

**DETERMINANT AND TRENDS OF FRAUD OF ACCOUNTING
FRAUDULENT TOWARDS FINANCIAL ACCOUNTABILITY
OF WATER IN CENTRAL LOMBOK**

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Abstract

This study is aimed to examine the effect of internal control, adherence to accounting rules and the perception of morality apparatus against the trend of the accounting fraud and accounting fraud against the financial accountability of the Regional Water Company (PDAM) Central Lombok. The population of this study involved 101 Employees in planning and implementation of the Company Budget Work Plan. The number of samples was determined by purposive sampling amounted to 72 respondents. Data analysis tool used is Warp Partial Least Square (PLS). The result of this study indicates that the internal control and morality apparatus was significantly negative against the trend of accounting fraud, while adherence of accounting rules was negative insignificant on the trend of the accounting fraud. The tendency of the accounting fraud significantly negative influences financial accountability. It shows that compliance of the accounting rules can not be avoided by employees of committing fraudulent. According to the above founding, It shows that the internal control should be a priority to ensure that the company working properly in accordance with what has been set out in the Corporate Plan and this can be used by PDAM Central Lombok to minimize the tendency of the accounting fraud. Strong internal control is the key to drive good company by implementing internal control systems consistently and it is hoped the risks and problems can be reduced.

Keywords: accounting fraud, internal control, adherence to accounting rules, financial accountability.

1. Introduction

Research Motivation

The motivation of this research is the development of research conducted by Yudanto and Novianti (2016) entitled factors that affect the tendency of accounting fraud and its impact on organizational accountability. The aim of the research Yudanto and Novianti (2016) is to predict the effect of leadership style, appropriateness of compensation, the effectiveness of internal controls and adherence to accounting rules on the trend of fraud and its impact on organizational accountability in government agencies. The result of this study indicates that the style of leadership has a dominant influence in affecting the tendency of cheating. It shows that the type of leads of a leader can affect the performance of employees and it can be used at Brawijaya University to push down cheating tendencies.

Background

Enterprises engaged in various fields of business items, namely financial services and banking (BPD), water services (PDAM) and a variety of services and other productive enterprises in industry, trade and hospitality, agriculture, vineyards, parking, printing, etc , other. One of the enterprises in Central Lombok PDAM established by regulation (Perda) Central Lombok Number 10 of 1991 About Company Level II Regional District of Central Lombok. In general, the purpose of establishment of PDAM Central Lombok is participating implement national economic development in order to improve the welfare and the need for cleaning water population of Central Lombok particularly and to gain justice and prosperous society based on Pancasila.

To achieve all those goal, to do so the implementation and management of PDAM should be based on the principles of good corporate governance (GCG). Kaihatu in Muryanto (2012) stated that management of public enterprises should be generally inspired and implemented into five principles of Good Corporate Governance (GCG) real and unreal. The fifth principles, among others: Transparency , Accountability , Responsibility , independence , and fairnes (equality and fairness).

Based on the results of BPK financial audit of year 2012 to 2015 Generally found that internal controls in Central Lombok PDAM for the overall internal control components was inadequate. The control components include aspect of the control environment, risk management, control activities, information and communication and monitoring. Based on BPK audit of fiscal year 2015 Number: LEV-354 / PW23 / 4/2016 Also found a variation on the financial statements between UPT, the company has not submitted a financial report to the regulatory body, it was found that there was a deposit for payment fees that have not been deposited by unscrupulous employees and until examination by the BPK is still no payment has not paid off deposited. On this matter, the Board of Directors has fired 3 Temporarily employees for doing a disservice to the company but to the evaluation ends there is no clarity on the status of the employee's third.

At the beginning of 2016 found 15 their employees are indicated resources to extortion in order to smooth the public to obtain clean water in the district Batunyal. On this matter the Director of PDAM has taken decision decisively to give witness to 10 employees, the other five dismissed (www.Babe.News.Net, 2016). Several facts above can be the caused due to noncompliance with the accounting rules and low concern and morality apparatus of the which can be very detrimental to the finances of the company.

Here are Several theories related to motivation for someone to commit fraud or fraud, one theory is that the Fraud Triangle Theory, which is triggered by Cressey (1953). Fraud Triangle consists of three components: the opportunity, pressure, rationalization. There is also a triangle Diamond Fraud proposed by Wolfe and Hermanson (2004) by adding the ability (capability) as factors that encourage someone to commit fraud. In addition there is a triangle Fraud Fraud Diamond proposed by Wolfe and Hermanson (2004) by adding the ability (capability) as factors that encourage someone to commit fraud furthermore Bologna (1993) describes four factors that encourage people to fraud known as GONE Theory. ie greed, opportunity, need, and the deterrent effect (Exposure)

Opportunity is a condition that allows a person to commit fraud. Opportunities will arise when internal control systems down, lack of supervision and abuse of authority (Gagola, 2011). Because the amount of pressure to fulfill their needs and capability of fraud are usually taken as a reason to

do something improper which is contrary to the rules. Greedy Factor and needs are usually known as an individual factors associated with behavior that is attached directly to the individual. The Possibility of the accounting fraud also influenced by the moral responsibility of individuals within the organization. The worse the morality of individuals, the greater accounting fraud will be (Anastasia, 2014).

Several studies have been conducted to test the hypothesis about the factors that affect the tendency of accounting fraud and its implications toward accountability of the company's financial statements. The papers are then Also results in a different conclusion as well. Differences on reviews these results, it can be seen from the study Ervina (2016), Shintadevi (2015), Eliza (2015), Triasmara, *et al.* (2015), Arias, *et al.* (2014), Putri (2014), Darmawan (2014), Adelin (2013), Kurniawan (2013), Soleman (2013), and Pradnyani (2014) concluded that internal controls reviews their significant negative effect on the tendency of cheating. Different results were also expressed by Kusumastuti (2012), Anastasia, *et al.* (2014), Ahriati (2015) and Fitri (2016) that the internal controls not significant effect on the tendency of the accounting fraud.

Obedience variable accounting rules a significant negative effect on the trend of accounting fraud expressed by Ervina (2016), Shintadevi (2015), Adelin (2013), and Pradnyani (2014) stated that the observance of accounting rules have a significant influence on the trend negative accounting fraud. however Fitr (2016) and Kusumastuti (2012), stated that the Observance of accounting rules not significant effect on the tendency of the accounting fraud. Individual morality a significant negative effect on the level of the accounting fraud tendencies Expressed by Eliza (2015), Noviriantini, *et al.* (2015), Anastasia, *et al.* (2014), and Kurniawan (2013). A different opinion Expressed by Kusumastuti (2012) stated that morality does not have a significant effect on the tendency of the accounting fraud.

Pradnyani (2014) stated that the effectiveness of internal controls and adherence to accounting rules affect the accountability of the organization through the tendency of the accounting fraud. The tendency of the accounting fraud significant negative effect on organizational accountability expressed by Yudanto and Novianti (2016) and data processing using multiple linear regression.

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Research Questions

By a variety of factors accounting tendencies as described in the background research and found inconsistency results of previous studies, the formulation of the problem in this study is whether the internal control, adherence to accounting rules and morality apparatus effect on the tendency of accounting fraud, and whether the tendency of accounting fraud has implications for financial accountability?

Research Objectives

This study aims to examine and provide empirical evidence about the influence of internal control, adherence to accounting rules and morality apparatus against the trend of accounting fraud, and to test and prove the effect of the accounting fraud tendency toward financial accountability.

2. Theoretical Framework and Hypothesis Development

Water Regional Company of Central Lombok as one of the regional enterprises owned by local government (BUMD) which obligates to manage water for public interest is also encountered challenges to provide superior and good service to improve customer satisfaction . In order to create professional enterprises managing in accordance with the principles of Good Corporate Governance (GCG) and in accordance with the purpose of making a business entity to serve and improve the welfare of people, so it is very important to pay attention of transparency and accountability . One of the public accountability of financial accountability requires PDAM to create financial reports to illustrate the financial performance of the company to outside parties, especially the government.

The relationship between PDAM and the government according to keagenan theory is a contract in which the Government of Central Lombok (Principal) authorized the PDAM (Agent) and considers that the company as an agent to act their own interests and considers that the agency can not be trusted

to act for people benefit. In principle, the agent and the principal have different interests, so that it rises to the asymmetry of information in the form of adverse *selection* and *moral hazard*.

Decreasing or increasing the accountability of the organization caused by Several factors, one of them due to the tendency of accounting fraud (Thoyibatun, 2009). The tendency of the accounting fraud may be affected by internal control, adherence to accounting rules and morality officers in the organization. According to the theory of fraud triangle (Cressy in Tuanakotta, 2016: 205) reveals opportunities (Opportunity) is an opportunity that allows the fraud occurred. Opportunity to commit fraud would normally arise if an organization is weak internal controls, lack of supervision and abuse of authority (Gagola, 2011). The amount of pressure supported by capability as well as the opportunity doer of fraud usually rationalize something that is not good though such action is contrary to the rules.

Gone theory, Bologna in Simanjuntak (2008: 122) Explains that the supporting factor that caused someone to commit fraud by *Need* (requirement) and greed . Needs related to the mental attitude of fraud doers who have the desire and need of never satisfied with their own wealth and supported by greedy behavior which is inherent in the individual. Morality can caused bad tendency officers in the company because of the accounting fraud, morality is closely associated with the individual conscience. A person is said to be immoral if the actions and behavior reflects badly on the contrary the worst morality of individual has the greater accounting fraud will be (Anastasia, 2014).

Based on the above framework can be identified that internal control were weak, noncompliance with the accounting rules and the low moral authorities would cause an increase in the tendency of the accounting fraud that Decrease the financial accountability of the company that will have an impact on the the company's losses.

Based on the theoretical framework just described, then the model of the research is as below:

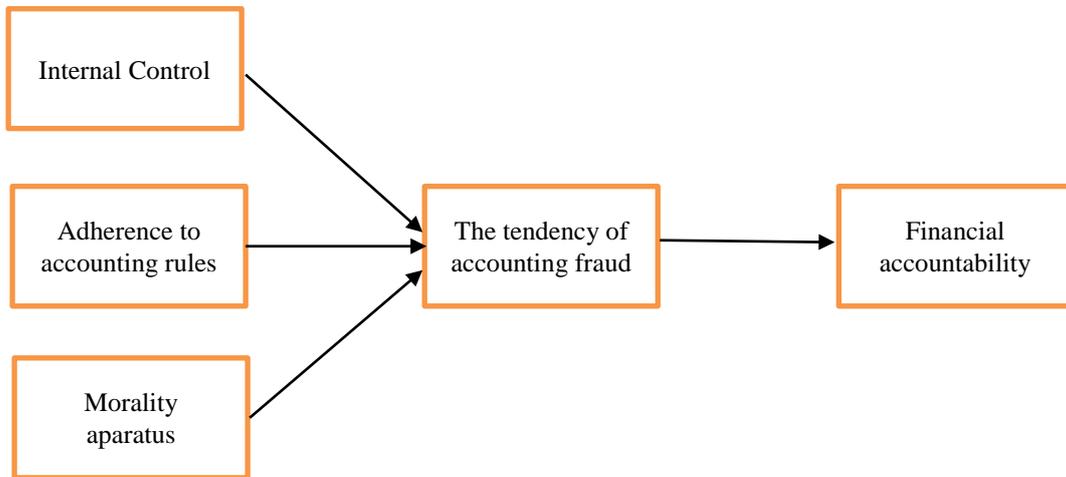


Figure 1. Model of The Research

2.1. The Effect of Internal Control Accounting Fraud Against the trend.

Fraud Triangle Theory, which is triggered by Cressey (1953) consists of three components, among others, the chance (opportunity), pressure, and rationalization). Chance or opportunity are a condition that Allows a person to commit fraud. This opportunity arises because there are two components : first, because of the knowledge that the trust can be breached without consequences and second, Because the skills to commit fraud. Opportunity to commit fraud will usually arise if internal controls of an organization is weak, the lack of supervision and abuse of authority (Gagola, 2011) it is in line with research Kurniawan (2013) which stated that occasion arise because of weak internal controls, so as to make it easier to commit fraud. The role of internal control is something very important for internal control tha is a process designed to provide certainty worthy of the achievement of the objectives of management about the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations (Arens 2006 : 412).

This was proved by research that is Expressed by Ervina (2016), Shintadevi (2015), Eliza (2015), Triasmara, et al. (2015), Arias, et al. (2014), Princess (2014), Darmawan (2014), Adelin (2013), Soleman (2013) concluded that internal controls their significant negative effect on the

tendency of the accounting fraud. Thus it can be concluded that if the internal control is weak and does not done ffectively and efficiently the tendency of cheating will be better otherwise the internal control of a company the less chances of inclination of the accounting fraud. Based on the description above, the first hypothesis in this study is:

H1: Internal control negatively Affect the trend of Accounting Fraud.

2.2. The Effect of Accounting Rules Against Obedience Accounting Fraud Trends

Fraud Triangle Theory, the which is stated by Cressey (1953) Explains that the rationalization of causing a person to justify the actual values are not good or contrary to the rules (Rustendi in Yudanto, 2014). The amount of pressure (pressure) to meet their needs and supported by the ability (capability) that is owned, perpetrators of fraud usually rationalize something that is not good though such action is contrary to the rules.

Wolk and Tearney (1997) Explains that accounting fraud is caused due to failure of management in preparing the financial statements as a result of disobedience to the applicable accounting rules. According to the Regulation of the Minister of Interior No. 64 2013 Obedience accounting rules is an obligation which is seen as the level of conformity procedures asset management organization, the implementation of accounting procedures, and the presentation of the financial statements and the evidence. Ervina Research (2016), Shintadevi (2015), and Adelin (2013), found that adherence to accounting rules negatife significant effect on the tendency of the accounting fraud. It can be concluded more obedient to the accounting rules then the tendency of the accounting fraud to be reduced, it is because of rules already based on a clear set of standards and raw. Based on the description above, the second hypothesis in this study is:

H2 : Obedience Accounting Rules negative effect on the tendency of the accounting fraud.

2.3. Morality Effect of Accounting Officers Against Fraud Trends

GONE Theory Stating the cause of fraud is greed, opportunity, need, and the deterrent effect (Exposure). Simanjuntak (2008: 122) *greed factor and the need* (so-called individual factors) associated with the inherent behavior directly from the individuals themselves, in terms of dealing directly with the morality to do a fraud. Someone inclined to commit fraud due to factors needs and greed.

Someone who has the desire and need is never satisfied with wealth owned and has a voracious and greedy behavior will tend range to have an opportunity to commit fraud. This is in line with research Anastasia (2014) which is stated that the worse the morality of individuals then the likelihood of accounting fraud will be greater. Individual morality a significant negative effect on the level of the accounting fraud tendencies expressed by Ervina (2016), Eliza (2015), Noviriantini, et al. (2015), Anastasia, et al. (2014), Kurniawan (2013), and. morality is closely associated with the conscience of an individual, a person is said to be immoral if an action and behavior reflects morality, in other words, the person can extinguishing between good and bad thing. In an enterprise, morality owned by officers to determine the good and bad things are done in the company. The better the morality apparatus then the tendency to commit accounting fraud is getting smaller. Based on the description above, the third hypothesis in this study is:

H3: Morality negative influential forces against the tendency of the accounting fraud.

2.4. The Effect of Accounting Fraud trend towards Financial Accountability.

Keagenan theory propose by (Jansen and Mecling, 1976) stated that company as an agent for the government will act in their own interests and considers that the agency can not be trusted to act in the best possible way for the benefit of the government. Principly, the agent and the principal have different interests, which can cause such adverse information asymmetry selection and Moral Hazard.

Adverse selection explains the fact that companies usually know more about the condition and prospects of the company but the fact that may influence decision to be taken by government was not communicated to the government. *Moral hazard*, activities conducted by the company are not entirely known to government, so that the company takes actions beyond the knowledge of the government which break the contract and the actual ethics or norms may not be worth doing. The act of fraud that occurs in the organization will certainly reduce the accountability of the organization. This is because the reports produced by the organization is unreal to the actual events occurred. (Pradnyani, 2014) stated that the lower level of fraud in an organization, the higher level accountability in the organization. Yudianto and Nurlita (2015) stated that the accounting fraud propensity significant negative organizational accountability. Based on the description above, the fourth hypothesis in this study are:

H4 : Accounting Fraud Affects negatively tendency of financial accountability.

3. Research Method

The research method used in this research is research that is the explanatory research, because it is a study that explains the causal relationship among the variables (Cooper and Schindler, 2006: 154).

3.1. Population and sample research

The population of this study were employees involved in the preparation and implementation of the Work Plan and Budget (RKAP) in the central office of UPT 12 districts. Samples of this study using purposive sampling technique, with the criteria of the samples found in this study are employees who are directly involved in financial management from planning, financial reporting and billing. with a total sample of 72 respondents.

3.2. Data collection technique

The data used in this study are primary data. The primary collection of the data by distributing questionnaires to all respondents. The questionnaire study compiled lists the statements in a structured and it is closed.

3.3. Operational Variable Definition of Research

1. Internal Control (X1) According Baridwan (1998: 97), "Internal control is a check sum, a good sum of horizontal (cross footing) and the sum decreases (footing). In a broad sense, internal control not only includes the work of checking but also include all of the tools that are used management to conduct surveillance instrument used to measure the tendency of accounting fraud consists of 5 items of questions were adopted from the research Wilopo (2006) and Pradnyani (2014), as measured by five indicators: control environment, risk assessment, control activities, information and communication, monitoring and Monitoring.
2. Obedience Accounting Rules (X2) regulation of the Minister of Interior No. 64 2013 Obedience accounting rules is an obligation which is seen as the level of conformity procedures asset management organization, the implementation of accounting procedures, and the presentation of the financial statements and the evidence. The instrument used to measure the tendency of accounting fraud consists of seven items of questions measured by indicators: (1) Responsibility and Application, (2) Integrity; (3) Objectivity, (4) Prudence, (5) Confidentiality, (6) consistency, (7) Technical Standards.
3. Morality Apparatus (X3) is an action by management to do the right thing and not related to the advantages and value. Where as well as the determination to follow what is inside the heart of each individual who is recognized as an absolute obligation. perception of morality apparatus measured by the 6 (six) indicators adopted from the research developed by Aranta (2013) and Najahningrum (2013), namely: (1) To be honest, (2) Comply, (3) responsibility, (4) Discipline (5) Conservatism (Prudence) and (6) Real
4. The tendency of the accounting fraud (Y1) is a misstatement or omission intentionally amounts or disclosures in financial statements and error brought about because of the treatment that is not fair related asset theft resulting financial statements are not in accordance with accounting principle generally applied in Indonesia (IAPI , 2013) the instrument used to measure the tendency of accounting fraud consists of 5 items of questions developed by researchers from Wilopo (2006) and Pradnyani (2014), as measured by the five indicators, namely: (1)

manipulation, alteration of accounting record and supporting documents, (2) Eliminate events, transactions or significant information from the financial statements, (3) One application of accounting principles intentionally, (4) Presentation of the financial statements were incorrect due to theft (misuse / embezzlement) (5) Presentation of the financial statements were incorrect due to improper conduct towards asset and notes or counterfeit documents.

- 5 Financial Quality (Y2) is a liability on financial integrity, disclosure, and compliance with laws and regulations (LAN 2003). Indicators of financial accountability is measured by indicators were adopted from the research Pradnyani (2014), namely: (1) Authorization by the company, (2) Transparent (openness), (3) In accordance with the requirements and targets set, (4) Comprehensive (complete and detailed), (5) Accurate and clear, (6) the sources and uses of funds are known by all stakeholders, (7) Informative (can be understood), (8) sources of funds are made on a periodic basis, (9) the financial statements are relevant (10) the audit by an independent auditor.

3.4. Measurement scale

The scale of measurement used each of these variables is a Likert scale of 5 (Siregar, 2011). To determine the value of the category of the result if the assessment questionnaire using the class interval with the formula:

$$\text{Interval Kelas} = \frac{\text{Nilai tertinggi} - \text{Nilai terendah}}{\text{Jumlah kelas}}$$

The highest value in this study was 5 and the lowest value is 1, the number of classes obtained by 5 the class interval as follows:

$$\text{Interval kelas} = \frac{5 - 1}{5} = 0,8$$

Thus, it can be classified category ranges of values for each alternative answer to the questionnaire as a guide for classifying the assessment results can be seen in Table 2.

Table 1. Range Category Value

Category Variables	Category Value				
	<1.8	1.8 to 2.6	2.6 to 3.4	3.4 to 4.2	> 4.2
Internal control (X1)	Not good	Not good	Pretty good	Good	Very good
obedience Rules Accounting (X2)	Inadequate	Inadequate	Adequate	Adequate	very Adequate

morality Apparatus (X3)	Very low	Low	moderate	High	Very high
Cheating tendency Accounting (Y1)	Not good	Not good	Pretty good	Good	Very good
Accountability Finance (Y2)	Not good	Not good	Pretty good	Good	Very good

3.5. Data Analysis Method

Data from the questionnaires were processed using WarpPLS 4.0 application assistance. PLS SEM analysis include two (2) phases, namely: (1) the measurement model (measurement model / outer model), and (2) structural model (structural model / inner model) (Hair, Hult, and Sartetd 2013) .Testing measurement model (outer model) conducted by validity (convergent validity and discriminat validity) and reliability testing (reliability indicator and composite reliability). Inner model is done by looking at the significant value of P-value for influence between the variables based on the hypothesis that was built through the resampling procedure if the criteria of values obtained $P\text{-value} \leq 0.05$ (for a significance level of 5%) it can be concluded significant and vice versa.

4. Results

4.1 Descriptive Statistics Analysis

Questionnaires were distributed in this study a number of 72 questionnaires. Of the 72 respondents, 47 respondents male and 25 female participants, with the majority of respondents aged 41-50 years. The majority of respondents have a high school level or equivalent and long working majority of respondents over 10 years.

Table 2. Descriptive Statistics

variables	N	Min	Max	mean	Std.Dev.
Internal control	72	2	5	3.85	0.76
The tendency of Accounting Fraud	72	3	5	4.23	0.34
morality Apparatus	72	2.7	5	4.01	0.48
The tendency of Accounting Fraud	72	2	4	2.65	0.57
Financial Accountability	72	3	5	4	0.44

From table 2 it can be seen that the majority of respondents said that the observance of accounting rules included in both categories is the average value of 4.23. Variable observance of accounting rules have indicators Indicators Technical Standards that scores the most besarr averaged 4.46 which is classified in the category very high. These results indicate that financial managers in Central Lombok PDAM prioritizes technical standards assemblies accounting in the financial statements.

4.2 Analysis of inferential statistics

The variables used in this study is an indicator variable, which can be resolved by Partial Least Square (PLS) using First Order Confirmatory Factor Analysis. The results of testing using WarpPLS 4.0 are as follows:

Outer Model

Outer evaluation model was used to evaluates the reliability and validity of each constructional research. The outer models evaluation results as follows:

Table 3. Measurement Role Model Internal Control, Oediance accounting rules, Morality officers, accounting fraud Trends and Financial Accountability

Indikator	TYPE (As Defined)						SE	P value
	PI	KAA	MA	KKA	AK)		
PI.2	0.884	-0.015	-0.206	-0.142	0.137	Reflect	0.086	<0.001
PI.3	0.854	0.233	0.009	0.175	-0.084	Reflect	0.086	<0.001
PI.4	0.81	-0.184	0.269	-0.22	-0.053	Reflect	0.086	<0.001
PI.5	0.836	-0.044	-0.052	0.184	-0.007	Reflect	0.086	<0.001
KAA.2	0.271	0.609	-0.156	0.067	-0.133	Reflect	0.086	<0.001
KAA.5	-0.257	0.705	-0.066	0.086	0.085	Reflect	0.086	<0.001
KAA.6	0.254	0.506	-0.16	0.055	-0.112	Reflect	0.086	<0.001
KAA.7	-0.138	0.813	0.273	-0.159	0.095	Reflect	0.086	<0.001
MA.2	-0.072	-0.548	0.544	-0.04	0.118	Reflect	0.086	<0.001
MA.4	0.017	0.458	0.712	-0.064	-0.05	Reflect	0.086	<0.001
MA.5	0.285	-0.137	0.523	0.199	-0.321	Reflect	0.086	<0.001
MA.6	-0.149	0.054	0.82	-0.045	0.17	Reflect	0.086	<0.001
Y1.2	-0.262	0.209	-0.028	0.777	-0.114	Reflect	0.086	<0.001
Y1.3	0.262	-0.209	0.028	0.777	0.114	Reflect	0.086	<0.001
Y2.2	0.2	0.114	-0.016	0.175	0.699	Reflect	0.086	<0.001
Y2.3	-0.199	-0.053	-0.103	-0.085	0.77	Reflect	0.086	<0.001

Y2.4	0.178	0.048	0.041	0.245	0.803	Reflect	0.086	<0.001
Y2.5	0.209	-0.227	0.213	-0.12	0.777	Reflect	0.086	<0.001
Y2.7	-0.079	0.306	-0.226	-0.178	0.706	Reflect	0.086	<0.001
Y2.9	-0.218	-0.072	0.273	-0.074	0.562	Reflect	0.086	<0.001
Y2.10	-0.21	-0.14	-0.188	0.012	0.542	Reflect	0.086	<0.001

Sources: Primary data processed, 2017

Based on the final result of evaluation First order model measurement in Table 4 shows that for internal control variable indicator of the control environment should be dropped or ejected for loading factor values are below 0.5. Variable observance of accounting rules indicator loading factor value below 0.5 are indicator of responsibility and implementation, objectivity and prudence. Variable apparatus morality indicator to be dropped there are 3 that is an indicator honesty, responsibility and discipline. Variable inclination of the accounting fraud there are three indicators that should be dropped or eliminated such as manipulation, presentation of financial statement were incorrect due to theft and false statement as a result of improper conduct on the asset. Variable financial accountability indicators to be dropped, namely, the authorization by the company, the sources and uses of fund are known by all stakeholders, and periodic.

These five variables using reflective model measurement, measurement using the validity of indicator. The indicators of the construct average has a good value, convergent validity criteria have been fulfilled that is AVE value is greater than 0.50, but for obedience variable accounting rules, the perception of morality officers and financial accountability AVE obtained value is smaller than 0, 5 meaning to these three variables have a low level of validity. Prof. Dr. Imam Ghozali, M.Com, Akt in a blog discussion on the Indonesian Capital Market Directory page <http://downloadicmd.blogspot.co.id/> stated that if AVE below 0.5, then this indicates that the construct validity is low and this became the limitation of the study to construct.reliability indicator has been met and the loading factor was greater than 0.50. Likewise, the reliability has been met with composite reliabilty greater than 0.70.

Model Structural (Inner Model)

Structural model testing has conducted after the fulfillment of the criteria for the suitability of the model in theory with empirical data (model fit), the criteria of model fit is seen from the average path coefficient (APC), the adjusted average R-squared (AARs), and the average variance inflation factor (AVIF). Based on the table 5 kriteria model fit has been fulfilled, that are value for the APC and Aars less than 0.05, and the average block VIF (AVIF) is smaller than 5 (Ghozali and Latan, 2014: 106).

Table 4. Testing Model Fit Result

Indicator	Value	P Value	criteria
APC	0294	P < 0.001	P = < 0.05
Aars	0187	P = 0.008	P = < 0.05
AVIF	1,046		AVIF <= 5

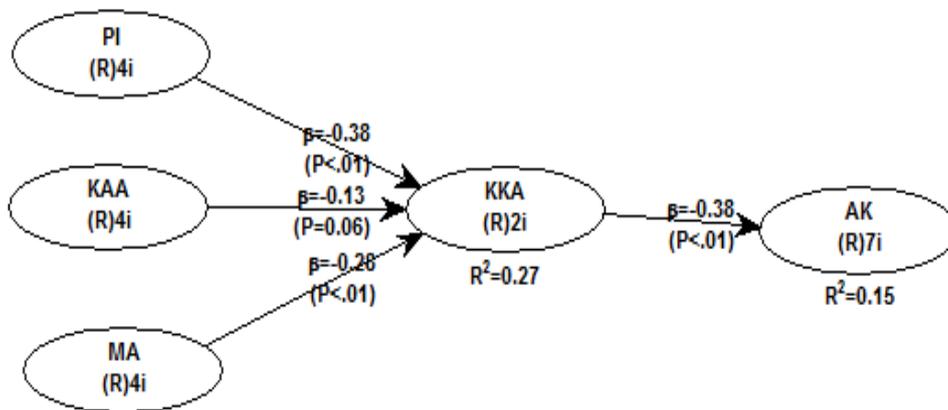


Figure 1. Structural Model Result

Based on table 4, shows the model fit and P values have been met, so the structural model analysis can be done. Result of testing the structural model presented in Figure 1:

Based on estimation result of the structural model, it can be summarized up results of hypothesis testing as follows:

Table 5. Result of Hypothesis Testing

Sub Struktur	Path	Koefisien	R-Square	Adjust R-Square
First	KPI → KKA	-0,38	0,274	0,242
	KAA → KKA	-0,13		
	PMA → KKA	-0,28		
Second	KKA → AK	-0,38	0,147	0,135

The first hypothesis states that the effectiveness of internal control was negative . From the statistical test result indicated that the effectiveness of internal control over accounting fraud tendency has path coefficient (β) of 0.38 and was statistically significant at the level indicated $\alpha = 0.05$ with P-value <0.01 (smaller than the value $\alpha = 0.05$). This shows that the effectiveness of internal control and a significant negative effect on the trend of the accounting fraud.

This was proved by research that is expressed by Ervina (2016), Shintadevi (2015), Eliza (2015), Triasmara, et al. (2015), Arias, et al. (2014), Princess (2014), Darmawan (2014) , Adelin (2013), Soleman (2013) concluded that their internal control significant negative on the tendency of the accounting fraud. Thus it can be concluded that if the internal control is weak and is not done effectively and efficiently the tendency of cheating will occur often otherwise the better internal control of a company the less chances of inclination of the accounting fraud.

The finding of this study support the Fraud Triangle Theory, which is issued by Cressey (1953) consists of three components, among others, the opportunity, pressure , and rationalization. Opportunity is a condition that allows a person to commit fraud. This opportunity arises because there are two components first, because of the knowledge that the trust can be breached without consequences and second, because the skill to commit fraud.

Internal control is a way for directing, monitoring, and measuring a company's resources, internal control is essential for preventing and detecting tendency of accounting fraud. In a company, internal control related to the reliability of financial reporting, feedback on the achievement of operational objectives and strategies, and compliance with law and regulation. Control procedure set out to standardize work process so as to ensure the achievement of corporate goals.

Effect of Accounting Rules Adherence to Accounting Fraud Trends.

The second hypothesis states that the observance of accounting rules negatively affect the tendency of the accounting fraud. Based on the result of hypothesis testing can be concluded that the observance of accounting rule but not significant negative on the trend of accounting fraud, is shown by the result of path coefficient (β) of variable observance of accounting rule to variable accounting fraud propensity of 0.13 to P-values = 0,006 (more greater than $\alpha =$

0.05). This shows that the observance of accounting rule negative but not significant to the tendency of the accounting fraud. That is however observance of accounting rule negatively affects the accounting fraud, but financial manager do not always follow the rules.

Results of testing the second hypothesis is consistent with previous studies conducted by Fitri (2016) and Kusumastuti (2012), stated that the observance of accounting rule not significant on the tendency of the accounting fraud. Obedience variable accounting rule a significant negative on the trend of accounting fraud expressed by Ervina (2016), Shintadevi (2015), Adelin (2013), and Pradnyani (2014)

The result of this study also supports the theory *Fraud Triangle Theory* which is issued by Cressey (1953) explained that the rationalization of causing a person to justify the actual value are not good or contrary to the rules (Rustendi in Yudanto, 2014). The level of pressure to meet their needs and also the ability, the doer of fraud usually rationalize something that is not good though such an action is contrary to the rules.

Adherence to rules conducted by financial manager has not fully done because there are still BPK findings of their non-compliance, fraud and impropriety in testing compliance with laws and regulations in Central Lombok PDAM. With the main points of the findings of non-compliance, fraud and impropriety, namely: (1) Corporate Work Plan (CBP) has not been prepared based corporate plan; (2) Central Lombok PDAM has not compile and submit reports 3 quarterly and annually management report to the Board of Supervisors; (3) The lack of uniformity among UPT report; (4) There is a deposit for the payment of connection fees and regular MBR that have not been deposited into the PDAM.

Officials Morality Influence on Accounting Fraud Trends

The third hypothesis states that the perception of morality apparatus negatively affect the tendency of the accounting fraud. Based on the result of hypothesis testing can be concluded that the perception of morality apparatus and significant negative on the trend of accounting

fraud, is shown by the result of path coefficient (β) of the variable perception of morality apparatus to variable accounting fraud propensity of 0.28 to P-values <0.01 . This means that the higher perception of morality apparatus on the company the lower the tendency of the accounting fraud will be.

The results of this third hypothesis testing Individual morality a significant negative on the level of the accounting fraud tendencies expressed by Eliza (2015), Noviriantini, et al. (2015), Anastasia, et al. (2014), and Kurniawan (2013). A different opinion is expressed by Kus umastuti (2012) states that morality does not have a significant effect on the tendency of the accounting fraud.

The result of this study also supports the theory *GONE Theory* stating the cause of fraud is *Greed, Opportunity, Need* , and the deterrent effect (Exposure). Simanjuntak (2008: 122) greed factor and the need (so-called individual factors) associated with the inherent behavior directly from the individuals themselves, in terms of dealing directly with the morality to do a fraud. Someone inclined to commit fraud due to factor *needs* and *greed* .

Employees who have good moral in working will have a high dedication to the company anyway. Thus, employees are inclined to work hard for the companies best conversely, if you have low morale, then the employees work quality will be low, and will rationalize it as a natural thing because of the lack of concern for the result of work performed. Low moral authorities would also cause the employee turn to commit fraud, so the fraud committed will be considered as a fine matter. Thus it can be concluded that the higher morality of individuals, the lower the tendency of fraud (fraud) that may occur. In Central Lombok PDAM morality of employees are increasing by doing weekly IMTAQ every Friday. IMTAQ means gathering and praying together while hearing motivation words to increase quality of faith to do the job.

The Effect of Accounting Cheating trend towards Financial Accountability

Accountability is the obligation of a fiduciary (agent) to provide accountability, presenting, reporting and disclose all activities and the activities they are responsible to the mandate giver (principal) who has the right to hold on. Mardiasmo (2002: 20). Financial accountability is accountability regarding financial integrity, disclosure, and compliance with rules and regulations (LAN 2003).

The fourth hypothesis states that the tendency of the accounting fraud negatively affect financial accountability. Based on the result of hypothesis testing, we can see the path coefficient (β) between the variable inclination of the accounting fraud against the financial accountability of 0.38 with a P-value <0.01 . Thus the fourth hypothesis is accepted that is the tendency of the accounting fraud a significant negative on financial accountability. This means that the lower the propensity of the accounting fraud then the higher the PDAM on financial accountability in Central Lombok.

Agency theory proposed by Jansen and Macling (1976) stated that the agency relationship is a contract in which the government (principal) delegate authority to the PADAM (agent) and consider that company as an agent to act for their own interest and consider that the agency can not be trusted to act in the best possible way for the benefit of the government. In principle, the agent and the principal have different interests, so as to give rise to asymmetry of information in the form of adverse selection and moral hazard. Adverse selection explains the fact that companies usually know more about the condition and prospects of the company but the fact that may influence decision to be taken by government was not communicated to the government. *Moral hazard*, activity conducted by the company are not entirely known to government, so that the company takes actions beyond the knowledge of the government which break the contract and the actual ethics or norms may not be worth doing

The act of fraud that occurs in the organization will certainly reduce the accountability of the organization. This is because the reports produce by the organization is unreal to the

actual events occurred. (Pradnyani, 2014) stated that the lower level of fraud in an organization, the higher level accountability in the organization. Yudanto and Nurlita (2015) stated that the accounting fraud propensity significant negative organizational accountability

In implementation and management of public services PDAM as its fund from the government that the cash comes from the people's money then, in its management PDAM required to provide accountability of accountable and transparency as the embodiment of Good Corporate Governance (GCG).

5. Conclusion, Implication and Limitation

5.1. Conclusion

Based on data analysis and discussion of the result, it can be concluded that the internal control significant negative on the trend of the accounting fraud. adherence to accounting rule and a significant negative on the trend of the accounting fraud. Morality apparatus negative and significant effect on the trend of the accounting fraud. If the three factors are executed, then the tendency of accounting fraud could be minimized. The tendency of the accounting fraud a significant negative on the company's financial accountability. Financial accountability will be better if the tendency of accounting fraud could be minimized.

5.2. Implication

This reaserch could be uses by PDAM Central Lombok to increase internal control effectively. The obedience of financial holder towards accounting and employees morality to prevent and minimize the tendency of the accounting fraud. The preventing dan minimizing the tendency of the accounting fraud is expected to increase companies accountability to creat good governance

Improvement of internal controls with more effective role of the Internal Audit Unit (IAU), which aims to organize activities in the field of engineering as well as in the field of public administration, implement SOP, implement SOP for SPI, plan and organization and job descriptions with the attempt to socialize on SOP yet fully understood by employees and develop the corporate plan of the company. In the implementation of the necessary support of the entire board of directors and all employees of the company so that the company's internal control can be run well and effectively.

The data shows that there is no correlation accounting rules influence adherence to the tendency of accounting fraud, should the board of directors and financial managers to improve or reduce the tendency of the accounting fraud at the financial statement, to reinforce the rules of financial management so hopefully accounting fraud will be minimized. So as still contained in LHP BPK representative NTB 2015 does not happen again and to be better in the future. The company must also pay more attention to the existence of an employee with reward and punishment fair so as to improve employee performance to achieve good corporate governance so as to improve the quality of financial reports may provide information that is relevant, reliable, comparable and understandable so that more useful as a basis for decision making.

5.3. Limitation

This study examined only three variables that affect the tendency of the accounting fraud that is less explored other factors that is may influenced. This research using questionnaire for collecting data / information, in distribute the questionnaire respondents objectivity becomes very important, but because of the inability of researchers to ensure the accuracy of the information respondents to whom the information is expected only be subjective and not according to expectations. The scope of this study is limited to units of Regional Water Company of Central Lombok regency (PDAM) that have not been able to to

generalize the result and conclusion of research carried out at the other PDAM. The sample of this study was limited to a financial management so that information can be just received limited to the perception of a financial management.

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