

## DETERMINANT FACTORS ON THE PREVENTION OF ACCOUNTING FRAUD IN THE LOCAL GOVERNMENT OF MEDAN CITY WITH APPARATUS MORALITY AS A MODERATING VARIABLE

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### Abstract

*This study aims to determine whether good governance, adherence to accounting rules, competence, organizational culture and the role of internal audit affect the prevention of accounting fraud in the Regional Government of Medan City. In addition, this study also aims to determine whether apparatus morality can be used as a moderating variable in this research model. The type of research conducted is causal associative research using a quantitative approach. The location of this research was conducted at all OPD (Regional Apparatus Organization) within the Medan City Regional Government. The sample in this study were 93 Medan City Local Government officials consisting of the Head of the Agency, Secretary and Head of the Finance Section of each OPD. The data used is primary data and the data analysis method used is Partial Least Square (PLS) which is carried out with the help of SmartPLS software. The results of this study indicate that partially good governance, adherence to accounting rules, organizational culture and the role of internal audit are proven to have a positive and significant influence on the prevention of accounting fraud in the Regional Government of Medan City. While competence is proven to have no significant effect on the prevention of accounting fraud in the Regional Government of Medan City. While the results of moderating testing show that the morality of the apparatus is proven to be able to moderate the influence of good governance, adherence to accounting rules, competence and organizational culture on the prevention of accounting fraud in the Regional Government of Medan City.*

**Keywords:** *good governance, accounting rule compliance, competence, organizational culture, internal audit role, accounting fraud prevention, apparatus morality.*

## 1. INTRODUCTION

Fraud in financial statements refers to accounting errors committed intentionally with the aim of misleading readers/users of financial statements (Rahayu and Sudiana, 2023). Because the impact of fraud in local government financial statements is very serious (Zenani, 2023), the prevention of accounting fraud is very important in government. Accounting fraud in financial statements is a dishonest or manipulative act that aims to present inaccurate or misleading financial information. This fraud can involve various actions, such as concealment of income, inflation of costs, or manipulation of other financial figures. Where these actions can harm the public interest, lead to inefficient or ineffective use of public resources, and harm public confidence in local government. The results of monitoring conducted by the Indonesian Financial Supervisory Agency (BPK RI) as of December 31, 2021 show that there were state losses worth IDR 422 billion that occurred in the North Sumatra Provincial Government area with the following details:

**Table 1. State Loss Cases in North Sumatra Province**

No.	Local Government	Number of Cases	State Loss Value (Rp.)
1	North Sumatra Province	317	24.362.225.378,79
2	Binjai City	35	19.495.101.600,11
3	Pematangsiantar City	844	29.654.486.991,58

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No.	Local Government	Number of Cases	State Loss Value (Rp.)
4	Sibolga City	1,185	28.046.682.638,11
5	Padangsidempuan City	3	17.900.000,00
6	Gunungsitoli City	443	7.300.170.173,64
<b>7</b>	<b>Medan City</b>	<b>4,385</b>	<b>50.163.962.419,97</b>
8	Tanjung Balai City	424	12.127.782.095,55
9	Tebing Tinggi City	55	15.125.672.223,13
10	Samosir Regency	911	8.881.961.327,24
11	Serdang Bedagai Regency	91	5.959.496.865,75
12	North Labuhanbatu Regency	329	13.959.853.504,24
13	Langkat Regency	645	15.144.275.196,13
14	Karo Regency	301	17.870.103.448,80
15	Pakpak Bharat Regency	83	11.671.150.093,73
16	Simalungun Regency	408	16.044.625.850,95
17	Central Tapanuli Regency	34	17.386.330.444,48
18	South Labuhanbatu Regency	558	10.884.216.348,88
19	North Padang Lawas Regency	141	4.832.887.456,32
20	South Tapanuli Regency	61	10.740.408.597,89
21	Mandailing Natal Regency	24	3.923.148.967,55
22	North Tapanuli Regency	477	13.109.438.539,63
23	Nias Regency	544	7.230.186.884,21
24	South Nias Regency	38	1.844.423.938,55
25	Labuhanbatu Regency	181	7.218.921.375,41
26	Padang Lawas Regency	2	202.955.358,56
27	Asahan Regency	420	5.035.988.665,67
28	Dairi Regency	227	4.438.476.413,21
29	Deli Serdang Regency	141	2.548.023.665,79
30	Humbang Hasundutan Regency	1,317	4.491.864.721,00
31	North Nias Regency	158	11.871.560.112,15
32	Toba Regency	1,206	15.831.839.530,79
33	West Nias Regency	198	1.980.831.183,95
34	Batubara Regency	563	23.110.776.086,49

Source: IHPD 2021, (BPK North Sumatra)

Based on the above phenomenon, it can be seen that the local government with the highest number of cases is Medan City with 4,385 cases. While the largest value of state losses is also caused by Medan City, with a total value of state losses reaching Rp50 billion. So it can be concluded that Medan City is the region with the most cases and also causes the largest state losses compared to other regions in North Sumatra Province. The existence of the phenomenon as described above, can be associated with the importance of preventing accounting fraud in financial statements. Accounting fraud, including corruption, can cause significant financial losses to the government. Prevention of accounting fraud is an effort or effort made to avoid illegal actions characterized by fraud, concealment or violating something that has been entrusted to the government (Nahari and Kusuma, 2023). The various factors that are thought to influence the prevention of accounting fraud include good governance, adherence to accounting rules, competence, organizational culture and the role of internal audit.

**Table 2. Research Gap**

Independent Variable	Previous Research	Results Research
Good Governance (X <sub>1</sub> )	Dewata, <i>et al.</i> , (2022); Jayawarsa, <i>et al.</i> , (2022); Ferdianti & Priyono (2022); Fazli, <i>et al.</i> , (2023); Putri, <i>et al.</i> , (2023).	Significant Effect
	Gunawan & Wardana (2023); Kumalasari & Nursiam (2023); Rahayu (2023).	No Effect
Accounting Rule Adherence (X <sub>2</sub> )	Mardyanto, (2022); Natasya, <i>et al.</i> , (2022); Prakoso, <i>et al.</i> , (2023); Febriani & Priono (2023); Setiawan & Ayu (2023).	Significant Effect
	Firdausy & Sari (2022); Puspitasari, <i>et al.</i> , (2023); Larasati & Immanuela (2023).	No Effect
Competence (X <sub>3</sub> )	Setiawan & Hamidah (2022); Saputra, <i>et al.</i> , (2022); Narita, <i>et al.</i> , (2023); Hidayat & Afriyenti (2023); Ginting, <i>et al.</i> , (2022).	Significant Effect
	Adhivinna, <i>et al.</i> , (2022); Oktaviani & Biduri (2023); Utami, <i>et al.</i> , (2023).	No Effect
Organizational Culture (X <sub>4</sub> )	Mardyanto, (2022); Fazli, <i>et al.</i> , (2023); Rahayu (2023); Puspitasari, <i>et al.</i> , (2023); Hidayat & Afriyenti (2023).	Significant Effect
	Dewi, <i>et al.</i> , (2022); Narita, <i>et al.</i> , (2023); Kuswati (2023).	No Effect
Internal Audit Role (X <sub>5</sub> )	Bramasto, <i>et al.</i> , (2022); Natasya, <i>et al.</i> , (2022); Limbong, <i>et al.</i> , (2023); Adawiyah, <i>et al.</i> , (2023); Lanny & Utami (2023).	Significant Effect
	Rahmani & Rahayu (2022); Kumalasari & Nursiam (2023); Monica, <i>et al.</i> , (2023).	No Effect

Research gaps refer to areas within a field or topic that have not been sufficiently explored or studied. Identifying research gaps is very important because it helps researchers identify areas where further investigation is needed. Based on each research gap as described in Table 2 above, it can be seen that research on the effect of good governance, adherence to accounting rules, competence, organizational culture and the role of internal audit on preventing accounting fraud on local government financial reports still has inconsistencies in results. Where the results of previous studies have not shown completely consistent results (the same). So that further research is worth doing to see how the influence of good governance, adherence to accounting rules, competence, organizational culture and the role of internal audit on the prevention of accounting fraud in the financial statements of the local government of Medan City.

## 2. RESEARCH METHODS

### 2.1 Type of Research

The type of research conducted is causal associative research with a quantitative approach. Causal associative research is research that aims to determine the causal relationship between various variables (Sugiyono, 2019). The quantitative approach was used in this study to analyze and gain a deeper understanding of the relationship between the variables studied (Sugiyono 2019). This study uses good governance, compliance with accounting rules, competence, organizational culture and the role of internal audit as independent variables (variables that affect the dependent variable). The

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dependent variable (variable influenced by the independent variable) used is the prevention of accounting fraud and the moderating variable (variable that can strengthen or weaken the influence of the independent variable on the dependent variable) used is the morality of the apparatus.

**2.2 Population**

Population is the total of certain characteristics that are determined to be studied and conclusions drawn (Sugiyono, 2019). So that the population used in this study were all OPDs (Regional Device Organizations) within the Medan City Regional Government, totaling 31 OPDs.

**2.3 Sample**

The sample is part of a population taken in a certain way as determined by the researcher. Sample withdrawal is done based on saturation technique, which is a sampling technique when all members of the population are used as samples. So that 31 agencies which are OPDs within the Medan City Regional Government are used as research samples. For each agency used as a sample, there are respondents consisting of: 1 (one) Head of Agency, 1 (one) Secretary, and 1 (one) Head of Finance. So it can be seen that the number of samples used in this study is  $3 \times 31 = 93$  people.

**3. RESULT AND DISCUSSION**

**3.1 Inner Model Analysis**

After testing the outer model and getting valid and reliable results. Next, testing the inner model (structural model) is carried out. Inner model testing is done by looking at the path coefficient and r-square values. The higher the r-square value, the better the prediction model of the proposed research model. The path coefficients value shows an overview of how strong the effect or influence of the independent variable is on the dependent variable.

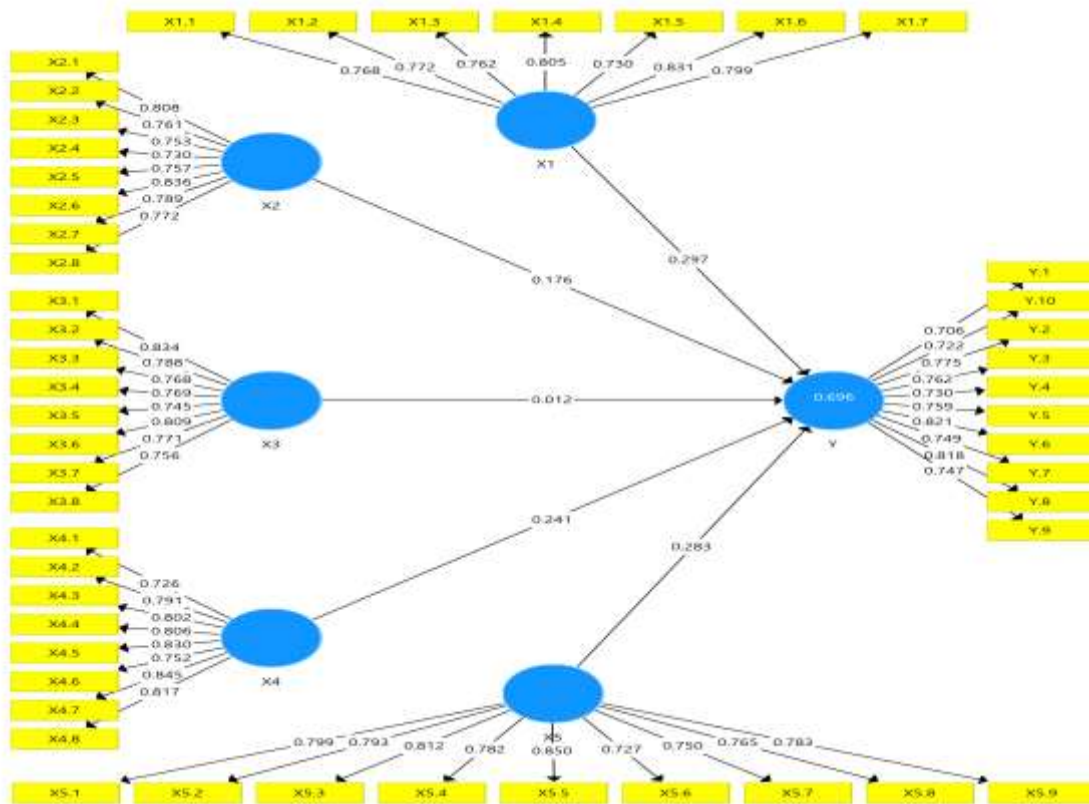


Figure 1. Inner Model Results

**3.2 Determination Coefficient Test**

Based on the data processing that has been done, as shown in Figure 1, it can be seen that the R2 value obtained in this research model is 0.696. The acquisition of this value explains that the percentage of the amount of accounting fraud prevention can be explained by the independent variable is 0.696 (69.6%). While the remaining 30.4% is explained or influenced by other variables not used in this study. Where the R2 value obtained in this study of 0.696 is included in the good (high) category.

### 3.3 Path Coefficient

**Table 4. Path Coefficient Results**

No.	Variables	Path Coefficient	t Statistics	P Values
1	Good Governance	0.297	2.572	<b>0.012*</b>
2	Adherence to Accounting Regulations	0.176	2.024	<b>0.046*</b>
3	Competence	0.012	0.164	<b>0.870</b>
4	Organizational Culture	0.241	3.414	<b>0.001*</b>
5	Internal Audit Role	0.283	2.377	<b>0.020*</b>

Source: Data processing with SmartPLS (2024)

\*Significant at  $\alpha = 5\%$

Based on the results of the tests carried out, it can be explained that the largest path coefficient value is owned by the effect of good governance on the prevention of accounting fraud, which is 0.297 (29.7%). Then the second largest influence is the influence of the role of internal audit on the prevention of accounting fraud, which is 0.283 (28.3%). Furthermore, the effect of organizational culture on the prevention of accounting fraud is 0.241 (24.1%). Furthermore, the effect of compliance with accounting regulations on the prevention of accounting fraud is 0.176 (17.6%). While the lowest influence is owned by the influence of competence on the prevention of accounting fraud, which is only 0.012 (1.2%).

Table 4. above explains that of the 5 (five) hypotheses proposed in this study relating to partial hypotheses, only 1 hypothesis is rejected. Meanwhile, the other 4 (four) hypotheses can be accepted. The following is an explanation for each hypothesis proposed in this study:

- Based on the results of hypothesis testing in Table 5.8, it can be seen that good governance has a P value of 0.012 which is smaller than 0.05 and a path coefficients value of 0.297. So it can be concluded that good governance is proven to have a positive and significant influence on the prevention of accounting fraud. With these results, the first hypothesis can be accepted.
- Based on the results of hypothesis testing in Table 5.8, it can be seen that the observance of accounting regulations has a P value of 0.046 which is smaller than 0.05 and a path coefficients value of 0.176. So it can be concluded that the observance of accounting regulations is proven to have a positive and significant effect on the prevention of accounting fraud. With these results, the second hypothesis can be accepted.
- Based on the results of hypothesis testing in Table 5.8, it can be seen that competence has a P value of 0.870 which is much greater than 0.05 and a path coefficients value of 0.012. So it can be concluded that competence is proven to have a positive but insignificant effect on the prevention of accounting fraud. With these results, the third hypothesis is rejected.
- Based on the results of hypothesis testing in Table 5.8, it can be seen that organizational culture has a P value of 0.001 which is smaller than 0.05 and a path coefficients value of 0.241. So it can be concluded that organizational culture is proven to have a positive and significant influence on the prevention of accounting fraud. With these results, the fourth hypothesis can be accepted.
- Based on the results of hypothesis testing in Table 5.8, it can be seen that the role of internal audit has a P value of 0.020 which is smaller than 0.05 and a path coefficients value of 0.283. So it can be concluded that the role of internal audit is proven to have a positive and significant influence on the prevention of accounting fraud. With these results, the fifth hypothesis can be accepted.

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Hypothesis testing on moderating variables in this study was carried out using the Interaction Test. Namely to see whether aparatue morality is able to moderate the effect of good governance, adherence to accounting regulations, competence, organizational culture and the role of internal audit on the prevention of accounting fraud. The following are the results of moderating tests in this study.

**3.4 Moderated Regression Analysis**

**Table 5. Moderating Test Results**

No.	Variables	Path Coefficient	t Statistics	P Values
1	X1*Z -> Accounting Fraud Prevention	-0.223	2.885	<b>0.004*</b>
2	X2*Z -> Accounting Fraud Prevention	0.163	2.569	<b>0.010*</b>
3	X3*Z -> Accounting Fraud Prevention	0.291	3.037	<b>0.003*</b>
4	X4*Z -> Accounting Fraud Prevention	-0.256	2.672	<b>0.008*</b>
5	X5*Z -> Accounting Fraud Prevention	0.073	0.779	<b>0.436</b>

Source: Data processing with SmartPLS (2024)

\*Significant at  $\alpha = 5\%$

Based on the data presentation in Table 5.9 above, it can be seen that of the 5 (five) hypotheses proposed related to moderating variables, 4 hypotheses can be accepted while 1 other hypothesis is rejected. The following is an explanation for each moderating hypothesis proposed in this study:

- a. X1\*Z which is the interaction between good governance and apparatus morality has a significance value of 0.004 which is smaller than 0.05. So it can be concluded that the morality of the apparatus is proven to be able to moderate the effect of good governance on the prevention of accounting fraud. So that the sixth hypothesis in this study can be accepted.
- b. X2\*Z which is the interaction between the observance of accounting regulations and the morality of the apparatus has a significance value of 0.010 which is smaller than 0.05. So it can be concluded that the morality of the apparatus is proven to be able to moderate the effect of obedience to accounting regulations on the prevention of accounting fraud. So that the seventh hypothesis in this study can be accepted.
- c. X3\*Z which is the interaction between competence and apparatus morality has a significance value of 0.003 which is less than 0.05. So it can be concluded that the morality of the apparatus is proven to be able to moderate the effect of competence on the prevention of accounting fraud. So that the eighth hypothesis in this study can be accepted.
- d. X4\*Z which is the interaction between organizational culture and apparatus morality has a significance value of 0.008 which is smaller than 0.05. So it can be concluded that the morality of the apparatus is proven to be able to moderate the effect of organizational culture on the prevention of accounting fraud. So that the ninth hypothesis in this study can be accepted.
- e. X5\*Z which is the interaction between the role of internal audit and the morality of the apparatus has a significance value of 0.436 which is much greater than 0.05. So it can be concluded that the morality of the apparatus is unable to moderate the effect of the role of internal audit on the prevention of accounting fraud. So that the tenth hypothesis in this study is rejected.

**4. DISCUSSION**

**4.1 The Effect of Good Governance on Accounting Fraud Prevention**

The first hypothesis in this study states that good governance has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City. In accordance with the test results in this study, it was found that good governance has a positive and significant effect on the prevention of accounting fraud in the Regional Government of Medan City. So that the hypothesis stating that good governance has a positive effect on the prevention of accounting fraud in the

Regional Government of Medan City or H1 is accepted. This is in line with the view of Agency Theory which explains the relationship between the principal (authorizer) and the agent (receiver of power). In local government, the principal is the public, while the agent is the local government official in charge of managing government affairs, including affairs regarding financial management. The relationship between the principal (society) and the agent (local government) can generally trigger conflicts of interest and information asymmetry that can lead to accounting fraud. Good governance, through its principles such as transparency, accountability, rule of law, and public participation, is able to reduce this risk by ensuring that financial information is presented in a clear and accessible manner, agents are responsible for their actions, and increasing public oversight and participation in the decision-making process.

Thus, the implementation of good governance is able to reduce the potential for accounting fraud, create more efficient and effective regional financial management, and ensure that the interests of the community are met, as found in research showing that good governance has a positive and significant effect on the prevention of accounting fraud in the Medan City Local Government. The results obtained in this study are in line with the results conducted by Dewata, et al., (2022); and Jayawarsa, et al., (2022) which in their research explain that good governance has a significant effect on the prevention of accounting fraud. These results are also supported by other previous research, namely research conducted by Ferdianti and Priyono (2022); Fazli, et al., (2023); and Putri, et al., (2023) in their research which proves that good governance has a significant effect on accounting fraud in local government financial reports.

#### **4.2 The Effect of Accounting Rules Compliance on Accounting Fraud Prevention**

The second hypothesis in this study states that the observance of accounting regulations has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that the observance of accounting regulations has a positive and significant effect on the prevention of accounting fraud. So that the hypothesis stating that the observance of accounting regulations has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City or H2 is accepted. Based on Agency Theory, the relationship between the owner (principal) and manager (agent) emphasizes the importance of implementing strict accounting standards to reduce the risk of accounting fraud. The principal, which is the public, entrusts the government to manage resources and produce accurate financial reports. However, there is a potential conflict of interest between the two parties, where the government sometimes has the motivation to commit fraud in the financial statements for personal gain or to show better performance than it really is.

Employees' lack of understanding of accounting standards can increase the risk of fraudulent financial statements. Therefore, adherence to accounting rules can serve as an important control mechanism to safeguard the interests of the principal. By complying with applicable accounting principles and procedures, local governments can minimize opportunities for fraud and build a strong foundation for effective supervision, thereby protecting the interests of the public as the principal and ensuring optimal prevention of accounting fraud. The results obtained in this study are in line with the results of research conducted by Mardyanto, (2022); and Natasya, et al., (2022) which explain that the application of accounting rule compliance has a significant effect on the prevention of accounting fraud. Likewise, the results of research conducted by Prakoso, et al., (2023); Febriani and Priono (2023); and Setiyawan and Ayu (2023) which prove that the observance of accounting rules has a significant effect on accounting fraud in local government financial reports.

#### **4.3 The Effect of Competence on Preventing Accounting Fraud**

The third hypothesis in this study states that competence has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City. In accordance with the test results in this study, it was found that competence proved to have no effect on the prevention of accounting fraud in the Regional Government of Medan City. So that the hypothesis which states that competence has a positive effect on the prevention of accounting fraud in the Regional Government of

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Medan City or H3 is rejected. This means that even though employees have high skills and knowledge, this does not significantly affect the ability of employees to prevent accounting fraud in the work environment. Or in other words, competence is not the main determinant in efforts to prevent accounting fraud in the Regional Government of Medan City. This is because competence is a vital basis for employees to carry out their duties and responsibilities effectively. So that the average employee generally has an adequate level of competence to carry out his duties, including in accounting and financial management. Moreover, although high competence allows employees to perform tasks better, the same competence can also be misused for unethical purposes, which includes such as committing accounting fraud. This can also be attributed to Agency Theory which explains the principal and agent relationship. When employees (agents) have high competence, employees will have more information than the principal.

This creates an information asymmetry condition where employees can utilize this knowledge to commit fraud that is not detected by the principal. So that high competence is not able to eliminate the potential conflict of interest between the principal and the agent. Employees can still choose to act in accordance with their personal interests, even though these employees are competent. The results obtained in this study are in accordance with the results of previous research conducted by Adhivinna, et al., (2022) which states that competence has no effect on the prevention of accounting fraud. Likewise, the results of previous research conducted by Oktaviani and Biduri (2023); and Utami, et al., (2023) which in their research found that competence has no effect on the prevention of accounting fraud.

**4.4 The Effect of Organizational Culture on Accounting Fraud Prevention**

The fourth hypothesis in this study states that organizational culture has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that organizational culture has a positive and significant effect on the prevention of accounting fraud. So that the hypothesis stating that organizational culture has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City or H4 is accepted. A strong organizational culture in local government, as explained by Berge and Torsteinsen (2022) and Rahayu (2023), can reduce agency problems as described in Agency Theory, such as moral hazard and adverse selection. With integrity and ethics, organizational culture can encourage agents to act in accordance with the interests of the principal, namely the community. This has implications for a more targeted decision-making process, as well as more effective application of rules and regulations. Thus, a good organizational culture can reduce the potential for accounting fraud because agents will be more motivated to carry out their duties with integrity and in accordance with established values. The results obtained in this study are in line with the results of previous research conducted by Mardiyanto, (2022); and Fazli, et al., (2023) which explains that organizational culture affects the prevention of accounting fraud. Likewise, research conducted by Rahayu (2023); Puspitasari, et al., (2023); and Hidayat and Afriyenti (2023) which explain that organizational culture has a significant effect on the prevention of accounting fraud.

**4.5 The Effect of Internal Audit Role on Accounting Fraud Prevention**

The fifth hypothesis in this study states that the role of internal audit has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that the role of internal audit has a positive and significant effect on the prevention of accounting fraud. So that the hypothesis stating that the role of internal audit has a positive effect on the prevention of accounting fraud in the Regional Government of Medan City or H5 is accepted. In agency theory, there is a potential conflict of interest because the agent has personal interests that differ from the principal's interests. Internal auditors, as independent and objective parties, play an important role in reducing the risk of this conflict by ensuring that management has carried out its duties in accordance with the public interest.

By evaluating the entire accounting process and internal control system, internal auditors can identify potential weaknesses or gaps that can be exploited for fraud. This is in line with the basic



principle of agency theory, which is to reduce the risk faced by the principal due to agent actions that are not in accordance with the principal's wishes. In addition, internal auditors also provide recommendations to improve and strengthen internal controls, which help ensure that local government objectives are achieved efficiently and effectively. Thus, the existence of internal audit contributes to maintaining the integrity of public financial management, thereby reducing the risk of fraud and increasing public trust in local governments. The results obtained in this study are in line with the results of previous research conducted by Bramasto, et al., (2022); and Natasya, et al., (2022) which explain that the role of internal audit has an effect on the prevention of accounting fraud. Likewise, research conducted by Limbong, et al., (2023); Adawiyah, et al., (2023); and Lanny and Utami (2023) which explain that the role of internal audit has a significant effect on the prevention of accounting fraud.

#### **4.6 Apparatus Morality in moderating the Effect of Good Governance on Accounting Fraud Prevention**

The sixth hypothesis in this study states that apparatus morality is able to moderate the effect of good governance on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that apparatus morality is able to moderate the effect of good governance on the prevention of accounting fraud. So that H6 is accepted. Morality is the ethical values possessed by individuals, especially for government officials who will always be involved in making decisions related to public financial management. Moral change theory can be interpreted as a view that states that a person's morality can change over time through experience, education, and social environment. Where this moral change theory can provide an understanding that through the application of the principles of good governance. Individuals as government officials can experience positive moral changes, for example, through transparency in the decision-making process and strict accountability, individuals will be more likely to internalize ethical values, reduce tolerance for fraudulent practices, and increase compliance with applicable moral norms. So that the morality of the apparatus will strengthen the influence of good governance on the prevention of accounting fraud. The results of this study are also in accordance with previous research conducted by Saputra, et al., (2022) which succeeded in proving that the morality of the apparatus will strengthen the influence of good governance on the prevention of accounting fraud.

#### **4.7 Apparatus Morality in Moderating the Effect of Accounting Rule Adherence on Accounting Fraud Prevention**

The seventh hypothesis in this study states that apparatus morality is able to moderate the effect of adherence to accounting rules on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that apparatus morality is able to moderate the effect of adherence to accounting rules on the prevention of accounting fraud. So that H7 is accepted. Apparatus morality can strengthen supervision of the observance of accounting rules contained in local government. An individual who has high morality tends to have a strong responsibility to carry out his duties in accordance with moral norms and applicable rules. So that this can create an environment where supervision of compliance with accounting rules is not only carried out formally, but also comes from a personal commitment to maintaining integrity and transparency in financial reporting. The results of this study are in line with the results of previous research conducted by Saputra, et al., (2022) which succeeded in proving that apparatus morality can be used as a moderating variable on the prevention of accounting fraud in local government financial reports.

#### **4.8 Apparatus Morality in Moderating the Effect of Competence on Accounting Fraud Prevention**

The eighth hypothesis in this study states that apparatus morality is able to moderate the effect of competence on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that apparatus morality is able to moderate the effect of competence on the prevention of accounting fraud. So that H8 is accepted. Moral development theory, as proposed

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by Kohlberg (1969), provides a framework for understanding how individuals develop in making moral decisions. Kohlberg (1969) explains that there are three levels of moral development: pre-conventional, conventional, and post-conventional. For example, a government apparatus with a high level of competence in financial governance, but low in moral reasoning, will tend to abuse his position to achieve personal goals. This is because he already understands governance and knows what weaknesses there are in it. Therefore, good financial management requires not only technical competence, but also high moral sensitivity. This will be a challenge for local governments because it will be difficult for the government to implement good financial management if the morality of its apparatus is still low. The results of this study are in line with the results of previous research conducted by Saputra, et al., (2022) which succeeded in proving that the morality of the apparatus can be used as an indicator of good financial management.

**4.9 Apparatus Morality in Moderating the Effect of Organizational Culture on Accounting Fraud Prevention**

The ninth hypothesis in this study states that apparatus morality is able to moderate the effect of organizational culture on the prevention of accounting fraud in the Regional Government of Medan City. The test results in this study indicate that apparatus morality is able to moderate the effect of organizational culture on the prevention of accounting fraud. So that H9 is accepted. When the morality of local government apparatus reaches a high level (post-conventional) as mentioned in Moral Development Theory. This will encourage each individual to integrate ethical values in organizational culture. This means that individuals working in the local government environment will consider that ethics is an integral part of the local government's identity, and not just as a rule that must be obeyed. Individuals with high morality in local government can also have a strong influence on the norms adopted by other colleagues. This will create an environment where accounting fraud prevention is considered a shared priority. In other words, local government employees who have high morality will work together to ensure that honest and ethical accounting practices become an integral part of daily life at work. The results of this study are in line with the results of previous research conducted by Saputra, et al., (2022) which succeeded in preventing fraud in accounting.

**4.10 Apparatus Morality in Moderating the Effect of Internal Audit Role on Accounting Fraud Prevention**

The tenth hypothesis in this study states that the morality of the apparatus is able to moderate the effect of the role of internal audit on the prevention of accounting fraud in the Regional Government of Medan City. While the test results in this study indicate that the morality of the apparatus is proven unable to moderate the effect of the role of internal audit on the prevention of accounting fraud. So that H10 is rejected. This means that although the role of internal audit serves to prevent accounting fraud in the Regional Government of Medan City, the morality of the apparatus is unable to strengthen the influence of the role of internal audit on the prevention of accounting fraud. Internal audit is an independent process within the organization that aims to evaluate and improve the effectiveness of internal controls.

One of its objectives is to detect and prevent accounting fraud by ensuring compliance with established policies, procedures and standards. So that internal audit will continue to evaluate and supervise every process and financial transaction of the organization, no matter whether individuals in the organization have a high or low level of morality. Internal audit must maintain its independence and objectivity in conducting oversight. Moral development theory, as popularized by Kohlberg (1969), states that individual morality develops through a series of stages, from compliance with rules and authority to awareness of universal ethical principles. Thus, while individuals may have varying levels of morality, internal audit's independent and objective role will not be affected by an individual's level of morality. This is because internal audit operates based on professional standards and strict procedures that have been established, ensuring that the internal audit team is independent and objective.

## 5. CONCLUSION

The results of this study provide several conclusions that can be drawn based on the discussion of the problems that have been carried out. The following are the points of conclusion that the author has summarized in this study:

- a. Good governance is proven to have a positive and significant influence on the prevention of accounting fraud in the Regional Government of Medan City.
- b. Compliance with accounting regulations is proven to have a positive and significant effect on preventing accounting fraud in the Regional Government of Medan City.
- c. Competence has no effect on preventing accounting fraud in the Regional Government of Medan City.
- d. Organizational culture is proven to have a positive and significant influence on the prevention of accounting fraud in the Regional Government of Medan City.
- e. The role of internal audit is proven to have a positive and significant influence on the prevention of accounting fraud in the Regional Government of Medan City.
- f. The morality of the apparatus is proven to be able to moderate the effect of good governance on the prevention of accounting fraud in the Regional Government of Medan City.
- g. The morality of the apparatus is proven to be able to moderate the effect of compliance with accounting rules on preventing accounting fraud in the Regional Government of Medan City.
- h. The morality of the apparatus is proven to be able to moderate the effect of competence on preventing accounting fraud in the Regional Government of Medan City.
- i. The morality of the apparatus is proven to be able to moderate the effect of organizational culture on the prevention of accounting fraud in the Regional Government of Medan City.
- j. Apparatus morality is not able to moderate the effect of the role of internal audit on preventing accounting fraud in the Regional Government of Medan City.

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