

The Determinants of Accounting Fraud Tendency

Sri Agustina¹, Zaenal Wafa²

¹Accounting, Mercu Buana Yogyakarta University

²Accounting, Mercu Buana Yogyakarta University

*Email:agustinasri853@gmail.com

ABSTRACT

Accounting accounting tendencies are closely related to corruption. Since 2015 until now, village funds distributed by the government have been quite large and distributed to all villages for village development purposes, but there are still many cases involving village funds or hiding city funds. implemented by the Village Government. So this research aims to examine the influence of internal control, organizational ethical culture, and tolerance on trends in accounting conditions. This research uses a quantitative method using primary data in the form of a questionnaire distributed to the Kandan Village Government consisting of the village Head, Secretary, Minister of Finance, Minister of General Affairs, Minister of Finance, Minister of Welfare, Neighbors), and Residents. Office, Village Public Services, and Community Empowerment Agency. The research used 30 respondents with a saturated sample approach using data analysis techniques using multiple linear regression analysis to analyze hypotheses. The research results show that internal control and recovery do not influence accounting conditions. On the other hand, the ethical culture of an organization influences the tendency for accounting conditions to occur.

Keywords: *Accounting Fraud Tendency; Compensation; Internal Control; Organizational Ethics Culture.*

INTRODUCTION

The phenomenon commonly referred to as accounting fraud has garnered significant interest from multiple sources. The government has given village grants of IDR 186 trillion to 74,954 communities across Indonesia since the start of 2015. State monies can be misused or tainted throughout this process. According to corruption monitoring Indonesia Corruption Wach, the number of village fund corruption cases rose annually between 2015 and Semester I of 2018. According to ICW researchers, there were 181 incidents of village fund corruption reported in 2017 with 184 suspects and losses of over 40.6 billion; however, by the first semester of 2018, the number of cases had nearly doubled to 96. These cases are all about using the village money to profit oneself. The township

One of the factors that influences accounting fraud tendency is internal control. Intentional fraud committed by irresponsible individuals always hinders effective financial management. Failure of the organization's internal controls causes this fraud. Roslina (2018) states that if the control system functions well, operational activities will also run efficiently and effectively so that errors in operational processes can be minimized. The organization's ethical culture is the next consideration. Organizations with an ethical culture are more likely to set high ethical standards for their members, claim Siregar and Hamdika (2018). Government officials will benefit from associations with strong ethical standards. Therefore, an organization's moral culture is crucial. Compensation is the last consideration. Compensation, as defined by Anggriani et al. in Hariandja (2019), is the sum of money an employee receives for working for a company. These can include pay, bonuses, incentives, salaries, and other benefits that the company offers to its staff members. An employee's contribution to the company needs to be proportionate to the amount they contribute. Giving workers the right structure can boost their happiness and motivation, which inspires them to work hard (Anggriani et al. in Gibson et al., 2019).

According to research conducted by Yuliani (2020), they examined fraud tendencies and found that

internal control did not affect fraud. Furthermore, research conducted by Chandra & Ikhsan (2015) found that the organizational ethical culture variable did not affect the tendency for accounting fraud. Furthermore, research conducted by Hadi et al., (2021) found that compensation variables did not affect accounting fraud tendency.

Noprianto et al. (2020) examined fraud tendencies in financial management and found that internal control, organizational ethical culture, and compensation contributed to fraud tendencies. In additional research, Pandita et al. (2020) investigated factors that reduce the possibility of fraud in the Gianyar Regency village government. shows that compensation, organizational ethical culture, and internal control are positively correlated with fraud tendencies.

Based on the phenomena that occur, researchers want to test the influence of internal control, organizational ethical culture, and compensation on accounting fraud tendencies. It is hoped that the findings from this research will provide awareness to the Village Government.

METHOD

The study's population consists of all the authorities of Kandan Village. The sampling procedure makes use of saturated samples. Village Head, Village Secretary, Finance, General Affairs, Maintenance, Social Welfare, Rukun Tetangga (RT), Rukun Warga (RW), Village Consultative Body (BPD), and Community Empowerment Institution (LPMD) were among the samples that were taken. Primary data gathered via surveys is used in this study. Thirty respondents made up the sample, and a saturation sampling strategy was applied. Each question in the survey required respondents to respond on a Likert scale, with one point denoting "strongly disagree" and five points denoting "strongly agree."

Table 1.
Research Instrument

Variables	Indicator
Internal Control (X1) <i>Source: Chandrayatma & Sari, (2019).</i>	1) Management Conditions 2) Risk Measurement 3) Management activities 4) Communication and information 5) Assessment
Organizational Ethical Culture (X2) <i>Source: Chandrayatma & Sari, (2019).</i>	1) Visible character models 2) Relationship of moral expectations 3) Moral upgrading 4) Sanctions of moral activity 5) Morality protection strategy
Compensation (X3) <i>Source: Shafithri in Suartini & Sari, (2022).</i>	1) Salary Eligibility 2) Incentives 3) Allowance 4) Work Facilities
Accounting Fraud Tendency (Y) <i>Source: Shafithri in Marsini et. al (2022).</i>	1) Manipulation in Financial 2) Misuse of assets 3) Corruption

Source: processed data, 2023

RESULT AND DISCUSSION

Result

This study aims to collect data on the influence of three independent variables: internal control, organizational ethical culture, and compensation, as well as the dependent variable, namely accounting

fraud tendency, on the government of Kandan Village, East Kotawaringin Regency. Based on Table 2, it can be seen that the characteristics of the respondents in these findings include gender, age, highest level of education, and position in the Kandan Village Government. Gender characteristics were carried out to determine the gender range of each respondent who worked in the Kandan Village Government. Based on the table, it is known that there are 27 men (90%) and 3 women (10%). Age characteristics are used to measure or determine the age of each respondent who works in the Kandan Village Government. Based on the table, those aged less than 25 years amounted to 2 people (6.7%), aged 25-35 years there were 8 people (26.7%), aged 35-45 years there were 15 people (50%), aged more than 46 years there were 5 people (16.7%). The latest educational characteristics are used to measure or determine the education of each respondent who works in the Kandan Village Government, based on the table, for junior high school graduates there are 4 people (13.3%), for high school graduates there are 20 people (66.7%), for Diploma graduates amounting to 1 person (3.3%), and for undergraduate graduates there were 5 people (16.7%). Position in the Kandan Village Government which is used to measure or determine the position of each respondent who works in the Kandan Village Government, namely the Village Head is one person (3.3%), the Village Secretary is 1 person (3.3%), the Head of Finance is 1 person (3.3%), the Head of General Affairs is 1 person (3.3%), the Head of the Treasury is 1 person (3.3%), the Head of Public Welfare is 1 person (3.3%), the Rt is 5 people (15.7%), Rw numbered 5 people (15.7%), BPD numbered 7 people (24.4%), and LPMD numbered 5 people (24.4%).

Table 2.
Respondent Characteristics

	Description	Total	Percentage
Gender	Male	27	90
	Female	3	10
Age	<25 years old	2	6.7
	25-35 years old	8	26.7
	35-45 years old	15	50
	>46 years old	5	16.7
Education	SMP	4	13.3
	SMA	20	66.7
	Diploma	1	3.3
	S1	5	16.7
Position	Village head	1	3.3
	Village secretary	1	3.3
	Head of Finance	1	3.3
	General chief	1	3.3
	Head of treasury	1	3.3
	Heas of welfare	1	3.3
	Rt	5	15.7
	Rt	5	15.7
	BPD	7	24.4
	LPMD	7	24.4

Source: processed data, 2023

Table 3.
Descriptive statistical test results

	N	Minimum	Maximum	Mean	Std. Deviation
Internal Control	30	27	35	32.53	2.649
Organizational Ethical Culture	30	16	25	22.27	2.840
Compensation	30	19	35	31.43	4.561
Accounting Fraud	30	8	26	17.13	6.010

Tendency

Valid N 30

Source: processed data, 2023

Based on table 3, it shows that the number of observations (N) in this finding was 30 respondents. The internal control variable has a minimum value of 27 and a maximum value of 35. This means that a scale of 27 is for the answer disagree and a scale of 35 is for the answer strongly agree with an average value of 32.53 which shows that respondents are neutral towards the internal control variable and the standard deviation for the control variable. internal 2,649. Furthermore, the organizational ethical culture variable has a minimum value of 16 and a maximum value of 25. This shows that a scale of 16 indicates an answer that does not agree and a scale of 25 indicates an answer that strongly agrees. The average value of 22.27 indicates that respondents are neutral towards the organizational ethical culture variable and the standard deviation is 2.840. Furthermore, the compensation variable has a minimum value of 19 and a maximum value of 35. This means that a scale of 19 is for an answer of less agree and a scale of 35 for an answer of strongly agree with an average value of 31.43, which indicates that respondents are neutral towards the compensation variable and the standard deviation of the compensation variable. amounting to 4,561. Meanwhile, the accounting fraud tendency variable has a minimum value of 8 and a maximum value of 26. This means that a scale of 8 for answers disagree and a scale of 26 for answers strongly agree with an average of 17.13 and a standard deviation of 6.010.

Table 4.
Validity Testing Results

Variable	Correlation Range	Significance	Result
Internal Control	0.645 - 0.853	0.361	Valid
Organizational Ethical Culture	0.786 - 0.877	0.361	Valid
Compensation	0.495 - 0.877	0.361	Valid
Accounting Fraud Tendency	0.389 - 0.834	0.361	Valid

Source: processed data, 2023

Based on Table 4, the results of research validity testing indicate that each variable has a correlation coefficient that is greater than significance ($r_{table} = 0.3610$ because $df = N-2$ and $30-2 = 28$). Therefore, the findings of this study can be considered valid overall.

Table 5.
Reliability Testing Results

Variable	Cronbach's Alpha	Cut-off	Result
Internal Control(X1)	0.866	0.6	Reliable
Organizational Ethical Culture(X2)	0.868	0.6	Reliable
Compensation (X3)	0.847	0.6	Reliable
Accounting Fraud Tendency (Y)	0.750	0.6	Reliable

Source: processed data, 2023

Table 6.
Multi-linearity Test Result

Variable	Tolerance	VIF	Result
Internal Control	0.333	2.999	Multicollinearity does not occur
Organizational Ethical Culture	0.349	2.867	Multicollinearity does not occur
Compensation	0.390	2.567	Multicollinearity does not occur

Source: processed data, 2023

Based on multicollinearity analysis, the results show that the independent variable has a tolerance greater than 0.10 and a Variance Inflation Factor (VIF) value that is smaller than 10, which indicates that there is no multicollinearity in all independent variables in this test.

Table 7.
Heteroscedasticity Test Results

Variable	Signikansi	Result
Internal Control	0.805	Heteroscedasticity does not occur
Organizational Ethical Culture	0.821	Heteroscedasticity does not occur
Compensation	0.528	Heteroscedasticity does not occur

Source: processed data, 2023

Based on testing, the conclusion is that the independent variables in this study show a significance value that exceeds 0.05. Therefore, it indicates that there is no indication of heteroscedasticity in this study, or other words, all variables are not influenced by heteroscedasticity.

Table 8.
Multiple Linear Regression Testing

Variable	B	t	Sig.	Result
Constant	-14.299	-1.231	0.229	
Internal Control	0.104	0.176	0.862	H1: Rejected
Organizational Ethical Culture	1.379	2.559	0.017**	H2: Accepted
Compensation	-0.084	-0.266	0.792	H3: Rejected
Adj R²:0,344 ;F value				

**Sig <5%

Discussion

The Effect of Internal Control on Accounting Fraud Tendency

As shown by the data and measurement results found, this research concludes that there is no influence between internal control factors and accounting fraud tendencies. This can be attributed to the

internal control variable's 0.862 significance level and 0.104 beta coefficient value. Given that the t-test significance value of 0.862 is higher than 0.05, the first hypothesis (H1) is not supported. This indicates that the Kandan Village Government has successfully adopted and maintained internal control. Nonetheless, the findings indicate that an individual's propensity to engage in accounting fraud is unaffected by this element's assertiveness. Studies claim that people in positions of authority who are in charge of the accounting process and financial report preparation are to blame for their unethical actions. This finding is supported by Yuliani (2018) who shows that internal control components do not influence a person's possibility of committing accounting fraud.

The Effect of Organizational Ethical Culture on Accounting Fraud Tendency

An organization's ethical culture has a positive effect on accounting fraud tendencies. This is because the organizational ethical culture variable has a significance level of 0.017 and a beta coefficient of 1.379. The t-test significance value of 0.017 is less than 0.05 indicating that the second hypothesis (H2) is accepted. This means that if the organizational ethical culture factor increases, then factors related to accounting fraud tendencies will also increase. These findings are supported by the fraud triple theory, which states that there are three reasons a person commits fraud: rationalization. This aspect discusses whether personality treatment and a set of moral principles normalize officers carrying out dishonest actions, or whether they do it because they are pressured or pressured so that they normalize dishonest actions. This finding is also supported by Pandita et al. (2020) supports the findings of this research, showing that ethical culture elements in an organization increase the likelihood of fraud.

The Effect of Compensation on Accounting Fraud Tendency

Compensation does not affect on accounting fraud tendencies. This is because the compensation variable has a significance level of 0.792 and a beta coefficient of -0.084. The t-test significance value of 0.792 is greater than 0.05 indicating that the third hypothesis (H3) is rejected. This suggests that cheating will not affect village staff members, no matter how much salary, promotion, or bonus they deserve. According to researchers, the compensation received is often late, up to 3 months - 6 months before compensation is received. The late receipt of this compensation does not produce income by the individual's wishes and the tendency for accounting fraud to be committed will promise greater and faster income than the appropriate compensation. This finding is also supported by Hadi et al., (2021) that the compensation variable does not influence fraud in managing village funds.

CONCLUSION

Based on the analysis and discussion that has been carried out above, this research can be concluded as follows; Internal control does not affect Accounting Fraud Tendency in the Kandan Village Government, East Kotawaringin Regency. Organizational Ethical Culture Influences Accounting Fraud Tendency in Kandan Village Government, East Kotawaringin Regency. Compensation does not affect Accounting Fraud Tendency in the Government of Kandan Village, East Kotawaringin Regency.

There are various limitations to these findings. This finding only relies on primary data obtained through a questionnaire, there will likely be differences in the interpretation of the questions in the questionnaire. Apart from that, respondents often do not provide answers that are appropriate to the actual situation. This research only involved one village, namely Kandan Village, so these findings cannot be generalized. Based on the findings and limitations in this research, it is recommended that the Kandan Village Government be able to increase awareness in normalizing a culture, namely by strengthening the ethical culture of the organization in the office environment, such as providing sanctions to officials who make mistakes. So that unethical things can be minimized. It is hoped that future researchers will be able to expand the research population by including other variables that have not been studied in this research. Variables such as individual morality, information asymmetry, and organizational commitment are some that have not been examined in these findings. Additionally, such as different years and research locations.

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