

# Fraud Prevention in Bulukumba Regency, Indonesia

Irmah Halimah Bachtiar  
 Faculty of Economics  
 Universitas Indonesia Timur  
 Makassar, Indonesia

Ela Elliyana  
 Faculty of Economics  
 Universitas Indonesia Timur  
 Makassar, Indonesia

**Abstract:-** This study aims to determine the effect of internal control systems, individual morality, apparatus competence and gender on fraud prevention efforts in Bulukumba Regency. This research is a survey research using convenience sampling technique with a sample of 100 village officials from 20 villages in Bulukumba Regency. The data were processed using multiple regression analysis. The results showed that the internal control system and individual morality had a significant effect on fraud prevention efforts, however, apparatus competence and gender did not significantly influence fraud prevention efforts in Bulukumba Regency.

**Keywords:-** Internal Control, Individual Morality, Apparatus Competence, Gender, Fraud.

## I. INTRODUCTION

The village is one of the organizational units within the government that is in direct contact with the community with various backgrounds of interests and needs that have a very strategic role. The village has an important role, especially in terms of delivery or outreach from the government, especially for the development of its community. The government enacted Law Number 6 of 2014 concerning Villages, so there is great hope that village development will be more developed. The existence of the Village Fund certainly provides an opportunity for a village to be more advanced. The use of village funds is prioritized to finance development and community empowerment in order to improve the welfare of rural communities, the quality of human life, and poverty alleviation as outlined in the Village Government Work Plan. But in reality, there have been many cases of misuse of village funds (fraud) in Indonesia.

The large number of the misuse of village funds cases turns out to be an important problem that must be resolved in cases of corruption in Indonesia. Based on data from the Indonesia Corruption Watch (ICW), corruption cases in the village budget sector are the most common cases being prosecuted by law enforcement officials when compared to other sectors. ICW recorded that there were 169 cases of corruption during the first semester of 2020. Of these, there are 44 cases of corruption in the village budget sector (Indonesia Corruption Watch, 2020), as in Figure 1 below:

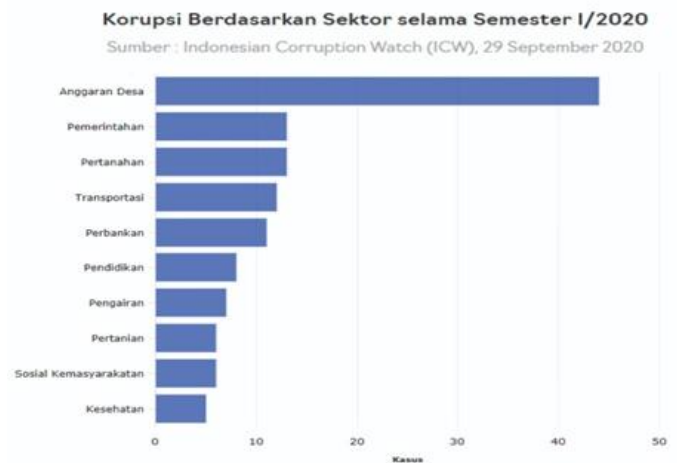


Figure 1  
 2020 Top 10 Corruption Sector Diagram  
 Source: Indonesia Corruption Watch, 2020

Bulukumba Regency is one of the regions that received the most village funds in South Sulawesi for ADD (Village Fund Budget) in 2019. It has been found that several village heads have served sentences due to misuse of village funds. 52 people were found from village officials who were accused in cases of corruption in the misuse of the ADD, as in Figure 2. For 2020, there are several cases are being processed due to misuse of village funds such as the 2016-2017 ADD in Bontobaji Village and the 2017-2018 ADD in Kindang Village, Bulukumba Regency. Therefore, it is very important to prevent fraud in village financial management in this area. The problem of misuse of village funds in Bulukumba Regency has been published in the media (Tribun, 2020).

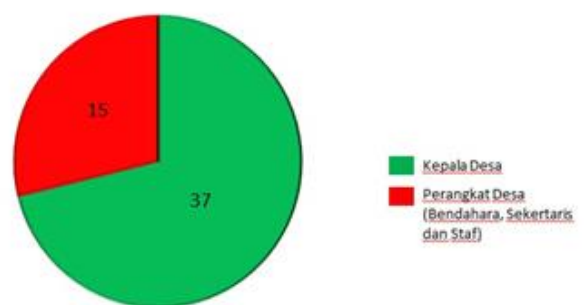


Figure 2:- Composition of positions on misuse of village funds in South Sulawesi in 2019.  
 Source: Kompas.com, 2020

The cases of misuse of village funds show that village supervision has not been maximal through the system implemented by the government. This is the main problem of corruption in the village. In an effort to protect village financial management from fraud, it is necessary to have a good internal control system so that all fraud can be prevented [1]. Supervision of village financial management should be carried out professionally, strictly, controlled and with integrity [2] as it is reflected by the competence of village officials and supported by individual morality. The internal control system, the competence of the apparatus, the morality of the village apparatus, are deemed necessary to be considered in the management of village finances, especially considering the numerous problems that occur in village financial management which are prone to corruption. This is the motivation in this study, so the researcher tries to include the internal control system, individual morality, apparatus competence, as research variables and adds gender to the personal characteristics factor

This study aims to: (1) determine the effect of internal control on fraud prevention in Bulukumba Regency, (2) determine the effect of individual morality on fraud prevention in Bulukumba Regency, (3) determine the effect of apparatus competence on fraud prevention in Bulukumba Regency, and (4) know the effect of gender on fraud prevention in Bulukumba Regency

## II. LITERATURE REVIEW

### A. Gone Theory

Gone theory is a popular theory used in terms of fraud research. This study uses the Gone Theory from [3] as a theoretical basis for examining the factors that cause fraud. Gone's theory is a theory that completes the fraud Triangle Theory, in which both theories reveal the reasons a corruptor commits fraud. The basic theory of Gone Theory research is described as *Greeds*, *Opportunity* for committing fraud, *Needs* (needs to support life), and *Exposure* of actions or consequences for the perpetrator of fraud if proven to have committed fraud.

Exposure is related to the learning process of fraud because it is considered a sanction given among minor groups. Greeds and needs factors are related to the behavior of individuals or groups of organizations to commit fraud thus it detracts the victim. Greed and needs are personal and difficult to remove so they tend to violate regulations, while the opportunity and exposure factors relate to the victims (society, agencies and organizations who feel disadvantaged due to fraud). On the opportunity of interconnect so as to cause easy corruption which is interconnected within the scope of agencies and companies in the community which provides space for one person to commit fraud. In terms of disclosure, it is related to the law so that people who commit violations in terms of disclosure make the perpetrators of corruption feel that the punishment given is low and make the perpetrators and other people feel not wrong so that they must be given a deterrent effect so that they feel threatened [4]

### B. Internal Control System

According to Tuanakotta in [5], fraud can be prevented by optimizing its internal control. Internal Control is the first step in preventing fraud. Efforts to prevent fraud in general are activities in terms of establishing policies, systems and procedures that help to ensure that the necessary actions have been taken by the board of commissioners, management and other personnel in achieving organizational goals, such as effectiveness and efficiency of operations, reliability of financial reports, compliance with applicable laws and regulations. By implementing a good internal control system, it will be a measure of success in preventing fraud.

Internal control has an important organizational matters in order to reduce and avoid fraud. Good internal control allows the absence of unethical actions and does not lead to fraud [6]. In an effective and efficient internal control system, it is able to provide the right information for management and the board of directors so as to facilitate the making of the right decisions and policies and the achievement of company goals more effectively. The purpose of implementing the internal control system within the company is to avoid deviations from procedures so that the financial statements and accounting information system functions produced by the company are more reliable and the company's activities are in accordance with applicable laws and regulations. The results of research by [7] show that the internal control system has no effect on fraud prevention. Meanwhile, research by [8] states that the internal control system affects fraud prevention.

### C. Individual Morality

Individual morality is what underlies the assessment of individual actions rationally and according to conscience [9]. There are three stages in moral development, namely the pre-conventional stage, the conventional stage and the post-conventional stage. People who have a low level of moral reasoning will behave differently from people who have a high level of moral reasoning when they face ethical dilemmas [10].

The higher a person's level of moral reasoning, the more likely that individual is to do the right thing. At the lowest stage (pre-conventional), the individual will take an action out of fear of the existing laws / regulations. In addition, individuals at this moral level will also view their personal interests as the main thing in carrying out an action. In the second (conventional) stage, the individual will base his actions on the approval of his friends and family and also on the norms that exist in society. At the highest stage (post-conventional), individuals base their actions with regard to the interests of others and based their actions on universal laws.

The measurement of individual morality variables is adopted from indicators that include awareness of responsibility to the entity, financial statements are presented accurately by following financial reporting standards, accept no bribery of any manner, loyalty to work, and pay attention to external and internal factors.

**D. Apparatus Competence**

Apparatus competence is the ability to carry out a task that is based on skills and knowledge and supported by work behaviour and attitudes required by the job [11]. According to the Ministry of Administrative and Bureaucratic Reform [12], competence includes technical competencies as measured by the level and specialization of education, functional technical training, and technical working experience. Measuring managerial competence as seen from the level of education, structural or management training and experience in leading. According to [7] and [13], apparatus competence has an effect on fraud prevention.

**E. Personal Characteristics**

One of the differentiators of someone or something is the characteristics. Quality and character are the form characteristics. In every human being, each individual has different characteristics from one another. Personal characteristics including abilities and skills, family background, social and experience, age, national, gender and others which reflect certain demographic character, as well as psychological characteristics which consist of perceptions, attitudes, learning personality and motivation.

In this study, the personal characteristic used was gender. Gender is the difference in the form, nature, and biological function of man and woman that determine their different roles in carrying out efforts to continue the lineage [14]. Gender is the difference in traits between man (masculine) and woman (feminine) which affects a person's behavior [15].

**III. RESEARCH METHOD**

This research is a survey research using primary data in the form of a questionnaire. The population in this study were

all village officials / officials in Bulukumba Regency consisting of the village head, village secretary, village treasurer and village staff. The sampling technique used convenience sampling technique with a sample of 100 people from 20 villages representing 10 sub-districts in Bulukumba Regency. The analytical method used is multiple linear regression with descriptive statistical tests using the T test, F test and test of determination. The data are processed using the Statistical Package for Social Science (SPSS) analysis tool 23. The equation is as follows:

$$Y : + b_1 + b_2 + b_3 + b_4 + e$$

- Y = Fraud Prevention
- α = Constant value
- X\_1 = Variable 1 (Internal Control System)
- X\_2 = Variable 2 (Individual Morality)
- X\_3 = Variable 3 (Apparatus Competence)
- X\_4 = Variable 4 (Gender)
- b\_1 = independent variable regression coefficient 1
- b\_2 = independent variable regression coefficient 2
- b\_3 = independent variable regression coefficient 3
- b\_4 = independent variable regression coefficient 4
- e = error term

**IV. RESULT AND ANALYSIS**

Based on the results of research by distributing kuesioner to 100 village officials in Bulukumba Regency.

**A. Multiple Linear Regression Analysis**

**1) T Test Result**

The T test aims to determine whether or not there is a (separate) partial effect of variable X for variable Y

TABLE 1 RESULT OF T TEST

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.091	.443		2.459	.016
	Internal Control System	.301	.101	.296	2.974	.004
	Individual Morality	.307	.131	.299	2.343	.021
	Apparatus Competence	.152	.134	.135	1.133	.260
	Gender	-.037	.076	-.040	-.486	.628

a. Dependent Variable: Fraud Prevention

Based on table 1 above, it can be seen that the constant value is 1.091, meaning that if the Internal Control System, Individual Morality, Apparatus Competence and Gender are considered constant or constant, the fraud prevention variable is 1.091 with the equation

$$Y = 1.091 + 0.301X_1 + 0.307X_2 + 0.152X_3 - 0.037X_4$$

The results of the T test show that there are two variables that have a significance value that is smaller than the significant level or <0.05, so that the Control System (X1) affects Fraud Prevention (Y) and Individual Morality (X2)

also affects Fraud Prevention (Y). while the other two variables have a significance value greater than the significant level or > 0.05, so that the Apparatus Competency variable (X3) does not have a significant effect on Fraud Prevention (Y) and Gender (X4) also does not have a significant effect on Fraud Prevention (Y).

**2) F Test Result**

The F test aims to determine whether or not there is a simultaneous (joint) effect of variable X on variable Y.

TABLE 2 RESULT OF F TEST

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.532	4	1.883	16.129	.000 <sup>b</sup>
	Residual	11.091	95	.117		
	Total	18.624	99			
a. Dependent Variable: Fraud Prevention						
b. Predictors: (Constant), Internal Control System, Individual Morality, Apparatus Competence, Gender						

Based on table 2 above, the result is sig 0.000 (p <0.05). So it can be concluded that there is an influence of the Internal Control System, Individual Morality, Apparatus Competence and Gender simultaneously (together) have a significant effect on Fraud Prevention.

3) *Determination Coefficient Test*

Determination test is to find out to find out what percentage of the effect is given by variable X simultaneously on variable Y. Based on the model summary shows the number of determination coefficients which is useful in knowing the magnitude of the effect of the dependent variable in this case fraud prevention which can be explained using independent variables, that are internal control system, individual morality, apparatus competence and gender.

TABLE 3 DETERMINATION COEFFICIENT TEST RESULT

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.636 <sup>a</sup>	.404	.379	.34169
a. Predictors: (Constant), Internal Control System, Individual Morality, Apparatus Competence, Gender				

Based on table 3 above, the Adjusted R Square value is 0.379 or 37.9%, which means that the X1 variable (Internal Control System), X2 (Individual Morality), X3 (Apparatus Competence) and X4 (Gender) variables simultaneously or together- the same can have an effect on variable Y (Fraud Prevention) of 37.9%, while the rest is influenced by other variables not included in this study.

*B. The Effect of Internal Control Systems on Fraud Prevention*

Based on the results of the multiple linear regression test, it shows that the Internal Control System has a significant effect on Fraud Prevention. This result explains that the existence of a good internal control system is able to prevent misuse of village funds. The system can run well when the procedures and implementation in the agency are carried out in an appropriate manner. The results of this study are in line with the results of research conducted by [16], [17] and [18] where internal control has a positive and significant effect on the tendency of fraud.

According to the Gone Theory, opportunities is interconnected, causing easy corruption, where the scope of agencies and companies in relation to the community environment provides space for a person to commit fraud. It

implies that fraud occurs not because of there is an intention but because there is an opportunity, so that a good internal control system will reduce the occurrence of fraud. This means that an effective internal control system is able to increase efforts to prevent fraud in the village.

This research indicates that the internal control system in Bulukumba Regency has been running according to procedures. This implementation is reflected in the existence of an organizational structure that is owned by each village, which is clearly illustrated by the separation of duties and the application of ethical standards and strict sanctions in attitude and behavior during work. In addition, checks and oversight have been carried out on a regular basis so that the use of village funds can be accounted for in compliance with the existing standards. However, the government must continue to improve the existing system to minimize or even prevent fraud from recurring.

*C. The Influence of Individual Morality on Fraud Prevention*

Based on the results of the multiple linear regression test, it shows that Individual Morality has a significant effect on Fraud Prevention. This explains that every individual who has good morality is able to prevent fraud. The results of this study support the research conducted by [16], [19], [20] and [10].

Moral gives understanding to every human being about all things good and bad things. Every human being will think and consider everything in action because of the moral that will provide social sanctions. Moral is able to fortify the individual from all bad things so that each person will avoid various crimes and try to act rightly even when there are temptations.

The results of this study indicate that village officials who have good individual morality will prevent themselves from committing fraud on village funds. Meanwhile, village officials who have low or bad morality will continue to commit fraud. Village officials who misuse village funds no longer think about the sanctions they will receive for their actions. These findings also confirm that the morale of village officials in Bulukumba Regency is still a determining factor for a person to take good or bad actions.

*D. The Effect of Apparatus Competence on Fraud Prevention*

Based on the results of multiple linear regression tests, it shows that Apparatus Competence does not have a significant effect on Fraud Prevention. This means that the low or high competence of village officials in Bulukumba Regency does not affect these employees to take fraud prevention. The results of this study are in line with the



results of research conducted by [21], but contrary to the results obtained by [22].

The results of this study indicate that the abilities or skills possessed by village officials in carrying out their jobs are not able to increase fraud prevention efforts in Bulukumba Regency. There were cases of misuse of village funds that were actually committed by the village head who was the highest leader in the organizational structure at the village level. This indicates that the capabilities of the village apparatus are being misused only for personal gain and causing losses to the state.

These results also suggest that human resource expertise in the management of village funds is inadequate and does not guarantee cases of fraud. This can be seen when village officials are trained with strong competence, they should be able to avoid the opportunity for abuse of village funds. In fact, however a number of cases still occurring in South Sulawesi, including in the Bulukumba region, have been reported.

#### *E. The Influence of Gender on Fraud Prevention*

Based on the results of the study, it shows that the personal characteristics variable measured using gender shows that the gender variable has no effect on fraud prevention. This research supports previous research conducted by [23] which states that gender does not affect the tendency of fraud. The results of this study indicate that both men and women will have the same potential for committing fraud. Many cases also show that corruption is not only among men but also among women. The gender of village officials has not been able to be a factor that influences village officials in making efforts to prevent fraud. The majority of the sample factors are male, so that the gender composition is not representative to see the differences in fraud prevention efforts carried out. The participation of women whose sample size is small is not able to contribute to efforts to prevent fraud, and this means that both men and women have the opportunity to commit fraud in the management of village funds in Bulukumba Regency.

## V. CONCLUSION

Based on the research results, it can be concluded that the internal control system and individual morality have a significant effect on efforts to prevent fraud, however, apparatus competence and gender do not have a significant effect on fraud prevention efforts in Bulukumba Regency. This shows that with the implementation of an internal control system and individual morality that is good owned and applied to each agency, it can minimize the occurrence of village fund fraud. However, apparatus competence and gender differences do not actually influence a person to prevent fraud due to several factors based on Gone Theory.

## ACKNOWLEDGMENT

Thank you to the Ministry of Research and Technology / Brin DRPM for providing the Research Grant, the Chairperson of the LPPM and members of the research team who have helped a lot in implementing this research, as well as all village officials in Bulukumba Regency who participated in the implementation of this research.

## REFERENCES

- [1]. A. Ramadhan, Ardito, "ICW notes, Most Village Fund Corruption Cases Appeared in 2019", Kompas.com. Accessed on 27 July 2020 <https://nasional.kompas.com/read/2020/02/18/19084421/catatan-icw-kasus-korupsi-dana-desa-terbanyak-muncul-pada-2019>, 2020.
- [2]. A. G. Prasetyo and A. Muis, "Village Financial Management After Implementation of Law No. 6/2014: Potential Problems and Solutions", *Jurnal Desentralisasi*, 13(1), 2015.
- [3]. Bologna, Jack, Robert J., Lindquist, & Joseph T. Wells, "The Accountant's Handbook of Fraud and Commercial Crime", Edisi ke-1, New York: John Wiley & Sons, 1993.
- [4]. J. Isgiyata, Indayani, E. Budiyan. "Studi Tentang Teori Gone dan Pengaruhnya Terhadap Fraud dengan Idealisme Pimpinan Sebagai Variabel Moderasi: Studi Pada Pengadaan Barang/Jasa di Pemerintahan", *Jurnal Dinamika Akuntansi dan Bisnis*, vol. 5, no. 1, 2018, pp. 31-42.
- [5]. L. N. Rahimah, Y. Murni, S. Lysandra. "Pengaruh Penyajian Laporan Keuangan Desa, Lingkungan Pengendalian Dan Moralitas Individu Terhadap Pencegahan Fraud Yang Terjadi Dalam Pengelolaan Alokasi Dana Desa (Studi Kasus di Desa Sukamantri, Desa Sukamanah, Desa Sukaesmi dan Desa Gunungjaya Kecamatan Cisaat Kabupaten Sukabumi). *Jurnal Ilmiah Ilmu Ekonomi (Jurnal Akuntansi, Pajak dan Manajemen)*, 6(12), 2018, pp. 139-154.
- [6]. N. L. E. A Artini, I. M. P. Adiputra, N. T. Herawati, "Pengaruh Budaya Etis Organisasi dan Efektivitas Pengendalian Internal terhadap Kecenderungan Kecurangan Akuntansi Pada Satuan Kerja Perangkat Daerah (SKPD) Kabupaten Jembrana. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 2(1), 2014.
- [7]. K. Wonar, et al. "Pengaruh Kompetensi Aparatur Desa, Ketaatan Pelaporan Keuangan dan Sistem Pengendalian Intern Terhadap Pencegahan Fraud Dengan Moral Sensitivity Sebagai Variabel Moderasi, *Jurnal Akuntansi, Audit Riset*, 1, 2018, pp. 63-89.
- [8]. A. T. Atmadja dan K. A. K. Saputra, "Pencegahan Fraud Dalam Pengelolaan Keuangan Desa. *Jurnal Ilmiah Akuntansi dan Bisnis*, Vol.12, No.1, 2017, pp. 7-16.
- [9]. L. Berger, S. Perreault, and J. Wainberg, "Hijacking the Moral Imperative: How Financial Incentives Can Discourage Whistleblower Reporting". *Auditing: A Journal of Practice & Theory*, 36(3), 2017, p. 1-14.

- [10]. G. Liyanarachchi, and C. Newdick, "The Impact of Moral Reasoning and Retaliation on Whistle-Blowing: New Zealand Evidence," *Journal of Business Ethics*, 89(1), 2009, pp. 37–57.
- [11]. Wibowo, "Manajemen Kinerja", Edisi Ke 3, Jakarta: Rajawali Pers, 2012.
- [12]. Peraturan Menteri Pendayagunaan Aparatur Negara dan Reformasi Birokrasi No. 17 Tahun 2017 tentang Pedoman Penilaian Kinerja Unit Penyelenggara Pelayanan Publik.
- [13]. Widiyarta et al, "Pengaruh Kompetensi Aparatur, Budaya Organisasi, Whistleblowing dan system Pengendalian Internal terhadap pencegahan fraud dalam pengelolaan dana desa (studi empiris pada pemerintah Desa di Kab. Buleleng)", *E-Journal S1 AK Universitas Pendidikan Ganesha*, 8(2), 2017, p.1-12
- [14]. A. Barua, L. F. Davidson, D. V. Rama, and S. Thiruvadi, "CFO Gender and Accruals Quality", *Accounting Horizons*, 24(1), p.25-39, 2010.
- [15]. C. C. Bishop, D. R. Hermanson, and R. A. Riley, Collusive Fraud: Leader, Incident, and Organizational Characteristics. *Journal of Forensic Accounting Research*, 22(1), 2017, A49-A70.
- [16]. P. S. P. Laksmi and I. K. Sujana, "Pengaruh Kompetensi SDM, Moralitas dan Sistem Pengendalian Internal Terhadap Pencegahan Fraud Dalam Pengelolaan Keuangan Desa". *E-Jurnal Akuntansi*, 26(3), 2019, 2155-2182.
- [17]. R. A. Barra, "The Impact of Internal Controls and Penalties on Fraud", *Journal of Information Systems: Spring 2010*, Vol. 24, No. 1, 2010, pp. 1-21.
- [18]. A. Doig, "Readworks Ahead? Addressing Fraud, Corruption and Conflict of Interest in English Local Governments". *Local Government Studies*, 40 (5), 2014, p. 670-686.
- [19]. A. A. K. F. Udayani,, & M. M. R Sari, "Pengaruh pengendalian internal dan moralitas individu pada kecenderungan kecurangan akuntansi". *E-Jurnal Akuntansi Universitas Udayana*, 18(3), 2017, 1774-1799.
- [20]. N. Puspasari and E. Suwardi, "Pengaruh Moralitas Individu Dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi: Studi Eksperimen Pada Konteks Pemerintahan Daerah (Doctoral dissertation, [Yogyakarta]: Universitas Gadjah Mada), 2012.
- [21]. M. I. Siregar and M. Hamdani, "Pengaruh Kesesuaian Kompensasi, Keefektifan Sistem Pengendalian Internal, Budaya Organisasi, Dan Kompetensi Terhadap Fraud (Studi pada Satuan Kerja Vertikal Kementerian Keuangan Provinsi Lampung)". *Jurnal Ilmiah Ekonomi Global Masa Kini*, 9(1), 2018, p. 30-37.
- [22]. M. Y. Windasari and G. Juliarsa, "Pengaruh Kompetensi, Independensi, dan Profesionalisme Auditor Internal dalam Mencegah Kecurangan pada BPR di Kabupaten Badung". *E-Jurnal Akuntansi*, 17(3), 2016, 1924-1952.
- [23]. P. Wijayanti and R. Hanafi, "Pencegahan Fraud di Pemerintah Desa". *Jurnal Akuntansi Multiparadigma* 9 (2), 2018.