

THE INFLUENCE OF MORALITY, INTERNAL CONTROL ON FRAUD OF FINANCIAL REPORTS

Yusuf Faisal^{1*}, Egi Gumala Sari², Jessica Sweetly Angelia Sipahutar³, Retno Melindawati⁴

^{1,3,4} Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Jl. Teuku Umar Jl. Cut Mutia No.24, RT.002/RW.001, Sepanjang Jaya, Kec. Rawalumbu, Kota Bekasi, Jawa Barat 17114, Indonesia

Email : yusuf.faisal@stietribhakti.ac.id*, egigumalasari@gmail.com, jessicasweetly63@gmail.com,

retnomelindawati24@gmail.com

*Penulis Korespondensi

Artikel Info

Diterima : 28-12-2022

Direvisi : 17-05-2023

Disetujui: 27-05-2023

Publikasi : 31-05-2023

Kata Kunci: Pengaruh Moralitas, Pengendalian Internal Terhadap Kecurangan Laporan Keuangan

Moralitas,
Pengendalian Internal,
Kecurangan

Abstrak

Kecurangan laporan keuangan dapat terjadi pada perusahaan, dengan melibatkan manajemen dalam bentuk kesalahan penyajian dalam laporan keuangan. Kondisi ini jika dibiarkan akan merugikan investor maupun kreditor. Penelitian ini bertujuan untuk mengetahui pengaruh moralitas, pengendalian internal terhadap kecurangan laporan keuangan di PT ABC dan PT XYZ. Jenis penelitian adalah penelitian kuantitatif dengan menggunakan data primer yang disebar melalui kuesioner. Penarikan sampel dilakukan menggunakan teknik *purposive sampling*. Sampel terdiri dari 31 responden. Responden bekerja di divisi keuangan pada PT ABC dan PT XYZ. Penelitian dilakukan pada tahun 2022. Kuesioner diolah menggunakan program SPSS versi 25. Analisis dilakukan dengan menggunakan regresi linear berganda, setelah sebelumnya dilakukan uji validitas dan reliabilitas. Hasil penelitian menunjukkan bahwa moralitas memiliki pengaruh negatif dan signifikan terhadap kecurangan laporan keuangan pada perusahaan PT ABC dan PT XYZ, begitu juga dengan pengendalian internal memiliki pengaruh negatif dan signifikan terhadap kecurangan laporan keuangan pada perusahaan PT ABC dan PT XYZ. Penelitian ini diharapkan dapat memberikan masukan bagi perusahaan dalam mengendalikan Kecurangan Laporan Keuangan dengan memperhatikan faktor-faktor tersebut.

Keywords:

Morality,
Internal Control,
Fraud

Abstract

Financial statement fraud can occur in companies, involving management in the form of misstatements in financial statements. This condition if left unchecked will be detrimental to investors and creditors. This study aims to determine the effect of morality, internal control on financial statement fraud at PT ABC and PT XYZ. This type of research is quantitative research using primary data distributed through questionnaires. Sampling was carried out using a purposive sampling technique. The sample consists of 31 respondents. Respondents work in the finance department at PT ABC and PT XYZ. The research was conducted in 2022. The questionnaire was processed using the SPSS version 25 program. The analysis was carried out using multiple linear regression, after previously testing the validity and reliability. The results of the study show that morality has a negative and significant effect on fraudulent financial reporting at PT ABC and PT XYZ companies, as well as internal control has a negative and significant effect on financial reporting failure at PT ABC and PT XYZ companies. This research is expected to provide input for companies in controlling fraudulent financial statements by taking into account these factors.

How to cite :

Faisal, Y., Sari, E. G., Sipahutar, J. S. A. & Melindawati, R. (2023). The Influence of Morality, Internal Control no Fraud of Financial Reports. *JRAMB*, 9(1), 14-28. doi: <https://doi.org/10.26486/jramb.v9i1.3117>



: <https://doi.org/10.26486/jramb.v9i1.3117>

URL : <https://ejurnal.mercubuana-yogya.ac.id/index.php/akuntansi/index>

Email : jramb@mercubuana-yogya.ac.id

INTRODUCTION

The development of the world of accounting is currently growing rapidly. This provides many benefits to users of financial statements because it can facilitate the completion of their tasks (Ruddin, 2021). In addition, developments in the world of accounting can also become a problem when these developments are used as stepping stones by irresponsible auditors, who easily manipulate financial reports or commit fraud. Cheating is an act that benefits one party and harms the other, intentional wrong actions, lies, and betrayal (Ruddin, 2021).

As in research (Grace et al., 2021) financial statement fraud in Indonesia is currently quite concerning. In auditing review, financial statement fraud is called fraud, is an act of fraud committed by individuals or groups with the aim of providing benefits to these individuals or groups. Accounting fraud (Fraud) can occur in companies and in government agencies (Rahmat et al., 2021). Fraud can be committed by anyone even if they don't have a position (Rahmat et al., 2021). Accounting fraud is one of the causes of corruption (Ruddin, 2021). Indonesian Corruption Watch (ICW) (2016) considers that, corruption cases in Indonesia at this time seem to have become a culture (Julioe, 2017).

This financial statement fraud resulted in several things that were not good for individuals or entities. The increase in fraudulent financial reports on the one hand can provide benefits for business people by exaggerating their business results and financial conditions so that their financial reports look good in the eyes of the public. However, the increase in fraudulent reporting has also taken a toll on users who rely heavily on decision-making based on financial reports (Ruddin, 2021). For this reason, it is important that someone as a worker has morality so that he does not fall into deliberate mistakes or fraud (Ruddin, 2021). An employee who has good moral values will be good overall. The higher the level of one's morality, the higher the fear of God when someone wants to cheat (Faisal & Sari, 2018, 2020).

Therefore, many companies hold religious activities in the hope of helping to build the morale level of employees, thereby minimizing things that are not in accordance with company rules that these employees will do, especially not doing things that tend to commit fraud. Morality can measure the merits of a person, both as an individual and as a citizen. In research (Ruddin, 2021) explains that individual morality is the value that a person gets from the various behaviors that he does stem from the values set by other humans. Companies not only establish morality but also need to form internal controls to protect the company from fraud and no company assets are used by certain parties for personal gain. If the company's internal control is weak, the company's internal safeguards will be weak from errors and fraud (Ruddin, 2021). If the internal control of a company is good, there will also be less possibility of fraudulent financial reporting.

There are several cases in Indonesia that also manipulate financial reports, one example is that Garuda's Annual Financial Report was declared defective after the fact was discovered that Garuda Indonesia recognized revenue related to the cooperation carried out with PT Mahata Aero Technology for payments that Garuda would receive after signing the agreement so that this This impact on Garuda's Profit and Loss Report. Seeing this, the two Garuda commissioners did not co-sign the 2018 Financial Statements. The Ministry of Finance through the Financial Professional Development Center then conducted an examination of the Public Accountants Kasner Sirumapea and KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan (members of the international audit organization BDO) who conducted an audit of the Financial Statements of PT Garuda Indonesia Tbk for the 2018 financial year. The examination found two important issues regarding audit standards and the KAP quality control system. To PT Garuda Indonesia Tbk, OJK gave a written order to correct and restate the 2018 annual financial statements and impose administrative sanctions in the form of a fine of 100 million rupiah. Fines of 100 million rupiah each were imposed on all members of Garuda's board of directors and 100 million rupiah jointly and severally on all members of the board of directors and board of commissioners who signed the 2018 Annual Report of PT Garuda Indonesia Tbk (<https://pppk.kemenkeu.go.id/in/post/ditemukan-pelanggaran-pada-audit-report-keuangan-garuda-izin-ap-kasner-sirumapea-dibekukan>).

The next case, namely the Indonesia Stock Exchange (IDX) was shocked by allegations of manipulation of the 2019 annual financial statements (LKT) which hit an issuer in the services and trading sector in the field of information technology, PT Envy Technologies Indonesia Tbk

(ENVY) and its subsidiaries. In a statement published in the disclosure of information, ENVY explained the case related to the alleged manipulation of the financial statements (lapkeu) of its subsidiary, PT Ritel Global Solusi (RGS) in 2019. The 2019 RGS financial statements were then consolidated into ENVY's annual financial statements in 2019. RGS is a subsidiary of ENVY with 70% ownership which is engaged in online-based trading services through the "KO-IN" application.

The third case is the corruption case at Jiwasraya (Afrili, 2019). Jiwasraya's problems started with financial statement manipulation in 2006. Financial reports showed a negative equity value of Rp3.29 trillion for Jiwasraya because the assets owned were far smaller than the liabilities. On research Udayan (2017); Cendani (2020); Widyaningsih (2018) explains that there is a negative relationship between morality and fraudulent financial statements government office employees especially at the Makassar City Regional Revenue Agency. This research is different from research (Alifia, 2021; Eliza, 2017, Halimah, 2021) which explains that there is a positive relationship between morality and fraudulent financial statements at Bank BNI, Bank BRI, and Bank Papua in Jayapura City. It can be concluded that morality is needed to overcome fraudulent financial statements.

This research is an important cause, in previous studies it has inconsistencies coupled with findings that can be early indications of acts of fraud, so that by conducting this research it can present an empirical and comprehensive picture. Based on this description, the formulation of the research problem is whether morality, internal control affects financial reports in detecting fraud. So it can be said that, this study aims to examine the effect of morality, internal control that affects financial reports in detecting fraud PT ABC and PT XYZ which are engaged in apartment management in the Jakarta area. The main contribution of this study is to provide a deeper understanding of how factors of morality and internal control can influence the occurrence of fraudulent financial reporting. This research is expected to provide new insights to practitioners and regulators in developing effective policies and strategies to prevent and detect fraudulent financial reporting.

Financial Statement Fraud

According to Law (UU) No. 24 of 2006, it is explained that accounting fraud is a misstatement that arises from fraud in financial reporting, namely misstatement or intentional omission of amounts or disclosures in financial statements to deceive users of financial statements, misstatements arising from Improper treatment of assets (often referred to as misappropriation or embezzlement) related to theft of entity assets related to financial statements not being presented in conformity with generally accepted accounting principles. The Association of Certified Fraud Examinations (2018) states that financial statement fraud aims to cover up actual financial conditions by carrying out financial engineering (Njonjie et al., 2019). Meanwhile, according to the Indonesian Institute of Accountants (IAI, 2001) explains accounting fraud as a misstatement arising from fraud in financial reporting, namely misstatement or intentional omission of amounts or disclosures in financial statements to deceive users of financial statements. From the description above, it can be concluded that financial statement fraud is a misstatement that arises from improper treatment and is done consciously, this is often referred to as misuse or embezzlement related to theft of entity assets which results in financial statements not being presented in accordance with applicable accounting principles. common in Indonesia.

(Rahmah & Haryoso (2018) Fraudulent financial reporting consists of actions such as:

- 1) Manipulation, falsification or alteration of accounting records or supporting documents from which the financial statements are prepared.
- 2) Misrepresentation or intentional omission of events, transactions or other significant information in the financial statements.
- 3) Intentional misapplication of accounting principles relating to amounts, classification, presentation or disclosure.

In the preparation of financial reports there are accounting rules, according to the Indonesian dictionary, accounting rules are a predetermined method that can be followed. In addition, rules are also actions or deeds that must be carried out. Accounting standards are made in such a way as the basis for preparing financial reports. In accounting standards there are several rules that must be

used in measuring and presenting financial statements. Therefore, accounting rules are very important because the existence of accounting rules can be a guide in preparing financial reports so as to minimize fraud or failure to make financial reports.

Morality

According to Alifia (2021), morality is the same as "moral" we speak "morality of an action" means that the moral aspect is a good or bad deed. Morality is the moral nature/overall of the principles and values related to good and bad. According to Alifia (2021) the reason behind management fraud is that managers are ignorant of morals (immoral), such as helping conflicting interests. By knowing the nature and characteristics of people who are most likely to commit fraud, companies can reduce the possibility of accounting fraud. Meanwhile according to Cendani (2020) Moral is defined as an act in terms of good and bad. According to Yaningsih (2018) stated that morality is the quality of good or bad behavior of a person. From the description above, it can be concluded that the notion of morality is one of the factors that influence the tendency to fraudulent financial statements. Organizations or agencies also have a moral responsibility. Someone who is immoral tends to act to commit fraud which will harm others. That is, the higher the individual morality possessed by employees, the tendency for accounting fraud will decrease.

Kohlberg's deep moral reasoning (Cendani, 2020) defines moral reasoning as a value judgment, social judgment, and also an assessment of the obligations that bind individuals in carrying out an action. Moral reasoning can be used as an anticipation of taking certain actions in situations involving morals. Kohlberg argues that moral reasoning is a thought about moral issues. This thinking is the principle used in assessing and carrying out an action in a moral situation. Moral reasoning places more emphasis on the reasons for an action being taken, not just the meaning of one action, so that the action can be judged as good or bad (Cendani, 2020). Moral reasoning is seen as a structure not content. Thus moral reasoning is not on good or bad, but on how one thinks up to a decision that is good or bad (Cendani, 2020). Reasoning from an action that is considered wrong, will provide more explanation than just paying attention to someone's actions or even hearing a statement that something is wrong.

In morality, of course, there is a theory of moral development that is often used in research at the ethical level, namely the Kohlberg model. This theory has the view that moral reasoning is the foundation of ethical behavior. According to Cendani (2020) The stages of moral development are a measure of the level of a person's moral level based on the development of his moral reasoning. There are three stages of moral development, namely the pre-conventional stage, the conventional stage and the post-conventional stage. In the first stage (pre conventional), namely the lowest stage, individuals tend to act out of submission and fear of existing laws. In addition, individuals at this moral level will also view their personal interests as the main thing in carrying out an action. In the second stage (conventional), individuals have basic moral considerations related to understanding law, social rules in society, obligations, and justice in their social environment. Individuals at this stage begin to form morality by obeying rules such as accounting rules to prevent fraud.

Internal Control

Internal Control needs to be implemented in every company, it aims to minimize fraud committed by certain parties. The definition of Internal Control in a narrow sense is the procedures carried out to check the accuracy of data. Meanwhile, in a broad sense, the internal control system is a social system that has a special meaning in the company (Julioe, 2017). According to government regulation Number 60 of 2008 concerning the Internal Control System, it is an activity that is carried out continuously by leaders and all employees to provide adequate assurance of achieving organizational goals through effective and efficient activities so as to detect and minimize the occurrence of actions that can harm the state.

Meanwhile, according to the AICPA (American Institute of Certified Public Accountants) the internal control system includes the organizational structure, all coordinated methods and provisions adopted within the company to protect assets, check accuracy, and how far accounting data can be trusted, improve business efficiency and Encouraging adherence to company policies that have been set (Julioe, 2017). From the definition above, it can be concluded that internal control is a method used to protect wealth or assets, check accuracy to provide reliable accounting,

prevent and detect an accounting fraud (fraud) in an institution that is carried out by certain parties who can harm the other party.

Effect of Morality on fraudulent financial statements

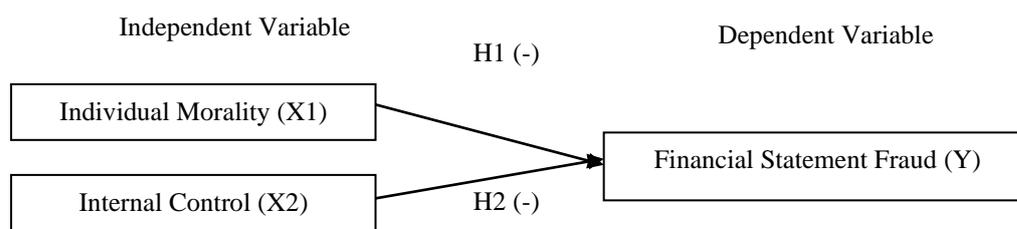
Moral is something that is following the generally accepted beliefs of society, related to the assessment of the norms of human action. Individual morality will relate to tendencies. Someone to commit accounting fraud. The higher the level of individual moral reasoning, the more likely they are not to commit accounting fraud (Alifia, 2021). Current internal controls really need to be implemented to prevent accounting fraud. The results of this study are supported by research Alifia (2021) which states that individual morality has a negative effect on accounting fraud. This shows that if individual morality increases, accounting fraud will decrease. As for research Cendani, (2020) Individual morality will affect a person's tendency to commit accounting fraud, the higher the individual's morality, the more he will try to avoid the tendency of accounting fraud. In research Njonjie et al. (2019) The effect of morality on fraudulent financial reporting indicates that morality has a negative effect on fraudulent financial reporting in financial management.

H₁: Morality has a negative effect on fraudulent financial reporting

Effect of internal control on fraudulent financial reporting

Current internal controls really need to be implemented to prevent accounting fraud. The objective of this internal control is to provide assurance and reliability of financial information, compliance with applicable laws and regulations, effectiveness and efficiency of operations. Internal Control can reduce Accounting Fraud. The existence of an effective Internal Control will be able to reduce deviations that often occur within an agency and are usually caused by personal interests. Based on Njonjie et al. (2019) the influence of the internal control system on fraudulent financial reporting indicates that the internal control system has a negative effect on fraudulent financial reporting. As for research Cendani (2020) Internal Control can reduce Accounting Fraud. the existence of an effective Internal Control system will be able to reduce deviant actions which are often within an agency and are usually caused by personal interests. In research Julioe (2017) With a good internal control system, state assets acquired by the company can be used to the fullest extent possible. However, if internal controls are implemented poorly, accounting fraud will occur which will be detrimental to all parties.

H₂: Internal Control has a negative effect on fraudulent financial reporting



Picture 1. Thinking Framework

METHOD

This research applies quantitative research using data sources in the form of questionnaire. The research began in October 2022 until January 2023. The population is in In this study, there were 31 respondents in the finance section in PT ABC and PT XYZ which are engaged in apartment management in the Jakarta area. Measurement of research variables using a four-point Likert scale to avoid the effects of multiple interpretations and central tendency. The dependent variable in this study is financial statement fraud. Detection of financial statement fraud is measured using indicators of corporate red flags, perpetrator red flags, accounting red flags, environmental distracters and knowledge of fraud (Gunawan, 2020). While the independent variables in this study are morality and internal control. Morality in this study was measured by indicators of control environment, risk assessment, control activities, information and communication, and monitoring (Ni Putu, 2020) Internal control in this study was measured by indicators of control environment,

risk assessment, control activities, information and communication, and monitoring. (Katharina, 2020)

The data analysis technique used is multiple linear regression. The test is based on the regression equation as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Information :

- Y : Financial Statement Fraud
- a : Intercept value (constant)
- β : Coefficient of regression direction
- X_1 : Morality
- X_2 : Internal control

RESULTS AND DISCUSSION

The time for sending the questionnaires began on November 15, 2022. The number of questionnaires that received responses was 31 questionnaires.

Table 1. Summary of Questionnaire Return Rates

Description	Total	Percentage
Questionnaire distributed	50	100%
Unfilled questionnaire	(19)	38%
The questionnaire used	31	62%

Source: data that has been processed by the author (2022)

The questionnaire was returned because there were respondents who were not willing to provide data information on the grounds that they did not have free time and were busy, so that the respondents who got a total of 31 employees in the finance department of the two companies.

Based on descriptive statistical analysis using the SPSS Ver.25.00 program, the sample description is obtained as follows:

Table 2. Table Description of Research Data

	N	Minimum	Maximum	Mean	Standar Deviasi
Morality	31	51	65	58.6774	5,198635
Internal Control	31	44	65	55,6129	4,673881
Financial Statement Fraud	31	38	55	46,9355	4.032662

Source: data that has been processed by the author (2022)

The results of the descriptive statistical analysis on the variable morality with a sample (N) of 31 respondents showed that the minimum score of the respondents was 51.00, the maximum value of the respondents was 65.00, the average value (mean) was 58.6774 and the standard deviation was 5.198635. The results of descriptive statistical analysis on the Internal Control variable with a sample (N) of 31 respondents show that the minimum respondent value is 44.00, the maximum respondent value is 65.00, the average value (mean) is 55.6129 and the standard deviation is 4.673881. The results of the descriptive statistical analysis on the variable Financial Statement Fraud with a sample (N) of 31 respondents shows that the minimum value of the respondent is 38.00, the maximum value of the respondent is 55.00, the average value (mean) is 46.9355 and the standard deviation of 4.032662. This is because the standard deviation is a reflection of a very high deviation, so it can be said that the spread of the data represents normal results and does not cause bias.

Respondents' Responses to Morality

Based on the table above, morality with the statement "The place where I work has clear standards of ethics and behavior that are written in every division." and "The place where I work already has clear and written rules and procedures regarding the terms of each transaction." with a score of 143 is the highest dimension compared to other dimensions. Whereas in the same dimension as the question "Where I work has rules" with a score of 133 is the lowest indicator of the morality variable compared to the other dimensions. This shows that employees continue to maintain morality in completing their duties to avoid fraudulent financial statements.

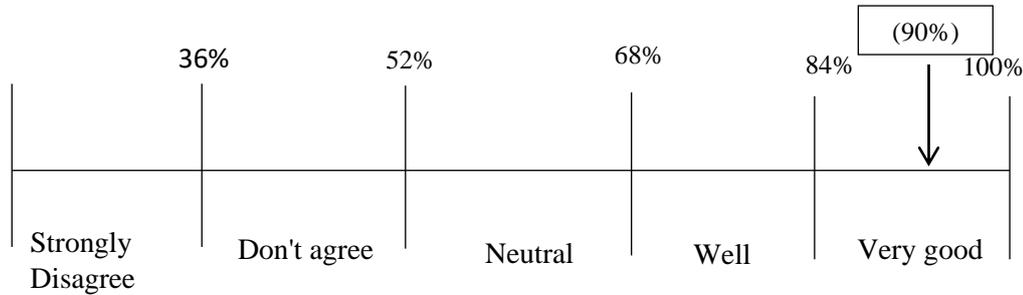


Figure 1. Continuum Line of Morality Variables

Based on Appendix I, overall the time pressure sub-variable is included in the unfavorable category with a percentage value of 90%. This shows that the morality variable is in the very good category, and there is still a gap of 10% which indicates that there are problems regarding morality in PT ABC and PT XYZ companies.

Respondents' Responses to Internal Control Variables

Based on the table above, internal control with the statement "The institution has a written risk management document." with a score of 147 is the highest dimension in the internal control variable compared to other dimensions. While in the same dimension as the question "The institution has a system for evaluating employee performance" with a score of 101 is the lowest internal control variable indicator compared to other dimensions. This shows that the company maintains internal control within the applicable regulations.

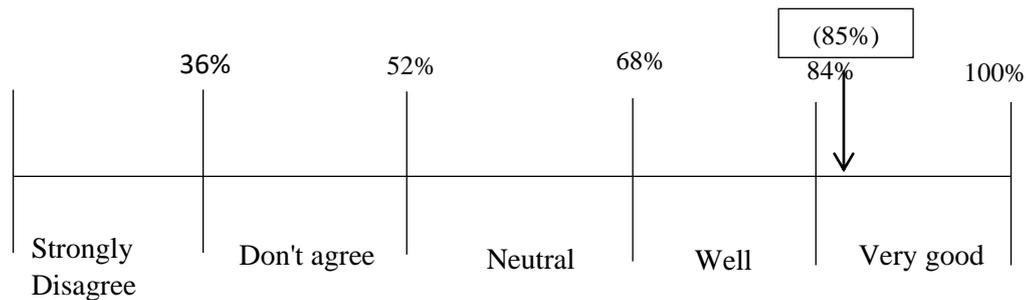


Figure 2. Continuum Line of Internal Control Variables

Based on Appendix II, overall the internal control sub-variables are in the very good category at 85%, and there is a gap of 15% which indicates that there are still problems regarding internal control found in PT ABC and PT XYZ companies.

Respondents' Responses to Financial Report Fraud Variables

Based on the table above, fraudulent financial statements with the statement "Where I work there is a lot of struggle for positions of power" and "Other administrative expenses increased 40% this year, with a decrease in revenue" with a score of 135 is the highest dimension in the financial statement fraud variable compared to other dimensions. Whereas in the same dimension as the statement "In my workplace there are frequent unexpected changes in internal auditors." With a

score of 126, it is an indicator of the lowest financial statement fraud variable compared to other dimensions.

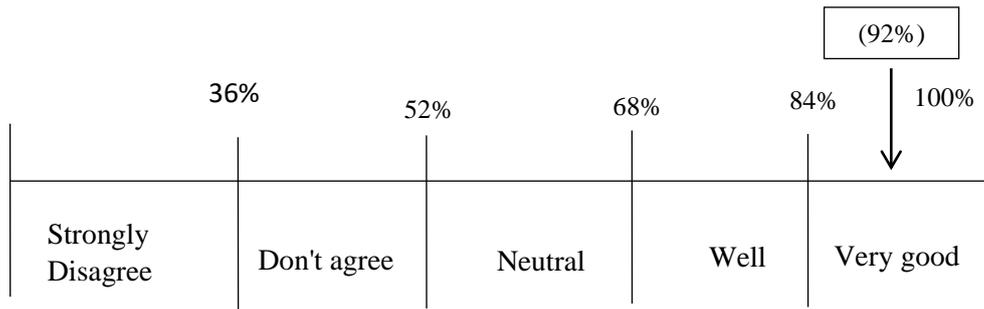


Figure 3. Continuum Line of Financial Report Fraud Variables

Based on appendix III, overall the fraud detection sub-variables are included in the very good category with a percentage value of 92%. This shows that the financial statement fraud variable is in the very good category but there is still a gap of 18% which indicates that there is still a lack of detection of financial statement fraud in PT ABC and PT XYZ companies.

Validity test

Validity test is used to measure the validity or validity of a questionnaire. A questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that is measured by the questionnaire (Ghozali, 2018). A valid or valid instrument has high validity. With a significance level of 10%, the results obtained from r table show the number 0.3009. This means that the data will be declared valid if the calculation results are more than 0.3009. The following is the result of a comparison of tcount with the table of research questionnaire items. Based on the validity test on all of these variables, they meet the valid criteria, where the rcount value is greater than the rtable value, meaning that the questionnaire data can be processed further statistically because the statements on the questionnaire can be said to be valid and a reliable test can be carried out.

Reliability Test

The data reliability test aims to see whether the running data is unchanged or reliable, in order to proceed to statement items that are declared valid. A questionnaire can be said to be reliable or reliable if a person's answer to a statement does not change or is stable from time to time. A variable is declared reliable if it has a Cronbach Alpha > 60 (Ghozali, 2018). The results obtained are as follows:

Table 3. Reliability Test

Variable	Reliability Statistics	
	Cronbach's Alpha	N of Items
Financial Statement Fraud (Y)	.890	11
Morality (X1)	.920	13
Internal Control(X2)	.880	13

From the table above the reliability of all variables has a good level of reliability because it is above 0.60 so that all variables meet the criteria of being reliable, which means that the statements in the questionnaire will give the same results even though they are addressed to different people.

Descriptive Test

Table 4. Descriptive Test

	N	Minimum	Maximum	Means	std. Deviation
Morality	31	51.00	65.00	58.6774	5.198635
Internal control	31	44.00	65.00	55.6129	4.673881

<i>Financial Statement Fraud</i>	31	38.00	55.00	46.9355	4.032662
<i>Valid N (listwise)</i>	31				

Source: data that has been processed by the author (2022)

Based on the table above, it can be seen the descriptive statistics of each variable. In the variable of morality it is known that the average value is 58.6774 with a standard deviation 5.198635, the maximum value is 65.00 and the minimum value is 51.00. The internal control variable is known to have a mean value of 55.6129 with a standard deviation 4.673881, the maximum value is 65.00 and the minimum value is 44.00. It is known that the variable of fraudulent financial statements is the average value 46.9355 with a standard deviation 4.032662 maximum value of 55.00 and minimum value of 38.00

Multiple Linear Regression Test

The t statistical test basically shows how far the influence of one independent variable is partially in explaining the variation of the dependent variable (source). If the significance of $t > 0.10$ then the hypothesis is rejected (regression coefficient is not significant). if the significance of $t \leq 0.10$ then the hypothesis is accepted (significant regression coefficient).

Table 5. Significance Test Results (T)
 Coefficientsa

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	std. Error	Betas	t	Sig.
1	(Constant)	43,489	6,188		7,028	.000
	Morality	-.161	.082	-.221	-1,948	.055
	Internal control	-.002	.117	-.002	-.017	.986

a. Dependent Variable: Financial Statement Fraud

Source: data that has been processed by the author (2022)

Based on the results of the t (partial) test on the regression model, the significance value of the morality variable is $0.055 < 0.1$ (significant level of research significance). In addition, it can also be seen from the results of the comparison between t count and t table which shows the tcount value is -1.948, while the formula t table value = $t(a/2; n - k - 1 = (0,1,29) = 1.31143$. From these results it can be seen that $tcount < ttable (-1.948 < 1.31143)$, then it shows that H_01 is accepted or H_{a1} is rejected, meaning that partially the morality variable has a negative effect on fraudulent financial reporting.

Based on the results of the t (partial) test on the regression model, the significance value of the business scale variable was obtained at $0.986 > 0.1$ (significant level of research significance). In addition, it can also be seen from the results of the comparison between tcount and ttable which shows the tcount value of -0.017. Meanwhile, the value of t table formula = $t(a/2; n - k - 1 = (0,1,29) = 1.31143$. From these results it can be seen that $tcount > ttable, namely (-0.017 < 1.31143)$, then H_02 is rejected and H_{a2} is accepted, so it means that partially the internal control variable has a negative effect on fraudulent financial reporting.

Based on the regression results in the table above, the multiple linear regression equation in this study can be written as follows:

The regression model formed based on the results of the study is:

$$\text{Financial Statement Fraud} = 42.489 + -0.161 \text{ Morality} + -0.002 \text{ Internal Control} + e$$

From the equation of the regression model, it can be said that α = constant (intercept) means a fixed number or a constant of bound variables if the free variable is zero, Based on the results of α = a constant that has been calculated using SPSS of 43,489 (positive), showing the positive influence of independent variables. If the independent variable rises or has an effect in one unit, the variable use of accounting information will increase or be fulfilled. The regression coefficient of the morality variable shows the value of the regression coefficient of -0.161 (negative), stating that, if morality, for example, increases by 1%, it will cause a decrease in financial statement fraud by 0.161. The regression coefficient of the internal control variable shows a regression value of -0.002 (negative), stating that, if internal control, for example, increases by 1%, it will cause a decrease in financial statement fraud by 0.002.

Discussion

Based on the results of research based on data processing, in this study there are several things that can be explained as follows:

The Effect of Morality on Fraudulent Financial Statements

Based on the research results, we can conclude that individual morality has a negative impact on accounting fraud tendencies. So that the level of individual morality will affect decision-making activities in individual life. Furthermore, for actions that require moral considerations such as considering the right or wrong choice. The findings prove that the higher the degree of one's morality will reduce the level of fraud tendencies in the company and minimize employee intentions to commit fraudulent behavior. The same thing was also found in research Yilmaz et al., (2021) which argued that the theory of moral development states that morals develop through three stages, namely the pre-conventional stage, the conventional stage and the post-conventional stage. Research conducted by Angelina & Helmayunita (2017) concluded that individual morality has an influence on accounting fraud, if individual morality is low, it will provide greater opportunities for accounting fraud to occur. Another study conducted by Kurniawan et al. (2019) found that individual morality had a negative effect on the tendency for accounting fraud to occur.

The Effect of Internal Control on Fraudulent Financial Statements

According to the fraud triangle theory, one of the components of fraud is the opportunity component. The opportunity component explains that fraud can occur due to loopholes, one of which is the organization's weak internal control system. The internal control system is a very important tool for controlling employee behavior related to procedures and must be followed by all employees in the operational process so that organizational goals can be achieved. Internal control is determined by management to provide reasonable assurance of achieving effective and efficient, reliable financial reporting and compliance with laws and regulations. The risk of fraud is reduced when you have adequate internal controls. The effectiveness of internal controls in identifying fraud in business increases with the depth and thoroughness of internal controls. In the fraud triangle theory, the internal control system is proxied to be an opportunity. Opportunity is a situation that allows someone to commit fraud because employees will think that supervision and control are lacking, weak so their actions would not be detected. Therefore, an effective internal control system can reduce and even close opportunities to commit accounting fraud. The internal control system aims to provide sufficient confidence in achieving effectiveness and efficiency in achieving corporate accountability objectives, financial reporting reliability, corporate security, and regulatory compliance.

Thus, the internal control system has the potential to prevent errors and fraud through monitoring which can improve the organization's financial performance and with internal control, financial reporting processes and ensures compliance with laws and regulations (Rae & Subramaniam, 2008). Employee performance in the field of financial management and accountability is based on an understanding of the basic concepts and characteristics of financial reports. Internal control can provide security for all financial transactions and can also ensure the security of company assets, up to the internal management of the business. Reports given to the leadership can be verified accurately through internal control. Through effective internal control, administrative policies have been implemented as intended. To prevent financial loss, businesses

need an internal control system that can be recognized and respond quickly to signs of fraud and waste.

CONCLUSION

This study aims to analyze the effect of morality, internal control on fraudulent financial reporting. After going through the stages of data collection, data processing and data analysis, it can be concluded as follows Morality and internal control simultaneously have a significant effect on the dependent variable, namely fraudulent financial reporting. The partial results of hypothesis testing show that Morality has a negative effect on fraudulent financial statements. This is because if an employee has high morality then it minimizes the occurrence of fraudulent financial statements. Internal control has a negative effect on fraudulent financial reporting. This is because the better the internal control that is owned by the company, the fraudulent acts of financial statements will decrease morality, internal control against fraudulent financial reporting.

BIBLIOGRAPHY

- Afrili, M. D. (2019). Analisis Kinerja Keuangan Pada Perusahaan Asuransi Pt Jiwasraya. *Photosynthetica*, 2(1), 1–13.
- Alifia, M. (2021). *Pengaruh Moralitas Individu Dan Integritas Terhadap Kecenderungan*
- Andari, L., & Ismatullah, I. (2019). Pengaruh Pengendalian Internal terhadap Pencegahan Kecurangan (Studi Kasus pada CV. Agung Mas Motor Kota Sukabumi). *Jurnal Ilmiah Ilmu Ekonomi*, 8(15), 75–81.
- Kecurangan Akuntansi Dengan Sistem Pengendalian Internal Sebagai Variabel Mediasi*. 7, 6.
- Anak Agung K. Finty Udayan, M. M. R. S. (2017). *Pengaruh Pengendalian Internal Dan Moralitas Individu Pada Kecenderungan Kecurangan Akuntansi*. 18, 1774–1799.
- Angelina, M., & Helmayunita, N. (2017). Pengaruh Pengendalian Internal, Tekanan Finansial, Dan Moralitas Individu Terhadap Kecenderungan Kecurangan Akuntansi: Studi Eksperimen Pada Konteks Pemerintahan Daerah. In *Economac Journal* (Vol. 1, Issue 1). doi:<https://doi.org/10.24036/20171115>
- Anisykurlillah, I., & Wardianti, S. (2019). Analisis Moralitas Individu Dalam Memoderasi Determinan Kecurangan Akuntansi. *Jurnal Riset Keuangan Dan Akuntansi*, 4(2), 54–66. <https://doi.org/10.25134/jrka.v4i2.1699>
- Cendani, A. A. (2020). *Pengaruh Moralitas Individu Dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi Pada Bappeda Kota Makassar (Studi Kasus SKPD Kota Makassar)*. 21(1), 1–9.
- Eliza, Y., & Sekolah. (2015). Pengaruh Moralitas Individu Dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi (Studi Empiris Pada SKPD di Kota Padang). *Jurnal Akuntansi*, 4(1), 86–100.
- Faisal, Y., & Sari, E. G. (2018). Pengaruh Tekanan Ketaatan, Kompleksitas Tugas dan Keahlian Audit Terhadap Profesionalisme Auditor. *Al-Masraf: Jurnal Lembaga Keuangan dan Perbankan*, 3(1), 43-50.
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25*.
- Halimah, A. (2021). *Pengaruh Moralitas Individu Dan Integritas Terhadap Kecenderungan*
- Harry Krishna Mulia, M., Febrianto, R., & Kartika, R. (2017). Pengaruh Moralitas Individu dan Pengendalian Internal terhadap Kecurangan: Sebuah Studi Eksperimental. *Jurnal Akuntansi Dan Investasi*, 18(2), 198–208. <https://doi.org/10.18196/jai.180283>
- Herninta, T., & Ginting, R. S. B. (2020). Tiwi Herninta dan Reka Sintya BR Ginting : Faktor-Faktor yang Mempengaruhi Kualitas Laba. *Jurnal Manajemen Bisnis*, 23(2), 155–167.
- Kecurangan Akuntansi Dengan Sistem Pengendalian Internal Sebagai Variabel Mediasi*.
- Julioe, R. (2017). Pengaruh Pengendalian Internal Dan Kepuasan Kerja Terhadap Kecurangan Akuntansi Pada Dinas Perindustrian Perdagangan Koperasi Dan Umkm Daerah Istimewa Yogyakarta. *Ekp*, 13(3), 1576–1580.
- Kurniawan, P. C., Program, F. A., Akuntansi, S., Bank, S., & Jateng, B. (2019). The Effect Of

- Management Morality On Accounting Fraud With Internal Control As A Moderating Variable (Study In Pemalang Regency). *Riset Akuntansi Dan Keuangan Indonesia*, 4(2), 177–185. <https://doi.org/10.23917/REAKSI.V4I2.8552>
- Korompis, S. N., Saerang, D. P. E., & Morasa, J. (2018). Pengaruh Moralitas Individu, Asimetri Informasi, dan Keefektifan Pengendalian Internal Terhadap Kecenderungan Kecurangan (Fraud) Berdasarkan Persepsi Pada Badan Pengelola Keuangan dan Barang Milik Daerah Provinsi Sulawesi Utara. *Jurnal Riset Akuntansi Dan Auditing "Goodwill,"* 9(1), 29–36. <https://doi.org/10.35800/jjs.v9i1.18950>
- Maulina, I., Yati, L., & A'la, N. (2019). Pengaruh Moralitas Individu Dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi. *J-ISCAN: Journal of Islamic Accounting Research*, 1(2), 51–64. <https://doi.org/10.52490/j-iscan.v1i2.700>
- Njonjie, P., Nangoi, G., & Gamaliel, H. (2019). Pengaruh Kompetensi, Sistem Pengendalian Internal dan Moralitas Aparatur Terhadap Kecurangan Laporan Keuangan Dalam Pengelolaan Keuangan Desa Di Kabupaten Halmahera Utara. *Jurnal Riset Akuntansi Dan Auditing "Goodwill,"* 10(2), 79. <https://doi.org/10.35800/jjs.v10i2.24955>
- Noviani, N., Nurmala, P., & Adiwibowo, A. S. (2022). Pengaruh Gaya Kepemimpinan, Moralitas Individu, Dan Audit Internal Terhadap Risiko Fraud. *Kompartemen: Jurnal Ilmiah Akuntansi*, 19(2), 68. <https://doi.org/10.30595/kompartemen.v19i2.9149>
- Rae, K., & Subramaniam, N. (2008). Quality of internal control procedures: Antecedents and moderating effect on organisational justice and employee fraud. *Managerial Auditing Journal*, 23(2), 104–124. <https://doi.org/10.1108/02686900810839820/FULL/XML>
- Rahmah, R. N., & Haryoso, P. (2018). Pengaruh Moralitas Individu, Efektifitas Pengendalian Internal, Asimetri Informasi, Ketaatan Aturan Akuntansi, Dan Perilaku Tidak Etis Terhadap Kecenderungan Kecurangan Akuntansi. *E-Journal Stie Aub*, 5(2), 33–41.
- Rahayu, F. J., & Prabowo, T. J. W. (2018). Pengaruh Sistem Pengendalian Intern Terhadap kecurangan laporan keuangan. *Diponegoro Journal of Accounting*, 7(2), 1–14.
- Rahmat, A., Ekonomi, F., & Negeri, U. (2021). *Dampak Moralitas Individu Dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi*. 1–39.
- Ruddin, D. R. (2021). Pengaruh Religiusitas, Moralitas Individu, Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi (Studi Pada PT. Asera Tirta Posidonia Kota Palopo). *Spill Science and Technology Bulletin*, 8(1), 698–703. <https://doi.org/10.1155/2013/704806>
- Widyaningsih, R. W. (2018). *Pengaruh Pengendalian Internal, Moralitas Individu, Personal Culture, Ketaatan Aturan Akuntansi, Dan Kompetensi Terhadap Kecenderungan Kecurangan Akuntansi*. 2018(April), 27–41.
- Wulandari, I., Nugraeni, & Wafa, Z. (2018). Faktor-faktor yang Mempengaruhi Financial Distress Pemerintah Daerah. *JRAMB*, 4(2), 100-105.
- Yilmaz, O., Bahçekapili, H. G., & Sevi, B. (2021). Theory of Moral Development. *Encyclopedia of Evolutionary Psychological Science*, 8148–8152. https://doi.org/10.1007/978-3-319-19650-3_171

APPENDIX I

Respondents' responses to Morality variables

No	Items	Alternative Answers					Total Score	Ideal Score	%
		1	2	3	4	5			
1	The place where I work has clear standards of ethics and behavior that are written in every department.	0	0	1	10	20	143	155	92%
2	The place where I work has competency standards for each task and function of each division	0	0	1	11	19	142	155	92%

No	Items	Alternative Answers					Total Score	Ideal Score	%
		1	2	3	4	5			
3	The organizational structure where I work clearly explains the division of tasks, authority and responsibilities of each division	0	0	0	13	18	142	155	92%
4	The place where I work already has clear work procedures so as to reduce the potential for fraud and errors, such as working procedures to form a system	0	0	3	12	16	142	155	88%
5	The place where I work already has clear and written rules and procedures regarding the terms of each transaction.	0	0	0	12	19	143	155	92%
6	The place where I work already has clear and written rules and procedures regarding the process of repaying or repayment of credit.	0	0	2	13	15	133	155	92%
7	The place where I work routinely carries out control activities by supervising and evaluating employee performance	0	0	1	14	16	139	155	86%
8	All functions between sections/divisions have good communication and information relationships.	0	0	0	15	16	140	155	90%
9	The relationship between Management, Internal Supervisors, credit department, and employees is going well including being open with ideas, suggestions, and criticism.	0	0	2	9	19	137	155	88%
10	The place where I work always records and reports all financial transactions	0	0	1	14	16	139	155	90%
11	The place where I work has carried out special supervision both routinely and suddenly related to financial activities.	0	0	0	13	18	142	155	92%
12	The place where I work already has an internal auditor/a similar function whose job is to supervise and examine financial activities	0	0	3	18	12	141	155	91%
13	The place where I work has conducted regular evaluations related to the development of the quality of human resources.	0	0	1	15	15	138	155	89%
Morality Level							1821	2015	90%

Appendix II

Respondents' responses to Internal Control variables

No	Items	Alternative Answers					Total Score	Ideal Score	%
		1	2	3	4	5			
1	The institution has a code of ethics, upholds integrity, behaves ethically, and has values to strive for	0	0	0	20	11	143	155	87%
2	The institution has a system for evaluating employee performance	0	0	1	23	6	101	155	65%
3	The institution has an organizational structure, written and clear separation of duties and responsibilities	0	0	2	21	8	130	155	84%
4	The institution has a process design to reduce the incidence of risk	0	3	1	22	8	130	155	84%
5	The institution has a written risk management document	0	0	6	21	9	147	155	95%
6	There is a separation of duties and authority between functions within the organization	0	0	0	21	10	134	155	86%
7	All functions are under control and are reviewed by a higher level manager	0	0	1	21	9	132	155	85%
8	All transactions are recorded properly and there is supervision	0	0	1	20	10	133	155	86%
9	Document archives are stored in a place that is free from fire and flooding	0	0	0	21	10	134	155	86%
10	Back up data is done regularly	0	0	1	18	12	135	155	87%
11	Using passwords or accessing certain applications, especially financial data, and only certain people will know about it.	0	0	5	16	10	129	155	83%
12	The institution conducts periodic evaluation meetings	0	0	1	19	11	134	155	86%
13	Leaders follow up on the recommendations contained in the audit report	0	0	1	18	12	135	155	87%
Internal Control Level							1717	2015	85%

Appendix 3

Respondents' responses to the fraudulent financial statements variable

No	Items	Alternative Answers					Total Score	Ideal Score	%
		1	2	3	4	5			
1	Where I work there is a lot of struggle for positions of power	0	0	0	20	11	135	155	87%

No	Items	Alternative Answers					Total Score	Ideal Score	%
		1	2	3	4	5			
2	The bosses at my work are too demanding	0	0	1	23	7	130	155	84%
3	In my workplace there are frequent unexpected changes in internal auditors	0	0	2	20	8	126	155	81%
4	I'm afraid I can't finish the job on time	0	0	1	22	8	130	155	84%
5	I became the manager's trusted hand to do all posting, depositing, reconciliation because I have experience	0	0	1	21	9	132	155	85%
6	I am very suspicious	0	0	0	21	10	134	155	86%
7	As an employee, I have to think critically about the company	0	0	0	22	9	133	155	86%
8	I just finished my master's degree	0	0	1	20	10	133	155	86%
9	I, as an internal auditor, should make adjusting entries a week before the external auditor arrives	0	0	0	21	10	134	155	86%
10	Other administrative expenses increased 40% this year, with a decrease in revenue	0	0	1	18	12	135	155	87%
11	I like working in a team	0	0	4	17	10	129	155	84%
Level of Financial Statement Fraud							1451	1705	92%