AN ANALYSIS ON THE FACTORS WHICH INFLUENCE FRAUD IN THE AGENCIES OF DAIRI DISTRICT ADMINISTRATION

David Kristian Simbolon, Erwin Abubakar, Rasdianto
Universitas Sumatera Utara

Abstract : This research was purposed to explore the perceptions of government officials in government institutions regarding the tendency of fraud in the government sector by testing and analyzing the influence of leadership style, compensation suitability, internal control system, enforcement, organizational ethical culture and organizational commitment to fraud in Dairi district government institution. This research is a causality research by using survey method. The population in this research is the treasurer and the official of commitment authority who amounted to 94 respondents but only 86 respondents returned it. Analysis method using multiple linear regression analysis. Sampling method using census method where the entire population in this research used as sample research. The result showed that compensation suitability, internal control system, enforcement, organizational erhical culture and organizational commitment influenced fraud in the environment of Dairi district government institution.

Keywords   :   Fraud, leadership style, compensation suitability, internal control system, enforcement, organizational ethical culture and organizational commitment.

1.   PREFACE

A good government is reflected in the noble value of a nation that can be seen from clean governance in accordance with the mandate in Pancasila and the UUD 1945. In fact there are still many cases of fraud, which government agencies. This is really an irony where the Indonesian government is currently promotion clean government from all corrupt practices but instead there are more fraudently practices that harm the state and our current governance.

Based on ICW (Indonesian Corruption Wacth) monitoring of corruption case across Indonesia, the monitoring was conducted on cases of corruption with investigate status from January to June 2015. During the first half of 2015, ICW monitored 308 cases with 590 suspects. The total potential state loses from these cases reached 1,2 trilion rupiah and the potential for bribes of 457,3 billion rupiah.

The cases are mostly handled by the prosecutor as much 211 cases (potential losses of 815 rupiah and 550 milion rupiah bribe potential). Followed by police handling 86 cases with potential state losses of 310 billion and the potential for bribes of 72 million Rupiah). Recently, KPK (Komis Pemberantasan Korupsi) handle 11 cases (potential state losses of 196 bilion rupiah and potential for bribes of 395 bilion rupiah).

In the first semester of 2015, the most widely uses modes were embezzment (82 cases), budget misuse (64 cases), abuse of authority (60 cases, and mark uo (58 cases). Based on ICW monitoring result, rare modes are illegal levies (1 case) extoition(2 cases) and mark

down (3 cases). At the previous year in the first half on 2014, 99 cases of embezzment dominated the corruption mode. (www.antikorupsi.org, 18 September 2015).

A similar case also occurred in dairi district where the report of the financial auditing board (BPK) of the internal control system and the compliance with the legistation as of 31 December practices. In the LHP on the internal control system of Dairi government found the administration and management of inventories are not orderly. There are some differences between warehouse inventories and the corresponding recording of fixed assets is not yet orderly fixed assets still used by third parties, there are unused assets, and there are still land assets underway in the unregistered Cipta Karya office.

The purpose of this research is to know and analayze the influence of leadership style, compensation suitable, rule enforcement, organizational ethical culture and organizatioan commitment to fraud in Dairi district government.

This research is expected to provide benefits for the other research as reference to add insight for those who want to conduct further and specific insight into this matter, for the object research, as input in to orderto prevent the occurance of fraud in government especially in the government of Dairi district by suppressing and minimizing the causes of fraud in the government sector as presented in the backgorung.

2. STUDY OF LITERATURE AND HYPOTHESIS

According Cressey (1953) through his research states that a person commits a fraud or its called by fraud Triangle caused by:

1. Pressure

The pressure factor be a generic factor related to the organization as a victim of fraud. A person is believed to be an offender when he sees himself as a person who has financial problems that can not be told to others, aware that this problem can be tacitly overcome by abusing his authority as a holder of trust in the field of finance, and their reputation as a trustworthy person in budget or wealth entrusted. In this study the pressure in proxied by the presence and compensation suitability.

a. The style of leadersip

Leadership is an applied science of the social sciences, because the principles and formulations are expected to bring benefits to human welfare. According to young in (Pramudita : 2013) the definition of leadership is a form of domination personal abilities that are able to encourage or persude others to do something based on acceptance by the group, and have the special expertise appropriate for a special situation.

b. Compensation Suitability

Compensation or salary is one of the important things for every employee who works in a company, because from the salary earned a person can support their daily need, Hasibuan (2002) in the research of Pramudita (2013) state that " compensation is a remuneration paid periodically to the permanent employee and has a certain guarantee. Another opinion stated by Handoko (1993) in research of Sinaga (2008), " Compensation is the provision of financial payments to employees as a reward for the work undertaken and as motivation for the implementation of activities in the future".

2. Oppourtunity

Opportunity is a change that allows fraud to occur ussally due to internal control of a week organization, lack of supervision and / or abuseof authority. Among the 3 elements of fraud triangle, oppourtunity is the most possible element to minimize through the application of procedures and controls and early detection of fraud. In this study oppourtunity proxies with the internal control system variables and enforcement of regulation

a. Effectiveness The Internal Control System

Internal control within the government is governed by government regulation No. 60 Tahun 2008 about the government internal control system (SPIP) which consist of 5 components, namely control environment, risk assessment, control activities information and communication and monitoring internal control, consisting of continuous monitoring, separate evaluation and follow up. Peterson argues that poor internal control procedures are seen as factors that allows fraud to occur. Sawyer et all (2005) found that the function of the internal control system can prevent and detect undesirable things (fraud) as well as directing to the things deseired.

With the existence of a good interna control system by the agency will reduce the lecel of fraud that will be done, on the contrary if wuality of the internal control system is bad, then it will provide an opportunity for employees to conduct fraud at the agency, the better internal control inside an agency will lower the rate of fraud, occuring in the government sector.

b. Enforcement of regulations

Enforcement of regulation is the process of understanding efforts for the establishment of functioning of legal roms as a manifestation of behavior guidelines in traffic or legal relationship in the life of society and state (Asshiddiqie, 2008).

In a broad sense, the enforcement process involves all legal subject in every legal relationship. Anyone who rums a normative rule or does something or does not do something by basing himself on the norms of applicable law rules, means he is running of enforcing the rule of law. In a narrow sense, in terms of its subjects, enforcement of the regulation is only interpreted as an effort of certain law enforcement apparatus to guarantee and ensure that a rule of law runs as it should.

3. Razionalization

Razionalization is consideration of fraudulent behavior as consequence of the employees personal integrity gap or other moral reasoning. Razionalizaion by Cressey, occure because most perpetrators fill themselves not committing a crime but do something the naturally do. Razionalization is required by the peepetrators of fraud to create perception that they are honest and trustworthy people. But become victims of situation. In this research razionalization proxied by the existence of organizational ethical culture variable and organization of commitment.

a) The Ethical culture of the organization

Organizational culture is the values, norm, beliefs, attitudes and assumptions that are from of how people behave and do something in the organization. In the research of Rae and Subrananiam (2008) shows that in a more ethical environment, an employee will be more likely to do and obey company regulation rules, and avoid fraud within the agency, this ethical environment can be judged by the organizational ethical culture and organization commitment.

b) Organization Commitment

Steers (1985 : 50) defines organizational commitment as a sense of identification (trust in organizational value, involment (willingness to do their best for the benefit of the organization) and loyalty (the desire to remain a member of the organization concerned) declared by an employee of the organization. Steers argues that organizational commitment is a contidition in which employees are very interested in the goal, values, and objectives of the organization. Commitment to the organization means more than just formal membership because it includes an interest of organization and willingness to increase the effect for the achievement of goals.

Research Hypothesis

Research hypothesis that can be concluded from the conceptual framework is the style of leadership, compliance, internal control system enforcement of rules, ethical culture of the organization and organizational commitment affect fraud in dairi dictrict administration.

3. Methodology

1. Types of research

This research is a kuantitative research that is causal assosatif which states the present or absence of causal relationship between variables independen to dependen variables base on sensus method.

2. Source of Data, Population, and Sample

Population used in this research is the treasurers expenditure and PPK (Pejabat Pembuat Komitmen) at every SKPD at Dairi Government, there are 52 SKPD (source www.dairikab.go.id) at Dairi District Administration, that consist of 30 dutys,7 Offices and 15 districts, that will be sample of research. The sample technique in this research is total sample which mean technique sample which all member of the population are used a sample. The number of questionnaires devided was 94 respondens but only returned 86 respondens.

The variable used in this research is :
Independen Variable
1. **Style of leadership** is a perception of government official about a leader in the process of influencing people or subordinates so that they will try, willing and enthusiastic toward the achievement of group goals.
2. **Appropriateness of Compensation** is perception of government official about something that is considered as comparable or government official perception of the suitability of honorarium or salary adjustment to the work they do.
3. **Effectiveness of the internal control sytem** is an official government about processes run by government agencies designed to provide reasonable assurance about achievement of the following three classes : (a) reability of financial reporting, (b) effectiveness and (c) efficiency of operations, compliance with applicable laws and regulations
4. **Enforcement of the Regulation** is the perception of the government official about regarding processes undertaken by efforts to uphold or functioning of legal norms in real terms as a behavioral guide in traffic or legal relationship in the life of society and state.
5. **Budaya etis organisasi** adalah persepsi pegawai pemerintah mengenai pola perilaku atau kebiasaan yang baik, buruk, dapat diterima atau tidak oleh lingkungan. Ini pandangan luas tentang persepsi pegawai di instansi pemerintah pada tindakan etis pimpinan yang menaruh perhatian pentingnya etika di organisasi dan akan memberikan penghargaan ataupun sangsi atas tindakan yang tidak bermoral. Budaya etis organisasi ini diukur dengan menggunakan 5 item yang dikembangkan dari teori Robbins (2008).

6. **The Ethical Culture of the organization** is the perception of government officials regarding pattern of behavior or habbits that are good, bad, acceptable or not by the environment.nTihis is awidespread view of employee perception in government agencies of ethical actions of leaders who are concerned about the importance of ethics in the organization and will reward or sanction immoral acts. The ethical culture of this organization is measured by using 5 items developed from Robbins's theory (2008)
7. **Organizational Commitment** is the perception of government officials regarding the process of the individual (employee) in identifying themselves with the values, rules, and goals of the organization

Dependen Variable

In this research, the dependent variable is Fraud in the government. Fraud in the government sector is the perception of government employees about fraud in financial transactions that often occur in the government sector.

4. RESULT

1. Data Quality Test
    a. Validity test

Test the validity of the pilot test can be seen the value of r-count of the whole item question is morethan the value of r-table on degrees of freedom (30-2) at the value of alpha (α) = 5% is 0.361. So that we can conclude that there are 3 items of invalid question that is in X1 in point 1, X3 in point 3, X5 in point 3, because r arithmetic <r table, so the item of question can not be used when the questionnaires distributed to the respondents of this research .

    b. Reliability test

In the instrument reliability test table, the question shows the cronbach alpha value of each variable above the limit of 0.700 it can be concluded all the instruments of each variable are reliable, it's means consistent if used by other researchers.

2. Classical Assumption Test
    a. Data Normalitas test

| One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		86
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.03096234
Most Extreme Differences	Absolute	.068
	Positive	.068
	Negative	-.050
Test Statistic		.068
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

we can be seen statistical test of Kolmogorov-Smirnov normality shows Asymp.sig (2-tailed) value of 0.200 that is morethan $\alpha = 0,05$. Its's can be concluded that the residual data is normally distributed.

Histogram
Dependent Variable: Y
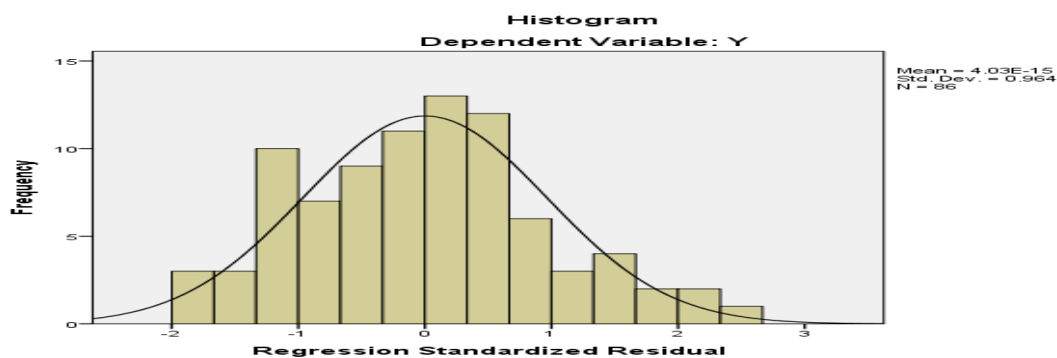
In the p-plot histogram chart to detect normality can also be seen from the normal p-plot chart, this can be seen if the normal distribution pattern does not deviate left and right.

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Y
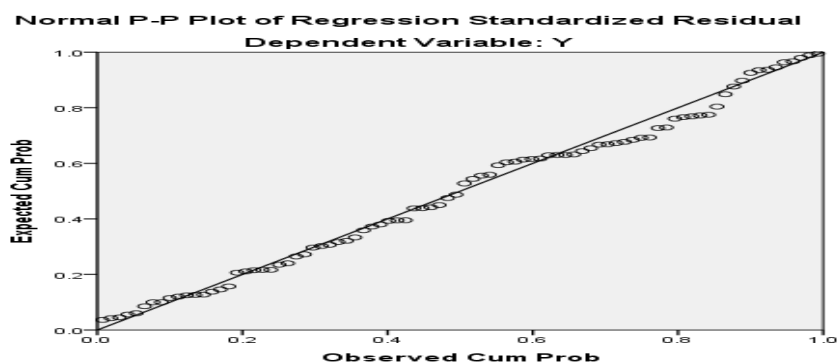
Based on the normal graph of P-Plot can be seen that the data is normally distributed, seen from the data points that spread around the diagonal line.

b. Multicolinearity Test

Coefficients^a

| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	69.220	3.608		19.184	.000	62.038	76.402		
	X1	-.642	.146	-.231	-4.411	.000	-.932	-.353	.758	1.319
	X2	-.146	.069	-.107	-2.130	.036	-.283	-.010	.819	1.220
	X3	-.174	.081	-.121	-2.133	.036	-.335	-.012	.640	1.563
	X4	-.364	.116	-.202	-3.146	.002	-.595	-.134	.505	1.981
	X5	-.889	.155	-.440	-5.738	.000	-1.198	-.581	.353	2.835
	X6	-.348	.149	-.185	-2.330	.022	-.644	-.051	.329	3.041

a. Dependent Variable: Y

The results of multicollinearity testing in the Coleniarity Statistics column show that each variable has tolerance more than 0.10 and VIF value is not more than 10, so it can be concluded in this model there is no multicollinearity.

c) Heteroscedasticity Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.260	2.004		2.126	.037
	X1	-.075	.081	-.113	-.931	.355
	X2	-.070	.038	-.214	-1.830	.071
	X3	.039	.045	.115	.867	.389
	X4	-.049	.064	-.113	-.760	.449
	X5	.052	.086	.107	.599	.551
	X6	-.073	.083	-.162	-.876	.384

a. Dependent Variable: AbsRes_1

Heteroscedasticity test results with Glejser test obtained sig value of each independent variable (X) more than alpha $\alpha = 0.05$, so in this study showed that the regression model of this study there are no heteroscedasticity.

Scatterplot
Dependent Variable: Y
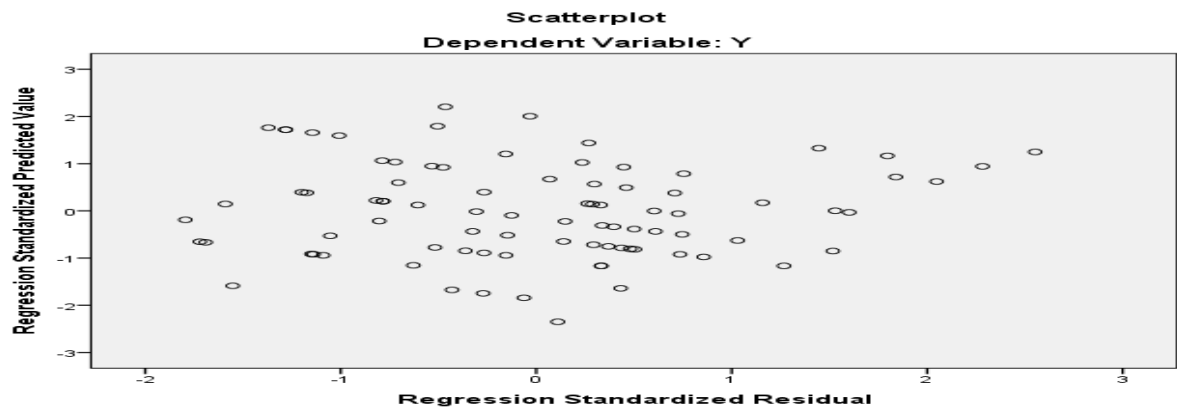
In addition to using the Glejser test, this study also used a scatter plot. In the picture shows that the image does not form a certain pattern so it can be concluded does not heterokedastisitas.

3. Hypothesis test
a. Determination Coefficient Test (Adjusted R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.914[a]	.836	.824	1.06940

a. Predictors: (Constant), X6, X1, X2, X3, X4, X5

b. Dependent Variable: Y

At Table 5.8 R Square of 0.836, this means that all independent variables (X) have a strong relationship of 83.6% of the dependent variable (Y). Besides, the value of Adjusted R Square is 0.824 which means that the dependent variable (Y) can be explained by all independent variables (X) of 82.4% while the rest of 17.6% can be explained by other variables outside this model.

b. t test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	69.220	3.608		19.184	.000
	X1	-.642	.146	-.231	-4.411	.000
	X2	-.146	.069	-.107	-2.130	.036
	X3	-.174	.081	-.121	-2.133	.036
	X4	-.364	.116	-.202	-3.146	.002
	X5	-.889	.155	-.440	-5.738	.000
	X6	-.348	.149	-.185	-2.330	.022

a. Dependent Variable: Y

t test results, can form the following regression equation :

Y = 69,220 – 0,642 X1 – 0,146 X2 – 0,174 X3 – 0,364 X4 – 0,889 X5 – 0,348 X6

Based on the test results, the Sig value of each independent variable is less than 0.05, meaning that each independent variable has a significant and negative effect on the dependent variable.

5. Conclusions and Suggestions
a. Conclusions
Based on the results of the tests and discussions as presented in the previous chapter, it can be concluded that leadership style, compensation suitability, internal control system, rule enforcement, organizational ethical culture and organizational commitment have a negative and significant impact on fraud in Dairi County Government.

b. Limitations of Research
There are limitations that may affect the results of the study. The limitation is that the research method uses only questionnaires and does not use direct interviews, by not using direct interviews and depth to the respondents then the primary data obtained there can be misperception of the questions given in bakers. This research also still covers the intansi Government of Dairi Regency with 52 SKPD, so that the result of research is not yet general to all object of research in North Sumatera Provincial Government Institution. Researchers acknowledge the number of respondents / samples used are still relatively small so it is difficult to generalize the results of this study due to limited time and cost research.

c. Suggestions
The suggestions that can be expressed by researchers are as follows:
1. For further researcher who is researching about Fraud and its prevention can add other variables related to Fraud such as Ethical Culture of Management and Information Asymmetry so that the application of Good Governance principles can be realized correctly, both in Central Government and Local Government.
2. For Dairi District Government can decrease tendency to Fraud by increasing leadership style, compensation suitability, effectiveness of internal control system, enforcement of regulation, organizational ethical culture and organizational commitment for the future.

DAFTAR PUSTAKA

Asshiddiqie, J. 2006. *Pengantar Ilmu Hukum Tata Negara*, Jakarta: Sekertariat Jenderal dan Kepaniteraan Mahkamah Konstitusi.

Badan Pemeriksa Keuangan (BPK). 2015. *Resume Hasil Pemeriksaan Atas Kepatuhan Terhadap Peraturan Perundang-undangan*.
Laporan Hasil Pemeriksaan atas Kepatuhan Terhadap Perundang-undangan. Nomor 59.C/LHP/XVIII.MDN/07/2016

_____. *Resume Hasil Pemeriksaan Atas Kepatuhan Terhadap Sistem Pengendalian Intern*. Laporan Hasil Pemeriksaan atas Sistem Pengendalian Intern. Nomor 59.C/LHP/XVIII.MDN/07/2016

COSO. 2004. *COSO Enterprise Risk Management Integrated FrameworkExecutive Summary. www.coso.org*

Cressey D. R.1953. *Other people money, Astudy in the social psychology of Embezzlement.* Montclair: Patterson Smith.

Peraturan Pemerintah Republik Indonesia Nomor 60 Tahun 2008 Tentang Sistem Pengendalian Intern Pemerintah

Peterson, M. F. And Peter B. S., "Role Conflict, Ambiguity, and Overload: A 21Nation Study, *Journal of Management Academy 38*, no. 2 (1995): 429

Pramudita, A., 2013. Faktor-Faktor yang mempengaruhi terjadinya fraud di sektor pemerintahan (Persepsi Pegawai Dinas Provinsi DIY), *Accounting Analysis Journal*, Universitas Negeri Semarang.

P.Robbins, Stephen.. 2008. *Organizational Behaviour*, *Tenth Edition (Perilaku Organisasi Edisi ke Sepuluh)*, Alih Bahasa Drs. Benyamin Molan, Jakarta : PT. Macanan Jaya Cemerlang

Rae and Subramaniam, 2008. Quality of Internal Control Procedures Antecedents and Moderating Effect on Organisational Justice and Employee Fraud. *Managerial Auditing Journal.* Vol. 23 No. 2, pp. 104-124.

Sawyer, B. L. et al., 2005. *Internal Auditing sawyer*, 5 th edition.

Sinaga, N. S. B., 2008. Peranan keahlian internal auditor dalam mencegah dan mendeteksi kecurangan (fraud). *Skripsi Tidak Diipublikasikan,* Fakultas Ekonomi Universitas Trisakti

Steers, M. R. 1985., *Efektifitas Organisasi*. Jakarta: Erlangga.

Tuanakotta., & Theodorus, M. (2010). *Akuntansi Forensik dan Audit Investigatif, Edisi 2.* Jakarta: Penerbit Salemba.

http://www.antikorupsi.org/id/content/bulletin-mingguan-anti-korupsi-14-18-september-2015

www.dairikab.go.id