




Analysis of Factors Affecting The Tendency of Accounting Fraud with The Mediation of Ethical Behavior

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Article History

Received May 2017
Approved June 2017
Published July 2017

Keywords:

Behavior; Compensation;
Effectiveness; Fraud; Rules


Abstrak

Penelitian ini bertujuan untuk menguji dan menganalisis pengaruh kecenderungan kecurangan akuntansi, kesesuaian kompensasi, dan ketaatan aturan akuntansi terhadap kecenderungan kecurangan akuntansi dengan perilaku tidak etis sebagai variabel intervening. Populasi penelitian ini terdiri dari dinas di Kabupaten Kendal. Teknik pengambilan sampel menggunakan simple random sampling, diperoleh sebanyak 83 responden. Sampel penelitian ini menggunakan metode kuesioner. Analisis data yang digunakan adalah Structural Equation Modelling (SEM) dengan alat analisis SmartPLS 3.0. Hasil penelitian menunjukkan pengendalian internal yang efektif di dinas dapat mencegah timbulnya perilaku tidak etis yang mengarah pada kecurangan akuntansi. Kompensasi yang sesuai di dinas dapat mencegah perilaku tidak etis yang mengarah pada kecurangan akuntansi. Aturan akuntansi yang terdapat di dinas tidak dapat mencegah timbulnya perilaku etis yang mengarah pada kecurangan akuntansi. Simpulan dalam penelitian ini yaitu variabel keefektifan pengendalian internal, kesesuaian kompensasi, dan ketaatan aturan akuntansi memiliki pengaruh langsung terhadap perilaku tidak etis dan kecenderungan kecurangan akuntansi, sedangkan untuk keefektifan pengendalian internal dan ketaatan aturan akuntansi memiliki pengaruh tidak langsung melalui perilaku tidak etis sebagai variabel intervening terhadap kecenderungan kecurangan akuntansi.

Abstract

The purpose of this study was to examine the effectiveness of internal control, suitability compensation and obedience to accounting rules to Accounting Fraud Trends through unethical behavior. The population of this study consisted of working units, offices in Kendal. The sampling technique used was simple random sampling and gained 86 respondents in total. The method of collecting data was using questionnaire. The analysis method used was Structural Equation Modelling (SEM) with SmartPLS 3.0 as the analysis tools. The results showed an effective internal control in the office can prevent unethical behavior that lead to accounting fraud. Appropriate compensation in office can prevent unethical behavior that lead to accounting fraud. Accounting rules contained in the agency cannot prevent the emergence of ethical behavior that lead to accounting fraud. The conclusions of this research is the variable effectiveness of internal control, compliance compensation, and adherence to accounting rules have a direct impact on unethical behavior and tendencies of the accounting fraud, while for the effectiveness of internal controls and adherence to accounting rules have an indirect influence through unethical behavior as an intervening variable against the tendency of the accounting fraud.

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INTRODUCTION

Fraud or Accounting Fraud Tendency (KKA) in Indonesia has often happened, it is not spared from various media in Indonesia and even in the world. Mass media preach a lot the information so that many cases of KKA is considered not a secret anymore. The tendency of Accounting Fraud can even be found in State Universities (PTN) associated with inappropriately universities in managing finances (Shintadevi, 2015: 1), whereas in the private sector, KKA forms occur in the same case of inaccuracy in expending resources (Thoyibatun, 2009). The government sector is not spared from the many cases of accounting fraud. Accounting fraud has grown in many districts including Kendal district. The Bupati of Kendal, Central Java, Hendy Boedoro was charged with enriching himself or others using unexpected funds in the 2003 Kendal District Budget and part of Kendal General Allocation Funds in 2003, 2004 and 2005, as well as interest on time deposits, checking services and certiplus. His actions were detrimental to state finances worth Rp 28.393 billion. Hendy was also accused of receiving some money from project executors or contractors implementing projects financed by the Central Java Provincial Government and Kendal Regional Budget funds for the 2003-2005 period. Total prize money allegedly received by the defendant as much as Rp 24.314 billion (www.antikorupsi.org).

Attribution theory explains how one interprets an event, reason, or cause of his/her behavior. This theory argues that one's behavior is determined by a combination of internal forces, that is, factors that come from within a person, such as ability or effort, and external forces, that is, external factors, such as difficulties in work or luck. In its application to this study, external factors affecting the tendency of accounting fraud are the effectiveness of internal control, compensation suitability and obedience to accounting rules. As for the internal factor is unethical behavior. In general, accounting fraud is related to corruption. Such fraud occurs because there are several conditions as described in Tuanakotta (2007: 207) mention Fraud Triangle Theory that corruption is caused by 3 factors: pressure, opportunity, and rationalization. The action is carried out by management to commit a fraudulent act in an agency, the most important pressure is the economic demands in which employees will commit fraud to meet the economic needs, the opportunity itself means there is a situation in an agency or institution in which management can do acts of fraud and rationalization are the attitudes of institutions or agencies that rationalize fraudulent or dishonest acts. There are two types of fraud, namely external and internal. External fraud is a fraud committed by an outsider against a company / entity, such as a fraud committed by a customer to a business, a taxpayer against the government, while internal fraud is an illegal act committed by employees, managers and executives of the company they work in (Shintadevi, 2015). Such fraud will cause great harm to the organization or the institution itself.

Generally, accounting fraud is related to corruption. Such fraud occurs because there are several conditions as described in Tuanakotta (2007: 207) mention Fraud Triangle Theory that corruption is caused by 3 factors: pressure, opportunity, and rationalization. The action is carried out by management to commit a fraudulent act in an agency, the most important pressure is the economic demands in which employees will commit fraud to meet the economic needs, the opportunity itself means there is a situation in an agency or institution in which management can do acts of fraud and rationalization are the attitudes of institutions or agencies that rationalize fraudulent or dishonest acts. In corruption, the usual actions include bribery, conflicts of interest, unlawful gratification, and economic extortion. In addition to Accounting Fraud, there are several other factors such as unethical behavior that often occurs in Indonesia (Kusumastuti, 2012). Unethical behavior occurs due to the lack of management oversight so as to provide an opportunity for employees to perform unethical actions that adversely affect the company or government agencies. The incidence of unethical acts is caused by several factors such as the disappointment of

compensation that is not in line with the work done, disobedience to accounting rules can also lead to unethical behavior. To minimize the chances of unethical behavior, companies or government agencies should provide understanding for their employees in behaving well and ethically both internally and externally. Unethical behavior is a deviant behavior that a person does to achieve a certain goal. Unethical behavior can be abuse of position, abuse of power, abuse of resources of the organization (abuse resources), and behavior that do not do nothing (no action) (Thoyibatun, 2009). To obtain a good monitoring result, effective corporate internal control (Wilopo, 2006) is required. Internal effectiveness is also a factor influencing the existence of accounting fraud and unethical behavior. Effective internal control will close the chances of unethical behavior and a tendency to commit fraud.

The effectiveness of Internal Control is also a factor influencing the acts of accounting fraud and unethical behavior. A weak or loose internal control may provide an individual's opportunity to engage in unethical behavior that refers to accounting fraud that can harm an institution or agency. Therefore, an agency or institution must have an effective internal control system in which each activity undertaken by employees in the agency or institution get strict supervision. With the existence of effective internal control is expected to minimize unethical behavior that refers to acts of accounting fraud in an institution or agency that can harm the institution or agency itself (Shintadevi, 2015). Research of Thoyibatun (2009) examines the effect of internal control effectiveness and compensation suitability on unethical behavior and the tendency of accounting fraud. By using the variables affecting the effectiveness of internal controls, compensation suitability, unethical behavior and the tendency of accounting fraud, the study proves that the effectiveness of internal control negatively affects the unethical behavior and tendency of accounting fraud. Another case with the compensation system that has no effect on unethical behaviour but positively affects the tendency of accounting fraud.

Another factor that causes the rise of accounting fraud acts in Indonesia is the obedience to accounting rules. An agency or institution will commit acts of fraud because they are not guided by the applicable accounting rules. This phenomenon is seen in cases found by the Supreme Audit Agency (BPK) which states that the investigation result to 662 investigation objects there are as many as 3,452 cases valued at Rp 9.24 trillion which have financial impacts that are findings of disobedience to the provisions of legislation that resulted in losses of the State, potential losses of the State and a shortfall of revenue (CPC, 2014). PP RI No. 24/2005 on Government Accounting Standards states that the rules used in accounting activities are financial accounting standards, whereas obedience to accounting rules is seen as the level of conformity of the organizational asset management procedures, the implementation of accounting procedures and the presentation of financial statements along with all supporting evidence, determined by CPC and / or SAP.

In addition to the factors previously described, the compensation suitability is also one of the factors affecting unethical behavior and accounting fraud. In Panggabean research in (Dito, 2010) compensation can also be called an award and can be defined as any form of reward given to employees in exchange for the contribution they give to the organization. With appropriate compensation, unethical behavior and accounting fraud can be reduced. Individuals are expected to have gained satisfaction from such compensation and do not engage in unethical behavior and fraud in accounting to maximize personal gain (Kusumastuti, 2012). Compensation is a situation that affect on employee behavior, a person will tend to behave unethically and commit fraud to maximize profit for him. Usually employees will commit fraud because of the dissatisfied or disappointment with the results or compensation they receive for what has been done. With appropriate compensation is expected to minimize unethical behavior and acts of accounting fraud. The employee is expected to have gained satisfaction over the outcome or compensation he has

obtained and does not engage in unethical behavior and does not commit fraudulent actions to maximize his personal gain (Shintadevi, 2015).

H₁ : The Effect of the Effectiveness of Internal Control on the Tendency of Accounting Fraud

Attribution theory describes the process of how one interprets an event, reason, or cause of his/her behavior (Ikshan and Ikhsak, 2005). Effective internal control is expected to reduce an action that deviates from existing rules. The deviant act may be an accounting fraud. Accounting fraud can be bribery, conflicts of interest, economic extortion and so forth. Ineffective internal controls can lead to the tendency of accounting fraud to occur. Due to ineffective internal control, it opens up a person's opportunity to commit a fraud act that benefits himself. To close the opportunities for accounting fraud in an agency can effectively impose internal controls effectively.

H₂ : The Effect of Compensation suitability to the Tendency of Accounting Fraud

Attribution theory describes the process of how one interprets an event, reason, or cause of his/her behavior (Ikshan and Ikhsak, 2005). Jensen and Meckling (1976) in Wilopo (2006: 5) argue that compensation is expected to reduce the tendency of accounting fraud leading to corruption. The appropriateness of compensation given to employees for what they have done is expected to make the employee sufficient so as not to commit accounting fraud in order to maximize his personal profits where it would harm to the agency itself.

H₃ : The Effect of Obedience to Accounting Rules to the Tendency of Accounting Fraud

Kohlberg (1969) in Kusumastuti (2012) explain that management is oriented to the prevailing regulations, so that the obedience to accounting rules can form a high management morality and can decrease the tendency of accounting fraud committed by management, while Wolk and Tearney (1997: 93-95) in Wilopo (2006: 6) explain that failure to compile financial statements due to disobedience to accounting rules, where it will lead to fraud in the agency that cannot be detected by auditors. An agency or institution will commit acts of fraud because it is not guided by the applicable accounting rules. Vice versa, if the agency or institution upholds the obedience of applicable accounting rules then the tendency of accounting cheating will be reduced.

H₄ : The Effect of Effectiveness of Internal Control on Unethical Behavior

Attribution theory describes the process of how one interprets an event, reason, or cause of his/her behavior (Ikshan and Ikhsak, 2005). With proper internal control, it will reduce unethical actions. Unethical behavior occurs because of the emergence of a desire for personal interests and institutions. AICPA (1947) in Wilopo (2006) explains that internal control is very important, among others, to provide protection for the entity against human weakness and to reduce the possibility of mistakes and actions that are not in accordance with the rules. A weak or loose internal control may provide a person with an opportunity to engage in unethical behavior that can be detrimental to an agency or institution.

H₅ : The Effect of Compensation suitability to Unethical Behavior

Attribution theory describes the process of how one interprets an event, reason, or cause of his/her behavior (Ikshan and Ikhsak, 2005). Compensation is the thing that affects the actions and behavior of a person in the organization. The importance of compensation for employees is very influential on their behavior and performance. Appropriate compensation becomes a very important part for employee performance and organizational success (Wilopo, 2006). This opinion is supported by Wright (2003) in Wilopo (2006) who states that incentives, supervision and well-run systems can prevent unethical behavior done by employees.

H₆ : The Effect of Obedience to Accounting Rules on Unethical Behavior

Obedience to Accounting Rules is an obligation in the organization to comply with all the provision or rules of accounting in carrying out financial management and financial statement preparation in order to create transparency and accountability of financial management and financial reports produced is effective, reliable and accurate information. Roberts et al., (2002:23) in

Kusumastuti (2012) argue that the way the profession is organized, through among others the code of ethics, and adherence to accounting rules, will influence and control the behavior of corporate management. Thus, the more companies adhere to the accounting rules, the lower the unethical behavior of corporate management.

H₇ : The Effect of Unethical Behavior on the Tendency of Accounting Fraud

Unethical management behavior can affect the occurrence of accounting fraud. The more management performs unethical behavior, the higher the acts of accounting fraud they do. Wilopo (2006: 8) states that various accounting fraud committed by Enron, WorldCom, Xerox companies etc. in the USA due to unethical behavior done by management within the company. CIMA (2002) in Wilopo (2006) also argues that firms with low ethical standards have a high risk of accounting fraud.

H₈ : The Effect of the Effectiveness of Internal Control on the Tendency of Accounting Fraud through Unethical Behavior

The ineffectiveness of internal control within an agency can give opportunities and trigger employees to behave in an unethical manner that refers to acts of accounting fraud related to corruption such as bribery, conflicts of interest, unlawful gratification, and economic extortion in which it can harm institution or agency itself. Thus, the unethical behavior of employees caused by the ineffectiveness of internal control will affect the Tendency of Accounting Fraud.

H₉ : The Effect of Compensation suitability to the Tendency of Accounting Fraud through Unethical Behavior

Employee dissatisfaction and disappointment with the results or compensation earned in an agency can give opportunities and encourage employees to behave unethically that refers to accounting fraud action related to corruption such as bribery, conflicts of interest, unlawful gratification and economic extortion in which it could harm the institution or the agency itself. Thus, the unethical behavior of employees caused by the inconsistency of compensation received will have an effect on the Tendency of Accounting Fraud.

H₁₀: The Effect of Obedience to Accounting Rules on the Tendency of Accounting Fraud through Unethical Behavior

Disobedience to accounting rules in an agency can give opportunities and encourage employees to behave unethically that refers to accounting fraud action related to corruption such as bribery, conflicts of interest, unlawful gratification and economic extortion in which it could harm the institution or the agency itself. Thus, the unethical behavior of employees caused by the disobedience to accounting rules will have an effect on the Tendency of Accounting Fraud. The result of research conducted by Wilopo (2006) which studies on the Analysis of Factors Affecting on the Tendency of Accounting Fraud: a Study in Public Companies and State-Owned Enterprises in Indonesia. The results show that unethical behavior gives a significant and positive influence on the tendency of accounting fraud in the company. The lower the Unethical Behavior of management in public companies and State-Owned Enterprises in Indonesia, the lower the tendency of Accounting Fraud. The result of research conducted by Thoyibatun (2009) which studies about the Factors Affecting on Unethical Behavior and the Tendency of Accounting Fraud as well as Its Impact on Organizational Performance: State University of East Java under the auspices of the National Education Department and the Department of Religious Affairs. The results show that unethical behavior gives a positive influence on the tendency of accounting fraud. This is similar to the research conducted by Wilopo (2006) which states that unethical behavior has a positive effect on the tendency of accounting fraud.

The result of research conducted by Kusumastuti (2012) that analyzes the Factors Affecting on the Tendency of Accounting Fraud with Unethical Behavior as Intervening Variable. The results show that the effectiveness of internal controls, compliance compensation, obedience to accounting

rules, internal information asymmetry, and management morality have a significant negative effect on unethical behavior and accounting fraud tendency. The result of research conducted by Shintadevi (2015) which examines the Effect of Effectiveness of Internal Control, Obedience to Accounting Rule, and Compensation suitability Against Fraud Accounting Trend with Unethical Behavior as Intervening Variable At Yogyakarta State University. The results show that the effectiveness of internal control has a negative and significant effect on the unethical behavior and the tendency of accounting fraud, the obedience to accounting rules has a negative and significant effect on the unethical behavior and the tendency of accounting fraud, the compensation suitability has a negative and significant effect on the unethical behavior and the tendency of accounting fraud.

METHODS

This type of research used a quantitative approach with research design of hypothesis testing study. The research design of the hypothesis testing study aimed to analyze, describe, and get empirical evidence of relationship patterns between two or more variables, both correlation, causal and comparative (Wahyudin, 2015). This research also used intervening variable that was a variable that influenced the relationship between dependent variable and independent variables. The population in this research was all officer of agency worked in Kendal District Office. The amount of sample used in this research was 83 respondents. The variables of this research were the effectiveness of internal control, compensation suitability, obedience to accounting rules as independent, unethical behavior as intervening, and the tendency of accounting fraud as dependent, could be seen in Table 2. Data used in this study was the primary data obtained with the help of questionnaires instruments related research variables. Technique of collecting data used simple random sample that all member of population could be used as sample if homogeneous, and list member of population could be known for certain. Data analysis and hypothesis testing in this research used method of Structural Equation Model-Partial Least Square (SEM-PLS) with the SmartPLS 3.0 data analysis tool. SEM-PLS included an outer test model or measurement model showing how the manifest variable represented latent variables to be measured. Test of outer model or measurement model in it there were validity test and reliability test. The construct used in this research was valid and reliable because it had outer loading value above 0.5 for validity test and for reliability test each construct showed composite reliability value above 0.70. Both inner test model or structural model that examined the influence of latent variables with constructive variables. Tables of the study sample could be seen in Table 1.

Table 1. Acquisition Process of Research Sample

No	Questioner	Number
1	Sent questionnaire	96
2	Unreturned questionnaire	10
3	Returned questionnaire	86
4	Un-standard questionnaire	3
5	Processed questionnaire	83

Source: Primary data processed, 2016

Here was the definition of the variables used in this study:

Table 2. Operational Definition of Variables

Variables	Definition	Indicators	Measurement Scale
Tendency of Accounting Fraud (Y2)	Accounting fraud is a misappropriation / embezzlement or misconduct and may harm the users of the financial statements (Indonesian Institute of Accountants, 2001)	<p>The tendency to do manipulation, falsification or alter the accounting records or supporting documents.</p> <p>The tendency to misrepresent a presentation or omission of events, transactions, or information from financial statements.</p> <p>The tendency to commit incorrectly applied accounting principles intentionally.</p> <p>The tendency to make misrepresentation of financial statements due to the theft of assets</p> <p>The tendency to make false financial statement presentation due to undue treatment on</p>	Interval
Unethical Behavior (Y1)	The deviant behavior that a person did to achieve a certain goal. (Wilopo, 2006)	<p>Management behavior that misused position (abuse position)</p> <p>Management behavior that abused organizational resources (abuse resource)</p> <p>Management behavior that misused power (<i>abuse power</i>)</p> <p>Management behaviors that did not do anything (<i>no action</i>)</p>	Interval
Effectiveness of Internal Control (X1)	A process influenced by management created to give adequate confidence in achieving effectiveness, efficiency, adherence to the prevailing laws and regulations and the reliability of financial statements presentation. (PP No. 8 on Financial Reporting and Performance of Government Agencies, 2006)	<p>Control environment</p> <p>Risk assessment</p> <p>Control activities</p> <p>Information and communication</p> <p>Monitoring</p>	Interval
Obedience to accounting	An attitude of obedience to orders or rules that	<p>Terms of Disclosure</p> <p>Presenting information that was</p>	Interval

rules (X2)	have been made and agreed together with based on the accounting that has been applied to be able to implement financial management and the creation of accurate financial reports. (Shintadevi, 2015)	beneficial to the public interest Meeting prudential condition Meeting the concept of consistency of presentation Meeting the concept of presentation consistency	
Compensation suitability (X3)	employee satisfaction for what the institution gave to them either in the form of wages or salaries periodically in return for work that has been implemented (Kusumastuti, 2012)	Direct compensation Indirect compensation	Interval

Source: Primary data processed, 2016

RESULTS AND DISCUSSIONS

Hypothesis testing in this research was done by looking at Table of path coefficients for direct effect and Indirect Effect Table for indirect effect. Through the Table of path coefficients and Indirect Effects which contained t-statistical values and p-values could be known the direction of the relationship and significance of influence between variables based on the hypothesis built. The direct influence table was presented in Table 3 and the indirect effect table was presented in Table 4.

Table 3.Path Coefficient (Mean, STDEV, t-Values)

	Original Sample (O)	Significant Alpha α	P Values
KPI→KKA	-0.212	0.05	0.038
KK→KKA	-0.176	0.05	0.028
KAA→KKA	-0.480	0.05	0.000
KPI→PTE	-0.262	0.05	0.020
KK→PTE	0.213	0.05	0.211
KAA→PTE	-0.350	0.05	0.050
PTE→KKA	0.313	0.05	0.001

Source: Primary data processed, 2016

Table 4. Indirect Effect (Mean, STDEV, t-Values)

	Original Sample (O)	Significant Alpha α	P Values
KAA -> KKA	0.067	0.05	0.199
KAA -> PTE			
KK -> KKA	-0.151	0.05	0.001
KK -> PTE			
KPI -> KKA	-0.067	0.05	0.134
KPI -> PTE			

Source: Primary data processed, 2016

Based on the explanation of table above, the results of testing on the hypothesis in this study, it could be concluded that there were 7 accepted hypothesis and 3 rejected hypothesis. The results of hypothesis testing could be seen in Table 5.

Table 5. Hypothesis Testing Results

Hypothesis	Statement	Result
H ₁	The effectiveness of internal had a negative effect on the tendency of accounting fraud	Hypothesis Accepted
H ₂	Compensation suitability had a negative effect on the tendency of accounting fraud	Hypothesis Accepted
H ₃	Obedience to accounting rules had a negative effect on the tendency of accounting fraud	Hypothesis Accepted
H ₄	The effectiveness of internal control had a negative effect on unethical behavior	Hypothesis Accepted
H ₅	Compensation suitability had a negative effect on unethical behavior	Hypothesis Accepted
H ₆	Obedience to accounting rules had a negative effect on unethical behavior	Hypothesis Rejected
H ₇	Unethical behavior had a positive effect on the tendency of accounting fraud	Hypothesis Accepted
H ₈	The effectiveness of internal control had a negative effect on the tendency of accounting fraud through unethical behavior	Hypothesis Rejected
H ₉	Compensation suitability had a negative effect on the tendency of accounting fraud through unethical behavior	Hypothesis Accepted
H ₁₀	Obedience to accounting rules had a negative effect on the tendency of accounting fraud through unethical behavior	Hypothesis Rejected

Source : Primary data processed, 2016

The result of this study showed that the effectiveness of internal control which was effective and in accordance with the standards established in the agency could suppress and prevent the occurrence of accounting fraud. The result of this test was in line with the attribution theory which explained that internal control was the factor causing the fraud. The internal control system was implemented in an organization through various policies and procedures to give assurance that the organizational objectives could be achieved and to reduce the loss of possible information security threats. The result of this study was similar to the research conducted by Thoyibatun (2009),

Zulkarnain (2010), Adelin (2014), and Shintadevi (2015) who found that the effectiveness of internal control influenced the tendency of accounting fraud.

The result of this study showed that the compensation given and in accordance with what has been done in the agency could suppress the occurrence of accounting fraud. The test result was in line with the attribution theory which explained that the compensation suitability was a reward given by the organization to the employee, which could be both financial and non financial in hopes of suppressing the occurrence of fraud. The result of this study was similar to the research conducted by Thoyibatun (2009), Zulkarnain (2010), Adelin (2014), and Shintadevi (2015) who found that the compensation suitability influenced the tendency of accounting fraud.

The result of this study showed that the accounting rules established and adhered to in the agency could suppress and prevent the emergence of accounting fraud act. The test result was in line with the theory of Wolk and Tearney in Wilopo (2016) which explained that failure in the preparation of financial statements caused by management disobedience to the accounting rules, where it would lead to fraud. The result of this study was similar to the research conducted by Wilopo (2006), Adelin (2014), and Shintadevi (2015) who found that the obedience to accounting rules influenced to the tendency of accounting fraud.

The result of this study showed that internal control which was effective and in accordance with the standards established in the agency could suppress and prevent the occurrence of unethical behavior. The result of this study was in line with the theory of attribution which explained that internal control was a factor causing unethical behavior. The internal control system was implemented in an organization through various policies and procedures to give assurance that the organizational objectives could be achieved and to reduce the loss of possible information security threats. The result of this study was similar to the research conducted by Thoyibatun (2009), Zulkarnain (2010), Adelin (2014), and Shintadevi (2015) who found that the effectiveness of internal control influenced to the tendency of accounting fraud.

The result of this study showed that the compensation that services given and in accordance with what has been done could suppress the occurrence of unethical behavior. The test result was in line with the attribution theory which explained that the compensation suitability was a reward given by the organization to the employee, which could be both financial and non financial in hopes of suppressing the occurrence of fraud. The result of this study was similar to the research conducted by Thoyibatun (2009), Zulkarnain (2010), Adelin (2014), and Shintadevi (2015) who found that the compensation suitability influenced to the tendency of accounting fraud.

The result of this study showed that the accounting rules established in the agency could not suppress and prevent the emergence of unethical actions due to lack of understanding of regulations (PP RI Number 24/2005 on Government Accounting Standards) in the agency. The result of this study was not in line with the theory of Wolk and Tearney in Wilopo (2016) which stated that the failure in the preparation of financial statements caused by management disobedience to the accounting rules. The accounting rules established was the basis for preparing financial statements. Fraud action would occur if the rules were not obeyed. The result of this study was not in line with Wilopo (2006), Kusumastuti (2012), and Shintadevi (2015) studies which found that the obedience to accounting rules influenced on the tendency of accounting fraud.

The result of this study showed that unethical behavior that occurred in the agency could lead to fraud action. The result of this study was in line with the theory of attribution that explained that unethical behavior was the factor causing an act of fraud occurred in the organization. Unethical behavior could occur through several factors such as poor internal control, compensation that did not match what has been done, and accounting rules which were not obeyed. The result of this study was similar to the research conducted by Thoyibatun (2009), Kusumastuti (2012), Adelin

(2014), and Shintadevi (2015) who found that the compensation suitability influenced to the tendency of accounting fraud.

The result of this study showed that ineffective internal controls in the agency could not suppress unethical behavior actions that allowed the emergence of an act of fraud due to lack of regulatory understanding (PP RI Number 24/2005 on Government Accounting Standards) established in the agency. The result of this study was in line with the attribution theory which explained that internal control was a factor causing unethical behavior that led to fraud. Unethical behavior could occur through several factors such as poor internal control. This could trigger fraudulent actions that led to corruption such as bribery, conflicts of interest, unlawful gratification, and economic extortion in which it might harm the agency or the institution itself. The result of this study was not in line with research of Shintadevi (2015) which found that the effectiveness of internal control affected on the tendency of accounting fraud through unethical behavior.

The result of this study showed that the compensation suitability given by the service could suppress unethical behavior actions that allowed the emergence of a fraud act. The result of this study was in line with the attribution theory which explained that compensation suitability was a factor causing unethical behavior that led to fraud. Unethical behavior could occur through several factors such as compensation that was not in accordance with the work done. This could trigger fraudulent actions that led to corruption such as bribery, conflicts of interest, unlawful gratification, and economic extortion in which it might harm the agency or the institution itself. The result of this study was consistent with the study of Shintadevi (2015) which found that the compliance of compensation influenced to the tendency of accounting fraud through unethical behavior.

The result of this study showed that accounting rules that was not obeyed in the agency could not suppress unethical behavior actions that allowed the emergence of a fraud act due to lack of understanding of the standard rules (PP RI Number 24/2005 PP RI Number 24/2005 on Government Accounting Standards) established in the agency. The result of this study was in line with the attribution theory which explained that accounting rules was a factor causing unethical behavior that led to fraud. Unethical behavior could occur through several factors such as accounting rules which were not obeyed. This could trigger fraudulent actions that led to corruption such as bribery, conflicts of interest, unlawful gratification, and economic extortion in which it might harm the agency or the institution itself. The result of this study was not in line with research of Shintadevi (2015) which found that obedience to accounting rules affected on the tendency of accounting fraud through unethical behavior.

CONCLUSIONS

The conclusions of this study are the effectiveness of internal control, compensation suitability, and obedience to accounting rules affect the tendency of accounting fraud. It can be interpreted that effective internal controls, appropriate compensation, and accounting rules adhered to in the agency can suppress and prevent the occurrence of accounting fraud. The effectiveness of internal control and compensation suitability affect on unethical behavior, but obedience to accounting rules has no effect on unethical behavior. This can be interpreted that effective internal controls and appropriate compensation in the agency can suppress and prevent the occurrence of accounting fraud, but the disobedience to accounting rules established in the agency cannot prevent accounting fraud. Unethical behavior affects the tendency of accounting fraud. This can be interpreted that unethical behavior that occurs in the agency can lead to accounting fraud. The effectiveness of internal control and obedience to accounting rules has no effect on the tendency of accounting fraud through unethical behavior, but compensation suitability affects the tendency of accounting fraud through unethical behavior. This can be defined that effective internal controls and

accounting rules in the agency can lead to unethical behavior leading to accounting fraud acts, but appropriate compensation can suppress unethical behavior so as to prevent accounting fraud.

Suggestions for further researchers is to use other independent variables such as management morality and information asymmetry due to the effectiveness of internal controls and obedience to accounting rules do not directly affect the tendency of accounting fraud if through intervening variable of unethical behavior. For the agency of Kendal District, especially employees should obey PP RI Number 24/2005 on Government Accounting Standards and understand Government Regulation (PP) no. 53 year 2010 on the discipline of government employees (PNS), it aims to avoid actions that can harm agencies such as unethical and fraud actions that lead to corruption.

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