The Influence of Internal Control, Organizational Justice, and Compliance with Accounting Rules in the Tendency of Accounting Fraud

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Abstract:- This research aims to analyze the influence of internal control, organizational justice, and compliance with accounting rules in the tendency of accounting fraud. This research uses primary data in distributing questionnaires to the employees who work in the Ministry of Industry located in South Jakarta. Data was obtained by distributing 165 and only 150 questionnaires of the total spread questionnaire can be processed. This research using random sampling method, data were analyzed with multiple regression. The result that internal control, organizational justice, and compliance with accounting rules has significant influence on the tendency of accounting fraud either partially and simultaneously.

Keywords:- Internal Control, Organizational Justice, Compliance with Accounting Rules, The Tendency Of Accounting Fraud.

I. INTRODUCTION

Accounting fraud has received a lot of public attention as a dynamic that is the center of attention of business people in the world. Even in Indonesia, accounting fraud has become a habit from year to year. Loss is a form that is intentionally done. Corruption is very crucial in Indonesia. In general in corruption the usual actions are manipulating, recording, removing documents, and marking up that is detrimental to the country's finances or economy. According to (Liu and Mikesell, 2014; Dang, 2016) corruption resulted inefficient in resources, and reduce income per capita. To deal with accounting fraud problems, monitoring is needed, to get good monitoring results, effective internal control is needed. Organizational justice emphasizes how rewards, incentives, recognition, employment, and sanctions in an institution (organization) are allocated fairly and proportionally. All forms of payment or reward to employment are as compensation (Silva, 2009).

Employee perceptions of the imbalance between inputs (knowledge, skills, abilities, experience, craft, and perseverance and hard work) that they provide with the results they receive (salary, treatment or recognition) will produce negative emotions that motivate employees to change their behavior, attitudes, and satisfaction. Even worse they will try to maximize their utility by acting in their favor and harming the company, such as cheating. However not all about financial and recognition reward will motivate the employees. Study (Ndungu, 2017)) in Kenyatta University indicate that staffs are less motivated by financial and recognition reward, and less contribution to improve their job performance. While according to (Eshun and Duah, 2011), reward is important in motivating employees.

Accounting rules provide guidance for management how to conduct accounting activities properly so as to produce effective financial statements and capable of producing reliable information to interested parties. Chartered Accountant Indonesia/IAI (2002), states that the public needs information credibility, to obtain credibility of the information management must implement generally accepted accounting rules.

This study aims to find the influence of internal control, organizational justice and compliance with accounting rules to the tendency accounting fraud.

II. LITERATURE REVIEW

A. The Tendency of Accounting Fraud)
Failure (Fraud) according to Black Low Dictionary is intentional or wrong statement of a truth or situation that is hidden from a material fact that can influence other people to do actions or actions that are detrimental to them, usually in some cases (specifically done intentionally) making it possible is a crime. Accounting frauds happened due to the fabrication of numbers in misapplication and misinterpretation of accounting standards (Rezaee, 2002) and usually auditors do not detect fraud (Albrecht et al, 2001).

B. Internal Control
Failure (Fraud) according to Black Low Dictionary is intentional or wrong statement of a truth or situation that is hidden from a material fact that can influence other people to do actions or actions that are detrimental to them, usually in some cases (specifically done intentionally) making it possible is a crime. Accounting frauds happened due to the

fabrication of numbers in misapplication and misinterpretation of accounting standards (Rezaee, 2002) and usually auditors do not detect fraud (Albrecht et al, 2001).

C. Organizational Justice

Organizational justice is the term to describe equality or justice in the workplace that focuses on how workers conclude whether they are treated fairly in their work and how these conclusions influence other work-related variables. Job satisfaction depends on organizational justice (Al-Zu'bi, 2010). Justice can be assessed through three levels of events, namely: 1) distributive justice; 2) procedural justice; and 3) Interpersonal and informational (Karriker et al, 2017). Organization is not able to develop effectively without willingness to cooperate by employees (Bazgir et al, 2018).

D. Compliance with Accounting Rules)

Rules are actions or actions that must be carried out. Accounting rules are made in such a way as a basis in the preparation of financial statements. In accounting standards there are rules that must be used in the measurement and presentation of financial statements that are guided by the rules issued by the IAI. Study (Ali & Henry, 2012) found that the compliance levels positively related to company size, rentability and status of multinational-company but not related to leverage levels and the quality of external auditors.
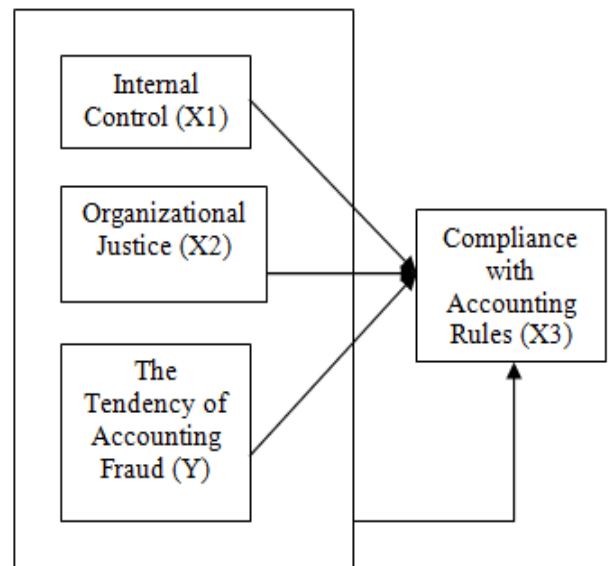
E. Research Design

Fig 1:- Research Design

III. RESEARCH METHODOLOGY

This type of research is a quantitative research. Quantitative Research is a research method that is inductive, objective and scientific in which the data obtained in the form of numbers (score, value) or statements that are valued, and analyzed by statistical analysis. The population and sample in this research is 165 employees in Ministry of industry, South Jakarta. In this study, Author selected employees from various levels such as: head of sub section, staff, and also honorary level. Using multiple linier regressions, we have done classic assumption test such as normality, multi-collinearity and heteroscedasticity test.

IV. RESULT AND DISCUSSION

Coefficient of Determination (R²)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.732[a]	.536	.526	4.91883

a. Predictors: (Constant), X3, X1, X2
b. Dependent Variable: Y

Source: Primary data processed with SPSS 25, 2019

Table 1

The coefficient of determination (R2) aims to see how much the ability of the independent variable to explain the dependent variable seen through adjusted R². The coefficient of determination is between zero and one. A small R2 value means the ability of the independent variables to explain the variation of the dependent variable is very limited. This research uses Adjusted R square value because it uses more than 1 independent variable. The results of the coefficient of determination can be seen in the table 1. The value of adjusted R-squared is 0.526, indicating that the contribution of independent variable (X) in this model can influence of 52.6% to dependent variable. The rest of 47.4% are contributed by other variables that are not included in the model

Multiple Linear Regression

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Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.148	2.474		.060	.952
	X1	.274	.087	.268	3.147	.002
	X2	.198	.070	.252	2.823	.005
	X3	.225	.063	.301	3.571	.000

a. Dependent Variable: Y

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Source: Primary data processed with SPSS 25, 2019

Table 2

Internal control has a significant effect on tendency accounting fraud, whereas Sig value internal control variable is $0.02 <$ critical probability value $(\alpha = 5\%)$ or t-count $>$ t table is $3.147 > 1.65536$, so the internal control variable (X1) has a significant effect on the variable tendency accounting fraud (Y). Studied by Hussaini and Dikko (2018) reveal that there are positive and significant relationship between internal control and bank performance.

Organizational justice has a significant effect on the tendency of accounting fraud, whereas Sig value variable organizational justice is 0.05 same to critical probability value $(\alpha = 5\%)$ and t count $>$ t table is $2.823 > 1.65536$ so that the independent variable of organizational justice (X2) has a significant effect on the variable tendency accounting fraud (Y).

Compliance with accounting rules significantly influences the tendency of accounting fraud, whereas Sig value the variable compliance with accounting rules is $0.000 <$ critical probability value $(\alpha = 5\%)$ and the value of t count $>$ t table is $3.571 > 1.65536$ so that the independent variable of compliance with accounting rules (X3) has a significant effect on the variable tendency accounting fraud (Y).

Simultaneously, internal control, organizational justice, and compliance with accounting rules significantly influence the tendency of accounting fraud. Sig value F (Statistic) of 0,000 is smaller than the significance level of 0.05 and the value of statistical F $>$ of F table is $56,173 > 2.67$ so that it can be concluded that the independent variables of internal control, organizational justice and compliance with accounting rules have a joint effect on the variable dependent on the tendency of accounting fraud (Y).

Test Results F

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ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4077.337	3	1359.112	56.173	.000^b
	Residual	3532.457	146	24.195		
	Total	7609.793	149			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X1, X2

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Source: Data processed with SPSS 25, 2019

Table 3

V. CONCLUSION

Based on the results of data analysis and discussion, some conclusions are as follows:

➢ Internal Control has significant influence in The Tendency of Accounting Fraud.
➢ Organizational Justice has significant influence in The Tendency of Accounting Fraud
➢ Compliance with Accounting Rules has significant influence in The Tendency of Accounting Fraud
➢ Internal control, organizational justice and compliance with accounting rules have significantly influence in the tendency of accounting fraud.

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