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THE EFFECT OF INTERNAL CONTROL SYSTEM, INFORMATION ASYMMETRY, AND SUITABILITY OF COMPENSATION ON THE TENDENCY OF ACCOUNTING FRAUD (FRAUD) IN DENPASAR CITY (OPD)

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Abstract:

This research aims to determine the influence of internal control systems, information asymmetry, and suitability of compensation on the tendency of accounting fraud in regional organizations in Denpasar City. The population used in this research was 21 Regional Apparatus Organizations in Denpasar City using a saturated sampling technique. The respondents used in this research were 42 respondents. This research uses several data analysis techniques. The data analysis techniques used in this research are the Instrument Test, Classical Assumption Test, Multiple Linear Regression Analysis, Coefficient of Determination Analysis (Adjusted R Square), F Test, and t-test. Based on the results of the analysis that has been carried out, it can be seen that the results of this research are that the Internal Control System has a significant negative effect, Information Asymmetry has a significant positive effect, and Compensation Suitability has a significant negative effect. Its Influence on Accounting Fraud Tendencies in Denpasar City Regional Organizations.

Keywords: Internal Control System, Information Asymmetry, Suitability of Compensation, and Fraud.

INTRODUCTION

Accounting fraud in accounting is a deviation from the correct accounting procedure. If the accounting rules procedure is applied correctly, the resulting accounting information will benefit parties in need. This accounting fraud can be defined as a form of fraud that is carried out deliberately, which will later cause naivety that is unwittingly understood by several desired parties and provides benefits for the party who carries out the fraud (Saputra, Jayawarsa et al., 2019). This accounting fraud is caused by monitoring or internal control systems that are not in line and proper in the organization. Generally, this fraud takes place due to pressure to carry out an act of misappropriation or encouragement and motivation to optimize the available opportunities, and there is also justification for this (Saputra et al., 2020; Saputra, 2021).

Phenomena that occur within the scope of the Denpasar City government (Quoted from Tribun Bali, February 24, 2022) (Source: <https://balitribune.co.id>). The former Head of the Cultural Office (Kadisbud) of Denpasar City, Bali, was sentenced to 3 years by the Denpasar Corruption District Court (Ekayani et al., 2020). "The panel of judges sentenced the defendant to imprisonment for three years," said the Head of the Intelligence Section (Kasi Intel) of the Denpasar State Prosecutor's Office (Kejari) in a statement to reporters Thursday (24/2/2022). The 3-year sentence is reduced by the detention period already served by the defendant (Sujana & Saputra, 2020). The panel of judges also ordered that the accused remain in custody. The verdict hearing on corruption allegations was held on Thursday (24/2/2022) at around 10.00 WITA in the Cakra PN Tipikor



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Denpasar Courtroom. In the hearing, the panel of judges stated that the defendant had been legally and conclusively proven guilty of committing a criminal act of corruption (Vian, 2020).

Another phenomenon also occurs within the scope of the Denpasar City Government (Quoted from Kompas, October 11, 2021) (Source: <https://regional.kompas.com>). The former Head of the Denpasar City Cultural Office (Kadisbud) was officially detained at the Denpasar Police Detention Center. Kejari Denpasar said it completed the case file of a corruption case alleging corruption of the Special Financial Assistance (BKK) fund for the procurement of aci-aci (traditional ceremonies) and offerings worth Rp 1 billion. "The suspect was detained at the prosecution level for 20 days at the Denpasar Police detention center", in a written statement received on Monday (11/10/2021). Kejari Denpasar said that the alleged criminal act of corruption committed by the former Head of the Cultural Office (Kadisbud) occurred from 2019 to 2021. Former Head of the Cultural Office (Kadisbud), who is a budget maker (PA) as well as a commitment-making official (PKK) on the procurement of goods, services, aci-aci and offerings for traditional villages. This fund is sourced from special assistance (BKK) of Bali Province and BKK of Denpasar City 2019 and 2020 to the Denpasar City Cultural Office. The mode is to shift activities from procuring service goods to delivering money accompanied by deductions for partner fees (Saputra, Pradnyanitasari et al., 2019). "The suspect did not make a general procurement plan, broke down activities, made direct appointments not by applicable provisions and made fictitious procurement documents ."The results of previous studies are contrary to research conducted by Yulianto (2020), who states that internal control positively affects the tendency of accounting fraud. Meanwhile, Suwarianti and Sumadi's research (2020) states that the internal control system negatively affects the tendency of accounting fraud.

Information asymmetry is one of the factors that influence the tendency of accounting fraud. Information asymmetry is when there is a misalignment of information between the party providing information and the party who needs information. This research is related to signal theory, which is based on the assumption that the information received by each party is not the same. Information asymmetry is a situation where parties in the organization know information better than outsiders (stakeholders). According to the results of previous researchers, Agustina et al. (2021) and Novitarani and Setyowati (2018) stated that information asymmetry does not affect accounting fraud.

A factor that can also influence the occurrence of accounting fraud is the suitability of compensation (Agustina et al., 2021). Compensation is all income from money, goods, or indirect income that employees receive in return for services rendered. Usually, employees will cheat because of dissatisfaction or disappointment with the results of the compensation they receive for what has been done. Accounting fraud is a fatal consequence of compensation suitability (Saputra et al., 2021). According to the results of previous researchers, Jayawarsa et al. (2022) stated that the variable of compensation suitability positively affects accounting fraud. However, Prihantoro and Kuntadi (2022) stated that the suitability of compensation negatively affects accounting fraud.

Based on the issues that have occurred and added about variables that affect or do not affect accounting fraud, there is a gap (research gap) of dissent in the results of previous research used as a supporting theory and will be strengthened by respondents in the Regional Equipment Organization (OPD) Denpasar City; it is essential to conduct this research (Saputra et al., 2022).

Based on the explanation related to the phenomenon supported by the results of the study, it can be concluded that it is inconsistent with several previous research results on internal control system variables, information asymmetry, and compensation suitability to the tendency of accounting fraud (Saputra, Jayawarsa, et al., 2019). With the background of the problems described

above, researchers want to find out the actual results that occur with relevant data in the study entitled "The Effect of Internal Control Systems, Information Asymmetry, and Suitability of Compensation on the Tendency of Accounting Fraud in Regional Equipment Organizations Denpasar City.

Internal Control System. Internal control is a process carried out by the board of commissioners, management, and other personnel of the entity designed to provide adequate assurance about the achievement of the following three classes of objectives: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Professional Standards of Public Accountants, SA Section 319). The internal control system is implemented to provide adequate assurance regarding achieving financial statement reliability, compliance with the law and the effectiveness and efficiency of operations (Laksmi, Putra et al., 2023).

Information Asymmetry. Information Asymmetry is a condition where the agent has access to information that the principal does not own. If there is information asymmetry, the agent will present financial statements that are useful for the principal for motivation to obtain high compensation, position and others (Sara et al., 2023). Information asymmetry is when there is a misalignment of information between the party providing information and the party who needs information (Laksmi & Arjawa, 2023b).

Compensation Suitability. According to the Big Indonesian Dictionary (KBBI), suitability is a matter of conformity, harmony or compatibility (Laksmi & Arjawa, 2023a). Compensation is the overall remuneration received by employees as a result of the performance of work in the organization in the form of money or others, which can be in the form of salaries, wages, bonuses, and other benefits such as health benefits, holidays, meal allowances etc. Compensation is what a person (employee/employee/worker) receives in return for the work he is given, either hourly wages or periodic salaries designed and managed by the personnel department (Martins et al., 2021; Muisyo et al., 2022).

Tendency of Accounting Fraud. The Indonesian Institute of Accountants (IAI) (2020:316) explains that accounting fraud as a misstatement arising from fraud in financial reporting is the misstatement or intentional omission of amounts or disclosures in financial statements to deceive users of financial statements and misstatements arising from improper treatment of assets (often called misuse or embezzlement) related to theft of entity assets resulting in reports Finance is not presented by generally accepted accounting principles in Indonesia. The Association of Certified Fraud Examiners (ACFE, 2004) is one of the associations in the United States whose activities are in preventing and eradicating fraud (Saputra, Jayawarsa, et al., 2019; Vian, 2020).

METHODS

The place used to implement this research was OPD) within the Denpasar City government. The population used in this study was 21 Regional Equipment Organizations (OPD) in Denpasar City. The saturated sample or census technique is used when all populations are made of respondents who number 42 people, provided that the population is less than 100 people. This type of research is quantitative data and primary data sources (Laksmi, Arjawa, et al., 2023). The data analysis technique used to solve the problem in this study is multiple linear regression analysis.

RESULT AND DISCUSSION

The normality test results showed Kolmogorov-Smirnov was $0.176 > 0.05$. This means that residual data is usually distributed. The results of the multicollinearity test show no independent



variables with a tolerance value of less than 0.10 and no independent variables with a VIF value of more than 10. The heteroscedasticity test results showed that each model had a significance value greater than 0.05. The results of moderated regression analysis aimed at can be seen in Table 1 below:

Table 1. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	35.155	3,717		9,458	0,000
Internal Control System	-0,566	0,153	-0,443	-3,685	0,001
Information Asymmetry	0,508	0,114	0,549	4,473	0,000
Compensation Suitability	-0,421	0,095	-0,532	-4,419	0,000
R					
R Square					0,701
Adjusted R					0,492
Square F					0,451
Statistic					12,247
F Test Significance					0,000

Source: Data processed (2023)

From the results of multiple linear regression analysis in Table 1 above, the regression equation can be arranged as follows: $Y = 35,155 + -443 X_1 + 549 X_2 + -532 X_3 + e..... (1)$

The constant value is 35.155, meaning that if the indicators of the Internal Control System, Information Asymmetry, and Suitability of Compensation are equal to zero, then the value of Accounting Fraud Tendency (Y) is 35.155.

$B_1 = -0.443$, the value of the regression coefficient of the Internal Control System variable (X_1) is -0.443, which means that if the Internal Control System variable (X_1) increases, the Accounting Fraud Tendency (Y) variable will decrease by 0.443.

$b_2 = 0.549$, the value of the regression coefficient of the Information Asymmetry variable (X_2) is 0.549, which means that if the Information Asymmetry variable (X_2) increases, the Accounting Fraud Tendency (Y) variable will increase by 0.549.

$B_3 = -0.532$, the value of the regression coefficient of the variable Suitability of Compensation (X_3) is -0.532, which means that if the variable Suitability of Compensation (X_3) increases, the variable Tendency of Accounting Fraud (Y) will decrease by 0.532.

The results of the determination coefficient test in Table 1 show that the value of the Adjust R Square coefficient of determination is 0.451, which shows that 45.1% of the variance in the effectiveness of internal control in the Regional Apparatus Organization (OPD) of Denpasar City is influenced by the variance of the Internal Control System, Information Asymmetry, and Compensation Suitability. Meanwhile, the remaining 54.9% was due to other factors not described in the regression model.

Based on the data processing results, a significance value of 0.000 is known. The significance value is less than 0.05, so it can be concluded that the variables of the Internal Control System, Information Asymmetry, and Suitability of Compensation to the Tendency of Accounting Fraud in the Regional Equipment Organization of Denpasar City have a significant effect. This means that the better the Internal Control System, Information Asymmetry, and Compensation Suitability applied, the Tendency of Accounting Fraud in the Regional Equipment Organization of Denpasar City will increase (Saputra, 2021).



Based on the data processing results, it is known to have a significance value of 0.001 and a regression coefficient value of -0.443. The significance value is less than 0.05, so it can be concluded that the variables of the internal control system have a negative and significant effect on the tendency of accounting fraud in the regional apparatus organization of Denpasar City. This result means that the more the internal control system improves, the tendency of accounting fraud in the regional apparatus organization of Denpasar City will decrease. The results of this study are in line with those conducted by Novitarani and Setyowati (2018), Saputra, Jayawarsa, et al. (2019), and Vian (2020), which stated that internal control system variables negatively affect the tendency of accounting fraud.

Based on the results of data processing, it is known that the significance value is 0.000, and the regression coefficient value is 0.549. The significance value is less than 0.05, so it can be concluded that the information asymmetry variable has a positive and significant effect on the tendency of accounting fraud in the regional apparatus organization of Denpasar City. This result means that the more information asymmetry increases, the tendency of accounting fraud in the regional apparatus organization of Denpasar City will increase (Jayawarsa et al., 2022; Saputra & Anggiriawan, 2021). This causes information asymmetry in an organization and can trigger a tendency for accounting fraud in providing unbalanced information. This can harm the organization in absorbing information as a determinant of organizational policy. The results of this study align with those conducted by Wahyuni and Putra (2022), who stated that the variable of information asymmetry has a positive effect on the tendency of accounting fraud.

Based on the results of data processing, it is known that the significance value is 0.000, and the regression coefficient value is -0.532. Where the value is less than 0.05, it can be concluded that the variable suitability of compensation has a negative and significant effect on the tendency of accounting fraud in the regional apparatus organization of Denpasar City. This result means that the more compensation suitability increases, the tendency of accounting fraud in the regional apparatus organization of Denpasar City will decrease. This shows that the suitability of appropriate compensation is an essential part of the employee's and the organization's success (Saputra et al., 2021). Fraud occurs because of the nature of individuals who want to maximize profits, have high personal needs, and feel that the rewards obtained in work are not based on what has been done. This study's results align with those conducted by Yulianto (2020) and Suwarianti and Sumadi (2020), stating that the variable of compensation suitability negatively affects accounting fraud.

CONCLUSION

Conclusion

1. The Internal Control System partially has a negative and significant effect on the Tendency of Accounting Fraud in Regional Apparatus Organizations in Denpasar City.
2. Information Asymmetry partially has a positive and significant effect on the Tendency of Accounting Fraud in Regional Equipment Organizations in Denpasar City.
3. Partial suitability of compensation has a negative and significant effect on the tendency of accounting fraud in the Regional Apparatus Organization of Denpasar City.

Suggestion

1. The suggestion for leaders from researchers is that leaders in each OPD in Denpasar can pay more attention to the internal control system, information asymmetry, and compensation suitability so that the tendency of accounting fraud does not increase. The suggestion for employees from researchers is to understand information asymmetry to reduce the tendency of accounting fraud in the Regional Equipment Organization of Denpasar City.



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2. Researchers can then suggest changes to research variables to find other variables that substantially influence the tendency of accounting fraud in the government sector. Further research is expected to increase the number of research samples and expand the area of research samples, not only in OPD Denpasar City.

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