

Original Article

The Effect of Internal Control, Appropriateness of Compensation and Information Asymmetry on Accounting Fraud Tendencies (Study at Cooperatives in Gajah Mungkur District, Semarang City)

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Received Date: 09 December 2020

Revised Date: 11 January 2021

Accepted date: 15 January 2021

Abstract - This study aims to analyze the influence of internal control, the appropriateness of compensation, and information asymmetry on the tendency of accounting fraud in the cooperative of the Gajah Mungkur sub-district of Semarang. This research employed a quantitative approach. This study's population were cooperatives in the Gajah Mungkur sub-district, which were 43 cooperatives, with a sample of 34 cooperatives. The sample was chosen using the purposive sampling method, with the chairman of the research unit and the finance department totaling 66 people. Data collection methods in this study used a questionnaire survey compiled using a Likert scale. The data analysis technique used is multiple linear regression with the SPSS program's help for Windows version 21. This study's results indicate that the variables of internal control and appropriateness of compensation did not affect the tendency of accounting fraud. Simultaneously, the information asymmetry variable had a positive effect on the tendency of accounting fraud.

Keyword - Internal Control, Appropriateness of Compensation, Information Asymmetry, Tendency of Accounting Fraud.

I. INTRODUCTION

Cases of accounting fraud in Indonesia, which are commonly referred to as corruption, often occur to attract the attention of many media and become a prominent issue and a threat to the world of economy, given a large amount of money lost due to accounting fraud. Accounting fraud or (fraud) is a fraudulent act committed in such a way as deliberate to cause loss without realizing it by the injured party and can provide benefits to the perpetrator of the fraud.

Indonesia Corruption Watch (ICW) assesses that up to 2018, the corruption rate in Indonesia is still quite high. This was conveyed by ICW coordinator Ade Irwan in a discussion on "Measuring Anti-Corruption Commitment in

the Era of President Jokowi Dodo" at the Kalibata ICW office, South Jakarta, Monday (17/9/2018). It is known that based on ICW records, during 2017, there were 576 cases of corruption, with state losses reaching Rp. 6.5 trillion and bribery cases valued at Rp. 211 billion, and the number of suspects reaching 1,298 people. ICW said that this corruption trend had increased from 2016. In 2016, state losses from 482 corruption cases reached IDR 1.5 trillion. This figure rose to IDR 6.5 trillion in 2017. The increase was not only in the amount of money lost. In 2016, there were 1,101 suspects in corruption cases and up to 1,298 suspects in corruption cases in 2017 (Tribunnews.com 2018).

Crime in accounting (fraud) today not only occurs to private companies, state-owned companies, and government, but this fraud also occurs in Indonesia's cooperatives. One of the cases of fraud, such as what happened to a cooperative in Semarang, the head of the Artha Tunas Mulia cooperative, Hartoyo, committed corruption worth Rp 2.5 billion, over the case of disbursing the Revolving Fund Financing Institution Fund (LPDB) from the Ministry of Cooperatives and MSMEs (Micro, Small and Small Enterprises) Intermediate). Based on an audit of the Central Java representative of the Financial and Development Supervisory Agency (BPKP), this corruption case has caused state finances to lose IDR 2.5 billion (Okezone.com 2016). This indicates that crimes in accounting have not only hit companies and governments but have occurred to cooperatives. We need tighter control on the development of cooperatives in the future by involving all stakeholders.

Several factors can influence the tendency of accounting fraud, and the first is the internal control system. The internal control system is a way to direct, supervise and measure an organization's resources, and play an important role in preventing and detecting fraud.



According to Elfan and Heny (2015), the internal control system is a factor that is considered capable of influencing the tendency of accounting fraud. The number of fraud cases is caused by the absence of an internal control system resulting in weak supervision or control, lack of honesty and regulations, and weak work performance.

The appropriateness of compensation is also one of the factors causing the tendency of accounting fraud to occur. According to Putu et al. (2017), appropriateness of compensation is the appropriateness and satisfaction of employees or employees with what agencies provide to them in the form of hourly wages and periodic wages as a reward for the work that has been carried out. Compensation is one element that is very important and can affect employee performance. Compensation that is given unfairly or not in proportion to the services provided can trigger accounting fraud by employees. Therefore, providing proper compensation to employees will make them feel satisfied and fulfilled so that activities to commit fraud can be minimized.

Information asymmetry is also a factor that influences someone to commit accounting fraud in an organization because the information and position they have made it easier for them to commit fraud (Nurita et al., 2017). According to Aisyah (2018), Information Asymmetry is a situation when there is a misalignment of information between the parties providing the information and those who need the information. If there is an information gap, it will open up opportunities for parties who manage finances to commit acts of fraud or fraud. Information asymmetry occurs due to differences in information acquisition about the company received by the information users, in this case, the investor and the company management as the party operating the business and are inside the company.

Some of the research results that have been conducted state that information asymmetry has an effect on the tendency of accounting fraud, including research conducted by (Nurita et al. 2017), which states that information asymmetry has a positive effect on the tendency of accounting fraud in organizations. This statement is supported by research (Putu et al., 2017) and (M. Elfan and Henny, 2015). Furthermore, research conducted by (Karsam et al. 2019) states that the appropriateness of compensation and internal control has a positive and significant effect on the tendency of accounting fraud but is different from the results of research conducted by (Ni Made et al. 2017), which state that internal control and appropriateness of compensation has a negative effect on the tendency of accounting fraud, the results of this study are supported by research (M. Elfan and Henny, 2013) and (Devina. 2015) which states that the appropriateness of compensation and internal control has a negative effect.

A. The Effect of Internal Control on the Tendency of Accounting Fraud

Internal control is a plan including all methods and tools that are coordinated by the company to maintain the security of company assets, check the accuracy and correctness of accounting data, increase efficiency, and improve management policy compliance (Aisyah 2018). The tendency of accounting fraud (fraud) can be influenced by several factors that will cause opportunities or opportunities to commit fraud. The existence of a large opportunity, the greater the possibility of accounting fraud to occur. These opportunities can be reduced by the existence of a good and effective internal control system. The better the internal control system will reduce the tendency of accounting fraud. On the contrary, if the effectiveness of internal control is lower, the more likely it is that there will be a tendency for accounting fraud to occur. Based on this description, it is suspected that there is a negative relationship between internal control and the tendency of accounting fraud. The results of research conducted by Putu et al. (2017) M. Elfan and Heny (2015) show that internal control has a negative effect on the tendency of accounting fraud, so the following hypothesis can be formulated:

H1: Internal control has a negative effect on the tendency of accounting fraud.

B. The Effect of Appropriateness of Compensation on the Tendency of Accounting Fraud

Compensation is a component of costs paid by the company to employees financially as a result of remuneration for work that has been done and to motivate employees to work better in the future Aisyah (, 2018). The tendency of accounting fraud (fraud) can be triggered by the desire of an individual to maximize his personal gain. An individual who is dissatisfied with the rewards obtained and feels that the rewards given are not in accordance with their contribution so will be motivated to commit fraud (fraud). An appropriate compensation system is expected to make individuals feel fulfilled so that individuals do not take actions that harm the organization by committing accounting fraud. Based on this explanation, it is suspected that there is a negative relationship between the appropriateness of compensation and the tendency of accounting fraud. Like the research conducted by Ni Komang and Made (2019), which states that the appropriateness of compensation has a negative effect on the tendency of accounting fraud. The results of this study are in line with research conducted by M. Elfan and Heny (2015), so the following hypothesis can be formulated:

H2: The appropriateness of compensation has a negative effect on the tendency of accounting fraud.

C. The Effect of Information Asymmetry on the Tendency of Accounting Fraud

According to Wilopo in Aisyah (2016), information asymmetry is a situation where there is a misalignment of information between parties who have or provide information with those who need information. Information asymmetry arises because the principal does not have

sufficient information about the agent's performance, and the agent has more information about the company as a whole. This situation can provide an opportunity for the agent to present false information, especially if the information is related to the agent's performance measurement. This spurs agents to provide how accounting numbers can be used as a means to maximize their importance. Based on this description, it is suspected that there is a positive relationship between information asymmetry and the tendency of accounting fraud. Research by Nurita et al. (2017) stated that information asymmetry has a positive effect on the tendency for accounting fraud to occur. This means that the higher the level of information asymmetry, the higher the tendency for fraud to occur in the organization. The results of this study are supported by research by Aisyah (2019) and Rizky (2013). So that the hypothesis in this study can be formulated as follows:

H3: There is a positive effect of information asymmetry on the tendency of accounting fraud.

II. RESEARCH METHOD

A. Population and Sample

The population in this study were cooperatives in Gajah Mungkur District, Semarang City, which already had 43 cooperatives. Sampling from the population using purposive sampling method with the criteria of cooperatives that are sampled is cooperatives with a legal status more than 5 years old as many as 34 cooperatives. This study used a survey with the help of a questionnaire with a total of 76 distributed questionnaires. Respondents in this study were the chairperson and financial department of the cooperative in Gajah Mungkur District, totaling 66 employees. All items were measured by using a Likert scale of 1 (strongly disagree) to 5 (strongly agree)

B. Variable and Measurement

Internal Control (X1)

The definition of internal control is a set of policies and procedures to protect company assets or assets from all forms of misuse, ensure the availability of accurate corporate accounting information, and ensure that all legal or statutory provisions (regulations) and management policies have been complied with or implemented properly by all employees of the company Hery (2014). According to Mardiasmo (2016), a good accounting system is an accounting system that contains an adequate control system. Agree. Internal control variables are operationalized using five indicators consisting of: (1) Control environment (2) Assessment of risk (3) Control procedures (4) Monitoring (5) Information and communication.

C. Appropriateness of Compensation (X2)

Hariandja (2002) defines the appropriateness of compensation as the entire remuneration received by employees as a result of carrying out work in the organization in the form of money or otherwise, which can be in the form of salaries, wages, bonuses, and other benefits such as health allowances, holidays, food allowances, etc. Adequate compensation is expected to

minimize fraud that occurs. The appropriateness of the compensation variable is operationalized using the indicators developed by Najahningrum in Aisyah (2018). These indicators consist of: (1) Financial compensation (2) Promotion (3) Completion of tasks (4) Achievement of targets (5) Personal Development.

D. Information Asymmetry (X3)

Information asymmetry is a situation in which the parties who provide information and those who need information are not in harmony. Information asymmetry arises because managers have access to information on company prospects that are not owned by outside management, so this can cause problems in the form of economic losses for one party. This variable is operationalized by using five indicators that refer to Devina Prapnalina (2015), which consists of: (1) A situation where management has better information on the activities for which it is responsible than outsiders (2) A situation where management is more familiar with the input-output relationship within the part that is the responsibility of outsiders (3) A situation where management is more aware of the potential performance that is the responsibility of the party outside the company (4) A situation where management is more familiar with the technical work they are responsible for than those outside the company (5) A situation where management is more aware of external influences in the area of its responsibility than those outside the company (6) A situation where management understands better what can be achieved at the company than external parties

E. The tendency of Accounting Fraud (Y)

In this study, the tendency of accounting fraud in cooperatives is the dependent variable. The Indonesian Accounting Association (IAI) explains the tendency of accounting fraud as (1) misstatements arising from fraudulent financial reporting, namely misstatements or deliberate omission of amounts or disclosures in financial statements to deceive users of financial statements. (2) misstatement arising from improper treatment of assets related to the theft of the entity's assets, which results in the financial statements not being presented in accordance with accounting standards in Indonesia. This variable is measured using a five-point Likert scale, where the score is 1, which means (Strongly Disagree), to a score of 5, which means (Strongly Agree). The higher the value shown, the higher the frequency of fraud that occurs. The variable for the tendency of accounting fraud to be operationalized by using 9 question items, which was developed from the types of accounting fraud tendencies, the indicator variable of accounting fraud tendency consists of several indicators that refer to Najahningrum in Aisyah's research (2018), namely: (1) Fraudulent financial statements (2) Misuse of assets (3) Corruption.

Data Analysis

The data analysis technique used is multiple linear regression with the help of the SPSS program for Windows version 21

III. RESULT AND DISCUSSION

A. Research Instrument Test

a) Validity test

The validity test of the questionnaire was carried out by analyzing the correlation value between the score and the total score with the product-moment correlation using the SPSS program, namely if $r_{count} > r_{table}$, then the instrument was declared valid, r_{table} for $N = 66$ was 0.242. The test results can be seen that the lowest value recount of each instrument, namely, the lowest value of internal control is 0.554, the appropriateness of compensation is the lowest value of 0.563, the lowest value of information asymmetry is 0.416, and the lowest value of accounting fraud is 0.475.

b) Reliability Test

Testing of valid items using measuring instruments with the Cronbach Alpha reliability test technique of each instrument, which is said to be reliable, is greater than 0.70. The results showed that the Cronbach Alpha value of the internal control variable was 0.730, the appropriateness of compensation was 0.733, information asymmetry was 0.809, and the tendency of accounting fraud was 0.847.

c) Normality test

The normality test was carried out by taking into account the significance of the Kolmogorov-Smirnov nonparametric statistical test $> \alpha = 0.05$, the result of the Asymp value was obtained. Sig. (2-tailed) 0.307. Thus it can be said that the observational data are normally distributed.

B. Classic assumption test

a) Multicollinearity Test

A regression model is declared free of multicollinearity if the VIF value is < 10 and the tolerance value > 0.10 . The results showed that the tolerance value for the internal control variable, the appropriateness of compensation, and information asymmetry had a value greater than 0.10, and the VIF value showed less than 10, so the data in this study were declared free of multicollinearity.

b) Heteroscedasticity Test

One way to see heteroscedasticity is to do the Glejser test if the Sig. > 0.05 , there is no heteroscedasticity. From the results of data processing, all independent variables show a significance value greater than 0.05. It can be concluded that the regression model of this study is free from heteroscedasticity symptoms.

c) The goodness of Fit Test (Model Test)

Based on the results of data processing, the value of Adjusted R Square is 0.155 or 15.5%, which means the model's ability to explain internal control variables, the appropriateness of compensation, and information asymmetry on the tendency of accounting fraud in Cooperatives in Gajah Mungkur District is 15.5% while the remaining is 84.5. % is explained by factors other than the model, such as rule enforcement, individual morality,

and organizational commitment. The significance value of the F test is 0.004 (Sig. < 0.05), thus the regression model is fit, so it is suitable for use as an analysis tool.

C. Hypothesis testing

Hypothesis 1

Based on the calculation results, the significance value of the internal control variable (X1) $0.197 > \alpha 0.05$ and the value $\beta_1 = (-0.311)$ is negative. It can be concluded that internal control (X1) has no significant effect on the tendency of accounting fraud (Y), so H_0 is accepted, and H_1 is rejected.

Hypothesis 2

Based on the calculation results, the value of the variable appropriateness of compensation (X2) is significant at $0.315 > \alpha 0.05$, and the value $\beta_2 = (-0.242)$ is negative. It can be stated that the appropriateness of compensation (X2) has no significant effect on the tendency of accounting fraud (Y). Based on this statement, H_0 is accepted, and H_2 is rejected.

Hypothesis 3

Based on the calculation results, the significance value of the information asymmetry variable (X3) is $0.000 < \alpha 0.05$, while the value of $\beta_3 = 0.363$ is positive. This shows that information asymmetry (X3) has a positive and significant effect on the tendency of accounting fraud (Y). Based on this statement, H_0 is rejected, and H_3 is accepted.

IV. DISCUSSION

A. The Effect of Internal Control on the Tendency of Accounting Curiousness

The results of testing the first hypothesis, it was found that there was evidence that the internal control variable had no effect on the tendency of accounting fraud in cooperatives in Gajah Mungkur District, Semarang City so that the H_1 hypothesis was rejected. The results of this study are inconsistent with research by M. Elfan and Heny (2015), which states that the better the implementation of internal control, the less likely it is that employees will cheat. The reason for the rejection of this hypothesis is thought to be due to the different attitudes, ways of thinking, and acting of each individual. With the position and power that a person has, he or she can take action on the tendency of accounting fraud without paying attention to existing procedures in the agency. This condition occurs because the effectiveness or ineffectiveness of internal controls does not guarantee an increase or decrease in the tendency of accounting fraud to occur; even though the internal control system is effective, the tendency of accounting fraud can still occur because of inappropriate employee behavior. The results of this study support the research conducted by Aisyah (2018), which reveals that internal control has no effect on the tendency of accounting fraud.

B. The Effect of Appropriateness Compensation on the Tendency of Accounting Fraud

Based on the results of testing the second hypothesis, it was found that the appropriateness compensation variable had no effect on the tendency of accounting fraud at the Cooperative in Gajah Mungkur District, Semarang City so that the H2 hypothesis was rejected. The results of this study are inconsistent with research (Putu et al., 2017) and (M. Elfan and Heny (2015) state that the higher the appropriateness of the compensation given, the lower the incidence of accounting fraud. The absence of the effect of the appropriateness of compensation on the tendency of accounting fraud in this study is because compensation is not the only factor considered by employees when they work. So that low or high compensation in an agency does not motivate the tendency of accounting fraud. The results of this study support the research conducted by Aisyah (2018), which states that the appropriateness of compensation has no effect on the tendency of accounting fraud.

C. The Effect of Information Asymmetry on the Tendency of Accounting Fraud

Based on testing the third hypothesis, it shows that information asymmetry has a positive effect with a significance value of less than 0.05, which means that the H3 hypothesis is accepted. This proves that the higher the occurrence of information asymmetry or the higher the difference in information between cooperative management and cooperative supervisors, the higher the tendency for accounting fraud to occur. And vice versa, the lower the level of information asymmetry, the lower the likelihood of accounting fraud. In addition, information asymmetry also has an influence on decision-making errors due to information gaps between decision-making parties and those who have the information. Information asymmetry arises when one party has better information than the other. If in an institution there is often information asymmetry, it will open up opportunities for those who manage finances to commit fraud. This occurs when users of financial statement information do not know the detailed economic transactions in the information presented, possibly the presenters are manipulating reports for their personal gain. The results of this study support previous research conducted by M. Elfan and Heny (2015) and research by Nurita et al. (2017), which states that information asymmetry has a significant positive effect on the tendency of accounting fraud.

V. CONCLUSION

The results of this study indicate that the variables of internal control and appropriateness of compensation did not affect the tendency of accounting fraud. While the information asymmetry variable had a positive effect on the tendency of accounting fraud.

Future research is expected to develop research using other independent variables so that the results obtained are more satisfying, such as obedience to accounting rules and the level of religiosity.

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