



Can Good Corporate Governance Moderates the Influence of Internal Control and Integrity towards Fraud Prevention?

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General Background: The prevalence of fraud in financial institutions, notably within Islamic banking, poses significant challenges due to the unique regulatory and ethical frameworks these institutions operate under.

Specific Background: Despite Islamic banks employing distinct mechanisms, such as the three lines of defence for fraud prevention, incidents still occur, underscoring the necessity for effective internal controls and auditor integrity.

Knowledge Gap: Current literature predominantly examines conventional banks, leaving a gap in understanding the factors influencing fraud prevention in Islamic banks, particularly the role of Good Corporate Governance (GCG) as a moderating factor.

Aims: This study aims to empirically assess how internal controls and auditor integrity impact fraud prevention in Islamic banks and evaluate the moderating effect of GCG.

Results: The study finds that internal control significantly enhances fraud prevention, while auditor integrity, though positively related, does not significantly affect fraud prevention. Moreover, GCG does not significantly moderate the relationship between internal controls or auditor integrity and fraud prevention.

Novelty: This research contributes to agency theory by exploring the dynamics of agency relationships in Islamic banking and offers insights into the complex interplay between internal controls, auditor integrity, and governance structures.

Implications: The findings highlight the critical need for robust internal control mechanisms and emphasize the importance of auditor integrity in fraud prevention efforts. They also suggest that relying solely on GCG may not optimize fraud prevention, indicating a need for comprehensive strategies involving all organizational levels.

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INTRODUCTION

In 2020, Association of Certified Fraud Examiner (ACFE) recorded that 2.504 fraud case in 125 countries with total losses reaching USD 3.6 billion. United States and Canada ranked first with 895 (46%) cases. Asia-Pacific (Indonesia is included in it) ranked third with 198 cases, 10% of the total case. Judging from amount of losses, Asia-Pacific countries, Latin America and Caribia ([ACFE, 2020](#)).

At the end of 2021, there is no official figures about loss from fraud in Indonesia that ACFE released. But, the perceptual survey from ACFE for 239 respondents showed the recent result. The most common fraud is corruption, which answered 154 respondents (64,4%), misappropriation asset or nation's and firm's wealth from 69 respondents (28,9%), and financial statement fraud from 16 respondents (6,7%) ([ACFE Indonesia, 2019](#)). Survey from ACFE global disclosed that fraud occurred at bank and financial institutions were fraud with the highest loss of as much as \$100,000. Common fraud scheme in bank and financial institution is caused by corruption as much as 40% ([ACFE, 2020](#)). Likewise the fraud survey from Indonesia, the financial and banking industry is the industry most harmed by fraud.

[Muhsyaf et al., \(2021\)](#) believed that fraud in islamic bank is low because islamic bank has three lines of defense as the instrument to prevent from fraud. But, [Muhsyaf et al., \(2021\)](#) did not specify that three lines of defense. Meanwhile, Insitute of Internal Auditor (2020) detailed that the three lines of defense of fraud prevention is: (i) oversight of risk management and strategy setting; (ii) operational management and compliance functions; and (iii) internal audit.

It is imperative to scrutinize the anti-fraud measures within Islamic banks, given that conventional banks are required to implement such safeguards, not to mention the additional requirement of Sharia compliance for Islamic banks. Ideally, Islamic banks should possess superior anti-fraud mechanisms compared to their conventional counterparts. This proposition is particularly intriguing in light of the prevailing trend where previous research predominantly focuses on conventional banks.

Despite the occurrence of fraud cases in Indonesian Islamic banks, particularly the high-profile incidents at Bank Syariah Mandiri (BSM) and involving gold pawn cases at Bank Rakyat Indonesia (BRI) Syariah and Bank Mega Syariah, the existing literature lacks a thorough investigation into the underlying factors and systemic vulnerabilities contributing to such fraudulent activities. There is a pressing need for research that delves into these gaps to provide a more nuanced understanding of the dynamics surrounding fraud prevention

and risk management within the context of Islamic financial institutions in Indonesia ([Meliana & Hartono, 2019](#); [Najib & Rini, 2019](#)).

But, [Albrecht et al., \(2012\)](#) explained that the experts who handle fraud cases had warned that only a small portion of fraud cases were revealed. Therefore, fraud prevention is the most effective way to avoid and reduce losses due to fraud. Because, if fraud has occurred, the company requires greater costs and effort to investigate and solve the fraud.

There are many ways to prevent from fraud. These methods include whistleblowing ([Maulida & Bayunitri, 2021](#)); capable internal control system and accompanied by Good Corporate Governance (GCG) ([Kawugana & Faruna, 2018](#)). GCG itself also can affect fraud prevention. [Halbouni et al. research, \(2016\)](#); [Kurniawan & Izzaty, \(2019\)](#) explained that the application of good GCG principles such as transparency, accountable management, and a sense of responsibility, good fairness, can influence fraud prevention.

Another way to prevent fraud is by implementing internal controls. Good internal control will help fraud prevention. [Hajat & Prasetya, \(2021\)](#) disclosed that the better the internal control, the more influential it is to prevent from fraud. Studi [Haladu \(2018\)](#) strengthen the fact by mentioning that good or bad level of internal control will affect fraud prevention. Snyder et al (1989) in [Sow et al., \(2018\)](#) claimed that strong internal control makes perpetrators of fraud in small and medium business industry will have a hard time doing it and increase the likelihood of the offender being detected and caught.

Fraud prevention also be done by combining apparatus improvement as well as supervision and control. Honest culture, ethics, and recognition of long term oriented behavior is very important in effective fraud prevention. According to [Irawanto \(2018\)](#); [Ugwu & Ochuba \(2021\)](#) who did their studies in banking, found that integrity and individual ethical values affected fraud prevention. Employee integrity also can reduce fraud risk. [Kabuye et al., \(2017\)](#) emphasized that internal auditor have qualified competence that help predict fraud detection in company management. [Cahyadi & Sujana's research \(2020\)](#) found that high level of integrity can reduce the risk of fraud happening; and vice versa. Fraud prevention nowadays, according to [Chambers & Odar \(2015\)](#), still not fit for its purpose and can be improved through the internal auditors who was move resolutely in good corporate governance scope.

Based on these reason, the research of fraud prevention in banking industry, especially in Islamic banking, is very important. Therefore, the study to prevent fraud in islamic

bank is an important issue to leave previous study about fraud which focusing on finding the causes of fraud. It is becoming increasingly relevant after Financial Services Authority or Otoritas Jasa Keuangan (OJK) determines the obligations to commercial banks—both conventional and islamic—to apply anti-fraud policy, as stated in OJK Regulations No. 39/POJK.03/2019 about Application of Anti-Fraud Strategy for Commercial Banks (Otoritas Jasa Keuangan, 2019). This regulation strengthens pre-existing regulations on anti-fraud implementation. Husaeni & Jayengsari, (2020) suggested that the study about fraud prevention in islamic banking needs to be carried out so that similar incident do not recur. This article aimed to test the influence of internal control and internal auditor's integrity towards fraud prevention empirically and how GCG moderates it. As the study endeavors to empirically test the influence of internal control and internal auditor's integrity on fraud prevention, with governance, risk, and compliance (GCG) acting as a moderating factor, it delves into the intricacies of agency relationships within Islamic banking, shedding light on how monitoring and incentive structures can address potential agency issues as discussed in agency theory. Practical implication of this research is becoming important for strengthening internal control mechanism, importance of internal auditors' integrity, and understanding the moderating role of GCG.

Agency Theory

Agency relationship is a contract between one or more people (principal) which involve other people (agent) to perform services under the same institution involving the delegation of joint decision-making to agent. Sometimes, agents do not always act in the best interest of the principal, so that principal can limit the difference with the establishment of appropriate incentives to agents, by monitoring designed to limit the activity of agents who are judged to be deviant. Such monitoring usually incurs monitoring costs and positive bond, so that the selected decision can maximize the welfare of the principal (Jensen & Meckling, 1976).

This research shows relevance to agency theory because Internal control and internal auditor integrity can be considered as control mechanisms intended to reduce the risk of agents (company management) committing fraud that harms principals (shareholders). Further understanding of the dynamics of agency relationships in control and internal auditor integrity can improve control mechanisms in fraud prevention.

The Influence of Internal Control on Fraud Prevention

According to COSO (Committee of Sponsoring Organizations of the Treadway Commission), internal control is a process

that influenced by board of directors, management, and other personnels in one entity and designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control can be achieved by achieving control environment objectives, risk assessment, control activities, information and communication, and monitoring activities (variable measurement at Table 1).

(Table 1)

Yuniarti, (2017), explained that internal controls that are implemented effectively and the existence of anti-fraud awareness have a positive effect on fraud prevention.

Santiadji et al., (2021) mentions that internal control has significant effect towards fraud prevention. Research conducted by Jalil (2018) also shows that good internal control will increase the value of fraud prevention significantly. Good internal control will certainly result in good anti-fraud or in other words, the amount of fraud can be suppressed or eliminated, if the internal control function is good (Jalil, 2018).

Internal Auditors' Integrity

Birton et al., (2023) studies towards GCG reports and annual reports from islamic banks 2020 found that there are three important activities carried out by internal auditors in islamic bank. The three activities are: (1) preparation of work program plans, (2) implementation, (3) monitoring and follow-up on findings. The results of these activities are communicated to board of directors, board of commissioners, and audit committee. Internal auditors also communicate with Sharia Supervisory Board (SSB), if SSB requests internal audit competency in examining sharia conformity (ex-post). However, disclosure regarding the duties of internal auditors to prevent fraud is minimal.

Integrity requires a person to be honest, transparent, and responsible. The higher the integrity an individual has, the higher the possibility that fraud can be prevented (Dewi et al., 2017). High integrity will reduce the tendency for fraud to occur (Cahyadi & Sujana, 2020).

Rosmi & Syamsir (2020) proved that integrity has a relationship to prevent corruption. Sow et al., (2018) explained that high integrity affects fraud prevention in micro, small, and medium business units in Malaysia. Firmansyah (2021) also states that the integrity carried out by the internal auditor will affect the prevention of fraud in a company. In the banking industry, Az-Zahra et al., (2021) stated that employee's high integrity can improve fraud prevention.

Internal auditors' integrity according to International

Professional Practices Framework (IPPF) is a personal attribute of internal auditor by expecting the internal auditor to do the right thing even when it is uncomfortable or hard to say. Integrity is the foundation for the three principles in the internal auditors' code of ethics, namely objectivity, confidentiality, and competence. Because integrity is an individual's personal attribute, it is quite difficult to measure, implement, and ascertain. However, integrity can be seen through honesty, diligence, responsibility, and internal auditors' legal compliance (IPPF, 2015). Measurement of internal auditor integrity from an Islamic perspective according to Anggraini & Aziza (2022) can be seen through honesty, diligence, and responsibility; legal compliance; and Islamic religiosity; which is the basis of this research (see Table 2)

(Table 2)

Sharia GCG and Internal Auditor's Integrity Can Moderate Internal Control in Fraud Prevention

Rochmawati et al., (2020) mentioned that maximally implemented GCG system will prevent fraud. The implementation begins from transparency, accountability, responsibility, independency, and fairness. Husaeni & Jayengsari, (2020a) explained that the better GCG, the higher the fraud prevention. Kurniawan & Izzaty, (2019) confirmed that implemented internal control and professional implementation of GCG, accountability, and responsibility will prevent from fraud and will minimize individual chance to do the fraud.

Meanwhile Rohmatin et al., (2021) found that effective GCG enforcement at the corporate organizational level will help to minimize fraud happened. Employee's integrity and with the good corporate governance will suppress fraud in company.

Ionela (2013) stated that fraud prevention can be done if there is awareness of the potential for fraud, clear procedures, and repeated testing in each procedure. This is the benchmark variable of this research (see Table 3)

(Table 3)

Sharia Good Corporate Governance

The implementation of control in Islamic banks is basically inseparable from the implementation of Sharia Good Corporate Governance. Good Corporate Governance is a company regulation and control by looking for the relationship between parties managing the company and the values contained in the company itself (Kusmayadi et al., 2019). GCG is also called as a law system, contract, and structured social norm that made by the company, which used for future

decision making (Samra, 2016).

Practically, standard of GCG which used in islamic banking generally is a five basic principles of conventional GCG: transparency, accountability, responsibility, professional, and fairness (Bank Indonesia Regulation, 2009). The thing that differentiates between islamic GCG practice and conventional GCG practice is banking products offered by islamic banking must be a sharia products based on the Qur'an and Sunnah, and those must be fulfilled islamic terms and condition (Peraturan Bank Indonesia (2009). Another difference is there is sharia compliance with Sharia Supervisory Board which check and confirm that the activities in islamic bank have been carried out in accordance with the objectives and principles of sharia which are based on the Qur'an and sunnah (Juariah et al., (2021); Ngumar et al., (2019). The five basic principles with additional sharia compliance is the basis used for the GCG sharia variable in this research.

METHODS

This research used quantitative approach and survey method. The survey was conducted by sending a research request along with several questionnaires to the head office of the intended Islamic Bank in Indonesia. This is done because it is in accordance with the results of the Asia Pacific survey on fraud where countries in the Asia Pacific, especially Indonesia, where the majority of the population embraces Islam. The given questionnaires are about ten copies within google form link which includes same questions as in questionnaires. In addition to sending application letters and questionnaires, data was also obtained by contacting contact person with relevant qualifications in the Human Resources Department and Internal Auditor in the intended islamic commercial bank.

The population of this research is internal auditors who work in Islamic Commercial Bank in Indonesia. Based on data from the GCG Report and the Annual Report of Islamic Commercial Banks which are published on the respective websites of Islamic Commercial Banks in 2021 (however there are Islamic Banks that do not include the number of internal audit personnel), the number of internal auditors for Islamic Commercial Bank is 278 composition of 12 people from division heads, 30 department heads, and 236 staff. From a total population of 278, a sample of 54 internal auditors (19,42%) was obtained. Sample was taken using stratified random sampling.

(Table 4)

The data was processed with a Structural Equation Model (SEM) using the SmartPLS application. SEM was chosen because there are moderating variables, and there are also latent variables in this study. The following picture is the results of running SEM data using SMART PLS. The dependent variables are internal control and internal auditors' integrity, the independent variable is fraud prevention, the moderating

variable is GCG.

[\(Figure 1\)](#)

RESULTS AND DISCUSSION

Based on Table 3, it can be seen that the VIF value of each variable shows a value of 3.602; 3.227; 3,484; 3.975; 7.154. Based on the test results, there is no multicollinearity problem because the VIF value is less than 10. The normality test serves to test whether the confounding variables in the regression model have a normal distribution. In short, the normality test is used to test whether the data used is normally distributed ([Ghozali, 2011](#)).

[\(Table 6\)](#)

By using Kolmogorov Smirnov test, the variable is said to be normally distributed if its significance value is greater than or equal to 0.05. The table shows internal control 0.279; internal auditor integrity 0.050; GCG 0.819, GCG in moderating internal control 0.114; and GCG in moderating the integrity of the internal auditor 0.094. From the result obtained, it can be concluded that the data is normally distributed.

Determination Coefficient Test (Adjusted-R Square)

[\(Table 7\)](#)

Determination Coefficient Test serves to measure the ability of independent variable in explaining dependent variable. [Table 7](#) explains that Fraud Prevention variable can be explained by internal control, the integrity of internal auditor, and GCG by 0,837 or 83,7%. While the remaining 16.3% is explained by other factors that have not been explained in this study.

Statistical Test F

Statistical Test F looks at whether used model is significant. A model is included in the medium effect if $F\text{-value} \leq 0.02 \leq f^2 < 0.15$. A model is included in the medium effect if F value of exogenous is $0.15 \leq f^2 < 0.35$. A model is included in large effect if the F -Square is > 0.35 .

[\(Table 8\)](#)

Based on [table 8](#), it can be concluded that i) internal control meets the value of 0.152 or affects fraud prevention as much as 15.2% and is included in the medium effect category; ii) internal auditor integrity meets a value of 0.004 or affects fraud prevention by 0.04% and does not even affect the small effect category for fraud prevention; iii) GCG met a value of 0.634 or affects fraud prevention as much as 63.4% and has a large effect in its influence; iv) GCG in moderating internal control

has an influence of 0.034 or as much as 3.4% in preventing fraud and is included in the small effect; v) GCG in moderating the integrity of internal auditors has an influence of 0.040 or as much as 4% in preventing fraud and is included in the small effect.

[Table 9](#)

Based on [table 9](#), shows how influential an individual independent variable is in explaining the variation of the dependent variable:

The Effect of Internal Control on Fraud Prevention

The results of the hypothesis test show that internal control has a significant positive influence on fraud prevention. The statistical t value is 1.751 and the significance (t of the sig table $10\% = 1.29837$), thus, the statistical t value of $1.751 > t$ of the table is 1.29837. So internal control has a significant effect on fraud prevention. Thus, the H1 hypothesis is accepted. This is in accordance with research conducted by [Az-Zahra et al., \(2021\)](#); [Hajat & Prasetya, \(2021\)](#); [Kurniawan & Izzaty, \(2019\)](#); [Ugwu & Ochuba, \(2021\)](#)

Internal control, which is an orderly framework between one part and another that is carried out independently and focuses on control, has proven to be an effective step to prevent fraud. The power of the company's internal control is an asset for the company in anticipation of fraud. Internal auditors who play an important role in carrying out these controls also play an important role so that fraud can be prevented ([Glenardy et al., 2022](#)).

The results of the study are also in accordance with agency theory which states that supervision carried out by skilled personnel and structured agencies will solve problems between agents and principals, including fraud. The implementation of internal control also reduces the costs that must be incurred by agencies in dealing with fraud ([Haladu, 2018](#)).

The Effect of Internal Auditor Integrity on Fraud Prevention

The results of the hypothesis test show that the integrity of internal auditors has a positive and insignificant effect on fraud prevention. The statistical t value is 0.269 and the significance (t of the sig table $10\% = 1.29837$), thus, the statistical t value of $0.269 < t$ of the table is 1.29837. Therefore, the integrity of internal auditors does not affect fraud prevention. Thus, the H2 hypothesis is rejected. This is in accordance with research conducted by [Zelmiyanti & Anita \(2015\)](#) and partially in accordance with [Wulandari & Nuryanto's \(2018\)](#) research. Integrity that is implemented properly by internal auditors is

not necessarily able to prevent *fraud* that occurs in organizational unity in banking institutions.

However, the results of this study are different from the research of [Az-Zahra et al \(2021\)](#); [Firmansyah \(2021\)](#); [Rosmi & Syamsir \(2020\)](#) which states that integrity affects fraud prevention. This is because in general, the integrity carried out by the majority of employees will increase the possibility of fraud prevention that occurs.

Internal auditor integrity that has an insignificant effect on *fraud prevention* is also explained in organizational behavior which emphasizes that integrity attitudes must be carried out simultaneously in each line and individual organization ([Ambarwati, 2019](#)). Integrity that is only implemented in the internal auditor's line is not strong enough to prevent *fraud*.

The Effect of GCG in Moderating Internal Control on Fraud Prevention

The results of the hypothesis test show that GCG has no significant effect in moderating *internal control*. The statistical t value is 0.993 and the significance (t of the sig table 10%=1.29837), thus, the statistical t value of $0.993 < t$ of the table is 1.29837. GCG does not strengthen the influence of *internal control* in *fraud prevention*. Thus, the H3 hypothesis is rejected.

The results of this study confirm the research of [Astuti et al., \(2019\)](#) and [Soleman \(2013\)](#). GCG principles perceived by internal auditors have no effect on fraud prevention. The results of this study are inversely proportional to [Kurniawan & Izzaty \(2019\)](#) and [Rohmatin et al., \(2021\)](#), which stated that GCG has a direct influence on *fraud prevention*.

This finding also explains the theory of stewardship where corporate control on all lines must be developed so that *good governance* is achieved. The management of the company is evaluated and the realization of *internal control* that has been running is reviewed to be more optimal. Technical expertise that carries out *internal control* functions must also be accompanied by actions taken by managers so that fraud prevention efforts run more effectively ([Jefri, 2018](#)).

GCG in Moderating Internal Auditor Integrity for Fraud Prevention

The results of the hypothesis test show that GCG has no significant effect in moderating the integrity of internal auditors. The statistical t value is 0.922 and the significance (t of the sig table 10%=1.29837), thus, the statistical t value of $0.922 < t$ of the table 1.29837. Therefore, GCG does not strengthen the integrity of internal auditors in fraud prevention.

Thus, the H4 hypothesis was rejected. The results obtained resemble the results of research conducted by [Isnawati et al., \(2022\)](#) and [Pamungkas et al., \(2018\)](#).

This result is contrary to research conducted by [Husaeni & Jayengsari \(2020a\)](#) and [Rochmawati et al., \(2020\)](#) that GCG has a significant influence on *fraud prevention*. GCG has a direct influence on *fraud prevention* even though it is unable to moderate the integrity of internal auditors in *fraud prevention*.

These findings reinforce the theory of stewardship where stewardship staff focus on organizational goals. Employees who become stewards such as internal auditors concentrate more overall on organizational achievements and are committed to achieving organizational goals and aligning principal goals with management. If the internal auditor stands individually, it becomes less concerned with the value of personal integrity because it attaches importance to the achievement of management ([Badara, 2017](#)).

Moderated Regression Analysis (MRA) Test

The *moderated regression analysis* (MRA) test is a test that uses an analytical approach that maintains sample integrity and provides a basis for controlling the influence of moderation variables. Table 21 represents MRA test results.

The results of the table show that the relationship between *internal control* and P values of $0.063 < 0.10$ is significant. While the relationship of GCG in moderating *internal control* has a value of $0.286 > 0.10$ which means it is not significant. Thus, the relationship is a pure moderation variable relationship (pure *moderator*). The variable is a variable that moderates the relationship between the independent variable and the dependent variable where the pure moderation variable interacts with the independent variable without being the dependent variable.

The relationship between internal auditor integrity and fraud prevention has an insignificant P value of $0.783 > 0.10$. Meanwhile, the relationship between GCG in moderating the internal integrity of auditors has a value of $0.314 > 0.10$ which is also not significant. The relationship that occurs is a potential moderation relationship (potential *moderator*). That is, moderation variables have the potential to strengthen or weaken the independent variable.

CONCLUSION

An important conclusion of the study is that internal control has a significant positive effect on fraud prevention. The tighter the internal control carried out by banks, the more effective it is in

fraud prevention. The integrity of internal auditors also has a positive relationship in fraud prevention. However, the high integrity of internal auditors does not guarantee that fraud can occur in Islamic banks. GCG in moderating internal control over fraud prevention does not strengthen the relationship between the two. GCG cannot improve the internal control function in fraud prevention. GCG also does not moderate the integrity of internal auditors in preventing fraud. With GCG that cannot strengthen internal control and internal auditor integrity, the implication is that fraud prevention cannot be optimized by relying only on GCG, internal control, and internal auditor integrity. This is also because the integrity of the apparatus is not limited only to internal auditors, but to all related sections in Islamic commercial banks.

The practical application of this study involves fortifying the internal control mechanism, emphasizing the significance of the integrity of internal auditors, and comprehending the moderating function of GCG. However, the study's constraints lie in its exclusive focus on internal auditors, potentially limiting its ability to provide a comprehensive depiction of fraud prevention. Additionally, the constraints of the study may be influenced by the number of samples taken.

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Table 1/ Operational Definition of Variable (Internal Control)

| Variable | Dimension | Indicator |
|----------------------------------|----------------------------------|--|
| Internal Control (COSO, 2013) | 1. Control Environment | 1. Demonstrate commitment to integrity and ethical values (Haladu, 2018) |
| | | 2. Carry out supervisory responsibilities (Haladu, 2018) |
| | | 3. Establish structure, authority and responsibility (Haladu, 2018) |
| | | 4. Demonstrate commitment to competence |
| | | 5. Enforce accountability |
| | 2. Risk Assessment | 1. Determine appropriate objectives |
| | | 2. Identify and analyse risks |
| | | 3. Assessing fraud risk |
| | | 4. Identify and analyse significant changes |
| | 3. Control Activities | 1. Select and develop control activities |
| | | 2. Select and develop common controls over technology |
| | | 3. Deploy through policies and procedures |
| | 4. Information and Communication | 1. Using relevant information |
| | | 2. Communicate internally |
| | | 3. Communicate externally |
| | 5. Monitoring Activities | 1. Conduct continuous and/or separate evaluations |
| | | 2. Evaluate and communicate shortcomings |

Table 2 / Operational Definition of Variable (Internal Auditor's Integrity)

| Variable | Dimension | Indicator |
|---------------|--|--|
| Integrity(X2) | 1. Honesty, perseverance, and responsibility | 1. Honesty |
| | | 2. Perseverance |
| | | 3. Responsibility |
| | 2. Compliance with the law | 1. Follow standardised code of ethics |
| | | 2. Follow the applicable law |
| | 3. Islamic Religiosity | 1a The pillars of faith |
| | | 2. The pillars of Islam |
| | | 3. Islamic law, Islamic history |
| | | 4. Complying with Islamic norms and doing good |
| | | 5. Gratitude, tawakkal (trust), feeling close to Allah |

Table 3/ Operational Definition of Variable (Fraud Prevention)

| Variable | Dimension | Indicator |
|------------------------------------|---|--|
| Fraud Prevention (lonela, 2013) | 1. Awareness of the possibility of fraud | 1. Consumer complaints |
| | | 2. Non-conformity found explanation |
| | | 3. Errors reported by audit |
| | 2. Existence of clear procedures for approval | 1. Verify the existence of the procedure |
| | | 2. Enforcement of clear procedures |
| | 3. Re-examination and recovery | 1. Re-examination of employee work |
| | | 2. Company preparation in case of fraud |

Table 4/ Operational Definition of Variable (Good Corporate Governance)

| Variable | Dimension | Indicator |
|--|---|---|
| Good Corporate Governance (Juariah et al., 2021; Ngumar et al., 2019; Zahrawani et al., 2021) | 1. Transparancy | 1. Openness in disclosing relevant information |
| | | 2. Openness in the decision-making process |
| | 2. Accountability | 1. Clarity of function in implementation of responsibility |
| | 3. Responsibility | 1. Confonnity of bank management with applicable laws and regulations |
| | 4. Independency | 1. Competence |
| | | 2. Able to be objective and free from influence and pressure |
| 5. Fairness | 1. Faimness and equality in fulfilling stakeholder rights | |
| 6. Sharia Compliance (Peraturan Bank Indonesia, 2009) | 1. Have a standardised Sharia Supervisoy Board | |
| | 2. Review of sharia products and mechanisms | |

Table 5/ Population and Sample of Internal Auditor in Islamic Banking

| No | Islamic Bank | Office Head | | Head of Division | | Staff | | Total | | Status |
|----|--|-------------|--------|------------------|--------|-------|--------|-------|--------|--------|
| | | Pop | Sample | Pop | Sample | Pop | Sample | Pop | Sample | |
| 1 | Bank Aceh Syariah | 2 | 1 | 4 | 1 | 25 | 5 | 31 | 7 | |
| 2 | BPD Nusa Tenggara Barat Syariah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NW |
| 3 | Bank Muamalat Indonesia | 1 | 0 | 3 | 0 | 17 | 0 | 21 | 0 | NW |
| 4 | Bank Victoria Syariah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NR |
| 5 | Bank Jabar Banten Syariah | 1 | 0 | 3 | 0 | 14 | 1 | 18 | 1 | |
| 6 | Bank Mega Syariah | 2 | 0 | 5 | 0 | 34 | 0 | 41 | 0 | NR |
| 7 | Bank Panin Dubai Syariah | 0 | 0 | 0 | 1 | 0 | 3 | 0 | 4 | |
| 8 | Bank Syariah Bukopin | 1 | 0 | 1 | 0 | 6 | 0 | 8 | 0 | |
| 9 | BCA Syariah | 1 | 0 | 2 | 0 | 22 | 0 | 25 | 0 | NW |
| 10 | Bank Tabungan Pensiunan Nasional Syariah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NW |
| 11 | Bank Aladin Syariah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NR |
| 12 | Bank Syariah Indonesia | 4 | 1 | 12 | 5 | 118 | 36 | 134 | 42 | |
| | Jumlah | 12 | 2 | 30 | 7 | 236 | 45 | 278 | 54 | |

Status: NW = Not Wiling - NR =No Response

Table 6 / Convergent Validity Test

| | Average Variance Extracted (AVE) | Cronbac h's Alpha | rho_A | Compos ite Reliabil ity | VIF | Normal ity Effect | F Statistic s |
|---|---|-------------------------|--------------|----------------------------------|--------------|-------------------------|---------------------|
| Moderating Effect 1 | 1 | 1 | 1 | 1 | 3,602 | 0,114 | 0,034 |
| Moderating Effect 2 | 1 | 1 | 1 | 1 | 3,227 | 0,094 | 0,04 |
| Internal Control | 0,622 | 0,944 | 0,947 | 0,952 | 3,484 | 0,279 | 0,152 |
| Internal Auditor's Integrity | 0,611 | 0,922 | 0,936 | 0,934 | 3,975 | 0,05 | 0,004 |
| Fraud Prevention | 0,715 | 0,919 | 0,924 | 0,937 | | | |
| GCG | 0,706 | 0,94 | 0,941 | 0,95 | 7,154 | 0,819 | 0,634 |

Table 7 Determinant Coefficient Test

| | R Square | R Square Adjusted |
|-------------------------|-----------------|--------------------------|
| Fraud Prevention | 0,852 | 0,837 |

Table 8/ F Statistic Test

| Variabel | F Value | Effect |
|--|----------------|---------------|
| Internal Control | 0,152 | Medium Effect |
| Internal Auditor's Integrity | 0,004 | Small Effect |
| GCG | 0,634 | Large Effect |
| GCG in Moderating Internal Control | 0,034 | Small Effect |
| GCG in Moderating Internal Auditor's Integrity | 0,04 | Small Effect |

Table 9/ T Statistic Test

| Original Sample (O) | P Values | |
|--|----------|-------|
| Moderating Effect 1 -> Y | 0,114 | 0,286 |
| Moderating Effect 2 -> Y | 0,094 | 0,314 |
| Internal Control -> Fraud Prevention | 0,279 | 0,063 |
| Integritas -> Fraud Prevention | 0,049 | 0,783 |

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Figure 1/ Model SEM

