidenced by the Sobel Test will be presented in Figure 2, as follows:

To conduct the Sobel test

Details can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995). Insert the *a*, *b*, *s_a*, and *s_b* into the cells below and this program will calculate the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

Input:	Test statistic:	Std. Error:	p-value:
<i>a</i> -0.064	Sobel test: -5.46618845	0.00932686	5e-8
<i>b</i> 0.7966	Aroian test: -5.46605835	0.00932709	5e-8
<i>s_a</i> 0.0117	Goodman test: -5.46631855	0.00932664	5e-8
<i>s_b</i> 0.0055	Reset all	Calculate	

Figure 2. Intervening test of The Effect of Internal Control toward Fraud through Unethical Behavior as Intervening Variable

From figure 2, it can be explained that loading factor standardized regression weights Internal Control (-0.064), Unethical Behavior (0.7966) and standard error of (0.0117) and (0.0055) respectively. While, the probability value of 0.0000 was smaller than 0.05, thus, $p(0.0000) < \alpha(0.05)$. Internal Control had an effect on fraud with unethical behavior as an intervening variable.

k. The Effect of Compensation Suitability toward Fraud with Unethical Behavior as Intervening Variable

The effect of compensation suitability toward fraud through Unethical Behavior is evidenced by the Sobel Test will be presented in Figure 3, as follows:

To conduct the Sobel test

Details can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995). Insert the a , b , s_a , and s_b into the cells below and this program will calculate the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

Input:		Test statistic:	Std. Error:	p -value:
a	0.2359	Sobel test:	17.87004418	0.01051581
b	0.7966	Aroian test:	17.86962475	0.01051605
s_a	0.0131	Goodman test:	17.87046365	0.01051556
s_b	0.0055	Reset all	Calculate	

Figure 3. Intervening Test of Compensation Suitability toward Fraud through Unethical Behavior

From figure 3, it can be explained that loading factor standardized regression weights Compensation Suitability (0.2359), Unethical Behavior (0.7966) and standard error were (0.0131) and (0.0055) respectively. While the probability value of 0.0000 was smaller than 0.05 so that p (0.0000) $<$ α (0.05). Compensation suitability had an effect on fraud with unethical behavior as an intervening variable.

l. The Effect of Moral Reasoning toward Fraud with Unethical Behavior as Intervening Variable

The effect of Moral Reasoning toward Fraud through Unethical Behavior was proved with sobel Test that will be presented in Figure 4.4 as follows:

To conduct the Sobel test

Details can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995). Insert the a , b , s_a , and s_b into the cells below and this program will calculate the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

Input:		Test statistic:	Std. Error:	p -value:
a	0.0500	Sobel test:	4.58485707	0.00868729
b	0.7966	Aroian test:	4.5847479	0.0086875
s_a	0.0109	Goodman test:	4.58496624	0.00868709
s_b	0.0055	Reset all	Calculate	

Figure 4. Intervening Test of the Effect of Moral Reasoning toward Fraud with Unethical Behavior as Intervening Variable

From figure 4, it can be explained that loading factor standardized regression weights Moral Reasoning (0.0500), Unethical Behavior (0.7966) and standard error were (0.0109) and (0.0055) respectively. While, the probability value was 0.00000454 smaller than 0.05 so that p (0.00000454) $<$ α (0.05). Moral Reasoning had an effect on Fraud with Unethical Behavior as an intervening variable.

m. The Effect of Religiosity toward Fraud with Unethical Behavior as Intervening Variable

The effect of religiosity toward Fraud through Unethical Behavior was proved with sobel Test that will be presented in Figure 5 as follows:

To conduct the Sobel test

Details can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995). Insert the a , b , s_a , and s_b into the cells below and this program will calculate the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

Input:		Test statistic:	Std. Error:	p -value:
a	0.1973	Sobel test:	16.33674155	0.0096206
b	0.7966	Aroian test:	16.33635713	0.00962082
s_a	0.0120	Goodman test:	16.33712599	0.00962037
s_b	0.0055	Reset all	Calculate	

Figure 5. Intervening Test of the effect of religiosity toward Fraud with Unethical Behavior as Intervening Variable

From figure 5, it can be explained that loading factor standardized regression weights Religiosity (0.1973), Unethical Behavior (0.7966) and standard error were (0.0120) and (0.0055) respectively. While the probability value of 0.0000 was smaller than 0.05, thus, ρ (0.0000) $< \alpha$ (0.05). Religiosity had an effect on fraud with unethical behavior as an intervening variable.

5. Conclusions

Internal control has effect toward unethical behavior with a percentage of 6.49%. Internal control is very important to provide protection for agencies against human weakness and to minimize the possibility of errors and actions that are not in accordance with the rules. These results are in line with research conducted by Fauzya (2017). It shows that strengthening internal control and supervision has a significant effect on unethical behavior. Internal control has effect toward fraud with a percentage of 6.93%. Internal control in a government agency will reduce the occurrence of fraud. These results are in line with research conducted by Febriani and Dhini (2019), Fernandhytia and Muslichah (2020). It shows that internal control has an effect toward fraud.

Compensation suitability has an effect toward unethical behavior with a percentage of 23.60%. Proportional compensation can lead to satisfaction with the commission received. Thus, it reduces unethical behavior. These results are in line with research conducted by Fauzya (2017). It shows that proportional compensation has a significant effect toward unethical behavior. Compensation sustainability has effect toward fraud with a percentage of 4.75. The higher the suitability of compensation, the less fraud will be. This result is in line with research conducted by Febriani and Dhini (2019). It shows that the suitability of compensation has an effect on fraud.

Moral reasoning has an effect toward unethical behavior with a percentage of 5%. An individual's moral reasoning is one of the factors leading to ethical and unethical behavior. Individuals who have a better moral understanding will obey all applicable rules and policies so as to avoid unethical behavior. This result is not in line with research conducted by Yulianti (2016). It shows that individual morality has no effect on unethical behavior. Moral reasoning has an effect toward fraud with a percentage of 2.12%. Individuals who have high moral reasoning will increasingly try to avoid fraud. On the other hand, individuals who have low moral reasoning tend to do things that benefit themselves and avoid things that can lead to legal sanctions. High moral reasoning can reduce the possibility of fraud because it encourages the individual to be critical in making decisions (Mathenge, 2014).

Religiosity has an effect toward unethical behavior with a percentage of 19.74%. The level of a person's religiosity can determine a person's behavior because individuals who have a high level of religiosity will obey the values or rules that have been established by their religion. The more religious the individual can be better able to make their behavior more controlled and avoid doing actions that deviate from religious norms (Grasmick et al, 1991). By prioritizing faith, individual's behavior can be controlled into

ethical behavior (Yilmaz and Bahçekapili, 2015). Religiosity has effect toward fraud with a percentage of 11.21%. Individuals who have better religious values will find it easier to avoid and overcome fraud. Religiosity can control the behavior and actions of an individual in making a decision even though the environment supports committing fraud (Said, 2018). Unethical behavior has an effect on fraud with a percentage of 79.66%. This indicates that the higher an employee or individual commits an unethical action or behavior, the higher the tendency to commit fraud. Employees who commit unethical behavior will increase the opportunity to commit financial fraud (Dewi et al, 2017).

Internal control has effect toward fraud with unethical behavior as an intervening variable. The system of internal control and supervision that is getting stronger within an agency will not provide an opportunity for unscrupulous persons to behave unethically by committing fraud. Weak internal control will offer an opportunity for actors to take advantage of this opportunity by manipulating the system without being detected (Dellaportas, 2013). Compensation suitability has an effect toward fraud with unethical behavior as an intervening variable. An individual who obtains compensation in accordance with what they do will create a sense of satisfaction and provide motivation that can encourage ethical behavior so as to avoid committing fraud. A person tends to behave deviantly in order to benefit himself. It is usually experienced by individuals who are dissatisfied or disappointed with the salary or compensation from the company compared to the work they have completed (Shintadevi, 2015).

Moral reasoning has effect toward fraud with unethical behavior as an intervening variable. An individual who has good moral reasoning will increase self-awareness to behave ethically, thus, they will avoid committing fraud. An individual's moral reasoning can be one of the factors that can lead to unethical or ethical behavior, in which the moral reasoning adopted can influence the individual to comply with all applicable rules, policies and can also violate the established rules (Haron et al., 2011). Religiosity has an effect on fraud with unethical behavior as an intervening variable. An individual who has good religiosity will put forward their faith that can control themselves to behave ethically so that they will avoid fraud in the institution because they believe that every single heart movement, speech and behavior of a person is known by God. By promoting faith, it can control behavior into ethical behavior (Yilmaz and Bahçekapili, 2015). The application of religiosity in the work environment can increase the effectiveness of decision making in the company, and can minimize the occurrence of fraud (Koerber and Christoper, 2010).

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RESEARCH QUESTIONNAIRE

To fill out this list of questions, Mr/ Mrs respondents simply give a mark (X) on the choice of available answers that according to Mr / Mrs most appropriate or best suited to the condition of Mr / Mrs respondents. Each question requires only one answer.

Choice of answers:

STS = Very Disagree

TS = Disagree

N = Neutral

Q = Agree

SS = Strongly Agree

Respondent's Identity

Respondent Name : (*may be unfilled)

Age of Respondents : Years

Gender : (.....) Male (.....) Female

Agency Name :

Part 1: Internal Control

No	Statement	STS	TS	N	S	SS
1.	All employees have complied with the applicable regulations.					
2.	Every employee has a fairly good competence in each field					
3.	Leaders and officers have carried out their responsibilities in accordance with government regulations					
4.	The policy on internal control is already well underway.					
5.	The existing internal control system already considers the risks coming from inside and outside.					
6.	If there are employees who make mistakes and trigger the risk of sanctions.					
7.	The internal control system can control, emphasize and reduce the occurrence of risks.					
8.	Separation of functions for each task has been performed.					
9.	Physical examination and control over the agency's wealth (cash, receivables, etc.) is carried out at all times.					
10.	The leadership always evaluates the tasks performed by employees.					
11.	Supervision and evaluation of operational activities in all agencies is carried out continuously.					

Part 2: Compensation Conformity

No	Statement	STS	TS	N	S	SS
1.	Salaries and incentives received by employees have met the needs					
2.	Salaries and incentives received by employees are in accordance with what has been done					
3.	The salary payments made are never too late.					
4.	Provide incentives to employees who have high discipline and achievement.					
5.	Out-of-hours pay (holidays, annual leave, and maternity leave) is sufficient.					
6.	Performance allowances obtained by employees are in accordance with what has been done.					
7.	Provide Holiday Allowance (THR), performance allowance, transportation, family allowance, health allowance and safety allowance in accordance with the provisions.					
8.	Provide labor social insurance for employees and families of employees.					

Part 3: Moral Reasoning

No.	Statement	STS	TS	N	S	SS
1.	Moral standards should be made based on each individual, because an immoral act can be considered immoral by another individual.					
2.	One must ensure that his actions are never intended to damage or harm others in the slightest					
3.	A person should never hurt another person both physically and psychologically					
4.	One must not take actions that could threaten the dignity and well-being of others					
5.	The correct assessment of whether or not an action is only a personal guideline for a person to behave, and is not used to judge others					

Part 4: Religiosity

No.	Statement	STS	TS	N	S	SS
1.	I believe that the Lord I believe in is always watching everything I do.					
2.	I have a belief that the religion I am a nut is the source of all laws					
3.	I always do worship.					
4.	I believe that the Lord I believe in always helps in every trial.					
5.	I often attend religious events.					
6.	If anyone around me is having a hard time, I always help him					

Part 5: Unethical Behavior

No.	Statement	STS	TS	N	S	SS
1.	Employees behaved inappropriately in order to get an award.					
2.	It is natural to use a service car for personal daily use.					
3.	It is natural to overuse your work phone for personal use.					
4.	It is natural to overuse the office internet network for personal gain.					
5.	It is only natural that undisciplined leaders come to the workplace.					
6.	The leadership only wants to cooperate with other institutions that can benefit him.					
7.	The chairman did not give his subordinates a chance to express their opinions.					
8.	Employees will remain silent if other employees take adverse actions within the agency.					
9.	Superiors do not directly reprimand employees who violate the rules.					

Part 6: Fraud

No.	Statement	STS	TS	N	S	SS
1.	Employees have falsified documents in making financial statements.					
2.	Employees have done the confiscation of transaction evidence by changing the nominal amount.					
3.	Employees perform the elimination or conceal the obligations of the agency					
4.	Employees deliberately change assumptions in recording and classification of financial transactions					
5.	Employees do not reassess assets or income in accordance with applicable regulations					
6.	Employees deliberately change assumptions in presenting financial statements.					
7.	Employees present financial statements that are engineered to cover up the embezzlement of assets.					
8.	In covering up the theft of assets, employees raise income in their financial statements.					
9.	Employees have delayed recording transactions within a period of financial statements.					
10.	Employees work together to raise the budget in financial statements without clear proof of transactions and supporting documents.					