

**PERSPECTIVE OF FRAUD DIAMOND THEORY AND MORAL REASONING AS A
MODERATING VARIABLE ON FRAUD IN VILLAGE FUND
MANAGEMENT D.I YOGYAKARTA**

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ABSTRAK

Undang-undang No. 6 Tahun 2014 tentang Desa memberikan peluang kepada pemerintah desa untuk memberdayakan masyarakatnya agar mampu meningkatkan pembangunan desa dengan mengelola dana desa secara mandiri, akan tetapi pada pelaksanaannya terjadi beberapa tindakan *fraud* sehingga tujuan dari diselenggarakannya dana desa menjadi kurang efektif. Penelitian ini bertujuan menganalisis motivasi seseorang melakukan tindakan *fraud* pada pengelolaan dana desa dengan menggunakan persepektif *fraud diamond theory* dan peran penalaran moral sebagai variabel moderasi. Penelitian ini merupakan penelitian kuantitatif dengan metode survei menggunakan kuesioner sebagai media pengumpulan data yang disebarakan secara langsung kepada Aparatur pemerintah Desa D.I Yogyakarta. Pengambilan sampel menggunakan *probability sampling* dengan teknik *cluster sampling*, dan didapatkan sebanyak 216 partisipan. Motode analisis data dan pengujian hipotesis yang digunakan adalah *Structural Equation Modelling* (SEM) dengan menggunakan alat analisis *software* WrapPls 7.0. Hasil penelitian ini menunjukkan bahwa kesesuaian kompensasi berpengaruh positif terhadap *fraud* pada pengelolaan dana desa, sedangkan budaya organisasi, kompetensi, dan sistem pengendalian internal berpengaruh negatif terhadap *fraud* pada pengelolaan dana desa. Disisi lain, peran penalaran moral terbukti mampu memoderasi hubungan antara persepektif *fraud diamond theory* terhadap *fraud*.

Kata kunci: *Fraud Diamond Theory*, Pengelolaan Dana Desa, Penalaran Moral

ABSTRACT

Law No. 6 of 2014 concerning Villages provides opportunities for village governments to empower their communities to be able to improve village development by managing village funds independently, but in practice there are several fraudulent actions so that the purpose of holding village funds becomes less effective. This study aims to analyze the motivation of a person to commit fraud in the management of village funds using the perspective of fraud diamond theory and the role of moral reasoning as a moderating variable. This research is quantitative research, and the data was collected with survey method using a questionnaire which is distributed directly to village government apparatus in D.I Yogyakarta. Sampling using probability sampling with cluster sampling technique, and obtained as many as 216 participants. The data analysis and hypothesis testing method used is

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Structural Equation Modeling (SEM) with WrapPls 7.0 software analysis tool. The results of analysis indicate the suitability of compensation has a positive effect on fraud, while organizational culture, competence, and internal control systems have a negative effect on fraud in village fund management. On the other hand, the role of moral reasoning could moderate the relationship between the perspective of fraud diamond theory and fraud.

Keywords: *Fraud Diamond Theory, Village Fund Management, Moral Reasoning*

INTRODUCTION

Law No. 6 of 2014 concerning Villages requires the central government to allocate village funds from the national budget, where the village government is given the opportunity to empower the community so that it is expected to be able to develop villages independently through village fund management, which aims to improve community welfare, promote the community's economy villages, developing village potential, and equitable development between villages so that they can overcome development gaps. Villages will receive 2 sources of income each year, namely village funds sourced from the State Revenue and Expenditure Budget (APBN) and Village Fund Allocations sourced from the Regional Revenue and Expenditure Budget (APBD) (Republik Indonesia, 2014).

Table 1. Village Fund

Year	Village Fund (Trilyun Rupiah)	Total Village
2017	57,56	74.093
2018	56,90	74.754
2019	67,26	74.651
2020	72,42	74.953
2021	75,32	74.961

Until now, village fund budgeted for 2017-2021 has always a significant increase, but this increase has not been accompanied by an increase in supervision, policies, and strict regulations in managing village funds based on the principles of transparency, participation, and accountability in governance, development, and village finances which result in an increasing of fraud or corruption every year (Anandya et al., 2021). The Ministry of Villages, Disadvantaged Regions and Transmigration (PDRT) in 2017 received 2,299 reports related to alleged violations of village fund management which were dominated by errors in principles and procedures (957 cases), violation of regulations (438 cases), and misappropriation of village funds (267 cases). Furthermore, the results of the Indonesia Corruption Watch trend report during 2015-2021, there were 154 corruption cases related to village funds and 245 suspects were ensnared with a total state loss of Rp. 233 billion (Anandya et al., 2021).

D.I Yogyakarta is one of the provinces with an excellent government system, this is evident in 2021 it achieved predicate AA for SAKIP and Unqualified opinion (WTP) for LAKIP. However, this does not absolutely make this province free from the threat of fraud; for example, based on the results of monitoring the trend of prosecution of corruption cases in the first semester of 2021 conducted by Indonesia Corruption Watch (Anandya et al., 2021), there were 2 corruption cases in Yogyakarta D.I with state losses of Rp. 5.2 billion, one of which is a corruption case related to village funds in Getas, Playen, Gunung Kidul with a total budget allocation for village funds that was misappropriated as much as Rp. 627 million (Rusiana, 2022).

Various acts of fraud that occur in village government agencies are the impact of various patterns of behavior and motivation that a person has in taking action. Fraud diamond theory

developed by Wolfe & Hermanson (2004) is one theory that can be used to explain a person's motivation to commit fraud by using four elements namely: pressure, opportunity, justification, and capability. Based on the state personnel agency in 2021, 2,357 civil servants were proven to have committed acts of corruption. According to Wright et al. (2003), this is because the income they get from salaries and allowances is considered too small or not in accordance with the workload they receive. Albercht et al. (2012), as many as 95% of fraud occurs due to financial pressure and bad habits from the perpetrator, so that the perpetrator will look for ways so that their needs can be met. Furthermore, Wexley & Yukl (2003) state that someone will be motivated to commit theft in their place of work if they experience dissatisfaction with the compensation they receive.

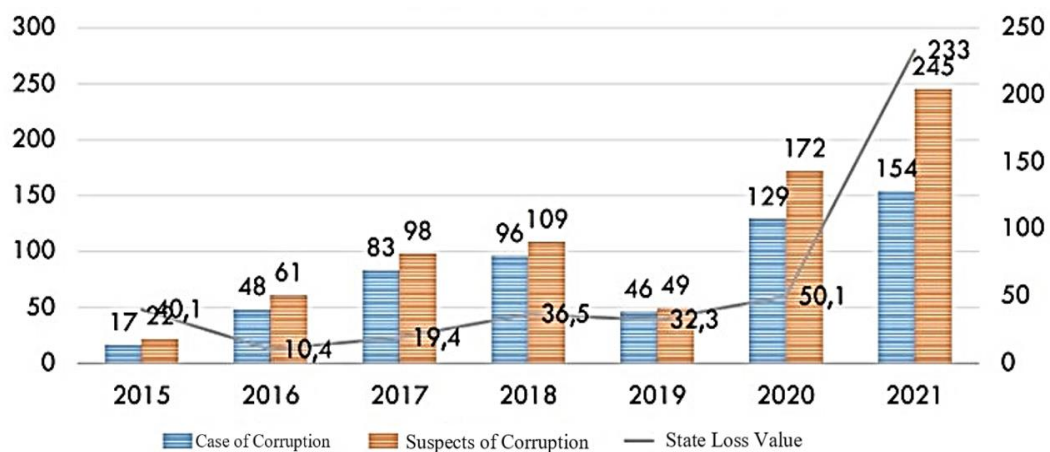


Figure 1. Village Fund Corruption in 2015-2021

In general, fraud perpetrators will follow existing procedures within the organization, but weak supervision is identified as a situation that initiates opportunities for stakeholders to carry out fraud because with supervision is weak, organizational governance becomes less effective (Power, 2013; Orsaa & Adebisi, 2013; Coenan, 2008). The internal control system can be used to prevent fraud because SPI is preventive, detective, and directive in nature. This is in line with the results of research conducted by Coram et al. (2008) and Hogan et al. (2008) who show that organizations that have an effective internal control system will be able to detect fraud within their organization even before the action occurs.

Fraud perpetrators will usually try to convince themselves that the actions they are doing are behavior that is normal and acceptable to the general public, by creating reasons in their thinking (Dellaportas, 2013; Coenan, 2008). Based on the results of research conducted by Sulistiyowati (2007) ethical organizational culture can be used to prevent fraud because an ethical organizational culture will shape organizational members to have a sense of belonging and a sense of identity. In line with this, Robbins & Judge (2013) shows that organizational culture tends to form high ethical standards among its members so that if a culture is strong and supports high ethical standards, employee behavior will be positive.

Based on the results of a survey conducted by the Association of Certified Fraud Examiners (ACFE) in 2016 as many as 51% of individuals with higher intellects committed fraud in their work because they had the ability to detect existing opportunities and were more creative in exploiting weaknesses in the internal control system, in line with this Dellaportas (2013), states that someone who has a higher position and intellectual ability has a higher chance of committing fraud.

This study seeks to fill gaps from the results of previous studies (Wexley & Yukl, 2003; Wolfe & Hermanson, 2004); Wilopo, 2006; Liyanarachchi, 2009; Puspasari & Suwardi, 2016;

Dellaportas, 2013; Albercht et al., 2012), using an approach contingency with moral reasoning as a moderating variable. Moral reasoning is an individual's way of addressing ethical dilemma issues to then provide an assessment of whether it is right or wrong and then provide justification (Trevino, 1992). Collaborating fraud theory and ethics into a research context, we can find out the psychological factors of a person in taking action. Based on the description that has been explained, the purpose of this study is to test and provide empirical the motivation of a person to commit fraud in the management of village funds using the perspective of fraud diamond theory and the role of moral reasoning as a moderating variable.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Compensation Suitability, Moral Reasoning, and Fraud

Based on the fraud diamond theory, a person commits fraud due to financial and non-financial pressures. The results of research conducted by Albercht et al. (2012), as many as 95% of fraud occurs due to financial pressure and bad habits from the perpetrator, so that the perpetrator will look for ways so that their needs can be met. In line with this, Wexley & Yukl (2003) state that someone will be motivated to commit theft in their workplace if they experience dissatisfaction with the compensation they receive.

Compensation provided in accordance with the workload and applicable policies is very important because it can affect employee behavior, the provision of appropriate compensation to individuals can provide satisfaction and motivation at work so that it will encourage the individual to give the best for the organization where he works and prevent actions. which can harm the organization, including fraud (Gibson et al., 2012). The results of research conducted by Wilopo (2006), Irianto et al. (2009) and Mustika et al. (2016), show that the suitability of compensation given to employees will make the organization less likely to have fraud.

Based on the theory of cognitive moral development (Kohlberg, 1971), individuals with a high level of moral reasoning will focus more on the interests of the crowd or universals than on their own interests, so that when they experience pressure in their work, they will still try not to take actions that can harm others. Conversely, individuals with low moral reasoning when under pressure themselves will be realistic in the circumstances so that they will choose to commit fraud so that the problems they are facing can be resolved. This is in line with the results of research conducted by Merchant & White (2017) which states that managers with a low level of moral reasoning when under strong personal pressure will be willing to take any action to avoid termination of employment or to get compensation or promotion. Based on the description that has been described, the first and second hypotheses in this study are:

H₁: Compensation suitability has a negative effect on fraud.

H₂: Moral reasoning moderates the relationship between compensation suitability and fraud.

Internal Control System, Moral Reasoning, and Fraud

Fraud can't happen without opportunity, even if the individual is under very high pressure. In general, fraud perpetrators will follow existing procedures within the organization but weak supervision is identified as a situation that opens opportunities for stakeholders to commit fraud because when supervision is weak, organizational governance becomes less effective so that the opportunity to commit fraud increases. Based on the results of research conducted by Coram et al. (2008), Hogan et al. (2008), and Speklé & Verbeeten (2014) show that organizations that have an effective internal control system will be able to detect and avoid fraud within their organization.

Based on theory of cognitive development (Kohlberg, 1971), when the situational factor in the form of an internal control system is carried out effectively, individuals with a low level of moral reasoning will feel afraid of being penalized so that the perpetrator will carry out existing rules, policies, procedures to avoid punishment. In contrast to individuals who have a

high level of moral reasoning, when there is or is no internal control system implemented in an organization, they will still not commit fraud because according to him this act is unethical and can harm many people (Maroney & McDevitt, 2008a). Based on the descriptions that have been described, the third and fourth hypotheses in this study are:

H₃: The internal control system has a negative effect on fraud.

H₄: Moral reasoning moderates the relationship of the internal control system to fraud.

Organizational Culture, Moral Reasoning, and Fraud

In committing fraud, the perpetrator will usually try to convince himself that the action he is doing is behavior that is reasonable and acceptable to the general public, by creating reasons in their thinking (Dellaportas, 2013 Coenan, 2008). The results of research conducted by Sulistiyowati (2007), show that an ethical organizational culture can be used to prevent fraud because an ethical organizational culture will shape the members of the organization to have a sense of belonging and a sense of identity (Sulistiyowati, 2007), as well as organizational culture plays an important role in the moral development of its members because it is a set of assumptions, values, beliefs that are shared by other members of the organization so that they can influence thoughts, feelings.

Based on the theory of cognitive moral development (Kohlberg, 1971), individuals with a low level of moral reasoning can commit fewer violations if they are constrained by strong regulations, laws, job descriptions, and structural norms that do not allow unethical behavior to occur so that they will be reluctant to commit fraud because of organizational culture that surrounds it does not support. This is in line with the results of research conducted by Dian Fitria & Amilin (2014) dan Sulistiyowati (2007) showing that the ethical environment of an organization has a positive and significant effect on personal integrity and personal integrity has a negative and significant effect on the potential for fraud. Based on the descriptions that have been described, the fifth and sixth hypotheses in this study are:

H₅: Organizational culture has a negative effect on fraud.

H₆: Moral reasoning moderates the relationship between organizational culture and fraud.

Competence, Moral Reasoning, and Fraud

In the fraud diamond theory, there are characteristics related to capability elements that are very important in the person of the fraudster, namely intelligence and creativity (Wolfe & Hermanson, 2004). Fraud perpetrators are considered to have sufficient understanding in exploiting weaknesses in internal control and using their position and authority to obtain the greatest benefits. Based on the results of a survey conducted by the Association of Certified Fraud Examiners in 2016, 51% of individuals with higher intellectuals committed fraud in their work because they had the ability to detect opportunities and were more creative in exploiting weaknesses in the internal control system to commit fraud (ACFE, 2016).

The theory of cognitive moral development explains that individuals with a low level of moral reasoning will usually take advantage of their competence to commit fraudulent acts by exploiting weaknesses in the internal control system and/or using their position, function, or authorized access to get great benefits for themselves (Kohlberg, 1971). On the other hand, individuals with a high level of moral reasoning tend to take advantage of their competencies to develop the organization by utilizing existing information technology and internal control systems to maintain the quality of financial management (Puspasari & Suwardi, 2016; Liyanarachchi, 2009). Based on the descriptions that have been described, the seventh and eighth hypotheses in this study are:

H₇: Competence has a negative effect on fraud.

H₈: Moral reasoning moderates the effect of the relationship between competence on fraud.

RESEARCH METHODS

Research Design

The data sources used in this study are primary data, data obtained from data sources, and have not been processed by any party for specific research purposes (Cooper & Schindler, 2014). This research data was taken using primary data with a survey method in the form of a questionnaire containing respondent perceptions of questions about variables related to perceptions of village government employees related to fraud in village fund management (Hair et al., 2014). The use of the survey method is intended to obtain research results that reflect the actual situation by testing the real object.

Participants

Participants in this study were D.I Yogyakarta village government officials with the positions of the village head, village secretary, and village office head because they have the responsibility and are directly involved in the village development planning process and village fund management. This study uses probability sampling with cluster sampling technique in each village in 4 (four) districts, each district being studied consists of ten villages that were selected randomly.

Operational Definition of Variable

To make the research variables are easy to see, the researchers describe them in the form of operationalization of variables in Table 2.

Tabel 2. Research Variables Operationalization

Variable	Operational Definition	Indicator	References
<i>Fraud</i>	The employee's perception of an act of violation committed by a person or group on purpose that occurs within the agency in order to benefit from an individual or group that directly or indirectly can harm other parties.	<ol style="list-style-type: none"> 1. Manipulation 2. Document falsification 3. Information loss 4. Embezzlement of assets 5. Violation of accounting principles 	SA Seksi 316 (Ikatan Akuntan Indonesia, 2001)
Compensation Compliance	The fairness felt by employees for the amount of compensation they receive as a form of reward or service for the work they have done for the organization.	<ol style="list-style-type: none"> 1. Financial compensation. 2. Organizational recognition of success in carrying out work 3. Promotion. 4. Completion of tasks. 5. Achievement of targets. 	Gibson et al. (2012)
Internal Control System	Implementation of organizational structure, methods, and coordination to achieve organizational financial management effectively, efficiently, transparently, and accountable by employees has been carried out in accordance with SPIP guidelines.	<ol style="list-style-type: none"> 1. Control environment. 2. Risk assessment management. 3. Accounting information and communication system 4. Control Activities 5. Monitoring of internal control. 	Committee of Sponsoring Organizations of the Treadway Commission (2013)
Organizational Culture	Employees' perceptions of a set of values, norms, perceptions, and behavioral patterns created	<ol style="list-style-type: none"> 1. Visible role models 2. Communication of ethical expectations 	Robbins & Judge (2013)

Variable	Operational Definition	Indicator	References
	or developed within the organization.	<ol style="list-style-type: none"> 3. Ethical training 4. Penalties for unethical actions 5. Ethical protection mechanisms 	
Competence	Characteristics of employees regarding how to think and act in a situation that is being faced by them in order to achieve the expected performance.	<ol style="list-style-type: none"> 1. Educational background and level 2. The principles of good governance 3. Attitudes and behavior of the apparatus 4. The role of society and the apparatus 5. Mastery of knowledge and skills 6. Ability to work 	Wolfe & Hermanson (2004)
Moral Reasoning	Perceptions of employees in addressing ethical dilemma issues to then provide an assessment of whether something is right or wrong by considering it cognitively in their minds.	Stages of moral development <ol style="list-style-type: none"> 1. <i>Pre-conventional</i> 2. <i>Conventional</i> 3. <i>Postconventional</i> 	Kohlberg (1971)

Research Model

The hypothesis design in this study relates to how the influence of internal control system, compensation suitability, competence, organizational culture on fraud, either partially or simultaneously. In addition, the design of this hypothesis also to how moral reasoning strengthens or weakens the influence of internal control system, compensation suitability, competence, organizational culture on fraud. Based on the description, the model of this research can be seen in Figure 2.

Data Analysis

This study uses Partial Least Square-Structural Equation Modeling (PLS-SEM) as multivariate analysis tools. PLS-SEM is a variant-based structural equation analysis that can test measurement models (outer model) as well as structural model (inner model) (Hair et al., 2014). The reason researchers use PLS-SEM is that: a) is able to model many dependent and independent variables, b) relatively small sample, c) does not require a normal distribution, d) can be used in reflective and formative constructs, e) can managing multicollinearity problems between independent variable, f) generating an independent latent variable directly based on cross-product that involves the dependent latent variable as predictive power and can be used on data with different scale types (nominal, ordinal, and continuous) (Cooper & Schindler, 2014).

The analysis tool used is Warp-PLS 7.0. The advantage of the Warp-PLS analysis tool version 7.0 compared to other analysis tools is that because it can explain the relationship between linear and non-linear constructs estimated by looking at Scatter Plots and can explain the indirect effect, total effect, average variance extracted, and composite reliability without having to calculate the output manual (Sholihin et al., 2011)

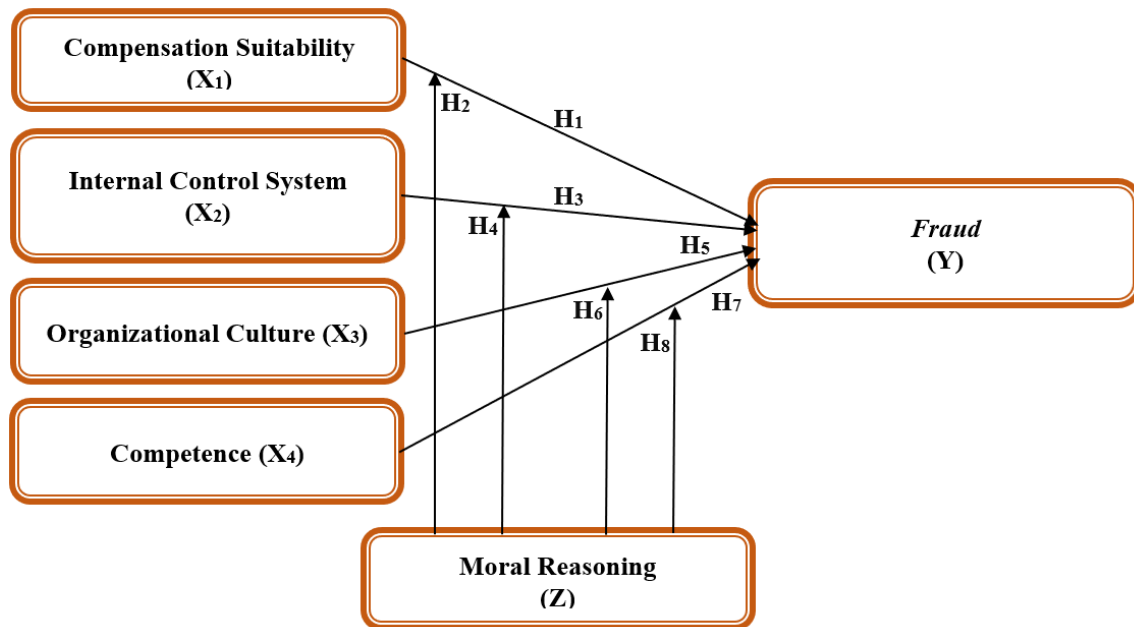


Figure 2. Research Model

RESULTS

Measurement Model Analysis (Outer Model)

a) Validity Test Result

The validity test is used to determine whether the questionnaire created has been valid or has been able to actually measure the desired research object. Validity testing is carried out in two stages, namely the first stage is a convergent validity test and the second stage is a discriminant validity test. Hair et al. (2014) stated that the convergent validity test criteria were said to be valid if the factor loading indicator value was > 0.7 and all constructs had an average variance extracted (AVE) value > 0.50 . In this study, there are 3 indicators that must be removed because they have a loading factor of < 0.4 (FD3, KK5, and PM1), from the elimination of these 3 indicators, the AVE value for each variable is > 0.50 which can be seen on Table 3. This shows that the results of the convergent validity test are valid.

Table 3. Average Variance Extracted (AVE) Value for Each Construct

FDD	KKP	SPI	BEO	KPD	PMI
0.608	0.785	0.769	0.815	0.801	0.545

Source: Warp-PLS 7.0 (2021) data processing output

Furthermore, the second stage of validity testing is carried out, namely testing aspects of discriminant validity. According to Hair et al. (2014) a variable has discriminant validity if the variable indicator has the highest loading value in its own group of variables. The result for discriminant validity test which can be seen on Table 4. This shows that the results of the discriminant validity test are valid.

Table 4. Loading Value for Discriminant Validity

	FDD	KPD	KKP	SPI	BEO	PMI
FDD	0.780					
KPD	-0.153	0.845				
KKP	-0.368	0.631	0.839			

SPI	-0.178	0.510	0.453	0.893		
BEO	-0.268	0.103	0.631	0.510	0.871	
PMI	0.365	-0.435	-0.306	-0.365	-0.292	0.738

Source: Warp-PLS 7.0 (2021) data processing output

b) Reliability Test Result

Reliability testing in this study using Warp-PLS 7.0. The general rule for assessing reliability in reflective constructs if yielded Cronbach's Alpha value and composite reliability value ≥ 0.70 (Hair et al., 2014). The results of the reliability test for all variables yielded Cronbach's Alpha value and composite reliability was ≥ 0.70 , its means that the instrument used to measure all research variables is considered reliable. The result for reliability test which can be seen on Table 5.

Table 5. Reliability Parameter Value

Indicator	Cronbach's Alpha	Composite Reliability
FDD	0.902	0.923
KKP	0.882	0.882
KPD	0.848	0.898
SPI	0.864	0.904
BEO	0.911	0.943
PMI	0.781	0.852

Source: Warp-PLS 7.0 (2021) data processing output

Notes: FDD: Trends in Village Fund Fraud, KKP: Compensation Suitability, KPD: Employee Competence, SPI: Internal Control System, BEO: Organizational Culture, PMI: Moral Reasoning. n=216.

Structural Model Analysis (Inner Model) as a Hypothesis Test

The first evaluation by looking at the Average Path Coefficient (APC), Average R-squared (ARS), Average Adjusted R-squared (AARS). The Goodness of Fit model to be accepted if p-value for APC, ARS, and AARS ≤ 0.05 (Hair et al., 2014). Based on Table 5, it can be obtained that the model is accepted because p-value for APC, ARS, and AARS < 0.001 . The next evaluation is the value of Average block VIF (AVIF) and Average full collinearity VIF (AFVIF) as an indicator of multicollinearity should be 5 and ideally 3.3 is still acceptable (Hair et al., 2014). Based on Table 6, the values of AVIF and AFVIF are 2.144 and 2.324, which means that there is no multicollinearity problem in this research model.

Table 6. Inner Model

Indicator	Value	Condition	Conclusion
Average path coefficient (APC)	0.256, P<0.001	P sig	Accepted
Average R-squared (ARS)	0.210, P<0.001	P sig	Accepted
Average adjusted R-squared (AARS)	0.202, P<0.001	P sig	Accepted
Average block VIF (AVIF)	2.144	Accepted if ≤ 5 , Ideal if ≤ 3.3	Ideal
Average full collinearity VIF (AFVIF)	2.324	Accepted if ≤ 5 , Ideal if ≤ 3.3	Ideal

Tenenhaus GoF (GoF)	0.391	Weak ≥ 0.1 , Medium ≥ 0.25 , Strong ≥ 0.36	Strong Model
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Source: Warp-PLS 7.0 (2021) data processing output

The last evaluation was testing the suitability of the model from the Tenenhaus GoF value. Hair et al. (2014) explains that the above model has a small suitability if it has a value of 0.10, then the medium level if it has a value of 0.25, and a strong suitability if it has a value of 0.36. Table 6 shows the GoF value of 0.391, this means that the research model has a strong suitability of the model.

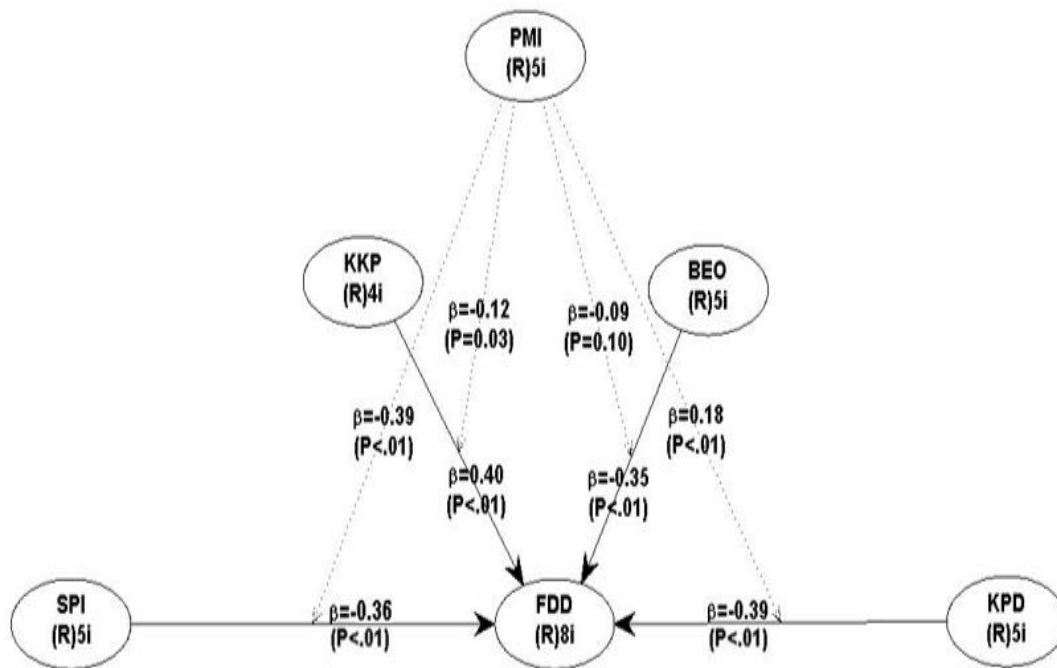


Figure 3. Measurement Model Estimates

Notes: FDD: Trends in Village Fund Fraud, KKP: Compensation Suitability, KPD: Employee Competence, SPI: Internal Control System, BEO: Organizational Culture, PMI: Moral Reasoning.

DISCUSSION

This study has 8 hypotheses (Table 7), the results of statistical analysis using SEM-PLS 7.0 show that all hypotheses are supported. The first hypothesis shows compensation suitability has a positive effect on fraud, which means that this hypothesis is significantly negative supported because it is in the opposite direction to the hypothesis. According to Bologna (1993) in the GONE theory, one of the factor causing fraud is the resilience of each individual, where he will demand to meet needs beyond what he needs and want to live beyond the lifestyle that should be, so even though the compensation given under the type of job or position, he will continue to commit fraud. Most cases of fraud that occur in the government sector are carried out by officials or employees who have high salaries, the cause of employees committing fraud is greed (Greed). The greed factor tends to make a person blind to his actions, justifying any means to be able to fulfill his material desires (Dewayani & Chariri, 2015).

The second hypothesis suggests that moral reasoning can moderate the relationship between compensation suitability and fraud. The results of this study are consistent with the research of (Irianto et al., 2009; Liyanarachchi, 2009; Wilopo, 2006), who show that individuals who have good norm preferences will try to reduce the occurrence of fraud that can harm the organization even though they are under pressure. In contrast to individuals with low moral

reasoning, when they get pressure they will be realistic with the situation so that they choose to commit fraud so that the economic problems they are facing can be resolved, especially if financial pressure occurs because of dissatisfaction with the compensation they receive or tedious work (Wexley & Yukl, 2003).

The third hypothesis shows that the internal control system has a negative effect on fraud. The results of this study confirm the statements of Coram et al., (2008) that organizations that have an internal audit function will be more able to detect fraud, where internal control provides a mechanism to detect the occurrence of fraud either when it occurs or before it occurs because the internal control system is preventive, detective, and directive in nature so that fraud in the organization can be prevented.

The fourth hypothesis suggests that moral reasoning can moderate the relationship between internal control systems and fraud. The results of this study are in accordance with the results of research conducted (Coram et al., 2008; Maroney & McDevitt, 2008b; Puspasari & Suwardi, 2016) when situational factors in the form of an internal control system are carried out effectively, individuals with a low level of moral reasoning will feel afraid of being subject to sanctions so that the perpetrators will implement existing rules, policies, procedures. for the sake of avoiding punishment.

The fifth hypothesis shows that organizational culture has a negative influence on fraud. This is in line with the statement of (Dellaportas, 2013; Dian Fitria & Amilin, 2014; Gibson et al., 2012), which states that an unethical organizational culture will lead to unethical behavior of its members at all levels of the organization so that the number of scandals and fraud will tend to increase, on the contrary, if the organizational culture that is implemented is good or ethical will shape the members of the organization to have a sense of belonging (a sense of belonging) and a sense of identity (a sense of pride as part of an organization) so that they will be reluctant to commit fraud (Sulistiyowati, 2007).

The sixth hypothesis suggests that moral reasoning can moderate the relationship between organizational culture and fraud. The results of this study confirm (Chen & Silverthorne, 2008; Dian Fitria & Amilin, 2014; Sulistiyowati, 2007) statement, which states that a person's understanding of moral in making ethical decisions depends on himself and the organization's situation, a strong organizational culture that supports high ethical standards influence on individual decisions to act ethically. Individuals with a low level of moral reasoning (pre-conventional) may commit fewer offenses if they are constrained by strong rules, laws, job descriptions, and structural norms that do not permit unethical behavior to occur (Kohlberg, 1971).

The seventh hypothesis shows that competence has a negative effect on fraud. Luviana Said & Munandar (2018), state that the ability of employees to utilize information technology and organizational financial supervision can support the quality of financial management for the better. The more competent a person is in carrying out their work, the more likely they will be able to improve the quality of financial management so that fraud does not occur because someone who has competence will use their ability to prevent deviant behavior/fraud (Irianto et al., 2009; Luviana Said & Munandar, 2018; Power, 2013)

The eighth hypothesis shows that moral reasoning can moderate the relationship between competence and fraud. The results of this study are consistent with the results of research conducted by (Liyanarachchi, 2009; Maroney & McDevitt, 2008b; Puspasari & Suwardi, 2016) which shows that individuals with a low level of moral reasoning (pre-conventional) tend to take advantage of their competence to commit fraud by exploiting weaknesses in the internal control system and/or can also use positions, function, or authorized access to large profits (Kohlberg, 1971; Wolfe & Hermanson, 2004).

Table 7. Result of Measurement Model

Hypothesis	β	P-value	R ²	Description
H ₁ : Compensation suitability has a positive effect on fraud.	0.40	p<0.01; Sig. (1%)	0.39	Accepted
H ₂ : Moral reasoning moderates the relationship between compensation suitability and fraud.	-0.12	P=0.01; Sig. (5%)		Accepted
H ₃ : The internal control system has a negative effect on fraud.	-0,36	p<0.01; Sig. (1%)		Accepted
H ₄ : Moral reasoning moderates the relationship of the internal control system to fraud.	-0.39	P<0.01 ; Sig. (1%)		Accepted
Hypothesis	β	P-value	R ²	Description
H ₅ : Organizational culture has a negative effect on fraud.	-0,35	p<0.01; Sig. (1%)	0,39	Accepted
H ₆ : Moral reasoning moderates the relationship between organizational culture and fraud.	-0.09	p=0.097; Sig. (10%)		Accepted
H ₇ : Competence has a Negative effect on fraud.	-0.39	p<0.01; Sig. (1%)		Accepted
H ₈ : Moral reasoning moderates the effect of the relationship between competence on fraud.	0,18	P<0.01; Sig. (1%)		Accepted

*p<0.10; **p<0.05; ***p<0.01

CONCLUSION

This study aims to analyze a person committing fraud in village fund management using the perspective of fraud diamond theory which is proxied using organizational culture variables, internal control systems, competencies, and organizational culture and the role of moral reasoning as a moderating variable. Based on the results of testing and data analysis indicate that compensation has a positive effect on fraud in village fund management, which means that the higher the mismatch of compensation received, the higher the motivation of a person to commit fraud. Furthermore, organizational culture, internal control system, and competence have a negative effect on fraud in village fund management, which means that the higher the organizational culture, internal control, and competence, the lower a person's motivation to commit fraud. Meanwhile, moral reasoning is able to moderate compensation, organizational culture, internal control system, and motivation for someone to commit fraud.

This study has several limitations and suggestions for further research. The limitation in this study is that the terms used in this study were made based on the perceptions of the respondents, so that the respondent's bias on the answers given was quite high. Therefore, it is necessary to conduct interviews to confirm the answers given by the respondents so that the data obtained is more accurate. Further research is also expected to be expanded by using the most recent theory related to fraud and variables in research that have not been included in this research so that the research results can provide a more complete picture of matters relating to a person's motivation to commit fraud.

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