



THE EFFECT OF INTERNAL CONTROL, INTEGRITY, INFORMATION ASYMMETRICITY ON THE TENDENCY OF ACCOUNTING FRAUD

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Abstract

This study aims to examine the influence of internal control variables, integrity, and information asymmetry on the tendency of accounting fraud in the Regional Apparatus Organization (OPD) of the Jambi Provincial Service. This study uses purposive sampling. The sample of this study consisted of the head of the service, secretary, and head of the finance and asset section for each OPD of the Jambi Provincial Service. Data collection was conducted by distributing questionnaires to 54 respondents; only 41 were usable. Data processing used SPSS 22.0 software. The results of the instrument quality test, which included validity and reliability tests, demonstrated that all question items were both valid and reliable. The results of the hypothesis test showed that simultaneously, the performance measurement system, Integrity, and Information Asymmetry influenced the Tendency of Accounting Fraud. In contrast, the Internal Control variable did not significantly affect the tendency towards accounting fraud.

Keywords: Internal Control, Integrity, Information Asymmetry, Accounting Fraud Tendency

INTRODUCTION

Reforms in government institutions began to be implemented with the issuance of several legal bases, including regulations on autonomous regions, the introduction of technological devices to accelerate organizational processes, and the adoption of organizational systems based on good governance. One of the primary pillars of sound governance is accountability. Accountability can be understood as a form of accountability for the implementation of the organization's mission in achieving previously set goals and objectives, through a periodic accountability mechanism. One form of government accountability to the public is through financial reports that track financial management activities within government institutions. The phenomenon that occurred in the development of the public sector in Indonesia after the reformation was the strengthening of demands for accountability for public institutions, both at the center and in the regions. Regional autonomy has changed the State's financial management system from centralization to decentralization (Dewi and Ratnadi, 2017).

Weak accountability can lead to accounting fraud. Accounting fraud refers to intentional accounting errors made to mislead readers or users of financial statements. This aim is carried out with negative motivation. Certain parties will take individual advantage of the accounting fraud. According to the Association of Certified Fraud Examiners (ACFE), accounting fraud can be classified into three types: fraud in financial statements, misuse of assets, and corruption. According to a survey conducted by ACFE Indonesia, the most prevalent form of fraud in Indonesia is corruption. The following table (Table 1.1) presents the types of fraud and the number of fraud cases in Indonesia.

Table 1
Data on Types of Fraud and Number of Cases Occurring in Indonesia

No.	Jenis Fraud	Jumlah Kasus	Persentase
1.	Korupsi (<i>corruption</i>)	178	77%
2.	Penyalahgunaan Aktiva /Kekayaan Organisasi (<i>Asset missappropriation</i>)	41	19%
3.	Kecurangan Laporan Keuangan (<i>Financial Statement Fraud</i>)	10	4%

Source: ACFE (2016)

Table 1.1 above shows that the percentage of cases resulting from corruption reaches 77%, while accounting fraud due to the misuse of organizational assets/wealth accounts for 19%, and financial statement fraud ranks third with 4%. Accounting fraud cases certainly have an impact on losses. The number of losses arising from fraud is presented in Table 1.2 below.

Table 2
Fraud Losses Based on Fraud Type

		Korupsi (<i>corruption</i>)	Penyalahgunaan Aktiva /Kekayaan Organisasi (<i>Asset missappropriation</i>)	Kecurangan Laporan Keuangan (<i>Financial Statement Fraud</i>)
1	< Rp 10 Juta	5	2	0
2	Rp 10 juta sampai dengan Rp < 50 Juta	11	6	0
3	Rp 50 juta sampai dengan < Rp 100 Juta	18	7	0
4	Rp 100 juta sampai dengan < Rp 500 juta	36	11	0
5	Rp 500 juta sampai dengan Rp Rp 1 milyar	32	7	2
6	Rp 1 milyar sampai dengan Rp 5 milyar	29	4	1
7	Rp 5 milyar sampai dengan Rp 10 milyar	16	2	0
8	> Rp 10 milyar	23	9	4

Source: ACFE (2016)

Table 1.2 above explains that the impact of losses from accounting fraud is enormous, reaching more than IDR 10 billion. Accounting fraud losses are sorted from the largest to the smallest,

arising from corruption cases, misuse of organizational assets/wealth, and financial statement fraud.

Accounting fraud cases also occurred in the Jambi Regional Government. This corruption case has attracted national attention. The Corruption Eradication Commission revealed that it has investigated a bribery case involving Jambi Governor ZZ. The investigation concerned bribery in the ratification of the Jambi Provincial Budget Draft for the 2018 Fiscal Year. The KPK then found sufficient preliminary evidence to elevate the investigation's status and named two suspects, namely ZZ and Ar. The bribes allegedly received by ZZ and AR previously amounted to Rp 6 billion. The case involving the two suspects is a development of the bribery case for the ratification of the 2018 Jambi RAPBD. The KPK suspects that the bribe ZZ received was used to bribe members of the Jambi DPRD to attend the ratification meeting for the 2018 Jambi R-APBD. ZZ and Ar are suspected of violating Article 12B of Article 11 of Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption, as amended by Law Number 20 of 2001, in conjunction with Article 55, paragraphs 1 to 1 of the Criminal Code (Belarminus, 2018).

Another case related to the BPK's findings on the Jambi Provincial Government's Financial Report for the 2017 fiscal year. The BPK identified several weaknesses in internal control and non-compliance with significant laws and regulations that required improvement and follow-up. Management of BOS funds at the Education Office that did not comply with the provisions stipulated in the circular of the Minister of Home Affairs, administration, and presentation of fixed assets obtained from the transfer of authority were inadequate, procurement of teaching aids or vocational school practices through direct appointment at the Jambi Provincial Education Office did not comply with the provisions of IDR 3.20 billion. The lack of work volume in 14 work packages at the PU PR office amounted to IDR 4.803 billion. This indicates that the integrity of the State's civil apparatus remains low, resulting in a lack of work that can harm the State. Weak internal controls, a lack of integrity within the State civil apparatus, and an imbalance in financial information between the implementing government and the supervisory party make fraud more likely (Djalil, 2018). Several previous studies have examined factors that influence the tendency towards accounting fraud. The factors suspected of influencing the tendency towards accounting fraud are internal control, integrity, and information asymmetry.

Internal control refers to the use of all company resources to improve, direct, control, and supervise various activities, to ensure that company goals are achieved. Internal control plays a crucial role in preventing and detecting fraud, as well as protecting both tangible and intangible assets of the company. Research conducted by Dewi and Ratnadi (2017) found that internal control reduces the tendency of accounting fraud. This means that internal control can reduce the tendency of accounting fraud. This means that if internal control in SKPD is improved, the tendency for

accounting fraud will decrease.

Another factor that influences the tendency toward accounting fraud is integrity. Integrity is a strong personal commitment to ethical and ideological principles, becoming part of one's self-concept that is displayed through one's behavior. Research conducted by Dewi and Ratnadi (2017) found that integrity reduces the likelihood of committing accounting fraud. The most effective approach to eradicating corruption worldwide remains efforts to improve governance standards through the National Integrity System. The National Integrity System is a framework comprising the pillars of the government or organizational system that, in its implementation, upholds integrity to maintain the institution's authority. The principle of integrity requires a person to possess a personality characterized by honesty, courage, wisdom, and responsibility, thereby providing a foundation for reliable decisions.

Information asymmetry is also thought to influence the tendency of accounting fraud, in addition to internal control and integrity. Information asymmetry refers to the imbalance in information held by managers and supervisors, where supervisors often lack sufficient information about their managers' performance. In contrast, managers possess more information about their own capacity, work environment, and the company as a whole. Information asymmetry is a situation where parties within the company have better information than parties outside the company (stakeholders). If this situation arises, it will create opportunities for parties within the company to commit fraud (Kaukab & Damayanti, 2015). Research conducted by Kaukab and Damayanti (2015) suggests that information asymmetry is positively correlated with the tendency towards accounting fraud, indicating that the higher the information asymmetry, the greater the tendency towards accounting fraud.

Based on the background and previous research, as well as the phenomena that occur, the researcher is interested in conducting a study entitled "The Influence of Internal Control, Integrity, and Information Asymmetry on the Tendency of Accounting Fraud (Study on Regional Apparatus Organizations (OPD) of the Jambi Provincial Government Office)".

Implication: To reduce the risk of fraud in the public sector, strengthening ethical integrity and reducing information asymmetry must become core priorities. These practices, supported by rigorous internal control systems, will enhance transparency, foster public trust, and safeguard public resources.

Formulation of the problem

The formulation of the research problem involves determining how internal control, integrity, and information asymmetry simultaneously and partially influence the tendency towards accounting fraud in the Regional Service Organization of Jambi Province.

Research purposes

Based on the formulation of the problem, the purpose of this study is to determine the extent to which internal control, integrity, and information asymmetry simultaneously and partially influence the tendency towards accounting fraud.

RESEARCH METHODS

Contains the type of research, time and place of research, targets/objectives, research subjects, procedures, instruments, and data analysis techniques, as well as other matters related to the method of research. Targets/objectives, research subjects, procedures, data and instruments, data collection techniques, data analysis techniques, and other matters related to the research method can be organized into sub-chapters with subheadings. Sub-subheadings do not need to be notated, but are written in lowercase with a capital letter, TNR-11 bold, left aligned. For example, this is illustrated in the figure below.

Research Design

The research approach used in this study is qualitative

Research Target/Subject

The objects to be studied in this study are the variables related to the study, namely internal control, integrity, and information asymmetry, which are independent variables, and the tendency of accounting fraud is the dependent variable. The subjects of this study are the OPD of the Jambi Province Office. A population is a group of people, events or anything that has specific characteristics (Indriantoro & Supomo, 2014). The population in this study consisted of all civil servants (PNS) from 18 registered departments in Jambi Province. The sample is a subset of the numbers and characteristics possessed by the population (Indriantoro & Supomo, 2014).

Instruments and Data Collection Techniques

The type of data used in this research is primary data, namely, research data sources obtained directly from sources without going through intermediary media. The data used in this study are primary data, obtained by providing a list of questions to respondents and sending questionnaires to the Head of Service, Secretary, and Head of Finance and Asset Sub-Division of each OPD in Jambi Province Service.

Operational Definition of Variables

A variable is an attribute, characteristic, or value of a person, object, or activity that exhibits variations, as determined by the researcher, to be studied, and conclusions are drawn (Sugiyono, 2011). The variables used in this study are independent variables (independent) and dependent variables (dependent).

Data analysis technique

1. Descriptive Statistics

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution skewness) (Ghozali, 2011).

2. Validity Test

Validity test is used to measure the validity of a questionnaire. A questionnaire is considered valid if the questions on the questionnaire accurately measure what they intend to measure (Ghozali, 2011).

3. Reliability Test

Reliability testing is the next step. The primary purpose of reliability testing is to determine the consistency or regularity of the measurement results of an instrument if the instrument is used as a measuring tool for an object or respondent. (Sugiyono, 2011).SPSS provides facilities to measure reliability with the Cronbach Alpha (α) statistical test. A construct or variable is said to be reliable if it provides a Cronbach's Alpha value > 0.70 (Ghozali, 2011).

Hypothesis Testing

Multiple Regression Analysis

The data analysis method used in the study is multiple regression analysis, which was performed using the SPSS 22.0 for Windows program. Multiple regression is based on the functional or causal relationship between one independent variable and one dependent variable (Sugiyono, 2011). The Equation used is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \dots\dots\dots(1)$$

Information:

- Y = Propensity for accounting fraud
- α = Constant
- $\beta_1-\beta_2-\beta_3$ = Regression Coefficient
- X_1 = Internal control
- X_2 = Integrity
- X_3 = Information asymmetry
- e = error

1. F Test

Simultaneous (overall) hypothesis testing determines whether the independent variables, collectively, have an impact on the dependent variable (Ghozali, 2014). The steps for testing the hypothesis are:

- a. Determining F-count based on the output results of the regression analysis

- b. The significance level (α) is 0.05 or 5% to test whether the hypothesis proposed in this study is accepted or rejected.
- c. Testing criteria
 1. If sig. < 0.05 means H_0 rejected
 2. If sig. > 0.05 means H_0 accepted

2. t-test

To answer the second, third, and fourth problem formulations, the t-statistic test will be used. The individual parameter test (t-test) is used to determine whether an individual variable affects the dependent variable, assuming that other independent variables are held constant (Ghozali, 2014). From the SPSS output, the next step is to compare the t values count with the t-table at a 95% confidence level ($\alpha = 0.05$) with the decision criteria:

1. If sig. > 0.05: H_0 accepted
2. If sig. > 0.05: H_a is accepted

Another alternative for accepting or rejecting the formulated hypothesis is to examine the significance (p-value) of each independent variable at a significance level of $\alpha = 0.05$. If the significance level is smaller than $\alpha = 0.05$, then H_0 is rejected or H_a is accepted, meaning that partially the independent variable has a significant effect on the dependent variable.

3. Coefficient of Determination Test (R^2)

The determination coefficient test (R^2) is conducted to assess the model's ability to explain the variation in the dependent variable (Ghozali, 2011). R^2 value is between 0 and 1. The closer the value is to 1 or 100%, the greater the independent variable's influence on the dependent variable. To determine the magnitude of the independent variable's influence on the dependent variable, the determination coefficient value, indicated by the Adjusted R-Squared (R^2) value, can be observed.

RESULTS AND DISCUSSION

Test Results

This study examines the influence of Internal Control (X1), Integrity (X2) and Information Asymmetry (X3) on the Tendency of Accounting Fraud in Regional Apparatus Organizations (OPD) of Jambi Province. The first hypothesis in this study is the influence of Internal Control, Integrity, and Information Asymmetry on the Tendency of Accounting Fraud. The second hypothesis: Internal Control and the Tendency toward Accounting Fraud. The third hypothesis: Integrity and the Tendency to Commit Accounting Fraud. The fourth hypothesis: Information Asymmetry and the Tendency toward Accounting Fraud.

Hypothesis Testing

The Influence of Internal Control, Integrity and Information Asymmetry on the Tendency of Accounting Fraud

The results of testing the influence of Internal Control, Integrity, and Information Asymmetry on the tendency to commit accounting fraud indicate that the calculated F-value is 7.035, with a significant p-value. Value of $0.001 < 0.05$. Thus the sig. Value < 0.05 ; then H_0 is rejected and H_a is accepted. This means that Internal Control (X1), Integrity (X2) and Information Asymmetry (X3) simultaneously have a significant effect on the Tendency of Accounting Fraud in the Regional Apparatus Organization (OPD) of the Jambi Provincial Service.

The Influence of Internal Control on the Tendency of Accounting Fraud

The results of this study indicate that internal control (X1) does not significantly affect the tendency towards accounting fraud. This is evident from the regression coefficient value for the Internal Control variable, which is -0.185. The market count of the Internal Control variable (X) is -1.645, which is significant. $0.108 > 0.05$, then H_2 is rejected. This means that Internal Control does not affect the Tendency of Accounting Fraud.

The results of this study are supported by Ahriati, Basuki and Widiastuty (2015), who found that internal control does not affect the tendency of accounting fraud.

The Influence of Integrity on the Tendency of Accounting Fraud

The results of this study demonstrate that integrity (X2) has an impact on the tendency towards accounting fraud. This is evident from the regression coefficient value of the Integrity variable, which is -0.525. Markt count of Integrity variable(X)as big as-2,343and sig. $0.025 < 0.05$, then H_3 is accepted. This means that Integrity affects the Tendency of Accounting Fraud (H_3 accepted).

The results of this study align with research conducted by Dewi and Ratnadi (2017), who found that integrity hurts the tendency to commit accounting fraud.

The Influence of Information Asymmetry on the Tendency of Accounting Fraud

The results of this study demonstrate that information asymmetry (X3) has an impact on the likelihood of accounting fraud. This is evident from the regression coefficient value of 0.682. The calculated t-value of the Information Asymmetry variable (X3) is 2.763, and the significance is $0.009 < 0.05$, so H_4 is accepted. This means that Information Asymmetry influences the Tendency of Accounting Fraud (H_4 is accepted).

The results of this study align with those of Kaukab and Damayanti (2015), who found that information asymmetry has a positive effect on the tendency towards accounting fraud, suggesting that higher information asymmetry is associated with a greater tendency towards accounting fraud.

CONCLUSION

This study examined the influence of internal control, integrity, and information asymmetry on the tendency of accounting fraud in the Regional Apparatus Organizations (OPD) of the Jambi Provincial Government. The results reveal that integrity and information asymmetry significantly affect the tendency of accounting fraud, while internal control does not exhibit a statistically significant influence. Specifically, higher levels of integrity reduce the likelihood of fraud, whereas greater information asymmetry increases the risk of fraudulent behaviour. These findings suggest that ethical values and transparency within an organization are critical in preventing accounting fraud, potentially more so than formal control systems alone.

The implications of this research are twofold. First, public institutions must emphasize the importance of strengthening ethical standards and fostering a culture of integrity among their civil servants. Second, efforts to reduce information asymmetry—by improving communication, ensuring balanced access to financial data, and increasing transparency—are essential to mitigating fraud risk. While internal control remains an important structural mechanism, its effectiveness may be compromised if a strong ethical framework and an open flow of information do not support it.

Suggestions

Future studies should consider expanding the sample size to include a broader range of government institutions or even private sector organizations to enhance generalizability. In addition, qualitative research approaches, such as interviews or focus group discussions, could offer richer insights into why internal control systems may fail to deter fraud despite their formal presence. Subsequent research could also explore additional psychological or organizational factors such as moral reasoning, organizational justice, leadership style, or whistleblower protection mechanisms. Incorporating longitudinal data would help determine whether improvements in integrity and transparency over time correspond to measurable declines in fraud incidence.

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