

The Effect of Internal Control, Compensation Appropriateness, and Organisational Ethical Culture on Accounting Fraud at PT Mahkota Global Perkasa

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ABSTRACT

This study aims to analyze the effect of internal control, appropriateness of compensation and organizational ethical culture on accounting fraud at PT Mahkota Global Perkasa, Bukit Kecil sub-district, Palembang city, South Sumatra. The objects in this study were all 42 employees of PT Mahkota Global Perkasa. The analysis technique used is multiple linear analysis which is processed using the help of the Statistical Product and Service Solution (SPSS) computer program version 26. Based on the results of the research and the hypothesis shows that there is an effect of internal control, appropriateness of compensation, and organizational ethical culture on accounting fraud at PT Mahkota Global Perkasa.

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1. INTRODUCTION

In the world of economics, business is an effort made by a person or group by offering goods and services to gain profit and progress the economic system. As we are aware, the world economy has undergone comprehensive changes with the underlying factors, such as globalisation, global trade, international competition and the rapid changes and advances in technology. The rapid changes occurring in the business world have attracted public attention due to the increasing cases of accounting fraud in Indonesia.

Accounting fraud, or often referred to as fraud, is an act caused by opportunity, pressure, or rationalisation from the perpetrator. Accounting fraud that occurs in organisations is seen as a serious threat by stakeholders, which is marked by an increase in economic crime (Chandrayatna & Sari, 2019). To minimise this threat, all companies must meet the demands of their stakeholders by implementing good corporate governance.

Internal control itself is a series of processes carried out to protect company assets from misuse, ensure that business information presented is accurate and ensure that laws and regulations are followed (Chandrayatna & Sari, 2019). The internal control system is the responsibility of management including its creation and maintenance. The internal control system must also be made adequately, which means that it must be made according to the needs of the organisation that needs it.

Apart from weak internal control, a factor that can affect accounting fraud is compensation suitability. Compensation is an award in the form of a reward or reward given to employees in

physical or non-physical form. Compensation suitability is a satisfaction with the results that have been given by the company or in other words as an appropriate reward for the work done by employees in the form of providing salaries or wages (Pramesti & Wulanditya, 2021).

To minimise accounting fraud on weak internal control and compensation suitability, an ethical organisational culture is also needed. Organisational ethical culture is a variable that can affect the occurrence of accounting fraud. Organisational ethical culture can be defined as a pattern of attitudes possessed by each member of the organisation and can shape organisational culture. Organisational ethical culture serves to control the actions taken by members of the organisation and guides how an employee should behave (Estikasari & Priyo Hari Adi, 2019).

Based on the results of research on the effect of internal control, compensation compatibility, and individual morality on the tendency of accounting fraud, the results of internal control research have a negative effect on the tendency of accounting fraud. Compensation compatibility and individual morality have a positive effect on the tendency of accounting fraud (Rahmi & Helmayunita, 2019). Based on the results of research on the effect of internal control effectiveness, adherence to accounting rules, compensation compatibility, management morality, and organizational ethical culture on the tendency of accounting fraud, it proves that the results of research on internal control effectiveness, adherence to accounting rules, compensation compatibility, management morality, organizational ethical culture have an effect on the tendency of accounting fraud (Yulia et al., 2021).

Based on the results of research on the effect of internal control, individual morality and organisational ethical culture on the tendency of accounting fraud, the results of this research questionnaire are measured using a modified Likert scale. The data analysis technique used is multiple linear regression analysis technique. Based on the results of multiple linear regression analysis, it is shown that internal control, individual morality and organisational ethical culture have a negative effect on the tendency of accounting fraud (Chandrayatna & Sari, 2019).

PT Global Mahkota Perkasa is a company engaged in the sale and service of watches. PT Mahkota Global Perkasa was first established in 1960 in Gaya Baru Palembang under the name Mahkota Watch. In 2020, the company officially changed to PT Mahkota Global Perkasa with four other branches. The company is based at Jalan Letkol Iskandar, No.11, 24 Ilir, Kec. Bukit Kecil, Palembang City, South Sumatra, 30125. Based on the results of interviews conducted by researchers, it is indicated that in 2020 employees of PT Mahkota Global Perkasa committed various acts of fraud, namely indicated embezzlement of company assets (inventory) in the form of shipping goods of various types of brands to other parties outside the company, manipulating daily inventory reports, embezzling money from receipts without recording in cash and receipt receipts, charging fees on goods with deductions, and lapping.

Based on the results of interviews and background information conducted on employees of PT Mahkota Global Perkasa, the authors are interested in understanding more deeply the relationship between the three factors, namely the internal control system, compensation suitability, and organizational ethical culture which can be a driver of fraud in a study with the title "The Effect of Internal Control, Compensation Suitability, and Organizational Ethical Culture on Accounting Fraud at PT Mahkota Global Perkasa".

2. RESEARCH METHOD

This research method is descriptive quantitative. Quantitative research which is a type of scientific research related to collecting and analysing data in numerical form (Sugiyono, 2018). The population in this study are employees of PT Mahkota Global Perkasa. The sample is a representative of the population. This research sampling technique uses Saturated Sampling. Saturated sampling is a sampling technique when all members of the population are sampled. This is done because the population members are relatively small. The number of samples in this study was 42 people.

This research is a quantitative approach with a correlational research type. In this study, researchers collected data and information through questionnaires, observations and interviews. This is done to strengthen the results of research data, this quantitative research is in the form of a

questionnaire that will be distributed to employees of PT Mahkota Global Perkasa. Then the results of the data collected will be processed using SPSS 26.

3. RESULTS AND DISCUSSIONS

3.1 Validity Test

The validity test in this study was submitted to 42 respondents as a trial questionnaire. Based on the test results, it is known that each question item for each variable has $r_{\text{count}} >$ from r_{table} (0.3044) and is positive. Thus the statement item is declared valid on the variables of Internal Control (X_1), Compensation Compatibility (X_2), Organisational Ethical Culture (X_3), and Accounting Fraud (Y).

3.2 Reliability Test

Testing the reliability of this research instrument using the Cronbach's Alpha formula. The results of the internal control variable reliability test were 0.803, the compensation suitability variable was 0.896, the organisational ethical culture variable was 0.833 and the accounting fraud variable was 0.806. So the results of reliability testing on this research instrument are declared reliable all because the alpha value of each variable is above 0.60.

3.3 Classical Assumption Test

The normality test on the regression model is used to test whether the residual value resulting from the regression is normally distributed or not. Based on the results of the Kolmogorov Smirnov test, it shows a significant value of 0.138, which means greater than 0.05. So in this study it is normally distributed, therefore the results of this test are consistent with the previous test.

3.4 Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Test Results

Model		Coefficients ^a			
		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	42.534	3.861	11.017	.000
	Internal Control	.630	.334	1.887	.067
	Compensation Suitability	-.618	.105	-5.872	.000
	Organisational Ethical Culture	-.821	.303	-2.709	.010

a. Dependent Variable: Accounting fraud

Based on the regression measurement results shown in table 1, the regression equation model obtained is as follows: $Y = 42,534 + 0,630 X_1 - 0,618 X_2 - 0,821 X_3$, dengan nilai $e = 3,861$.

Based on the results of the calculation of the SPSS 26 programme, the R Square coefficient (R^2) value is 0.679 or 67.9%. Thus it can be said that the effect of Internal Control variables, Compensation Suitability, and Organisational Ethical Culture affects Accounting Fraud by 67.9% while the remaining 32.1% is influenced by other variables not examined in this study.

a. T test

From the results of the t test calculation, the t_{count} value of the Internal Control variable (X_1) is $1.887 <$ t table value of 2.026 and has a significance level of $0.067 >$ 0.05. This means rejecting H1. So it can be concluded that the Internal Control variable (X_1) does not have a significant effect on Accounting Fraud (Y), the t_{count} value of the Compensation Compatibility variable (X_2) is $-5.872 <$ ttable value of 2.026 and has a significance level of $0.000 <$ 0.05. This means accepting H2. So it can be concluded that the Compensation Suitability (X_2) variable has a significant negative effect on Accounting Fraud (Y), and the t_{count} value of the Organisational Ethical Culture (X_3) variable is $-2.709 <$ the t_{table} value of 2.026 and has a significance level of $0.010 <$ 0.05. This means accepting H3. So it can be concluded that the Organisational Ethical Culture variable (X_3) has a significant negative effect on Accounting Fraud (Y).

b. F test

From the calculation results, the F_{count} value is $26.821 >$ F_{table} value which is 2.63 and the significance level is $0.000 <$ 0.05, it can be concluded that the variables of Internal Control (X_1),

Compensation Compatibility (X_2), and Organisational Ethical Culture (X_3) simultaneously have a significant effect on Accounting Fraud (Y).

4. CONCLUSION

Based on the results of data testing, it can be concluded: Internal control partially has no effect and is not significant on accounting fraud. This is evidenced by the sig value of $0.067 > 0.05$ and $r_{\text{count}} 1.887 < r_{\text{table}} 2.026$. Compensation suitability partially has a negative and significant effect on accounting fraud. This is evidenced by the sig value of $0.000 < 0.05$ and $r_{\text{count}} 5.872 < r_{\text{table}} 2.026$. Ethical culture of the organisation partially has a negative and significant effect on accounting fraud. This is evidenced by the sig value of $0.010 < 0.05$ and $r_{\text{count}} -2.709 < r_{\text{table}} 2.026$. Internal control, compensation suitability, and organisational ethical culture simultaneously affect accounting fraud. This is evidenced by the F_{count} value of $26.821 > F_{\text{table}}$ value which is 2.63 and the significance level is $0.000 < 0.05$.

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