

ABSTRACT

The Effect of Internal Control on Fraud Prevention in Financial Statements (Study on Banking Companies in 2019 – 2021 Listed on the Indonesia Stock Exchange)

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This study was conducted to test the effect of internal control measured using the pentagon's fraud theory on the prevention of partial financial statement fraud in banking companies listed on the Indonesia Stock Exchange for the period 2019 to 2021. In addition, to test the feasibility of the regression model of the influence of internal control calculated using the pentagon fraud theory (pressure, opportunity, rationalization, competence and arrogance) on the prevention of financial statement fraud in banking companies listed on the Indonesia Stock Exchange for the period 2019 to 2021. The analysis used the Statistical Package for The Social Science (SPSS) version 26.0. Based on the results of the study shows that variables of pressure, opportunity, rationalization and arrogance do not affect financial statement fraud, while competence affects financial statement fraud. The predictive ability of the five variables against financial statement fraud was 1.4% as indicated by the magnitude of the adjusted R square of 0.014 while the remaining 98.6% was influenced by other factors that were not included in the research model.

Keywords: *internal control, pentagon fraud, financial statement fraud, pressure, opportunity, rationalization, competence and arrogance.*

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