

The Tendency of Accounting Fraud in the Village Government

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Abstract. This study aims to analyze the effect of compensation suitability, internal control, ethical culture, transparency and compliance with accounting rules toward the tendency of accounting fraud in the Village in Karangsembung Subdistrict, Lemahabang Subdistrict, Astanajapura Subdistrict, and Gegesik Subdistrict in Cirebon Regency. The research method uses descriptive methods and verification methods. The population in this study were 184 respondents. The sample of this study used the slovin calculation formula and was taken by means of stratified random sampling as many as 126 respondents. Statistical analysis used is multiple regression. The results of the study found that compensation suitability had a significant negative toward the tendency of accounting fraud, internal control had a significant negative effect on the tendency of accounting fraud, ethical culture had negative effect toward the tendency of accounting fraud, transparency and compliance with accounting rules had a negative effect to the tendency of accounting fraud.

Keywords: Compensation Suitability; Internal Control; Ethical Culture; Transparency; Compliance With Accounting Rules; The Tendency Of Accounting Fraud

1 Introduction

The passing of Law No. 6 of 2014 on Villages, provides opportunities for the village government in equitable development, developing its potential, and prospering the village community. Every village has the right of autonomy to organize its government. Each village gets a large enough allocation of funds for development. The funds received by the village can minimize the national development gap between the city and village areas, as well as prosper the poor people who are mostly in the village. But this goal is not in line with the situation on the ground, this is indicated by many cases of corruption involving the village government. In the village law there are also village funds sourced from the State Budget.

One of the current problems is the many irregularities in the use of Village Funds carried out by village government officials. Indonesia Corruption Watch data shows there were 46 cases of corruption in the village budget sector out of 271 corruption cases during 2019. Corruption of the village budget is recorded to give the state losses up to Rp 32.3 billion. (Source: <https://nasional.kompas.com>). Likewise, the problem of problems in one of the districts in west Java, there are several cases of fraud committed by village government officials.

Several factors that influence Accounting Fraud Tendencies have been carried out in previous research including Wilopo (2009), examining factors on the Effectiveness of

Internal Control, Compensation Conformity, Adherence to Accounting Rules, Information Asymmetry, and Management Morality. Rahmaidha (2016), factors studied include: Effectiveness of Internal Control, Adherence to Accounting Rules and Job Satisfaction. Delfi et al, (2014) factors studied include Effectiveness of Internal Control and Compensation Suitability. Lailiyah (2016), examines the factors of Compensation Conformity, Procedural Justice, Law Enforcement/Regulation, Effectiveness of Internal Control, Ethical Culture of Management, and Organizational Commitment. Meliany & Hernawati (2013) factors studied include: Effectiveness of Internal Control, Compensation Suitability, Information Asymmetry, Adherence to Accounting Rules, and Management Morality. Based on previous research, the factors studied in this study include: Compensation Suitability, Effectiveness of Internal Controls, Ethical Culture of Organization, and Adherence to Accounting Rules. The reason for this study only takes four factors that influence accounting fraud because the results of previous studies that vary make researchers want to examine the influence of these four factors on accounting fraud tendencies.

The tendency of accounting fraud can be minimized by providing appropriate compensation to employees, conducting effective internal controls, establishing an ethical culture in the organization, and implementing the observance of accounting rules. This is a development of the fraud diamond theory. The pressure element is indicated by the conformity of compensation, opportunity is indicated by the effectiveness of internal control, rationalization (rationalization) indicated by the ethical culture of the organization, and capability (capability) indicated by the observance of accounting rules.

Since the village fund, every village head and village device gets a steady income, allowances, and other receipts every month. Regulations on compensation received by the village government show that the welfare of village employees begins to be considered by the state in hopes of providing maximum service to the village community. Compensation received appropriately will make a person feel satisfied with his work and not cheat to maximize personal profit. While the provision of compensation that is not appropriate can trigger the act of accounting fraud tendency because the compensation provided is not balanced with the work done. Compensation can determine the employee's work motivation in his performance because it is related to the welfare of the employee's life. If the employee feels the compensation received is appropriate and welfare is met then the tendency to commit accounting fraud is small. Research conducted by Satriawan et al. (2016) Radhiah (2016) shows that with the conformity of compensation received by employees, employees or employees can complete the work well and on time. Research Indriastuti et al, (2016) mentioned that the compensation conformity negatively affects the tendency of accounting fraud which means that the higher the attention of the agency for the suitability of compensation received by its employees, the lower the level of tendency for accounting fraud.

Effective internal control in an agency is expected to reduce actions that deviate from the rules that apply for personal gain. A deviant act can be an accounting fraud. Accounting fraud that occurs is generally related to corruption. The tendency of accounting fraud can occur if internal controls in the agency do not run effectively. Because internal control does not work effectively resulting in the opening of opportunities for someone to commit acts of accounting fraud. To avoid this, agencies can increase the effectiveness of internal controls. If the internal control of an organization is weak then the possibility of error and fraud (fraud) is very large, conversely if internal control is strong then the possibility of errors and fraud can be minimized. Research Thoyibatun (2012), Rahmaidha (2016), and Lailiyah (2016), The effectiveness of Internal Control can be used to prevent and reduce the tendency of

accounting fraud that occurs in management, this shows that the more effective Internal Control in management, the lower the tendency of accounting fraud.

Organizational culture is a pattern of attitudes and behaviors expected of each individual group of organizational members, which as a whole will form an organizational culture that is in line with the goals and philosophies of the organization concerned. The village government is an organization that is steeped in local culture and wisdom. Unlike other organizations or other local governments. A good culture in the organization will create behavior in a member of the organization. If in an organization fraud is a natural or common thing then everyone in the organization will tend to commit fraud (fraud). The results of research Rae and Subramaniam (2008) employees / members of organizations in an ethical environment tend to follow the rules and behavior is morally acceptable. So that if there has been an ethical culture in an agency it can affect employees to commit fraud, which means that the better the organizational culture, the more fraudulent tendencies can be reduced. Adinda & Ikhsan (2015), said the organizational culture negatively affects the tendency of fraud (fraud).

Accountability is the accountability of the village government apparatus in managing village finances that must be informed to the community. Accountable financial management can minimize the occurrence of investment carried out by the village government apparatus so as to reduce fraud in the management of village funds. Saputra et al. (2019) research found that accountability can prevent fraud in management and villages. Research conducted by Adhivinna and Agustin (2021) revealed that accountability has a positive effect on the potential fraud of village funds.

Government Regulation No. 24 of 2005 in Thoyibatun (2009) explains that the rules used in accounting activities are financial accounting standards, while the Observance of Accounting Rules is the level of conformity of organizational asset management procedures, the implementation of accounting procedures and the presentation of financial statements and all supporting evidence, with rules that have been set by bpk or government accounting standards. Institution must comply with all guidelines in measuring and presenting financial statements based on applicable accounting standards so that opportunities for employees to commit accounting fraud are getting smaller. Conversely, if the agency does not comply with accounting standards in measuring and presenting financial statements, the chances of employees committing accounting fraud are higher. The observance of accounting rules affects activities related to accounting, if it runs well and smoothly will be able to produce accurate information for interested parties. Rahmaidha (2016) and Lailiyah (2016), the observance of accounting rules can be used to prevent and reduce the tendency of accounting fraud, this shows that the more obedient management to accounting rules, the lower the tendency of accounting fraud

2 Research Methodology

This study uses descriptive and verifiative methods. The population of this study is the entire village government in Karangsembung Subdistrict, Lemahabang Subdistrict, Astanajapura Subdistrict, and Gegesik Subdistrict in Cirebon Regency as many as 46 villages with the analysis unit of the Village Head, Village Secretary, Financial Kaur, and Chairman of the Village Consultative Agency (BPD) as many as 4 people so that the total analysis unit as much as $46 \times 4 = 184$ respondents. Determination of sample size using the formula slovin

obtained as much as 126 responde. Sampling method using proportionate stratified random sampling.

Measuring tools are used to determine compensation conformity data (variable X1), effectiveness of internal controls (variable X2), ethical culture of organization (variable X3), accountability (variable x4), adherence to accounting rules (variable X5) and accounting fraud tendency (variable Y) using the Likert scale. This scale is used to measure the attitudes, opinions, and perceptions of a person or group of people regarding social phenomena. Data collection techniques by spreading questionnaires / questionnaires to respondents. Technical data analysis using multiple regressions.

3 Results And Discussions

Table 1.Validity Test Results

| No item | CS | IC | EC | AC | CA | TF |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|
| | r-statistic | r-statistic | r-statistic | r-statistic | r-statistic | r-statistic |
| 1 | 0,486 | 0,762 | 0,856 | 0,483 | 0,759 | 0,374 |
| 2 | 0,646 | 0,745 | 0,831 | 0,573 | 0,675 | 0,378 |
| 3 | 0,716 | 0,742 | 0,898 | 0,630 | 0,805 | 0,710 |
| 4 | 0,826 | 0,619 | 0,955 | 0,523 | 0,852 | 0,657 |
| 5 | 0,832 | 0,762 | 0,824 | 0,570 | 0,727 | 0,633 |
| 6 | 0,676 | 0,745 | 0,864 | 0,634 | 0,672 | 0,551 |
| 7 | | 0,742 | | 0,722 | 0,748 | 0,692 |
| 8 | | 0,618 | | 0,685 | 0,794 | 0,695 |
| 9 | | | | 0,523 | 0,772 | 0,695 |
| 10 | | | | 0,613 | 0,794 | |

Source: SPSS output data

Based on the table above shows that all the values of statement items for each variable show greater than the table r 0.147. Thus, the statement items for each variable are declared valid.

Table 2.eliability Test Results

| Variable | Nilai Cronbach's Alpha | N of items | Keterangan |
|----------|------------------------|------------|------------|
| CS | 0,794 | 6 | Reliabel |
| IC | 0,865 | 8 | Reliabel |
| EC | 0,936 | 6 | Reliabel |
| AC | 0,799 | 10 | Reliabel |
| CA | 0,918 | 10 | Reliabel |

| | | | |
|----|------|---|----------|
| TF | 0,78 | 9 | Reliabel |
| | 0 | | |

Source: SPSS output data

Based on the table above it is seen that the reliability test results for each variable show greater than 0.7 so it is concluded that each variable meets the reliable criteria.

Table 3. Multiple Regression

| | coefficient | t | Sig. |
|------------------------------|-------------|--------|------|
| CS | -,565 | -5,499 | ,000 |
| IC | -,190 | -2,282 | ,024 |
| EC | -,043 | -,525 | ,600 |
| AC | -,074 | -1,468 | ,145 |
| CA | -,035 | -,582 | ,056 |
| Coefficient of determination | | | |
| <i>Adjusted R Square</i> | <u>.376</u> | | |
| Test Fit Model | 6,858 | | ,000 |
| <i>Fstatistic</i> | | | |

Source: SPSS output data

The results of statistical calculations obtained an Adjusted R Square coefficient of determination of 0.376, meaning that 37.6 percent of the variation in variable changes in accounting fraud trends can be explained by variations in changes in compensation suitability, internal control, ethical culture, transparency and compliance of accounting rules while 62.4 percent can be explained by other variables that are not studied.

The statistical calculation results obtained a compensation conformity significance value of 0.000 smaller than the alpha value of 0.05 with the calculated t having a negative coefficient direction. Thus H0 was rejected and Ha was accepted, meaning that the suitability of compensation had a significant negative effect on the tendency of accounting fraud.

The statistical calculation results obtained an internal control significance value of 0.024 smaller than the alpha value of 0.05 with the calculated t having a negative coefficient direction. Thus H0 is rejected and Ha is accepted, meaning that internal control has a significant negative effect on the tendency of accounting fraud.

The statistical calculation results obtained an ethical cultural significance value of 0.600 greater than the alpha value of 0.05 with t calculated to have a negative coefficient direction. So H0 was rejected and Ha was accepted, meaning that the ethical culture negatively influenced the tendency of accounting fraud.

The statistical calculation results obtained a value of accountability significance of 0.145 greater than the alpha value of 0.05 with t calculate has a negative coefficient direction. So H0 was rejected and Ha was accepted, meaning that accountability negatively affects the tendency of accounting fraud.

The statistical calculation results obtained a compensation conformity significance value of 0.562 greater than the alpha value of 0.05 with the calculated t having a negative coefficient direction. So H0 was rejected and Ha was accepted, meaning that compliance with accounting rules negatively affects the tendency of accounting fraud.

4 Discussion

The suitability of compensation has a negative and significant effect on the tendency of accounting fraud. This means that the more appropriate compensation given to the village government apparatus, the less it will reduce the tendency of accounting fraud. Appropriate compensation can minimize the occurrence of the tendency of accounting fraud because an employee will be satisfied with the rewards that have been given by the organization. However, the compensation provided is still considered less because it is influenced by pressure and opportunity factors that can cause someone to commit fraud. Research Indriastuti et al., (2017) and Lu & Abeysekera, (2014) mentioned that the suitability of compensation negatively affects the tendency of accounting fraud which means that the higher the attention of the agency for the suitability of compensation received by its employees, the lower the level of tendency for accounting fraud..

Internal controls negatively and significantly affect the tendency of accounting fraud. This means that the better the internal controls applied by the village government, the better in minimizing the occurrence of accounting fraud tendencies. The village government apparatus must carry out procedures in carrying out duties and managing village finances so that acts of abuse of authority can be minimized. In addition, effective internal controls can reduce the chances or opportunities that village government officials have for accounting fraud. Research Rahmaidha (2016) and Lailiyah (2016) Internal Control can be used to prevent and reduce the tendency of accounting fraud that occurs in organizations.

The ethical culture of the organization partially negatively affects the tendency of accounting fraud. This means that the better the village government apparatus implements an ethical culture, the lower the tendency of accounting fraud. The ethical culture run by the village government apparatus will make the atmosphere conducive in carrying out the work. In addition, the village head has a role in carrying out an ethical culture. But on the contrary, if the village head abuses his authority by committing acts of fraud, then this will be followed by his subordinates so as to trigger an unethical culture. Research conducted by Adinda & Ikhsan (2015), said organizational culture negatively affects the tendency of fraud (fraud).

Accountability negatively affects the tendency of accounting fraud. This means that the more accountable the village's financial reporting, the lower the tendency for accounting fraud. The village government is required to be accountable and transparent in managing village finances.

Compliance with accounting rules negatively affects the tendency of accounting fraud. This means that the more obedient to accounting rules, the less the tendency of accounting fraud. The effect of the observance of accounting rules on the tendency of accounting fraud is caused by pressure factors experienced by employees in an agency. Pressure to achieve a predetermined target management can make someone do everything such as manipulation, falsification of documents and all accounting fraud to achieve those targets. Research by Rahmaidha (2016), and Lailiyah (2016) suggested that compliance with accounting rules negatively affects the tendency of accounting fraud. Compliance with accounting rules can be used to prevent and reduce the tendency of accounting fraud. Compliance accounting rules can be used to prevent and reduce the tendency of accounting fraud, this shows that the more obedient management to accounting rules, the lower the tendency of accounting fraud.

5 Conclusion

The results found that compensation conformity, internal control, ethical culture, transparency and compliance of accounting rules negatively affect the tendency of accounting fraud. Appropriate compensation can minimize the tendency for accounting fraud. The village government apparatus must implement good internal control in managing the organization. In addition, to minimize the act of fraudulent tendencies must follow an ethical culture by the village government apparatus so that it will make the atmosphere conducive in carrying out work and disclose information on village financial statements transparently.

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