

# The effect of government internal auditors' moral reasoning and situational pressure on the tendency to commit fraud when auditing: An experimental study

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## ABSTRACT

*This study aims to examine the effect of government internal auditors' moral levels and situational pressures on the tendency to commit fraud when conducting audit. Based on the hypothesis, despite the situational pressures, the government internal auditors who have a high moral level will not commit fraud at the time of auditing. Meanwhile, the government internal auditors who have a low moral level will commit fraud at the time of auditing when there is situational pressure. To test the hypothesis, a 2×2 factorial experiment is conducted involving 68 students of STAR-BPKP of Jenderal Soedirman University. The results indicate that the government internal auditors who have a high moral level will not commit fraud in the time of auditing despite some situational pressures. Meanwhile, the government internal auditors who have a low moral level will commit fraud at the time of auditing either there is a situational pressure or not. The implications of this study are to strengthen the supervisory system for the internal auditors at the time of auditing, to provide protection for whistle-blowers who report the presence of fraud committed by auditors, and to be consistent in giving reward to professional auditors and punishment to auditors who are convicted of fraud at the time of auditing.*

## ABSTRAK

*Penelitian ini bertujuan untuk menguji pengaruh tingkat moral dan tekanan situasional auditor internal pemerintah pada kecenderungan untuk melakukan kecurangan ketika melakukan audit. Berdasarkan hipotesis, meskipun dalam tekanan situasional, auditor internal pemerintah yang memiliki tingkat moral yang tinggi tidak melakukan kecurangan pada saat audit. Sementara itu, auditor internal pemerintah yang memiliki tingkat moral rendah cenderung melakukannya pada saat audit ketika ada tekanan situasional. Untuk menguji hipotesis, a 2×2 factorial experiment dilakukan terhadap 68 siswa dari STAR-BPKP, Universitas Jenderal Soedirman. Hasilnya menunjukkan bahwa auditor internal pemerintah yang memiliki tingkat moral yang tinggi tidak akan melakukan kecurangan pada waktu audit meskipun ada tekanan situasional. Sementara itu, auditor internal pemerintah yang memiliki tingkat moral rendah akan melakukan kecurangan pada saat audit baik ada tekanan situasional maupun tidak. Implikasinya adalah perlunya memperkuat sistem pengawasan bagi auditor internal pada saat audit, dengan memberikan perlindungan bagi whistle-blowers yang melaporkan adanya kecurangan yang dilakukan oleh auditor, dan serta agar konsisten dalam memberikan reward kepada auditor profesional dan hukuman kepada auditor yang terbukti melakukan kecurangan pada saat audit.*

## 1. INTRODUCTION

Fraud has been prevailing in private and public sectors for the last decades. Various ways have been made by companies and the government to prevent and tackle fraud. Some of the ways that

have been done among others are by issuing a series of laws to ensnare the perpetrators with severe penalties and by strengthening the supervisory function. One of the supervisory elements is auditor, both internal and external ones. This is obvious

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because the main objective of an internal auditor is to prevent and reduce fraud within the organization. In addition, the function of internal auditor is also to ensure the organization to achieve its objectives.

According to Association of Certified Fraud Examiners (ACFE) (2009), there are three kinds of fraud, namely misuse of assets, fraud in financial statements, and corruption. Indonesia is a country with the highest corruption level in the world. In 2014, Transparency International reported that Indonesia ranked 107 of the 183 countries with the highest corruption index. The higher the rank of corruption, the more corruption occurred in the country. Corruption in the government sector has become the public concern for years. According to Johnson (2014), the government, both central and local, tends to be apt to commit fraud because of their environment and the way they perform their duties. The survey report by the ACFE (2014) showed that, in the United States, the fraud committed by the government employees is the second largest sector below the fraud committed by corporate executives. In Indonesia, the report of Indonesian Corruption Watch (ICW) states that in 2014 there were 43 Regional Heads who were entangled corruption issues. Based on the Central Statistics Agency (BPS), in 2013, the corruption index increased while the anti-corruption index declined. In the first quarter of 2014, the Supreme Audit Board (BPK) found 670 finding objects in the government sector. There were about 14,854 non-compliance cases amounting to IDR 30.87 trillion in 2014. The number of corruption cases in the government sector encouraged a public demand for the increased government financial accountability. Strengthening supervisory sector, both internally and externally, is a response to the public demand.

Schneider (2009) in his research explained that the existence of internal audit function within the company makes investors increasingly believe in the accuracy of the financial statements presented. This makes a lot of companies spend more to develop the capabilities and scope of the audit of the internal auditors. The level of trust of the financial statements users examined by Schneider is one of the important factors to achieve the objective of financial reporting, as a means of decision-making by the users of financial statements. Internal auditor is considered to have better understanding on the company's business processes so that his presence can strengthen the supervision of the implementation of the business activities.

In the government sector in Indonesia, the exist-

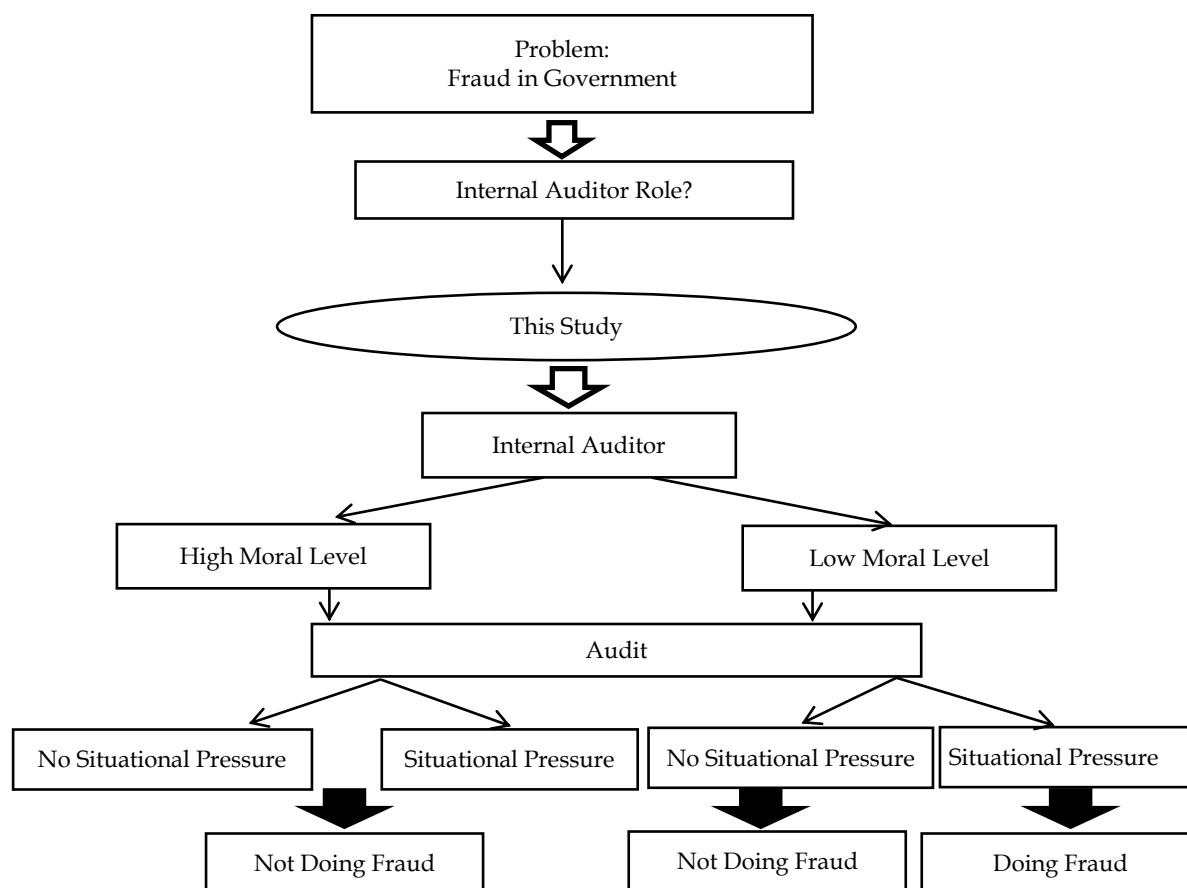
tence of internal auditor is set in the Government Regulation (PP) No. 60 of 2008 concerning Government Internal Control System (SPIP). The Government has two bodies that house the internal auditor, namely Inspectorate and Development and Financial Supervisory Agency (BPKP). The auditors who are these two bodies hereinafter referred to the Government Internal Supervisory Apparatus (APIP). Despite the two internal auditing bodies, the cases of corruption in government sector are still prevalent.

In some cases in the world of business, the internal auditors, even some of them in collusion with the client, are frequently unable to detect fraud so that any frauds occurring are not reported. While in the government sector, according to Mardiasmo (2006), 94% of government auditors are not able to detect the presence of corruption. Results of the research conducted by Xu (2008) stated that an auditor with low moral reasoning tends to be interested in the incentives when he will report the presence of fraud in the company. If reporting can give him an advantage, he will do it. However, if reporting does not give him any advantage, he will not do it.

According to the ACFE (2009), there are four factors causing fraud. They are known as The Fraud Diamond. All four are: rationalization, opportunity, situational pressure and capability. Situational pressure is one cause of fraud arising from outside force of the perpetrator of fraud. According to Thomas in Dorminey et al. (2011), situational pressure can be money, ideology, coercion and ego, or better known as MICE model. An internal auditor, in performing his duties, often gets outside pressures forcing him or making him hide fraud or even commit fraud. According to Dorminey (2011), one of the causes of fraud, in which the auditor is not immune, is situational pressure factor.

The internal auditor who acts as the first guardian of the company's assets should have high integrity when dealing with cases of fraud in the organization. If the auditor does not have integrity, various pressures can make him commit fraud when performing audit work. The impact is that he will commit collusion with management for a certain exchange.

This research will elaborate a study on internal control, fraud and moral. There have been previous studies that examined the three, but no one has elaborated them. Internal control is very important in supporting whistleblower to reveal fraud (Seitz et al. 2015). Research by Coram et al. (2008) states that the organizations that have an internal audit



**Figure 1**  
**Schematic Framework**

function are more likely to detect and report on the presence of fraud than the organizations that do not have an internal audit.

Results of the research conducted by Coram et al. (2008) also strengthen the evidence that the internal audit adds value to improve the control and to monitor environment within the organization so that the organization can detect and report its own fraud. Bell and Carcello (2000) found that weak internal controls and aggressive behavior on the financial reporting contributed significantly to the occurrence of fraud. According to Johnson (2014), there are two situational elements that play an important role in the potential for fraud: opportunity and capacity. Opportunity refers to the vulnerability of internal control, such as Internal Control System (SPI) and the inadequate apparatus.

In terms of research in the realm of moral reasoning, Welton (1994) stated that an individual's ability to resolve ethical dilemmas is influenced by the level of moral reasoning. Results of several studies presented in Liyanarachchi (2009) showed that the level of individual's moral reasoning will affect his ethical behavior. People who have a low level of

moral reasoning will behave differently from those who have a high level of moral reasoning when facing ethical dilemmas. According to Rest and Narvaez (1994), the higher the person's level of moral reasoning would be more likely to do 'the right thing'. It is also strengthened by the study of Liyanarachi (2009).

The research by Arnold and Ponemon (1991) revealed that the internal auditor who has a low level of moral reasoning tends not to report when he finds distortion in auditing. However, the internal auditor who has a high level of moral reasoning tends to do the opposite. Results of the mapping of the Inspectorate's capabilities, as the government's internal auditor, conducted by the Development and Financial Supervisory Agency (BPKP) in 2012 showed that the capacity and professionalism of the Inspectorate are still weak. Based on the mapping, 93.96% of the Inspectorate auditors are still in the lowest level, or level one of five levels that become the bases of assessment. From the above description, it can be concluded that a study is needed to determine whether the government's internal auditors perform their job well in spite of various

factors like moral and situational pressures. Therefore the researchers are interested in conducting this research. The schematic framework in this study can be seen in Figure 1.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Fraud**

IAI (2004) describes the accounting fraud in the Public Accountants Professional Standards (SPAP) Section 316 as: (1) Misstatements arising from fraudulent financial reporting, i.e. misstatement or intentional omission of the amounts or disclosures in financial statements to deceive the financial statement users, (2) Misstatements arising from improper treatment of the assets (often referred to misuse or embezzlement) in relation to the theft of assets of the entity resulting in the financial statements are not presented in accordance with Generally Accepted Accounting Principles (GAAP) or PABU in Indonesia.

The improper treatment of the assets of the entity can be done in various ways, including embezzlement of receipt of goods or money, theft of assets, or the action that causes the entity pay for goods or services that not received by the entity. The improper treatment of the assets may be accompanied by false or misleading note or document and may involve one or more individuals among employees or third parties.

Association of Certified Fraud Examiners (ACFE) categorizes fraud into three groups: fraudulent financial reporting, misappropriation of assets, and corruption. Fraudulent Financial Statements can be defined as a fraud committed by management in the form of material misstatement of financial statements detrimental to investors and creditors. This fraud can be financial or non-financial fraud. Misappropriation of assets can be classified into 'cash fraud' and 'fraud on inventories and other assets', as well as fraudulent disbursement. This type of fraud is the most difficult to detect because it involves cooperation with other parties such as bribery and corruption. It is the most common type of frauds occurring in developing countries where the law enforcement and awareness of good governance are still weak so that the factor of integrity is in question. Fraud of this type is often unable to be detected because the parties who work together enjoy the benefits, including conflict of interest, bribery, illegal gratuities, and economic extortion.

### **Moral Reasoning**

The theory of moral development which is widely

referenced in the research of ethics is a model of Kohlberg (1969). He stated that the moral progressed through three stages, namely pre-conventional stage, conventional stages and post-conventional stage. Welton (1994) stated that an individual's ability to resolve ethical dilemmas is influenced by the level of moral reasoning. The results of several studies presented in the Liyanarachchi showed that the level of their individual moral reasoning will affect their ethical behavior. People who have a low level of moral reasoning will behave differently from those who have a high level of moral reasoning when facing ethical dilemmas. According to Rest and Narvaez (1994), the higher the person's level of moral reasoning would be more likely to do 'the right thing'.

In the lowest stage (preconventional), the individual will do an action for fear of the law or rules. Besides, the individual at this moral level will also see his personal interests as the main thing in doing an action. In the second stage (conventional), the individual will base his actions on the approval of his friends and family and also on the norms that exist in society. At the highest stage (post-conventional), the individual will take his action with regard to the interests of others and also base his action on universal laws.

According to Welton (1994), in every stage of Kohlberg, an individual has his own views about the version of 'the right thing'. Individuals in stage 1 feel that the right thing is what becomes the interests of the individual. Individuals in stage 2 consider that the right thing is the result of balanced exchanges, approvals and balanced bargaining position. Individuals in stage 3 feel that the right thing is related to the hope of trust, loyalty, and respect from friends and family. Individuals in stage 4 consider that the right thing is to make a contribution to the community, group or institution. Individuals in stage 5 and stage 6 assume that the right thing is basing themselves on the ethical principles, equality of human rights and dignity as a living being.

### **Situational Pressure**

Based on the preliminary study of Cressey in 1953, he formulated three factors causing the occurrence of fraud, namely: rationalization, opportunity, and pressure, better known as the theory of The Fraud Triangle. However, the studies of the ACFE (2009) reinforced by Dorminey et al. (2012) complete the Cressey's previous studies. The completion is on the pressure factor and the addition of capability factor. ACFE stated that there are four factors that cause the occurrence of fraud, namely: rationaliza-

tion, opportunity, situational pressures and capability, or better known as the theory of Fraud Diamond. Situational pressure is used to replace the term pressure that exists in the Fraud Triangle. In the Fraud Triangle, pressure is only limited to the pressure in the form of money. While in the Diamond Fraud, the pressure may vary and is not confined to money.

Situational pressure, according to Dorminey et al. (2011), consists of several factors. The situational pressure factors that cause this fraud are known as MICE (money, ideology, coercion, and ego). Money factor refers to the financial pressures experienced by the perpetrator that make him commit the fraud. The financial pressures may be caused by extravagant lifestyle, debts, urgent family needs, and so forth. While the ideological factor means that the perpetrator considers his behavior of committing fraud is for a greater goodness. For example, he considers illegal gain acceptance is not a problem because the money will be donated to many people in need. Coercion factor means that there are third parties who exemplify, intimidate, threaten and coerce others to commit fraud. While ego factor refers to the individual's feeling of ego who feels that if he commit fraud, it will not be detected. Besides, ego is also driven by the desire to maintain or obtain a certain lifestyle. Wealth and success have become the identity and a comparison of social status in some circles. Dorminey et al. (2012) stated that money and the ego are the main motivation that causes people to commit fraud. Some cases such as Madoff, Stanford, Enron, WorldCom, Adelphia and others are examples that the perpetrators are motivated to commit fraud because of ego and money.

### **Internal Control**

According to Johnson (2014), the vulnerability of the Internal Control System (SPI) in an organization will potentially cause a lot of frauds. Coram et al. (2008) explained that the organization that has an internal audit function will be able to detect accounting fraud well. Research by Hogan et al. (2008) discussed the role of auditors in reducing factor of opportunity in accounting fraud. According to Bastian (2006), accounting control is part of the internal control system, consisting of organizational structure, methods, and measures which are coordinated primarily to safeguard the wealth of the organization as well as to check the accuracy and reliability of accounting data.

The definition of internal control systems in accordance with Government Regulation No. 60 of

2008 on Government Internal Control System (SPIP) is as follows:

Internal control system is a process integrated to the actions and activities carried out continuously by management and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, the reliability of financial reporting, the safeguarding of state assets, and compliance with laws.

The Government Internal Supervisory Apparatus (APIP) according to Government Regulation No. 60 of 2008 Article 49, it consists of: Development and Financial Supervisory Agency (BPKP), Inspectorate General or/ other names that are functionally implement the internal controls, the Provincial Inspectorate and the Inspectorate of Regency / City. According to Xu (2008), the internal auditors tend not to report the fraud occurring in the organization if there is no incentive. The research conducted by Xu is reinforced by the research of Seitz et al. (2015), which reveals the importance of an award for the auditor so as to be willing to report fraud while auditing. Arnold and Ponemon (1991) stated that internal auditors who have a low level of moral reasoning tend not to report any distortion in the organization. Ponemon conducted a research on the moral of auditors again in 1992. The result of the study by Ponemon revealed that the level of moral reasoning of auditors is related to their behavior, including in the results of their audit reporting.

According to Mardiasmo (2006), the majority of corruption cannot be discovered during an internal audit. The integrity of internal auditors is in question when they do not report the fraud within the organization. This raises a big question, whether they commit fraud in the form of collusion with the management of the organization in order not to report any distortions. Fraudulent behavior is very closely related to the level of moral reasoning of the individual (Puspasari 2012). The lower the level of the moral reasoning of the individual, the more likely he commits fraud. Factors such as rationalization, opportunities and situational pressures will increasingly support the individual who has low moral level to commit fraud. Conversely, the individual who has higher moral level of will not commit fraud regardless the pressures he faces. From the above description, it can be derived hypotheses as follows:

H1: Under the condition when there is a situational pressure at the time of auditing, the government internal auditors who have high moral level tend

not to commit fraud compared with those who have low moral level.

H2: The government internal auditors who have low moral level tend to commit fraud when there is a situational pressure compared with when there is no situational pressure

### 3. RESEARCH METHOD

#### Procedures and Tasks of Participants

In this study, the researchers made a series of procedures so that the experiment could run smoothly and directionally. Envelopes were distributed to participants, but they are not allowed to open until all participants receive them. After all participants already receive the envelopes, they open them together.

Inside the envelope received by the participants, there were two assignments. The first assignment was an assignment of morality. Participants were asked to give consideration on what action to be done related to four dilemmatic scenarios. The first assignment was done to measure the level of individual morality. The instrument was developed from the Defining Issues Test I (DIT I) which was constructed by Rest (1994). At the end of the first assignment, participants were asked to answer questions on manipulation check. The purpose of this check is to determine whether the participants really understand the case or not.

After completing the first assignment, the first assignment sheet was put back into the envelope. The participants were then asked to work on the second assignment. In the second assignment, the participants were given a case concerning a government's junior internal auditor junior who faces a dilemma at time of performing an audit. The experimental scenario in this second assignment used the third-person context as suggested by Rest (1986) in Liyanarachi (2009) for the research of ethics. This is reinforced by studies on ethics conducted by Ponemon Arnold (1991), and Bernardi and Gupthill (2008) that used third-person context. In making the design, the researchers are assisted by a team from the Development and Financial Supervisory Agency (BPKP) and the Inspectorate who have got experiences in audit. There were two different treatments in this assignment. Both treatments concerned the presence or absence of situational pressure. Some of the participants were given a treatment on the presence of situational pressure, and others were given treatment on the absence of situational pressure. The treatment-giving was done at random. This second assignment was done to measure the participants' tendency to

commit fraud at time of auditing.

#### Participants

The participants in this experimental study were the students of STAR-BPKP program of University of Jenderal Soedirman. The reason for choosing this sample is that all students are employees of government agencies who are engaged in the field of financial, including some internal auditors. For that reason, it is not difficult for them to imagine being in the conditions experimented. This factor of background similarity also makes the experiment much more real. The total of participants is 68 students of STAR-BPKP.

#### Design of Experiment

This study used a factorial design experiments 2×2 to test the effects of individual morality and situational pressures on the tendency to commit fraud. The dependent variable in this research is accounting fraud, while the independent variable is individual morality (high and low moral level) and situational pressure (presence or absence of situational pressure).

The researchers observed the tendency of individuals to commit accounting fraud by dividing the participants into four groups: (1) Group 1: a group of high moral level with the presence of situational pressure, (2) Group 2: a group of low moral level with the presence of situational pressure, (3) group 3: a group of high moral level with the absence of situational pressure, and (4) group 4: a group of low moral level with the absence of situational pressure. The design of experiment can be seen in Table 1.

#### Variables and Research Instrument

In this study, there is one dependent variable, namely the tendency to commit fraud. According to the ACFE, there are three types of accounting fraud, namely: fraudulent financial reporting, misappropriation of assets, and corruption. The variable of accounting fraud was measured by asking participants to give their opinions on questions that represent the three types of accounting fraud. The participants answered the questions after reading the scenario of experiment. Likert scale 1-7 was used to measure the response of the participants. The higher the judgment point the participants give, the more tendency to commit fraud.

The independent variable in this study is the individual morality (high and low moral level) and situational pressures (presence and absence of situational pressure). The measurement of individual

**Table 1**  
Design of Experiment 2x2

Level of Moral Reasoning	Situational Pressure	
	Presence	Absence
High	Group 1	Group 3
Low	Group 2	Group 4

**Table 2**  
The Effect of Moral Level and Situational Pressure on the Tendency of Fraud

Source	Df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	3	5.553	4.360	0.008	0.129
Intercept	1	367.221	288.318	0.000	0.840
Moral	1	10.871	8.535	0.005	0.134
Situational Pressure	1	1.300	1.021	0.134	0.018
Moral*Situational Pressure	1	4.608	3.618	0.032	0.062
Error	55				
Adj. R Squared=0.148					

morality is derived from the moral measurement model developed by Kohlberg (1969) and Rest (1994) in the form of Defining Issues Test (DIT) instrument. This instrument is in the form of ethical dilemma case. The division of moral reasoning level score (high and low) is using the median value of the P-score of the total sample.

The measurement of situational pressure variable consists of two schemes in scenario: the presence of situational pressure and the absence of situational pressure. According to the ACFE, situational pressure can be divided into four: Money, Ideology, Coercion, and Ego, or better known as MICE. In one of these experiment assignments, two types of situational pressure were used, namely money and coercion used. But, the scenario in the other assignment was not told that there was situational pressure.

#### 4. DATA ANALYSIS AND DISCUSSION

##### Manipulation Check

Manipulation check was done by testing the participants to determine true or false with two questions. The first question is about the duty of participants as auditors at the Inspectorate General X. The second question is about the general description of the organization at the Inspectorate General X. The results of the analysis of manipulation check show that of 68 participants, there were only 59 participants (86.8%) who passed the manipulation check.

##### Results of Experiment and Discussion

Normality test was done to determine whether the data in this study are distributed normally. The results of normality test using the Kolmogorov-

Smirnov Test show the value of Asymp. Sig 0.054 (above 0.005). With this result, it could be said that the data were distributed normally and meet one of the assumptions of analysis of variance (ANOVA). Test of homogeneity of variance was conducted to determine whether the four groups (Group 1,2,3, and 4) have different variants. The results of statistics test show the value of Levene statistic is 0.148 (above 0.005). This shows that each group of the subjects fulfills the same variant and meets the assumptions of ANOVA (Hair et al. 2006). Meanwhile, the test results for Analysis of Variance between Groups show the significant p-value at 0.008. The results show that there are significant differences between groups. To answer the hypothesis, the researchers presented in Table 2 that is the effect of moral level of individual and situational pressures on the tendency to commit fraud at the time of auditing and the statistical description to see the differences between groups.

The first hypothesis states that in a condition when there is situational pressure at the time of auditing, the government's internal auditors who have low moral level tend to commit fraud than the government's internal auditors who have high moral level. In Table 3, it can be seen that this hypothesis compares between Group 1 and Group 2. Table 3 shows the mean differences in each group with a certain moral level and the condition of certain elements of internal control. To determine the significant differences in mean group, a post-hoc analysis is then performed. Post-hoc analysis is in Table 4.

Based on Tukey t-statistic in Table 4, the researchers compare between the mean of Group 1 and the mean of Group 2. There is a significant dif-

**Table 3**  
**Statistic Description of Group**

Level of Moral Reasoning	Situational Pressure	
	Presence	Absence
High	Group 1	Group 3
	Mean: 1.937	Mean: 2.200
	SD: 1.1236	SD: 1.3732
Low	N: 16	N: 15
	Group 2	Group 4
	Mean: 3.357	Mean: 2.500
	SD: 0.8419	SD: 1.019
	N: 14	N: 14

**Table 4**  
**Tukey t-statistic**

	Mean Difference (I-J)	Standard Error	P-Value
Group 1 and Group 2	-1.420'	0.4130	0.006
Group 2 and Group 4	0.857	0.4266	0.197

ference between the mean 1 and 2 of -1420 with a standard deviation of 0.4130 and p-value of 0.006. This significant difference indicates that in a condition when there is a situational pressure, the government's internal auditors who have low moral level tend to commit fraud at the time of auditing compared with the government's internal auditors who have high moral level. Thus the first hypothesis is supported.

Results of this study prove the hierarchy of moral development stated by Kohlberg. The higher the stage of the individual morality (stage of post-conventional), the more the individual gives attention to the wider and universal interests than merely the interests of their organizations, let alone the interests of the individual. The higher the level of the individual moral, the more he tries to avoid the tendency to commit accounting fraud that will hurt many parties.

Individual with a higher level of moral reasoning, in his actions will consider the interests of the people around him and basing his actions on moral principles. So, with the presence or absence of internal control elements, it will not make him commit accounting fraud. Results of this research also strengthen the results of researches of ethics performed by Liyanarachi (2009), Arnold and Ponemon (1991), Welton (1994), Graham (1995) and Patterson (2001) in Maroney (2008) that the individual who has a high level of moral reasoning will be more sensitive against ethical issues, so he will tend to act ethically.

The second hypothesis states that the government's internal auditors who have low moral level tend to commit fraud when there is situational pressure and they will not commit fraud when

there is no situational pressure. This hypothesis compares the mean between Group 2 and Group 4. From the comparison between the two groups as shown in Table 3 and 4, there is no significant difference between group 2 and group 4 (the mean difference between the groups is 0.857 with p-value of 0.197). This means that with the presence or absence of situational pressures, the government's internal auditors who have a low moral level will continue to commit fraud at the time of auditing.

These results reinforce the earlier studies that the individuals who have low moral level will tend to perform acts that benefit themselves. (Kohlberg, 1969, Arnold and Ponemon, 1991, Rest, 1994, Liyanarachi 2009, Xu 2008, Puspasari and Suwardi 2012). Apparently, the situational pressure factor as one of the causes that allegedly make the government's internal auditor who have low moral level tend to commit fraud is not proven. With the presence or absence of situational pressure, the government internal auditors who have low moral level keep committing fraud. It may be caused by factors other than the situational pressure that can make the individuals who have low moral level to commit fraud.

According to McPhail (2009), other factors which may cause the individuals to act unethically are the individual attributes (age, gender, nationality, moral maturity). ACFE study in 2009 found that more men committed fraud than women did (59% versus 41%). In this study, the gender demographic is dominated by men, or 84.3%. This is probably one of the causes of the government's male internal auditors who have low moral level keep committing fraud at the time of auditing in a condition with the presence or absence of situational pressure.



In MICE model, there are four forms of situational pressure that become the causes of fraud. All four are money, ideology, coercion and ego (entitlement). In this study, there are two situational pressures that are used as the manipulation in experiment, namely money and coercion. There is other situational pressure in the form of individual ego that cannot be controlled by the researchers in this study. The individual ego, according to Betts (2009), can be a feeling of wanting to beat the system, arrogant, emotionally unstable, and dissatisfied with the workplace. From the results of the research by Betts for ACFE (2009), the majority of perpetrators are men at the age of 30-45 years. Demographically, both gender and age of the participants in this study (the participants aged 30-45 years, are 79%) are the same as the criteria of perpetrators in Betts' study. It can be concluded that the government's internal auditors who have low moral level and in the age range are mostly the perpetrators of fraud because the individual ego in this age range is quite high. So, the presence or absence of situational pressure as the trigger for the individuals who have low moral level to commit fraud is not appreciable.

##### 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The aim of this study is to compare the tendency of the government internal auditors to commit fraud at the time of auditing in a condition with the presence and absence of situational pressures. The results indicate that the government internal auditors who have high moral level tend not to commit fraud at the time of auditing even under the condition when there is situational pressure. Conversely, the government internal auditors who have a low moral level tend to commit fraud at the time of auditing when they are in a condition when there is a situational pressure. The presence and absence of situational pressures, in fact, do not affect the government's internal auditors who have a low moral level to keep committing fraud at the time of auditing.

There are several important implications in this study. Fraud in the time of auditing may still occur because not all internal auditors have a high level of moral reasoning. In anticipating the internal auditors who have a low moral level, the related institutions need to reduce the factors that cause them to commit fraud. Some ways that can be done, among others, are by reducing the chance of fraud at the time of auditing using an adequate system, by providing training on profession ethics, present-

ing award for auditors who can report the occurrence of fraud, and giving severe punishment for those who are convicted of fraud at the time of auditing. In addition, whistle-blowing system can be applied as a means for the auditors who want to complain the occurrence of fraud committed by their colleagues.

If, at this time, the system has been formed in the government organization, the consistency should be maintained. Consistency should be done such as in presenting reward to professional auditors and in giving severe punishment for auditors who are convicted of fraud at the time of auditing. Consistency in the application of the system is another important implication in addition to the establishment of the systems of surveillance and complaint.

There are several limitations in this study. First, situational pressures used in this study are only money and coercion. Future studies can enter two other forms of situational pressure in the experiment manipulation, namely ego and ideology. Future studies are also expected to enter the variables related to the respondent demographics (gender, position in the organization, work experience, age, and education) to see the influence of these variables on the tendency of the government internal auditors to commit fraud at the time of auditing. Second, this study uses two types of situational pressure, namely coercion and money, in the experiment manipulation. This study does not analyze the pressures which are more influential on individual to commit fraud. Future studies should be able to analyze the most encouraging pressure for individual to commit fraud.

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