

Prevention of Fraud in the Management of Village Funds: The Influence of the Competence of Village Apparatuses, *Whistleblowing System*, Moral Sensitivity, and Effectiveness of Internal Control in Karanganyar District

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ABSTRACT

This study aims to determine the factors that influence the prevention of fraud in village funds, namely the competence of village apparatus, *whistleblowing system*, moral sensitivity, and effectiveness of internal control. This study uses a quantitative approach. The data source for this study uses primary data obtained through the distribution of questionnaires. Selection of the sample using the method *Purposive sampling yielded* a sample of 51 respondents consisting of village heads, village secretaries, and financial officers from 17 villages in Karanganyar District, Demak Regency. The results of this study indicate that the competency of the village apparatus and the effectiveness of internal control have no effect on preventing village financial fraud, while *whistleblowing systems* and moral sensitivity influence the prevention of village financial fraud in Karanganyar District, Demak Regency.

Keywords: Competence of Village Apparatur; Whistleblowing System; Moral sensitivity; effectiveness of internal control; Fraud Prevention.

INTRODUCTION

The village is a group of people regulated by law who are given the authority to regulate community interests based on community ideas and manage community affairs properly (Raharjo, 2020). The village is a relatively small form of government. Most village people make a living by cultivating crops according to the texture of the soil (Wibowo, 2019). Therefore, to finance village needs, there are funds sourced from the State Revenue and Expenditure Budget (APBN), which are called village funds.

Village funds are funds from the State Revenue and Expenditure Budget (APBN) that are intended to be transferred to villages through the Regional Expenditure Budget (APBD) to fund government administration, community empowerment, and development implementation (BKT, 2021). Law Number 6 of 2014 concerning villages explains in Article 72 paragraph (2) that village income comes from the APBN, which is allocated in an accountable and transparent manner (*Government Regulation of the Republic of Indonesia Number 6 of 2014 concerning Village Funds*, n.d.). The village fund that will be allocated refers to the total

population, poverty level, geographical location, and area of the region (BKT, 2021). Currently, the village fund is vulnerable to misappropriation of village finances (Rahimah et al., 2018). It is very likely that someone commits fraud due to economic factors that weaken and legitimize all ways to get money, resulting in fraud.

Cheating (*fraud*) is an intentional act to deceive others by providing incorrect information for personal gain (Santi Putri Laksmi & Sujana, 2019). The causes of the village fund budget being a sector prone to abuse are the inadequate capacity of the village apparatus, a lack of supervision, a lack of transparency and accountability in the management of village funds, and the emergence of evil intentions that use village finances to enrich themselves (BUMDes, 2022). To prevent fraud in the management of funds at the village level, villages must increase the capacity of human resources in all communities, encourage honest people to report violations they know of, instill good morality, and implement the existing internal control system.

The Regent of Demak Eisti'anah at the village fund law counseling event at the Demak Regency Hall said that the absorption of village fund budgets in several regions was not ideal because there was frequent misuse of village funds, which resulted in many officials having to take legal action. Most village heads do not dare manage village funds for fear of something going wrong. However, as long as it is used according to the rules, village funds will increase and can improve the welfare of the community. All village heads hope that village finances will be handled properly for the progress of all villages (Kominfo, 2022). One of the cities in Central Java where there is a case of misappropriation of village funds is the City of Demak.

A village head in Demak Regency is suspected of embezzling Rp. 302,000,000 in village funds. Corruption allegations surfaced in early 2020, and the Demak Regional Inspectorate has been working to resolve them internally. The defendant used the money for personal gain, and during the examination, the defendant was only able to return Rp. 18,000,000 (Hamid, 2022). Factors that are suspected of triggering fraud include the lack of competence of the village apparatus, the weakness of the whistleblowing *system*, the decreased moral sensitivity of village officials, and weak internal control.

One of the factors that allegedly can prevent fraud is the competence of human resources, which has the meaning of an ability that exists within a person to address a problem or situation and be responsible for his work. Therefore, the highest achievement of government is good *governance*, because to create a prosperous society, good and consistent governance is needed (Santi Putri Laksmi & Sujana, 2019). So, human resources are thought to be able to prevent fraud because a village needs quality human resources who can run the government properly.

Besides that, the whistleblower *system* may also influence fraud prevention in managing village funds. As is, whistleblowing allows whistleblowers to report violations more easily, and implementation of whistleblowing can also make village officials think more about cheating (Suandewi, 2021). Hence, whistleblowing is suspected of being able to prevent fraud because it encourages village officials to report violations they know about, either directly or indirectly, so that action can be taken immediately to resolve the problem.

Moral sensitivity is also thought to be a factor in the prevention of fraud in the management of village funds. The word morality always refers to the good and bad of human behavior. In society, morality is needed because morality is a reference to see whether a society has good or bad social values (Luthfi, 2018). So, morality is thought to be able to prevent fraud because individuals have a high sense of responsibility and obey the rules, and with morality, humans will respect one another more.

Other factors that are thought to prevent the occurrence of fraud are the effectiveness of internal control. The internal control system is the entire process of actions and activities that are carried out continuously by the leadership and all employees so that an activity can run effectively and efficiently, comply with the law, provide reliability in financial reporting, and protect the State's assets (*PP No. 60 of 2008 concerning the Government's Internal Control System*, n.d.). By implementing selective internal controls, it will have a positive impact on the village apparatus because it can minimize the incidence of fraud that has been committed by village officials.

Various previous studies regarding the competence of village apparatus have been carried out (Sinaga, 2022; Armelia & Wahyuni, 2020; Fahreza et al., 2022), which state that the competence of village apparatus has no effect on preventing fraud in village funds. In contrast, research conducted (Islamiyah et al., 2020; Fresiliasari, 2023; Yusuf et al., 2021) states that the competence of village apparatus has a positive effect on preventing fraud in village funds.

Next, research on the *influence of whistleblowing systems* has been carried out (Romadaniati et al., 2020; Kivaayatul Akhyaar et al., 2022; Setiyowati et al., 2022), which states that *whistleblowing systems have a positive effect on the prevention of village fund fraud*. Unlike the research conducted (Dewi et al., 2022; Inawati & Sabila, 2021), the *whistleblowing system* does not affect the prevention of village fund fraud.

Next, research on moral sensitivity has been conducted (Jayanti & Suardana, 2019; Islamiyah et al., 2020; Wijayanti and Hanafi, 2018), stating that moral sensitivity has a positive effect on efforts to prevent village fund fraud. In contrast to research conducted (Utami et al., 2019; Sinaga, 2022), it states that moral sensitivity has no effect on preventing village fund fraud.

Likewise, research on the effectiveness of internal controls conducted (Fresiliasari, 2023; Yusuf et al., 2021; Wijayanti & Hanafi, 2018) says the effectiveness of internal controls has a positive and significant effect on preventing village fund fraud. In contrast to the research conducted (Kivaayatul Akhyaar et al., 2022; Suandewi, 2021), it states that the effectiveness of internal controls does not affect the prevention of village financial fraud.

LITERATURE REVIEW

According to Jensen and Mecklin, agency theory is a theory that explains the relationship between the principal and the agent, where the principal appoints the agent to perform or exercise authority over the agent to make decisions (Jensen & Meckling, 1976). In this study, it is explained that the central government acts as a principal, while the village government acts as an agent entrusted with carrying out village government affairs, especially village financial management. Therefore, the village government must be accountable for the task of managing village finances properly, and the community must give trust to the village government.

In agency theory, it is assumed that agents will tend to realize their personal interests. The worst consequence of agency theory is that fraud occurs as a result of pressure, opportunity, and agent rationality in running the organization. But under moral principles, the agent's desire to realize his personal interests can be controlled (Fathia & Indriani, 2022). The government, as an agent, must improve its performance

in managing village funds to prevent fraud. At this time, village funds are vulnerable to village financial fraud (Rahimah et al., 2018). To prevent fraud in the management of funds at the village level, villages must increase the capacity of human resources in all communities because a village needs quality human resources, someone who is honest to report violations that they know of, instilling good morality so that the use of village funds is used according to village needs, and implementing an internal control system so that village financial management processes can be monitored and examined.

Competence is the skills, knowledge, and good behavior that a person has to do a job (Armelia & Wahyuni, 2020). The village needs a competent apparatus that understands village financial reports so that there are no misunderstandings related to the village funds used. In the research conducted (Islamiyah et al., 2020; Fresiliasari, 2023; Yusuf et al., 2021), it was stated that the competence of village apparatus has a positive effect on preventing village fund fraud. Based on the facts above, the conjecture during this research is:

H1: The competence of the village apparatus influences the prevention of fraud in managing village finances.

A *whistleblowing system* is a place where reporters report fraud or violations committed by irresponsible parties (Agus Sudarma et al., 2019). A *whistleblowing system* designed to detect fraud that could harm the village and prevent further fraud. A good reporting system can effectively prevent fraud in managing village funds. The research conducted (Kivaayatul Akhyaar et al., 2022; Suandewi, 2021; Romadaniati et al., 2020) states that whistleblowing has a positive effect on preventing village fund fraud. Based on the facts above, the conjecture during this research is:

H2: *Whistleblowing system* effect on fraud prevention in village financial management

Morality is an aspect of one's personality in relation to social life in a harmonious, fair, and balanced manner that requires ethical behavior (Luthfi, 2018). A village official must have high morals in order to have a sense of responsibility and comply with applicable regulations. The higher the morality of the apparatus, the greater the prevention of fraud in terms of managing village finances. Research conducted by Wijayanti and Hanafi (2018), Yusuf et al. (2021), and Islamiyah et al. (2020) states that moral sensitivity has a positive effect on preventing village fund fraud. Based on the facts above, the conjecture during this research is:

H3: Moral sensitivity affects fraud prevention in managing village finances.

Internal control is a way to direct, supervise, and assess the resources of an institution or organization (Santi Putri Laksmi & Sujana, 2019). By continuing to improve the effectiveness of the internal control system, the village financial report preparation process will run smoothly without any irregularities. In research conducted by Yusuf et al. (2021), Setiyowati et al. (2022), and Ginting et al. (2022), it is stated that the effectiveness of internal control has a positive effect on preventing village fund fraud. Based on the facts above, the conjecture during this research is:

H4: The effectiveness of internal control affects the prevention of fraud in managing village finances.

RESEARCH METHOD

The approach used is quantitative, with questionnaires distributed directly to respondents. This study aims to determine the relationship between village apparatus competence, the *whistleblowing system*, moral sensitivity, and the effectiveness of internal control for preventing village fund fraud. The population in this study is the

village government that manages finances in 17 villages in Karanganyar District, Demak Regency. The determination of the sample in this study is to use the method of positive *sampling*, with a total sample of 51 respondents consisting of village heads, village secretaries, and village treasurers from 17 villages in Karanganyar District, Demak Regency.

Analysis of research data using a multiple linear regression analysis model This analysis is used to determine the impact of village apparatus competence, the *whistleblowing system*, moral sensitivity, and the effectiveness of internal control on preventing village fund fraud. Before testing multiple linear regression analysis, the first thing to do is test the validity and reliability, followed by the descriptive statistics. The next step is the classical assumption test, in which there are normality tests, multicollinearity tests, and heteroscedasticity tests. After the classical assumption test, the linear regression test is continued. Then a hypothesis test was carried out consisting of a t test, an F test, and a coefficient of determination test using the EViews 10 program.

RESULTS

Validity test

Table 1. Validity Test

Variable	Indicator	Rcounting	Rtable	Note
Prevention of Fraud (Y)	PF_1	0,5762	0,0009	Valid
	PF_2	0,6796	0,0000	Valid
	PF_3	0,5109	0,0039	Valid
	PF_4	0,3761	0,0405	Valid
	PF_5	0,5441	0,0019	Valid
	PF_6	0,4302	0,0176	Valid
	PF_7	0,5954	0,0005	Valid
	PF_8	0,5194	0,0033	Valid
	PF_9	0,4225	0,0200	Valid
	PF_10	0,4556	0,0114	Valid
	PF_11	0,4204	0,0207	Valid
	PF_12	0,3738	0,0419	Valid
	PF_13	0,5901	0,0006	Valid
	PF_14	0,4745	0,0081	Valid
	PF_15	0,4605	0,0104	Valid
Competence of Village Apparatur (X1)	KAD_1	0,6575	0,0001	Valid
	KAD_2	0,5517	0,0016	Valid
	KAD_3	0,6151	0,0003	Valid
	KAD_4	0,4264	0,0188	Valid

	KAD_5	0,5005	0,0048	Valid
	KAD_6	0,6463	0,0001	Valid
	KAD_7	0,4736	0,0082	Valid
	KAD_8	0,7791	0,0000	Valid
	KAD_9	0,6754	0,0000	Valid
	KAD_10	0,3818	0,0373	Valid
Whistleblowing System (X2)	WS_1	0,4542	0,0117	Valid
	WS_2	0,4578	0,0111	Valid
	WS_3	0,4742	0,0081	Valid
	WS_4	0,6098	0,0003	Valid
	WS_5	0,5182	0,0033	Valid
	WS_6	0,5776	0,0008	Valid
	WS_7	0,6172	0,0003	Valid
	WS_8	0,6027	0,0004	Valid
Moral Sensitivity (X3)	MS_1	0,7021	0,0000	Valid
	MS_2	0,7355	0,0000	Valid
	MS_3	0,5338	0,0024	Valid
	MS_4	0,6101	0,0003	Valid
	MS_5	0,3958	0,0304	Valid
	MS_6	0,9016	0,0000	Valid
effectiveness of internal control (X4)	EPI_1	0,5798	0,0008	Valid
	EPI_2	0,4591	0,0107	Valid
	EPI_3	0,6991	0,0000	Valid
	EPI_4	0,6168	0,0003	Valid
	EPI_5	0,5245	0,0029	Valid
	EPI_6	0,6730	0,0000	Valid
	EPI_7	0,6443	0,0001	Valid
	EPI_8	0,5380	0,0022	Valid
	EPI_9	0,5969	0,0005	Valid
	EPI_10	0,8101	0,0000	Valid

Source : Output Eviews 10, 2023

So, it can be concluded that the results of the validity test for each variable show a significant value below 0.05, so it can be concluded that the question items in this questionnaire are valid. This means that all the questions in this research questionnaire are valid and feasible to measure the competency variables of the village apparatus, *whistleblowing system*, moral sensitivity, effectiveness of internal control, and prevention of fraud in managing village finances in Karanganyar District, Demak Regency.

Reliability Test

Table 2. Reliability Test

Variable	Cronbach Alpha	Keterangan
Prevention of Fraud	0,774	Reliabel

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<i>Competence of Village Apparatur</i>	0,765	Reliabel
Whistleblowing System	0,652	Reliabel
Moral Sensitivity	0,727	Reliabel
<i>effectiveness of internal control</i>	0,803	Reliabel

Source : Output EViews 10, 2023

Based on table 4.4 and the results of the reliability test for each variable, it can be concluded that the value of the Cronbach *alpha* is greater than 0.60, where the result of the village apparatus competency variable is 0.729, the result of the whistleblowing *system* variable is 0.694, the result of the moral sensitivity variable is 0.727, the result of the internal control effectiveness variable is 0.711, and the result of the prevention variable fraud is 0.681. The data in this study is reliable. This means that the respondents' answers have been consistent in measuring the competency variables of the village apparatus, *whistleblowing system*, moral sensitivity, effectiveness of internal control, and prevention of fraud in managing village finances in Karanganyar District, Demak Regency.

Descriptive statistics

Table 3. Descriptive Statistics

	X1	X2	X3	X4	Y
Mean	28.98039	25.29412	19.23529	28.74510	50.78431
Median	29.00000	25.00000	20.00000	28.00000	50.00000
Maximum	32.00000	28.00000	22.00000	34.00000	58.00000
Minimum	26.00000	23.00000	15.00000	26.00000	44.00000
Std. Dev.	1.726154	1.253700	1.582255	2.143298	2.419204
Skewness	-0.158018	0.290705	-0.637522	0.593898	-0.010188
Kurtosis	2.264482	2.249906	2.772873	2.546728	3.904056
Jarque-Bera	1.361840	1.913944	3.564314	3.434667	1.737681
Probability	0.506151	0.384054	0.168275	0.179544	0.419438
Sum	1478.000	1290.000	981.0000	1466.000	2590.000
Sum Sq. Dev.	148.9804	78.58824	125.1765	229.6863	292.6275
Observations	51	51	51	51	51

Source : Output EViews 10, 2023

Based on the results of the descriptive statistical test in Table 3, it can be seen that the minimum, maximum, mean, and standard deviation values of each research variable with the amount of data tested are 51 respondents. For the village apparatus competency variable in Karanganyar District, Demak Regency, it has an average value of 28,980, a median value of 29, the highest value is 32, and the lowest value is 26. The results of these values also show that the value of each respondent varies. can be seen from the standard deviation value of 1.726. This means that the value of the standard deviation is low, which means that the competency of the village apparatus with other village apparatuses is in balance.

The variable whistleblowing *system* in Karanganyar District and Demak Regency has an average value of 25.294, a median value of 25, the highest value of 28, and the lowest value of 23. The results of these values also show that the value of each respondent varies, as can be seen from the standard deviation of 1.253. This means that the standard deviation value is low, which means the fraud reporting system is operating effectively.

The moral sensitivity variable in Karanganyar District and Demak Regency has an average value of 19.235, a median value of 20, the highest value of 22, and the lowest value of 15. The results of these values also indicate that the values of each respondent

vary, which can be seen from the standard deviation value of 1.582. This means that the standard deviation value is low, which means that the moral sensitivity of the village apparatus is quite good.

The internal control effectiveness variable in Karanganyar District, Demak Regency, has an average value of 28.745, a median value of 28, the highest value of 34, and the lowest value of 26. The results of these values also indicate that the value of each respondent varies, as can be seen from the standard deviation value of 2.143. This means that the standard deviation value is low, which means the effectiveness of internal control is going well.

Prevention variable fraud in Karanganyar District, Demak Regency, has an average value of 50.784, a median value of 50, the highest value of 58, and the lowest value of 44. The results of these values also show that the value of each respondent varies, as can be seen from the standard deviation of 2.419. This means that the standard deviation value is low, which means that the apparatus has carried out its duties properly.

Multiple Linear Analysis

This test aims to determine whether the competence variables of the village apparatus, *whistleblowing system*, moral sensitivity, and effectiveness of internal control affect the prevention of fraud in managing village funds in Karanganyar District, Demak Regency. The results of the multiple regression analysis test in this study are described in Table 6 as follows:

Table 4. Hasil Uji t

Dependent Variable: Y Method: Least Squares Date: 05/17/23 Time: 12:28 Sample: 1 51 Included observations: 51				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.76365	8.908131	3.677949	0.0006
X1	-0.273266	0.179038	-1.526303	0.1338
X2	0.670714	0.246668	2.719095	0.0092
X3	0.450788	0.198899	2.266416	0.0282
X4	0.010571	0.145223	0.072789	0.9423
R-squared	0.274170	Mean dependent var		50.78431
Adjusted R-squared	0.211055	S.D. dependent var		2.419204
S.E. of regression	2.148800	Akaike info criterion		4.460590
Sum squared resid	212.3977	Schwarz criterion		4.649985
Log likelihood	-108.7451	Hannan-Quinn criter.		4.532964
F-statistic	4.343934	Durbin-Watson stat		2.160612
Prob(F-statistic)	0.004601			

Sumber : Output EViews 10, 2023 (can be processed)

Based on the results of the multiple linear test in Table 4 above, the multiple linear regression equation can be obtained as follows:

$$Y = 32,763 - 0,273X1 + 0,670X2 + 0,450X3 + 0,010X4 + e$$

Based on the results of the multiple linear regression equation, it can be interpreted that:

- 1) The constant from the regression calculation is 32.763. This means that if the values of the village apparatus competency variable, *whistleblowing system*, moral sensitivity, and effectiveness of internal control are 0, then the value of the prevention variable fraud is 32,763.
- 2) The coefficient of the regression calculation of the village apparatus competency variable is -0.273. That is, if every time there is an increase in the competency variable of the village apparatus by one unit, then the prevention variable will decrease by -0.273.
- 3) The coefficients of variable regression calculations with a *whistleblowing system* of 0.670 That is, if there is an increase in each variable of the *whistleblowing system* equal to one unit, it will increase the prevention variable of fraud by 0.670.
- 4) The coefficient of the moral sensitivity variable regression calculation is 0.450. That is, if there is an increase in the moral sensitivity variable by one unit, then the prevention variable will increase fraud of 0.450.
- 5) The coefficient of the regression calculation of the internal control effectiveness variable is 0.010. That is, if there is an increase in the internal control effectiveness variable by one unit, then the prevention variable will increase fraud of 0.010.

HYPOTHESIS TEST

Testing the hypothesis in this study uses a partial regression coefficient test (t test), a feasibility test (f test), and a coefficient of determination test (R² test) by utilizing the program in EViews 10. The explanation of each test is as follows:

Partial regression coefficient test (t test)

The t test was conducted to partially determine the relationship between the independent variables and the dependent variable. Significance level of 5%. The criteria are as follows:

Ho = Variable X has no effect on Variable Y

Ha = Variable X affects variable Y

Ho is rejected if $p > 0.05$, and Ho is accepted if $p > 0.05$ (Fernandes & Solimun, 2021). Based on the results of the t test in Table 6, it can be interpreted that:

1. Hypothesis 1 (H1) states that the competence of the village apparatus influences the prevention of fraud in managing village funds. Based on the data analysis, if the H1 tester shows a value of t_{count} of (-1.5263) < t_{table} of 2.008 and a probability of $0.1338 > 0.05$, then H1 is rejected. This means that the competency variable of the village apparatus has no effect on the prevention of fraud in the management of village funds.
2. Hypothesis 2 (H2) states that *whistleblowing systems* have an effect on the prevention of fraud in the management of village funds. Based on the data analysis, if the H2 tester shows a value of t_{count} of 2.7190 > t_{table} of 2.008 and a probability of $0.0092 < 0.05$, then H2 is accepted. Thus, the variable *whistleblowing system* has an effect on the prevention of fraud in the management of village funds
3. Hypothesis 3 (H3) states that moral sensitivity influences the prevention of fraud in managing village funds. Based on the analysis of the data, if the H3 tester shows a value of t_{count} of 2.2664 > t_{table} of 2.008 and a probability of $0.0282 < 0.05$, then H3 is accepted. This means that the moral sensitivity variable affects the prevention of fraud in managing village funds

4. Hypothesis 4 (H4) states that the effectiveness of internal controls influences the prevention of fraud in managing village funds. Based on the analysis of the data, if the H4 tester shows a value of t_{count} of 0.0727 and a t_{table} of 2.008 and a probability of $0.9423 > 0.05$, then H4 is rejected. This means that the variable of internal control effectiveness has no effect on preventing fraud in managing village funds.

Feasibility test (Test F)

The F test is used to prove that the independent variable has an effect on the dependent variable at the same time. The significance of the regression model can be seen from its significant value; if the value is < 0.05 , then the independent variables affect the dependent variable. The criteria are that H_0 is rejected and H_a is accepted if $p < 0.05$, and H_0 is accepted and H_a is rejected if $p > 0.05$ (Ariawan et al., 2017).

Based on the test results in Table 4.9, it can be seen that the value of f_{count} is $4.343 > f_{\text{table}}$ of 2.557, with a probability of $0.004 < 0.05$. This means that the data in the study are acceptable and feasible to use. So, simultaneously, the competence of the village apparatus, *whistleblowing system*, moral sensitivity, and effectiveness of internal control jointly affect prevention of fraud.

Test the coefficient of determination (Test R²).

The coefficient of determination (R^2) is used to measure the strength of each dependent variable. The coefficient of determination is between 0 and 1. The small value of R^2 means that each independent variable has limited ability. If $R^2 = 0$, it can be stated that the value of the independent variable has nothing to do with the dependent variable. Conversely, if the value of R^2 is 1, it can be stated that the independent variable has something to do with the dependent variable (Ariawan et al., 2017).

Based on the test results in Table 4.9, it can be seen that the adjusted *R Square* shows a value of 0.211, or 21.1%. This means that the contribution of the village apparatus competency variable, *whistleblowing system*, moral sensitivity, and effectiveness of internal control against fraud prevention in the management of village funds in this study amounted to 21.1%, and the remaining 78.9% was influenced by variables outside this study.

DISCUSSION

The Influence of Competence of Village Apparatuses on Fraud Prevention in Village Fund Management

This research shows that the competence variable of the village apparatus shows a probability value of $0.133 > 0.05$, which means that H_1 is rejected with the conclusion that the competency of the village apparatus has no effect on preventing fraud in managing village funds in Karanganyar District. This is because most village officials have educational backgrounds that are different from the positions they hold. Therefore, the constraints of village officials in managing village funds are caused by the village apparatus not having experience and education that are in accordance with their position. According to the results of the questionnaires that were distributed to each respondent, the researchers found that the level of education possessed by village officials was high school, D3, and undergraduate.

In addition, in the financial management of village funds, they already use a village financial system in the form of an application to assist village governments in

managing finances from the planning stage to reporting. The application provides features that can be used to get work done easily. In the input process, it is aligned with transaction evidence, which produces output in the form of administrative documents and financial reports. Therefore, the competence of the village apparatus has no effect on fraud prevention because financial management already uses the existing system. The results of this research are in line with research conducted (Sinaga, 2022; Armelia & Wahyuni, 2020; Fahreza et al., 2022), which states that the competence of village apparatus has no effect on fraud prevention in managing village funds.

Influence-Whistleblowing System Against Fraud Prevention in Village Fund Management

This research shows that the variable whistleblowing *system* shows a probability value of $0.009 < 0.05$, which means that the hypothesis is accepted with the conclusion that the whistleblowing *system* influences the prevention of village fund fraud in Karanganyar District, Demak Regency. This is because the village has an effective reporting system that can prevent fraud in village financial management. *Whistleblowing system* Effective policies can minimize the occurrence of fraud because agencies are committed to protecting whistleblowers. Using a clear reporting mechanism, and there is an evaluation to improve the whistleblowing *system*.

To take preventive measures *whistleblowing system* using preventive actions taken by the village government, such as reporting acts of fraud that have occurred in agencies. Because the existence of these reports can reduce the risks experienced, For reporters, there is legal protection when they want to report acts of fraud, so they are not afraid when they want to report. Thus encouraging reporters to be more courageous in reporting fraud they know. It means the whistleblowing *system* is able to steer a person towards a culture of honesty and openness that helps prevent fraud. Then the opportunity for fraud can be minimized because it can anticipate every act of fraud quickly and precisely. The results of this research are in line with research conducted (Romadaniati et al., 2020; Kivaayatul Akhyaar et al., 2022; Setiyowati et al., 2022), which states that *whistleblower systems have a positive effect on the prevention of village fund fraud*.

The Effect of Moral Sensitivity on Fraud Prevention in Village Fund Management

This research shows that the moral sensitivity variable shows a probability value of $0.028 < 0.05$, which means that the hypothesis is accepted with the conclusion that moral sensitivity affects the prevention of village fund fraud in Karanganyar District, Demak Regency. This is because village officials have good morals and prefer to follow the rules that apply to avoid cheating. So that this can be one of the things that can be used to prevent fraud in the management of village funds.

In addition, the government increases the honesty and responsibility of village officials. This is done so that village fund budgeting is in sync with what the village and community need for village development and community empowerment. A moral person is aware of his responsibilities and will be honest in doing his job, not because he wants to make a profit. In the results of the questionnaire, the respondents simultaneously agreed that every apparatus must have a high level of honesty and be responsible for their duties. The results of this research are in line with research

(Jayanti & Suardana, 2019; Islamiyah et al., 2020; Wijayanti & Hanafi, 2018), which states that morality has a positive effect on preventing fraud that occurs in villages.

The Effect of Internal Control Effectiveness on Fraud Prevention in Village Fund Management

Based on the results of the tests carried out, the internal control effectiveness variable shows a probability value of $0.942 > 0.05$, which means that the hypothesis is rejected with the conclusion that the effectiveness of internal control has no effect on preventing village fund fraud in Karanganyar District, Demak Regency. This shows that high or low control has no effect on preventing village fund fraud. In fraud prevention, it is carried out outside the established internal control system. So that the existing control system is not an obstacle to carrying out fraudulent acts. The emergence of fraud is caused because the apparatus responsible is not optimal, is not careful when carrying out their duties and responsibilities, and also does not understand or comply with existing provisions.

In addition, the success of the internal control system is not only measured by its design but also requires the cooperation of all parties to carry it out together. So, even though the control system has been well designed, if there is no cooperation from all parties, the design of the internal control system will not be effective in preventing village fraud. Ineffective internal controls can result in irregularities that will not guarantee village assets, as well as unreliable accounting information that can result in unreliable financial report results. The results of this research are in line with research (Kivaayatul Akhyaar et al., 2022; Suandewi, 2021; Rahmani & Rahayu, 2022), which states that the effectiveness of internal controls has no effect on preventing village fund fraud.

CONCLUSION

This research was carried out with the intention of knowing whether the competence of the village apparatus, *whistleblowing system*, moral sensitivity, and effectiveness of internal controls influence the prevention of village fund fraud in Karanganyar District. Based on the research results, it was concluded that the competency of the village apparatus and the effectiveness of internal control had no effect on the prevention of fraud in Karanganyar District, Demak Regency. where the *whistleblowing system* and moral sensitivity influence fraud prevention in Karanganyar District, Demak Regency.

With this research, it is hoped that the village apparatus will carry out and develop its competence, *whistleblowing system*, moral sensitivity, and effectiveness of internal controls properly in order to minimize the occurrence of fraudulent acts. So that with the competence of the village apparatus, *whistleblowing system*, moral sensitivity, and the effectiveness of good internal control, bad intentions can be prevented from committing fraud and can provide optimal realization in social life. For future researchers, this research is expected to provide a reference for them to conduct similar research in the same field. For future researchers, it is also hoped that they can develop research by increasing and expanding the sample so that the research results will be better, adding independent variables and the number of respondents, not only the village head, village secretary, and financial officer, but also making all village officials research samples that can be used as research samples. affect prevention *fraud* village funds.

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