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Abstract

Accounting fraud can occur in the private and government sectors. This study aims to test and analyze the factors that affect accounting fraud in the Paser Regency Regional Apparatus. The population consists of 218, with a sample of 87 respondents consisting of the head of the agency/agency, secretary, head of finance, and officials involved in using funds and preparing financial statements. Data were collected through questionnaires measured using the Likert scale and analyzed by regression analysis using SPSS 25. Based on the results of the analysis, it was found that the variable perception of compensation suitability negatively affects accounting fraud. While information asymmetry, internal control, individual morality, observance of accounting rules, and internal audit do not affect accounting fraud. The Paser Regency government should close the opportunity for fraud by tightening financial management and reporting supervision, paying attention to and maintaining compensation adjustments, including incentives and other benefits to minimize fraud.

Introduction

Fraud can occur in both the private and public sectors. Fraud in the private sector occurs due to mismanagement of financial resources, while fraud in the government sector occurs through leakage from the state budget (APBN) (Thoyibatun, 2012). The Association of Certified Examiners (ACFE) classifies accounting fraud into three main categories: a. Asset misappropriation, which involves the misappropriation of assets, particularly the theft or misuse of company assets; b. Fraudulent statement is fraud involving misrepresentation or embezzlement in financial statements to the detriment of investors or creditors; c. Corruption, which is the abuse of power for personal gain (Tuanakotta, 2010).

The government is a public sector organization that aims to serve the community. Local governments have the responsibility to manage local resources appropriately to provide quality public services. One of them is prioritizing the principles of accountability and transparency in managing expenses and revenues in the financial reporting of institutions. But in reality, several cases of accounting fraud have occurred in government agencies. Various new tactics are used to make traces of fraud more difficult to detect, especially when the fraud is collaborative and organized (Emirzal et al., 2023).

There is a research phenomenon between the BPK opinion results, which explains that the Paser Regency government received WTP opinion for two consecutive years, namely 2020 and 2021, with the Audit Report (LHP) on the Paser Regency Local Government Financial Report (LKPD) which states that there are still findings of weaknesses in the internal control system over financial statements and non-compliance with legislation. One form of government accountability to the public is to report finances by financial activities in government agencies (Lestari & Supadmi, 2017).

Follow-up efforts on recommendations from BPK to the Paser Regency Government have not been implemented optimally in the last ten years. Based on sources from the LHP on the 2021 LKPD of Paser Regency, the resume of monitoring results shows that in the last ten years, the number of findings was 235, and the number of recommendations was 538. Based on the number of recommendations, 452 recommendations have been complied with, 63 recommendations that have not been complied with/completed, 18 recommendations that have not been followed up, and five recommendations that cannot be followed up. In 2020 and 2021, the findings decreased from 21 to 15 findings, but it does not rule out the possibility of fraud because there are still follow-up results that are not appropriate (Badan Pemeriksa Keuangan, 2021 & 2022). Based on the description, it can be said that the support and participation of all parties in the implementation of TLHP as a form of accountability is still not optimal.

This study is a development of the research by Indriastuti et al. (2016) which examines related to information symmetry, internal control, compensation suitability, individual morality, and rule compliance. In this study, the authors added internal auditor variables by research Saputra, (2017), Batkunde and Dewi (2022) and Riana et al. (2021). So, based on the research phenomenon and research gap described above, the purpose of this study is to test and analyze information asymmetry, internal control, perceived compensation suitability, individual morality, adherence to accounting rules, and internal audit on accounting fraud. The targets of this study were structural officials of the Paser Regency regional apparatus organization who had the authority and responsibility to participate in the use of budget funds, as well as employees who carried out tasks related to the preparation of financial statements. This study is expected to be an input for Paser Regency government authorities in making decisions to reduce accounting fraud in the government environment.

Literature Review

Agency Theory

Jensen and Meckling (1976) proposed agency theory to explain principal-agent relationships where individuals and organizations have different interests and conflicts. The relationship between agency theory and this research is to explain how information asymmetry, control, and internal audit affect accounting fraud. Agency theory provides a framework for understanding how conflicts of interest and information asymmetry can trigger fraud. Internal control and internal audit act as mechanisms to reduce these risks. Thus, the relationship between agency theory, information asymmetry, internal control, and internal audit is very close and has significant implications for the quality of financial information and the sustainability of an organization.

The Paser Regency Regional Government is the agent who runs the affairs of public service delivery. The Paser Regency representative council, as an agent, provides a mandate for financial management that comes from the community. Meanwhile, the community can only see the results of the performance that the local government has done without seeing the whole process carried out by the government to realize community welfare. This causes information asymmetry, and the amount of information owned by the agent opens up opportunities for fraud to prioritize personal interests.

Conflicts between principals and agents can be monitored against agent behaviour. Internal control is a form of monitoring government behaviour to reduce agency costs, namely preventing

accounting fraud. The form of internal control in the government sector is by conducting internal supervision over the implementation of the main duties and functions of government agencies by the Government Internal Supervisory Apparatus (*APIP*). Internal control is an important element in the application of agency theory in local government. By implementing a strong internal control system, local governments can build accountability, improve efficiency and effectiveness, and strengthen public trust.

Conflicts between principals and agents occur due to the problem of distrust of principals to agents. This distrust always exists because of the difference in budget and realization in the use of public funds, which results in the need for an audit. The agent, as the party assigned by the principal, needs to be supervised, examined, and evaluated so that its effectiveness can be measured both operationally and financially. The role of audit is needed to see the accountability of the agent and the level of trust of the principal to the agent (Effendy, 2013).

Attribution Theory

Attribution theory was developed by Heider (1958) states that individual behaviour is determined by a combination of internal focus and external forces, factors within the individual such as ability and effort. Components are determined externally, such as performance or success issues. Attribution theory is a process of how a person understands an event and has an impact on changes in his behaviour (Ikhsan & Ishak, 2005).

The relationship between attribution theory and this study is to explain the perception of compensation suitability, individual morality, and adherence to accounting rules that affect accounting fraud. Attribution theory explains how a person interprets an event, reason, or cause of his behaviour. Based on this, it is influenced by external forces, namely factors that come from outside, such as difficulties in work or luck. Individuals can commit fraud due to difficulties in their work, namely, the compensation received is not suitable to meet their needs. Inappropriate compensation makes individuals commit fraud for personal gain. Compensation is a factor that affects a person's tendency to commit fraud.

Attribution theory explains that there are reasons underlying or behind a person's behaviour, which can be related to individual morality. A person with a low level of morality tends to commit fraud when under high pressure of need. Conversely, people with a high level of morality will avoid cheating. The level of morality affects a person's tendency to commit fraud. Attribution theory explains that the attributes of the cause can determine a person's behaviour. In public sector organizations, presenting financial reports is a form of accountability to the public. In its presentation, of course, the agency wants to look good and match the performance in the field where which can encourage the agency to commit fraud. Failure to prepare financial statements is caused by disobedience to accounting rules. Financial reports not prepared based on applicable accounting will provide opportunities for fraud. With accounting rules, deviant actions and harm to the organization can be avoided.

Fraud Hexagon

Fraud hexagon includes six perspectives, namely stimulus/pressure, opportunity, rationalization, ability, arrogance, and collusion. Stimulus arises when management faces financial and non-financial pressures such as high financial needs, the need to report better results to meet targets (especially in times of crisis), frustration related to the work environment, professional aspirations, and the desire to achieve something as soon as possible is an impetus behind someone committing fraud (Vousinas, 2019)

A person cannot commit fraud without an opportunity. Opportunities arise due to weak internal control in the organization. However, even though internal control is good, it does not rule out the possibility that fraud will occur. Rationalization is the attitude of justifying fraud as

reasonable behaviour and morally acceptable to society. This is done to calm the feelings of the person concerned so that if done, it does not cause fear in him. Rationalization is the condition of the fraud triangle that is most difficult to measure. The perpetrator rationalizes his fraudulent actions by looking for justification before committing his crime (Sari & Lestari, 2020).

Most fraud will not occur without the right people who can commit fraudulent acts. A person's position or function in the organization can give him the ability to create or take advantage of his position to commit fraud (Wolfe & Hermanson, 2004). So, it can be said that capability is a risk factor that encourages someone to commit fraud (Sari & Lestari, 2020).

Vousinas (2019) suggests that the ego is morally driven, so individuals cannot function properly. Selfishness arises due to self-interest or a large selfish attitude in management, which causes the nature of the ego to be greater. According to Vousinas (2019), collusion refers to a deceptive agreement or compact between several individuals for a particular party with bad intentions, such as cheating a third party out of his rights with his ability to take advantage of another's position or take advantage of the victim. Collusion plays an important role in financial statement fraud. When collusion increases, the potential for fraud will be higher (Jannah et al., 2021).

The Effect of Information Asymmetry on Accounting Fraud

Accounting fraud in government agencies arises from information asymmetry, which usually occurs during budgeting and preparation of regional financial reports. Information asymmetry increases the possibility of manipulating financial statements (Nita & Supadmi, 2019). As explained in agency theory, conflicts between agents and principals can occur due to differences in interests. Information asymmetry that occurs between principals and agents encourages agents to present information that is not true, especially if the information is related to measuring agent performance (Rahmawati, 2012). Information asymmetry provides an opportunity for management to commit fraud because the information provided does not match the information needed. The status or position held by individuals makes it easier for individuals to collude to achieve their interests. Agents utilize this situation by manipulating financial reports which ultimately benefits themselves. The higher the information asymmetry that occurs between agents and principals, the higher the accounting fraud. Based on this description, the hypothesis is proposed as follows:

H1: Information asymmetry affects accounting fraud.

The Effect of Internal Control on Accounting Fraud

Fraud that occurs in an organization may be caused by internal controls that are not functioning properly. When an organization's internal control system is inadequate, it creates opportunities for employees to take advantage of the situation. Usually, those who take advantage of this opportunity are those who can control the situation for personal gain. A person's position or position in an organization can give them the ability to use their position in dealing with situations (Sari & Lestari, 2020). This condition can be controlled by organizational management with an effective internal control system (Hidayat, 2018).

To prevent fraud committed by agents, the government must supervise the performance of agents with an effective control system. The form of internal control in the government sector is by conducting internal supervision over the implementation of the main duties and functions of government agencies by APIP. With an effective control system, it can minimize deviant behaviour by employees to maximize personal interests (Robani & Halimatusyadiah, 2021). Therefore, it is suspected that the more effective the government's internal control system is, the lower the level of someone's tendency to commit accounting fraud. Internal control affects accounting fraud; the more effective internal control in an agency, the lower the possibility of accounting fraud (Wilopo, (2006); Indriastuti et al., 2016). Based on this description, the hypothesis is proposed as follows:

H2: Internal control affects accounting fraud.

The Effect of Perceived Compensation Suitability on Accounting Fraud

Compensation is any reward given to employees in return for their contribution to the organization (Robani & Halimatusyadiah, 2021). According to Utami (2018), it is hoped that with appropriate compensation, individuals will feel satisfied and not commit accounting fraud to maximize personal gain. Often, employees commit fraud because they are dissatisfied or disappointed with the compensation received for their actions. Compensation mismatch is one of the fatal consequences that can lead to accounting fraud. Therefore, compensation is one aspect that affects a person's tendency to commit fraud (Dasuki & Yudawati, 2022).

As attribution theory explains, a person's actions/behaviour are influenced by a cause. Fraud committed by someone due to dissatisfaction or disappointment with the compensation received is inappropriate and can lead to a rationalization attitude. The fraud perpetrators believe or feel that their actions are right because they have done much for the organization (Priantara, 2013). Compensation suitability affects accounting fraud; the more appropriate the compensation received by employees will reduce the level of accounting fraud (Indriastuti et al., 2016; Hidayat, 2018) state that. Based on this description, the hypothesis is proposed as follows:

H3: Perceived compensation suitability affects accounting fraud.

The Effect of Individual Morality on Accounting Fraud

Individual morality is closely related to the situation, which is reflected in the high and low morals of individuals. People with low levels of moral reasoning tend to act when under high pressure of need. Conversely, people with a high level of moral reasoning prioritize the people around them and minimize fraud (Adyaksana & Sufitri, 2022). Attribution theory states that individual behaviour is motivated by causal attributes. When individuals have low morality, it encourages them to behave unethically. Low morale creates a rationalization attitude that encourages someone to commit accounting fraud (Anastasia, 2014).

Vousinas (2019) suggests that a person's low ethical standards are determined by his ego. Therefore, a person's moral level has a significant influence on a person's tendency to commit accounting events (Suarniti & Sari, 2020). Indriastuti et al. (2016) state that individual morality affects the tendency of accounting fraud; the higher the individual morality, the lower the level of accounting fraud. Based on this description, the hypothesis is proposed as follows:

H4: Individual morality affects accounting fraud.

The Effect of Adherence to Accounting Rules on Accounting Fraud

Thoyibatun (2012) explains that to produce transparent and accountable financial reports, agencies must comply with all provisions of accounting regulations regarding financial management and financial reporting through accounting compliance. Financial reports that are not prepared by applicable accounting standards lead to accounting fraud and hurt users of financial statements (Suhardi et al., 2018). Accounting rules help avoid deviant behaviour that harms the organization. Therefore, being more compliant with accounting rules can avoid accounting fraud.

Attribution theory underlies that a person can personally influence his performance and behaviour through his abilities, skills, and efforts (Ikhsan & Ishak, 2005). In this case, only someone who has a position or position can do it. As explained by (Wolfe & Hermanson, 2004), most fraud will not occur without the right people who can commit fraud. Prihandoko & Rusdi (2020) state that adherence to accounting rules affects accounting fraud. By complying with accounting rules, it will create transparent and accountable financial reports. In line with the results of the research by Batkunde & Dewi (2022), the higher the compliance of an agency with applicable accounting rules, the lower the fraud in the organization. Based on this description, the hypothesis is proposed as follows:

H5: Adherence to accounting rules affects accounting fraud.

The Influence of Internal Audit on Accounting Fraud

According to Bu (2006), the presence of an adequate internal audit can minimize any deficiencies or errors and other actions that may harm the institution as much as possible. Internal audit plays a very important role in supporting the effectiveness of internal control implementation. Through this function, it can ensure that all procedures, methods, or ways that are part of internal audit can be carried out as they should. The role of auditing is crucial in overseeing agents in their responsibilities regarding the use and management of regional finances. The findings from the audit can demonstrate how agents fulfill their responsibilities over a budget year.

Inadequate internal audits cause the possibility of accounting fraud occurring. Fraud can be prevented or minimized if internal audits are conducted properly and internal controls are implemented according to the standard procedures of an organization. Fraud can be avoided if internal audits can identify potential fraud. On the other hand, if internal audits fail to detect the possibility of fraud, it can lead to an event that may negatively impact government agencies. If internal audits cannot identify fraud, that situation could occur. The better the quality of internal audits, the more fraud can be avoided (Putri & Suryono, 2016). Saputra (2017) and Batkunde & Dewi (2022) state that internal audits impact accounting fraud. (Utami (2018) found that the better the internal audit implemented by an institution, the more it can reduce the potential for accounting fraud. Based on the description, the hypothesis proposed is as follows:

H6: Internal audits affect accounting fraud.

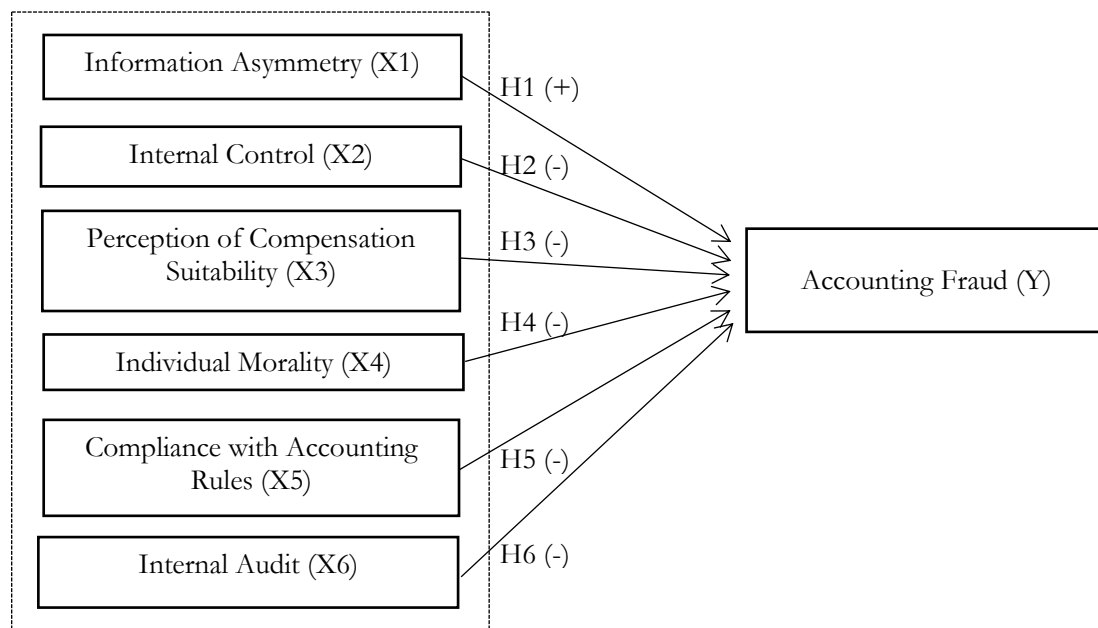


Figure 1. Conceptual Framework

Research Method

This research is quantitative, using a survey method with a questionnaire technique. The survey is designed to address the issues being studied. Respondents' opinions are measured using a Likert scale of 1 to 5. Multiple regression analysis, assisted by SPSS 25, is employed for data analysis. The population consists of structural officials, including heads of departments/subdivisions, secretaries, budget division officers, treasury division officers, accounting division officers, and asset division officers from 28 regional government organizations (OPDs) comprising 218 individuals. A sample of three individuals from each of the 28 regional government organizations of Paser Regency was selected using purposive sampling, resulting in a total sample size of 87 respondents who met the specified criteria.

Results and Discussion

A total of 87 questionnaires were distributed, and 80 were returned. Of the 87 questionnaires distributed, 80 were returned, and seven were not returned. The unreturned questionnaires were due to respondents failing to return them within the designated timeframe or being unwilling to complete them. Based on the characteristics of the respondents involved in this research, most participants were over 50, totaling 53 individuals or 66.25%. The second largest group was aged between 41 and 50, consisting of 20 individuals or 25%. In terms of position, the largest number of respondents held the roles of department heads or secretaries of the departments, totaling 28 individuals or 35% of the total respondents. Regarding gender, most respondents were male, with 43 individuals or 53.75% of the total respondents. As for education, most respondents held a Bachelor's degree, with 42 individuals or 52.5%. This indicates that responsibilities are entrusted to highly qualified human resources, leading to improved decision-making. Regarding the respondents' length of service, the majority had worked in the regional government organizations of Paser Regency for more than ten years, totaling 69 individuals or 86.25%.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Information Asymmetry	80	32	62	51.51	6.171
Internal Control	80	47	65	56.64	5.151
Perception of Compensation Suitability	80	23	39	31.91	3.862
Individual Morality	80	46	65	56.04	4.905
Compliance with Accounting Rules	80	52	75	64.00	6.152
Internal Audit	80	58	75	64.36	5.015
Accounting Fraud	80	49	70	60.94	6.157
Valid N (listwise)	80				

Source: Output SPSS (2023)

Classical Assumption Test

The classical assumption test was conducted with tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. The data obtained met the criteria for analysis using multiple linear regression models.

Multiple Regression Analysis

Table 2. Multiple linear regression analysis results

H	Variable	Coefficient	t-count	t-table	Sig.	Note
H1.	Information Asymmetry to Accounting Fraud	0,22	0,242	1,993	0,810	Not Supported
H2.	Internal Control of Accounting Fraud	0,397	3,201	1,993	0,002	Supported
H3.	Perception of Compensation Suitability to Accounting Fraud	-0,359	-2,112	1,993	0,038	Not Supported
H4.	Individual Morality to Accounting Fraud	0,447	3,835	1,993	0,000	Supported
H5.	Compliance with Accounting Rules for Accounting Fraud	0,190	1,880	1,993	0,064	Not Supported
H6.	Internal Audit to Accounting Fraud	0,353	3,270	1,993	0,002	Supported

Source: Output SPSS (2023)

Based on the results of the multiple linear regression analysis, the equation was found: $Y = -11,134 + 0,022 (X1) + 0,397 (X2) - 0,359 (X3) + 0,447 (X4) + 0,190 (X5) + 0,353 (X6) + e$.

The Influence of Information Asymmetry on Accounting Fraud

The test results show that the regression coefficient for information asymmetry on accounting fraud is 0.022 with a significance of 0.810, greater than 0.05. Therefore, information asymmetry does not affect accounting fraud, meaning the first hypothesis is rejected. This implies that information asymmetry does not influence accounting fraud in the Regional Government Organizations (OPD) of the Paser Regency.

These findings are inconsistent with the research by (Indriastuti et al., 2016), which revealed that information asymmetry has a significant positive effect on accounting fraud. However, this research aligns with the study by (Robani & Halimatusyadiah, 2021), which stated that information asymmetry does not affect accounting fraud. According to (Robani & Halimatusyadiah, 2021), the presence or absence of information asymmetry does not affect accounting fraud. When the information held by superiors and subordinates is equal, it is better for achieving organizational goals. Agency theory explains that problems arise due to information gaps between agents and principals (Jensen & Meckling, 1976). The existence of information asymmetry provides opportunities for employees to commit fraud. In this study, information asymmetry does not affect accounting fraud because there is no information gap between agents and principals. According to (Robani & Halimatusyadiah, 2021), the presence or absence of information asymmetry does not influence accounting fraud. If both superiors and subordinates possess the same information, it is even better for achieving organizational goals.

The Influence of Internal Control on Accounting Fraud

The test results show that the regression coefficient for internal control on accounting fraud is 0.397 with a significance of 0.02, less than 0.05. The regression coefficient indicates a significant positive value, meaning that internal control influences accounting fraud, and the second hypothesis is accepted. Effective internal control will reduce the occurrence of accounting fraud. This finding contradicts Indriastuti et al. (2016), who found that internal control negatively affects accounting fraud. However, this study is in line with (Laoli, 2022), who stated that internal control positively influences accounting fraud, meaning that the higher the internal control, the lower the occurrence of accounting fraud.

It should be noted, however, that even though internal control is effectively implemented, accounting fraud can still occur due to other factors, such as unethical behavior that leads individuals to commit accounting fraud (Ahriati et al., 2015). This can also happen because individuals are satisfied with the compensation they receive from the institution. This satisfaction enables individuals to work honestly, perform their duties well, and provide relevant information by actual conditions (Robani & Halimatusyadiah, 2021). In connection with the fraud hexagon theory, the positive influence on accounting fraud is driven by pressure, opportunity, rationalization, capability, ego, and collusion, which affect accounting fraud even though internal control is effectively implemented (Vousinas, 2019).

The Influence of Perception of Compensation Appropriateness on Accounting Fraud

The test results show that the regression coefficient for the perception of compensation appropriateness on accounting fraud is -0.359 with a significance of 0.038, less than 0.05. This means that the perception of compensation appropriateness negatively affects accounting fraud, and the third hypothesis is rejected. This finding is consistent with the research by Indriastuti et al. (2016), which stated that the perception of compensation appropriateness negatively affects

accounting fraud. However, the results are consistent with (Anastasia, 2014), who found that the perception of compensation appropriateness does not influence accounting fraud.

Attribution theory states that an individual's actions within an organization are influenced by causal attributes (Ikhsan & Ishak, 2005). Fraudulent actions are driven by the desire to maximize personal gain. The test results on the variable of compensation appropriateness perception also support the fraud hexagon theory, which explains six factors that cause individuals to commit accounting fraud: pressure/stimulus, opportunity, rationalization, capability, arrogance, and collusion. Appropriate compensation is expected to reduce the desire to commit fraud. Inadequate compensation can pressure employees, leading them to engage in deviant behaviour such as fraud. Employees who perceive their salary as appropriate will be satisfied and less likely to commit fraud Indriastuti et al., (2016).

The Influence of Individual Morality on Accounting Fraud

The test results show that the regression coefficient for individual morality is 0.447 with a significance of 0.000, which is less than 0.05. The regression coefficient indicates a positive value, meaning that individual morality significantly influences accounting fraud, and the fourth hypothesis is accepted. The regression analysis results show that individual morality positively influences accounting fraud. This finding is consistent with Indriastuti et al. (2016), which stated that the higher the level of individual morality, the lower the level of accounting fraud. Nurjanah & Setiawan (2021) also found that individual morality positively influences accounting fraud.

When linked to the fraud hexagon theory, the positive relationship with accounting fraud suggests that individuals with high moral reasoning are still driven to commit fraud due to pressure and opportunity. The fraud hexagon theory states that pressure arises when management faces financial and non-financial pressures such as high financial needs, the need to report better results to meet targets (especially during crises), frustration with the work environment, professional aspirations, and the desire to achieve goals quickly. Opportunity is influenced by factors such as the nature of the industry, ineffective management oversight, and a complex or unstable organizational structure (Vousinas, 2019).

The Influence of Adherence to Accounting Rules on Accounting Fraud

The test results show that the regression coefficient for adherence to accounting rules is 0.190 with a significance of 0.064, which is greater than 0.05, leading to the rejection of the fifth hypothesis. The results indicate that higher adherence to accounting rules increases the likelihood of accounting fraud, meaning that even when individuals comply with established regulations, they may still seek loopholes to commit fraud for personal gain.

Laoli (2022) found that higher adherence to accounting rules increases the likelihood of accounting fraud, meaning that even when individuals comply with established regulations, they may still seek loopholes for personal gain. Wolk & Tearny (1997) explain that failing to comply with accounting rules in financial reporting leads to corporate fraud that auditors may not detect. Such undetectable fraud shows that adherence to rules does not affect accounting fraud. Koentjaraningrat (2008) suggests that people tend to have a mentality that seeks to achieve goals quickly without much effort, step by step. This can be interpreted as a desire for instant results without going through difficult processes, leading to undisciplined behaviour and the perception that it is acceptable to achieve something even if it requires breaking the rules. According to the fraud hexagon theory, high adherence to accounting rules does not necessarily reduce accounting fraud because there is pressure within the institution to present financial reports that comply with accounting regulations, which can encourage document manipulation and falsification so that the financial reports appear favourable and reflect the institution's financial condition in line with its objectives (Kusumastuti, 2012).

The Influence of Internal Audit on Accounting Fraud

The test results show that the regression coefficient for internal audit on accounting fraud is 0.353 with a significance of 0.002, less than 0.05. The regression coefficient indicates a positive value, meaning that internal audit positively influences accounting fraud, and the sixth hypothesis is accepted.

This finding contradicts the studies by Saputra (2017) and Batkunde and Dewi (2022), which found that internal audit negatively affects accounting fraud. Riana et al. (2021) also found that internal audit does not negatively affect accounting fraud. According to the fraud hexagon theory, agents are likely to commit fraud due to pressure to make the presented financial statements look good and beneficial. This situation is very likely due to the opportunity for government institutions to commit fraud that benefits individuals ((Vousinas, 2019). Internal auditors must receive support from relevant parties within the organization when carrying out audit procedures. Cooperation is essential to provide accurate and accountable information. A good system and procedures are necessary to ensure the audit is conducted properly (Fernando & Sitorus, 2020).

Conclusion

Based on the results of this study, it is concluded that the testing and analysis results related to internal control, individual morality, and internal audit affect accounting fraud. In contrast, information asymmetry, perceived compensation suitability, and adherence to accounting rules do not affect accounting fraud.

Some implications that can be put forward from this research are that local governments need to pay attention to the balance of information provided to employees. Maintain the balance of information between superiors and subordinates to avoid individuals/groups that take advantage of information gaps for personal gain. By maintaining open communication, superiors and subordinates can avoid misunderstandings and conflicts of interest. Improving the internal control system aims to prevent irregularities in financial management. On the other hand, periodic compensation adjustments will increase employee job satisfaction and reduce the risk of fraud. A strict code of ethics will build a good work culture and prevent rule violations. Local governments must impose strict sanctions on employees who violate the rules to provide a deterrent effect. Adherence to government accounting standards will improve the quality of financial reports and transparency of regional financial management. Furthermore, related to the follow-up to the results of internal audits shows the commitment of local governments to improving governance.

This study has weaknesses in the form of research limitations. Research data collection techniques using questionnaires have limitations because respondents' answers do not show the actual situation, thus affecting the results of hypothesis testing of information asymmetry variables, internal control, perceptions of compensation suitability, individual morality, adherence to accounting rules, and internal audit of accounting fraud.

The suggestions for local governments are to close opportunities for fraud by not exploiting information gaps for personal gain by improving and maintaining an effective internal control system. Then, the compensation that employees are entitled to receive should be adjusted according to their performance, and compensation regarding incentives and other benefits should be given more attention to prevent accounting fraud. It is necessary to increase the internalization of character values, tighten and provide special supervision of local government financial management implementation, and increase compliance with laws and regulations. As well as streamlining the internal audit function, internal auditors must be independent, make job descriptions firmly and in writing, and receive support from various parties, both superiors and audited agencies. For future authors, it is better to add other data collection techniques, namely interviews so that the data obtained has a higher value and avoids differences in perception in

interpreting statements. Future research can add other variables related to accounting fraud, such as organizational culture and unethical behaviour

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