



## The Factors That Affect Fraudulent Financial Statements of the Local Government

Prasti Praditasari\*<sup>1</sup> and Asrori<sup>2</sup>

<sup>1,2</sup>Accounting Department, Faculty of Economics, Semarang State University

### ARTICLE INFO

#### Article History:

Received February 2, 2018

Accepted April 2018

Available July 31, 2018

#### Keywords:

Financial Statement; Fraud of Financial Statement Government Sector

### ABSTRACT

This study aims to explore the perceptions of employees in government agencies of Temanggung about the factors influencing the financial statement fraud. Financial report have important functions, in accordance with the fund's theory which explains that financial statements has the main purpose to report the sources and use of funds in operational implementation. The population of this study is respondents civil government agencies in Temanggung. The sampling technique is using simple random sampling method which produces the final research samples as many as 89 respondents. Data analysis in this study uses a model full analysis Structural Equation Modelling (SEM) with a smartPLS 3.0. The results of the research there were significant positive influence between negative motivation and information asymmetry with the cheating financial report. Significant negative effect against the morality of the financial report, while the system of internal control has no effect against the cheating financial report. Summary of the study i.e. the higher the perceived pressure employees and the higher the degree of asymmetry of information happens then the higher the possibility of cheating, while the higher levels of morality and the implementation of an effective internal control system can reduce the level of cheating going on.

© 2018 Published by UNNES. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>)

### INTRODUCTION

Fraud is a deviant or illegal act carried out intentionally by individuals or groups to achieve personal interests and harm the organization. One form of fraud is a false statement or misstatement in the financial statements, such fraud can have an impact on the financial statements presented. Material misstatement in financial statements will mislead the users of financial statements because the information presented does not reflect the actual financial conditions. Fraudulent financial statements can be in the form of an act of removing or adding a certain amount so that there is a misstatement in the financial statements.

The types of financial statements presented by government entities differ from the financial statements of private entities. The financial statements of government entities are intended to compare the realization of revenues, expenditures and financing with a predetermined budget, assess the financial condition of an instantiation and help determining employee compliance with legislation. The financial statements of government entities

are communication tools and forms of accountability of government entities to the public. Thus, the public and interested parties can find out the government's performance.

The financial statements of government entities are closely related to the public interest so that the financial statements must be presented fairly and transparently. Compliance with accounting rules is an obligation, because financial statements made that are not in accordance with accounting rules can trigger accounting fraud (Shintadevi, 2015). Many cases of fraud occur in Indonesia, both in private institutions and government agencies. Indonesia ranks high among other countries.

According to Indonesian Corruption Watch (ICW), state losses due to corruption in 2015 reached Rp. 31,077 trillion (Syarif, 2016). Based on a survey of the most corrupt provinces in Indonesia which was conducted by the Indonesian Corruption Watch (ICW) Institute, Central Java Province is in fifth place as the most corrupt province (Suastha, 2016). In the Central Java province, the Committee for Investigation and Eradication of Corruption, Collusion and Nepotism (KP2KKN) conducted a survey and released data that the most corrupt city in Central Java was Semarang City

\* E-mail: [prastipradita@gmail.com](mailto:prastipradita@gmail.com)

Address: L2 Building 2nd floor, Campus Sekaran, Gunungpati, Semarang, Indonesia, 50229

with 11 corruption cases, and the second was Temanggung District with 9 cases of corruption (Desy Setyowati, 2016).

One of the corruption cases in Temanggung was the case of misuse of Education Aid Fund for Son-Daughter of DPRD Members by the Former Regent of Temanggung, Totok Ary Wibowo, with a total of Rp 1.8 billion embezzled. The former Regent of Temanggung was also convicted of alleged election fund corruption cases of Rp. 12.6 billion (Krisiandi, 2015). Another case is the misuse of aid funds from the National Movement program of Forest and Land Rehabilitation which caused the State losses of Rp. 288 million (Dinar Widiyanto, 2016). There was also a case of inflating the unit data and the mark-up volume of the construction of Pasar Kliwon Temanggung which caused State losses of Rp 2.5 billion (Agustina, 2014).

A similar study was conducted by several previous researchers. One of them is by Hollow (2014) who examined the effect of bank employee motivation on fraud. The result of the study showed that motivation has a significant effect on fraud but the position of employees affects the level of significance. Kurniawan (2013) conducted a research with the result shows that motivation has a positive effect on fraud. Wilopo (2006) also conducted research on the determinants of fraud using morality variable. The result of the study showed that management morality negatively affects on fraud. Damayanti (2016) conducted a research with the result shows that a person's level of moral reasoning influences the possibility of fraud, the lower the moral level, the higher the fraud can occur. Rahmawati (2012) also conducted a research that showed result that morality has no effect on fraud.

Other research was conducted by Skousen et al., (2009) and shows the result that ineffective monitoring has a significant effect on fraud. Zulkarnain (2013) also conducts research and shows result that the internal control system has a negative effect on fraud, while research conducted by Ahriati (2015) shows the result that the internal control system has no effect on fraud.. Najhningrum (2013) conducts research which shows that information asymmetry has a positive effect on fraud, while research conducted by Kusumastuti (2012) shows the results that information asymmetry has no effect on fraud.

This study aims to analyze the effect of negative motivation, morality, internal control systems, and information asymmetry on fraudulent financial statements. This study uses a fund theory that has the main objective to report the sources and uses of funds in the operational implementation of agencies because financial statements describe the source of funds and its expenditure (Puspitasari, 2012). Local governments must present a report on the realization of the budget as accountability to the central government and transparency for those who use the information in the report.

Fraud is often triggered by the desire of individuals or groups to present better financial statements than what actually happened, so that honest and responsible employees are needed. This situation is in accordance

with the stewardship theory which explains the existence of the government as a trustworthy institution to act in line with the public interest. Stewardship theory is built on assumptions about human nature that can be trusted, responsible and have honesty with other humans. The relationship between regional government as stewards and the people represented by DPRD members as principals is built on trust, acts cooperatively in accordance with organizational goals so that the possibility of information asymmetry is low because when there are differences in interests, stewards will act to cooperate with principals rather than fight (Donaldson, 1991, Raharjo, 2007).

This study uses fraud triangle theory. There are three conditions that are always present in fraudulent activities, namely pressure, opportunity, and rationalization (Donald R. Cressey, 1953, Lou & Wang, 2009). The researcher proxies the pressure component with negative motivation variable, rationalization components with morality variable, and opportunity components with internal control system variable.

The theory of fraud triangle explains the components that influence the occurrence of fraud, one of which is the motivation component. According to (Kurniawan, 2013) motivation has the meaning of causes, basic reasons, encouragement for someone to do something, or the main idea that has a big influence on human behaviour. Motivation of a person can be sourced from within and outside one's self. Viewed from the perspective of management, the motivation of the organizational members can be categorized into two types, namely positive motivation and negative motivation (Kurniawan, 2013). Positive motivation is behaviour that encourages the achievement of organizational goals and objectives with a level of efficiency, effectiveness, and productivity. Negative motivation is behaviour that departs from prioritizing personal interests, if necessary by sacrificing organizational interest as a whole.

Fraud motives are understood as incentives or pressures (felt) that give reasons for individuals to commit fraud (Hollow, 2014). For example, there is pressure because it has debt / pressure to improve its position in the agency. Research carried out by Kurniawan (2013) which shows the result that negative motivation has a positive effect on fraud. This result is also in line with the research conducted by Skousen et. all. (2009) and Lou & Wang (2009) which shows the result that pressure correlates significantly on fraud.

#### **H<sub>1</sub>: Negative Motivation has a positive effect on fraudulent financial statements**

The theory of fraud triangle also explains the component of rationalization. Rationalization is a justification for fraudulent actions taken (Lou & Wang, 2009). In this study, the rationalization component is proxied into the variable of morality. Moral is the human term mentions to humans or others in actions that have a positive value. The moral responsibility of individuals in the organization influences the occurrence of accounting fraud tendencies (Anastasia, 2014). Humans who have no morals are called immoral, meaning im-

moral and do not have a positive value in other human eyes (Rahmawati, 2012). Morality has the meaning of values and norms that are the basis for someone to regulate his behaviour.

Mazaret al. (2008) in Mulia et al., (2017) get evidence that religiosity can prevent fraud. In an effort to express the influence of subjective attitudes and norms on the intention to do or not, behaviour, and belief (Ajzen, 1980, Ramdhani, 2009). The level of moral reasoning possessed by each individual varies. The level of individual moral reasoning influences the ethical behaviour he does. Trevino (1986) in Maroney (2008) argues that most adults are in one of two stages at the conventional level, where the norms and opinions of the most important determinants of other individual reasoning. When facing with an ethical dilemma, the resolution decisions taken are different between people with low levels of moral reasoning and high levels of moral reasoning. People with high levels of moral reasoning tend to act according to the rules and have social responsibility for others and their jobs so the possibility of fraud is also low. Lack or weak punishment will make it more difficult for people to make decisions according to moral values, especially when getting ethical choices and receiving personal benefits (Kummer et al., 2015).

Previous research conducted by Wilopo (2006) and shows the result that morality has a negative effect on fraud. Damayanti (2016) also conducts a similar study and showed the results that the level of morality possessed by a person affected him to commit fraud, the higher the level of morality a person has, the lower the fraud can occur.

### **H<sub>2</sub>: Morality has a negative effect on fraudulent financial statements**

One of the components of fraud according to the theory of fraud triangle is the opportunity component. The opportunity component explains that fraud can occur because of loopholes, one of which is the weakness of the organization's internal control system. Employees in the operational process so that agency goals can be achieved. The internal control system is a tool for controlling employee behaviour related to procedures and must be followed by all employees in the operational process so that the organizational objectives can be achieved. Internal control is determined by management to provide reasonable guarantees regarding effective and efficient achievement, reliable financial reporting and compliance with laws and regulations (Petrovits et al., 2011). Thus, the internal control system has the potency to prevent errors and fraud through monitoring, also improve the organization and financial reporting process and ensure compliance with laws and regulations (Rae & Subramaniam, 2008). The performance of government officials in financial management and the accountability based on the understanding of basic concepts and characteristics of financial statements influences the financial statements can be well presented or not (Khafid, 2009). Zulkarnain (2013) conducted research and showed the result that there is a negative influence on fraud. Another study conducted by Skousen et al.

(2009) with the result of research shows that the ineffectiveness of monitoring controls has a significant effect on fraud.

### **H<sub>3</sub>: The internal control system has a negative effect on fraudulent financial statements**

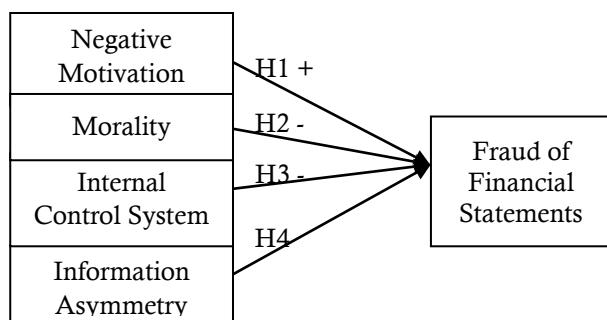
Information asymmetry is a condition where there is an imbalance of information between staff and principal. The official (steward) as the manager knows more information that occurs within the agency than the principal. If the steward and principal are involved in different objectives, the steward can intentionally not provide information about the actual financial condition and take advantage of these conditions to commit fraud. This situation can cause information asymmetry, which is a condition where one party from a transaction has more or better information than the other party.

The stewardship theory explains that the people represented by DPRD members act as principals, while the regional government acts as a steward. According to stewardship theory, government is considered to work on the basis of service motivation and service to the people. The people represented by DPRD members will supervise the performance of the government so that they need information that can support the monitoring process of government performance. Therefore, the government is obliged to disclose financial reports to the public.

Contract relationships between stewards and principals on the basis of trust, act collectively in accordance with the goals of the organization (Pebriani et al., 2017) but sometimes there are employees of local government agencies who do not perform their duties properly. In which the employees of local government agencies prefer to fight principals when there are differences in objectives between the two so that information asymmetry occurs. Information symmetry can occur because of differences in objectives between the steward and principals who encourage the steward to commit fraud by utilizing these conditions. Information asymmetry can occur when employees of government agencies perceive the lack of justice they receive will lead to encouragement to commit fraud (Wulandari, 2016). The occurrence of information asymmetry is allegedly an early indication of the occurrence of violations (Sukirman & Sari, 2013). Information about finance must be disclosed transparently to outside parties, sometimes government and private agencies still hide facts and information that have a negative influence on their reputation. The management knows more about the internal conditions of the company trying to do various ways so that their performance is still considered good even though they must take actions that violate the rules.

Wilopo (2006) conducted a study which shows that information asymmetry has a positive effect on fraud. Other research was conducted by Najahningrum (2013) with the result of the study showed that information asymmetry has a positive effect on fraud. Other research conducted by Cormier et al., (2010) shows the results that information asymmetry can affect manager and investor relations.

**H<sub>4</sub>: Information asymmetry has a positive effect on fraudulent financial statements**



**Figure 1.** Theoretical Framework

## RESEARCH METHOD

The type of this research was quantitative research. This study used primary data with the respondents

from Temanggung Regency government officials. The population in this study were civil servants who worked in the finance department of the agency and service of the Temanggung Regency and held positions as Head of Section and Head of the Sub Division of Finance, Head of Sector and Head of Sub-Division of Finance and Planning, treasurer of revenues and treasurer of expenditure. The population amounted to 192 respondents. The sampling technique in this study was simple random sampling with a calculation of 50% from the total population, resulting in 89 respondents as the final number of samples.

The variables in this study were negative motivation, morality, internal control systems, and information asymmetry as the dependent variables, as well as local government fraudulent financial statements as independent variable. The following are the research variables and their measurements.

The data collection technique in this study was a

**Table 1.** The Operationalization of Research Variables

No	Variables	Definition	Measurement/ Indicator	Scale
1	Negative Motivation	Negative motivation is an impulse that arises in a person because of the pressures that push him to consciously commit fraudulent actions that harm other people in order to get satisfaction and achieve certain goals (Kurniawan, 2013).	Developed from Kurniawan's research (2013) 1. Compensation and negative promotions 2. Pressure in achieving organizational goals 3. Pressure in completing work	Likert with interval ranges
2	Morality	Moral is a term of humans refer to humans or other people in actions that have positive values. Humans who have no morals are called immoral, which means that they are immoral and do not have positive values in other human eyes (Rahmawati, 2012).	Developed from Wilopo's research (2006) 1. Obedience to procedures and law. 2. Views of interests 3. Rationalization	Likert with interval ranges
3	Internal Control System	Internal control is a control tool established by management to provide reasonable guarantees regarding the achievement of effective and efficient, reliable financial reporting and in accordance with laws and regulations (Petrovits et al., 2011)	Developed from Zulkarnain's research (2013) 1. Control environment 2. Control activities 3. Information and Communication 4. Monitoring	Likert with interval ranges
4	Information Asymmetry	Information asymmetry is a condition where there is an imbalance of information that is owned by the steward and the principal (Fatmawati, 2017).	Developed from Najahningrum's research (2013) 1. Situation where employees of government agencies have more information than the DPRD / community 2. Situations where employees of government agencies are more aware of the potential for performance than the DPRD / community 3. Situations where government officials are more aware of external influences than the DPRD / community	Likert with interval ranges
5	Fraud of Financial Statements	Fraud of financial statements is intentional to carry out acts of removal or addition of certain amounts so that there is a misstatement in the financial statements.	Developed from Zulkarnain's research (2013) 1. Misstatement of recording and reporting of financial statements 2. Elimination of the amount / disclosure of a transaction 3. Manipulation / forgery 4. Abuse of assets	Likert with interval ranges

Source :Data processed, 2017

questionnaire technique, where the data obtained was primary data distributed directly to the respondents. Data analysis technique used full analysis of the Structural Equation Modeling (SEM) model with smartPLS 3.0 analysis tools.

## RESULTS AND DISCUSSIONS

This study uses a full analysis of the Structural Equation Modelling (SEM) model with a smartPLS 3.0 analysis tool. The first testing stage is an assessment of the outer model that is used to test the feasibility of the measurement used as a variable measuring instrument in this study. This stage of assessing focuses on the validity and reliability testing. Indicator is considered reliable if they have a correlation value above 0.70, but loading 0.50 to 0.60 is still acceptable. (Ghozali, 2014). This section provides an evaluation of the accuracy (reliability) of the item and also for convergent validity and discriminant validity. For the validity convergent test, the reflexive indicator can be seen from the factor loading value for each construct indicator above 0.50.

The results of the descriptive analysis in table 2 show the categories of respondents' assessment of each variable. The percentages are calculated based on the answers of the respondents. To examine the validity of this study uses the convergent validity test. This can be seen from the original sample value which shows a value above 0.5.

In this study, the original sample values of all the indicators in the negative motivation variable show a value of 0.509; 0.532; 0.643; 0.757; and 0.814. In the result of convergent validity test, the morality variable of each indicator shows the original sample value of 0.515; 0.725; 0.625; 0.608 and 0.690. The result of the convergent validity test, indicator used in the internal control system variable show values of 0.198; 0.374; 0.132; -0.493; 0.684; -0.116 and 0.404. The original sample value shows a number below 0.5 while the t-statistical

value shows a value above 1.96, but because the internal control system is a formative variable, there is no indicator that needs to be dropped / deleted. Convergent validity test of information asymmetry variable shows the original sample value of 0.559; 0.836; 0.588; 0.601 and 0.620. The convergent validity test result of fraudulent financial statements shows the original sample value of 0.862; 0.933; 0.589; 0.877; 0.909 and 0.733. Based on the test result of convergent validity indicated by all of the indicators on the variables, all of the statements in the questionnaire used as measurements of each variable are valid. In addition, nothing needs to be dropped because the original sample values of all of the indicators except the internal control system (because they are formative variables) indicate a value above 0.5 and the t-statistical value shows result above the t-table value of 1.96.

The results of Composite Reliability and Cronbach's Alphas test of all the variables show values above 0.70. The variables of this study in the composite reliability test each show 0.791; 0.771; 0.780 and 0.92. The cronbach's alpha test for each variable yields 0.725; 0.701; 0.741 and 0.902.

The first hypothesis of this study is accepted. The result of hypothesis testing shows the original sample value of 0.562 and the t-statistical value shows a value of 6.285 which means that negative motivation has a positive and significant effect on fraud. This is because continuous pressure and encouragement on a person can influence in making decisions and actions. Management behaviour in Temanggung Regency agencies does not abuse the regional expenditure budget (APBD), allowances and promotions are given according to employees who should get it, management also emphasizes the preparation of local government financial reports (LKPD) that apply and does not work overtime in frequent intensity. So that the pressure from government agencies in Temanggung Regency falls into the low ca-

**Table 2.** Distribution of Respondents' Valuation Categories of each Variable

Variables	N	Categories	Respondents' Number	Percentage
Negative Motivation	89	Low	30	33.71 %
Morality	89	Enough	33	37.08 %
Internal Control System	89	Enough	37	41.57 %
Information Asymmetry	89	Low	29	32.58 %
Fraud of Financial Statements	89	Very Low	59	66.29 %

Source: Data processed, 2017

**Table 3.** The Result of Hypothesis Test Based on Path Coefficients (Mean, STDEV, T-Values)

No	Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Result
1	MN -> F	0.562	0.533	0.089	6.285	0.000	Accepted
2	M -> F	-0.175	-0.149	0.074	2.364	0.009	Accepted
3	SPI -> F	-0.149	-0.043	0.105	1.419	0.078	Rejected
4	AI -> F	0.580	0.561	0.080	7.258	0.000	Accepted

Source :Data processed, 2017.

tegory and can reduce or even close the opportunity to commit financial report fraud.

In triangle fraud theory, negative motivation variable is proxied into pressure. Pressure is an impulse / motivation received by someone either financial or non-financial from individuals or organizations, the pressure factor from his work to commit fraud. Negative motivation in an organization is caused by the condition of the organization and management's attitude towards subordinates. The pressure that is constantly received by someone can influence him in making decisions and taking action. The pressure that is constantly felt by an individual can influence to make negative decisions because the individual feels depressed and cannot think clearly.

The result of this study is supported by Kurniawan's research (2013) which showed that negative motivation has a positive influence on fraudulent financial statements of the local governments. Another research was also conducted by Lou Wang (2009) which shows the result that financial pressure from the company or from the company's supervisor has a positive effect on fraudulent financial statements. This means that the higher the pressure from financial or non-financial from individuals and organizations, the higher the possibility of fraudulent financial statements occurs.

The second hypothesis is accepted. The result of hypothesis testing for morality variable shows the original sample value of -0.175 and t-statistic value of 2.364 which means the result shows that morality has a significant negative effect on fraud. Rationalization is considered to be a variable of morality. The second hypothesis in this study is accepted. In the study, triangle fraud theory of the rationalization component is proxied by morality variable. Rationalization is a thought that justifies ones' actions as a reasonable behaviour to do. The level of moral reasoning possessed by each individual is different and this level of reasoning influences one's ethical or unethical behaviour in acting Damayanti (2016). Morality is one of the important factors that influence individual actions and behaviour. Low levels of individual moral reasoning tend to make individuals behave unethically. The levels of morality possessed by leaders and management are important things that can influence actions taken by employees in the government agencies. So that the level of management morality has an influence on unethical behaviour carried out by agencies. Wilopo (2006) argues that companies with low ethical standards have a high risk of accounting fraud.

The result of this study is supported by research conducted by Wilopo (2006) which shows the result that management morality has a significant and negative influence on accounting fraud in the company. Kurniawan (2013) conducted research and showed the result that morality has a negative and significant effect on fraudulent financial statement of the regional government. This means that the higher the level of moral reasoning possessed by management, the lower the unethical behaviour carried out by employees and the lower fraudulent financial statements of the local governments.

The third hypothesis proposed is rejected. The re-

sult of hypothesis testing in this study for internal control system variable shows the original sample value of -0.149 and t-statistic values of 1.419 which means the result shows that the internal control system has no effect on fraud, so the third hypothesis in this study is rejected. This is because even though Temanggung Regency government agencies have a good control environment there are still weaknesses in the internal control system in the preparation of financial reports. This is also explained in the BPK press release of Central Java Province deputation in submitting the Audit Results Report (LHP) to Government Financial Statement Regional (LKPD) 2015 budget year. The weak internal control system includes: (1) UP / GU / TU accountability and SPJ verification that are not fully in accordance with applicable regulations; (2) cash management that is still inadequate; (3) management of fixed assets and other assets is inadequate; (4) control over the realization of grant expenditures and social assistance is inadequate, etc. In addition to the foregoing, according to the BPK, there is still also non-compliance with the provisions of legislation in the management of regional finance, including: (1) excess payment of official travel expenses; (2) excess payments for work packages and fines for late work that has not been charged, etc.

In fraud triangle theory, internal control systems are proxied into opportunities. Opportunity is a situation that allows someone to commit fraud because employees will think that supervision is lacking and control is weak so their actions will not be detected. Therefore, an effective internal control system can reduce and even close the opportunity to conduct accounting fraud. The internal control system aims to provide adequate confidence in achieving effectiveness and efficiency in achieving the objectives of governmental accountability, reliability of financial reporting, safeguarding state assets, and compliance with regulations.

Another similar study was conducted by Wilopo (2006) which showed the result that effective internal control has a negative and significant influence on accounting fraud tendencies. Zulkarnain (2013) also conducted a similar study showing the result that the internal control system has a significant negative effect on fraud. Another study was conducted by Skousen et al., (2009) which showed that less effective monitoring has a significant effect in detecting fraud. This means the more effective internal control, the lower the opportunity to commit fraud.

The fourth hypothesis in this study is accepted. The result of the hypothesis testing for information asymmetry variable shows the original sample value of 0.580 and the t-statistic value of 7.258, which means the result shows that information asymmetry has a significant positive effect on fraud. the possibility of fraud in the agency. This means that the higher the information asymmetry, the higher the possibility of fraud in the agency. The result of this study indicates that information asymmetry has a positive and significant effect on fraudulent financial statements. Thus, the hypothesis is accepted. This is because civil servants (PNS) in Temanggung Regency government agencies, espec-

ally those compiling local government financial reports (LKPD) are always transparent in disclosing budget and report on its realization, revealing the ins and outs of making a report.

Information asymmetry is proxied into stewardship theory. Stewardship theory is a theory that explains situations where managers are not motivated by individual goals, but are more focused on the goals and interests of the organization. This is in accordance with this study, where managers and employees of local government agencies as stewards can be trusted to manage regional income and expenditure budgets (APBD) and present financial report information according to the actual conditions and are motivated to act in accordance with the interests of the community represented by DPRD members as principal.

This is in accordance with the study of Wilopo (2006) which shows the result that information asymmetry has a positive and significant influence on the tendency of accounting fraud in the company. A similar study was also conducted by Najahningrum (2013) and showed the same results, asymmetry has a positive and significant influence on fraudulent tendencies in the local government. Thus, the final hypothesis is accepted. It means that the higher the level of information asymmetry occurs in government agencies, the higher the fraudulent financial statements of local governments.

## CONCLUSIONS AND SUGGESTIONS

Conclusions from this study indicate that negative motivation and asymmetry have a significant positive effect on fraudulent financial statements. Morality variable has a significant negative effect on fraudulent financial statements and internal control systems have no effect on fraudulent financial statements.

Suggestions that can be given based on this research are that the Temanggung Regency government agency is expected to more effectively implement the internal control system and for government agencies that still use the control system manually to immediately use the system. For agency employees, it is expected to be more compliance with applicable regulations and for further research is expected to survey research samples before conducting research related to licensing and the availability of respondents in becoming research samples and using more accurate data collection methods such as direct interviews with respondents.

## REFERENCES

- Agustina, D. 2014. Mantan Bupati Temanggung Korupsi Divonis 7 Tahun Penjara. *tribunnews*. <http://www.tribunnews.com/regional/2014/07/23/mantan-bupati-temanggung-korupsi-divonis-7-tahun-penjara> (July 3, 2017).
- Ahriati, D. (2015). Analisis Pengaruh Sistem Pengendalian Internal, Asimetri Informasi, Perilaku Tidak Etis Dan Kesesuaian Kompensasi Terhadap Kecenderungan Kecurangan Akuntansi Pada Pemerintah Daerah Kabupaten Lombok Timur. *InFestasi*, 11(1), 41–55.
- Anastasia. (2014). Pengaruh Keefektifan Pengendalian Internal, Persepsi Kesesuaian Kompensasi, dan Moralitas Individu Terhadap Kecenderungan Kecurangan Akuntansi. *Ultima Accounting*, 6(1), 1–26.
- Cormier, D., Magnan, M., & Aerts, W. (2010). Corporate governance and information asymmetry between managers and investors. *Research Paper*, 10(5), 574–589.
- Damayanti, D. N. S. (2016). Pengaruh Pengendalian Internal Dan Moralitas Individu Terhadap Kecurangan Akuntansi. *Nominal, Barometer Riset Akuntansi dan Manajemen*, 5(2), 52–67.
- Ghozali, I. (2014). Structural Equation Modeling Metode Alternatif Dengan Partial Least Square (PLS) Dilengkapi Software Smartpls 3.0 Xlstat 2014 dan WarpPLS 4.0 (4th ed.). *Semarang: Universitas Diponegoro*.
- Hollow, M. (2014). Money, Morals And Motives An Exploratory Study Into Why Bank Managers And Employees Commit Fraud At Work. *Journal of Financial Crime*, 21(2), 174–190.
- Khafid, M. (2009). Analisis Laporan Pertanggungjawaban Pelaksanaan APBD Kota Semarang. *Jurnal Dinamika Akuntansi*, 1(2), 99–107.
- Krisiandi. 2015. Totok Ari Wibowo, Mantan Bupati Temanggung Ditangkap Di Kamboja. *metrotvnews*. <http://news.metrotvnews.com/read/2015/12/10/199682/totok-ari-wibowo-mantan-bupati-temanggung-ditangkap-di-> (July 3, 2017).
- Kummer, T., Singh, K., & Best, P. (2015). The Effectiveness Of Fraud Detection Instruments In Not-For-Profit Organizations. *Managerial Auditing Journal*, 30(4/5), 435–455.
- Kurniawan, G. (2013). Pengaruh Moralitas, Motivasi, dan Sistem Pengendalian Intern Terhadap Kecurangan Laporan Keuangan (Studi Empiris pada SKPD Kota Solok). *Jurnal Akuntansi*, 2(2), 100–123.
- Kusumastuti, N. R., & Meiranto, W. (2012). Analisis Faktor-Faktor Yang Berpengaruh Terhadap Kecenderungan Akuntansi Dengan Perilaku Tidak Etis Sebagai Variabel Intervening. *Diponegoro Journal Of Accounting*, 1(1), 1–15.
- Lou, Y., & Wang, M. (2009). Fraud Risk Factor Of The Fraud Triangle Assessing The Likelihood Of Fraudulent Financial Reporting. *Journal of Business & Economics Research*, 7(2), 61–78.
- Maroney, J. J. (2008). The Effects of Moral Reasoning on Financial Reporting Decisions in a Post Sarbanes-Oxley Environment. *Behavioral Research In Accounting*, 20(2), 89–110.
- Mulia, M. H. K., Febrianto, R., & Kartika, R. (2017). Pengaruh Moralitas Individu dan Pengendalian Internal terhadap Kecurangan : Sebuah Studi Eksperimental. *Jurnal Akuntansi Dan Investasi*, 18(2), 198–208.
- Najahningrum, A. F. (2013). Faktor-Faktor Yang Mempengaruhi Fraud: Persepsi Pegawai Dinas Provinsi DIY. *Accounting Analysis Journal*, 2(3), 259–267.
- Pebriani, N. K., Sujana, E., & Purnamawati, I. G. A. (2017). Kontribusi dan Efektivitas Pajak Galian Golongan C pada Pendapatan Asli Daerah Kabupaten Karangasem. *E-Journal SI Ak*, 7(1), 1–10.
- Petrovits, C., Shakespeare, C., & Shih, A. (2011). The causes and consequences of internal control problems in non-profit organizations. *Accounting Review*, 86(1), 325–357.
- Puspitasari, N. 2012. Model Proporsi Tabarru' dan Ujrah pada Bisnis Asuransi Umum Syariah di Indonesia. *Jurnal Akuntansi dan Keuangan Indonesia* 9(1): 43–55.
- Rae, K., & Subramaniam, N. (2008). Quality of internal control procedures. *Managerial Auditing Journal*, 23(2), 104–124.
- Raharjo, E. (2007). Agency Theory Vs Stewardship Theory in

- the Accounting Perspective. *Ekonomi*, 2(2), 37–46.
- Rahmawati, A. P. (2012). Analisis Pengaruh Faktor Internal Dan Moralitas Manajemen Terhadap Kecenderungan Kecurangan Akuntansi Studi Pada Dinas Pengelola Keuangan dan Aset Daerah Kota Semarang Ardiana Peni Rahmawati. *Diponegoro Journal of Accounting*, 2(1), 1–27.
- Ramdhani, N. (2009). Model Perilaku Penggunaan TIK “NR2007” Pengembangan dari Technology Acceptance Model (TAM). *Buletin Psikologi*, 17(1), 17–27.
- Rizqo, K. A. (2017). Corruption Perceptions Index 2016: Indonesia Di Bawah Malaysia. *detikNews*. <https://news.detik.com/berita/3405348/corruption-perceptions-index-2016-indonesia-di-bawah-malaysia> (July 1, 2017).
- Shintadevi, P. F. (2015). Pengaruh Keefektifan Pengendalian Internal, Ketaatan Aturan Akuntansi dan Kesesuaian Kompensasi Terhadap Kecenderungan Kecurangan Akuntansi Dengan Perilaku Tidak Etis Sebagai Variabel Intervening. *Jurnal Nominal*, 4(2), 111–126.
- Skousen, C. J., Smith, K. R., & Wright, C. J. (2009). Detecting and predicting financial statement fraud: The effectiveness of the fraud triangle and SAS No. 99 In Corporate Governance and Firm Performance. *International Journal of Operations and Production Manager*, 13, 53–81.
- Suastha, R. D. (2016). ICW: Dinas Pendidikan Rentan Akan Kasus Korupsi. Retrieved July 2, 2017, from <https://www.cnnindonesia.com/nasional/20160517203120-20-131451/icw-dinas-pendidikan-rentan-akan-kasus-korupsi/> (July 2, 2017).
- Sukirman, & Sari, M. P. (2013). Model Deteksi Kecurangan Berbasis Fraud Triangle (Studi Kasus Pada Perusahaan Publik Di Indonesia). *Jurnal Akuntansi & Auditing*, 9(2), 199–225.
- Syarif, M. (2016). ICW : Korupsi 2015 Telan Kerugian Rp31,077 Triliun. *Neraca*. <http://www.neraca.co.id/article/66084/icw-korupsi-2015-telan-kerugian-rp31077-triliun> (July 1, 2017).
- Wilopo. (2006). Analisis Faktor-Faktor Yang Berpengaruh Terhadap Kecenderungan Kecurangan Akuntansi: Studi Pada Perusahaan Publik dan Badan Usaha Milik Negara Di Indonesia. 21-69.
- Wulandari, R. (2016). Faktor- faktor yang Mempengaruhi Fraud pada Satuan Kerja Pemerintah Daerah Kabupaten Temanggung. *Accounting Analysis Journal*, 5(2), 76–85.
- Zulkarnain, R. M. (2013). Analisis Faktor Yang Mempengaruhi Terjadinya Fraud Pada Dinas Kota Surakarta. *Accounting Analysis Journal*, 2(2), 125–131.