

# The Influence of Internal Control, Appropriate Compensation and Spiritual Intelligence on Accounting Fraud Trends

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**Abstract**— In accounting, one of the problems that arise is accounting fraud (fraud). Accounting fraud (fraud) in accounting is a deviation from correct accounting procedures. These deviations will have an impact on the financial statements presented by the company. This study aims to explain whether the tendency of accounting fraud (fraud) is influenced by the suitability of compensation and spiritual intelligence. The population used in this study were all employees from 21 regional apparatus organizations in Denpasar City. The sample collection technique used was purposive sampling. To answer the research hypothesis using an analysis tool, namely Multiple Linear Regression. The results of the analysis show that the internal control system variables, compensation suitability, and spiritual intelligence have a significant negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City.

**Keywords**— Internal Control, Appropriateness of Compensation, Spiritual Intelligence, Tendency of Accounting Fraud (Fraud).

## I. INTRODUCTION

In accounting, one of the problems that arise is accounting fraud (fraud). Accounting fraud (fraud) in accounting is a deviation from correct accounting procedures. If the procedures for accounting rules are applied correctly, the resulting accounting information will be very useful for those who need it. Within the scope of accounting, the concept of accounting fraud or fraud is a deviation from accounting procedures that should be applied in an entity. These deviations will have an impact on the financial statements presented by the company (Bartenputra, 2016).

One of the fraud cases that occurred in Indonesia was the corruption case committed by Nurdin Abdullah, the Governor of South Sulawesi who was 'full of accomplishments ensnared in corruption cases due to high political costs'. Nurdin Abdullah, a public official with various achievements, was arrested by the Corruption Eradication Commission (KPK) for allegedly receiving billions of rupiah in bribes related to infrastructure projects within the South Sulawesi Provincial Government. Nurdin, who is a PDI Perjuangan cadre, received the Bung Hatta Anti-Corruption Award (BHACA) anti-corruption award in 2017. He was also the recipient of the award for compliance with public service standards from the Ombudsman of the Republic of Indonesia (ORI) in 2017, Figure of Change from the Republika newspaper to Bintang Jasa Utama in the Field of Cooperatives and SMEs from

President Joko Widodo. Before the alleged corruption case was uncovered, Nurdin Abdullah was a reflection of a regional head with integrity, innovation, change and anti-corruption. The KPK has named Nurdin as a suspect because he is suspected of receiving Rp5.4 billion in relation to a number of infrastructure projects in South Sulawesi. Apart from Nurdin, the KPK has also named the Secretary of the PUTR Service for South Sulawesi, Edy Rahmat, and the Director of PT Agung Perdana Bulukumba, Agung Sucipto, as suspects. According to ICW Researcher Egi Primayogha, one of the reasons for the tripping up of regional heads who are full of achievements in the vortex of corruption is the high political costs in Indonesia. Another factor is that the regional heads have open opportunities to engage in corruption due to weak oversight of the bureaucratic system (BBC News, 2021) (<https://www.bbc.com/indonesia/indonesia-56244486>).

The efficiency of the internal control system can reduce the opportunities for fraud to occur. Internal control is an action or activity carried out by management to ensure (adequately, not absolutely) the achievement of organizational goals and objectives. With effective internal control, it is expected that leaders behave well to achieve organizational goals. So it can be said that effective internal control will prevent accounting fraud from occurring (Rahmadewi, 2017). According to the results of previous research conducted by Indriastuti et al (2016), Dewi (2017), Suarcaya et al (2017) which stated that the internal control system variables had a negative effect on accounting fraud (fraud).

Compensation is one of the factors that also influences the tendency of accounting fraud. Compensation is all income in the form of money, direct or indirect goods received by employees as compensation for services provided by the company. Usually employees will commit fraud because of dissatisfaction or disappointment with the results or compensation they receive for what they have done. One fatal consequence of compensation mismatch is accounting fraud (Putra, 2016). The results of previous researchers, Indriastuti et al (2016), Dewi (2017), Suarcaya et al (2017) state that the compensation suitability variable has a negative effect on accounting fraud (fraud).

Another factor that can influence the tendency of accounting fraud is spiritual intelligence. With spiritual

intelligence possessed by a leader, he will bring the organization and its members to the right path by introducing ethical behaviors so as to avoid fraud. The results of research conducted by Purnamasari and Amaliah (2015) found that conducive spiritual intelligence will minimize the occurrence of fraud. In contrast to research conducted by Urumsah, et al (2016) revealed that spiritual intelligence has no effect on the intention to commit fraud. Urumsah, et al., (2016) said that in various cases of corruption and fraudulent reporting in Indonesia,

In Indonesia, good governance is needed to carry out government administration as well as government programs and activities, both Governors and Regents/Mayors assisted by regional apparatus. Regional apparatus or Government Organizations are organizations or institutions in the Regional Government that are responsible to the Head of the Region in the context of administering governance in the region. Research on the tendency of accounting fraud (fraud) is important to study considering that Regional Apparatus Organizations have an obligation to make financial accountability. The government must provide accountability, present, report and disclose all activities and activities that are its responsibility in order to provide the best service to the public.

This study aims to explain whether the tendency of accounting fraud (fraud) is influenced by the suitability of compensation, and spiritual intelligence. This study also aims to provide consideration for the government to conduct formal training and education regarding ethics and internal control systems so that government employees have a moral obligation to maintain ethics and the tendency of accounting fraud can be avoided.

II. LITERATURE REVIEW

Attribution Theory

Attribution theory is a theory that suggests that when we observe a person's behavior, it must be determined whether the cause of the behavior is from internal factors or external factors. This theory was first coined by Fritz Heider in 1958. This theory refers to how a person explains the causes of the behavior of other people or oneself which are determined from internal factors or external factors and their influence on individual behavior (Kusuma & Burhanuddin, 2016). Fritz Heider stated that internal forces (personal attributes such as ability, effort and fatigue) and external forces (environmental attributes such as rules and weather) together determine human behavior. Internal causes or can also be called dispositional attributions are causes that exist within a person.

Attribution theory refers to how a person explains the causes of other people's behavior or himself which will be determined internally for example traits, characters, attitudes or from externally for example the pressure of certain situations or circumstances that affect individual behavior (Syarhayuti and Faidul, 2016). This theory emphasizes the idea that people are motivated by pleasant outcomes to feel better about themselves. Therefore, someone who has spiritual intelligence will be able to solve the problems they face, with spiritual intelligence it will facilitate employee performance because spiritual intelligence can help solve problems themselves in resolving conflicts when

fraud is detected or with other people in the organization. In other words,

III. RESEARCH METHODS

The place or location used in the implementation of this research was carried out at the Regional Apparatus Organization through several agencies within the Denpasar City government. The population used in this study were all employees from 21 regional apparatus organizations in Denpasar City. The sample collection technique used was purposive sampling. The variables used in this study consisted of Internal Control Systems (X1), Appropriateness of Compensation (X2), Spiritual Intelligence (X3), and Tendency to Fraud Accounting (Y). In collecting data for this study used data collection methods by distributing questionnaires.

IV. RESULTS AND DISCUSSION

TABLE 1. Multiple Linear Regression Test Results

Variables	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	std. Error	Betas		
(Constant)	5,366	.572		9,386	.000
X1	-.411	.106	-.309	-3,863	.000
X2	-.413	.102	-.354	-4,049	.000
X3	-.283	.090	-.271	-3,150	.002

R .746  
Adjusted R Square .534  
F counts 24,748  
SigF 0.000

Coefficient of Determination Analysis

Table 1 shows that the value of the coefficient of determination (R2) or Adjusted R Square is 0.534 which means that 53.4% of variations in accounting fraud tendencies (fraud) are influenced by variations in internal control systems, appropriateness of compensation and spiritual intelligence while the remaining 46.6% is caused by other factors outside the research model.

Simultaneous Significance Test Results (F-test)

Table 1 shows a significance value of 0.000 below 0.05 so that the regression model used is feasible and meets the Goodness of Fit. In other words, it can be concluded that the internal control system, the suitability of compensation and spiritual intelligence simultaneously influence the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City.

T-test results

Based on the results of data analysis, the internal control system variable shows a regression coefficient of -0.309 which is negative and a significant value of 0.000 is less than 0.05. Based on this, the first hypothesis (H1) in this study is accepted which states that the internal control system has a negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City, in other words the better the implementation of the internal control system in government agencies, the tendency of accounting fraud (fraud) will decrease because with the existence of an internal control system, organizations can direct, supervise and measure the resources that exist within their organization.

Vice versa, if a government organization does not implement the government's internal control system properly, the existing objectives and execution processes will not work properly. The results of this study are in line with the results of research conducted by Indriastuti et al (2016); Dewi (2017); Suarcaya et al (2017) which stated that the internal control system has a negative effect on the tendency of accounting fraud (fraud).

This is in accordance with the theory based on the AICA (American Institute of Certified Public Accountants) internal control system which is an organizational plan and all coordination methods and measures established in a business or business to protect its assets, check the accuracy and reliability of accounting data, encourage activity efficiency and adherence to established managerial policies (Kurniawan, 2014: 174). If the internal control in government is weak, it will open up opportunities for employees to commit accounting fraud tendencies which result in lowering the level of public confidence in the performance of government agencies. Internal control is very important to provide protection for entities against human weaknesses and to reduce the possibility of errors and actions that are not in accordance with the rules. Thus it can be concluded that the better the implementation of the internal control system, the lower the tendency for accounting fraud (fraud) in the Regional Apparatus Organizations in Denpasar City.

Based on the results of data analysis, the compensation suitability variable shows a regression coefficient of -0.354 which is negative and a significant value of 0.000 is less than 0.05. Based on this, the third hypothesis (H2) in this study is accepted which states that the suitability of compensation has a negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City, in other words the suitability of compensation affects the level of tendency of accounting fraud (fraud) that occurs in a government agency. This means that the better the suitability of the compensation, the lower the tendency for accounting fraud to occur.

This is in accordance with the theory that Compensation is any form given to all employees as remuneration for contributions made to companies or organizations (Mulyadi, 2015:11). In relation to the Fraud Diamond Theory, the element of incentives that do not match the compensation received is something faced by perpetrators of fraud and creates an urgent need for them to commit fraud. This urgent need that is commonly faced is usually related to financial pressure in the form of debt and an extravagant lifestyle but is not accompanied by sufficient financial ability to finance this lifestyle. One way to improve the welfare of employees in the workplace is organizational justice. Justice is related to compensation in the form of salary for his work. On the contrary, if the compensation provided by the organization does not meet the expected suitability, then fraud tendencies arise. Thus it can be concluded that the higher the level of compensation, the lower the level of accounting fraud in Regional Apparatus Organizations in Denpasar City.

Based on the results of data analysis, the spiritual intelligence variable shows a regression coefficient of -0.271

which is negative and a significant value of 0.002 is less than 0.05. Based on this, the fourth hypothesis (H3) in this study is accepted which states that spiritual intelligence has a negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City, in other words spiritual intelligence affects the level of tendency of accounting fraud (fraud) that occurs in a government agency. This means that the better the application of spiritual intelligence, the lower the level of fraud that occurs. The results of this study are in line with the results of research conducted by Purnamasari and Amaliah (2015) stating that individual spirituality influences fraud prevention. The higher the individual spirituality, the higher the fraud prevention, which means that the high individual spirituality will reduce the level of accounting fraud tendencies. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City. then the higher the prevention of fraud, which means that the high spirituality of individuals will reduce the level of tendency to fraud (fraud) accounting. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City. then the higher the prevention of fraud, which means that the high spirituality of individuals will reduce the level of tendency to fraud (fraud) accounting. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City. Spiritual intelligence is the values and rules that are made as a guide in carrying out activities to achieve the goals set to prevent and detect fraud and the weak sanctions given. Thus it can be concluded that spiritual intelligence is increasingly enhanced, so the level of accounting fraud will decrease in Regional Apparatus Organizations in Denpasar City.

## V. CONCLUSIONS

The results of the analysis show that the internal control system variable has a significant negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City. This shows that the better the implementation of the internal control system, the lower the tendency for accounting fraud (fraud). The compensation suitability variable has a significant negative effect on the

tendency of accounting fraud (fraud) in the Regional Apparatus Organizations in Denpasar City. This shows that the higher the level of compensation, the lower the level of accounting fraud. Spiritual intelligence variable has a significant negative effect on the tendency of accounting fraud (fraud) in Regional Apparatus Organizations in Denpasar City.

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