

The Influence of Compensation Suitability, Internal Control, Regulatory Enforcement, and the Use of Information Technology on Fraudulent Behaviour in the Management of Village Funds

Oktavia Nindita^{1*}, Haliah²
Universitas Hasanuddin

Corresponding Author: Oktavia Nindita Oktavianindita0101@gmail.com

ARTICLE INFO

Keywords: Compensation Appropriateness, Internal Control, Regulatory Enforcement, Information Technology Utilisation, Fraudulent Behaviour

Received : 30, August

Revised : 28, September

Accepted: 25, October

©2023 Nindita, Haliah: This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

Preventive measures are needed to prevent fraud in the management of village funds. Fraud prevention measures are a way to reduce opportunities and prevent any activity from evaluating the risk of fraud. The purpose of this study was to determine whether factors such as compensation suitability, internal control, regulatory enforcement and the use of information technology affect fraudulent behaviour that occurs in the management of village funds. This quantitative research uses the census sampling method and collects data from all village officials in Lambai Sub-district, North Kolaka Regency. In total, 72 village officials agreed to be respondents in this study. The results of this study indicate that the components of compensation suitability and internal control affect fraudulent behaviour negatively and significantly. Meanwhile, regulatory enforcement and the use of information technology affect fraudulent behaviour negatively and insignificantly.

INTRODUCTION

Often someone takes actions that harm others for personal gain, one of which is by covering up or providing incorrect information so that it can harm other parties (Suh & Shim, 2020). financial reporting fraud is a deliberate mistake made with the intention of deceiving users of financial statements (Haliah, 2022). Fraud is a form of violation of the law. To protect themselves from unwanted consequences, preventive measures are needed that aim to reduce opportunities for fraud and evaluate each action by considering the risk of fraud (Paramitha & Adiputra, 2020).

During the period 2015-2021, there was an annual increase in the village fund budget allocation (CNN Indonesia, 2021). The increase in the village fund budget has both positive and negative impacts. When the village fund budget increases, the development potential of villages can be optimised. However, an increase in the village fund budget can also increase the risk of fraud committed by irresponsible parties. (Paramitha & Adiputra, 2020). Cases of misuse of village funds continue and tend to increase, which has a negative impact on village development programmes. From 2015 to 2021, there was an increase in fraud in the management of village funds by 582 cases, involving 921 suspects or village officials, according to monitoring from Indonesia Corruption Watch (ICW). In fact, these cases have caused state losses of IDR 140 billion. The misuse of village funds in corruption cases includes actions such as inappropriate budget utilisation, preparation of false reports, embezzlement of funds, budget manipulation, and bribery (Novelino, 2019). In May 2022, the North Kolaka District Attorney's Office (Kolut) named the former village head of Woitombo, located in Lambai Sub-district, North Kolaka District (Kolut), Southeast Sulawesi, as a suspect in a case of alleged corruption of village funds that occurred in 2016 and 2018. The results of an investigation conducted by the Kolut District Attorney's Office showed that the State suffered a loss of around IDR 365 million in the management of the village funds (Mannaungeng, 2022).

Several factors such as compensation suitability, internal control, regulatory enforcement, and information technology utilisation can play a role in preventing fraud. Pramudita (2013) revealed that fair compensation can provide incentives for employees to do a good job, and this can reduce the risk of fraud that can harm the organisation. The higher the level of compensation suitability applied, the less likely fraud will occur. This finding is consistent with research conducted by Najahningrum (2013), which shows that there is a negative influence between compensation suitability and fraudulent behaviour in the context of government.

An effective internal control system plays an important role in maintaining and improving compliance with applicable regulations. This can help reduce the possibility of employees in the organisation committing fraud (Pramudita, 2013). This finding is in accordance with research conducted by Faisal (2013) and Najahningrum (2013), which shows that the internal control system plays a negative role in reducing fraud in the government environment.

According to Didi & Kusuma (2018), strict and consistent rule enforcement has the potential to have a deterrent effect on rule violators, so that these

violations will not be repeated. The level of employee perception of regulatory enforcement policies also plays an important role, where the higher the positive perception of regulatory enforcement, the lower the likelihood of fraudulent behaviour. This finding is in line with research conducted by Najahningrum (2013), which shows that regulatory enforcement has a negative influence on fraudulent behaviour in the government environment.

The use of information technology is one of the important factors influencing the management of village funds. In the context of village fund management, the use of information technology can provide convenience for the management apparatus in carrying out government tasks. Therefore, it is necessary for the management apparatus to have an understanding and skills in using information technology, such as computers and internet networks, to increase efficiency and effectiveness in managing village funds (Sari et al., 2020). Research from Nahartyo & Indriasari (2008) and Triani & Handayani (2018) states that internal accounting controls and the use of information technology contribute to delays in local government financial reporting. Meanwhile, research conducted by Nurkhasanah (2019) revealed that the use of information technology has an impact on the financial management of village funds. However, different research, such as that conducted by Pahlawan et al. (2020), showed that the utilisation of information technology has no influence on the management of village funds.

To show inconsistency, researchers will combine variables from previous studies. This is where the previous study differs from the previous ones. This study was conducted in a village in Lambai sub-district, North Kolaka district (Kolut), Southeast Sulawesi, and used the unit of analysis of all village staff responsible for financial management.

The subject matter is whether the suitability of compensation, internal control, regulatory enforcement, and the use of information technology affect fraudulent behaviour in the management of village funds in Villages in Lambai District, North Kolaka Regency?

THEORETICAL REVIEW

Fraud Hexagon

Vousinas (2019) first created the hexagon fraud theory, pointing out that collusion has the greatest loss potential of all fraud factors. Therefore, this theory aims to improve on the previous theory by adding a conspiracy element. As a result, this theory is now known as The S.C.O.R.E. Model, which consists of six elements: Stimulus, Potential, Conspiracy, Opportunity, Rationalisation, and Ego. Pressure, committing both monetary and non-monetary fraud. The perpetrators of this fraud commit crimes due to financial pressure, decreased financial targets, family economic pressure due to urgent money needs, and other pressures that can be a reference for committing fraud in business.

Capacity, or ability, describes the power and ability of a party to commit fraud in an organisation. When there is a difference of interest after a change of directors, it is a clear example. Opportunity, if the company's internal controls

are weak and allow someone to commit fraud. This weakness can lead to company failure, so someone will use existing internal controls.

Rationalisation is when an individual tries to convince themselves that their deviant actions are right or justified. This occurs when individuals feel that they have contributed enough to the organisation that they consider deviant actions as legitimate, based on the belief that they are "entitled" to special benefits or treatment because of their perceived good performance.

Arrogance (ego) is a behaviour where an individual feels superior to others, and this often leads them to feel that internal rules or controls do not apply to them personally. This behaviour arises from the belief that some individuals have a higher authority or position than others, so they feel they can ignore or violate applicable rules.

Collusion is a collaborative act between two or more parties aimed at achieving a goal that deviates or harms the other party, often by cheating third parties of the rights or benefits they should have. In collusion, the parties involved work together to create situations or scenarios that favour themselves, often to the detriment of other people or entities in the process.

Fraud in Village Fund Management

Fraud refers to intentional acts committed by one or more individuals in management, by employees, or by other third parties with the intention of obtaining illegal gains (Munteanu et al., 2017). According to Djajadikerta & Susan (2020), fraud is a violation of the law committed with the aim of obtaining personal gain, especially in financial form. Fraud can occur in various places, including in the management of village funds in government.

Compensation Suitability

Compensation suitability refers to the perception held by employees of the extent to which the rewards and rewards they receive are proportional to the contributions and results they provide (Umar, 2014). Compensation, according to Zulkarnain (2013), can be divided into two types, namely direct compensation such as salary, and indirect compensation such as social benefits. Compensation mismatches often arise because employees feel that the level of responsibility they face is not proportional to the rewards they receive, which can result in a lack of motivation to complete tasks well. Therefore, compensation has the goal of increasing employee productivity, as fair rewards can motivate them to work harder and perform at a higher level, which in turn will help increase the success of the agency or organisation.

Internal Control

According to Aramide & Bashir (2015), an internal control system is a series of procedures used by an organisation to regulate and manage all its activities. It aims to enable the organisation to operate effectively and efficiently, and to comply with and follow applicable regulations.

Regulatory Enforcement

According to Rahardjo (1983), regulatory enforcement is a process that aims to realise aspects such as values, ideals, and ideas contained in the law. In addition, regulatory enforcement can be explained as actions taken by legal subjects to obey and comply with applicable laws.

Information Technology Utilisation

According to Wilkinson, et al. (2000), information technology utilisation refers to the use of various components such as computers (including mainframes, mini, and microcomputers), software, databases, networks (internet), electronic commerce, and other technologies. Information technology is a type of communication technology used to circulate and produce quality information, namely information that is more accurate, relevant, and provided on time.

METHODOLOGY

This study falls into the category of quantitative research. The data collection method in this study was carried out through distributing questionnaires to all village officials who work in government village offices in the Lambai District area, North Kolaka Regency, Southeast Sulawesi. This study uses the census method, which means that the entire population of 72 respondents is taken as a sample without random sampling. The data collected will be analysed using SPSS (Statistical Package for Social Sciences) statistical software.

The study was conducted in villages in Lambai sub-district and was planned to take place from December to January 2022. The survey method was used by distributing paper-based questionnaires containing questions about the variables to be studied. The purpose of this study was to assess the situation in the management of village funds in the region. In this case, the researcher chose to include all village officials working in the village government office as research subjects, so the taking of the entire population without the use of a research sample is referred to as the census technique.

RESEARCH RESULT

Validity Test and Reliability Test Results

Validity is tested by correlating the correlation between the score of each item with the total score of each variable using Pearson correlation. Questions are considered valid if the significance level (p-value) is less than 0.05. The results showed that each question in the variables of fraudulent behaviour, compensation suitability, internal control system, regulatory enforcement, and information technology utilization had validity above 0.172 and a significance level of less than 0.05. This indicates that all questions used in this study have an adequate level of validity.

The reliability test was conducted to measure the consistency in respondents' answers to the questions given. This was done using the Cronbach's Alpha statistical method, which is considered reliable if the value is

greater than 0.6. The test results show that the Cronbach's Alpha value for each variable is as follows: fraudulent behaviour of 0.776, compensation suitability of 0.743, internal control system of 0.776, regulatory enforcement of 0.8, and information technology utilization of 0.79. Thus, these results indicate that each variable has a Cronbach's Alpha value greater than 0.60, which indicates that the data used in this study can be considered reliable.

Classical Assumption Test Results

Normality Test

Based on the test results, it can be concluded that all variables have a Kolmogorov-Smirnov value greater than 0.05, which is 0.200. This shows that the data obtained in this study has a distribution that is close to normal.

Heteroscedasticity Test

The heteroscedasticity test is used to assess whether there is non-uniformity in the variance of the residuals between one observation and another. The decision is taken using the scatterplot method, where the distribution of points on the graph should be random, not form a clear pattern, and the distribution should not have a consistent trend above or below the Y axis. The results of the heteroscedasticity test on the scatterplot graph show that the data on the Y axis does not form a clear pattern in the distribution. This shows that there is no non-uniformity in the regression model, so this regression model can be used to predict fraudulent behaviour with influencing variables, namely compensation suitability, internal control, regulatory enforcement, and information technology utilization.

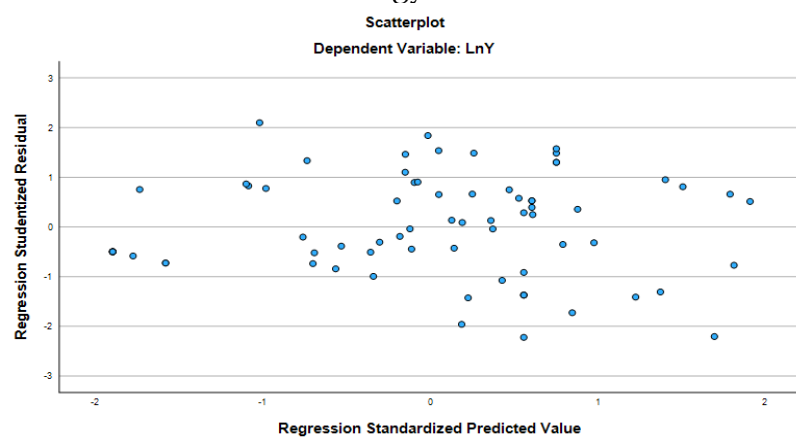


Figure 1. Heteroscedasticity Test Results

Multicollinearity Test

Multicollinearity testing is carried out to determine whether there is a correlation between the independent variables in the regression analysis. Decisions are made based on the Variance Inflation Factor (VIF) method. If the tolerance value is greater than 0.10 and the VIF (Variance Inflation Factor) value is less than 10, then the independent variables are considered free from multicollinearity problems. A good regression model should not have a high correlation between the independent variables.

The test results show that the tolerance value of the independent variables is greater than 0.10 and the VIF value is less than 10. These results indicate that the regression model in this study does not experience multicollinearity problems, so the data can be used properly in this study.

Table 1. Multicollinearity Test Results

Coefficients^a

Model		Collinearity Statistics	Collinearity Statistics
		Tolerance	VIF
1	(Constant)		
	Compensation Appropriateness	.656	1.525
	Internal Control	.536	1.866
	Regulatory Enforcement	.584	1.712
	Information Technology Utilisation	.542	1.845

Hypothesis Test Results

Multiple Linear Regression Analysis

Table 2. Multiple Linear Regression Test

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.686	1.747		6.689	<.001
	Compensation Appropriateness	-.904	.361	-.307	-2.506	.015
	Internal Control	-1.287	.622	-.281	-2.068	.042
	Regulatory Enforcement	-.172	.487	-.046	-.353	.725
	Information Technology Utilisation	-.261	.540	-.065	-.484	.630

a. Dependent Variable: Fraudulent Behaviour

The results of the regression equation model show that the compensation suitability variable has a negative regression coefficient of -0.904, the internal control system variable has a negative regression coefficient of -1.287, the regulatory enforcement variable has a negative regression coefficient of -0.172, and the information technology utilisation variable has a negative regression coefficient of -0.261.

Test Coefficient of Determination (R²)

The coefficient of determination (R²) test is used to measure the extent of the relationship between the independent variable and the dependent variable in an analysis or model.

Table 3. Coefficient of Determination Results

Model Summary^b				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.583 ^a	.339	.300	.34242
a. Predictors: (Constant), Compensation Appropriateness, Internal Control, Regulatory Enforcement, Information Technology Utilisation, Fraudulent Behaviour				
b. Dependent Variable: Fraudulent Behaviour				

Based on the table, the coefficient of determination (R Square) value of 0.339 indicates that the ability of the independent variable to explain the dependent variable is 33.9%, while the remaining 66.1% is influenced by other variables not included in this study.

Simultaneous Test Results (Test f)

The simultaneous test is used to test whether there is a joint influence of the independent variables on the related variables in a regression model. This test usually uses the F statistical test. In this test, the significance level α which is generally used is 5%. The provision is if the significance result (p-value) of the F statistical test is smaller than 0.05 ($\alpha = 0.05$), then the proposed hypothesis can be accepted. In other words, if F count is more significant than 0.05, then this indicates that the independent variables together have a significant influence on the related variables in the regression model.

Table 4. Simultaneous Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.036	4	1.009	8.605	<.001 ^b
	Residual	7.856	67	.117		
	Total	11.891	71			
a. Dependent Variable: Fraudulent Behaviour						
b. Predictors: (Constant), Compensation Appropriateness, Internal Control, Regulatory Enforcement, Information Technology Utilisation						

Based on Table 4, the F value is 8.605 with a probability (p-value) of 0.001, which is smaller than the significance level $\alpha = 0.05$. Therefore, the conclusion that can be drawn is that compensation suitability, internal control, regulatory enforcement, and information technology utilization together have a significant influence on fraudulent behaviour in the regression model.

Partial Test Results (t Test)

The t test is used to measure the extent of the impact of the independent variable on the dependent variable partially. This test involves the t test by observing the significance value (p-value) of the calculated t test. The significance level used in this study is 0.05. If the significance value of the calculated t is smaller than 0.05, it can be concluded that the independent variable has a significant impact on the dependent variable. In other words, if the p-value <0.05, the independent variable is considered to have a partially significant effect on the dependent variable.

Table 5. Results of the t-test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.686	1.747		6.689	<.001
	Compensation Appropriateness	-.904	.361	-.307	-2.506	.015
	Internal Control	-1.287	.622	-.281	-2.068	.042
	Regulatory Enforcement	-.172	.487	-.046	-.353	.725
	Information Technology Utilisation	-.261	.540	-.065	-.484	.630

Through the t test statistics consisting of compensation suitability, internal control, regulatory enforcement and the use of information technology so that it can be known individually its effect on fraudulent behaviour.

CONCLUSIONS AND RECOMMENDATIONS

Compensation suitability has a negative and significant effect on fraudulent behaviour in the management of village funds. The higher the level of compensation suitability, the lower the possibility of fraudulent behaviour in the management of village funds. Internal Control has a negative and significant influence on fraudulent behaviour in the management of village funds. The better the internal control system, the lower the likelihood of fraudulent behaviour in the management of village funds. Regulatory Enforcement has a negative but insignificant effect on fraudulent behaviour in the management of village funds. Although good regulatory enforcement can reduce the risk of fraud, in this study no statistically significant effect was found. The use of information technology has a negative but insignificant effect on fraudulent behaviour in the management of village funds. Although the utilisation of information technology can help in the management of village funds, this study did not find a statistically significant effect. Thus, these factors have different impacts on fraudulent behaviour in the management of village funds, with Compensation Suitability and Internal Control having a more significant impact.

From the results of this study, it is recommended to take steps to prevent and detect fraud in the management of village funds by considering factors that can increase the risk of fraud.

FURTHER STUDY

For future research, it is recommended to explore data through interviews with a number of village officials as respondents. This will help in obtaining more in-depth data and covering aspects that may not be covered in the questionnaire. In addition, future research can consider adding other independent variables, such as distributive justice, procedural justice, management morality, organisational commitment, leadership style, and other relevant factors. This needs to be done because the results of the Coefficient of Determination (R Square) in this study only reach 33.9%, so that most of the variation in fraudulent behaviour can still be explained by other factors not included in this study.

REFERENCES

- Aramide, S. F., & Bashir, M. M. (2015). *The Effectiveness of Internal Control System and Financial Accountability at Local Government Level in Nigeria. International Journal of Research in Business Management (IMPACT: IJRBM)*, 3(8), 2347–4572.
- Didi, D., & Kusuma, I. C. (2018). Faktor-Faktor Yang Berpengaruh Terhadap Kecenderungan Kecurangan (*Fraud*): Persepsi Pegawai Pemerintahan

- Daerah Kota Bogor. *Jurnal Akuntansi Dan Keuangan Indonesia*, 15(1), 1-20. <https://doi.org/10.21002/jaki.2018.01>
- Djajadikerta, H., & Susan, M. (2020). *The Determinants of Students ' Intention to Conduct Fraud on Assignments and Examinations*. 9(1), 119-124.
- Faisal, M. (2013). Analisis Fraud di Sektor Pemerintahan Kabupaten Kudus. *Accounting Analysis Journal*, 2(1), 67-73.
- Haliah (2022). Pengaruh Penaksiran Risiko Kecurangan, Pengalaman Audit, dan Etika Profesi Terhadap Kecurangan Laporan Keuangan Dengan Skeptisisme Profesional Sebagai Variabel Moderasi. http://repository.unhas.ac.id/id/eprint/17752/5/A013182004_disertasi_21-07-2022%201-2.pdf.
- Mannaungeng, A. (2022). JPNN Korupsi Dana Desa Rp 365 Juta, Kades Dikolut Dijebloskan Ke Penjara. *Sultra.Jpnn.Com*. <https://sultra.jpnn.com/sultra-terkini/1397/korupsi-dana-desa-rp-365-juta-kades-di-kolut-dijebloskan-ke-penjara>
- Munteanu, V., Copcinschi, L., & Luschi, C. (2017). *Internal Audit – Determinant Factor In Preventing And Detecting Fraud Related Activity To Public Entities Financial Accounting*. *Knowledge Horizons - Economics*, 9(1), 55-63.
- Nahartyo, E., & Indriasari, D. (2008). Pengaruh Kapasitas Sumberdaya Manusia, Pemanfaatan Teknologi Informasi, Dan Pengendalian Intern Akuntansi Terhadap Nilai Informasi Pelaporan Keuangan Pemerintah Daerah (Studi Pada Pemerintah Kota Palembang Dan Kabupaten Ogan Ilir). Http://Digilib.Mercubuana.Ac.Id/Manager/T!@File_Artikel_Abstrak/Isi_Artikel_64929913_6533.Pdf.
- Najahningrum, A. F. (2013). Faktor-Faktor yang Mempengaruhi *Fraud*: Persepsi Pegawai Dinas Provinsi DIY. *Accounting Analyisis Journal*, 2(3), 259-267.
- Novelino, A. (2019). ICW Sebut Korupsi Dana Desa Kian Meningkat. *CNN Indonesia*. <https://www.cnnindonesia.com/nasional/20191116150502-20-448925/icw-sebut-korupsi-dana-desa-desa-kian-meningkat>
- Nurkhasanah, I. (2019). Pengaruh Kompetensi Sumber Daya Manusia, Pemanfaatan Teknologi Informasi, Partisipasi Penganggaran, Pengawasan, Dan Komitmen Organisasi Pemerintah Desa Terhadap Akuntabilitas Pengelolaan Dana Desa. Skripsi, Universitas Muhammadiyah Magelang. <Http://Eprintslib.Ummgl.Ac.Id/Id/Eprint/729>.
- Pahlawan, E. W., Wijayanti, A., & Suhendro, S. (2020). Pengaruh Kompetensi Aparatur Desa, Sistem Pengendalian Internal, Pemanfaatan Teknologi

- Informasi Dan Partisipasi Masyarakat Terhadap Akuntabilitas Pengelolaan Dana Desa. *Indonesia Accounting Journal*, 2(2), 162–172. <https://doi.org/10.32400/Iaj.29261>.
- Paramitha & Adiputra. 2020. *Pengaruh Whistleblowing system, Good Corporate Governance Dan Efektivitas Pengendalian Internal*. *Jurnal Ilmiah Mahasiswa Akuntansi*, 11, 33–42.
- Pramudita, A. (2013). Analisis *Fraud* di Sektor Pemerintahan Kota Salatiga. *Accounting Analysis Journal*, 37–43.
- Rahardjo, S. (1983). *Masalah Penegakan Hukum*. Sinar Baru : Bandung.
- Suh, J. B., & Shim, H. S. (2020). *The effect of ethical corporate culture on antifraud strategies in South Korean financial companies: Mediation of whistleblowing and a sectoral comparison approach in depository institutions*. *International Journal of Law, Crime and Justice*, 60(January 2019), 100361. <https://doi.org/10.1016/j.ijlcj.2019.100361>
- Triani, N. N. A., & Handayani, S. (2018). Praktik Pengelolaan Dana Desa. *Jurnal Akuntansi Multiparadigma*. Vol. 9 No. 1, April 2018. [Http://dx.doi.org/10.18202/Jamal.2018.04.9009](http://dx.doi.org/10.18202/Jamal.2018.04.9009).
- Umar, H. (2014). *Sumber Daya Manusia Dalam Organisasi*. Jakarta: Gramedia Pustaka Utama.
- Zulkarnain, R. M. (2013). Analisis Faktor yang Mempengaruhi Terjadinya *Fraud* pada Dinas Kota Surakarta. *Accounting Analysis Journal*, 2(2), 125–131.