

## The Effect of Whistleblowing System, Good Governance, Human Resources Competency and Internal Control System on Fraud Prevention in Village Fund Management

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**ABSTRACT :** This research was motivated by an increase in the allocation of village funds which was offset by the number of corruption cases against village fund management in 2015-2019. This study aims to examine the effect of the whistleblowing system, good governance, human resource competence and internal control systems on fraud prevention in village fund management. This study uses an associative quantitative approach with primary data in the form of a questionnaire distributed to 70 respondents to village officials in Badung Regency through online methods in the form of google forms and offline in the form of printed questionnaires. Data analysis using multiple linear regression analysis techniques. The results showed that the whistleblowing system had a positive effect on fraud prevention in village fund management. Good governance has a negative effect on fraud prevention in the management of village funds. Competence of human resources has no influence on preventing fraud in the management of village funds. The internal control system has a positive effect on fraud prevention in village fund management.

**Keywords:** *whistleblowing system, fraud prevention.*

### I. INTRODUCTION

Village funds are State Budget (APBN) funds allocated to villages that are transferred through the Regency or City Regional Revenue and Expenditure Budget (APBD) and are prioritized for the implementation of development and empowerment of village communities. The village funds that have been intensively channeled by the government as an effort to implement the Nawacita program from 2015-2019 have reached IDR257.7 trillion. Development of Village Funds for 2015-2019 with details in 2015 amounting to IDR 20.8 trillion, in 2016 amounting to IDR 46.9 trillion, increasing in 2017 and in 2018 amounting to IDR 60 trillion and in 2019 it reached IDR 70 trillion.

The development of village funds in 2015-2019 was precisely offset by the rampant corruption cases which are a form of the category of fraud / fraud against village fund management in Indonesia. Total cases of corruption, especially in the village fund sector, have also fluctuated over the last five years. The total number of corruption cases in the village fund sector in 2015 was 17 cases, 2016 had an increase with a total of 48 cases, 2017 experienced a significant increase to reach 98 cases, 2018 and 2019 experienced a decrease with a total of 96 cases of corruption and 46 cases (KompasPedia, 2020). Observations made by ICW stated that in 2019 corruption cases in the village budget sector became the most corruption cases that were prosecuted by law enforcement officials compared to corruption cases in other sectors. Corruption cases in the village budget sector reached 46 corruption cases out of a total of 271 corruption cases in 2019 with state losses reaching IDR 32.3 billion (Kompas, 2020).

The rise of corruption cases in Indonesia is partly due to the asymmetry of information held by the village government and information held by the regional or central government, which then creates an opening to commit acts of corruption or other forms of fraud. This is in accordance with the agency theory which explains the relationship between the local government or the central government as the principal and the village government as the agent. In addition to information asymmetry, according to the Corruption Eradication Commission (KPK), there are four factors or aspects that trigger corruption in Indonesia, including regulatory and institutional aspects, governance aspects, human resources aspects and supervision aspects (Liputan 6, 2017). Regulatory and institutional aspects are related to law and the provision of guarantees and a forum for reporters of fraud against village funds to submit complaints regarding suspected violations committed by an agency. One way of providing guarantees and containers can be done by utilizing a whistleblowing system. The whistleblowing system is a system for reporting violations related to fraud, especially in cases of corruption, both cases that have already occurred or suspected cases of corruption that will occur. This system becomes a

medium for whistleblowers to convey issues, allegations or evidence related to violations committed by an agency or organization (Pamungkas et al., 2020). The maximum use of this system to monitor the use of village funds can increase efforts to prevent fraud against village fund management. Wardana et al., (2017), Hariawan et al., (2020) states that the whistleblowing system has a positive effect on preventing fraud, but the results of this study are not in line with research conducted by Saputra and Sanjaya (2020), Atmadja et al., (2019) which states that whistleblowing does not have significant influence on fraud prevention in the management of village funds.

The governance aspect relates to good and healthy governance in order to achieve solid governance and integrity. Good governance or good governance is the administration of government with integrity and responsibility as well as the coveted administration that can be carried out in all centers of government administration starting from the central government to village level government (Halim and Damayanti, 2007: 83 in Widasari and Putri, 2018). The application of the principles of good governance in government is expected to be able to succeed in government preventive actions in efforts to prevent fraud in the management of village funds so as to create a village government with high accountability and free from fraud in accordance with Law No. 6 of 2014 concerning the Village. Research conducted by Sadique et al., (2019) states that corporate governance variables have a significant relationship with the occurrence of fraud and is strengthened by research conducted by Taufik (2019), Palupi (2020) which states that good governance is able to prevent fraud.

The human resource aspect relates to the knowledge and competence an individual has in carrying out duties and obligations in accordance with applicable regulations. Human resource competence is the ability or quality and knowledge that an individual has in carrying out his job responsibilities in various situations and conditions (Laksmi and Sujana 2019). Good financial management is reflected in the quality of human resources that are owned and supported by educational backgrounds as well as training and experience in finance. Research conducted by Atmadja and Saputra (2017), Dewi and Damayanthi (2019), Ariansyah (2020) states that apparatus competence has an influence on preventing fraud in village financial management. However, Hariawan et al., (2020) states that human resource competence does not have an influence on preventing fraud in village financial management.

The aspect of supervision is related to the internal control system implemented by an agency in improving the quality of output and preventing fraud. The Internal Control System (SPI) is a control system from within or an internal party to monitor and measure the performance of an organization's resources, and has an important role in preventing fraud. Zamzami et al., (2016) stated that internal control is one of the most effective efforts to prevent fraud, this effort is in line with government preventive measures in minimizing fraud so that a structured and directed village government administration is created. Widiyarta et al., (2017), Laksmi and Sujana (2019), Palupi (2020) states that the prevention of fraud in village financial management influenced by internal control system variables.

Indonesia is a unitary state consisting of 514 regencies / cities spread over 34 provinces. Badung Regency is one of the districts with the highest amount of local revenue (PAD) among the other 8 districts / cities in Bali Province. The level of PAD in Badung Regency certainly affects the amount of the Badung Regency APBD and also affects the amount of village fund allocations given to each village. Reporting from BaliExpress (2020) village funds in Badung Regency in 2019 amounted to IDR 52,584,767,000 and in 2020 IDR 56,217,010,000, an increase of 6% from the previous year. The large allocation of village funds received by each village resulted in increased awareness regarding village fund management which was also followed by increased efforts to prevent fraud in the management of village funds in Badung Regency. There are findings of several cases of corruption against village funds in Bali Province which were collected from the Balipost media in Table 1 List of Corruption Cases in the Bali Provincial APBDes.

**Table 1 List of APBDes Corruption Cases in Bali Province**

	Year	Regency / City	Village	Total Losses	Date of issue
1	2020	Denpasar	Dauh Puri Klod	Rp1.030.000.000	26/01/20
2	2020	Denpasar	Pemecutan Kaja	Rp190.000.000	15/01/20
3	2019	Badung	Baha	Rp1.006.633.856,95	13/02/19
4	2018	Tabanan	Angkah	Rp285.063.451	29/08/18
5	2018	Klungkung	Satra	Rp94.344.494,78	01/08/18
6	2018	Badung	Mengwitani	Rp1.227.031.888,06	24/01/18
7	2017	Buleleng	Dencarik	Rp149.000.000	18/11/17
8	2017	Badung	Bongkasa	Rp476.100.000	11/12/17

Source: *Balipost data processed, 2020*

Reporting from the Balipost media, there are 8 findings of APBDes corruption cases that have occurred in Bali Province and 3 of them were found in Badung Regency. The first APBDes corruption case occurred in Mengwitani Village, Mengwi District, Badung Regency which caused losses to the state up to Rp1,227,031,888.06. The second case occurred in Baha Village, Mengwi District, Badung Regency which caused losses to the state up to IDR 1,006,633,856.95 and the third case occurred in Bongkasa Village, Abiansema District, Badung Regency which caused losses to the state up to IDR 476,100,000.

## II. CONCEPTUAL MODEL AND HYPOTHESIS

The whistleblowing system is a medium for reporters of fraud to convey issues, allegations or evidence of violations of fraud that have occurred or will occur. The whistleblowing system is able to minimize opportunities for perpetrators of fraud to commit fraudulent acts that arise due to the asymmetry of information between delegates and executors of authority. This relates to agency theory which explains the relationship between principals and agents which is strengthened by the use of a whistleblowing system to achieve information symmetry between principals and agents. The whistleblowing system and fraud prevention in village fund management have a unidirectional relationship, because the better the whistleblowing system utilization in government agencies, the better the level of fraud prevention in managing village funds or in other words the higher the percentage of utilization of this system, the lower the gap and opportunities for perpetrators of fraud to commit fraud in the management of village funds. This is in line with several studies conducted by previous researchers, including research conducted by Nugroho (2015), Widiyarta et al., (2017), Pamungkas et al., (2017) which states that the whistleblowing system has a significant and positive effect on the prevention of fraud. Research conducted by (Pratiwi et al., 2019), Pamungkas et al., (2020) states that a whistleblowing system is needed as an effort to prevent fraud.

**H<sub>1</sub>: The whistleblowing system has a positive effect on fraud prevention in the village funds management**

Good governance is the administration of government or governance with integrity and responsibility and that the coveted administration can be carried out in all central government administrations starting from the central level government to the village level government. Good governance is able to minimize the presence of information asymmetry between principals and agents described in agency theory, so that the better governance, the better the relationship between principals and agents to achieve information symmetry. Good governance and prevention of fraud in village fund management have a unidirectional relationship, because the better the level of governance of government agencies, the better the level of fraud prevention in village fund management or in other words the better the governance of government agencies, the better efforts to prevent fraud in the management of village funds that can be applied in government agencies and the lower the chances of perpetrators of fraud to commit fraud in carrying out government duties and responsibilities. Widasari and Putri (2018) states that good governance has a positive influence on the managerial performance of village government administrators in this case improving the performance of village government administrators and reducing the risk of fraud. This statement is supported by Sadique et al., (2019) which shows that good governance variables have a significant relationship with the occurrence of fraud and is strengthened by research conducted by Palupi (2020), Taufik (2019) which states that good governance is able to prevent the occurrence of fraud.

**H<sub>2</sub>: Good governance has a positive effect on fraud prevention in village fund management**

Human resource competence is the ability and knowledge that an individual has in carrying out his job responsibilities in various situations and conditions. Competent human resources are able to strengthen the relationship between the regional government and the central government as the principal and the village government as the agent so that information asymmetry and opportunities for fraud can be minimized. Human resource competence and fraud prevention in village fund management have a unidirectional relationship, because the more competent human resources are owned by government agencies, the better the quality of output in the form of financial reports is produced, this indicates that the lower the gap for committing fraud and the better efforts to prevent fraud in the management of village funds. Widiyarta et al., (2017) states that the competence of the apparatus has a positive effect on the prevention of fraud. This statement is supported by Fitria and Wibisono, (2019) show that human resources have a positive influence on the accountability of village financial management. Hasanah et al., (2020) state the same thing that the competence of village financial management officers has a positive influence on the accountability of village financial management, supported by research conducted by Purbasari and Yuniarta, (2020) which states that the management of village fund allocations influenced positively by the human resource competency variable, and strengthened by Krisna et al., (2020) which states that the accountability of village fund management is influenced by competency variables. Similar research results from Pramayoga and Ramantha, (2020) state that the competence of village

officials has a positive effect on the accountability of village fund management, in other words the higher the accountability for managing village funds, the higher the efforts to prevent fraud in village fund management.

**H<sub>3</sub>: Human resource competence has a positive effect on fraud prevention in the village funds management**

The Internal Control System is a control system to monitor and measure the performance of an organization's resources and has an important role in preventing and detecting fraud. A good internal control system is able to increase the symmetry of information between the local government and the central government as the principal and the village government as the agent so that it can strengthen agency theory. The internal control system and prevention of fraud in village fund management have a unidirectional relationship, because the better the internal control system implemented by government agencies, the better the efforts to prevent fraud in the management of village funds. An integrated internal control system can suppress fraudsters from committing fraudulent practices on financial management. This is in accordance with research conducted by Umar et al., (2018) which states that the internal control system has a positive influence on the management of village funds. This statement is supported by Ariansyah (2020), Dewi and Damayanthi (2019) and strengthened by the results of research by Hasanah et al., (2020) which states that the internal control system has a positive effect on the accountability of village financial management which indicates the higher the efforts to prevent fraud in village fund management.

**H<sub>4</sub>: The internal control system has a positive effect on fraud prevention in village fund management**

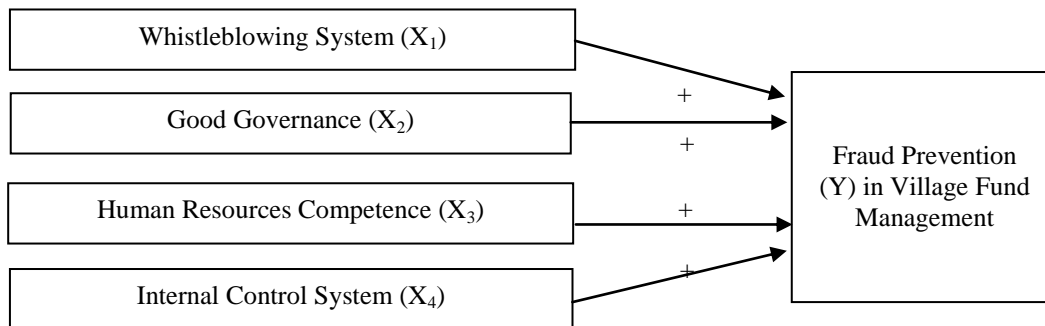


Figure 1. Conceptual Framework

### III. RESEARCH METHODS

This research is in an associative form which aims to test the significant relationship between the independent variables. The research locations in this study were 46 villages spread over 6 sub-districts in Badung Regency, each of which received village funds from the government. The population of this study were village officials in the Badung Regency Government area, namely the Village Head, Village Secretary, Treasurer, Village Consultative and village officials. Each village was determined as many as 5 village apparatus respondents who are domiciled in 46 villages throughout Badung Regency so that the population obtained is 46 villages x 5 respondents = 230 respondents as population. Sampling in this study using probability sampling technique, namely proportionate stratified random sampling using the Slovin formula. The sample in this study were 70 respondents in Badung Regency and prioritized in villages that had experienced fraud. The data collection method used in this research is a questionnaire method. The data analysis technique used multiple linear regression analysis.

### IV. RESULTS AND DISCUSSION

The results of the collection and collection of questionnaire data, namely the complete collected questionnaire as many as 70 respondents with details of 16 questionnaire data in the form of google forms and 54 printed questionnaire data. The characteristics of the research respondents consist of the position of the respondent, the gender of the respondent, the age of the respondent, the respondent's latest education and the length of service of the respondent which is described as follows.

**Table 2 Characteristics of Respondents by Gender**

Position of Respondent	Gender	
	Male	Female
	(person)	(person)
Village head	15	0
Village secretary	13	1
Treasurer / Head of Finance	4	12
Village Consultative	11	0
Village Staff	5	9
<b>Total</b>	<b>48</b>	<b>22</b>

Source: Primary data processed, 2020

**Table 3 Characteristics of Respondents by Age**

Position of Respondent	Age (years)			
	<20	20-35	36-50	>50
Village head	0	1	10	4
Village secretary	0	4	3	7
Treasurer / Head of Finance	0	4	10	2
Village Consultative	0	0	9	2
Village Staff	1	13	0	0
<b>Total</b>	<b>1</b>	<b>22</b>	<b>32</b>	<b>15</b>

Source: Primary data processed, 2020

**Table 4 Characteristics of Respondents by the Latest Education**

Position of Respondent	Latest Education (person)				
	Senior High School	D3	S1	Accounting Profession	S2
Village head	3	0	10	0	2
Village secretary	6	1	7	0	0
Treasurer / Head of Finance	13	0	3	0	0
Village Consultative	3	2	5	0	1
Village Staff	5	0	8	1	0
<b>Total</b>	<b>30</b>	<b>3</b>	<b>33</b>	<b>1</b>	<b>3</b>

Source: Primary data processed, 2020

**Table 5 Characteristics of Respondents by Working Period**

Position of Respondent	Working Period (years)			
	<1	1-5	6-10	>10
Village head	9	3	1	2
Village secretary	1	3	5	5
Treasurer / Head of Finance	0	5	0	11
Village Consultative	0	5	5	1
Village Staff	0	8	5	1
<b>Total</b>	<b>10</b>	<b>24</b>	<b>16</b>	<b>20</b>

Source: Primary data processed, 2020

Respondents of the research with male gender were 48 people and respondents with female gender were 22 people. The age of the respondents in this study was divided into four, namely less than 20 years, 20-35 years, 36-50 years and more than 50 years with a total of 70 respondents. The number of respondents in the study with age less than 20 years is 1 person, 22 people aged 20-35 years, 32 people aged 36-50 years, and 15 people over 50 years old. The research respondents with the latest Senior High School education amounted to 30 people, the last education D3 was 3 people, the last education S1 was 33 people, the latest education was 1 person in the accounting profession and the last education S2 was 3 people. Research respondents with a work period of less than 1 year totaled 10 people, 24 people worked 1-5 years, 16 worked 6-10 years and worked more than 10 years amounted to 20 people.

**Table 6 Results of Multiple Linear Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.994	1.160		1.720	.090
Whistleblowing System (X <sub>1</sub> )	.457	.087	.440	5.286	.000
Good Governance (X <sub>2</sub> )	-.215	.077	-.266	-2.807	.007
Human Resource Competence (X <sub>3</sub> )	-.006	.076	-.008	-.085	.933
Internal Control System (X <sub>4</sub> )	.319	.051	.706	6.318	.000
R <sup>2</sup>	0.751				
Adjusted R Square	0.735				
F count	48.234				
Significance	0,000				

Source: Primary data processed, 2020

Based on the results of multiple regression analysis in Table 6, the regression equation used in this study can be written as follows.

$$Y = 1,994 + 0,457X_1 - 0,215X_2 - 0,006X_3 + 0,319X_4$$

#### The Effect of the Whistleblowing System on Fraud Prevention in Village Fund Management

The whistleblowing system variable has a positive t value of 5.286 and a t significance value of 0.000 or less than 0.05, which means that the whistleblowing system variable has a positive effect on fraud prevention in village fund management. The results of hypothesis testing indicate that the whistleblowing system has a positive effect on fraud prevention in village fund management which is in accordance with the first hypothesis of this study. This is supported by the agency theory which explains the relationship between the principal as the giver or delegation of authority in this case, namely the central government or local government and the agent as the executor of authority, in this case the village government. The village government as the agent generally has more information than the information held by the central government or local governments as the principal. The difference in information that the agent does not convey to the principal results in the asymmetry of information possessed by the principal and the agent which then provides an opportunity for fraud or fraud to emerge. One of the information asymmetries between principal and agent can be controlled by maximizing the utilization of the whistleblowing system. The whistleblowing system is a medium for conveying issues, allegations or evidence related to violations or fraud committed by an agency or organization so that abuse of authority can be quickly and accurately corrected. The use of the whistleblowing system can minimize and at the same time reduce the risk of fraud in village fund management because the better the use of the whistleblowing system in government agencies, the lower the fraud in the management of village funds or in other words the better the use of the whistleblowing system, the better the level of fraud prevention in village fund management.

This explanation is in accordance with the results of research in the field which shows that most of the village government apparatus in Badung Regency who were used as research respondents answered agree to the statement on the whistleblowing system variable testing indicator. The test indicators show that the application of the whistleblowing system, analysis of preventive measures that have been implemented, the whistleblowing system reporting system and the protection of whistleblowers is running very well in village government in Badung Regency. The results of this study are in accordance with several studies that have been conducted by previous researchers, including research conducted by Nugroho (2015), Widiyarta et al., (2017), Pamungkas et al., (2017) which states that the whistleblowing system has a significant and positive effect on the prevention of fraud. Pratiwi et al., (2019) shows that the whistleblowing system is needed as an effort to prevent fraud and the results of research conducted by (Pamungkas et al., 2020) state the same thing that the whistleblowing system is an effective and appropriate strategy in preventing fraud.

#### The Effect of Good Governance on Fraud Prevention in Village Fund Management

The variable good governance has a negative t value of -2,807 and a significance value of t of 0.007 or less than 0.05, which means that the variable good governance has a negative effect on fraud prevention in the management of village funds which is not in accordance with the second hypothesis of this study. The results of hypothesis testing show that good governance has a negative effect on fraud prevention in village fund management which is not in accordance with the second hypothesis of this study, namely that good governance has a positive effect on fraud prevention in village fund management. Good governance is the administration of

government or governance with integrity and responsibility and that the coveted administration can be carried out in all central government administrations starting from the central level government to the village level government. The implementation of good governance in government agencies will reduce the asymmetry between the information held by the central government and local governments as the principal and information held by the village government as the agent which also strengthens the practice of agency theory in the public sector.

Based on the results of research in the field on village government in Badung Regency, the descriptive statistical test results for the good governance variable show that the average value of the respondents' answers to the statements on the indicators of testing the good governance variable is 17.93 and is close to the maximum value of 20 which indicates that Most of the respondents answered agree and strongly agree with the statements on the indicators of testing the variable good governance. The test indicators show that transparency, reasonableness, accountability, independence and accountability have worked well in the village government in Badung Regency but these applications have not been able to have a positive effect on fraud prevention in the management of village funds.

The results of this study are in accordance with Ariastuti et al., (2020) which states that good corporate governance has a negative effect on fraud prevention caused by the lack of proper implementation of good corporate governance in agencies so that fraud prevention has decreased. Faiqoh (2019) also state that good corporate governance does not have a positive effect on fraud prevention because the test results show that the variable good corporate governance has not been able to interfere or has not been able to become a factor affecting the prevention of fraud.

### **The Effect of Human Resource Competence on Fraud Prevention in Village Fund Management**

The human resource competency variable has a negative t value of -0.085 and a t significance value of 0.933 or greater than 0.05, which means that the human resource competency variable has no influence on fraud prevention in village fund management which is not in accordance with the third hypothesis. The results of hypothesis testing show that human resource competence has no effect on fraud prevention in village fund management which is not in accordance with the third hypothesis of this study. Competence of human resources in the public sector is able to prevent information asymmetry between delegates of authority and executors of authority because the more competent human resources an agency has, the better the practice of agency theory applied in that agency. Human resource competence is the ability and knowledge an individual has in carrying out his job duties and responsibilities in various situations and conditions. One of the abilities that can be obtained from experience and knowledge, one of which can be obtained from education, can certainly increase efforts to prevent fraud in the management of village funds.

Based on the results of research in the field at village government in Badung Regency, 85.7 percent of village officials have a working period of more than 1 year, in other words, have good abilities and 57.1 percent of village apparatus have a higher education background, namely D3, S1, Professional Accountants and S2 or in other words have high knowledge. However, the results show that the competence of human resources in village officials in Badung Regency has no influence on preventing fraud in village fund management or in other words, human resource competence has not been able to influence fraud prevention in village fund management. This is because in the indicator of fraud prevention statements in village fund management, respondents tend to agree and strongly agree with statements about the existence of policies and procedures for preventing fraud in managing village funds. These policies and procedures require village officials to comply with policies and procedures in every village fund management which is an effort to prevent fraud in village fund management, so that human resource competence does not affect fraud prevention in village fund management in Badung Regency but is influenced by the level of compliance with policies and procedures that have been implemented.

The results are in accordance with research conducted by Palupi (2020) which shows that apparatus competence does not have a significant effect on fraud prevention in village financial management and is strengthened by the results of Hariawan et al., (2020) show that resource competence humans have no effect on fraud prevention because the educational background of village officials is still low.

### **The Effect of Internal Control Systems on Fraud Prevention in Village Fund Management**

The internal control system variable has a positive t value of 6.318 and a t significance value of 0.000 or less than 0.05, which means that the internal control system has a positive effect on fraud prevention in the management of village funds in accordance with the fourth hypothesis of this study. The results of the hypothesis test show that the internal control system has a positive effect on fraud prevention in village fund management which is in accordance with the fourth hypothesis of this study. The internal control system is a control system to monitor and measure the performance of an organization's resources. A good internal control system is able to increase the symmetry of information between the information held by the central government and local governments as the principal and information held by the village government as the agent in carrying out the mandate to achieve community welfare so that good agency relations are achieved between the central

government and local governments and the village government . An integrated internal control system can suppress fraudsters from committing fraudulent practices in financial management or in other words the better the internal control system implemented by government agencies, the better the efforts to prevent fraud in managing village funds. This explanation is in accordance with the results of research in the field which shows that most of the village government apparatus in Badung Regency who were used as respondents in the study answered agree and strongly agree with the statement on the indicators of testing the internal control system variables. The test indicators show that the control environment, risk assessment, control activities, information and communication and monitoring are running well in the village government in Badung Regency.

The results of this study are in accordance with several studies that have been conducted by previous researchers, including research conducted by Umar et al., (2018) which shows that the internal control system has a positive influence on the management of village funds. This statement is supported by research conducted by Dewi and Damayanthi (2019), Ariansyah (2020) states that the internal control system affects the prevention of fraud in village fund management and is strengthened by the results of research by Hasanah et al., (2020) which states that the internal control system has a positive effect on the accountability of village financial management which indicates the higher the efforts to prevent fraud in village fund management.

## V. CONCLUSION

Based on the results of data analysis and discussion, the following conclusions can be drawn. The whistleblowing system has a positive effect on fraud prevention in village fund management, which shows that the better the whistleblowing system is used in government agencies, the better the efforts to prevent fraud in managing village funds. Good governance has a negative effect on fraud prevention in village fund management which shows that good governance has not been able to have a positive effect on fraud prevention efforts in village fund management. Competence of human resources has no influence on preventing fraud in village fund management which shows that human resource competence has not been able to influence efforts to prevent fraud in managing village funds. The internal control system has a positive effect on fraud prevention in village fund management, which shows that the better the internal control system implemented by government agencies, the better the efforts to prevent fraud in village fund management.

Researchers can suggest several things as follows. For the Village Government, in order to improve the management and accountability of village funds in a transparent manner with high accountability and to increase efforts to prevent fraud in the management of village funds. For further researchers, in order to use other variables that can affect the level of fraud prevention in the management of village funds and not reduce the test indicators on the questionnaire in testing the effect of independent variables on the dependent variable so as to obtain good test results.

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