



Analysis of the influence of internal control and competence of village apparatuses on village fund management fraud

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ABSTRACT

This research is motivated by the importance of preventing fraud in village fund management. This study aims to analyze the effect of internal control and competence of village apparatus on village fund management fraud. This research method is a descriptive method with a quantitative approach. The population in this study is all village apparatus in Indonesia. The sample for this research was 100 village officials who were taken by purposive sampling. The data source used in this study is primary data from the results of distributing questionnaires via Google form to the village heads who are the sample. The collected data was processed and analyzed with the help of Excel and SPSS version 24. The results of this study indicate that 1) internal control partially has a positive and significant effect on fraud in the management of village funds, 2) competence of village apparatus partially has a positive and significant effect on fraud in the management of funds village, and 3) internal control and competence of village apparatus simultaneously have a positive and significant effect on village fund management fraud. These findings imply that if the village government wants to prevent fraud in managing village funds, then the village government must improve internal control and the competence of village apparatus.

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INTRODUCTION

Fraud is an intentional act to produce material misstatements in the financial statements which are the subject of an audit (Fahmi, M., & Syahputra, M. R, 2019). Financial statement fraud is intentional or careless in doing something or not doing something that should be done, which causes financial reports to be materially misleading (Pasaribu, RBF, & Kharisma, 2018). Fraud is an intentional act to deceive, lie or dishonest ways to take or lose money, legal property belonging to another person

either because of an action or the fatal impact of the action itself (Noviani, DP, & Sambharakreshna, Y, 2014).

Fraud prevention must be carried out in order to prevent unwanted things that arise as a result of the fraud. So that the company can run well by making the right decisions from appropriate financial information and not harming the company's stakeholders. In addition, the impacts that can be caused by fraud include destroying the reputation of the organization, organizational losses, damage to employee morality and other negative impacts (Danuta, 2017).

One of the factors that is thought to influence the prevention of fraud is internal control. Internal control can be interpreted as an organizational internal control consisting of organizational structures, policies and procedures as well as measures that coordinate with each other to achieve the goal of maintaining organizational assets, guaranteeing or providing reliable financial information, encouraging efficiency, and ensuring compliance with applicable laws and regulations. (Naibaho, A.T, 2013). Internal control can prevent loss or waste of processing company resources. Internal control can provide information about how to assess company performance and company management and provide information that will be used as a guide in planning (Sudarmanto et al, 2021).

In addition to internal control, the competency of the village apparatus is also suspected of preventing fraud from occurring in the management of village funds. competence is a characteristic that underlies a person to achieve high performance in his work. The characteristics possessed by an employee are used to carry out a job (Indranika, DB, Puspita, DR, & Faozanudin, M, 2020). Employees who do not have characteristics such as sufficient knowledge will work longer hours and result in wasted time and energy. The competence of the village apparatus is needed so that the management of village funds can develop in various aspects. For this reason, in practice, village apparatus must have intelligence, knowledge and skills related to their work. This is a form of responsibility of the village apparatus in carrying out village government activities (Saputri, ED, & Muhsin, M, 2018).

Research on the analysis of the influence of Internal Control and Competence of Village Apparatuses on Village Fund Management Fraud has been carried out by many previous researchers, including those carried out by (Islamiyah, F., Made, A., & Sari, A. R, 2020; Widiyarta, K. , Herawati, NT, Ak, SE, & Atmadja, A. T, 2018; Armelia, PA, & Wahyuni, M. A, 2020; Njonjie, P., Nangoi, G., & Gamaliel, H. 2019; Wonar, K., Falah, S., & Pangayow, B. J, 2018; Ardiyanti, A., & Supriadi, Y. N, 2018) which states that Internal Control and Competence of Village Apparatuses Influences Village Fund Management Fraud.

Based on the background of the problem and previous studies that have been described by previous authors, the authors are interested in examining more deeply the Analysis of the Effect of Internal Control and Competence of Village Apparatuses on Fraud in Village Fund Management. The purpose of this study was to analyze the influence of Internal Control and Competence of Village Apparatuses on Village Fund Management Fraud. The findings of this study are expected to become input for stakeholders in preventing fraud in managing village funds, especially by increasing internal control and competence of village apparatus..

RESEARCH METHOD

This research is a descriptive research with a quantitative approach. Quantitative research methods have the goal of showing relationships between variables, testing theories, looking for generalizations that have predictive value (Sugiyono, 2015). The population in this study is all village apparatus in Indonesia. The sample for this research was 100 village officials consisting of village heads, village officials, village secretaries and the Village Consultative Body (BPD) who were taken by purposive sampling. The data in this study is primary data obtained through dissemination via Google form to village officials. Measurement of internal control variables consists of five indicators including control environment, risk assessment, control activities, information and communication,

and monitoring referring to Mahmudi's research (2016), measurement of village apparatus competency variables consists of five indicators including understanding, technical expertise, training, initiative at work and the staffing code of ethics refer to Nurkhasanah's research (2019), the measurement of fraud variables consists of four indicators, namely the establishment of anti-fraud policies, procedures, control techniques, and sensitivity to fraud referring to the research of Laksmi and Sujana (2019).

The instruments used have been subjected to instrument testing. The first instrument test is the validity and reliability test, the instruments used are stated to be valid and reliable. After that, the instrument was tested on classical assumptions which included normality tests, multicollinearity tests and heteroscedasticity tests. The data analysis technique used in this study is a multiple linear regression analysis technique. Multiple linear regression analysis, hypothesis testing was carried out which consisted of multiple linear regression analysis, t test and coefficient of determination by utilizing the program in SPSS 24 for windows.

RESULTS AND DISCUSSIONS

Results

Overview of Research Variables

Table 1. Research variable descriptive analysis

Items	N	Max	Min	Means	std. Deviation
Internal Control (IC)	100	5	1	3.60	0.888
Village Apparatus Competency (VAC)	100	5	1	3.70	0.856
Fraud Prevention (FP)	100	5	1	3.80	0.878

Source: Data Processing, 2022

Based on Table 1 std. The overall deviation < the mean, this means that the level of distribution of the data is low. Furthermore, the mean Internal Control (IC) is 3.60, which means that the majority of respondents gave answers agreeing to the Internal Control (IC) variable. The mean mean Village Apparatus Competency (VAC) is 3.70, which means that the majority of respondents gave answers agreeing to the Village Apparatus Competency variable (VAC). Finally, the Mean mean Fraud Prevention (FP) is 3.80, which means that the majority of respondents gave answers in agreement with the Fraud Prevention (FP) variable.

Data Validity and Reliability Test

Validity test

Determining whether or not the questionnaire is valid, it is necessary to test the validity. The validity test in this study can be said to be valid if $r \text{ count} > r \text{ table}$ (0.3338).

Table 2. Validity test results for internal control variables, competence of village apparatuses, and fraud prevention

Variable	Items	r count	r table	Information
Internal Control (IC)	IC1	0.455	0.3338	Valid
	IC2	0.505	0.3338	Valid
	IC3	0.705	0.3338	Valid
	IC4	0.425	0.3338	Valid
	IC5	0.535	0.3338	Valid
Village Apparatus Competency (VAC)	VAC1	0.745	0.3338	Valid
	VAC2	0.565	0.3338	Valid
	VAC3	0.475	0.3338	Valid
	VAC4	0.435	0.3338	Valid
	VAC5	0.715	0.3338	Valid

Variable	Items	r count	r table	Information
Fraud Prevention (FP)	PF1	0.555	0.3338	Valid
	PF2	0.465	0.3338	Valid
	PF3	0.455	0.3338	Valid
	PF4	0.505	0.3338	Valid

Source: Data Processing, 2022

Reliability Test

Table 3. Reliability test results

Variable	Cronbach's Alpha	Information
Internal Control (X1)	0,850	Reliable
Village Apparatus Competency (X2)	0.855	Reliable
Fraud Prevention (Y)	0,890	Reliable

Source: Data Processing, 2022

Classic assumption test

Based on the results of the classical assumption test as a condition for multiple linear regression tests, the data in this study were declared to be normally distributed, heteroscedasticity in the regression model of this study did not occur, and was free of multicollinearity.

Multiple Linear Regression Test

Table 4. Multiple linear regression test results

Variable	coefficient	Standard Error
Constant	4,450	1.505
Internal Control (X1)	0.350	0.085
Village Apparatus Competency (X2)	0.550	0.135

Source: Data Processing, 2022

Hypothesis testing

Table 5. T test

No	Fill Hypothesis	Q	Sig.	hypothesis
1	Internal Control Affects Village Fund Management Fraud	3,750	0.005*)	H1 accepted
2	Competence of Village Apparatuses Influencing Village Fund Management Fraud	3,550	0.001*)	H2 accepted
3	Internal Control and Competence of Village Apparatuses Affects Fraud Management of Village Funds	4,550	0.000*)	H3 accepted

Source: Data Processing, 2022

Table 6. F test
ANOVA^a

Model	Sum of Squares	Df	MeanSquare	F	Sig.
Regression	43,425	5	8,815	7,505	,000 ^b
residual	38,810	24	1.265		
Total	82,235	29			

Source: Data Processing, 2022

Discussions

Internal Control Affects Village Fund Management Fraud

Internal control partially has a positive and significant effect on village fund management fraud. This can be proven by the value of $t_{count} > t_{table}$, namely $3.750 > 2.001$ and a significant value < 0.05 , which is equal to 0.000 . This shows that to improve fraud prevention, village fund management also needs to improve internal control. The better the internal control, the smaller the chance for fraud to occur, conversely the worse the internal control, the greater the chance for fraud in village fund management.

This result is in line with the fraud triangle theory. This theory states that fraud occurs because of three elements such as pressure, opportunity, and justification. The three elements of fraud coexist at different levels within the organization and affect each individual differently. Fraud is a fraud or fraudulent act committed by one or more people for personal gain. Fraud is a general term, which includes various meanings regarding ingenuity, machinations, human deceit used by someone to gain an advantage over others through misrepresentation.

The results of this study are in line with the results of previous studies, Soleman's research (2013) on the effect of internal control and good corporate governance on fraud prevention. The results of this study indicate that internal control and good corporate governance have an effect on fraud prevention. Furthermore, research by Muna & Haris (2018) concerning the effect of internal control and information asymmetry on the tendency of accounting fraud. The results of his research explain that internal control and information asymmetry affect the tendency of accounting fraud. Finally, research by Sari, ME, Arza, FI, & Taqwa (2019) concerning the effect of accountability, suitability of compensation and internal control on the potential for fraud in village funds. The results of his research explain that accountability, suitability of compensation and internal control have an effect on the potential for fraud in village funds.

Competence of Village Apparatuses Influencing Village Fund Management Fraud

The competence of village apparatus partially has a positive and significant effect on village fund management fraud. This can be proven by the value of $t_{count} > t_{table}$, namely $3.550 > 2.001$ and a significant value < 0.05 , which is equal to 0.000 . This shows that to improve the prevention of fraud in the management of village funds, it is also necessary to increase the competence of the village apparatus. The better the competence of the village apparatus, the smaller the opportunity for fraud to occur, conversely, the worse the competence of the village apparatus, the greater the opportunity for fraud to occur in the management of village funds.

This result is in line with the fraud triangle theory. This theory states that fraud occurs because of three elements such as pressure, opportunity, and justification. The three elements of fraud coexist at different levels within the organization and affect each individual differently. Competence can be interpreted as a person's ability to carry out and be responsible for his work. Fraud can occur even though the person has high authority in the company but does not have sufficient competence (Atmadja & Saputra, 2017).

The results of this study are in line with the results of Laksmi, PSP, & Sujana, IK's research (2019). Concerning the influence of human resource competence, morality and internal control systems on fraud prevention in managing village finances. The results of this study explain that human resource competence, morality and internal control systems have an effect on preventing fraud in managing village finances. Furthermore, Islamiyah, F., Made, A., & Sari, AR (2020) research on the influence of village apparatus competence, morality, internal control systems, and whistleblowing on fraud prevention in managing village funds in Wajak District. The results of his research explain that the competence of village apparatus, morality, internal control systems, and whistleblowing have an effect on preventing fraud in managing village funds in Wajak District. Furthermore, research by Armelia, PA, & Wahyuni, MA (2020) concerning the Influence of Village Apparatus Competence, Internal Control Effectiveness, and Moral Sensitivity on Fraud Prevention

in Village Financial Management. The results of this study explain that Village Apparatus Competence, Internal Control Effectiveness, and Moral Sensitivity have an effect on Fraud Prevention in Village Financial Management.

Internal Control and Competence of Village Apparatuses Affects Village Fund Management Fraud

Internal control and competence of village apparatus partially have a positive and significant effect on village fund management fraud. This can be proven by the value of $F_{count} > F_{table}$, which is $82,235 > 2.758$ and a significant value < 0.05 which is equal to 0.000 . This shows that to improve the prevention of fraud in the management of village funds, it is also necessary to improve internal control and the competence of village apparatus. The better the internal control and competency of the village apparatus, the smaller the chance for fraud to occur, conversely the worse the internal control and competence of the village apparatus, the greater the opportunity for fraud to occur in the management of village funds.

This result is in line with the fraud triangle theory. This theory states that fraud occurs because of three elements such as pressure, opportunity, and justification. The three elements of fraud coexist at different levels within the organization and affect each individual differently. Fraud prevention can be interpreted as a behavior to eliminate fraudulent actions that occur through improving the quality of good internal control, creating a culture of honesty, openness and providing good support between workers (Wijayanti, P., & Hanafi, R, 2018). Fraud prevention can be done by increasing internal control and competence of village apparatus.

Internal control can be interpreted as a process that is assessed, implemented, and adopted by the Village Government which has the goal of financial reports that are accountable, efficient, safeguard assets and comply with laws (Atmadja & Saputra, 2017). Meanwhile, the competence of the village apparatus can be understood as an individual's ability to carry out and be accountable for his work. Fraud can occur even though the person has high authority in the company but the competence they have does not meet (Atmadja & Saputra, 2017).

The results of this study are in line with the results of previous studies including (Islamiyah, F., Made, A., & Sari, A. R, 2020; Widiyarta, K., Herawati, NT, Ak, SE, & Atmadja, A. T, 2018; Armelia, PA, & Wahyuni, M. A, 2020; Njonjie, P., Nangoi, G., & Gamaliel, H. 2019; Wonar, K., Falah, S., & Pangayow, B. J, 2018; Ardiyanti, A., & Supriadi, Y.N, 2018) which states that Internal Control and Competence of Village Apparatuses Influence Village Fund Management Fraud.

CONCLUSION

Based on the results of data processing and the results of research on the Effect Analysis of Internal Control and Competence of Village Apparatuses on Village Fund Management Fraud that has been described by the authors above, the authors can conclude: (a) Internal control partially has a positive and significant effect on village fund management fraud, with good internal control it will prevent and reduce the possibility of village fund management fraud; (b) The competence of village apparatus partially has a positive and significant effect on village fund management fraud. When village apparatus have adequate and good competence, it will prevent and reduce the possibility of village fund management fraud; (c) Internal control and competence of village apparatus simultaneously have a positive and significant effect on fraud in managing village funds. With good internal control and competence of village apparatus, the possibility of fraud in managing village funds will be smaller.

Based on the discussion and conclusions regarding the Analysis of the Effect of Internal Control and Competence of Village Apparatuses on Village Fund Management Fraud that has been described by the authors above, the authors can provide recommendations: (a) For the village government, it is best to maintain and improve the internal control system in each village so that the level of fraud in managing village funds can be prevented and reduced; (b) For the District

Government/Village Community Empowerment Service, it is best to closely monitor the process of planning, implementing, and evaluating village fund allocations so that village funds are actually used on target according to the original purpose of village funds, namely for village development, (c) The community should be expected to participate in monitoring the process of planning, implementing and evaluating village fund allocations so that village apparatus and village government truly carry out the mandate to use village funds for the benefit of the village in accordance with the priority programs of the central, provincial and regional governments. respective counties and villages.

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