Analysis of the Influence of Obedience to Accounting Rules, Employee Motivation and Management Morality on the Tendency of Accounting Fraud

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ARTICLE INFORMATION

ABSTRACT

This study aims to test empirically the effect of complying with accounting rules, employee motivation and management morality on the tendency of accounting fraud with quantitative research methods. The object is the variable used in the study. The object of this research is the tendency of accounting fraud, obedience to accounting rules, employee motivation and management morality. The data collection technique used is through sending questionnaires to respondents. The data analysis technique used is quantitative data analysis technique using multiple linear regression analysis. The results of this study indicate that compliance with accounting rules and management morality has a significant negative effect on the tendency of accounting fraud, while employee motivation has no significant effect on the tendency of accounting fraud.

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INTRODUCTION

In general, fraud is a mistake committed on purpose. The concept of fraud is a deviation from accounting procedures that should be applied in an entity. A rule is an action or deed that must be carried out and must not be violated (Rahmawati, 2012). Given the importance of an entity’s financial statements, the financial statements must be prepared as best as possible in accordance with accurate data in accordance with applicable accounting rules. Wolk and Tearney (1997) in Wilopo (2006) explain that failure in the preparation of financial statements due to non-compliance with accounting rules will result in company fraud that cannot be detected by auditors.

According to Simanjuntak (2008) in GONE theory, a person’s motivation for cheating is caused by a need. Everyone has material needs that can drive cheating. To fulfill these needs, people will do anything as long as their needs are met even by cheating. Research by Kaukab and Damayanti (2015) shows that individual morality affects the tendency of accounting fraud, meaning that the better the morale of an employee, the employees tend not to commit fraud on financial statement. The number of cases of accounting fraud that occurs shows that accounting fraud is still high, not only in business entities but also in central and regional governments and the type of fraud that occurs in government entities is corruption.

Aru Islands Regency, which is an autonomous region that was expanded based on law number 40 of 2003. Although it is a new autonomous region, the regional head has been hit by a corruption case. Based on data from detik.com news there are some cases of corruption in the Aru Islands Regional Government as an example during the government first district, corruption fund budget 2006-2007. In this case, the regent guilty of misusing his authority among others use the money for estab paid mes jargaria, personal loans and to pay related fee attorney to suit the administrative court (Source: https://news.detik.com , accessed on 20 October 2019).

Another phenomenon can be seen in the case found by the Supreme Audit Agency (BPK) in the 2018 budget realization report of the Aru Islands Regency Regional Government which stated that the results of the examination of the School Operation Assistance Fund (BOK) Expenditure contained an amount that could not be believed to be fair, amounting to IDR 9,516,420.099.00 which has a financial impact which is a finding of non-compliance with statutory provisions which results in State losses (Source: Report on the Results of an Audit of the Regional Government Financial Report of the Aru Islands Regency for Fiscal Year 2018).

Related to the above phenomena, rules are actions or guidelines that must be carried out. Based on the cases that occurred within the scope of the Aru Islands Regency Regional Government, it can be said that the Regional Government has not obeyed the applicable rules so that accounting fraud occurred. Cheating is basically a deliberate attempt to use the rights of others for personal gain. Accounting fraud is a misstatement that arises from fraud in the reporting of financial statement, namely misstatement or deliberate omission of amounts or disclosures in financial statements to deceive users of financial statements.

In the Pentagon’s theory of fraud, it is said there are several motivations for someone to commit fraud. One of the factors is pressure. The pressure referred to is in the form of financial pressure as well as necessity factors. Negative work motivation encourages someone to commit cheating.

The occurrence of a number of frauds in the local government environment is a reflection of the low morale of employees in the financial or non-financial departments of local government institutions. The low moral results in a person tends to be more concerned with their own interests than the interests of the organization, resulting in fraud. This can be seen in the corruption case of APBD funds committed by the leading district head. Moral decadence and a weak understanding of religion are factors causing fraud and this will reduce government fraud prevention efforts.

LITERATURE REVIEW

Fraud Pentagon Theory

According to Donald Cresssey, three general characteristics that explain why someone commits cheating, namely pressure, opportunity and rationalization. Then Crow’s developing the fraud model into five elements, namely pressure, opportunity, rationalization, competence and arrogance which was later called the fraud pentagon theory.

a. Pressure

Pressure is the incentive for people to commit fraud. Pressures that arise not only
because of need or financial problems, but also because of greed.

b. Opportunity
Opportunity is an opportunity that allows fraud to occur. Opportunities can occur because of weak internal control, poor management oversight or through the use of positions.

c. Rationalization
Rationalization is an important element in the occurrence of fraud, where fraud perpetrators always seek rational justifications to justify their actions.

d. Competence
Crowe defines competence as an employee’s ability to override internal control, develop concealment strategies and control social situations for personal gain.

e. Arrogance
According to Crowe, arrogance or lack of conscience is an attitude of superiority and rights or greed of people who believe that internal control is not personally applied.

**Compliance With Accounting Rules**

The rules are a predetermined way to be obeyed. Accounting standards are made in such a way as the basis for preparing financial statements. Failure in preparing financial statements due to non-compliance with accounting rules will result in fraud that cannot be detected by the auditors.

**Employee Motivation**

According to Softian, 2017, the factors that cause cheating are the motivation, namely the pressure in a person to fulfill his finances and always imagine living in luxury. Everyone has a material need that can drive cheating. To meet these needs people will do anything as long as their needs are met even by cheating.

**Management Morality**

Management morality is management’s action to do the right thing and has nothing to do with profits and values. The higher the level of management morality, the more management pays attention to broader and universal interests rather than personal interests.

**METHOD**

This research is a Quantitative using primary data. The population of this study were all Regional Apparatur Organizations in the Regional Government of Aru Island Regency. The sample of this study is employees who work in the financial department of all regional apparatur organizations in the Aru Islands Regency Government. The sampling technique used was purposive sampling.

**RESULT AND DISCUSSION**

**The Effect of Compliance With Accounting Rules on the Tendency of Accounting Fraud**

The statistical test on the hypothesis (H1) shows that the obedience of accounting rules has a significant negative effect on the tendency of accounting fraud. In relation to the phenomena and test results in this study, the level of obedience to accounting rules within the scope of local government is still low so that behavior tends to commit or cheat still occurs. The low obedience to accounting rules, one of which is triggered by the low understanding of human resources in interpreting accounting rules, so that when audited this understanding may differ from the understanding by the BPK. To minimize the occurrence of accounting fraud within the entity, there must be binding rules so as to encourage employees to work prudently and not deviate.

**The Effect of Employee Motivation on the Tendency of Accounting Fraud**

The statistical test on the hypothesis (H2) shows that employee motivation does not have a significant effect on the tendency of accounting fraud. Related to the phenomena and test result in this study, a person’s work motivation, good or bad has no effect on the occurrence of accounting tendencies. This phenomenon describes the existence of negative motivation so that someone is motivated to cheat. Furthermore, even if the organizational culture and leadership style are good, it will not influence someone not to cheat.

**The Effect of Management Morality on the Tendency of Accounting Fraud**

Statistical testing on the hypothesis (H3) shows that management morality has a significant
and significant effect on the tendency of accounting fraud. Related to the phenomena and test result in this study, it shows that there is low morale so that management is able to cheat. In other words, the lower a person’s level of moral reasoning, the moral likely he is to commit fraud. The occurrence of a number of frauds within the local government is a reflection of the low morale that employees in the financial or non-financial departments of local government institutions have.

CONCLUSION

Based on the data that has been collected and processed in order to obtain the results of testing carried out on the problem using multiple regression models, it can be concluded that:

1. Compliance to accounting rules has a significant effect on the tendency of accounting fraud and hypothesis one (H1).
2. Employee motivation has no significant effect on the tendency of accounting fraud and rejects hypothesis two (H2).
3. Management morality has a significant effect on the tendency of accounting fraud and accepts hypothesis three (H3).

Suggestions to the next researcher are:

1. Further research is expected to increase the number of respondents so that the research results can be concluded in general.
2. Future research is expected to use research methods such as direct interviews so that researchers can ensure that the respondent understands the meaning of each question item posed in the questionnaire so that results of the data obtained by the researcher are not biased and in accordance with what is expected and intended by the researcher.

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