

The Influence of Financial Reporting Compliance, Apparatus Competence, and Internal Control Systems on Fraud Prevention in Village Fund Management (Study of Village Government in Sikka Regency)



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ABSTRACT: This study aimed to examine and analyze the effect of financial reporting compliance, village apparatus competence, and internal control system on fraud prevention in village funds management of Sikka Regency. The study was quantitative and based on positivist philosophy. Moreover, the population was all villages in the Sikka Regency; with respondents namely village head, secretary, treasurer, and Village Consultative Body (BPD). The instrument in the data collection technique was a questionnaire. The questionnaires were distributed to respondents at the Public Empowerment Office and Village in Sikka Regency for one month. Furthermore, there were 147 villages with 4 respondents in each village. In total, 240 respondents in the Sikka Regency were chosen as a sample. Additionally, the data analysis technique used statistical-descriptive. As a result, both financial report compliance and village apparatus competence affected fraud prevention in village funds management of Sikka Regency. Likewise, the internal control system affected fraud prevention in villages located in the Sikka Regency funds management of Sikka Regency.

KEYWORDS: Compliance, Reporting, Financial, Competence, Apparatus, Village, Internal Control System

I. INTRODUCTION

The Nawacita program is an important concern for the Jokowi government with the principle of developing Indonesia from the periphery. To advance Indonesia, the Nawacita program strengthens regions and villages through good village development and management. Allocation of village funds through the Ministry of Finance to be used for the welfare of village communities throughout Indonesia.

A village is a legal community unit that has territorial boundaries that has the authority to regulate and manage government affairs, the interests of local communities based on community initiatives, origin rights and/or traditional rights that are recognized and respected in the government system of the Unitary State of the Republic of Indonesia as stated in the Regulation of the Minister of Finance Number 190/PMK.07/2021.

The allocation of Village funds throughout Indonesia which are transferred comes from the State Revenue and Expenditure Budget (APBN) which amounts to 1 billion rupiah each year for each village as stated in Law of the Republic of Indonesia Number 6 of 2014. The purpose of these village funds is to finance the implementation of governance, implementation of development, community development, and community empowerment (updesa.com).

In general, the central government budgets village funds to support activities and realize village development programs. The government began providing village fund budgets in 2015 and continues to increase to this day. In 2018 it was 59.9 trillion, 2019 it was 69.8 trillion, 2020 it was 71.2 trillion and 2021 it was 72.0 trillion (www.kemenkeu.go.id)

The village fund budget allocated for building community facilities and community empowerment is expected to improve the economy and welfare of rural communities, but in reality the high village fund budget allocated must of course be a concern for the village government in managing it so that it benefits the village and village community. Talking about financial matters is certainly very risky with the potential for fraud. Potential fraud in the government sector in managing village finances could occur. This act of fraud can become an obstacle in managing village finances, carried out intentionally or unintentionally by village government officials. This was done because village government officials lacked awareness and responsibility, causing the state

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to experience large financial losses. This act of fraud can be carried out by anyone, in fact it cannot be denied that even parties in the highest positions can commit fraud. The village government, which is seen as someone who is trusted by the community, should be able to carry out its duties and obligations in ensuring that the village budget can be managed well. However, in its implementation there are many fraudulent practices which directly impact state finances and can also be detrimental to the village community itself.

According to the Association of Certified Fraud Examiners, (2012) what is meant by Fraud is an action that is intentionally carried out by one or more people to use the resources of an organization unreasonably (an act against the law) and misrepresent the facts (hiding the facts) to obtain personal gain.

Fraud often occurs in Indonesia and involves several officials from central to regional levels, and has attracted the attention of various media both domestically and abroad. In general, fraud prevention is carried out by the government, one of which is by establishing law number 20 of 2001 concerning the eradication of criminal acts of corruption and law number 13 of 2006 to provide protection for witnesses, thereby ensuring the safety of witnesses in reporting acts of fraud.

If the amount of funds managed is not balanced with good managerial skills and strict supervision, it will certainly be easy for strict fraud to occur. In this context, misappropriation can be interpreted as cheating or fraud.

Apart from that, in order to prevent fraud in the management of village funds, the government continues to make improvements by optimizing the performance of the Financial Audit Agency (BPK), thus tightening supervision over the management of village funds. The fraud prevention policy implemented by the government is not enough to overcome the problem of fraud. Since 2016, the BPK has carried out inspections regarding the use of village funds, fraud still occurs frequently, this is proven by the increase in corruption cases in village government every year, throughout 2015-2020 there were 676 defendants in corruption cases from village officials (ICW, 2021). Corruption in village funds from 2015 to 2020 resulted in the state experiencing losses of up to 111 billion (<https://nasional.kompas.com>).

Fraudulent acts committed by officials include misuse of assets, cheating in preparing financial reports, and corruption (Wardana et al., 2017). Failure to realize the funds received due to the weak ability of village officials to manage them is a form of problem in managing village funds (Purbasari & Yuniarta, 2020). Weak internal control also causes many cases related to violations, corruption, abuse of authority and position. This is one of the causes of ineffective and inefficient village government administration which results in waste of budget and finances (Widiyarta et al., 2017).

One important factor in preventing fraud can be done by requiring the village government to be obedient and obedient in presenting financial reports which include Realization Reports on the implementation of the APBDes, Realization Reports on the use of village funds and Accountability Reports on the Realization of the implementation of the Village APBDes as well as reports on village-owned assets at the end of the fiscal year (Kivaayatul Akhyaar et al., 2022). Basically, the higher the compliance of village government officials with financial reporting, the lower the potential for fraud to occur so that compliance with financial reporting can prevent fraud (Wonar et al., 2018). In managing village funds, the village government requires financial reporting as intended with the aim of preventing fraud in the management of village funds. Kivaayatul Akhyaar et al., (2022) stated that financial reporting compliance has a positive effect on preventing fraud in village fund management.

Another factor in preventing fraud in village financial management is the competence of village officials. Research on the competence of village officials conducted by Wonar et al., al. (2018) stated that the competence of village officials influences fraud prevention. Sari et al., al. (2020) stated that competence has a positive effect on fraudulent management of village funds. The competency that HR has in carrying out their work will make it easier for them to carry out their duties or commit fraud using the competency and ability to commit fraud. In this case, HR competency can be linked to the fraud diamond concept, namely ability. Capability is the ability/skill that a person has so that it can make it easier to commit fraud because they have memorized the loopholes and situations in the workplace.

Apart from good apparatus competency, managing village funds also requires an internal control system. The Internal Control System (SPI) according to Government Regulation Number 60 of 2008 is an integral process of actions and activities carried out continuously by leadership and all employees to provide adequate confidence in achieving organizational goals. Having an Internal Control System can prevent fraud in managing village funds. The Internal Control System is carried out to provide adequate confidence regarding the achievement of objectives in the category; effectiveness and efficiency of operations, reliability of financial reports, compliance with applicable laws and regulations and safeguarding assets. The village government must build SPI in implementing performance which includes Soft Control and Hard Control (Wonar et al., 2018).

Research conducted by Yusuf et al. (2021) stated that one of the objectives of the internal control system is to prevent misappropriation of company assets. Therefore, by implementing a good internal control system, efforts to prevent village fund fraud will be maximized.

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The phenomena that are still frequently encountered in general are compliance with financial reports where financial reports are made when checked directly by superiors or heads of departments and there is a gap between the competence of village officials as a requirement for main tasks and the competence of employees, where problems occur with management staff. Those involved in financial management still lack skills in the field of accounting. On the other hand, reports of alleged violations in village management continue to increase (Media Indonesia Nusantara, 06 January 2022) which are detrimental to state finances. In this case the state suffered a loss of IDR 273,933,651. This is due to the low competence of human resources or the competence of village officials which has resulted in the lack of accountability in managing village funds. Apart from these two things, a poor internal control system (SPI) is also a trigger for someone to commit fraud and violate the law, namely cases of irregularities and embezzlement of funds in the village by officials or village officials which still occur to this day.

There are four differences between this research and previous research, namely first, adding the competency variable of village officials. The competency variable of village officials is an important element in preventing fraud in managing village funds. The second difference in research is adding the BPD sample by referring to previous research which suggested adding the BPD sample because of its role as a whistle blower and in the previous research object BPD has a very important role in supervising the management of village funds, so as to prevent fraud. The third difference is that the previous research object was carried out in all villages in Sikka Regency.

Sikka Regency is a regency located in the province of East Nusa Tenggara which consists of 21 sub-districts, 13 sub-districts and 147 villages. In managing village finances, there are still many villages that misuse village funds for personal needs (Florespedia, 03 April 2022). Data obtained from the Community and Village Empowerment Service (PEMDES) shows that there has been misappropriation of village funds carried out by a number of villages in Sikka Regency. According to data in the APIP inspection report, there are 4 sub-districts in Sikka Regency that have problems with village funds, including Paga sub-district in Paga village with findings amounting to IDR 62,668,075, Lela sub-district, Lela village in the context of spending on building aid to be handed over to the community with no benefit amounting to Rp. 104,412,400, Talibura sub-district, Talibura village, in the audit for the 2016 to 2022 fiscal year amounting to Rp. 1,468,999,751.00, there were APBD expenditures that had not been accounted for and Mego sub-district, Napugera village. Mark up price for road rebate work was Rp. 5,649,345

Based on the explanation that has been described, this research is also interesting and very important to be researched again so that it can provide good benefits to the local government, community and village officials in managing each existing budget. It is hoped that the contribution of this research can provide insight and input to local governments and village officials in Sikka Regency to pay more attention to budget management in terms of reducing or preventing fraud. This research has also never been conducted in Sikka Regency.

II. THEORETICAL REVIEW

A. Fraud

Fraud is an unusual or unlawful act carried out intentionally, for a specific purpose, such as deceiving or misleading for unfair personal or collective gain, directly or indirectly causing harm to others. According to Tuanakotta, 2010 in Atmadja & Saputra (2017). Meanwhile, according to the Association of Certified Fraud Investigators (2012), fraud means deliberate actions by one or more people to use organizational resources unreasonably (illegally) and misrepresent the truth (hiding the truth) for personal gain.

B. Financial Reporting Compliance

Compliance theory provides an explanation of the influence of compliance behavior in the socialization process. Individuals tend to obey laws that they consider to be in accordance with their internal norms with strong support for the values and goals they want to achieve. Based on a normative perspective, this compliance theory should be applied in the field of accounting (Rosalina, 2010). According to the KBBI (Big Indonesian Dictionary) obedience is an attitude of obeying applicable rules or orders, while rules are methods (provisions, standards, instructions, orders) or actions that have been determined and must be carried out. Obedience is the willingness to submit to laws/orders or accept statements made by the leadership as true (Mudhafir, 1996).

C. Village Apparatus Competence

According to Sutrisno (2017), reliable human resources in an organization are formed from the selection stage to the task implementation stage because human resources are an important factor in carrying out operations and for decision making purposes. Regarding village fund management, a village official must have good skills to be able to manage and be accountable for village funds because village officials who are competent in managing village finances can increase accountability in managing village funds, and vice versa (Umaira and Adnan, 2019).

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Widiyarta et al., (2017) In their research, it is recommended that misappropriation of village funds can be minimized through appropriate competency for each employee. From these observations it can be seen that thanks to the capacity of village officials, the risk of fraud can be minimized. To assist the village government in managing village funds, the role of the BPD is needed, so facilitators, especially those who support village fund management and information systems, need to be involved so that they can assist the village government in managing village funds. Seeing the importance of developing HR capacity/skills in an organization, it is necessary to have a program developed by the organization itself to improve HR skills (Saputra et al., 2019).

D. Internal Control System

According to Romney, (2014:226) internal control is a process that is carried out to provide adequate assurance that these control objectives have been achieved. Internal control is also a process because it spreads throughout the company's operating activities and is an integral part of management activities. In implementing internal control, management at all levels will monitor and ensure that the people working under them have implemented previously established strategies effectively and efficiently.

Control Systems are a very important element in an organization to promote and reduce the possibility of fraud that will occur. However, when individuals within the organization do not implement and comply with the internal control system, it is difficult for the organization to minimize fraud where fraud generally occurs because the individual has the ability, fraud will still occur (Wolfe and Hermanson, 2004).

III. RESEARCH METHODS

A. POPULATION AND SAMPLE

The population in this study was all 147 villages in Sikka Regency. In this research, the sample size was determined using the Slovin formula. By using the Slovin formula, a sample size of 60 villages in Sikka Regency was obtained. In this research, researchers distributed questionnaires to village officials in each village. Sampling technique is a technique for taking samples.

B. OPERATIONAL DEFINITION OF VARIABLES

1) Fraud Prevention

Fraud prevention is an integrated effort that can suppress the occurrence of factors that cause fraud, an action or effort, systems and procedures that can emphasize the occurrence of factors that cause fraud, and eliminate or minimize the causes of fraud so that it does not have an impact on financial and non-financial losses caused by each individual. Fraud prevention is carried out with the aim of preventing someone from committing fraudulent acts that could harm other parties. Fraud prevention variables are measured using questionnaire items including: Existence of sanctions against all forms of fraud, Evaluation of village government performance, Culture of honesty, Existence of sanctions and Implementation of the system.

2) Financial Reporting Compliance

Financial reporting compliance is a form of accountability for village financial management and is in accordance with Permendagri 113 of 2014. There are 12 question items with 4 indicators of financial reporting compliance proposed by Wonar et al., (2018) which are measured using a 5-level Likert scale, the indicators are as follows: Planning, Implementation, Administration of reporting and accounting, and Accountability.

3) Village Apparatus Competence

Village apparatus competency is the skills, capabilities and capacity of someone who works for the village government in carrying out their duties, functions and responsibilities as a village apparatus. This understanding is supported by Islamiyah et al., (2020) who state that competence is the insight and skills that individuals have to do something and influence each other from various aspects needed by an organization. The village apparatus competency variables are as follows: Knowledge, which consists of: Ability to increase knowledge; Ability (skill) which consists of: Technical expertise and ability to find solutions and attitude (attitude) which includes: initiative in work; friendliness and politeness, independence, professional ability, work environment. The source of the questions in the questionnaire was obtained from the results of research conducted by Mada et al., 2017.

4) Internal Control System

The internal control system is the policies and procedures established to provide adequate confidence regarding the achievement of organizational goals by category; effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws and regulations, and applicable safeguards. According to Romney and Steinbart (2015) internal control is a system that has the function of preventing, detecting and correcting problems so that organizational goals can be achieved. By implementing an effective and efficient internal control system, it is hoped that it will be able to minimize the possibility of fraud, avoid mistakes and illegal behavior that is not in accordance with applicable regulations.

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There are 5 components of internal control that are created and implemented by an organization to provide adequate confidence that the entity's control objectives will be achieved. COSO's internal control components include the following (COSO, 1992): control environment, control activities, risk assessment, information and communication and monitoring. Internal control system variables are measured using the questionnaire items below: Control environment, Risk assessment, Control activities, Information and communication and Monitoring.

C. DATA ANALYSIS TECHNIQUE

The data analysis technique used in this research uses multiple regression analysis. This analysis is intended to reveal the influence between several independent variables and the dependent variable. The multiple linear regression equation in this study for Model 1 is as follows:

$$Y = \alpha + X_1 + X_2 + X_3 + e$$

Where:

Y = Fraud Prevention

α = Constant

X = Regression Coefficient

e = Standard Error

Based on the regression analysis, it is then observed using hypothesis testing in the form of the coefficient of determination (R²), feasibility test of the F model (F test) and hypothesis test (t test).

IV. RESULTS AND DISCUSSION

A. Results

1) Multiple Regression Analysis

This analysis is intended to reveal the influence between several independent variables and the dependent variable. The multiple linear regression equation in this study for Model 1 is as follows:

$$Y = \alpha + X_1 + X_2 + X_3 + e$$

Where:

Y = Fraud Prevention

α = Constant

X₁, X₂, X₃ = Regression Coefficient

e = Standard Error

The results of multiple linear regression analysis carried out using the data processing application, namely IBM SPSS statistics 26, can be seen in table 23.

Table 1. Multiple Linear Regression Test Results

Variable	Unstandardized Coefficients B
(Constant)	19.808
Financial Reporting Compliance (X ₁)	1.149
Village Apparatus Competency (X ₂)	1.029
Internal Control System (X ₃)	1.218

Source: Processed primary data, 2023

From the multiple linear regression test results table above, it can be seen that the multiple linear regression model is shown by the equation:

$$Y = 19.808 + 1.149X_1 + 1.029X_2 + 1.218X_3$$

From the regression equation above, it can be explained that:

a. Constant (a)

The constant coefficient based on the regression results is 19.808, meaning that if the independent variables (Financial Reporting Compliance (X₁), Village Apparatus Competency (X₂), and Internal Control System (X₃)) are considered constant and have a value of zero, then the Village Fund Management Fraud Prevention value (Y) of 19.808%.

b. Financial Reporting Compliance Regression Coefficient (b₁)

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The regression coefficient for Financial Reporting Compliance from the regression equation is 0.256, meaning that if Financial Reporting Compliance increases by 1% while the other independent variables in this research (Village Apparatus Competence (X2), and Internal Control System (X3) are considered constant and have a value of zero then Village Fund Management Fraud Prevention value (Y) will increase by 0.256%.

c. Village Apparatus Competency Regression Coefficient (b2)

The regression coefficient for Village Apparatus Competence from the regression equation is 0.236, meaning that if Village Apparatus Competence increases by 1% while the other independent variables in this research (Financial Reporting Compliance (X1) and Internal Control System (X3)) are considered constant and have a value of zero then Village Fund Management Fraud Prevention (Y) value will increase by 0.236%.

d. Internal Control System Regression Coefficient (b3)

The Internal Control System regression coefficient from the regression equation is 0.439, meaning that if the Internal Control System increases by 1% while the other independent variables in this research (Financial Reporting Compliance (X1), and Village Apparatus Competence (X2) are considered constant and have a value of zero then the value Fraud Prevention in Village Fund Management (Y) will increase by 0.439%. Based on regression analysis, it is then observed using hypothesis testing in the form of the coefficient of determination (R2), F model feasibility test (F Test) and hypothesis test (t Test).

2) Coefficient of Determination Test (R2)

The coefficient of determination test (R2) is used to measure the model's ability to explain the variability of the independent variables. If the R2 value is low, it means that the ability to explain variations in the independent variable is very limited. A value close to 1 means that the independent variable provides all the information needed to predict the variability of the dependent variable. The R2 value lies between 0 and 1 ($0 \leq R^2 \leq 1$). If R2 is close to 1 (100%), then the calculation results show that the better or more precise the regression line obtained. (Ghozali, 2016: 95).

The results of testing the coefficient of determination using the data processing application, namely IBM SPSS Statistics 26, can be seen in full in table 2 below:

Table 2. Coefficient of Determination Test Results

Model	R ²	Adj. R ²
1	0.680	0.676

Source: Processed primary data, 2023

Based on the coefficient of determination test results table above, it is known that the Adjusted R Square value is 0.676. The Adjusted R Square value explains that 67.6% of the Village Fund Management Fraud Prevention variable (Y) is explained by the independent variables in this research (Financial Reporting Compliance (X1), Village Apparatus Competence (X2), and Internal Control System (X3).). The remaining 32.4% of the Village Fund Management Fraud Prevention variable (Y) is explained by other external factors that are not in this study.

3) Model Feasibility Test (F Test)

Model Feasibility Test (F Test) is carried out to see whether this research model is suitable or not to be used to test the hypothesis. As for the steps in making the F test decision, if the significance level is 0.05 (5%). If the significance value is <0.05, then this research model is appropriate and if the significance value is >0.05, then this research model is not suitable for use in research.

The results of the F test carried out using the data processing application, namely IBM SPSS Statistics 26, can be seen in table 25 below,

Table 3. Simultaneous Test Results

Model	Sig, F	Sig α (0.05)
	0.000	0.05

Source: Processed primary data, 2023.

Based on the table of simultaneous test results, it is known that the F significance value is 0.000. The F significance value is smaller than the α value (0.05); ($0.000 < 0.05$). If $\text{Sig, F} < \alpha = 0.05$ then this research model is feasible. This means that this research model is suitable for use in this research.

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4) Hypothesis testing

Hypothesis testing (t test) in this research was carried out to determine the influence of the independent variable on the dependent variable individually or directly and to determine the role of the moderator variable in strengthening or weakening the independent variable on the dependent variable. The criteria used to make decisions with a Sig value $< \alpha=0.05$ means the hypothesis can be accepted so it can be concluded that some of the independent variables have a significant influence on the dependent variable. a variable can strengthen or weaken the relationship between the independent variable and the dependent variable (Utama, 2016: 150).

The results of the t analysis using the data processing application, namely IBM SPSS Statistics 26, can be seen in full in table 4 below:

Table 4. t test results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	19.808	1.588		12.476	0.000		
Financial Reporting Compliance (X1)	1.149	0.132	0.112	5.127	0.001	0.238	7.239
Village Apparatus Competency (X2)	1.029	0.163	0.959	6.322	0.000	0.460	6.799
Internal Control System (X3)	1.218	0.118	0.252	5.851	0.005	0.574	3.497

Source: Processed primary data, 2023.

Of the three independent variables included in the regression, it is known that:

- The Financial Reporting Compliance variable (X1) partially influences Village Fund Management Fraud Prevention (Y). The significance value of t for the Financial Reporting Compliance variable (X1) is 0.001, which is smaller than the α value (0.05). If $\text{sig } t < \alpha = 0.05$ then H1 is accepted (significant regression coefficient). This means that partially the independent variable has a significant influence on the dependent variable. Thus, it can be concluded that partially the Financial Reporting Compliance variable (X1) has an effect on the Village Fund Management Fraud Prevention variable (Y).
- The Village Apparatus Competency variable (X2) partially influences Fraud Prevention in Village Fund Management (Y). The significance value of t for the Village Apparatus Competency variable (X2) is 0.000, which is smaller than the α value (0.05). If $\text{sig } t < \alpha = 0.05$ then H2 is accepted (significant regression coefficient). This means that partially the independent variable has a significant influence on the dependent variable. Thus, it can be concluded that partially the Village Apparatus Competency variable (X2) has an influence on the Village Fund Management Fraud Prevention variable (Y).
- The Internal Control System variable (X3) partially influences Village Fund Management Fraud Prevention (Y). The significance value of t for the Internal Control System variable (X3) is 0.005, which is smaller than the α value (0.05). If $\text{sig } t < \alpha = 0.05$ then H3 is accepted (significant regression coefficient). This means that partially the independent variable has a significant influence on the dependent variable. Thus, it can be concluded that the Internal Control System variable (X3) partially influences the Village Fund Management Fraud Prevention variable (Y).

B. Discussion

1) The Influence of Financial Reporting Compliance on Fraud Prevention

Based on the research results, it is known that compliance with financial reporting has an effect on preventing fraud in managing village funds in villages in Sikka Regency. The results of the t test show that the financial reporting compliance variable has a positive and significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency. A positive influence can be interpreted as meaning that if financial reporting compliance increases, fraud prevention in village fund management will increase. Having a significant effect means that if financial reporting compliance increases, prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly. Thus, the results of this research accept the first hypothesis proposed, namely: financial reporting compliance partially has a significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency.

When villages always comply in reporting village financial management quickly and accurately by paying attention to village fund management principles, fraud in financial reporting can be avoided. Regulation of the Minister of Home Affairs of the

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Republic of Indonesia Number 113 of 2014 emphasizes that village financial management will influence the authority and responsibility for village financial management according to the principles of transparency, accountability and accountability. and order. budget, so that when submitting financial reports, village officials must comply with these regulations.

According to Pandita et al., (2020) Compliance with village fund management regulations can reduce the risk of fraud. Related to the fraud triangle theory used in this research, one of the causes of fraud in financial reports is the pressure factor.

Pressure that can cause fraud is mental pressure based on greed, for example not receiving enough salary, as well as economic pressure that causes financial difficulties to meet needs and improve public relations. Government officials at the commune level committed fraud. In addition, pressure from management to make financial reports look good can motivate government officials at the community level to commit fraud within the organization, especially with regard to financial reports. Thus, if there is pressure, the risk of fraud is higher, and if there is no pressure, the preparation of financial reports will be in accordance with the provisions so that fraud does not occur in the management of financial reports. (Saparman et al., 2020).

Saparman et al., (2020) In his research he stated that compliance with financial reporting has a positive and significant impact on preventing fraud in managing village funds. The results of this research are supported by research by Wonar et al. (2018) which states that financial reporting compliance has a positive impact on fraud prevention, so that financial reporting compliance can prevent fraud.

2) The Influence of Village Apparatus Competence on Fraud Prevention

Based on the research results, it is known that the competence of village officials influences the prevention of fraud in managing village funds in villages in Sikka Regency. The results of the t test show that the village apparatus competency variable has a positive and significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency. A positive influence can be interpreted as meaning that if the competence of village officials increases, prevention of fraud in managing village funds will increase. Having a significant effect means that if the competence of village officials increases, the prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly. Thus, the results of this research accept the second hypothesis proposed, namely: the competence of village officials partially has a significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency.

Village fund managers Wonar et al. (2018) emphasized that the capacity of village officials is a factor that can influence financial management responsibilities for the success of the responsibilities they carry out. The basic skills that village officials must have are a thorough understanding of the legal regulations that apply in the village, a clear understanding of their duties and responsibilities as village officials, and full awareness of the control system established by the regional government. The intelligence of the apparatus determines the success of managing and allocating village funds, preventing the possibility of misappropriation of village funds.

Faridatul (2020) in his research stated that the competence of village officials, morality, internal control systems, and whistleblowing have a significant influence simultaneously on preventing fraud in managing village funds. Partially, apparatus competency, morality, internal control systems, and whistleblowing have a positive influence on fraud prevention in managing village funds. Viewing the ability of village officials to have an important role in managing village finances to achieve common goals, namely improving community welfare through improving the economic, social and cultural sectors. and other fields.

Similar research was also conducted by Islamiyah et al., (2020), Widiyarta et al., (2017), Purnamawati & Adnyani (2019), Saputraetal., (2019) it can be concluded that the authority of the apparatus clearly has an influence in preventing misuse of village fund management, where the higher the authority of village officials, the higher the level of prevention of misuse of village fund management. Village fund management is very high.

3) The Influence of Internal Control Systems on Fraud Prevention

Based on the research results, it is known that the internal control system has an influence on preventing fraud in managing village funds in villages in Sikka Regency. The results of the t test show that the internal control system variable has a positive and significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency. A positive influence can be interpreted as meaning that if the internal control system improves, fraud prevention in village fund management will increase. Having a significant effect means that if the internal control system continues to improve, the prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly. Thus, the results of this research accept the third hypothesis proposed, namely: the internal control system partially has a significant effect on preventing fraud in managing village funds in the Village Government in Sikka Regency.

Internal controls implemented within an organization can help prevent fraud. Implementing an effective and efficient internal control system in the financial management department will help the organization achieve its goals. The overall goal of an

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organization is to be able to use the minimum available resources to produce maximum results. possible way out. The better an organization's SPI, the better the risk of fraud can be prevented because there is less chance of fraud occurring.

This statement is supported by research conducted by Romadaniati, Taufeni Taufik (2020) with the results obtained in research (Romadaniati, Taufeni Taufik, 2020) stating that the competence of village officials, internal control systems, whistleblowing systems have an influence on fraud prevention. Individual morality strengthens the influence of village apparatus competence on fraud prevention, individual morality strengthens the internal control system against the influence of fraud, and individual morality strengthens the influence of the whistleblowing system on fraud prevention. Research conducted by Bachtiar & Ela Eliiyana (2020), Islamiyah et al., (2020), Putri and Sujana (2019), Widiyarta et al., (2017), Jalil (2018) stated that internal control has a positive effect on prevention fraud.

According to Dimitrijevic et al., (2015) Internal control functions to prevent fraud, especially by creating good internal conditions so that it is possible to prevent the possibility of fraud. Organizations can grow and function well if they know that they must comply with the control system and the behavior of their stakeholders which also supports the successful implementation of the internal control system. Therefore, if the internal control system is implemented well, starting from creating a good control environment, including carrying out a selective recruitment process and implementing independent monitoring, these factors can reduce the risk of fraud. Therefore, it can be concluded that the higher an organization's internal control system, the higher the degree of fraud prevention.

V. CONCLUSIONS

A. Conclusion

Based on the research results described previously, it can be concluded as follows:

- 1) The financial reporting compliance variable influences the prevention of fraud in village fund management in villages in Sikka Regency. Having a significant effect means that if financial reporting compliance increases, prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly.
- 2) The competency variable of village officials influences the prevention of fraud in managing village funds in villages in Sikka Regency. If the competence of village officials increases, prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly.
- 3) Internal control system variables influence the prevention of fraud in village fund management in villages in Sikka Regency. It can be interpreted that if the internal control system continues to improve, the prevention of fraud in managing village funds in the Village Government in Sikka Regency will increase significantly.

B. Suggestions

It is hoped that the results of this research can motivate future research, for further research related to village financial management. Based on the research results that have been described, the suggestions in this research are:

- 1) For village governments in Sikka Regency, based on the test results, it is hoped that they will further increase training and technical guidance related to improving governance in the administration of village government.
- 2) The Sikka Regency Community and Village Empowerment Service should regularly hold training on preparing financial reports and socializing regulations relating to the management of financial reports considering that fraud often occurs.
- 3) It is hoped that further research will pay attention to Apparatus Competence, Internal Control Systems and Individual Morality because they have an important role in improving Fund Fraud Prevention in Village Governments.

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