

The Influence of Internal Control Systems, Apparatus Competence, Morality, Transparency, and Accountability on Fraud Prevention in Village Financial Management

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Abstract: This research was conducted to: (1) determine and analyze the influence of internal control systems on fraud prevention; (2) determine and analyze the influence of apparatus competence on fraud prevention; (3) determine and analyze the influence of morality on fraud prevention; (4) determine and analyze the influence of transparency on fraud prevention; and (5) determine and analyze the influence of accountability on fraud prevention in village financial management. The respondents of this study were village officials in Kotawaringin Barat Regency (Village Heads, Village Secretaries, Treasurers/Heads of Finance) and Chairs of the Village Consultative Body with a total of 252 respondents. This study is a quantitative research with a causal associative approach. Data were collected through questionnaires and analyzed using multiple linear regression analysis with the assistance of SPSS version 25 software. The results of the study indicate that the internal control system, apparatus competence, morality, transparency, and accountability have a positive and significant effect on fraud prevention in village financial management. These findings strengthen the Fraud Diamond Theory by demonstrating that strengthening internal controls, increasing the competence and morality of officials, and ensuring transparency and accountability can narrow opportunities, suppress rationalization, and weaken pressure factors and the capability for fraud to occur.

Keywords: Accountability; Apparatus Competence; Fraud Prevention; Internal Control System; Morality; Transparency; Village Finance.

3.1 Introduction

The Indonesian government has demonstrated a strong commitment to advancing the rural economy through significant village fund allocations, as mandated by Law No. 6 of 2014 (Ardiyanti & Supriadi, 2018). This policy gives villages the authority to independently manage their budgets for development, services, and community empowerment. In 2023 alone, the total village fund allocation reached Rp 68 trillion for 75,265 villages, which means that each village manages an average of around Rp 903 million from the state budget, not including the Village Fund Allocation (ADD) from the regional budget. However, this large budget poses a serious challenge in the form of the risk of fraud or illegal actions that harm state finances for personal gain (Zetland, 2011).

The phenomenon of fraud in the village sector has become a major concern, placing this sector at the top of the list of corruption cases handled by law enforcement agencies (Meisya & Fitra, 2026). In Central Kalimantan Province, particularly in West Kotawaringin Regency, the misappropriation of village funds has resulted in significant losses to the state, such as the case of corruption by the Head of Kerabu Village and Sakabulin village officials who used funds for personal gain (Meisya & Fitra, 2026). This problem can be explained through the Fraud Diamond Theory, which states that fraud is

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triggered by four factors: pressure, opportunity, rationalization, and capability (Hati et al., 2025).

To suppress these triggering factors, it is necessary to strengthen governance through an effective internal control system as a preliminary preventive measure (Wonar et al., 2018). Good internal control must be supported by adequate staff competence so that they are able to detect potential irregularities. In addition to technical aspects, individual morality is also crucial in controlling rationalization, because individuals with good morals tend to avoid fraud (Bhattacharya, 2025). This must then be reinforced with the principles of transparency and accountability as pillars of good governance in order to limit the scope of fraud perpetrators.

This research is urgently needed due to inconsistencies in the results (research gap) of previous studies related to factors that influence fraud prevention (Brons, 2014). Several studies show the positive influence of internal control systems and competence on corruption prevention, while other studies find insignificant results (Aulia et al., 2023). Therefore, by combining five main variables, namely internal control systems, bureaucratic competence, individual morality, transparency, and accountability, this study is expected to provide more comprehensive policy recommendations for the West Kotawaringin Regency Government in realizing clean and targeted village financial management (Sariwati & Sumadi, 2021).

3.2 Materials and Methods

This study uses a quantitative research design with a causal associative approach that aims to test the causal relationship between the variables under study (Sukimin, 2025). The scope of this study focuses on village governance in West Kotawaringin Regency. The population in this study includes all villages in the region, namely 81 villages. Using the Slovin formula at a 95% confidence level, the research sample was set at 66 villages. The sampling technique was carried out using probability sampling with the simple random sampling method to ensure that each member of the population had an equal chance of being selected.

Systematically, this research model depicts a framework of relationships comprising five independent variables that influence one dependent variable. In this model, the Internal Control System (X1) is positioned as the first variable, which is hypothesised to have a direct influence on the level of fraud prevention. Staff Competence (X2) is the second variable, the influence of which is tested in terms of strengthening the organisation's ability to prevent fraud. Furthermore, Morality (X3) acts as the third variable, examining the aspect of individual integrity when facing ethical dilemmas. Transparency (X4) and Accountability (X5) complete this research model as the fourth and fifth variables, representing the principles of good governance. These five variables, namely X1, X2, X3, X4, and X5, were tested partially through hypotheses H1, H2, H3, H4, and H5 to determine their respective contributions to the dependent variable, namely Fraud Prevention (Y).

To ensure data quality, all research instruments underwent validity testing using Pearson Correlation and reliability testing with a Cronbach's Alpha standard above 0.7. The data were then analyzed using a series of classical assumption tests—including normality, heteroscedasticity, and multicollinearity tests—before finally being tested through multiple linear regression analysis using SPSS version 25 software (Ainiyah et al., 2016).

3.3 Results and Discussion

3.1 *The Impact of Internal Control Systems on Fraud Prevention*

H1 states that Internal Control Systems have a positive and significant effect on the prevention of fraud in village financial management. Based on the partial test results, a significance value of 0.000 was obtained, which means that H1 is accepted. Strengthening Internal Control Systems is very necessary to prevent fraud at the village level. In relation to the fraud diamond theory, a weak internal control system in an organization will provide opportunities for perpetrators to commit fraud. If internal control in a company or organization is functioning properly, the possibility of fraud can certainly be prevented. In the context of this theory, the Internal Control System plays a role in reducing the element of opportunity and indirectly influences the perpetrator's capability to commit fraud. The results of this study are in line with research conducted by (GRAYSON, 2020) which states that internal control systems have a positive and significant effect on fraud prevention. The results of this study contradict the research conducted by Dandy & Dodi (2021) and Ni Kadek Ayu (2021), which states that internal control systems have no effect on fraud prevention.

3.2. The Impact of Civil Servant Competence on Fraud Prevention

H2 states that the competence of officials has a positive and significant effect on the prevention of fraud in village financial management. Based on the partial test results, a significance value of 0.000 was obtained, which means that H2 is accepted. The competence of village officials is related to the triggering factor of fraud in the fraud diamond theory, namely capability. Fraud in village fund management can be triggered by the existence of individuals who are skilled enough to understand and exploit weaknesses in internal controls and use their position, title, or access to authorization for their own personal gain. The capabilities possessed by individuals, supported by low moral standards, can trigger fraud in village financial management. The results of this study are in line with research conducted by, (Van Akkeren, 2023), and (Cunningham, 2023) which states that the competence of village officials has a positive and significant effect on fraud prevention. The results of this study contradict the research conducted by (Sugandi, 2008) and (Weber, 2023) which states that the competence of village officials has no effect on fraud prevention.

3.3. The Influence of Morality on Fraud Prevention

H3 states that morality has a positive and significant effect on fraud prevention in village financial management. Based on the partial test results, a significance value of 0.000 was obtained, which means that H3 is accepted. In the context of Fraud Diamond Theory, morality plays a role in controlling the element of rationalization, where individuals with high integrity tend to refuse to justify fraudulent actions even when given the opportunity. Therefore, improving the morality of officials can be achieved through the internalization of integrity values, setting an example by leaders, and implementing a village government code of ethics. The results of this study are in line with the research conducted by (Fernandhytia & Muslichah, 2020), which states that morality has a positive effect on fraud prevention, and the research conducted by (Hambali et al., 2023), which states that morality has a significant effect on fraud prevention. The results of this study contradict the research conducted (Khusnah & Soewarno, 2022), which shows that individual morality does not have a significant effect on fraud prevention.

3.4. The Impact of Transparency on Fraud Prevention

H4 states that transparency has a positive and significant effect on fraud prevention in village financial management. Based on the partial test results, a significance value of 0.005 was obtained, which means that H4 is accepted. The fraud diamond theory explains that the absence of transparency in village financial management can open up opportunities for fraud. The realization of good governance requires openness, involvement, and ease of access for the community to the processes carried out by the village government. Based on this, transparency can be said to be a form of supervisory action on the performance of the village government so that fraud can be prevented. This research is in line with studies conducted by (Purnamasari, 2021) and (Senoga, 2023) which show that the transparency variable has a positive and significant effect on fraud prevention. The results

of this study contradict the research conducted by (Celestin, 2015), which shows that the transparency variable has no partial effect on fraud prevention.

3.5. The Impact of Accountability on Fraud Prevention

H5 states that accountability has a positive and significant effect on fraud prevention in village financial management. Based on the partial test results, a beta coefficient value of 0.000 was obtained, which means that H5 is accepted. The Fraud Diamond Theory states that one of the factors that cause fraud is pressure. Pressure/incentive in the Fraud Diamond Theory is the pressure/urge for someone to commit fraud, whether caused by financial pressure or work pressure. With good financial accountability, fraud in village financial management can be prevented. The results of this study are in line with research conducted by (Purnamasari, 2021) and (Fuad, 2017), which states that accountability has a positive effect on fraud prevention. (Fresiliasari, 2023) research also shows that accountability has a positive and significant effect on fraud prevention. The results of this study contradict the research conducted by Dody and (Senoga, 2023) and (Putra & Yogiswara, 2021), which states that accountability has no effect on fraud prevention in village fund management.

Theoretically, the results of this study reinforce previous theories and empirical findings regarding fraud prevention in the public sector, particularly in village financial management. This study contributes to strengthening the fraud diamond theory by showing that the five variables (Internal Control System, Competence of Officials, Morality, Transparency, and Accountability) can simultaneously suppress the four main elements that cause fraud, namely pressure, opportunity, rationalization, and capability.

3.4 Conclusions

Based on the results of data analysis and hypothesis testing, this study concludes that all variables studied play a crucial role in strengthening village governance in West Kotawaringin Regency. The internal control system has been proven to have a significant effect on fraud prevention, where, in accordance with the Fraud Diamond Theory, a strong system is able to close the opportunity gap that arises due to managerial weaknesses. In line with this, the competence of the apparatus also shows a significant influence, confirming that individual capability is the main foundation for performing tasks correctly in order to minimize the risk of irregularities. From an ethical perspective, the morality of officials has been proven to prevent fraud by suppressing rationalization through the strengthening of personal integrity. In addition to internal individual and system factors, the principles of openness through transparency and responsibility through accountability have been proven to significantly strengthen public oversight and create a clean working environment, thereby effectively narrowing the scope for fraudulent acts in village financial management.

Based on these findings, there are several strategic recommendations that can be considered by relevant parties. Local governments need to improve the effectiveness of village fund supervision by strengthening internal control systems and ensuring that every audit result is followed up with continuous guidance measures. In addition, supervisory officials are advised to map out problems in order to determine supervision priorities, as well as to publish evaluation results on a limited basis to create a deterrent effect and increase the caution of village officials in managing budgets. For the advancement of knowledge, future researchers are expected to expand the scope of their research to the provincial level and enrich their analytical models by adding other variables such as locus of control, organizational culture, accounting information systems, and the application of

government accounting standards in order to obtain a more comprehensive picture of the phenomenon of fraud prevention in the public sector.

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