



The impact of accountability, transparency, and morality of village apparatus on fraud prevention in the management of allocated village funds

¹⁾ **Fitriana Kusuma Wardhani**

Universitas Pembangunan Nasional "Veteran" Yogyakarta

^{2,*)} **Dian Indri Purnamasari**

Universitas Pembangunan Nasional "Veteran" Yogyakarta

*Corresponding Author: indri80.mtc@gmail.com

Abstract: *The current study aims to assess the impact of accountability, transparency, and morality of village apparatus on fraud prevention in managing allocated village funds. This quantitative research adopted a descriptive research design. It used primary data collected from the questionnaires distributed to 45 students of the accounting department at Veteran National Development University Yogyakarta. This research was conducted in villages under Sentolo Subdistrict, Kulonprogo Regency. The results showed that accountability and transparency significantly impact fraud prevention in the management of allocated village funds. On the other hand, the morality of the village apparatus has no significant impact on fraud prevention in managing allocated village funds.*

Keywords: *Accountability; Fraud Prevention in Morality of Village Apparatus; The Management of Allocated Village Funds; Transparency.*

1. Introduction

Village administrative activities implemented by village officials under the leadership of the village head are based on rules and are supervised by the BPD or the Village Consultative Body. This matter is specified in the rules and definition of the village in Law Number 6 of 2014. Law Number 6 of 2014 contains 122 articles concerning various matters such as village head position, village economy, village borders, and how to deal with these matters. The government places a higher priority on village development because developed villages can drive the nation's progress. The government's commitment to village development is manifested in accelerated disbursement of village funds to protect and empower the villages to make them strong, developed, independent, and democratic. The allocation of village funds is intended for village development and empowerment to create a more equitable and prosperous society in compliance with Indonesia's Village Law.

Indonesia Corruption Watch (ICW) has conducted anti-corruption monitoring from 2015 to 2020, and the results indicate that there are 676 criminal cases of corruption committed by the village apparatus. The data revealed that corrupt practices committed by village apparatus ranked third after those committed by State Civil Apparatus (ASN) and the private sector. The criminal act of corruption committed by the village apparatus has caused state losses totaling Rp. 111 billion. Wrongful deception, commonly referred to as fraud, is a deliberate act of deceiving individuals or groups to obtain an unlawful advantage (IAPI, 2013). According to Donald R Cressey, three elements must be present for fraud to occur: pressure, opportunity, and rationalization. In accounting, the three elements of fraud are commonly known as the fraud triangle. A person can commit fraud when they have the opportunity and authority to control the asset. To prevent fraud, the

allocation of village funds must be based on accountability, transparency, participation, and budgetary discipline. The village administrators shall be held responsible for using each allocated village fund, such as compiling a report on the realization of village budgeting and an accountability report on the completion of village budgeting. In addition, village administrators can also grant villagers permission to access information on the village administration implementation, including budgeting policy, the commission, and the outcomes. In this case, transparency is essential to minimize fraud. As the above-mentioned points suggest, the present study is intended to determine the impact of accountability, transparency, and morality of village apparatus on fraud prevention in village fund allocation.

2. Theoretical Framework And Hypothesis Development

2.1 Fraud Prevention

Fraud triangle theory explains three elements: pressure, opportunity, and rationalization that are always present in every fraud case. The approach was developed by Donald Cressey, one of the Association of Certified Fraud Examiners (ACFE) founders. The pressures that cause fraud can be financial pressure, past bad habits that remain unchanged, pressure in the workplace, and internal pressure. Opportunity can be defined, in this case, as a set of circumstances that makes it possible to commit fraud. According to Albrecht, six significant factors provide opportunities to commit fraud: Lack of internal controls that prevent fraudulent behavior; Inability to judge the quality of performance; Failure to discipline fraud perpetrators; Lack of access to information or asymmetrical information; Ignorance, apathy, or incapacity; Lack of an audit trail. Lastly, rationalization is attempting to explain or justify fraudulent behavior with logical reasons, even if these are not appropriate (Agustina & Pratomo 2019).

According to COSO in Amrizal (2004), fraud prevention is an effort to build public trust in business by devising policies, systems, and procedures to prevent fraudulent behavior from achieving organizational goals. This can be done by improving operational efficiency and effectiveness, reliability of financial statements, and compliance with applicable laws and regulations. According to Pusdiklatwas BPKP (2008), there are five elements in mitigating fraud risk: prevention, deterrence, disruption, identification, and civil action persecution. Prevention is an effort to stop fraud from happening. Deterrence is an action to discourage potential perpetrators from committing fraudulent behavior. Disruption is an action to disturb an activity or process that commits fraud. Identification is an act or instance of identifying the lack of control and high-risk activities. Civil action prosecution is to impose sanctions and file lawsuits against fraudulent acts committed by perpetrators in proportion to their actions.

2.2 Accountability

By accountability, we mean organizational obligation towards stakeholders to present information concerning its performance to achieve organizational goals. According to Mursyidi (2013), accountability is taking or being assigned responsibility for resource

utilization and policy implementation considered to be necessary to achieve the agreed-upon goals presented in periodical reports.

According to Mardiasmo, there are two forms of accountability: vertical and horizontal. Vertical accountability is a condition in which individuals answer to their superiors for their decisions. Horizontal accountability, on the other hand, is a form of responsibility on the part of an organization or group to the community or the people living nearby in a non-superior-subordinate relationship.

According to Bowen, the accountability principle serves three functions: control, minimize breach of duty, and improve work efficiency and effectiveness. Breach of responsibility and authority can lead to corruption, which can be detected only after a financial audit. We can find out the potential and indications of corruption through the accountability report. The purpose of the accountability report is to ensure that public finances have been used efficiently and effectively to achieve the stated objectives (Rossieta & Nuritomo, 2014). Accountable management of village funds will reduce opportunities for manipulation (Munti & Fahlevi, 2017). From the previously mentioned points, the first hypothesis of this research is formulated as follows:

H₁: Accountability has an impact on fraud prevention in the management of allocated village funds

2.3 Transparency

Transparency here means the freedom to access factual, reliable, and non-discriminatory information concerning organizational management and achievement. The concept of transparency in state administration can mean public disclosure, which refers to making information or data readily accessible to all interested individuals concerning the planning, implementation, supervision, and accountability as presented in electronic reporting..

According to the Indonesian National Development Planning Agency (*Bappenas RI*) in *Buku Pedoman Penguatan Pengamanan Program Pembangunan Daerah, Bappenas dan Depdagri* (2002), transparency is a principle that underlies the guarantee of all access information on the state administration, including the policymaking and implementation and the outcomes. Law Number 14 of 2008 on Public Information Disclosure (KIP) was issued to strengthen the supervision over state administration. The issuance of the Law brings the consequence of the requirement to publicly disclose the problems that confront public institutions for information transparency. Information availability brings opportunities for the public to oversee public policymaking to achieve optimal outcomes and prevent fraud (Zulkifli et al., 2018). Based on the points mentioned above, the second hypothesis is formulated as follows:

H₂: Transparency has an impact on fraud prevention in the management of allocated village funds

2.4 Morality

Moral means anything concerned with the principles of right and wrong behavior, attitude, obligation, and ethics. According to Wahyuning (2003), moral is reflected in the attitude and deeds of one individual towards another. Frans Magnis Suseno describes morality as

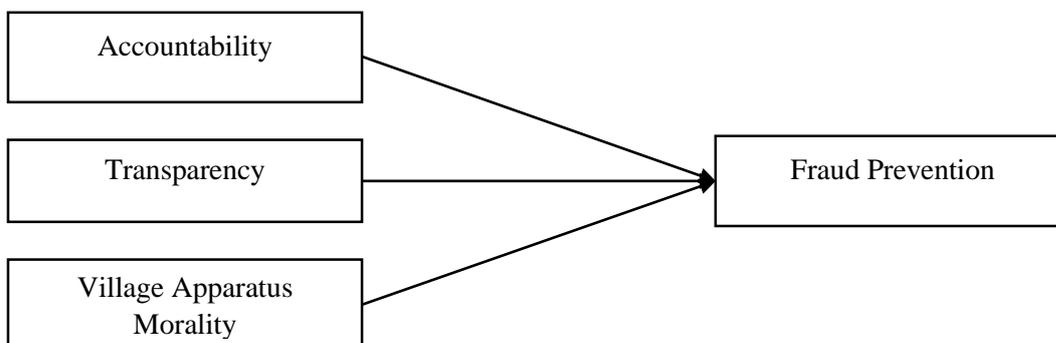
the norms, values, and attitudes of individuals or society. He opined that morality is an attitude represented in actions committed based on conscience. Morality is manifested when a person choose to adopt a positive attitude and consciously carried it out to fulfill his obligation and responsibility, rather than to gain personal benefit. Morality is in line with selflessness. Morality is related to the individual attitude and behavior. The stronger a person sticks to moral principles, the more likely they will do positive things. On the other hand, a person with a lack of ethical consideration will be more likely to do harmful things and, in this context, to commit accounting fraud (Islamiyah et al., 2020; Eliza, 2015). Based on the points mentioned above, the third hypothesis of this research can be formulated as follows:

H3: The morality of village apparatus has an impact on fraud prevention in the management of allocated village funds

2.5 Conceptual Framework

The management of village funds is a severe problem and is of concern to the community, especially about its efficiency and effectiveness. Management of village funds far from being accountable and transparent opens up opportunities for managers to manipulate (Dadopo, Sondakh, & Tinangon, 2017; Munti & Fahlevi, 2017). Manipulation or mistakes will quickly occur if the morality of the apparatus is deficient. The morality of village officials in managing village funds is fundamental because it can reduce risks and administrative errors. The morality of village officials is very much needed, especially in village financial management and Accountability (Setiawan & Yuliani, 2017). Someone who has integrity will be honest, responsible, and wise to make objective decisions. Individuals with high integrity will have little potential to commit fraud (Udayani & Sari, 2017). Transparency and Accountability are the principles of openness to the public regarding government financial management that have been prepared according to government accounting standards to be used and understood by users (people) and decision-makers, namely the government (Masyhur & Silfi, 2017). Transparency is a principle that guarantees access or freedom for everyone to obtain information about governance, namely information about policies (Zulkifli et al., 2018). The conceptual framework of this study is presented below.

Figure 1. Conceptual Framework



3. Methods

The study population comprised villages in Sentolo subdistrict, Kulonprogo Regency, a special region of Yogyakarta. A purposive sampling method was used to collect the sample by taking specific criteria into account. Criteria to select respondents in this study include those who serve as village administrators, more specifically village heads, village secretaries, treasurers, division heads, village staff, and sub-village heads. We call them are village apparatus or government staff.

Table 1. Variable Operationalization

No.	Variable	Indicator	Scale
1.	Fraud prevention (Y)	a. Anti fraud b. Information openness among entities c. The management of AVF that comply with Law Number 6 of 2014 d. Proper use of AVF e. Fraud awareness	Ordinal
2.	Accountability (X ₁)	a. Financial plan preparation b. Activity implementation and financing c. Financial performance evaluation d. Financial reporting	Ordinal
3.	Transparency (X ₂)	a. Announced budget policy b. Available and easily accessible budget document c. Punctual accountability reporting d. Accommodated people's suggestions e. System for public dissemination of information is available	Ordinal
4.	Village apparatus morality (X ₃)	a. Accurately presented financial report b. Any types of bribery are prohibited c. Job loyalty d. Standardized preparation of financial reports e. Conseqvatism (or prudence)	Ordinal

4. Results and Discussion

The respondents in this study consisted of 45 students from the Accounting Department of Veteran National Development University Yogyakarta. Of 45 respondents, 10 (22,2%) were male and 35 (77.8%) were female. Respondents with 1-2 years of service were 13 or 28.9%. Respondents with 2-3 years of service were 14 or 31.1%. Respondents with 3-4 years of service were 10 or 22.2%. Lastly, those with 4-5 years of service were 8 or 17.8%.

The validity testing results for all questions have $r > 0.294$ so that all questions in the questionnaire the dependent variable, namely fraud prevention and the independent variables, namely accountability, transparency, and morality of the village apparatus are declared valid and can be used in the next test. While the results of the reliability test for the accountability, transparency, village apparatus morality, and fraud prevention questionnaires show cronbach's alpha values for all variables above 0.6. These results indicate that the research questionnaire is reliable.

Table 2. Linear Regression

Variable	B	t	Sig.	Result
Accountability	0.010	2.229	0.031*	H ₁ : Accepted
Transparency	0.407	2.436	0.019*	H ₂ : Accepted
Village apparatus morality	0.210	1.394	0.171	H ₃ : Rejected
F Value			0.000**	
Adjusted R Square: 0.294				

** Sig < 1%; * Sig < 5%

The results of hypothesis testing show that accountability impacts fraud prevention. The results of this study confirm those of [Wirna & Komang \(2019\)](#), stating that accountability has a positive and significant impact on fraud prevention. The accountability covers the administrative operation, planning, process, and implementation of village administrators. Accountability is reflected in how village administrators present the reports on the implementation, problems to deal with, and the final allocation of village funds. Village administrators also made information in the accountability reports on the uses of village funds accessible to the public.

The results of hypothesis testing show that transparency impacts fraud prevention. This is in line with [Wirna & Komang \(2019\)](#); [Pratomo et al. \(2019\)](#); [Gwijangge \(2021\)](#), as they stated that transparency has a positive and significant impact on fraud prevention. Transparency is one of the essential things the village administrators need to do to manage village funds. Transparency can be realized by inviting village members to participate in the village development plan deliberation. Being transparent can also mean that the village administrators provide essential information related to both financial and non-financial issues. Most importantly, village administrators need to be transparent in matters specifically related to financial management.

The results of hypothesis testing revealed that village apparatus morality has no impact on fraud prevention. The results run counter to those of [Laila et al. \(2018\)](#), stating that village apparatus morality positively impacts fraud prevention. However, this study's results confirm those of [Udayani & Sari \(2017\)](#) as they revealed village apparatus morality has a negative impact on fraud prevention. Being moral means being mindful of one's obligation and responsibility. An individual with high moral standards will pay attention to things of universal importance. The stronger a person stick to moral principles, the more likely it that they will avoid fraudulent behaviors that will harm many people.

5. Conclusion

Based on the description presented earlier, it can be concluded that accountability and transparency impact fraud prevention in the management of allocated village funds. This means that accountability and transparency are necessary to prevent fraudulent behaviors in managing allocated village funds. The morality of the village apparatus has no impact on fraud prevention in the management of allocated village funds. This is because morality is affected by the level of consciousness. Thus, a higher level of moral consciousness will make it more likely for an individual to avoid fraudulent behaviors. Conversely, lower the level of moral consciousness will make it more likely for an individual to commit fraud.

The present study is not without limitations. One of these limitations is that this study uses primary data collected through a questionnaire. This makes it possible for the perceptual discrepancy between the researcher and the respondents, as mutual clarifications were not made about the questions or statements. Furthermore, respondents sometimes give answers that do not describe the actual situation. The study took the samples of students from only the accounting department at Veteran National Development University Yogyakarta so that the results cannot be generalized. Future researches may add the variables or use other variables to provide a more accurate description of the impact of the variables on fraud. It is also recommended that future researches increase the sample size or expand the sample coverage to achieve a higher level of generalization.

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