THE ROLE OF IT GOVERNANCE AS MULTIGROUP MODERATION IN THE RELATIONSHIP OF ORGANIZATIONAL DEMOGRAPHICS, EXTERNAL ENVIRONMENT CHARACTERISTICS, AND ORGANIZATIONAL CULTURE TO FRAUD

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ABSTRACT

This study focuses on companies related to fraud and the purpose of this study is to reveal the causal relationship between the influence of exogenous variables, namely Organizational Demography, External Environmental Characteristics, Organizational Culture, and IT Governance as moderating variables to the endogenous variable, namely fraud, so this study uses explanatory research. The population of this study are companies that go public (offering business ownership to the general public) which are listed on the Indonesia Stock Exchange until 2020 and commit fraud in the company's financial reporting or within a certain period of time do not report financial statements, namely 216 companies. The sampling technique used in this study was purposive sampling with the determination of the sample size using the 5% slovin formula. This research uses Structural Equation Modeling (SEM) analysis with Partial Least Square (PLS) method. The result fo this study show that Organizational Demographics does not have a significant positive effect on Fraud; In IT Governance with a low category, External Environmental Characteristics does not have a significant effect in a positive direction on Fraud, but in high category, External Environmental Characteristics have a significant effect in a positive direction on Fraud; and Organizational Culture has a significant negative effect on Fraud. The originality of this research is the disclosure of the impact of the moderating variable of IT Governance on the influence of Organizational Demographics, External Environmental Characteristics, and Organizational Culture on Fraud. In this study, the moderating variable of IT Governance is a categorical variable which is divided into two groups, namely the low group and the high group.

Keywords: *Information Technology Governance; Organizational Demographics; Organizational Culture; External Envirnoment Characteristics; Fraud*

1. INTRODUCTION

Technological developments encourage development in various other fields. One area that is closely related to technological developments is information technology. ITTA (Information Technology Association of America) defines information technology as a study, design, implementation, development, support or management of computer-based information systems, especially in computer hardware and software applications. Information technology utilizes electronic computers and computer software to securely convert, store, process, protect, transmit and obtain information.

Along with the times and information, ethics becomes a very important thing to discuss, because bad ethics will affect the practices that will

ultimately affect the company's performance. The cases of Enron and WorldCom show that wrong ethical behavior can be fatal to the life of a company (Ghafoor et al, 2018). Since then, many studies have paid great attention to corporate moral deficiencies in the fraud and business ethics literature such as Abbott et al., 2000; Dyck et al., 2010; Wang et al., 2010; Bird et al., 2007; Lewis et al., 2010.

Fraud is any illegal act characterized by fraud, concealment or breach of trust (Tuanakotta, 2013). This action is not dependent on the application of threats of violence or physical force, so it can take the form of fraud committed by individuals and organizations to obtain money, property or services to avoid payment or loss or to secure personal business profits. In the financial context, fraud is a deliberate act involving fraudulent actors who produce incorrect financial statements (Johnstone et al., 2014). Skousen (2008) in his research states that financial statement fraud is a very significant problem because of the impact it causes. Therefore, the role of the auditor must be better so that fraud can be identified as early as possible before it develops into a scandal.

Theories in fraud detection have developed. Vousinas in 2017 developed and perfected the fraud hexagon theory called the S.C.C.O.R.E Model. This theory is a development of several previous fraud detection theories developed by Wolfe and Hermason, 2004; and Crowe, 2011. The S.C.C.O.R.E model consists of several components, namely stimulus (pressure), capability, collusion, opportunity, rationalization (justification), and ego.

In Indonesia, several cases of fraud in financial statements were found by companies in order to cover the deficiencies that occurred so that the financial statements would be better. Several cases of fraud that occurred in Indonesia, such as the case of fraudulent financial reporting by PT Timah (Persero) Tbk (TINS). The case stems from the demands of the Timah Employees Association (IKT) against the directors of PT Timah (Persero) Tbk who are considered to have committed many mistakes and negligence during their three-year tenure since 2013. Cases of business fraud violations in Indonesia tend to be high due to the company's lack of attention to system development. information for effective corporate governance.

Mohamed & Kaur (2012) Information Technology Governance (ITG) has elements that can lead to effectiveness in governance including structures, processes, and relationships. In this study, it was also stated that ITG requires determinants of ITG including organizational demographics, information intensity, organizational culture, characteristics of the external environment, and characteristics of the IT function. ITG can have an impact on organizational performance which can be seen through finance, customers, learning and growth, and internal business processes. From the research of Mohamed & Kaur (2012) shows that the determinants of ITG affect organizational performance mediated by ITG. The implementation of IT governance in an organization is built by providing added value that can benefit stakeholders, including ensuring the timeliness and accuracy of financial reports during the information technology development process. In addition, the development of information technology must be able to reduce the possibility of fraud.

The relationship between ITG variables and fraud has been developed by several researchers such as Bishop et al. (2019), Tseng (2019), Ferina, et al. (2021), Saksena (2001), Shi (2016), Halbouni (2016), and Da Cunha (2003). However, there has been no research that has focused on the effectiveness of using IT-based governance to reduce the practices carried out by companies.

2. LITERATURE REVIEW

The theoretical study of research variables consists of the Grand Theory, namely Corporate Governance; Middle Range Theory, namely Fraud Theory and IT-based governance (Information Technology Governance / ITG); and applied theory, namely Organizational Demographics, Organizational Culture, External Environmental Characteristics, Fraud, and IT Governance.

2.1 Corporate Governance

Corporate governance is a term that arises from the interaction between management, shareholders and the board of directors, as well as other related parties. The term corporate governance or corporate governance was first introduced by the Cadbury Committee in 1992 in its report known as the Cadbury Report (Tjager et al., 2003), which is a system that functions to direct and control the organization. Another definition from the Cadbury Committee views corporate governance as a set of rules that define the influence between shareholders, managers, creditors, government, employees and stakeholder both internally and externally in relation to their rights and responsibilities.

Agency theory is the basis for understanding corporate governance as a whole. This theory was first coined by Jensen and Meckling (1976), which stated that agency relationships occur when one or more people (principals) hire other people (agents)

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to provide a service and then delegate decision-making authority. Principal is a shareholder or investor and what is meant by an agent is the management who manages the company. The essence of the agency relationship is the separation of functions between ownership on the part of investors and control on the part of management. If the functions of owner and management are separated, this will create an agency conflict between owner and management. The conflict of interest between the owner and the agent occurs because management may not always act in accordance with the owner's wishes, resulting in agency costs. Agency costs are costs incurred by the owner to supervise management. The existence of deviations between the decisions taken by management and decisions that will improve the welfare of the owners will cause losses or a reduction in the welfare of the principal, the value of money arising from these deviations is called residual loss.

Corporate governance is a system of how an organization is managed and controlled. The corporate governance system, among other things, regulates decision-making mechanisms at the top level of the organization. Corporate governance regulates the influence between commissioners, directors, and company management so that checks and balances occur in managing the organization. The implementation of good corporate governance makes important company decisions no longer only determined by one dominant party, decisions are made after getting input and considering the interests of stakeholders. Good corporate governance encourages more democratic organizational management, because it involves the participation of many interests, is more accountable, has a system that will account for every action, and is more transparent. Corporate governance is a basic theory to explain aspects of companies related to employee and organizational behavior. In its application, along with the development of science and technology, corporate governance is also experiencing rapid development, but this does not change the basic purpose of corporate governance, namely to direct and control the organization in order to avoid conflicts of interest and actions that are detrimental to the company, including fraud. Based on post-modern theory, it is important to use corporate governance as a guideline to minimize potential conflicts of interest and reporting information in the form of financial reports made by management to shareholders is accountable and transparent.

2.2 Fraud Theory

The Oxford English Dictionary defines fraud as a criminal act of cheating by using a false presentation to gain an unfair advantage or to take forcibly the rights or interests of others. Meanwhile, Sorunke et al (2016) view fraud as an act or process of fraud or concealment of negligence or intentional deviation from the truth such as breaking the law and acting unfairly.

There are many definitions and understandings that explain fraud. According to The Institute of Internal Auditors (IIA) fraud is defined as "a series of irregularities and illegal acts characterized by intentional fraud" which can be interpreted as a collection of unlawful and unlawful acts characterized by an element of intentional fraud. A more specific definition of fraud is expressed by The Association of Certified Fraud Examiners (ACFE) which states that fraud is any attempt to find out or deceive other parties in order to gain an advantage.

Corporate fraud is a very troubling and recurring phenomenon. This problem continues to surround every country, industry and company of all sizes (Mohamed 2015; Clinard and Yeager 2011; Dyck et al. 2010). Fraud issues can include financial and non-financial which have been confirmed by various researchers such as Anginer et al. (2011); Chen et al. (2010b); Dyck et al. (2010); Goldman et al. (2013); Graham et al. (2008); and Kuvvet (2015), there are even 6 well-known organizations that lose 5% of their revenue annually due to fraud with an estimated global loss of USD 3.7 trillion in terms of Gross World Product (GWP). Similarly, one in three of these organizations report fraud at 22% of the firm's value (PWC, 2014).

The existence of social and economic consequences, makes stakeholders tend to emphasize examining the factors that lead to fraudulent financial reporting (Erickson et al. 2006). These factors include equity-based compensation (Goldman and Slezak 2006; Peng and Röell, 2008), uncertainty in managers' reporting objectives (Fischer and Verrecchia, 2000), and monitoring activities (Povel et al. 2007). In addition, other empirical literatures also identify various internal and external factors that exacerbate corporate fraud. Internal factors include studies identifying managers' salaries and compensation as important factors that provide reasons for managers to manipulate financial reporting (Bergstresser and Philippon, 2006; Burns and Kedia, 2006; Peng and Röell, 2008; Erickson et al., 2004).

These studies are consistent with the existing theoretical argument that executive compensation influences fraud tendencies (Goldman and Slezak 2006; Peng and Röell 2008, 2014). In addition, there

are studies that find characteristics of corporate governance mechanisms such as board composition and expertise (Beasley 1996; Klein 2002;), executive roles and social ties with board members and other executives (Chidambaran et al. 2011; Khanna et al. 2015).).) as a significant contributor to fraud.

As for external factors, this study identifies factors related to external mechanisms and channels, such as business conditions (Wang et al. 2010), industry characteristics and the role of regulators (Agrawal and Cooper 2010). Although the existing theoretical and empirical literature tends to explain the factors that provide a significant understanding of the fraud phenomenon, these factors have not been examined in a comprehensive framework. Most of the research mentioned above has focused only on a few of the many factors that have the potential to increase cheating behavior.

Report to the National on Occupation Fraud and Abuse in 2016 issued by the Association of Certified Fraud Examiners (ACFE) revealed that there were 78.9% of fraud cases which included corruption, misuse of assets, and fraudulent financial reporting, both occurring in the private sector and the government sector in Indonesia. In addition, according to data from the Association of Certified Fraud Examiners (ACFE), fraud caused by fraudulent financial statements in 2016 increased by 9.6% from 9.0% in 2014. Previously, the Enron case that occurred in 2002 in America The union, which committed fraud in its financial statements, shocked the financial world. The company commits fraud by increasing the company's profits when in fact the company suffers a loss. As a result of the fraudulent financial statements at the Enron company, the company's economy and investor confidence declined and even affected other companies on the stock exchange.

Fraud will always occur if there is no previous prevention and detection. Therefore, there are several ways to detect fraud which is often known as the fraud triangle, fraud diamond fraud, fraud pentagon and hexagon fraud. As the name implies, the fraud triangle is in the form of a triangle and consists of 3 variables, the fraud diamond is in the form of a rhombus which consists of 4 variables, the fraud pentagon is in the form of a pentagon and consists of 5 variables, while the fraud hexagon is in the form of a hexagon and consists of 6 variables refined by Vousinas in 2017.

2.2.1 Stimulus (Pressure)

The pressure experienced by a person is the biggest trigger for them to be willing to take reckless action. The workplace crime is no exception. Pressure can be defined as the motive for a person's behavior to deviate because it is triggered by a perceived urge (Arles, 2014). Every perpetrator has to face some kind of pressure to commit fraud. Perceived pressure is defined as the motivation that leads the perpetrator to engage in unethical behavior. This kind of pressure can happen to all parties at all levels of the organization and can occur for various reasons (Ruankaew, 2016). The pressure will be even worse if it occurs in individuals who can no longer think logically. The reason can be in the form of financial pressure, pressure due to encouragement from bad habits and pressure related to work (Wijayani, 2016). The important concept here is the pressure that squeezes his life (in the form of the need for money), even though he cannot share it with others. Meanwhile, pressure in non-financial matters can also encourage someone to commit fraud, for example actions to cover up poor performance due to job demands to get good results (Zimbelman and Albrecht in Suciati, 2016).

Pressure is to encourage people to commit fraud. Pressure does not only come from need and financial problems, but is often caused by greed. Misuse of company funds by perpetrators carried out by pressure of urgent financial needs (Priantara, 2013). Auditing Standards (SAS) No. 99 lists four types of conditions that commonly occur under stress and can lead to fraud. Namely (Albrecht, et al., 2018):

1) Financial stability or profitability (financial stability) Financial stability is a condition that forces a company to describe its financial condition as stable. Examples of risk factors: Companies may manipulate earnings if their financial stability or profitability is threatened by the company's economic, industry, or operating conditions for the following entities:
   a. High level of competition or reduced profit margin
   b. Very vulnerable to rapid changes (technology, regression, interest rates, etc.).
   c. Decrease in customer demand
   d. operating loss
   e. Ordinary negative cash flow from operating activities
   f. Rapid growth or great profitability
   g. New accounting, legal, or regulatory requirements

2) Financial targets (financial targets)
   Financial goals put excessive pressure on management or managers to achieve the financial goals set by the board or management. Examples of risk factors: Companies can

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manipulate earnings to address issues such as analyst forecasts and last year's earnings. According to the Skousen (2008) survey, return on assets (ROA) is very suitable for financial purposes. ROA is a widely used operational performance indicator of how efficiently resources are used. ROA is often used to assess manager performance such as setting bonuses and increasing salaries. In another study by Skousen (2008), ROA was also used as a substitute for financial goals. Apart from Skousen (2008), Widarti's research also uses ROA as a substitute for financial goals. According to Widarti's research, ROA has an effect on balance sheet fraud. Therefore, you can use ROA to show vulnerabilities in your financial statements.

3) External pressure
External pressure is excessive pressure on management to meet the needs and expectations of others. An example of a risk factor is if a company faces the trend of investment analyst expectations, it will be pressured by the company or other outside investors and major creditors to provide the best performance, including debt or equity financing needs and limited capacity to fulfill them. requirements. Significantly pending transactions can result in poor financial results from being listed on a stock exchange or paying off debt or other debt terms. External pressure is the ability of management to pay off debt or fulfill debt contracts which is widely known to be the cause of external pressure. Vermeer, Press and Weintrop report that when faced with debt violations, managers tend to rely on accountable discretionary provisions. In addition, debt is accompanied by an increase in the income range. In addition, managers may feel pressured to demand additional debt or equity financing to remain competitive. Therefore, it is used instead of external pressure

4) Personal financial needs
If the company's finances are also influenced by the financial position of the company's executives, then personal finance is needed. Examples of risk factors: management's significant financial interest in the entity, management has a significant share of compensation that is contingent on achieving aggressive targets for share price, results of operations, financial position, or cash flows. Management pledges personal assets for the entity's debts. Here when executives have a significant financial stake in the company, their personal financial situation may be threatened by the financial performance of the company. Skousen (2008) included OSHIP and 5% OWN as proxies for personal financial needs.

2.2.2 Capability

Ability can be interpreted as a person's ability. Ability is a person's ability to perform various tasks in his work. The meaning of ability is not limited to having ability, but more than that, you will understand in more detail when you really master your abilities, from weaknesses to overcoming them. According to Hagell III and Brown, capability is the ability to mobilize resources to create value that exceeds costs. These are resources in physical form (essential resources) and resources with non-essential properties (intangible resources). Resources with certain material properties include financial resources, human resources, and physical resources. Intangible assets typically include talent, intellectual property rights, collaboration networks, and brands, but they also have the potential or strengths of their personalities, abilities, and abilities to make the necessary decisions and actions.

According to Wolfe and Hermanson (2004), ability is a situation or skill required and the ability of people to commit fraud. This condition occurs when the fraudster recognizes the existence of a particular fraud opportunity and the ability to turn it into a reality. Position, intelligence, ego, coercion, deception, and stress are elements that support ability (Wolfe and Hermanson, 2004). Ability is one of the traits possessed to tend to commit fraud by looking at one's abilities. So the smarter the fraud strategy, the more difficult it is to detect fraud.

2.2.3 Collusion

According to Vousinas (2019), collusion is a deceiving or compact between two or more people in which one party acts against the other, such as defrauding the rights of a third party, referring to consensus. The fraud hexagon model should be used as an evolution of the Pentagon fraud model to better identify evidence of fraud. Collusion also plays an important role in fraud accounting (Vousinas, 2019). Collusion is measured using marginal cost (MC) (Fonseca & Normann, 2008; Phillips et al., 2011). Collusion is a conspiracy between parties with certain agreements for malicious purposes so that it can harm third parties (Vousinas, 2019). Collusion that occurs in the company is an indication of fraud in the financial statements. The proxy for collusion is marginal cost, i.e. the change in cost that occurs as a result of a change in production. Marginal cost can

be seen from the Cost of Goods Sold (HPP) in the company's profit/loss statement. Marginal costs that are the same per production or have slight differences and do not change every year may indicate collusion (Fonseca & Normann, 2008; Phillips et al., 2011). Collusion that occurs between companies can be seen from the act of equalizing the price of products to be sold which has an impact on the tendency of fraudulent financial statements. Research on the hexagon fraud theory developed by Vousinas (2019) has not been studied empirically but is only limited to theory. Therefore, this study is intended to test the hexagon fraud theory empirically. Furthermore, this study hopes that the collusion factor measured by MC can be an indication of fraudulent financial statements.

2.2.4 Opportunity

According to Hendro and Chandra (2006, p. 149), opportunity is the state of every moment in our daily lives, from getting up in the morning until late at night. Opportunity can take many forms, depending on how we see it. It is important to note that it is not just see and see things, but imperfections can be opportunities that the market really needs. Fraud can occur when there is an opportunity or opportunity. Opportunities are opportunities that allow fraud perpetrators to act freely, caused by weak internal controls, lack of discipline, weak access to information, lack of validation mechanisms, and indifference. What stands out the most here is internal control. Poor internal controls give people the opportunity to commit fraud.

2.2.5 Rationalization

According to Albrecht (2012), rationalization is the wrong reason for self-justification or wrong behavior. Pamungkas (2015) states that rationalization can be interpreted as an attitude or assumption that exists within a person to justify what is wrong. The rationalization intended in this study is how students think that academic mistakes are not wrong or wrong behavior, but are common behaviors. According to Tuanakotta's book (2014) "Detecting Manipulation of Financial Statements", the third aspect is that rationalization is a "whisper" of justification for the conscience of fraudsters. Rationalization is the rational attitude of ethical values in society, allowing some parties to commit fraud. Rationalization can also be triggered by rationalizing cheating when people are in a sufficiently stressful environment (Cressey, 1953, Skoussen, 2009). From this explanation, we can conclude that rationalization is a process carried out by students by correctly justifying wrong behavior so that it is not accepted and criticized socially. According to Albrecht (2012), rationalization includes:

1. The perpetrator feels that the organization owes something to the perpetrator.
2. The perpetrator must have committed a fraud.
3. The perpetrator feels that no one is harmed.
4. Perpetrators believe they have more rights.
5. This scam is for good reason.
6. Once personal issues are resolved, Perpetrators will stop cheating.

This fraud is to protect your reputation. In addition to these seven reasons, Albrecht (2012) also mentions a commonly used reason that breaking the rules (committing cheating) is okay because everyone does it.

a. Ineffective communication, implementation, approval or application of the company's values or ethical standards.
b. Management, which is not financial in nature, is too involved in making material accounting policy choices or accounting estimates.
c. In the past, alleged violations of the law have resulted in violations of the law or legal process against the company, management, or TCWG (which has been entrusted with oversight).
d. Management's excessive desire to add value to high stock prices and maintain earnings trends.
e. Management undertakes not to make highly offensive or unrealistic positive statements to analysts, lenders and other third parties.
f. Management failed or did not promptly correct any significant internal control weaknesses it identified.
g. Management is interested in using inappropriate methods to reduce tax profit
h. Workplace atmosphere is discouraged among company executives (low morale).
i. The owner who is also the manager (owner-manager) of the company, does not distinguish whether it is a personal transaction or a business transaction.

Disputes between members of a closed company. Repeated attempts by management to justify the use of inappropriate accounting because the problem is insignificant.

2.2.6 Ego

Arrogance is the arrogant or haughty attitude of someone who considers himself capable of cheating. This trait arises because there is a large self-interest in management which makes its arrogance even greater. This trait will trigger the belief that he will not be known if fraud has occurred and the existing sanctions cannot befall him (Aprilia, 2017). Fraud perpetrators believe that the internal

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controls applied cannot override them so that perpetrators usually think freely without fear of sanctions that will ensnare them. Crowe (2011) explains that arrogance is the nature of superiority over the rights owned and feels that internal control and company policies do not apply to him.

2.3 Information Technology Governance

Information Technology Governance (ITG) is a planning and monitoring mechanism that regulates the translation of IT investments into business value. ITG is defined as: "leadership and organizational structure and processes" that ensure that the IT organization sustains and extends the organization's strategies and objectives" (IT Governance Institute, 2003). This is a shared responsibility of the executive management team (eg, CIO or CEO) and the board of directors (IT Governing Agency, 2003; De Haes and Van Grembergen, 2009). While most ITG studies focus on the executive level of ITG (ITG is implemented by an executive team) (e.g., Ali et al., 2012; Bowen et al., 2007; Prasad et al., 2012), the literature at the board level

Information Technology Governance can be defined as the collective tools, processes and methodologies that enable organizations to align business strategies and objectives with IT services, infrastructure or environments. IT governance uses managing and optimizing IT in a way that supports, complements, or enables the organization to achieve its goals and objectives. To achieve effective IT governance, organizations need to use well-designed, well-understood and transparent governance mechanisms (Weill and Ross, 2004). However, good governance arrangements will fail to deliver the expected results if the mechanisms to support them are not adequately implemented. In their research, Weill and Ross (2004) categorize IT governance into three general types: decision-making structures, alignment processes, and communication approaches. The study sought to provide empirical evidence of the correlation of several individual governance mechanisms with the overall level of IT governance effectiveness.

2.4 Organizational Demographics

Organizational demographics are characterized by the size and age of the organization. Organizational size refers to the number of employees and sales revenue of the organization (Ein-Dor and Segev, 1978), although findings about organizational size vary. Several studies have shown an inverse relationship between organizational size and structure; larger organizations are less centralized in terms of structure (Ein-Dor and Segev, 1982; Gu et al., 2008; Miller and Droge, 1986; Sambamurthy and Zmud, 1999). Others reported positive associations. For example, Kankanhalli et al. (2003) reported a positive relationship between organizational size and the effectiveness of information system security in Singaporean organizations.

Elbanna and Child (2007) reported a positive relationship between organizational size and the effectiveness of information systems planning. Ko et al. (2008) showed a positive relationship between organizational size and innovation adoption. In a recent study from an Austrian organization, Bernroider (2008) argues that for large organizations, ERP system success increases as top management's commitment to IT governance increases. In a previous study on innovation adoption, Premkumar and King (1994) found no relationship for organizational size, although Lee and Xia (2006) found through a meta-analysis that there was a positive relationship between organizational size and innovation adoption when five variables moderated the relationship. The age of an organization shows the duration of the establishment of an organization. In a quantitative study in the United States, Ravichandran and Lertwongsatien (2005) found that organizational age is negatively related to organizational performance. In an earlier study, Miller and Droge (1986) found that chief executive officers in younger Canadian organizations were more likely to formalize and encourage a centralized structure. In IT adoption innovation, the age of the organization yields mixed results. Parhi (2007) found that the age of the organization is an important factor in determining the decision to adopt a new technology. Chau et al. (2008) argue that age and organizational size do not affect Internet assimilation in Chinese organizations.

2.5 External Environment Characteristics

The external environment is a set of factors that are exogenous in relation to the organization and affect organizational efficiency (Njoroge et al., 2016); initial conditions faced by entrepreneurs in any economy (Alkali, 2012). Regardless of the industry in which an organization competes, the external environment influences the firm, as they seek to ensure strategic competitiveness (Hitt et al., 2011). The external environment of an organization is a dynamically integrated and developing characteristic, which includes complex social, technological, economic, political and legal factors which are beyond the control of the business and

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impose its limitations on the activities of the organization. The survival and success of an organization depends on the skillful interaction of the company's management with the external environment and timely response to changes in this environment, analyzing and taking into account their impact on the organization and business in general (Kuznetsova and Alekseeva, 2016; Kuznetsova , 2015; Srimuk and Choibamroong, 2014).

Lazauskas, et al. (2012) noted that the ability of companies to adapt in a changing external environment, respond to direct changes in the external environmental factors of the market and maintain a stable position in it is largely related and determines the level of competitiveness of these companies. Melecke (2013) notes that the study of external environmental factors in the context of competitiveness analysis brings important information about the main issues in the region on the one hand and the development of the competitiveness potential of companies on the other. Organizations can continue to exist only if they find efficient production and management technologies (Grubich and Shrolik, 2015). In addition, a firm's activities in an external competitive environment can and should be concentrated in a sphere in which it can maintain or gain (multiply) a competitive advantage (De Villiers, 2002). In the process of developing development options, organizations must consider not only capabilities and threats, present and future, internal potential, strengths and weaknesses, but also competitive advantages that provide opportunities to become market leaders (Voiculet et al., 2010).

2.6 Organizational Culture

Robbin & Judge (2015) argues that organizational behavior or organizational behavior is a field of study that has a lot of influence on individuals, groups and structures on behavior within organizations that aim to apply knowledge to increase organizational effectiveness. Robbin & Judge (2015) also said that organizational behavior is a study that studies the three determinants of behavior in organizations, namely individuals, groups and structures. To summarize the definition, organizational behavior is the study of behavior carried out by a person in an organization and the influence of behavior on organizational performance. Because organizational behavior is very focused specifically on work-related situations, organizational behavior is emphasized on matters related to work, absenteeism, employee turnover, productivity, human performance and management. Ivancevich (2007) reveals that the study of human behavior, attitudes and performance in an organizational environment is based on theories, methods and principles from various disciplines, such as psychology, sociology, political science, and cultural anthropology to study individuals, groups, structures and processes.

The above definition illustrates a number of important points. First, organizational behavior is a way of thinking. Second, organizational behavior is multi-disciplinary. Third, there is a humanistic orientation that is clearly visible in organizational behavior. Fourth, the field of organizational behavior is performance-oriented. Fifth, because the field of organizational behavior relies heavily on recognized disciplines, the role of the scientific method in studying variables and relationships is considered important. Lastly, the field of organizational behavior has.

Organizational behavior or organizational behavior is closely related to regulation. Generally, the role of regulation has an influence on organizational behavior. Meanwhile, according to the Big Indonesian Dictionary (KBBI) regulation is a rule or a restriction that is used to control society. The application of regulation is usually carried out in various forms, namely legal restrictions given by the government, regulation by a company, and so on.

Ghozali & Chariri (2007) state that theorists are of the opinion that if regulation arises as a response to a crisis that cannot be identified, then the thing that drives regulation policy appears is because of a crisis in standard setting. The accounting standard setters provide a policy to respond to the demand for a policy or standard that is motivated by the emerging crisis. The description above can be concluded that regulation or commonly referred to as statutory regulations is a policy used to regulate society. In general, a rule that has been set will shape the behavior of the community. The behavior of the community or organization based on the behavior of individuals, groups, and structures can have an influence on the sustainability of an organization. If the regulation of a company goes well, the behavior of the community will be good, so that it will have an impact on the sustainability of the company which can be considered good.

Based on the theories supporting the research variables that have been described previously, several research hypotheses were formed as follows:

H1 In IT Governance with Low Category, Organizational demographics have a significant effect on fraud.

H1b: In IT Governance with a High Category, Organizational demographics have a significant effect on fraud.

H2a: In IT Governance with Low Category, External environment characteristics have a significant effect on fraud
H2b: In IT Governance with High Category, External environment characteristics have a significant effect on fraud
H3a: In IT Governance with Low Category, Organizational culture has a significant effect on fraud
H3b: In IT Governance with High Category, Organizational culture has a significant effect on fraud
Based on the theories supporting the research variables and hypotheses that have been described previously, a conceptual model of this research can be formed which can be seen in Figure 1 below:

3. METHODOLOGY

This study uses a quantitative approach. According to Sugiyono (2014), quantitative research methods based on positivism are used to examine certain samples or populations because later the conclusions obtained from the sample can be used in the research population by means of data collection, quantitative data analysis and with the aim of testing hypotheses. This study examines and explains the causal relationship between the influence of exogenous variables, namely Organizational Demographics, Organizational Culture, External Environmental Characteristics, and IT Governance as moderating variables (multigroup moderation) on the endogenous variable, namely fraud.

The population of this research are companies that go public (offering business ownership to the general public) which are listed on the Indonesia Stock Exchange until 2020 and commit fraud in the company's financial statements or within a certain period of time do not submit financial statements, as many as 216 companies. The sampling technique used in this study was purposive sampling with the determination of the sample size using the 5% slovin formula.

Inferential statistical analysis used is Partial Least Square (PLS) using the WarpPLS package computer program. WarpPLS analysis is an extension of PLS analysis. If the structural model being analyzed meets the reflective model or meets the formative model, one of the things that can be applied is the PLS (Partial Least Square) model (Solimun, et al., 2017).

4. RESULTS

4.1 Descriptive analysis

One of the descriptive analysis in this research is Importance Performance Analysis (IPA). Importance Performance Analysis (IPA), which according to Santoso and Azwar (2015) is a technique used to identify the attributes of a product that are most needed from a development based on the point of view of a product or service user. The IPA method compares the extent to which the performance/service perceived by service users is compared to the desired level of satisfaction. In this method, respondents are asked to rate the level of importance and performance of the variables studied. The results of measuring respondents' perceptions and science analysis are presented in table 1 below.

From table 1 above, information can be obtained that:

1) Quadrant 1: there are 7 indicators included in this quadrant namely Organizational Size (X1.1), Hostility (X2.2), Consistency (X3.2), Resource Management (X4.4), Capabilities (Y1.2), Opportunity (Y1.4), and Ego (Y1.6). For indicators that fall into quadrant 1, these indicators are factors that are considered important and or expected by consumers, but the company's performance is considered unsatisfactory so that the company needs to concentrate on allocating its resources to improve performance that is included in this quadrant.
2) Quadrant 2: There are 3 indicators included in this quadrant, namely Dynamism (X2.1), Adaptability (X3.3) and Risk Management (X4.3). For indicators that fall into quadrant 2, this indicator is a factor that is considered important and is expected to be a supporting factor for customer satisfaction so that the company is obliged to maintain these performance achievements.
3) Quadrant 3: There are 3 indicators included in this quadrant, namely Organizational Age (X1.2), Heterogeneity (X2.3) and Collusion (Y1.3). For indicators that fall into quadrant 3, these indicators are factors that are considered to have a low level of perception or actual performance and are not too important and or not too expected by consumers so that companies do not need to prioritize or pay more attention to these factors.
4) Quadrant 4: there are 7 indicators included in this quadrant, namely Involvement (X3.1), Mission (X3.4), Strategic Alignment (X4.1), Business Value

Delivery (X4.2), Performance Measurement (X4.5).), Stimulus (Y1.1), and Rationalization (Y1.5). For indicators that fall into quadrant 4, these indicators are factors that are considered not too important and not too expected by customers so that the company is better at allocating resources related to these factors to other factors that have a higher priority level.

4.2 Validity and Reliability Check

The validity check aims to find out how well the research instrument measures the concept that should be measured (Sugiyono, 2010). While reliability testing is a test used to determine the consistency between the statement variables of a test. The minimum requirement for a questionnaire to meet validity is if the corrected r-item total is at least 0.3 (Solimun et al., 2017). If the item correlation to the total score is greater than the critical r (0.3) then the research instrument is said to be valid. While the reliability or reliability of the instrument shows the extent to which a measurement can provide consistent results when repeated measurements are made of the same symptoms with the same measuring instrument (Sugiyono, 2010). Question items or statements can be said to be reliable if they provide a Cronbach Alpha (α) > 0.60 (Solimun et al., 2017). The following are the results of checking the validity and reliability of the data obtained.

Based on the validity and reliability tests in table 2, it can be seen that all statement items are valid because the corrected total r-item for each item used is greater than 0.3. In the reliability test, it can be concluded that all statement items are reliable to be used because they have a Cronbach Alpha value above 0.6.

4.3 Hypothesis Test

Hypothesis testing is done using the path coefficient on SEM. Table 3 shows the results of testing the Direct Effect hypothesis by including the influence of IT Governance as a multigroup moderating variable. If the p-value is less than 0.05, then the relationship between variables is significant. The test results can be seen in the table 3.

From the tests carried out, it can be seen that Organizational Demographics and External Environment Characteristics have an insignificant impact on Fraud. In other words, Hypotheses 1a and 3a are rejected. Meanwhile, Organizational Culture has a significant influence on fraud so that hypothesis 3a is accepted.

From the tests carried out, it can be seen that External Environment Characteristics and Organizational Culture have a significant impact on Fraud. In other words, Hypotheses 2b and 3b are accepted. Meanwhile, Organizational Demographic has an insignificant impact on Fraud. In other words, Hypothesis 1b is rejected.

5. DISCUSSION

5.1 Effect of Organizational Demographics on Fraud

Based on table 3, in the moderating variable of IT Governance (X4) with low and high categories, Organizational Demographics has no significant effect in a positive direction with coefficients of 0.4189 and 0.4138 and p-values of 0.2000 and 0.113. With a significant level (α) of 5%, it can be concluded that Organizational Demographics does not have a significant positive effect on Fraud both in IT Governance (X4) with a low category and a high category. acceptable.

These results support the study by Bishop et al. (2019) entitled "Unique Characteristics of Management Override Fraud Cases". This study explores how management overriding fraud differs from fraud with a lack of control, focusing on the main perpetrators of fraud violations, the characteristics of the fraud incident, and the victim's organizational attributes. Management neglect and collusion may often occur together. When the anti-fraud environment is stronger, fraudsters seem to be encouraged to override controls to achieve their goals. Thus, organizations that have a strong anti-fraud environment may not necessarily prevent fraud. Instead, they have forced fraudsters to sidestep to evade control.

5.2 Effect of External Environmental Characterics on Fraud

Based on table 3, the moderating variable of IT Governance (X4) in the Low category External Environmental Characteristics has no significant effect in a positive direction with a coefficient of 0.1082 and a p-value of 0.3252. With a significant level (α) of 5%, it can be said that the External Environmental Characteristics have no significant effect on the positive direction of Fraud so that the H2a hypothesis which states that the External Environmental Characteristics has a significant effect on fraud can be rejected. This is a research finding that is a novelty in this study.

Meanwhile, in the IT Governance (X4) moderating variable with a high category, External Environmental Characteristics has a significant effect in a positive direction with a coefficient of

0.3294 and a p-value of 0.0005. With a significant level (α) of 5%, it can be said that the External Environmental Characteristics have a significant effect on the positive direction of Fraud so that H2b which states that the External Environmental Characteristics has a significant effect on Fraud can be accepted. This conclusion supports Shi's (2016) research entitled "External Corporate governance and Financial Fraud: Cognitive Evaluation Theory Insights on Agency theory Prescriptions" which proves agency theory about the relationship between company external leaders and financial embezzlement. Researchers used longitudinal datasets in 1999-2012. The sample used is all companies in the S&P 1500 index at the time of sampling, including several companies included in the Investor Responsibility Research Center (IRRC). The result of this study is that external leaders can suppress the intrinsic motivation of managers to act for the sake of shareholders, thereby increasing the possibility of financial embezzlement.

5.3 The Influence of Organizational Culture on Fraud

Based on table 3, in the moderating variable of IT Governance (X4) with low and high categories, Organizational Culture has a significant effect in a negative direction with coefficients of -0.2128 and -0.4067 and p-values of 0.0221 and 0.0000 . With a significant level (α) of 5%, it can be concluded that Organizational Culture has a significant positive effect on Fraud both in IT Governance (X4) with a low category and a high category so that the hypothesis H3a and H3b which states that Organizational Culture has a significant effect on fraud can be accepted.

These results support the research by Ferina, et al (2001) with the title "Implementation of Zero Fraud Through Information Technology Innovation and Organizational Culture". In this study, researchers determine the effect of information technology innovation and organizational culture in preventing fraud at the Regional General Hospital (RSUD) in Sumatra. The research sample was 421 respondents. The method used is a quantitative approach and the use of questionnaires to collect research data. The results show that information technology innovation and organizational culture affect fraud prevention.

6. CONCLUSION

Based on testing and discussion related to the causal relationship between the influence of exogenous variables, namely Organizational Demographics, External Environmental Characteristics, and Organizational Culture and IT Governance as a multigroup moderating variable on the endogenous variable, namely Fraud, with the following conclusions:

1) Organizational Demographics does not have a significant positive effect on Fraud, both in IT Governance (X4) with low and high categories.
2) In IT Governance (X4) with a low category, External Environmental Characteristics does not have a significant effect in a positive direction on Fraud. However, in IT Governance (X4) with a high category, External Environmental Characteristics have a significant effect in a positive direction on Fraud.
3) Organizational Culture has a significant negative effect on Fraud both in IT Governance (X4) with low and high categories

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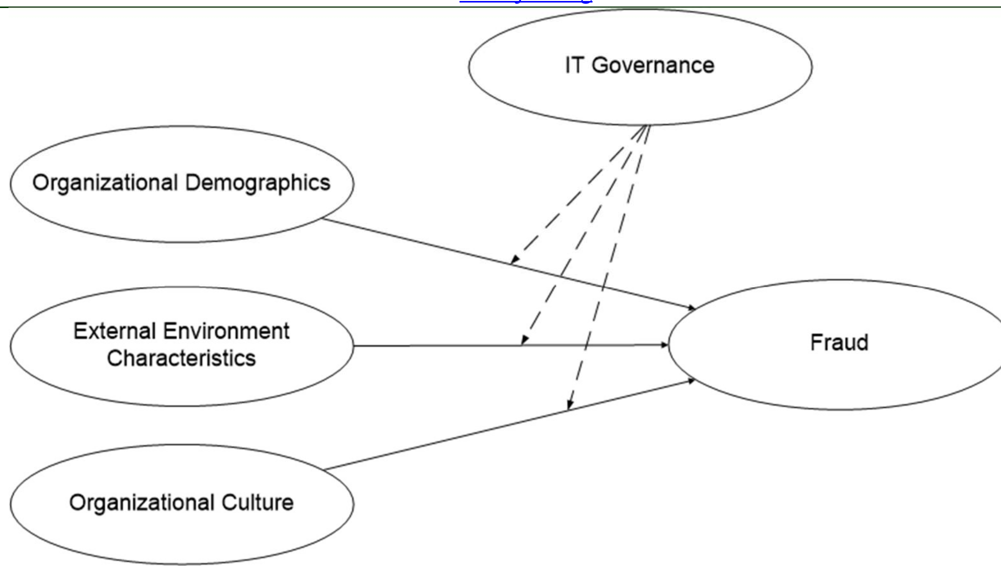

Figure 1. Research Conceptual Model

Table 1. IPA Analysis Results

Variable	Indicator	Performance	Importance	Quadrant classification
Organizational Demographics (X1)	X1.1	0,919	0,811	Q1
	X1.2	0,680	0,605	Q3
External Environment Characteristics (X2)	X2.1	0,651	0,816	Q2
	X2.2	0,917	0,789	Q1
	X2.3	0,680	0,734	Q3
Organizational Culture (X3)	X3.1	0,843	0,654	Q4
	X3.2	0,774	1,000	Q1
	X3.3	0,732	0,919	Q2
	X3.4	0,843	0,706	Q4
IT Governance (X4)	X4.1	0,940	0,673	Q4
	X4.2	0,825	0,724	Q4
	X4.3	0,710	0,816	Q2
	X4.4	0,773	0,757	Q1
	X4.5	0,884	0,702	Q4
Fraud (Y1)	Y1.1	0,935	0,603	Q4
	Y1.2	0,778	0,883	Q1
	Y1.3	0,709	0,641	Q3
	Y1.4	0,903	0,901	Q1
	Y1.5	0,816	0,717	Q4
	Y1.6	0,782	0,767	Q1

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***Table 2.** Validity And Reliability Check Results*

Variable	***Indicator***	***Item***	***Item correlation***	***Cronbach-Alpha***
Organizational Demographics (X1)	Organization size (X1.1)	X111	0,546	0,750
		X112	0,480	
	Organization Age (X1.2)	X121	0,624	
		X122	0,490	
External Environment Characteristics (X2)	Dynamism (X2.1)	X211	0,467	0,842
		X212	0,605	
		X213	0,500	
		X214	0,548	
	Hostility (X2.2)	X221	0,458	
		X222	0,590	
	Heterogeneity (X2.3)	X231	0,555	
		X232	0,389	
Organizational Culture (X3)	Involvement (X3.1)	X311	0,351	0,686
		X312	0,643	
		X313	0,472	
		X314	0,616	
	Consistency (X3.2)	X321	0,515	
		X322	0,453	
		X323	0,481	
		X324	0,626	
	Adaptability (X3.3)	X331	0,409	
		X332	0,649	
		X333	0,619	
		X334	0,648	
	Mission (X3.4)	X341	0,625	
		X342	0,486	
		X343	0,372	
		X344	0,533	
IT Governance (X4)	Strategic Allignment (X4.1)	X411	0,388	0,781
		X412	0,381	
		X413	0,563	

		X414	0,363	
		X415	0,523	
	Business Value Delivery (X4.2)	X421	0,500	
		X422	0,481	
		X423	0,532	
		X424	0,374	
	Risk Management (X4.3)	X431	0,625	
		X432	0,355	
	Resource Management (X4.4)	X441	0,437	
		X442	0,503	
		X443	0,522	
		X444	0,537	
	Performance Measurement (X4.5)	X451	0,403	
		X452	0,468	
Fraud (Y1)	Stimulus (Y1.1)	Y111	0,580	0,690
		Y112	0,456	
		Y113	0,362	
		Y114	0,427	
		Y115	0,631	
		Y116	0,639	
		Y117	0,621	
		Y118	0,567	
		Y119	0,454	
	Capabilities (Y1.2)	Y121	0,589	
		Y122	0,581	
		Y123	0,564	
	Collusion (Y1.3)	Y131	0,388	
		Y132	0,421	
	Opportunity (Y1.4)	Y141	0,396	
		Y142	0,565	
		Y143	0,603	
		Y144	0,485	
		Y145	0,398	
	Rationalization (Y1.5)	Y151	0,644	

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		Y152	0,426
		Y153	0,577
		Y154	0,497
		Y155	0,591
		Y156	0,588
		Y157	0,450
		Y158	0,414
	Ego (Y1.6)	Y161	0,649
		Y162	0,476

Source: Researcher Process (2022)

Table 3. *Direct Effect Hypothesis Testing On Multigroups Of IT Governance Moderating Variables*

Multigroup SEM Analysis					
IT Governance (X4) Low Category		**Coef**	**SE**	**CR**	**P-value**
Organizational Demographics (X1)	Fraud (Y1)	0,4189	0,1060	3,9518	0,200
External Environment Characteristics (X2)	Fraud (Y1)	0,1082	0,1100	0,9838	0,3252
Organizational Culture (X3)	Fraud (Y1)	-0,2128	0,0930	2,2878	0,0221
IT Governance (X4) High Category		**Coef**	**SE**	**CR**	**P-value**
Organizational Demographics (X1)	Fraud (Y1)	0,4138	0,1130	3,6617	0,113
External Environment Characteristics (X2)	Fraud (Y1)	0,3294	0,0950	3,4674	0,0005
Organizational Culture (X3)	Fraud (Y1)	-0,4067	0,0840	4,8414	0,0000

Source: Researcher Process (2022)

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Model Struktural dengan Variabel Moderasi IT Governance (X4) Pada Kelompok Rendah

Figure 2. *Results Of Analysis Of The Effect Of Moderate Variables On IT Governance In Low Groups On The Relationship Between Organizational Demographics, External Environment Characteristics, And Organizational Culture On Fraud*
Source: Researcher Process (2022)

Model Struktural dengan Variabel Moderasi IT Governance (X4) Pada Kelompok Tinggi

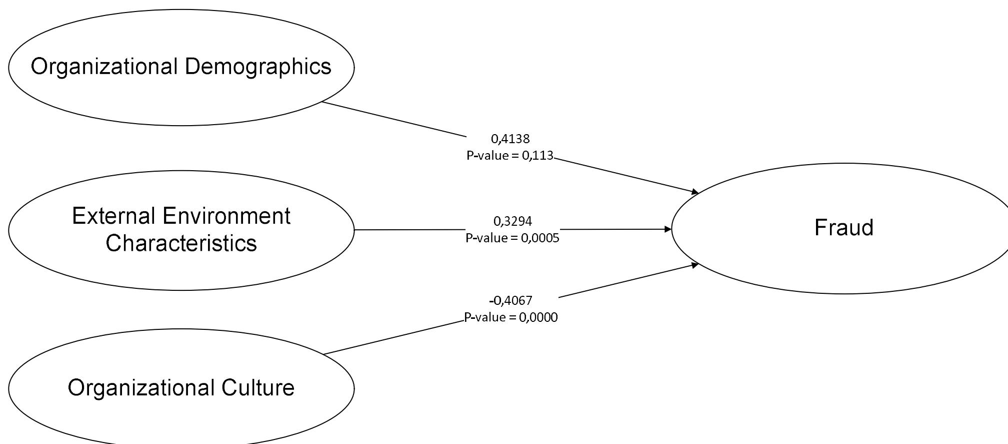

Figure 3. *Results Of Analysis Of The Effect Of Moderating Variables On IT Governance Organizational High Groups On The Relationship Between Demographics, External Environment Characteristics, And Organizational Culture On Fraud*
Source: Researcher Process (2022)