



Determinants of Fraud in the Village Government: The Pentagon's Fraud Perspective

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Abstract

Objective– This study aims to examine and analyze the factors that influence fraud from a pentagon fraud perspective in the Village Government of Kampar Kiri District, Riau Province, Indonesia. The variables used in this study are the suitability of compensation which is a proxy for pressure, the effectiveness of the internal control system is a proxy for opportunity, organizational culture is a proxy for rationalization, competence is a proxy for ability and leadership style is a proxy for arrogance.

Design/methodology– The population in this study were all villages in Kampar Kiri District, Riau Province, Indonesia. Respondents in this study were village apparatuses in the Kampar Kiri district. A total 90 respondents participated in this study spread across 19 villages. Data was collected using a questionnaire sent to respondents. Meanwhile Structural Equation Modeling (SEM) analysis with SmartPLS analysis version 3.2.6 was utilized to analyze the data.

Results – The results of this study indicate that the suitability of compensation, the effectiveness of the internal control system, organizational culture, competence and leadership style affect the fraud on the village government.

Research limitations/Implication – This research was only carried out in the village of Kampar Kiri and only five variables were used as a proxy for the fraud pentagon. This research implies that policies need to be further strengthened to reduce the occurrence of fraud in the village government.

Novelty/Originality - This research was conducted in a village government environment in the Kampar Kiri sub-district of Riau Province. The crowd of fraud in the village administration has disrupted public services and community welfare. Previous research has focused more on local government hence research at the village government is interesting and pertinent to study.

Keywords: Fraud, Suitability of Compensation, Effectiveness, Internal Control System, Organizational Culture, Competence, Leadership Style

1. Introduction

Village government is the lowest implementing agency and is a subsystem of the government administration system. The government has the authority to regulate and manage the interests of its people. Village governance consists of three important components that support one another in carrying out village governance. The component consists of the village head, village apparatus and village consultative board. As stated in the law of the Republic of Indonesia number 6 of 2014 article 48 concerning village officials, has placed the village as the foundation of development and improvement of people's welfare. One of the government's efforts to do equal distribution throughout the territory of Indonesia is realized through village funds specifically allocated in the APBN. The village apparatus as a person who works in the village administration, is also responsible for managing village funds and their residents in order to improve village welfare and infrastructure.

However, the fact that occurs is inversely proportional to the implementation of regional autonomy. There are still many deviations taken by government officials.

This person actually has an important role in achieving the objectives of government. Lately, corruption cases often occur in the village governments which is carried out by the village government officials themselves. Indonesia Corruption Watch states that, the village fund budget sector accounts for the largest corruption cases compared to other sectors, which is 96 corruption cases. It also became one of the biggest contributors to state losses in 2018.

In addition, Indonesia Corruption Watch states that village heads are the most common actors cheating on village governments. In 2015 until 2019, fraud committed by village heads continued to experience an increase. To date, there are at least 141 village heads involved in corruption of village funds. In addition to the village head, ICW identified the potential for corruption by other parties, namely village officials and the village head's wife.

This research is motivated by the concern about the trend of corruption cases which is increasing from year to year by village officials. The existence of this phenomenon causes researchers to be interested in conducting further research. Previous research studies have examined fraud in earnings companies listed on such stock exchanges Sari & Wiksuana (2018), Tiffani & Marfuah (2015), Mardianto & Tiono (2019), Puspitaningrum et al., (2019). Research on fraud in the public sector is also mostly focused on local governments such as Dewi (2017), Urumsah et al., (2018), Siregar & Hamdani (2018), Zulkarnain (2013) etc., and only a few have conducted research on fraudulent behavior. carried out by the village government. Unlike the previous research, this research was conducted within the village government. The number of fraud cases within the village government has disrupted public services and community welfare.

Until now, there has been little research done in the village government to explore this case, especially using the pentagon fraud theory. Cressey 1953 in Albrecht et al., (2010) introduced the concept of the fraud triangle with three factors that influence the occurrence of fraud, namely pressure, opportunity, and rationalization. The fraud triangle model was then developed in a study conducted by Lou & Wang (2011), Roden et al., (2016), Nuruddinia & Isna (2021), and Tiffani & Marfuah (2015) which explain that the occurrence of fraud can be caused by these three factors. Then Wolfe & Her-manson (2004) introduced the fraud diamond concept by adding one of the factors that influence fraud, namely capability.

In 2011 Crowe Howarth raised the Fraud Pentagon by adding arrogance factors that also influenced the occurrence of fraud. The five elements in the deception Pentagon are pressure, opportunity, rationalization, ability, and self-worth. This study uses the Fraud Pentagon to detect fraud. In this study, the suitability of compensation as a proxy for pressure, the effectiveness of the internal control system as a proxy for opportunities, organizational culture as a proxy for rationalization, competence as a proxy for ability, and leadership style represent arrogance. Albrecht et al., (2010) exemplifying financial stress can motivate fraud such as greed, lifestyle demands, large expenses or personal debt, bad credit, personal financial losses, and inability to meet financial forecasts. Therefore, the suitability of compensation can be said to be a factor that becomes a pressure. Previous research has shown that the suitability of compensation has an effect on the occurrence of fraud (Albar & Fitri, 2018; Desviana et al., 2020; Egita & Mahfiroh, 2018) but research Siregar & Hamdani (2018); Hayatunupus & Mandasari (2020) shows that compensation has no effect on fraud.

Opportunities are proxied by the effectiveness of the Internal Control System. Opportunities arise because of weak internal controls in detecting or preventing fraud in the organization. According to Karyono (2013) that someone who has sufficient motivation will not commit illegal/fraudulent acts, but the opportunity allows potential perpetrators to commit fraudulent acts. Rationalization is proxied by organizational culture. Research shows that implementing an internal control system can reduce the occurrence of fraud (Mailoor et al., 2017; Siregar & Hamdani, 2018) but research

Mahendra et al., (2019) shows that the effectiveness of internal control does not affect the occurrence of fraud.

According to Karyono (2013) rationalization is an important component in many frauds, rationalization causes fraudsters to seek justification for their actions. This study uses organizational culture as a proxy for rationalization. Culture is a norm that is adopted in the organization. If the organization has an ethical culture, then the act of committing fraud is despicable so that an ethical culture can reduce the occurrence of fraud. The results showed that culture had an effect on the occurrence of cheating (Siregar & Hamdani, 2018). However, the research results also show that culture does not influence one's behavior to cheat (Desviana et al., 2020).

The ability is shown by competence Njonjie et al. (2019) stated that the competence of the apparatus needs to be considered in the fraud prevention system. A person's competence can show how he behaves. The results showed that high competence can reduce the occurrence of cheating (Desviana et al., 2020; Wonar et al., 2018) but research also shows that competence has a negative effect on fraud (Njonjie et al., 2019; Wirakusuma & Setiawan, 2019).

Arrogance is proxied by the leadership style variable. Howarth, (2011) suggests that there are five elements of arrogance from the perspective of the CEO/leader, one of which is leadership style. Research results Zulkarnain (2013) and Dewi (2017) shows that leadership style has a negative effect on fraud, but research Desviana et al. (2020) shows that leadership style has no effect on fraud.

Previous research still shows inconsistent results. Therefore, this study aims to examine and analyze the influence of fraud factors in the pentagon perspective of fraud as proxy for suitability of compensation, effectiveness of internal control, competence, organizational culture and leadership style on fraud in the Village Government of Kampar Kiri. This research is expected to provide input to the village government in detecting fraud against the behavior of village officials, so as to prevent fraud.

The remaining of this paper is structured as follow. Next section elaborates theoretical framework and hypotheses development. Research method will be briefly explained in the following section. Next, results and discussion will be presented and ended with a section on conclusions.

2. Theoretical Framework and Hypotheses Development

A fraud is a form of corruption that often occurs to the government. Corruption or riot is the action of public officials, both politicians and public servants, as well as other parties involved in such actions that unreasonably and illegally abuse the trust of the public that is authorized to them for unilateral benefits. Corruption that often occurs is in the form of recording manipulations and mark-ups that are detrimental to the country's economy. In Indonesia, corruption has become a culture that has long been embedded, not only involving central institutions but also involving the institutions underneath (Oktavia, 2018).

According to Karyono, (2013) fraud contains the meaning of a deviation and an illegal act, which is committed intentionally for a specific purpose such as misleading or misleading others, done by people both inside and outside the organization.

To find out the factors that cause fraud, researchers used the pentagon theory fraud approach. This theory is the most recent theory in detecting the occurrence of fraud. Pentagon fraud theory put forward by Crowe Horwart in 2011, this theory is a refinement of the two previous theories namely fraud triangle and fraud diamond. This theory adds one element of fraud, namely arrogance. So in the fraud model found by Crowe consists of five indicator elements, namely pressure, opportunity, rationalization, capability, and arrogance.



Figure 1. Fraud Pentagon Theory

Source: Fraud Pentagon Theory (Crowe, 2011)

Compensation and Fraud

Howarth (2011) in Pentagon theory fraud says that one of the reasons a person commits fraud is because of an effort to meet the needs beyond his ability. In their research, Wexley & Yuki (2003) state that dissatisfaction due to inadequate compensation or tedious work can also support incidents of theft by workers. According to Sastrohadiwiryono in his book Yuniarsih (2020), compensation is the only compensation or retribution provided by the company to the workers, because these workers have contributed their energy and thoughts for the progress of the organization in order to achieve the goals set. Appropriate compensation will encourage employees to act in accordance with statutory provisions so as to reduce fraud in an organization.

Providing compensation in accordance with work performed or responsibilities carried out by employees is expected to make employees feel fulfilled their needs, so that it will improve employee performance and reduce fraud. Research conducted by Desviana et al., (2020); Indriani et al., (2016); Zulkarnain, (2013) found the influence of Compensation Suitability on Fraud on the government. Based on the description above, it is hypothesized:

H1 : Compensation suitability affects fraud on the village government.

Effectiveness of the Internal Control System and Fraud

The opportunity arises due to the weakness of the internal control system in preventing and detecting fraud in the organization. The village government must implement PP No 8 of 2006, which states that the existence of internal control makes a tool in achieving effectiveness, efficiency and adherence to applicable regulations.

An ineffective Government Internal Control System will provide an opportunity for employees to commit fraud, this is in accordance with the factors driving the opportunity for employees to commit fraud that is utilizing a weak internal control system. The design, implementation and maintenance of an internal control by TCWC, management, and other employees (those charge with governance) to deal with business risks and fraud risks that can threaten institutions failing to achieve their goals (Tuanakota, 2015: 93).

(Joseph et al., 2015) recommends that effective and efficient internal control policies and procedures must be implemented to prevent and detect fraud in the treasury of agencies. In addition, effective internal control will close the opportunity for a tendency to cheat in accounting.

Research conducted by Zulkarnain (2013) and Siregar & Hamdani (2018) found the effect of the effectiveness of the Internal Control System on Fraud in government. Based on the description above, it is hypothesized:

H2 : The effectiveness of the internal control system affects fraud on the village government.

Organizational Culture and Fraud

Robbins & Judge (2015: 524) defines organizational culture as a shared perception shared by members of the organization, so that this perception becomes a system and shared meaning among its members. If in an organization doing things that are in violation of the norm is a common and common thing, then it indicates someone to commit an act of fraud. Actions violating these norms can indicate fraud, so that the perpetrators will rationalize their actions is not wrong because it is in accordance with what is customary in the organization. And vice versa, if in an organization has instilled the values that

a fraud is an unethical act and harms many parties, then the clerk in the organization will not commit fraud.

Research conducted by Siregar & Hamdani (2018) found the influence of Organizational Culture on Fraud in government. Based on the description above, it is hypothesized:

H3 : Organizational culture affects fraud on the village government.

Competence and Fraud

According to the Indonesian National Work Competency Standards competency is a statement about how a person can demonstrate: his skills, knowledge and attitudes in the workplace in accordance with industry standards or in accordance with the conditions set by the workplace.

According to Spencer and Spencer (2008) in Njonjie et al., (2019), apparatus competency needs to be considered in a fraud prevention system. Competence is the basis of a person's characteristics and indicates how to behave, think, equate situations, and support for long periods of time.

If the apparatus is equipped with good competence, fraud that may occur can be reduced. Because the competencies possessed by appropriate employees in an organization or agency can create work effectiveness. Employees who are competent and have good work skills will support the achievement of the goals of the organization or agency so that it is far from actions that can harm the organization or agency where it works. Research conducted by Desviana et al., (2020); Njonjie et al., (2019); Oktavia (2018) which states Competence has a significant effect on fraud.

Based on the description above, it is hypothesized:

H4 : Competence influences fraud on the village government.

Leadership Style and Fraud

According to Thoha (2013: 49) that leadership style is the norm of behavior used by a person when that person tries to influence the behavior of others as he sees it. Aditya (2013), in his research said that to form an ethical environment that is far from fraud requires a figure of a good leader in the eyes of employees, an employee who has a bad perception of the leadership style of his leader, then the employee will tend to do things which will harm the company, in this case committing fraud. The attitude of subordinates will follow the attitude of the leadership. The more appropriate leadership style used by a leader will reduce the risk of fraud. Research conducted by Aditya (2013); Gibson et al. (2012); Sudibyo (2020) which states that the Leadership Style influences fraud.

Based on the description above, it is hypothesized:

H5 : Leadership style influences fraud on village government.

Research Models

The systematic process of conducting this research can be described in the following scheme:

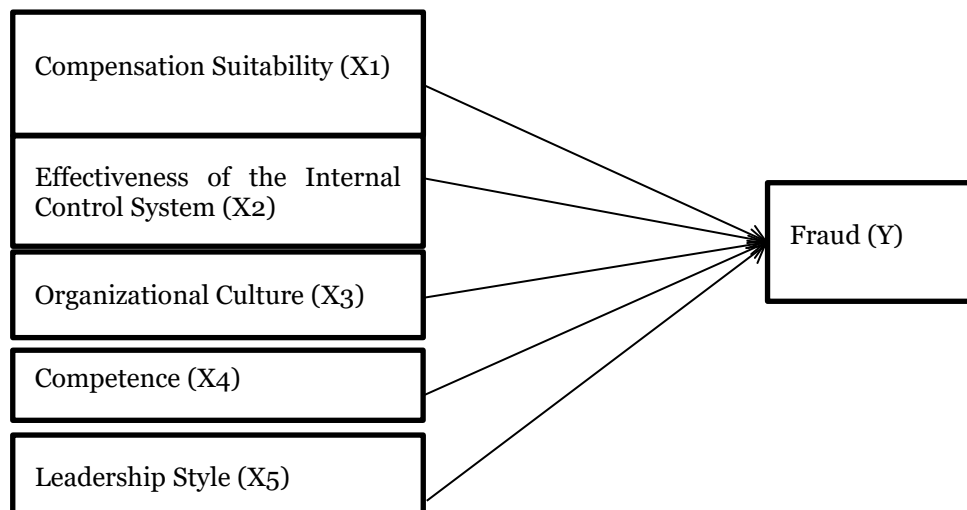


Figure 2. Research Framework

3. Research Method

Population, Samples and Data Collection Techniques

The population in this study was the village apparatus in the 19 villages in the Kampar Kiri District, Riau Province, Indonesia which consisted of village heads, village secretaries, regional executor and technical executive. Total population in the study were 114 village apparatus. The sampling technique in this study is saturated sampling in which all members of the population are sampled.

Data collection using the technique of personally administered questionnaires by way of delivering directly to the respondent. The questionnaire distributed was classified as a closed questionnaire, that is a questionnaire in which the answer to the question was provided and the respondent only filled in by giving a mark to the choice of answers according to him.

Measurement of Variables

Fraud

According to the Association of Certified Fraud Examiners (2014), A fraud is defined as acts against the law committed by people from inside and outside the organization with a specific purpose (manipulation or giving false reports to other parties) to gain personal or group benefits that are directly or indirectly will harm other parties. The indicator in measuring fraud refers to the 2016 Association of Certified Fraud Examiners (ACFE) developed by Zulkarnain (2013) 1) misrepresentation of assets, 2) false statements or misstatements, 3) corruption. This variable is measured based on the likert point 5 from 1 (strongly disagree) to 5 (strongly agree) with 7 question items.

Compensation Suitability

Compensation suitability instruments refer to Gibson et al., (2012). Compensation suitability is measured by indicators used by Mustikasari (2013) promotion, completion of tasks from superiors, personality development. Company recognition for success in carrying out work, financial compensation. This variable is measured based on a Likert scale of points 5 from 1 (strongly disagree) to 5 (strongly agree) with 5 question items.

Effectiveness of the Internal Control System

The instrument used to measure the effectiveness of internal control consists of 6 question items developed from IAI's SPAP Section 319 (2001), with indicators adopted from the Committee of Sponsoring Organizations (COSO, 2013) namely: control environment, risk assessment, control activities, information and communication, and monitoring. This variable is measured based on a Likert of points 5 from 1 (strongly disagree) to 5 (strongly agree).

Organizational Culture

The instrument used to measure organizational culture consists of five question items developed by Robbins & Judge (2015), with indicators namely: visible role models, communication of ethical expectations, ethical training, punishment for ethical actions, and ethical protection mechanisms. This variable is measured based on Likert of points 5 from 1 (strongly disagree) to 5 (strongly agree)

Competence

The instruments used in competency measurement refer to Wolfe & Hermanson (2004) and used by Indriani et al., (2016) with indicators of understanding work methods, work procedures, work processes, understanding work plans and targets, understanding other parts of work processes, understanding / ability about organizational situations and problems, adaptability, self-control and cooperation, ability to convey main ideas and thoughts, mastery of equipment and information technology. This

variable is measured based on a Likert of points 5 from 1 (strongly disagree) to 5 (strongly agree).

Leadership Style

The instrument used in measuring Leadership Style refers to the Leadership Style survey in Sudibyo (2020). The leadership style variable is measured by indicators developed by Fiedler in Robbins (2009) which consist of the relationship between leaders and subordinates, task structure, position of power, delegation of tasks, and leader ethics. This variable is measured based on a Likert scale of 5 from 1 (very not agree) to 5 (strongly agree) with 9 question items.

Data Analysis Technique

Data processing in this study will use Structural Equation Modeling (SEM) analysis using smart PLS software. Structural Equation Modeling (SEM) - PLS is a method used to cover weaknesses in the regression method. According to research method experts, Structural Equation Modeling (SEM) is grouped into two approaches, namely the Covariance Based SEM (CBSEM) approach and Variance Based SEM or Partial Least Square (PLS). Partial Least Square is a powerful analysis method which in this method is not based on many assumptions. The PLS (Partial Least Square) approach is distribution free (it does not assume certain data, it can be nominal, category, ordinal, interval and ratio) (Ghozali, 2014). The PLS test consists of an outer model and an inner model. Outer model (measurement model) consists of validity and reliability tests. While the inner model consists of r square testing and hypothesis testing by looking at the t significance test.

4. Result and Discussion

Respondent's demographics

A total of 90 responses (78.94%) from 114 questionnaires were distributed again. From the questionnaire that can be processed and used as hypothesis testing, it can be seen the characteristics of the respondents shown in table 1 below:

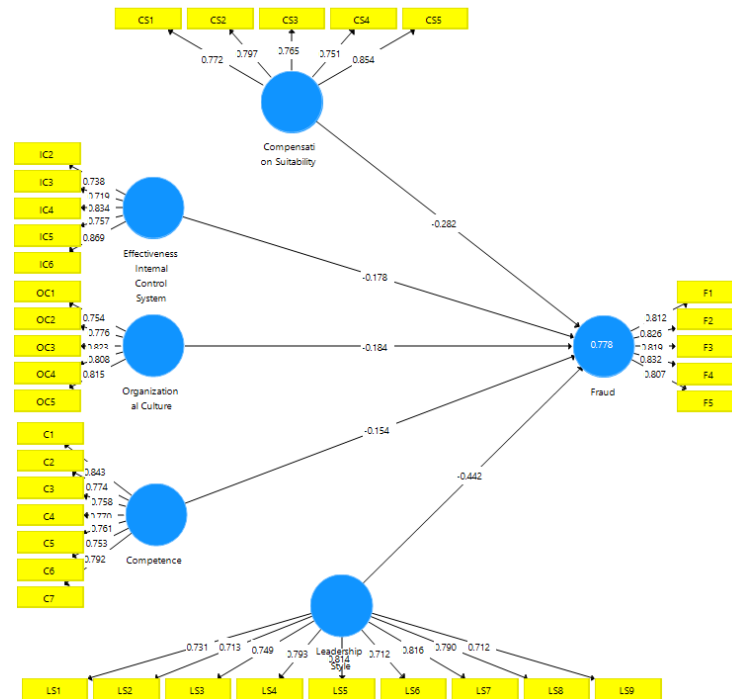
Explanation	Total	Percentage
Sex		
➤ Male	76	84,44%
➤ Female	14	15,55%
Age:		
➤ < 30	27	30%
➤ 31-40	38	42,22%
➤ 41-50	18	20%
➤ > 50	7	7,77%
Education:		
➤ High School	62	68,88%
➤ Bachelor	28	31,11%
➤ Master	-	-
Position:		
➤ Chief	18	20%
➤ Secretary	18	20%
➤ Technical	37	41,11%
➤ Regional Implementers	17	18,88%
Length of work:		
➤ < 6 months	6	6,66%
➤ < 2 Years	20	22,22%
➤ 2-5 years	43	47,77%
➤ > 5 years	18	20%

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Table 1. Demographics Respondents

Result of Structural Equation Model

This research uses Structural Equation Model (SEM) data analysis using Partial Least Square (PLS) software version 3.2.6. SmartPLS requires two concurrent steps: assessing the model measurement and structural models of research. The results of estimation of construct indicators with the application of SmartPLS in the initial model can be seen in Figure 3:



Source: SmartPLS 3.0

Measurement Model Results

The measurement model is evaluated using validity and reliability. Validity test uses convergent validity and Convalent Validity validity uses AVE. The indicator is valid if the AVE value is more than 0.5 (Ghozali, 2014). Discriminant validity is measured by assessing cross loading and Fornell-larcker. Discriminant validity is good if the cross-loading indicator variable value is large compared to other variables.

Table 2. Cross Loading

	X1	X2	X3	X4	X5	Y
C1	0.300	0.180	0.328	0.843	0.197	-0.450
C2	0.378	0.166	0.297	0.774	0.245	-0.388
C3	0.318	0.150	0.382	0.758	0.328	-0.442
C4	0.274	-0.064	0.153	0.770	0.183	-0.289
C5	0.337	0.086	0.262	0.761	0.193	-0.387
C6	0.315	0.320	0.469	0.753	0.486	-0.474
C7	0.266	0.183	0.251	0.792	0.290	-0.453
CS1	0.772	0.123	0.161	0.308	0.117	-0.407
CS2	0.797	0.044	0.137	0.184	0.219	-0.385
CS3	0.765	0.241	0.228	0.329	0.174	-0.417
CS4	0.751	0.261	0.339	0.375	0.322	-0.512
CS5	0.854	0.149	0.171	0.357	0.183	-0.417
F1	-0.472	-0.451	-0.511	-0.406	-0.667	0.812
F2	-0.385	-0.489	-0.637	-0.501	-0.563	0.826
F3	-0.457	-0.375	-0.514	-0.458	-0.586	0.819
F4	-0.534	-0.477	-0.501	-0.459	-0.600	0.832
F5	-0.396	-0.361	-0.443	-0.383	-0.631	0.807
IC2	0.202	0.738	0.235	0.128	0.356	-0.412
IC3	0.066	0.719	0.338	0.150	0.289	-0.271
IC4	0.132	0.834	0.328	0.151	0.239	-0.434
IC5	0.145	0.757	0.251	0.113	0.264	-0.353

IC6	0.253	0.869	0.472	0.241	0.423	-0.532
LS1	0.257	0.326	0.436	0.324	0.731	-0.523
LS2	0.276	0.333	0.558	0.307	0.713	-0.553
LS3	0.106	0.264	0.351	0.247	0.749	-0.501
LS4	0.142	0.340	0.438	0.294	0.793	-0.595
LS5	0.202	0.353	0.408	0.253	0.814	-0.605
LS6	0.126	0.298	0.407	0.272	0.712	-0.538
LS7	0.232	0.339	0.392	0.288	0.816	-0.632
LS8	0.277	0.210	0.265	0.334	0.790	-0.566
LS9	0.188	0.313	0.447	0.172	0.712	-0.559
OC1	0.314	0.416	0.754	0.325	0.484	-0.587
OC2	0.088	0.324	0.776	0.209	0.366	-0.423
OC3	0.147	0.223	0.823	0.363	0.366	-0.452
OC4	0.192	0.413	0.808	0.364	0.432	-0.519
OC5	0.297	0.271	0.815	0.336	0.470	-0.516

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The cross loading value indicates the variable block indicator value is greater than the other blocks. It can be concluded that the criteria of the validity of the discrimination are fulfilled.

Variable	X1	X2	X3	X4	X5	Y
Compensation Suitability	0.789					
Effectiveness of the Internal Control System	0.224	0.782				
Organizational Culture	0.273	0.402	0.796			
Competence	0.401	0.204	0.406	0.779		
Leadership Style	0.265	0.386	0.540	0.364	0.760	
Fraud	-0.550	-0.519	-0.637	-0.539	-0.744	0.819

Table 3. Fornell Larcker Criteria

Another method for assessing discriminant validity is the measurement by the Fornell-Larcker method by comparing the square roots of AVE with latent vertical correlations (Fornell and Larcker. 1981 in Ghazali (2014)). Discriminant validity is said to be good if the square root over AVE along the diagonal line has greater correlation between one construct and the other. From the table above it can be seen that the square root value over AVE along the diagonal line is greater in correlation between one construct and the other, so it can be concluded that the construct has a good level of validity.

Reliability is indicated by Cronbach alpha and composite reliability of more than 0.7. Table 2 shows the construct reliability seen from the Cronbach alpha value and composite reliability.

Variable	Cronbach Alpha	CR	AVE
Compensation Suitability	0.848	0.891	0.622
Effectiveness of the Internal Control System	0.873	0.904	0.611
Organizational Culture	0.856	0.896	0.633
Competence	0.892	0.915	0.607
Leadership Style	0.908	0.910	0.577
Fraud	0.877	0.911	0.671

Table 4. Cronbach alpha, Composite Reliability and AVE

Reliability test uses composite reliability and Cronbach's alpha values from the indicator block that measures the construct. The table above shows that the composite reliability value for all constructs is above 0.7 and Cronbach's alpha > 0.6 which indicates that all constructs in the estimated model meet the criteria (reliable)

Results of structural model testing

Subsequent analysis looks at explanatory power that the model has or nomological validity, which can be assessed through R-Square (R²) of endogenous constructs. The

higher the value of R-Square (R²) means the model is better at predicting. In table 5. can be seen R-square construct based on the results of estimates made by researchers.

Table 5. R-Square (R²)

Structural Model	R Square	R Square Adjusted
Fraud	0.779	0.766

R Square has a value of 0.799 which means that 70.9 percent of fraud is influenced by the suitability of compensation, the effectiveness of the internal control system, organizational culture, competence and leadership style. The remaining 20.1 percent is influenced by other factors not examined in this study.

Result of Hypothesis Testing

The results of hypothesis testing can be seen in the table below:

Table 6. Result of Hypothesis Testing

Hypothesis		Coefficien	T Statistics	P Values	Decision
H ₁	Compensation Suitability -> Fraud	-0.279	3.917	0.000	Accepted
H ₂	Effectiveness of the Internal Control System -> Fraud	-0.179	3.653	0.000	Accepted
H ₃	Organizational Culture -> Fraud	-0.187	2.722	0.007	Accepted
H ₄	Competence -> Fraud	-0.153	2.327	0.020	Accepted
H ₅	Leadership Style -> Fraud	-0.445	6.114	0.000	Accepted

Result of hypothesis 1: compensation suitability affects fraud on the village government

In table 6 above, it can be seen that the effect of the suitability of compensation (X₁) on fraud (Y) has a t-statistic value of 3.917 and P value of 0.000. These results indicate that the t-statistic 3.917 is greater than critical value 1.96 and the P value 0.000 is smaller than 0.05. Thus, it can be accepted, meaning that the suitability of compensation affects cheating in the village government in the Kampar Kiri sub-district. The results showed that the negative coefficient of -0.279 which indicates that the more inappropriate compensation received is, the higher the probability of fraud occurring. On the other hand, if the village management receives compensation, the possibility of fraud will also be lower.

In this study, Compensation Suitability affects fraud. The results of this study support the theory of Wexley & Yuki (2003) which states that dissatisfaction due to inadequate compensation or boring work can also support the occurrence of theft by workers. Providing compensation to employees will help the organization to achieve its goals and obtain, maintain and maintain employees properly. Conversely, without compensation due to insufficient payment dissatisfaction will reduce performance, increase complaints, and lead to disciplinary action such as fraud. Appropriate compensation will motivate employees not to commit fraud, because by providing appropriate compensation will lead to employee satisfaction with the impact of minimizing the occurrence of fraud.

The results of this study support hexagon theory and also support the results of previous studies of Siregar & Hamdani (2018), Etis & Mahfiroh (2018) and Desviana et al. (2020) which show that the suitability of compensation affects the occurrence of fraud.

Result of hypothesis 2: the effectiveness of the internal control system affects fraud on the village government

In table 6 above, it can be seen the effect of Internal Control System Effectiveness (X₂) on Fraud (Y) which has a t-statistic value of 3.653 and a P value of 0.000. These results indicate that the t-statistic 3.653 is greater than the critical value 1.96 and the P value 0.000 is less than 0.05. Thus, H₂ can be accepted, which means that the effectiveness of the internal control system affects fraud in the village government in Kampar

Kiri District. The results showed a negative path coefficient value of -0.179 which indicates that if the effectiveness of internal control is better, it will reduce the occurrence of fraud, on the other hand, if the implementation of the internal control system is ineffective, the risk of fraud will be higher.

The effectiveness of the internal control system affects fraud. WILOPO (2006) in Njonjie et al. (2019) states that the internal control system for an organization is very important, which provides protection for entities against human weakness and to reduce the possibility of errors and actions that are not in accordance with regulations. The results of this study have similarities with the pentagon fraud theory, namely opportunities which are a trigger factor for employees to commit fraud. If the opportunity arises, employees who initially have no intention of committing fraud will be more likely to commit fraud. Opportunities arise through weaknesses in the supervision of an agency's internal control system. To be effective, an internal control system must have good quality and be supported by employee compliance with the control system

The results of this study support the pentagon fraud theory and support the results of previous studies of Siregar & Hamdani (2018), Fitri (2020) and Wulandari & Nuryanto (2018) which show the effectiveness of the internal control system affects the occurrence of fraud.

Result of hypothesis 3: organizational culture affects fraud on the village government

In table 6 above, it can be seen that the influence of Organizational Culture (X_3) on fraud (Y) has a t-statistic value of 2.722 and a P value of 0.007. These results indicate that the t-statistic 2.722 is greater than critical value 1.96 and the P value 0.007 is smaller than 0.05. Thus, H_3 can be accepted, which means that organizational culture affects fraud. The results show that the path coefficient value is negative -0.187 which indicates that the better the organizational culture adopted, the lower the fraud that occurs, on the other hand, if the organizational culture is not good, such as an unethical culture, it is likely to increase the occurrence of fraud.

Organizational culture must provide a good example for building a strong culture in the organization it leads, because with a strong organizational culture and supporting high ethical standards, it will have a strong and positive influence on employee behavior in the organization (Robbins & Judge, 2015). If cheating in the village administration is a normal and common practice, then everyone in the government will tend to cheat. This is because the contest rationalizes the action as normal or normal. Vice versa, if an agency has instilled the values that fraud is an unethical act and is detrimental to many parties, it is unlikely that officials in that agency will commit fraud. This study supports research with research by Siregar & Hamdani, (2018) and Widiyarta et al., (2017) which shows that organizational culture can influence the occurrence of fraud in government.

Result of hypothesis 4: competence affects fraud on the village government

In table 6 above we can see the effect of the t-statistic value of 2.327 and the value of P value of 0.020. These results indicate that the t-statistic 2.327 is greater than critical value 1.96 and the P value 0.020 is smaller than 0.05. Thus, H_4 can be accepted which states that competence affects fraud in the village government of the Left Kampar. The path coefficient shows a negative value of -0.153 which indicates that the higher the competence of village government managers, the lower the potential for cheating. Conversely, the lower the competence of village government managers, the higher the potential to commit fraud.

According to Spencer, L & Spencer, S (1993), the competence of the apparatus needs to be considered in a fraud prevention system. Competence is the basis of a person's characteristics and shows how to behave, think, equate, and support over a long period of time. Muse et al., (2014) state that employees who are competent and have good work abilities will support the achievement of the goals of the organization or institution so that they are far from actions that can harm the organization or agency where they work. The results of this study support the pentagon fraud theory and

research by Oktavia (2018), Indriani et al., (2016) and Laksmi & Sujana (2019) which show that competence affects the occurrence of fraud.

Result of hypothesis 5: leadership style affects fraud on the village government

In table 6 above, it can be seen that the influence of Leadership Style (X_5) on fraud (Y) has a t-statistic value of 6.114 and a P value of 0.000. These results indicate that the t-statistic 6,114 is greater than critical value 1.96 and the P value 0,000 is smaller than 0.05. Thus, H_5 can be accepted, which states that the Leadership Style affects fraud in the village government of the Kampar Kiri sub-district. The results also showed a negative path coefficient value of -0.445 which indicates that the right leadership style can reduce the occurrence of cheating. Conversely, a weak leadership style can lead to greater potential for fraud.

Creating an ethical environment that is far from cheating requires a good leader in the eyes of employees, employees who have a bad perception of their leadership style, employees will tend to do things that are detrimental to the organization, in terms of this is doing cheating. This hypothesis is supported by attribution theory which explains that this theory is inseparable from community behavior in organizations, namely the behavior of leaders and the behavior of subordinates. Leadership is inseparable from how to think, feel, act, behave, and behave in working in an organization with subordinates or other people (Panggabean, 2016).

This result is also in accordance with the responses of respondents in the village apparatus in Kampar Kiri sub-district that the attitude of the leaders in the village government environment in Kampar Kiri district is quite good. Leaders provide opportunities for employees to express opinions about village governance, leaders have good relationships with their subordinates, agency leaders control the division of the structure of the duties and responsibilities of each employee, and agency leaders have a strong position so that the direction and goals of the organization are achieved so that they can reduce fraud committed by village government officials. The results of this study support the pentagon fraud theory and research by Sudibyo (2020), Soukotta & Utami (2019) who show that leadership style can influence the occurrence of fraud.

5. Conclusions

This study aims to analyze the influence of the factors of cheating in a pentagon perspective on cheating in the village administration in Kampar Kiri sub-district. Based on the results of the research as described earlier, it shows that the suitability of compensation affects fraud in the village government of Kampar Kiri district. Compensation that is in line with the needs of village management officials can reduce the occurrence of acts of fraud. The effectiveness of the internal control system has an effect on fraud in the village government of Kampar Kiri. A strong internal control system can reduce the occurrence of acts of fraud, on the other hand, a weak internal control system can increase the occurrence of fraud in village managers in K Kampar Kiri District. Likewise, organizational culture has influenced the occurrence of fraud in the Village Government of Kampar Kiri District. A good culture that forms ethical behavior patterns can reduce the occurrence of fraud by village managers. However, a bad organizational culture that considers cheating as a common thing will increase the occurrence of cheating in village managers in Kampar Kiri District. The competence of village managers is also something that can influence fraud. High competence can reduce the occurrence of cheating. This is because village managers who have high competence understand the procedures for managing village finances so that they can reduce fraud or mistakes in financial management. Furthermore, the leadership style is a factor that influences the act of cheating in influencing cheating in the village administration of the left Kampar district. A leader who can direct and motivate subordinates in a good direction, then cheating can be reduced.

Theoretically, this study provides empirical evidence that there are five factors that influence fraud in village administration in Kampar Kiri District, namely the suitability of compensation, the effectiveness of the internal control system, organizational culture, competence and leadership style. Thus, this study supports the fraud pentagon theory put forward by (Howarth, 2011), that pressure, rationalization, arrogance, competence and opportunity have an effect on fraudulent behavior.

Practically, this research is expected to provide input to the village government to take strategic steps to reduce fraud in village administrations in Kampar Kiri District. Through the suitability of compensation, increasing the effectiveness of the internal control system, a good organizational culture, increasing the competence of village officials and implementing a good leadership style.

This study has several limitations. First, the variables measured using a questionnaire only describe the opinions of the village apparatus in Kampar Kiri District only, so that these results cannot be generalized to all village apparatuses. leadership style. Research limitations in terms of time, cost, and energy so that research is only done in the village government Kampar Kiri District only. The research only analyzes five variables as proxy of Fraud Pentagon.

Future studies are expected to use a larger sample and different locations so that research results can be compared with previous studies. Future studies should add moderation variables and other independent variables not explained in this study. And it is expected for further research to use more accurate data collection methods such as direct interviews so that respondents can understand the questions asked.

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