

Determinants Of Accounting Fraud Trends With Un Ethical Behavior As Mediation

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Abstract: This study aims to determine the effect of internal control, information asymmetry, and individual morality on the tendency of accounting fraud with unethical behavior as an intervening variable. The sample for this research is the head and executive staff of the financial sub-section of the SKPD in Central Java Province. The sampling method is purposive sampling method. The number of SKPD samples is 22 agencies. The data is primary data. The data analysis is SEM (SmartPLS Wrap 3.0). The results showed that internal control, information asymmetry, and individual morality had a significant effect on unethical behavior. Internal control, information asymmetry affects tendency of accounting fraud, individual morality has no effect against accounting fraud tendencies. Information asymmetry, morality individuals influence the tendency of accounting fraud through unethical behavior as mediation, while internal control is not significant effect.

Keywords: Control; Information; Morality; Fraud; Behavior.

Abstrak: Penelitian ini bertujuan mengetahui pengaruh pengendalian internal, asimetri informasi, dan moralitas individu terhadap kecenderungan kecurangan akuntansi dengan perilaku tidak etis sebagai variabel intervening. Sampel penelitian ini kepala dan staf pelaksana pada sub bagian keuangan pada SKPD di Provinsi Jawa Tengah. Metode pengambilan sampelnya adalah metode purposive sampling. Jumlah SKPD sampel adalah 22 dinas. Datanya merupakan data primer. Analisis datanya adalah SEM (Smart PLS Wrap 3.0). Hasil penelitian menunjukkan pengendalian internal, asimetri informasi, moralitas individu berpengaruh signifikan terhadap perilaku tidak etis. Pengendalian internal, asimetri informasi berpengaruh terhadap kecenderungan kecurangan akuntansi, moralitas individu tidak berpengaruh terhadap kecenderungan kecurangan akuntansi. Asimetri informasi, moralitas individu berpengaruh terhadap kecenderungan kecurangan akuntansi melalui perilaku tidak etis sebagai mediasi, sedangkan pengendalian internal tidak berpengaruh signifikan.

Kata kunci: Pengendalian; Informasi; Moralitas; Kecurangan; Perilaku.

INTRODUCTION

Financial reports are a means of information as management's responsibility for the use of its resources entrusted to them. Financial reports aim to provide information regarding financial position, performance and changes in position financial statements of an enterprise that is beneficial to a large number of users and decision makers (Indonesian Association of Accountants, 2015). Accurate information and relevant and free from fraud presented by the perpetrator business is expected by users of financial statements so as not to be misleading in the decision-making process (Aswad et al., 2018).



For company management, financial reports can be used as material consideration in determining the company's activity plan for that period will come. As for investors, financial statements are one very important information for making decisions. Additionally, financial reports are also useful for management for the implementation of operational activities daily. The information contained in the financial statements provides a basis for management to plan. Therefore the information available in the financial statements is needed for investors and management so it should be reliable.

Fraud is something that is caused by someone's desire that is applied in the form of behavior to commit an act that violates the rules. Currently fraud has entered the scope of the government. Fraud that is often committed is like the tendency of accounting fraud. The tendency of accounting fraud is revealed because it is often in the spotlight of various mass media. The level of corruption in Central Java is one of the highest in Indonesia. The Committee to Investigate and Eradicate Corruption, Collusion and Nepotism in Central Java recorded that during 2012 there were 215 cases of alleged corruption spread across 35 districts/cities in Central Java. (<https://nasional.tempo.co>).

APBD in districts/cities in Central Java during 2007 there were 55 cases and resulted in state losses of more than IDR 241.1 billion. Research and Monitoring Division of the Central Java Corruption, Collusion and Nepotism Investigation and Eradication Committee (KP2KKN) of Central Java, Joko J. Prihatmoko in Semarang said that of the 55 cases, most were in Batang Regency (7 cases) amounting to IDR 9,091 billion. Then in the city of Semarang (3 cases) resulted in state losses reaching IDR 7,931 billion and Surakarta (3 cases) worth IDR 4,270 billion. Meanwhile, areas such as Banyumas, Blora, Brebes, Cilacap, Demak, Karanganyar, Kebumen, Kendal, Kudus, Purworejo, Salatiga, Sukoharjo each have 2 cases. (<https://www.google.co.id>).

Judging from this case, corruption is a form of accounting fraud tendencies committed by company management which is influenced by the management's unethical behavior. According to (Aprilia et al., 2018) unethical actions can be influenced by the internal control system and supervisor monitoring. To produce good monitoring results, effective control is needed. The effectiveness of the internal control system is a factor influencing the tendency of accounting fraud and unethical behavior. The internal control system plays an important role in efforts to minimize fraud. An effective internal control system will close opportunities for unethical behavior and tendencies to act fraudulently in accounting (Bestari, 2016).

The results of (Yulianti, 2016) regarding the influence of morality individual, law enforcement, distributive justice and procedural justice tendency of accounting fraud with unethical behavior as a variable intervening proves that only individual morality matters has no relationship with the tendency of accounting fraud through unethical behavior. Then in 2017 Novikasari examined the influence of individual morality, the government's internal control system and observance of accounting rules on the tendency of accounting fraud in SKPD Kuantan Singingi Regency. The results of his research prove that the three independent variables influence the tendency of accounting fraud.

(Aprilia et al., 2018) noted that unethical behavior carried out by management can also be influenced by information asymmetry situations. Information asymmetry is caused by agency problems that occur when the principal finds it difficult to trace what the manager (agent) actually does. The existence of asymmetry between the leadership as an agent and the owner causes a gap in internal financial knowledge so that the leadership can



manipulate or manipulate financial statements in an effort to increase profits to get compensation or rewards from the owner and improve management's reputation. Because of this difference in interests, each party tries to increase its profit for itself.

The results of research by (Helmayunita and Setiawan, 2017) prove that unethical behavior and the tendency of accounting fraud are also caused by substantial things, namely attitudes and moral responsibility. People who have low individual morality will behave differently from people who have high individual morality. The tendency of accounting fraud is a small part of all fraud that occurs in a country. Fraud that occurs a lot can be prevented in many ways by cultivating honesty, openness to each other, helping each other, respecting each other. All of these are the main efforts that should have been carried out early on as a solution to prevent and minimize the level of fraud. One way that is being pursued in minimizing the level of fraud in government institutions is by prioritizing and instilling an individual morality midset (Novikasari, 2017).

Attribution theory studies the process of how a person interprets an event, the reason or cause of his behavior. This theory was developed by Fritz Heider who argued that a person's behavior is determined by a combination of internal forces, namely factors that come from within a person, such as ability or effort, nature, character, attitude, and external forces.), namely factors that come from outside, such as difficulties at work or luck, pressure from certain situations that force a person to do certain actions (Aprilia et al., 2018).

Jensen and Meckling's agency theory is often used to explain accounting fraud. Jensen and Meckling define an agency relationship as a contract between one or more persons who act as principals (ie shareholders) who appoint other people as agents (ie managers), who perform services for the interests of the principals including delegating power in decision making. Managers as company managers know more internal information and company prospects in the future than owners (shareholders) (Animah, 2018).

The existence of an opportunity will open up opportunities for someone to commit fraud. This opportunity is influenced by the effectiveness of internal control, if a company's internal control is weak, the possibility of errors and fraud is greater. Accounting fraud, with the existence of internal control, checking will occur automatically on one's work by others (Arista et al., 2016).

Information asymmetry is an imbalance of information held by principals and agents, when principals do not have sufficient information about agent performance, conversely agents have more information about self-capacity, work environment and the company as a whole (Hasanudin, 2016). This situation can provide opportunities for agents to present information that is not true, especially if the information is related to measuring agent performance. This spurred agents to think about how accounting numbers could be used as a means to maximize their interests. So that asymmetry makes management act unethically and tends to act fraudulently by providing useful information to principals for the sake of motivation to obtain high bonus compensation.

(Kurniati, 2018) conducted research on the effect of obeying rules accounting, information asymmetry, distributive justice and control effectiveness internal to the tendency of accounting fraud with unethical behaviors as an intervening variable. The results of his research show that obedience accounting rules have no effect on the tendency of fraud accountancy. While information asymmetry, distributive justice and effectiveness



internal control has an effect on fraud tendenciesaccountancy. Accounting rule compliance, information asymmetry and distributive justiceinfluence on unethical behavior. But effectivenessinternal control has no effect on unethical behavior. Forthe mediating variable of unethical behavior can mediate the rule obedience relationshipaccounting, information asymmetry, and distributive justice with tendenciesaccounting fraud. While the variable effectiveness of internal controltowards accounting fraud tendencies cannot be mediated byunethical behavior.

The aims of this study are (1) to analyze the effect of internal control effectiveness, information asymmetry and individual morality on unethical behavior. (2) to examine the effect of internal control effectiveness, information asymmetry, individual morality and unethical behavior on accounting fraud tendencies. (3) to examine the effect of internal control effectiveness, information asymmetry and individual morality on accounting fraud tendencies with unethical behavior as intervening variables.

THEORETICAL REVIEW

Attribution Theory. Itstudies how a person processesinterpret an event, the reasons or causes of behavior. This theory was developed by Fritz Heider who argued that a person's behavior is determined by a combination of internal forces, namely factorsthat come from within a person, such as ability or effort, nature, character, attitude, and external strengths or factors that come from outside such as difficulties in work or luck, pressure from certain circumstances that force a person to do certain actions (Aprilia et al., 2017).

Attribution theory groups two things that can distort meaningfrom attribution. First, the fundamental attribution error is the tendency tounderestimate the influence of external factors rather than internal factors. Second, service prejudice from a person tends to attribute success to internal factors. While the failure is associated withexternal factors. The reason for choosing this theory is the behavior of people in organizations, leader behavior and subordinate behavior. Unethical acts and actionsfraud can be influenced by the existence of an internal control system andmonitoring by superiors. With internal control, unethical actions will decrease. If the effectiveness of internal control is high, unethical behavior will decrease.

Agency Theory. Jensen and Mackling's agency theory is often used to explain accounting fraud. Agency theory intends to solve two problems that occur in agency relationships. Problems that arise due to differences in interests between the principal and the agent are called agency problems. With the difference in interests that occur between the principal and the agent will lead to a conflict. This conflict causes information asymmetry between the two parties. Information asymmetry is an imbalance of information held byprincipals and agents which the principal does not have sufficient information aboutagent performance. In contrast, agents have more information aboutself-capacity, work environment and the company as a whole (Aprilia et al., 2017). This situation canprovide an opportunity for the agent to present information that is notactually, especially if the information relates to performance measurementagent. This spurred the agent to think about how the accounting numbers could beused as a means to maximize its interests. So that asymmetry makes management act unethically and tends to cheat by providing useful information to principals for the sake of motivation to obtain high bonus compensation.



The agent as an internal party, of course, has more information than the principal. Because everything related to the company is the responsibility of the agent because the company's performance will affect the future of the company. This is what agents can use to hide various information from the principal (Azmi et al., 2021). To deal with all of that, of course, an effective internal control is needed so that it can minimize the occurrence of the things mentioned above. With internal control, fraudulent actions will be reduced. If the effectiveness of internal control is good, then fraudulent behavior will decrease. The internal control system is a process that is carried out to provide reasonable assurance about the achievement of the reliability of financial statements, compliance with the law, and the effectiveness and efficiency of operations (Putri and Suartana, 2022).

Fraud. According to The Association of Certified Fraud Examiners (ACFE) fraud is anything that can be shrewdly used to gain profit by covering up the truth, deceit, cunning or tricking and other dishonest ways. According to by (Novikasari, 2017), fraud is defined as any intentional fraud attempt, which is intended to take the property or rights of another person or party. Fraud in financial statements is associated with fraud by management side. Although all cheating involves form financial misstatements, but to qualify as a scheme for this type of fraud, the report must provide an immediate financial benefitor indirectly for the perpetrator. In other words, the report is not a tool to disguise or cover up a fraudulent act. An example is by stating the amount of liability that is too low in order to present a good financial picture of the company for the stock price to rise.

There are two types of errors known in accounting, namely errors and fraud, where the difference between these two types of errors is very thin, namely the presence or absence of an element of intent. Often fraud is more difficult to detect than errors resulting from management or employees trying to hide the fraud. According to the Circular Letter of Bank Indonesia Number 13/28/DPNP dated December 9, 2011, fraud is an act of deviation that is intentionally carried out to deceive, deceive or manipulate banks, customers, or other parties, which occurs within the Bank and/or uses Bank facilities so as to result in banks, customers, or other parties suffer losses and/or fraud perpetrators gain profits either directly or indirectly (Calsia, 2018). Fraud has four criteria, namely: (1) The act was done intentionally; (2) There are victims; (3) The victim obeys the will of the perpetrator; (4) There is a loss suffered by the victim.

Accounting fraud in Indonesia has attracted a lot of public attention as a dynamic that has always been the center of attention of business people in the world. In Indonesia, fraud is always a recurring case and seems to be a trend every year. Major fraud cases involve parties who work in the company and are professional workers who are experts in their fields. Accounting fraud that occurs causes data and information on financial statements published by companies to be very unobjective and can mislead users of financial statements in assessing performance or even in making decisions (Arista et al., 2016).

Several studies related to the tendency of accounting fraud have been carried out before. (Fitri, 2016) examined the effectiveness of the control system internal, accounting observance, information asymmetry and individual morality toward tendency of accounting fraud with unethical behavior period year 2016. The samples taken were 89 SKPD respondents in Riau province. Analysis data is done by using the inner model and outer model. Variable The independent variables used are the effectiveness of internal control, compliance accounting, information asymmetry and individual morality. The



dependent variable that used is the tendency of accounting fraud. Intervening variable used is unethical behavior. (Fitri's, 2016) prove that the effectiveness of the internal control system has a negative relationship and not significant to the tendency of accounting fraud through behavior unethical. Then the variable accounting observance, information asymmetry and individual morality has a positive and significant relationship to trend accounting fraud through unethical behavior.

(Aprilia et al., 2018) examine the effectiveness of internal control, appropriateness of compensation, asymmetry information and morality management against unethical behavior and trend of accounting fraud for the 2017 period. Number of samples used are 50 respondents in the banking industry. Data analysis was performed with using the inner model and outer model. Independent variables used are the effectiveness of internal control, appropriateness of compensation, asymmetry information, and management morality. The dependent variable used is unethical behavior and accounting fraud tendencies. Research result of (Aprilia et al., 2018) proved that the effectiveness of control internal, appropriateness of compensation and management morality has a positive effect significant impact on unethical behavior and fraudulent tendencies accountancy. Meanwhile, information asymmetry has no effect on behavior unethical and accounting fraud tendencies.

Effect of Internal Control Effectiveness on Unethical Behavior. Attribution theory explains that the actions taken by a person are caused by the attributes of the cause, namely the behavior of the leader and the behavior of the subordinates. Unethical actions and fraudulent acts can be influenced by internal control and monitoring systems. An agency must have an effective internal control system where every activity carried out by employees in the agency or institution must receive supervision.

The effectiveness of internal control is something that influences a person's actions and behavior. With effective controls, unethical actions will decrease. If the effectiveness of internal control is high, unethical behavior will decrease. To anticipate the existence of deviant actions that can be carried out by management, the company owner must supervise management performance with an effective control system. (Kurniati, 2018) concluded that the effectiveness of internal controls did not affect unethical behavior, while (Aprilia et al., 2018) found that internal controls had an effect on unethical behavior.

H1: The effectiveness of internal control affects unethical behavior.

The Effect of Information Asymmetry on Unethical Behavior. Agency theory explains the problems that occur between principals and agents. One of them is information asymmetry. Information asymmetry is an imbalance of information held by the principal and agent, when the principal does not have sufficient information about the performance of the agent, on the contrary, the agent has more information about his capacity, the work environment and the company as a whole (Aprilia et al., 2018).

When there is information asymmetry, company management takes advantage of the misalignment of information to their advantage while at the same time harming parties outside the company, such as biasing information related to investors (Bestari, 2016). According to (Fitri, 2016), the existence of information asymmetry will cause dysfunctional behavior problems for agents (company management). The results of (Kurniati's, 2018) find that information asymmetry affects unethical behavior. Meanwhile,



research conducted by (Aprilia et al., 2018) found that information asymmetry had no effect on unethical behavior.

H2: Information asymmetry affects unethical behavior.

The Effect of Individual Morality on Unethical Behavior. In Kohlberg's theory of moral development cited by (Damayanti, 2016) states that morals develop through three stages, namely the pre-conventional stages, conventional stages and post-conventional stages. Morality is something that influences the behavior of an individual. Bad morality will make individuals tend to behave unethically. Ethical is a principle of behavior that is agreed and carried out in general, related to matters such as morals, something that is right and dignified (Calsia, 2019).

The development of moral knowledge is an indication of making decisions that are ethically and positively related to socially responsible behavior. Because of social responsibility, individuals with high morality are expected not to commit deviant and fraudulent actions. Individuals with high morality, namely at the post-conventional stage, will prioritize universal interests compared to the interests of their institutions, especially their personal interests. Thus, the higher the individual's morality, the more he will try to avoid the tendency of accounting fraud. Research by (Aprilia et al., 2018) found that morality has no effect on unethical behavior. However, this result is different from that of (Yulianti, 2016) who found that individual morality has no relationship to unethical behavior.

H3: Individual morality influences unethical behavior.

The Influence of Internal Control Effectiveness on Accounting Fraud Tendencies. The effectiveness of internal control is something that influences a person's actions and behavior. With effective controls, the tendency for accounting fraud will decrease. If the effectiveness of internal control is high, the tendency for accounting fraud will decrease. Based on the agency theory, the separation of control within the company has an impact on the emergence of an agent relationship with the principal. The principal is the party that authorizes the agent to act on behalf of the principal, while the agent is the party authorized by the principal to run the company.

So the agent is required to act in accordance with what is desired by the principal. However, sometimes the agents do not always act in accordance with the principal's expectations. To minimize the occurrence of irregularities committed by agents, it is necessary to apply high internal controls within the company (Azmi et al., 2021). To anticipate the existence of deviant actions that can be carried out by management, the company owner must supervise management performance with an effective control system. (Udayani and Agung, 2017) state that effective internal controls reduce the tendency of accounting fraud. The research findings of (Helmayunita and Setiawan, 2017) state that internal control has no effect on the tendency of accounting fraud. However, (Novikasari, 2017), (Aprilia et al., 2018) and (Kurniati, 2018) found that internal controls have an effect on the tendency of accounting fraud.

H4: The effectiveness of internal control affects the tendency to cheat.



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

Agency theory explains the problems between principals and agents. One of them is information asymmetry. Information asymmetry is an imbalance of information held by the principal and agent, when the principal does not have sufficient information about the agent's performance. In contrast, agents have more information about self-capacity, work environment and the company as a whole. Information asymmetry between the manager (agent) and the owner (principal) causes a gap in the company's internal financial knowledge so that the manager can do engineering to increase profits to get compensation or rewards from the owner. Because of these different interests, each party tries to increase the benefits for themselves (Azmi et al., 2021).

When information asymmetry occurs, company management takes advantage of information misalignment to their advantage as well as to the detriment of outsiders, such as biasing information related to investors (Aprilia et al., 2018). (Kurniati, 2018) found that information asymmetry has an effect on the tendency of accounting fraud. However, (Aprilia et al., 2018) found that information asymmetry did not affect the tendency of accounting fraud.

H5: Information asymmetry affects the tendency of accounting fraud.

The Influence of Individual Morality on the Trend of Accounting Fraud. The role of morals and good personality of a leader is needed to be used as an example for all employees. Leaders can't want good ethics and behavior from an organization while the leader does not show it seriously (Kurrohman and Widayanti, 2018). Morality is fundamental in the assessment of every action taken by humans. Actions, attitudes or behavior carried out by humans in everyday life are closely related to other people. Morality is related to things that are rational and in accordance with conscience.

In general, morality is fundamental in the assessment of every action taken by humans. Morality is related to things that are rational and in accordance with conscience. A person is said to be moral if his actions and behavior reflect morality. Individual morality will contribute significantly to the tendency of accounting fraud. Morality is a person's actual moral attitude. Morality is defined as the attitude of one's heart and outward actions that are revealed. The high individual morality of an employee will reduce the tendency of the employee to commit accounting fraud (Nashruah and Wijayanti, 2019). (Aprilia et al., 2018), (Novikasari, 2017) and (Kurniati, 2018) find that individual morality affects the tendency of accounting fraud.

H6: Individual morality affects the tendency of accounting fraud.

The Effect of Unethical Behavior on the Tendency of Accounting Fraud. Ethics has two meanings, namely (1) ethics comes from the Greek, *ethos* (singular) or *ta etha* (plural) which means habits and customs. This understanding is related to good living habits, both in oneself and in a society that are passed down from one generation to another. (2) Ethics in the second sense is understood as a philosophy or science that emphasizes a critical approach in viewing and understanding moral values and norms as well as moral problems that arise in society. According to (Bestari, 2016) unethical behavior is behavior that according to individual beliefs and social norms is considered right or wrong. The



emergence of unethical behavior because employees feel dissatisfied and disappointed with the results obtained from the agency and the lack of leadership oversight which can open up employee freedom to take actions that can be detrimental. Agencies are required to be able to encourage the formation of ethical behavior in their employees, this is to minimize the tendency of fraud.

Organizations that have low ethical standards will have a high risk of accounting fraud causing someone to behave unethically such as abuse of authority, power, position and resources. Thus, it takes ethical behavior from organizational management so that an ethical organizational environment can be created. Employees will be more inclined to obey the rules that have been set and avoid fraudulent acts that can harm the company (Calsia, 2019). Ethics are beliefs about right and wrong actions or good and bad actions that affect other things. Individual personal values and morals and social context determine whether a certain behavior is considered as ethical or unethical behavior. Unethical behavior is a deviant behavior or attitude committed by someone to achieve a certain goal, but the goal is different from the previously agreed goal. (Aprilia et al., 2017) found that unethical behavior has an effect on accounting fraud tendencies.

H7: Unethical behavior influences the tendency of accounting fraud.

The Effect of Internal Control Effectiveness, Information Asymmetry, and Individual Morality on the Tendency of Accounting Fraud with Unethical Behavior as Intervening Variables. Lack of effective internal control, employee dissatisfaction and disappointment with the compensation obtained in an agency for what they have done can potentially lead to accounting tendency behavior. In addition, the existence of information asymmetry between principals and agents as well as a lack of individual morale can provide opportunities and trigger employees to behave unethically which refers to acts of accounting fraud that can be detrimental to the agency or institution itself (Fitri, 2020). (Bestari, 2016) and (Fitri, 2016) found that the effectiveness of internal control has a negative but not significant relationship to the tendency of accounting fraud through unethical behavior. Information asymmetry and individual morality variables have a positive and significant relationship to the tendency of accounting fraud through unethical behavior. Meanwhile, according to (Yulianti's, 2016) it shows that only individual morality variables have no relationship with the tendency of accounting fraud through unethical behavior.

H8: Internal Control Effectiveness influence the tendency of accounting fraud with unethical behavior as Intervening Variables.

H9: Information Asymmetry influence the tendency of accounting fraud with unethical behavior as Intervening Variables.

H10: Individual Morality influence the tendency of accounting fraud with unethical behavior as Intervening Variables.



METHODS

The population in this study is the Central Java Provincial Office which consists of 22 Offices. The target sample in this study was 100 respondents with the technique of determining the sample, namely purposive sampling with the respondent's criteria being the finance department and a minimum of 1 year of service. The type of data used is primary data where the data collection technique uses questionnaires. Analysis of the research data using Partial Least Square (PLS) in this case using the SmartPLS 3.0 software. The data analysis method used is the inner model and the outer model. The method of hypothesis analysis in this study uses R-Square.

Operational Definitions of Variables and Measurements. Tendency of Accounting Fraud. In this study the tendency of accounting fraud serves as the dependent variable. (Bestari, 2016) explains accounting fraud as misstatement arising from fraud in financial reporting and misstatement arising from improper treatment of assets such as embezzlement of goods/money receipts and actions that cause entities to pay for goods or services not accepted by the entity resulting in the financial statements not being presented in accordance with generally accepted accounting principles in Indonesia. The instrument used to measure the tendency of accounting fraud consists of five question items developed by (Putri and Suartana, 2022). A Likert scale of 1 to 5 was used to measure the subject's response to 5 points at equal intervals.

Effectiveness of Internal Control. According to Government Regulation No. 60 of 2008 concerning the Government Internal Control System (SPIP) is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability financial reporting, safeguarding state assets, and compliance with laws and regulations. The internal control system is a process that is carried out to provide reasonable assurance regarding the achievement of the reliability of financial statements, compliance with the law, and the effectiveness and efficiency of operations. The internal control system includes an organizational structure, coordinated methods and measures to maintain organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies (Arista et al., 2016). With an effective internal control system, unethical actions are reduced. If the effectiveness of internal control is high, unethical behavior will decrease.

Internal control is very important, among others, to provide protection for the entity against human weaknesses and to reduce the possibility of errors and actions that are not in accordance with the rules. COSO in (Aprilia et al., 2017) explains that as a company develops, the task of management to control the running of the company becomes increasingly difficult. The instrument used to measure the effectiveness of internal control consists of 5 question items developed by (Aswad et al., 2018) regarding internal control. Likert scale 1 to 5 is used to measure the response of the respondents.

Information asymmetry. Information asymmetry is a condition where there is an imbalance in obtaining information between management as information providers and shareholders and stakeholders in general as information users (Bestari, 2016). In some organizations, subordinates have more accurate information that can influence performance measurement than their superiors. For that, subordinates who have personal



information about the company participate in accordance with the management control system by submitting or including their personal information to be integrated with government budget standards in the framework of determining government performance. The instrument for measuring information asymmetry consists of six questions from the instrument developed by (Aswad et al., 2018). A Likert scale of 1 to 5 is used to measure responses from respondents.

Individual Morality. In general, morality is fundamental in evaluating every action taken by humans. Actions, attitudes or behavior carried out by humans in everyday life are very closely related to other people. Morality is related to things that are rational and in accordance with conscience. A person is said to be moral if actions and behaviors reflect morality. The measurement of morality comes from the moral measurement model developed by (Bestari, 2016) in the form of an instrument defining issues test. This instrument takes the form of an ethical dilemma case. Morality is measured through 6 (six) items of instrument that measure each stage of morality through cases of ethical dilemmas in accounting. Each stage of morality is indicated by a Likert scale of 1 to 5 used to measure the response from respondents.

Unethical Behavior. Unethical behavior in this study serves as an intervening variable, which is a bridge between the dependent and independent variables. Unethical behavior is a deviant behavior or attitude that is carried out by someone to achieve a certain goal, but the goal is different from the goals that have been previously agreed upon. Unethical Behavior is measured by an instrument developed by (Calsia, 2019). This questionnaire uses a 5-point Likert scale. A Likert scale of 5 was used to measure the subject's response into 5 points with equal intervals.

RESULTS

The number of questionnaires distributed was 100. Questionnaires returned and fulfilled the requirements. Questionnaires that did not return as many as 0 questionnaires. Questionnaires that were returned and did not fulfill the requirements amounted to 0 questionnaires. So there are 100 questionnaires that can be processed, so the response rate is $100/100 \times 100$ per cent = 100 per cent.

Outer Model Evaluation. Convergen Validity. Convergent validity of the measurement model with the reflective value of the indicator is assessed based on the correlation between the indicator value and the latent variable or its construct. To test the convergent validity, the value of outer loading or loading factor is used. An indicator is declared to meet convergent validity in the good category if the outer loading value is more than 0.700 (Ghozali, 2016) as showed **Figure 1**.



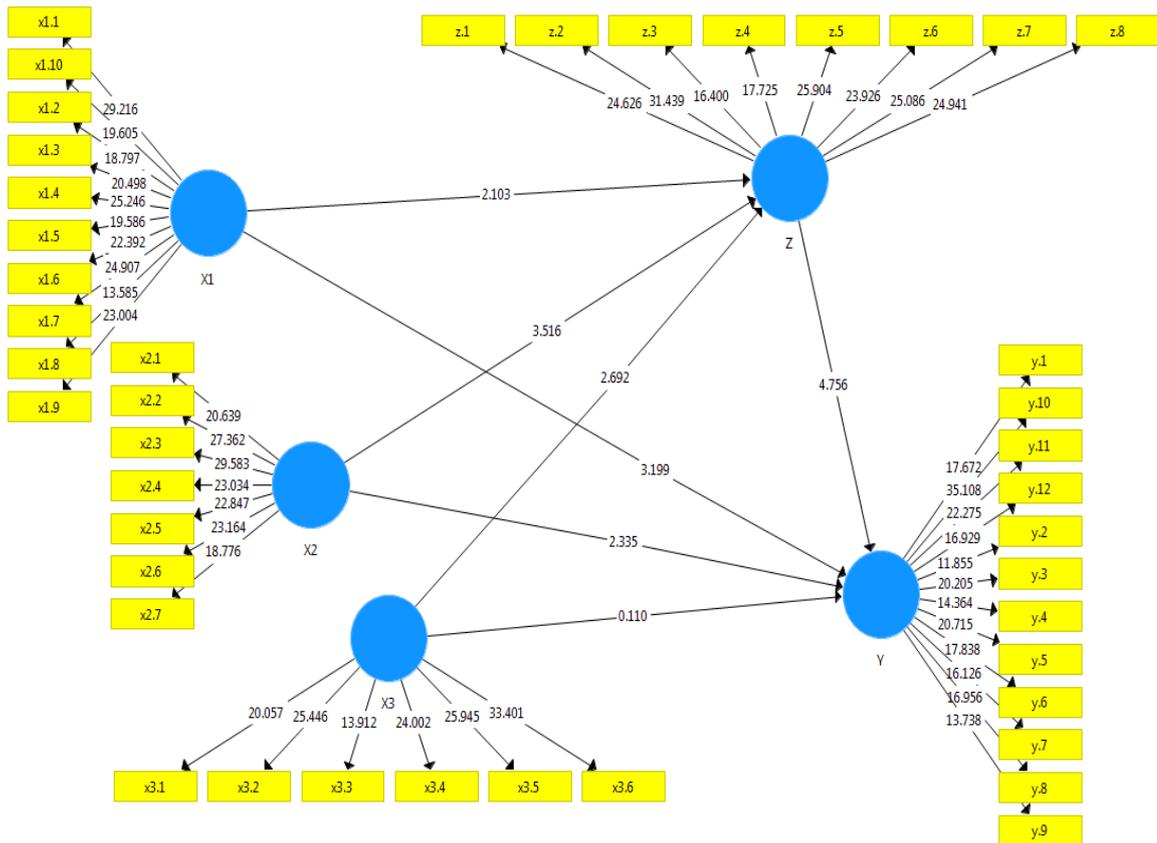


Figure 1. Full Partial Least Square Structural Model

Discriminant Validity. The discriminant validity test uses the cross-loading value. An indicator is declared to meet discriminant validity if the value of the cross-loading indicator on the variable is the largest compared to other variables. In addition to observing the cross-loading value, discriminant validity can also be known through other methods, namely by looking at the average variant extracted (AVE) value for each indicator, it is required that the value must be more than 0.500 for a good model (Ghozali, 2016).

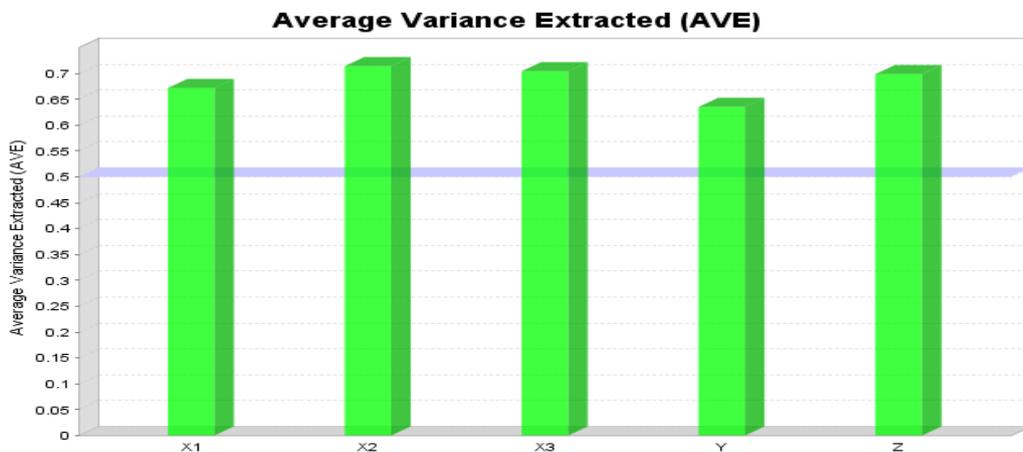


Figure 2. AVE

Based on **Figure 2**, AVE Value of Internal Control, Information Asymmetry, Individual Morality, Tendency to Accounting Fraud, Unethical Behavior more than 0.050. Thus it can be stated, each variable has good discriminant validity.

Composite Reliability. Used to test the reliability value of the indicators of a variable. A variable can be declared to meet Composite Reliability if it has a Composite Reliability value more than 0.700.

Table 1.Composite Reliability

| | Composite Reliability |
|-------------------------|------------------------------|
| Internal Control | 0.953 |
| Information Asymetry | 0.946 |
| Individual Morality | 0.934 |
| Tendency to Acct. Fraud | 0.954 |
| Unethical Behavior | 0.949 |

Composite reliability value of all research variables more than 0.700 can be showed **Table 1**. These results indicate that each variable has met composite reliability, so it can be concluded that all variables have a high level of reliability (Ghozali, 2016).

Cronbach Alpha. The reliability test with the composite reliability above can be strengthened by using the Cronbach alpha value. A variable can be declared reliable if it has a Cronbach alpha value more than 0.700 (Ghozali, 2016).

Table 2.Cronbach Alpha

| | Cronbach's Alpha |
|-------------------------|-------------------------|
| Internal Control | 0.946 |
| Information Asymetry | 0.933 |
| Individual Morality | 0.916 |
| Tendency to Acct. Fraud | 0.948 |
| Unethical Behavior | 0.938 |

Table 2 shows, the Cronbach alpha value of each research variable is more than 0.700. Thus each research variable has met the requirements for the Cronbach alpha value, so it can be concluded that all variables have a high level of reliability (Ghozali, 2016).

Inner Model Evaluation. Uji Path Coefficient. The path coefficient evaluation is used to show how strong the influence of the independent variable is on the dependent variable. Coefficient determination (R-Square) is used to measure how much the endogenous variables are influenced by other variables. Chin said the results of R² of 0.67 and above for endogenous latent variables in the structural model indicated the effect of exogenous variables (which influenced) on endogenous variables (which were influenced) included in the good category. Meanwhile, if the result is 0.330 to 0.670 then it is included in the moderate category, and if the result is 0.190 to 0.330 then it is included in the weak category (Ghozali, 2016).



Table 3.R-Square

| R Square | |
|-------------------------|-------|
| Tendency to Acct. Fraud | 0.940 |
| Unethical Behavior | 0.921 |

Based on the data presented in **Table 3** shows, it can be seen that the contribution of the variables Internal Control, Asymetry Information, and Individual Morality to Unethical Behavior is 0.921 or 92.100 per cent. The contribution of the variables Internal Control, Asymetry Information, Individual Morality and Unethical Behavior to Tendency to Accounting Fraudis 0.940 or 94.000 per cent.

Hypothesis Test. Hypothesis testing in this study was carried out by looking at the T-Statistic value more than 1.960 and the P-Values value less than 0.050 (Ghozali, 2016) **Table 4** show the results of hypothesis testing obtained in this study through the inner model:

Table 4. t-Statistic and P-Value

| Hypothesis | Statement | T-Statistic | P-Value | Result |
|------------|---|-------------|---------|----------|
| H1 | Internal Control influences Unethical Behavior | 2.103 | 0.036 | Accepted |
| H2 | Information Asymetry influences Unethical Behavior | 3.516 | 0.000 | Accepted |
| H3 | Individual Morality influences Unethical Behavior | 2.692 | 0.007 | Accepted |
| H4 | Internal Control influences the Tendency of Accounting Fraud | 3.199 | 0.001 | Accepted |
| H5 | Information Asymetry influences the Tendency of Accounting Fraud | 2.335 | 0.020 | Accepted |
| H6 | Individual Morality influences the Tendency of Accounting Fraud | 0.110 | 0.913 | Rejected |
| H7 | Unethical Behavior influences the Tendency of Accounting Fraud | 4.756 | 0.000 | Accepted |
| H8 | Internal Control influences the Tendency of Accounting Fraud through Unethical Behavior as a mediator | 1.847 | 0.065 | Rejected |
| H9 | Information Asymetry influences the Tendency of Accounting Fraud through Unethical Behavior as a mediator | 2.899 | 0.004 | Accepted |
| H10 | Individual Morality influences the Tendency of Accounting Fraud through Unethical Behavior as a mediator | 2.507 | 0.012 | Accepted |

DISCUSSION

Based on the results of testing the first hypothesis, it can be concluded that the internal control variable has a significant effect on unethical behavior. Organizations or companies as legal entities are seen as individuals. With regard to this status, organizations are required to behave ethically towards workers, consumers, or society in general. Unethical behavior should not be morally acceptable because it causes harm to others and

the environment (Calsia, 2019). Based on the respondents' answers, all employees have complied with the applicable regulations. The process of controlling and checking all records and documents has also been carried out properly. On the other hand, the respondents' answers also indicate that leaders are considered inappropriate when they arrive late at the office and are more likely to cooperate with other agencies or institutions that are more profitable for them. This reinforces the results of research that internal control influences unethical behavior. However, in organizations ethical dilemmas often arise when at the same time management is required to increase organizational profits and maximize the benefits that consumers can get through the products produced by the organization. In addition, unethical behavior can arise because employees are dissatisfied and disappointed with the results obtained from the agency or government as well as weak management supervision which can open up employees' discretion to take actions that can harm the government, resulting in unethical behavior and various bias policies (Arista et al., 2019).

The results of testing the second hypothesis prove that information asymmetry has a significant effect on unethical behavior. (Kurniatio, 2018) states that the existence of information asymmetry will cause dysfunctional behavior problems for agents (company management). In agency theory, it explains the problems that occur between the principal and the agent. One of them is information asymmetry. Information asymmetry is an imbalance of information held by the principal and agent, when the principal does not have sufficient information about the performance of the agent, on the contrary, the agent has more information about his capacity, the work environment and the company as a whole (Aprilia et al., 2018). Respondents' answers indicate that only those who are responsible in the process of preparing financial reports know and understand all the relationships between financial transaction data and the process of preparing financial reports. In other words, the information that the agent has is far more than that of the principal. Regarding unethical behavior, respondents believed that leaders do not directly reprimand employees who do not comply with the rules. From this explanation it can be understood that the information asymmetry between the agent and the principal has a direct influence on unethical behavior as long as the agent feels more benefited because he knows more about the company's financial information.

Individual morality has a significant effect on unethical behavior so the third hypothesis is accepted. The development of moral knowledge is an indication of making decisions that are ethically and positively related to socially responsible behavior. Because of social responsibility, individuals with high morality are expected not to take deviant actions (unethical behavior). Respondents who participated in this study gave the opinion that with regard to individual morality, leaders would give bonuses to accounting department employees because they were considered to have complied with the rules. In addition, the respondents' answers indicate that SKPD leaders tend to complete financial realization reports as was done in the past period according to their interests. This shows that individual morality has an influence on unethical behavior.

Internal control has a significant effect on the tendency of accounting fraud which means that the fourth hypothesis is accepted. The results of this study concluded that the better the internal control owned by the agency, the lower the level of accounting fraud committed. It is that the tendency of accounting fraud can be reduced if an effective internal control system is implemented within the company. This indicates that if the



leadership and accounting staff can implement an effective internal control system within the company, it will prevent the tendency of accounting fraud. Based on the results of the respondents' answers, in general the employees have complied with the applicable regulations and the supervisory process in the accounting field has been carried out by the internal auditor and external auditor. This shows that there is a control process that is already running well so that it can have an impact on the tendency of accounting fraud by not delaying the recording of a transaction in the financial reporting period.

Information asymmetry has a significant effect on the tendency of accounting fraud so the fifth hypothesis is accepted. Management has stronger power in trying to collect and process information contained in the organization. Management will manipulate in presenting information that is useful for them for the sake of motivation to obtain high bonus compensation, retain positions and others. The condition of information asymmetry appears in agency theory, namely the principal (owner/superior) gives authority to agents (managers/subordinates) to manage the company they own. Delegation of authority will cause managers as managers of the company to know more about the company's prospects and information, causing an information imbalance between managers and owners which is called information asymmetry (Bestari, 2016). The results of this study are not in line with the research by (Aprilia et al., 2017), which shows that internal control has no significant effect on accounting fraud tendencies. But in line with (Kurniati, 2018) found that information asymmetry has an effect on trends accounting fraud.

Individual morality has no significant effect on accounting fraud tendencies. This shows that the higher the morale of a person's individual does not necessarily reduce accounting fraud. Morality is not a driving force for accounting fraud, because every perpetrator of fraud has never perceived a violation of the principle of morality (Novikasari, 2017). Respondents of this study argue that even though leaders have good morality as reflected in giving bonuses to employees who comply with the rules and also always complete budget realization reports in a timely manner, this does not mean that the tendency to commit accounting fraud will decrease. The results of this study are not in line with (Novikasari's, 2017), (Aprilia et al., 2017), (Kurniati, 2018) that individual morality has a significant effect on accounting fraud tendencies.

Unethical behavior has a significant effect on the tendency of accounting fraud (the fifth hypothesis is accepted). The ethical principle of a management is represented by the behavior of management in managing the company. If the behavior shown by management tends to be unethical, it can lead to accounting fraud. In other words, the higher the unethical behavior, the higher the accounting fraud. The results of this study are in line with the research by (Aprilia et al., 2017) which shows that unethical behavior affects the tendency of accounting fraud.

Internal control has no significant effect on the tendency of accounting fraud with unethical behavior as a mediator. Information asymmetry has a significant effect on the tendency of accounting fraud with unethical behavior as a mediator. Individual morality influences the tendency of accounting fraud with unethical behavior as a mediator. Lack of effective internal control, employee dissatisfaction and disappointment with compensation obtained in an agency for what they have done, information asymmetry between principals and agents and lack of individual morale so that it can provide opportunities and trigger employees to behave unethically which refers to acts of fraud accounting which can be detrimental to the agency or institution itself (Damayanti, 2016).



Ineffective internal control, dissatisfaction and employee disappointment with the compensation obtained in an agency for what they have done, there is an information asymmetry between the principals and agents as well as the lack of individual morale so as to provide opportunity and trigger employees to behave unethically which refers to action accounting fraud that can be detrimental to the institution or the institution itself (Shintadevi, 2015). The results of this study are in line with the research of (Bestari, 2016) and (Fitri, 2016) found that internal control was not effect on the tendency of accounting fraud with no behavior ethical as a mediator, while the variables are information asymmetry and morality influential individual.

CONCLUSION

The results showed that internal control, information asymmetry, and individual morality had a significant effect on unethical behavior. Internal control and information asymmetry affect the tendency of accounting fraud, individual morality does not affect the tendency of accounting fraud. Information asymmetry, individual morality influences the tendency of accounting fraud through unethical behavior as mediation, while internal control has no significant effect.

Recommendations for future research to conduct research at the Central Java Provincial Office in the middle of the year because during that month the respondents were not at their peak of activity, so that the results of the questionnaires received would be maximized. This research is still in Central Java Province, the suggestion for further research is to expand the sample area to Service Office Employees across provinces, it is intended that there will be more and more research respondents and of course get maximum results. The method used in this study uses a survey method with a questionnaire, so there may be dishonesty in answering statements. Future research can minimize this by using the interview method in obtaining valid data and being able to describe the real conditions.

The researcher realizes that during the research there are limitations that might affect the results of this study, namely there are still other variables that affect variation in the accounting fraud tendency variable that have not been explored in this study. Therefore, future research can add variables and expand the object of research.

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