



THE ANALYSIS OF FACTORS AFFECTING FRAUD IN THE GOVERNMENT SECTOR

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ABSTRACT

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Fraud is an action carried out by individuals or groups in a planned manner, resulting in annual financial reports that can harm the company or other parties. The study aimed to determine the effectiveness of internal control, organizational culture, compensation suitability, law enforcement, distributive justice, procedural justice, and organizational commitment to fraud with unethical behavior as a mediation variable in the community health center in Mempawah Regency. The samples of this study was the employees of the community health center in Mempawah Regency included in certain criteria with 98 respondents. The data used in this research was the primary data obtained using structured questionnaires. The data were analyzed with the approach of Structural Equation Model (SEM) using Partial Least Square (PLS). The results showed that the effectiveness of internal control, procedural justice, and organizational commitment affected the fraud. Organizational culture, compensation suitability, law enforcement, and distributive justice did not affect the fraud. Organizational culture and compensation suitability affected the unethical behavior. The effectiveness of internal control, law enforcement, distributive justice, procedural justice and organizational commitment did not affected the unethical behavior. Moreover, unethical behavior effected the fraud. This shows that the more influential the effectiveness of internal control in an agency, the lower the level of fraud occurs. Organizational culture has no effect on the occurrence of fraud at the Mempawah District Health Center.

INTRODUCTION

Fraud is an action carried out by individuals or groups in a planned manner, resulting in annual financial reports that can harm the company or other parties. Defines fraud as a false, intentional or careless representation of material reality in order to believe and react to victims and victims' losses (Albrecht, Albrecht, Albrecht, & Zimbelman, 2018). Cheating can be defined as an illegal activity or an act that is against the law. Fraud is fraud that is intentionally carried out to cause harm to other parties and provide benefits to the perpetrators of fraud and or their groups.

Fraud can harm state finances, business finances, and damage public culture (Mahendra, Santosa, & Haryanto, 2019). However, a manager of an organization often perceives the organization as an environment free from the risk of fraud (Murphy & Free, 2016). If fraud in the government sector occurs, then this becomes a serious matter because limited resources are not used for public services. So that people will lose confidence in government agencies in serving the community (Chou & Budenz, 2020).

Argues that the Indonesian people, anti-corruption practitioners, and researchers believe that the number and frequency of fraud in Indonesia continues to increase rapidly from year to year, but measuring fraud in fact will be difficult to do (Prabowo, Hamdani, & Mohd Sanusi, 2018). This is because it is still difficult to identify and distinguish the elements of carelessness and weakness of the recording method (poor record keeping) from the elements of the fraudulent act itself (Moore, 2020).

As a trustee from the community, the government has an obligation to carry out its duties, one of which is by trying to manage state finances properly and accountably (La Torre, Sabelfeld, Blomkvist, & Dumay, 2020). But in reality there are many frauds that can directly or indirectly harm the state and can indirectly harm the state and society (La Torre et al., 2020). The increasing disclosure of fraud, especially corruption in the government sector shows two sides of the reality of government implementation (Shiraishi, 2018). While this shows that fraud is widespread at all levels of government, it is hoped that this disclosure demonstrates the government's willingness and determination to improve itself. However, there is hope that fraud can be prevented to avoid state losses and public losses (Simonović, 2018).

The preparation of accountable financial reports is expected to provide better quality information about the management of state finances and ultimately become a factor for better decision making (Gardi et al., 2021). The financial statements also provide opportunities for financial supervisors, internal auditors, and government external auditors to assess and detect fraud (Zeng, Yang, & Shi, 2020). Submission of financial reports that are in accordance with applicable standards and regulations also provides opportunities to develop systems and procedures that do not provide opportunities for fraud to occur.

Regarding health, it is also regulated in Law no. 36 of 2009 which states that the state budget for revenues and expenditures (APBN) must be allocated a health budget of 5% excluding employee salaries, while provincial and district/city governments are allocated a health budget of 10% of the regional budget for revenues and expenditures (APBD) excluding salaries (Desdiani et al., 2022). It is hoped that this APBN and APBD can regulate state expenditures and revenues to finance government and development activities in the health sector to prevent disease, educate people in clean and healthy living behavior and improve public health.

Previous research on internal control in efforts to reduce fraud has different results, including results that have a significant effect, and have no significant effect (Suh, Nicolaides, & Trafford, 2019). In previous studies such as showing the factors that influence the tendency of cheating in the Banyuwangi Regency Government, in this study it showed that the effectiveness of the control system, and the suitability of compensation had no effect on the tendency of fraud in the Banyuwangi Regency Government's financial employees (Thomas, Gani, Endrianto, & Indriaty, 2019). Leadership style, organizational culture, and law enforcement have a negative influence on the tendency of fraud. Meanwhile, information asymmetry and unethical behavior have a positive influence on the tendency of fraud.

The difference between this study and previous research lies in variables that have not been studied previously, including organizational culture, rule enforcement,

distributive justice, procedural justice and organizational commitment to unethical behavior. In addition, the object of research is also different from previous research. This is because this study examines puskesmas employees in the Mempawah district, for which no research has been conducted in that area. As well as further differences in research variables or factors that influence the fraud. This study refers to research making unethical behavior an intervening variable because it is to see an indirect relationship to the factors that influence the tendency of fraud.

The reason for this research was also carried out because there are still inconsistencies in the results of previous research which are still inconsistent and require a better understanding of the factors that influence the occurrence of financial fraud, especially in puskesmas institutions. In addition, the underlying reason for doing this research is that there are still few studies that discuss fraud in the health sector, even though in this sector one of the sectors that receives a large budget. In addition, the thing that underlies also the findings of the Supreme Audit Agency (BPK) in 2019 stated that there were several findings in several puskesmas that there were still erroneous reports between the reports at the puskesmas and at the health office. Therefore, the researcher took the object of research at the Mempawah District Health Center because of the basic things above (Coyne et al., 2020).

Based on the explanation of the phenomenon, the facts found in the field, the research that has been done by previous researchers regarding the factors that influence financial reporting fraud, this research was conducted by exploring the perceptions of employees in government sector agencies, especially employees who work in puskesmas agencies. So that this research can be compared with previous research with different objects. These factors consist of the effectiveness of internal control, organizational culture, compensation suitability, enforcement of regulations, distributional justice, procedural justice, organizational commitment, and unethical behavior as mediating variables.

Benefits This research can provide additional information and become a reference for other studies in related fields. The purpose of this study was to analyze the effect of the effectiveness of internal control on the occurrence of fraud at the Mempawah District Health Center.

RESEARCH METHODS

This research is a quantitative research based on the data used in this study is primary data. The data collection method for this research is to use a questionnaire. The questionnaire includes employee perceptions of the factors that influence the occurrence of fraud. Questionnaires were distributed directly to civil servants working at Puskesmas throughout Mempawah Regency. In testing the hypothesis, this study uses the Structural Equation Model (SEM) approach using Partial Least Square (PLS) analysis tools. The population is a generalized area consisting of subjects or objects with certain qualities and characteristics identified by researchers to study and then draw conclusions. The population of this research is civil servants who work in Puskesmas throughout Mempawah Regency. The total population of this study was 422 employees. The research sample is part of the population that serves as a source of data and can represent the entire sample. States that sampling is done if the population is large and researchers cannot study everything in the population. The sampling technique used in this research is non-probability sampling with purposive sampling method. Non-probability sampling is a sampling method that does not provide equal opportunities for each member to be taken

as a sample, while purposive sampling is a sampling technique that is deliberately chosen to meet the required sampling requirements.

This study uses 3 types of variables, namely the dependent variable, the mediating variable and the independent variable. The dependent variable in this study is the perception of the occurrence of fraud in the government sector, especially in the financial reporting of puskesmas. The mediating variable in this study is unethical behavior. Meanwhile, the independent variables are the factors that influence the occurrence of fraudulent financial reporting such as the effectiveness of internal control, organizational culture, compensation suitability, regulatory enforcement, distributive justice, procedural justice, and organizational commitment.

RESULTS AND DISCUSSION

Evaluation of Outer Model or Measurement Model

Evaluation of the outer model or measurement model is carried out to assess the validity and reliability of the model. By knowing the correlation, then a model can be known validity and reliability. The outer model with reflexive indicators evaluates through convergent validity and discriminant validity from construct-forming indicators, as well as composite reliability.

Convergent Validity Test (Convergent Validity)

Convergent validity aims to determine the validity of each relationship between the indicator and its latent construct or variable. The convergent validity of the measurement model with reflexive indicators is assessed based on the correlation between item scores or component scores with latent variable scores or construct scores estimated by the PLS program.

The loading value has a high level of validity if it has a loading factor greater than 0.70. However, according for early-stage research, a measurement scale with a loading value of 0.5 to 0.6 is considered sufficient. In this study the limit of loading factor used is 0.70. After processing the data using WarpPLS, the results of the outer loading values are presented in Table 4.3 for each indicator owned by the latent variables in the research model.

Table 1.
Outer Loading (Measurement Model)

Variable	Code	Outer Loading
Effectiveness of Internal Control	PI1	0.864
	PI2	0.689
	PI3	0.915
	PI4	0.884
	PI5	0.875
Organizational Culture	KuO1	0.742
	KuO2	0.839
	KuO3	0.895
	KuO4	0.811
	KuO5	0.620
Compensation Suitability	KK1	0.932
	KK2	0.944
	KK3	0.910
	KK4	0.859
	KK5	0.734

Regulation Enforcement	PP1	0.851
	PP2	0.894
	PP3	0.850
	PP4	0.857
	PP5	0.905
Distribution Justice	KD1	0.898
	KD2	0.951
	KD3	0.902
	KD4	0.845
Procedural Justice	KP1	0.844
	KP2	0.926
	KP3	0.875
	KP4	0.841
	KP5	0.836
	KP6	0.816
	KP7	0.886
Organizational Commitment	CoO1	0.859
	CoO2	0.883
	CoO3	0.926
	CoO4	0.847
	CoO5	0.863
Unethical Behavior	PTE1	0.830
	PTE2	0.815
	PTE3	0.856
	PTE4	0.722
Fraud	K1	0.789
	K2	0.823
	K3	0.817
	K4	0.877
	K5	0.861
	K6	0.838
	K7	0.790
	K8	0.841
	K9	0.713

Sumber: Data Primer Diolah (2021)

Based on Table 1 above, it can be seen that the indicators for each variable in this study have a loading value greater than 0.70. This shows that the indicator variable which has a loading value greater than 0.70 has a high level of validity, thus meeting convergent validity.

Discriminant Validity Test (Discriminant Validity)

Discriminant validity is used to ensure that each concept of each construct or latent variable is different from other variables. According to a model I has good discriminant validity if the correlation value of the construct with the measurement item is greater than the correlation value with other constructs.

From the results of the estimated cross loading, it shows that the correlation value of the construct with its indicators is greater than the correlation value with other constructs. Thus it can be concluded that all constructs or latent variables already have good discriminant validity, where the indicators in the construct indicator block are better than indicators in other blocks.

In addition to looking at the cross loading value, to evaluate discriminant validity, other methods can be seen, namely by looking at the square root of the average variance extracted (AVE) for each construct or latent variable. According to a good AVE is required to have a value greater than 0.50. The following table shows the AVE results as follows:

Table 2.
Average Variance Extracted (AVE) Value

Variable	AVE
PI	0.721
KuO	0.620
KK	0.773
PP	0.760
KD	0.809
KP	0.742
KoO	0.767
PTE	0.652
K	0.669

Sumber: Data Primer Diolah (2021)

Based on Table 2 above, all constructs show an AVE value greater than 0.50 with the smallest value of 0.620 for the Organizational Culture variable (KuO) and the largest being 0.809 for the Distribution Justice variable (KD). This has met the requirements in accordance with the specified minimum AVE value limit of 0.50.

Reliability Test

The outer model can be measured in addition to convergent validity and discriminant validity tests, it can also be done by looking at the reliability of the construct or latent variable which is measured in two ways, namely by looking at the composite reliability and Cronbach alpha values from the indicator block that measures the construct. The construct is declared reliable if the composite reliability value and the Cronbach alpha value are greater than 0.70. The following is the value of composite reliability and cronbach alpha, as follows:

Table 3.
Nilai Composite Reliability dan Cronbach Alpha

Variabel	Composite Reliability	Cronbach Alpha
PI	0.928	0.901
KuO	0.889	0.842
KK	0.944	0.925
PP	0.940	0.921
KD	0.944	0.921
KP	0.953	0.942
KoO	0.943	0.924
PTE	0.882	0.820
K	0.948	0.938

Su m b e r: D a t a P r i m e r D i o l a h (2021)

From the results of the WarpPLS output in Table 3, the model shows the value of composite reliability and Cronbach's alpha for all constructs that are above the value of 0.70. Thus it can be concluded that all constructs have good reliability in accordance with the minimum required value limit.

Evaluation of the Inner Model or Structural Model

Structural model evaluation is carried out by looking at the coefficient of determination (R2), the path coefficient value, the Cohen effect size (f2), and predictive relevance (Q2).

Coefficient of Determination

The results of the calculation of R2 for each endogenous latent variable in Table 4.6 show that the value of R2 is at a value of 0.263 and 0.817. According to Chin (1998), the value of R2 is considered weak, moderate, and strong if it shows respectively around 0.19, 0.33, and 0.67. In this research model, the variable of unethical behavior is classified as weak because it is close to the value of 0.19. As for the variable occurrence of fraud is quite strong because the value is close to the value 0.67. As we can see in the following table :

Table 4.
 R2 Value of Endogenous Latent Variable

Variable	R2 -
PTE	0.263
K	0.817

Su m b e r: D a t a P r i m e r D i o l a h (2021)

Path Coefficient (β)

The results of the calculation of the path coefficients in the research model in Table 4 show that all paths have coefficient values that are in the range of 0.050 to 0.735. According to path coefficient values that are in the range of values from -0.1 to 0.1 are considered insignificant, values greater than 0.1 are significant and directly proportional, and values smaller than -0.1 is a significant value and inversely proportional.

Table 5
 Research Model Path Coefficient Value

Path	Path Coefficient
PI → K	-0.214
KuO → K	0.042
KK → K	0.088
PP → K	-0.171
KD → K	-0.173
KP → K	-0.341
KoO → K	-0.516
PI → PTE	0.003
KuO → PTE	-0.322
KK → PTE	-0.196

PP → PTE	-0.000
KD → PTE	-0.118
KP → PTE	0.063
KoO → PTE	-0.013
PTE → K	0.434

S u m b e r: D a t a P r i m e r D i o l a h (2021)

Predictive Relevance (Q2)

The results of the Q2 calculation for each endogenous latent variable in Table 4.8 show that the Q2 value is in the value of 0.327 to 0.544. According to the value of Q2 can be used to measure how well the observed values are generated by the model and also the estimated parameters. A Q2 value greater than 0 (zero) indicates that the model has predictive relevance, while a Q2 value less than 0 (zero) indicates that the model lacks predictive relevance. In this research model, all constructs or endogenous latent variables have a Q2 value greater than 0 (zero) so that the predictions made by the model are considered relevant.

Table 5.

Predictive Relevance Value of each Endogenous Variable

Variable	Q2 -
PTE	0.327
K	0.544

S u m b e r: D a t a P r i m e r D i o l a h (2021)

The first hypothesis (H1) states that the effectiveness of internal control has a negative effect on the occurrence of fraud. The results of hypothesis testing show that the path coefficient value (-0.214) and the P value is 0.035. This interprets that the effectiveness of internal control has a negative effect on the occurrence of fraud, in other words H1 is accepted. In this result, it can be understood that the higher the level of effectiveness of internal control in an agency, the lower the level of fraud. So to prevent fraud, the effectiveness of internal control must have a control environment, good information and communication systems and effective control activities. In addition, in the implementation of internal control, monitoring and evaluation are always carried out by the relevant agencies. So that the internal control system can run effectively.

The second hypothesis (H2) states that organizational culture has a negative effect on the occurrence of fraud. The results of hypothesis testing show that the path coefficient value is (0.042) and the P value is 0.368. This interprets that organizational culture has no effect on the occurrence of fraud, in other words H2 is rejected. In this study, it can be understood that the high or low level of organizational culture does not affect the occurrence of fraud. If the culture that exists in the organization is strong, but the integrity of the employees is low, then fraud can still occur. With integrity, it will bring the employee to act honestly, and take responsibility for his work. Thus , integrity has a more important role to minimize the occurrence of fraud .

The third hypothesis (H3) states that the suitability of compensation has a negative effect on the occurrence of fraud. The results of hypothesis testing show that the path coefficient value is (0.088) and the P value is 0.236. This interprets that the suitability of compensation has no effect on the occurrence of fraud, in other words H3 is rejected. In

this case, it shows that the high or low compensation given to employees does not affect the occurrence of fraud. Even though the compensation received is appropriate, if the individual has a high lifestyle and is always dissatisfied with what he has, then fraud can still occur. In terms of promotion, even if the employee gets a high promotion, fraudulent acts can still occur, because of the nature of people who always feel lacking in what they have.

The fourth hypothesis (H4) states that the enforcement of regulations has a negative effect on the occurrence of fraud. The results of hypothesis testing show that the path coefficient value (-0.171) and the P value is 0.076. This interprets that the enforcement of regulations has no effect on the occurrence of fraud, in other words H4 is rejected. Even though the rules have been enforced, fraud still occurs. This is because individual behavior may have a low level of compliance with applicable laws and regulations and the leadership in the agency is still not responsive in responding to violations that occur in their employees. Even though the level of enforcement is high, fraud still occurs. There are individuals who have loopholes in committing fraud so that regulations cannot be enforced.

The fifth hypothesis (H5) states that distributive justice has a negative effect on the occurrence of fraud. The results of hypothesis testing show that the path coefficient value (-0.173) and the P value is 0.073. This interprets that distributive justice has no effect on the occurrence of fraud, in other words H5 is rejected. Even though justice has been well distributed in an organization, fraud still occurs. This could be due to economic reasons where the needs of an employee are very high and they still feel they have not been fulfilled with what they have, thus making the employee still intend to commit fraud coupled with open opportunities to commit the fraud.

CONCLUSION

Based on the results of the analysis and discussion, the authors conclude that the effectiveness of internal control has a negative effect on the occurrence of fraud at the Mempawah District Health Center. This shows that the more influential the effectiveness of internal control in an agency, the lower the level of fraud occurs. Organizational culture has no effect on the occurrence of fraud at the Mempawah District Health Center. This shows that the high or low level of influence of organizational culture will not affect the occurrence of fraud. The suitability of compensation has no effect on the occurrence of fraud at the Mempawah District Health Center. This shows that the level of compensation given will not affect the occurrence of fraud. Enforcement of regulations has no effect on the occurrence of fraud at the Mempawah District Health Center. This shows that the high or low influence of law enforcement will not affect the occurrence of fraud. Distributive justice has no effect on the occurrence of fraud at the Mempawah District Health Center. This shows that the level of influence of distributive justice will not affect the fraud that occurs .

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