Indonesia Chapter #111

Asia Pacific Fraud Journal

E-ISSN: 2502-695X, ISSN: 2502-8731

Volume 11, Issue 1 (January-June) 2026

*Asia Pacific Fraud Journal now has been accredited "**SINTA 3**" by Ministry of Research and Technology of The Republic of Indonesia (No SK. 225/E/KPT/2022).*

Available online at: http://apfjournal.or.id/index.php/apf

Village Financial System Application, Spirituality, and Government Internal Control System on Fraud Prevention: Moderated by Competence

✉[A,B,C,D,F]Arif Afriady & [A,E,F]Sudradjat

Politeknik Negeri Bandung, Indonesia

ARTICLE INFORMATION

Article History:

Received July 5, 2025

Revised November 25, 2025

Accepted June 2, 2026

DOI:

10.21532/apfjournal.v11i1.410

A – Research concept and design

B – Collection and/or assembly of data

C – Data analysis and interpretation

D – Writing the article

E – Critical revision of the article

F – Final approval of article

ABTRACT

This study examines the role of the Village Financial System Application (VFSA), spirituality, and the Government Internal Control System (GICS) in improving fraud prevention in village financial management. The study also investigates the moderating role of competence in the relationship between VFSA and fraud prevention. A quantitative approach was employed using survey data collected from village officials in Kotabaru District, Karawang Regency. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The findings indicate that VFSA implementation, spirituality, and GICS significantly contribute to fraud prevention. These results suggest that digital financial systems, effective internal control mechanisms, and ethical values play important roles in minimizing fraudulent practices in village financial management. However, competence was not found to significantly moderate the relationship between VFSA and fraud prevention. The study highlights the importance of integrating technological systems, internal controls, and ethical values to strengthen transparency and accountability in village governance.

Keywords: Village Financial System, Internal Control, Fraud Prevention, Competence, Spirituality.

How to Cite:

Afriady, A., & Sudradjat (2026). Village Financial System Application, Spirituality, and Government Internal Control System on Fraud Prevention: Moderated by Competence. *Asia Pacific Fraud Journal, 11*(1), 83-98. https://doi.org/10.21532/apfjournal.v11i1.410.

✉Corresponding author :

Email: arif.afriady@polban.ac.id

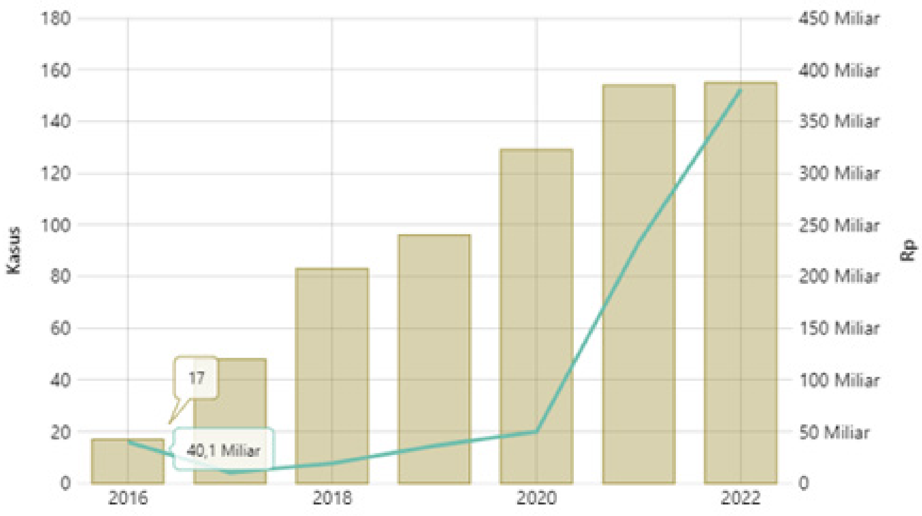
1. INTRODUCTION

The financial management of villages in Indonesia has experienced a substantial transformation following the enforcement of Law Number 6 of 2014 regarding Villages. This legislation grants enhanced authority to village administrations to oversee budgets derived from the Village Fund Allocation (Peraturan Pemerintah (PP), 2014). The main objective of this policy is to accelerate development in villages and improve community welfare (Zainuddin, 2024). However, increasing the amount of funds managed by the village government also brings new risks, one of which is the potential for budget misuse or fraud.

Fraud cases in village financial management often occur due to weak internal control systems, low human resource competencies, and lack of use of technology in financial recording and reporting. According to the study by Wiguna et al. (2022), Indonesia Corruption Watch's (ICW) 2015 to 2020 data indicated that a total of 676 individuals serving as village officials were prosecuted in corruption cases. A village head in Brebes was recently apprehended by the Brebes District Attorney for engaging in corrupt practices regarding the administration of village funds. He engaged in corrupt practices from his appointment as village head in 2019 until 2022 (Yunibar, 2024). According to ICW, the trend of corrupt practices in rural areas has increased since the Village Fund program (Ahdiyat, 2024) and can be seen in Figure 1. Based on these data, it shows that until 2022, many villages still faced problems in financial management, such as inaccurate allocation of funds, manipulation of reports, and lack of transparency. This is a serious threat to the success of village development and creates public distrust of the government.

Fraud is a dishonest act committed by individuals or groups to gain illegal profits. Fraud prevention requires a combination of strategies that include strengthening supervision and law enforcement and implementing systems that support transparency and accountability (Albrecht et al., 2015). The Association of Certified Fraud Examiners (ACFE) asserts that effective fraud prevention necessitates the establishment of a robust control system and the incorporation of ethical values within the organization. The 2019 Indonesian Fraud Survey Report by the ACFE Indonesia Chapter emphasizes the importance of a shared commitment to combating fraud, with the motto "Together Reducing Worldwide". This shows that to prevent fraud, collaboration is needed

Figure 1. **Corruption Trends in Misuse of Village Funds**



Source: Ahdiyat, 2024

from all parties in the organization to implement an effective control system and build a strong ethical culture (ACFE Indonesia, 2019).

To address the issue of village fund fraud, the government has created Village Financial System Application (VFSA). This application is designed to support village governments in managing finances more transparently and accountably. The VFSA was created by the financial and development supervisory agency (BPKP) to enhance accountability as well as transparency in the management of village finances. The primary purpose is to facilitate systematic financial documentation, reduce human error, and enhance accessibility for village financial oversight (Deputi Bidang Pengawasan Penyelenggaraan Keuangan Daerah, 2024). The results demonstrate that the deployment of information technology, such as VFSA, effectively diminishes the potential for fraud by enhancing the accuracy and accessibility of financial data (Wicaksono & Prabowo, 2022). VFSA enables the process of recording, managing, and reporting village finances to be carried out in an integrated manner and in accordance with government accounting standard (Admin Sawarna Timur, 2024). Nonetheless, despite the widespread implementation of this application, its efficacy remains contingent upon various factors, including the proficiency of village officials in utilizing the application. Research findings Adillah et al. (2021) indicate that the proficiency of village officials significantly influences the quality of financial reports pertaining to village funds.

Alongside technological utilization, the government internal control system (GICS) serves in the role of the crucial element in fraud risk mitigation. GICS is a framework designed to guarantee that village financial management complies with relevant regulations via monitoring, auditing, and evaluation mechanisms (Peraturan Pemerintah (PP), 2008). The control environment, risk assessment, control activities, information and communication, and monitoring are the key components of the government's internal control system. Findings from prior research show that the GICS indicator plays a significant role in mitigating fraud within the handling of social assistance funds in Jambi City (Walyati & Farida, 2020). It describes that competence of local government officials in the Muntilan sub-district is still limited in understanding village financial management and administration, which has an impact on the less-than-optimal governance of village budgets.

Spirituality plays a crucial role in shaping the behavior of government officials. Spiritual values, such as integrity, honesty, and a sense of responsibility, can be a moral foundation that prevents individuals from committing fraud. In this context, spirituality becomes an element that not only improves work ethics but also encourages compliance with applicable rules. Spirituality encourages individuals to work with high ethics, obey the rules, and maintain accountability (Karakas, 2010). Kristuti et al. (2023) assert that spirituality is crucial for village governments to mitigate fraud in the administration of village funds. This is shown by the statement that worshiping God has an influence on life by involving God in every decision-making; this can create a good organizational culture in increasing awareness of government staff control.

Without adequate competence from village officials, both in operating applications and in understanding the principles of internal control, and without the support of strong spiritual values, fraud prevention efforts can be less effective. Competence refers to an individual's capability encompassing the requisite knowledge, skills, and attitudes necessary for the effective execution of tasks (Boyatzis, 1991). The proficiency of village officials is crucial for comprehending and executing both the village financial system and the government's internal control framework within the context of managing village finances. The proficiency of village-level staff, including accounting acumen, technological expertise, and regulatory comprehension, significantly influences the efficacy of various financial management program implementations. Afriady's research findings indicate that human resource competence can enhance the utilization of VFSA to mitigate fraud (Muhammad & Afriady, 2024).

This study focuses on Kotabaru District, Karawang Regency, as an area with unique challenges in village financial management. This region encounters multiple dynamics of village development, particularly the necessity to enhance the capabilities of village officials in leveraging technology and executing internal control measures. The Kotabaru District may exemplify the typical conditions encountered by other villages in Indonesia; thus, empirical results from this research anticipated to yield wider implications. This study aims to examine how the VFSA and GICS play a role in improving fraud prevention by considering competence and spirituality as moderating variables. This approach seeks to provide a substantial addition to existing academic studies and offer practical recommendations for local governments particularly in Kotabaru District to enhance the degree to which the VFSA achieves its intended goals, strengthen the competencies of local officials, and incorporate spiritual values in order to improve accountability and transparency in managing village finances. This study uses the variable VFSA utilization, which is the extent to which village officials utilize the village financial system's features in the process of recording, managing, and reporting finances. This term is used consistently to avoid ambiguity between the application' as a system and user behavior in utilizing it.

2. LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

The agency relationship between principals (shareholders) and agents (managers) is conceptualized within the framework of agency theory, as articulated by Jensen & Meckling (1976). This conceptual model addresses the resolution of conflicts that emerge when the interests of principals and agents diverge, leading to agency problems and related costs. Jensen & Meckling (1976) conceptualize the agency relationship as a formal agreement whereby principals assign responsibilities to agents, entrusting them with specific decision-making powers to act in their interest. They argued that as both parties seek to maximize their own utility, there is a tendency for the agent's actions to diverge from the principal's best interests, leading to agency costs. These expenses encompass monitoring costs incurred by the pre-expenditures by the agent and residual loss. Eisenhardt (1989) provided a comprehensive review of agency theory, outlining its key ideas, contributions, and limitations. She emphasized two primary branches of agency theory: positivist and principal-agent. The positivist stream emphasizes the identification of scenarios in which principals and agents may have divergent objectives, as well as the articulation of governance mechanisms to mitigate agent self-serving conduct. The principal-agent framework is predominantly mathematical and concentrates on identifying the optimal contract between the principal and the agent. Fama & Jensen (1983) examined the significant separation of ownership and control in organizations. They contended that the segregation of decision management from decision control mitigates agency issues between decision agents and residual claimants. They suggested that intricate organizations endure by distinguishing decision management from decision control at every organizational level. In the absorption of budget funds, the village apparatus is an agent who is asked to carry out the absorption of budget funds that have been entrusted to be managed and utilized for development and benefits. The agent's accountability to the principal manifests through financial reports regulated by the government, which serves as the principal.

Fraud Prevention

Fraud prevention is a critical concern across various sectors, necessitating a multifaceted approach to mitigate risks effectively. Effective implementation of internal controls and the expertise of internal auditors are critical in mitigating fraud (Lonto et al., 2023; Ilmiha & Suboh, 2024). In the Indonesian government sector, the investigation division of the Financial and Development Supervisory Agency (BPKP) plays a critical role in fraud prevention by using a comprehensive framework such as the Fraud Control Plan (FCP) (Setiawan et al., 2022). By turning to specific strategies, a few small efforts can lead to many benefits from tailored accounting and auditing practices to combat fraud, both by leveraging technology-based solutions, and fostering a culture of transparency (Bertot et al., 2010; Adeboye, 2024; Aro et al., 2024),

In the scope of government, E-government (electronic government) is the use of information and communication technology (ICT), based on the internet and digital applications, in order to realize transparent public service delivery, government administration management, and interaction between the government and the community, the business world, and government employees (Twizeyimana & Andersson, 2019). Forms of e-government include: e-services, e-procurement (online procurement of goods/services), e-budgeting and e-planning (system-based budget planning and management), and e-participation (citizen involvement through digital platforms)(Department of Economic and Social Affairs United Nations, 2022). Several studies have shown that the implementation of e-government can effectively suppress small-scale bureaucratic corruption practices such as villages, especially in the context of providing digital public services. However, the effectiveness of e-government in addressing high-level corruption and state control is still questionable. Therefore, it is recommended to develop an integrated strategy that combines conventional anti-corruption approaches with ICT-based solutions to improve efforts to eradicate corruption comprehensively (Belwal & Al-Zoubi, 2008; Knox & Janenova, 2019; Khan et al., 2021; Seiam & Salman, 2024).

Spirituality

Spirituality involves a deep connection to something greater than oneself. The influence of spirituality is profoundly felt in various work environments such as nonprofit organizations, healthcare organizations, and other workplaces. Spirituality serves as a source of meaning and purpose, which influences individual well-being and organizational effectiveness. The following sections explore the diverse nature of spirituality in various contexts. Spirituality in Nonprofit Organizations is an integral part of nonprofit organizations, providing a framework for resource acquisition and organizational effectiveness. These organizations often fall on a spectrum from religious to nonreligious, reflecting a variety of spiritual influences that enhance teamwork and job satisfaction (Asbaş & Tuzlukaya, 2023). Spirituality in the Workplace today is very important for the worker. Modern organizations increasingly emphasize spirituality to improve employee satisfaction and performance.

H_1: The Village Financial System Application Positively Affects Fraud Prevention.

Workplace spirituality fosters a positive environment, leading to increased employee productivity and commitment (Pratoomsawat et al., 2023). Conversely, while spirituality can enhance individual and organizational outcomes, it can also create conflict when personal beliefs clash with institutional values, highlighting the need for careful consideration of spiritual practices in various situations. Spirituality in this research is treated as an individual ethical attribute, not as a predictor of system usage. Thus, spirituality is expected to influence fraud prevention directly but cannot logically influence the VFSA as a technological artifact, addressing the concern raised by the reviewer.

H2: Spirituality Positively Affects Fraud Prevention.

The Government Internal Control System (GICS)

An essential framework aimed at improving the efficacy and accountability of governmental entities. It encompasses a series of processes and activities aimed at ensuring effective governance, safeguarding assets, and compliance with regulations. The implementation of GICS has been shown to significantly influence the performance of government agencies, as well as mitigate corruption risks. Key Components of GICS (Peraturan Pemerintah (PP), 2008):

a. Control Environment: Establishes the basis for internal control, highlighting the significance of ethical values and organizational culture.
b. Risk Assessment: Entails recognizing and assessing threats that could compromise the attainment of strategic objectives, facilitating proactive management.
c. Control Activities: Encompass institutionalized policies and procedures that support the enforcement of directives issued by management.
d. Information and Communication: Ensures relevant information is communicated effectively across the organization.
e. Surveillance: Continuous assessments of the internal control system to ascertain its efficacy.

A few studies indicate that GICS has an impact on the achievement of corruption prevention programs (Paramita & Chariri, 2021). Previous research conducted states that GICS has had an impact on reducing the potential for corruption (Rahardian, 2020; Sari et al., 2024).

H3: The Government Internal Control System Positively Affects Fraud Prevention.

GICS also supports the effective use of digital systems. Clear rules, monitoring mechanisms, and control activities create an environment in which applications such as VFSA can function optimally. Without adequate control, digital systems may be underutilized or misused. Therefore, GICS has both a direct and indirect relationship with fraud prevention and digital system adoption.

H4: Competence Moderates the Relationship between the Village Financial System Application and Fraud Prevention.

Village Financial System Appication

The implementation of village financial systems and internal controls has become increasingly important in preventing fraud at the local government level in Indonesia. Several studies have examined the relationships between these systems, competence, spirituality, and fraud prevention efforts. Fathia & Indriani (2022) explored the implications of utilizing the VFSA system in the context of village financial governance on mitigating financial misconduct in the management of rural funds in Aceh Province. Their research demonstrated that the workshop VFSA KEUDES application plays a constructive role in enhancing fraud prevention measures. The implementation of an integrated computerized system such as VFSA was determined to streamline operations and potentially mitigate pressures that could lead village officials to engage in corrupt practices. Taufik (2019) investigated an examination of how internal control mechanisms contribute to the attainment of good governance and influence fraud prevention in Bengkalis District.

H5: Competence Moderates the Relationship between Spirituality and Fraud Prevention.

However, the effectiveness of VFSA is not determined solely by its technical features. Human capabilities particularly competence play a crucial role in ensuring that the system is used properly and strategically. Result of research Wulandari & Nuryanto (2018) investigated any impact of personal integrity, auditor independence, and professional conduct on fraud prevention within the auditing of state financial management and accountability. Competence encompasses the knowledge, skills, and attitudes necessary to operate accounting information systems, understand financial regulations, analyze transactional patterns, and identify irregularities (Boyatzis, 1991). In many village governments, officials often use VFSA only for administrative functions, such as data entry, without fully utilizing its analytical and control-oriented features. This substantially weakens the system's potential for detecting and preventing fraud.

Empirical research confirms that competence directly influences the effectiveness of digital systems in the public sector. Adillah et al. (2021) demonstrated that competence of village officials significantly improves the quality of financial reporting and enhances the usefulness of VFSA in ensuring accountability. Ginting et al. (2023) also found that competent human resources improve the performance of computer-based accounting systems by enabling users to detect anomalies, ensure compliance, and interpret financial information more accurately. Furthermore, Antoni (2025) showed that competence strengthens the relationship between accounting information systems and financial accountability, indicating that digital systems are only as effective as the capabilities of their users.

In summary, the literature suggests that competence can moderate the influence of VFSA on fraud prevention. A competent workforce enhances the effectiveness of digital systems by enabling more accurate analysis, better interpretation of financial transactions, and stronger detection of irregularities. Thus, competence is an essential factor that conditions how far VFSA can contribute to deterring fraudulent activities in village financial management.

H6: The Government Internal Control System Moderates the Relationship between Spirituality and the Village Financial System Application.

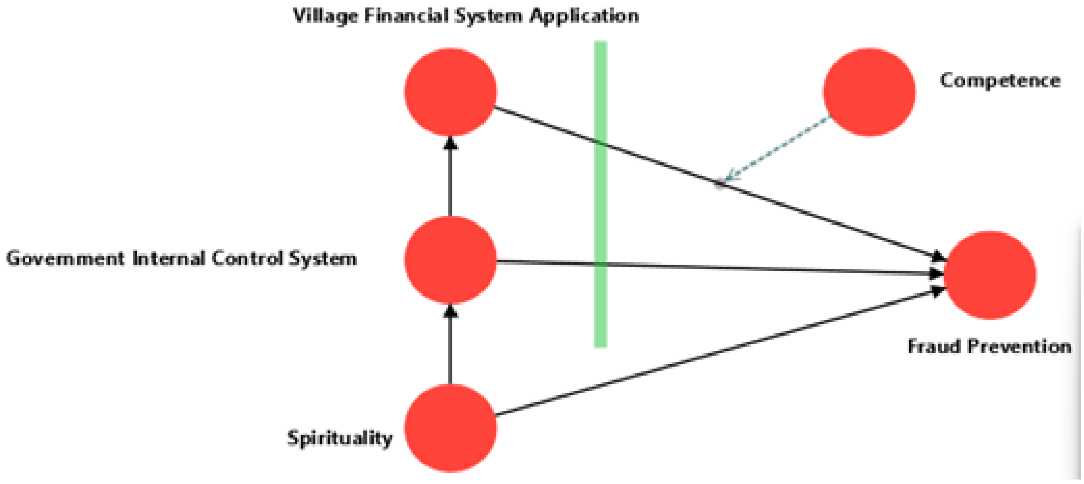
3. METHODS

This study is a quantitative study to measure the relationship between independent variables (VFSA and GICS), dependent variables (fraud prevention), and moderating variables (competence and spirituality). This study is also a causal study because it aims to identify the influence of VFSA, Spirituality and GICS on fraud prevention, and how competence moderate their relationship. The research framework is delineated as shown in Figure 2.

The population was local officials and local government apparatus in Kotabaru, Karawang, who used the VFSA. The study utilized purposive sampling to deliberately select subjects who met predetermined characteristics aligned with the research focus and in order to select respondents who had a direct role in village financial management, such as village heads, village treasurers, and apparatus involved in supervision.

The sample size was calculated using the Slovin formula, resulting in 35 individuals. Data was collected through a questionnaire using a Likert scale (1-5) to measure respondents' perceptions regarding the research variables. The data analysis employed the Smart-PLS Path Analysis (Partial Least Squares Path Analysis) statistical tool. The data analysis process comprised several phases: they involved the examination of construct validity through the measurement model, assessment of hypothesized relationships via the structural model, and testing of moderating variables.

Figure 2. **Research Model**



Source: Processed Data

4. RESULTS AND DISCUSSION

This research involved 35 village officials and local government apparatus in Kotabaru, Karawang, who used and knew the VFSA. Ahead of hypothesis assessment, the data had been sorted, and invalid questionnaires were removed. The distribution of the research questionnaires shows that 14% had a bachelor's degree and 80% had a high school education. The identification of the age of village officials was 37% aged 25-35 years and 31% aged 36-45 years. This shows that village officials are still considered of productive age to work and can still follow technological developments. The length of service when this research was conducted showed that 45% had served for 2-5 years. And 37% served for more than 5 years. This identifies that there are still many new faces serving as village officials.

Before the data is tested as a hypothesis tool, an average variance extracted test and a reliability test are carried out. The results (in Figure 3 and Figure 4) show that the AVE of all variables and the reliability value of all variables are respectively more than 0.5 and 0.90. These results illustrate that the model of this variable has adequate convergent validity. Subsequent to the assessment of data for model viability, the following step is to evaluate the hypothesis regarding both direct and indirect effects.

Spirituality's Affect to Fraud Prevention

Spirituality in the context of organizations and government refers to a person's internal values related to morality, honesty, ethical awareness, and connection to something greater (God, noble values, or life purpose). In the public sector work environment, spirituality serves as a moral direction that shapes an individual's attitudes and behaviors, including in terms of integrity and accountability. Spirituality serves as a person's internal control that is independent of external supervision. People with high levels of spirituality tend to have a strong ethical awareness, avoid cheating, and act according to principles of right and wrong even when not being supervised.

The study also finds that spirituality directly contributes to fraud prevention. Officials with higher ethical sensitivity, honesty, and personal integrity are less likely to rationalize fraudulent behavior. This finding supports earlier research that suggests spirituality acts as an internal moral safeguard that reduces unethical practices (Karakas, 2010). It also complements studies asserting that ethical values accelerate compliance with regulations and strengthen public accountability. This dual influence directly on fraud prevention and indirectly through GICS indicates that spirituality is

Figure 3. **Hypothesis Testing (Direct Effect)**

	Original sample (O)	P values	Lower Limit	Upper Limit	F Square
Village Financial System Application -> Fraud Prevention	0.332	0.042	0.039	0.662	0.241(moderate)
Competence -> Fraud Prevention	-0.345	0.080	- 0.609	0.166	0.293 moderate)
Government Internal Control System(SPIP) -> Village Financial System Application	0.767	0.000	0.652	0.873	1.427 (high)
Government Internal Control System(SPIP) -> Fraud Prevention	0.409	0.041	0.323	0.961	0.309(moderate)
Spirituality -> Fraud Prevention	0.588	0.001	0.398	0.736	0.749(high)
Spirituality -> Government Internal Control System(SPIP)	0.739	0.000	0.667	1.339	1.205(high)
Competence x Village Financial System Application -> Fraud Prevention	-0.004	0.974	0.586	0.877	0.000

Source: Processed Data

Figure 4. **Hypothesis Testing (Indirect Effect)**

	Original sample (O)	P values	Lower Limit	Upper Limit	Upsilon v
Spirituality -> Government Internal Control System(SPIP) -> Village Financial System Application	0.567	0.000	0.398	0.736	0,317(high)
Spirituality -> Government Internal Control System(SPIP) -> Fraud Prevention	0.302	0.064	0.005	0.668	0,09(medium)
Government Internal Control System(SPIP) -> Village Financial System Application -> Fraud Prevention	0.254	0.045	0.031	0.526	0,06(low)
Spirituality -> Government Internal Control System(SPI) -> Village Financial System Application -> Fraud Prevention	0.188	0.052	0.025	0.403	0,034(low)

Source: Processed Data

both a behavioral and structural driver of integrity in village financial management.

According to the theory of ethical behaviour, individual behaviour is greatly influenced by the value system adopted. The higher the level of spirituality of a person, the less likely they are to commit deviations such as fraud because they conflict with their values and beliefs. From the Fraud Triangle Theory Cressey (1969), spirituality contributes to reducing rationalization; namely, individuals who have good spirituality do not easily seek justification for fraudulent behavior because they have a personal commitment to honesty. Various studies show that the level of work spirituality is inversely proportional to the level of intention to commit fraud. Individuals who uphold religious or spiritual values tend to be more disciplined, honest, and responsible in undertaking their mandated roles.

The Effect Spirituality on the Government Internal Control System

Spirituality is the noble values embedded in an individual, such as honesty, integrity, responsibility, and work ethics that stem from moral or religious beliefs. In the context of public organizations, spirituality not only impacts personal behavior, but also influences how a person runs and oversees the system in the organization. An employee who has a good level of spirituality tends to carry out tasks responsibly without having to be closely supervised, does not abuse authority, upholds the principle of accountability, and is more concerned with transparency and public service.

The public sector work environment is often faced with temptations, political pressures, or laxity in supervision. This is where spirituality is important as a moral controller. Consequently, spirituality fosters an organizational culture of integrity, which is essential for the effective operation of the public sector internal control framework. In the context of internal control systems, spirituality encourages village officials to adhere to procedures not merely out of obligation but from intrinsic moral responsibility. This result also aligns with ethical behavior theory, which recognizes personal values as critical components in shaping compliance and reducing rationalization of unethical actions. Therefore, spirituality functions as an internal ethical driver supporting the implementation of Internal Control System.

The Influence of Government Internal Control Systems on Fraud Prevention

The GICS is a comprehensive framework established within government agencies to ensure the effectiveness and efficiency of organizational objectives, the integrity of financial statements, the preservation of government assets, and alignment with legal and regulatory standards. The internal control system of the government is governed by Government Regulation Number 60 of 2008 (Peraturan Pemerintah (PP), 2008). The government's internal control system aims to mitigate such opportunities through measures including restricted access, rigorous oversight, and the implementation of both internal and external audit mechanisms. Enhanced institutionalization of internal control mechanisms in the public sector reduces the likelihood of individuals or groups engaging in deviations.

The study finds that GICS significantly contributes to fraud prevention. This aligns with Government Regulation, which states that internal controls are designed to ensure effective, efficient, and compliant public financial operations. GCIC components control environment, risk assessment, control activities, information and communication, and monitoring work together to minimize irregularities.

The findings are consistent with Taufik (2019), Ayem & Kusumasari (2020), and Rinangku (2024), all of whom concluded that internal control mechanisms play a vital role in reducing fraud risk in government institutions. GCIC restricts opportunities for misappropriation by enforcing procedures, promoting compliance, and strengthening oversight. Therefore, the present study reinforces the view that internal control structures remain central to fraud prevention in the public sector.

Research by Alfiansyah & Afriady (2022) indicates that the implementation of an effective government internal oversight mechanism correlates positively with an increased level of fraud prevention. A strong internal control system within the government fosters accountability and transparency while cultivating an organizational culture that values integrity.

The Influence of the Village Financial System Application on Fraud Prevention

The utilization of technology in rural financial management is a strategic measure to enhance accountability and avert the misappropriation of budgetary resources. An important advancement in village governance in Indonesia is the operationalization of the VFSA, which was formulated by the Financial and Development Supervisory Agency to enhance village-level financial governance. This application aims at transforming the planning, implementation, reporting, and accountability functions of village finances into a digital format in alignment with good governance principles. VFSA was form of the e-government which can control and supervision of transparacy financial reporting (Sugiarti & Akbar, 2024; Dang et al., 2025). In Theoretically, the application of a computer-based accounting information system, such as VFSA, contributes to fraud prevention through such things as increasing transparency, stronger internal control, minimizing manual manipulation, and facilitating monitoring and evaluation. According to Fraud Triangle Theory proposed by Cressey (1969), posits that fraud arises from three elements: pressure, opportunity, and rationalization. The VFSA specifically emphasizes the element of opportunity, because a controlled and electronically documented system reduces the opportunity for someone to commit fraud without being detected. Research by Tiarno & Budiwitjaksono (2023) indicates that the VFSA affects the accountability of village fund management, serving as a measure to deter fraudulent behavior. Thus, the existence of this application is not only as an administrative complement but also as a reinforcement of internal control in creating village governance that is free from fraud practices. This study also approve that effective measures likes audits, anti-fraud policies, ethical behavior promotion, and the use of technology for monitoring, can mitigate risks of fraud. Strengthening internal control systems enhances financial integrity, protects public resources, and supports efficient governance (Kurniawan et al., 2024).

The Effect of the Government Internal Control System the Village Financial System Application

The implementation of the GICS plays an important role in improving the effectiveness of village financial governance, particularly through the implementation of the VFSA. The internal regulatory structure of government establishes the framework for digital systems like the VFSA to operate in a structured, regulated, and accountable fashion, aligning with the objectives of clean and transparent governance. The internal control system of the government and the VFSA exhibit a mutually reinforcing relationship. The GICS functions as a comprehensive control system for government activities, while this application is a tool or technical system used in the process of reporting and managing village finances. Proper execution of the public sector internal control framework enhances the orderly, consistent, and rule-compliant execution of VFSA. In several cases in the field, the implementation of the application is often hampered by weak internal control, such as lack of supervision, the absence of clear SOPs, or low commitment from village leaders. Consequently, the more robust the execution of the public sector internal control framework in a village, the more effectively and consistently this application can be utilized.

Competence Fails to Moderate the Relationship between the Village Financial System Application and Fraud Prevention

The findings indicate that competence fails to mediate the village-level financial management system application's effect on the mitigation of fraudulent practices, which does not necessarily indicate that competence is not need in operating the application. Conversely, these findings suggest that the existing competencies do not correspond to pertinent skills in the realm of fraud prevention. In practice, the capabilities of village officials frequently remain confined to administrative functions, including data entry and basic application usage, without extending to more strategic areas such as financial analysis, regulatory comprehension, internal control, and integrity in the management of public funds.

This condition inhibits the VFSA from being fully utilized as a mechanism to avert fraudulent activities. This can happen if competence of the apparatus is only passive, able to run but not proactive in analyzing, supervising, or reporting potential fraud. Moreover, other factors exert a more significant influence on fraud prevention, including organizational commitment, external oversight, and individual spiritual values. Thus, the failure of competence as an intervening variable is an important note that promoting professional development for village government personnel needs to be focused on substantive and integrative aspects so that the presence of this application of information technology really has a bearing on the success of fraud prevention initiatives.

This finding is consistent with the observations of Handayani et al. (2020), who noted that village government competencies are often limited to basic administrative tasks rather than analytical or evaluative functions. Although competence was theoretically expected to enhance fraud prevention impact of VFSA, the insignificant mediation suggests that current training programs for village officials focus heavily on technical input rather than fraud-sensitive analytical capabilities.

The finding also implies that the existing competence levels do not yet align with the requirements of fraud-resistant digital financial management. This highlights a critical gap in human resource development, suggesting that the strengthening of technical and analytical competencies remains essential for improving fraud detection and prevention at the village level.

5. CONCLUSION

The findings of this study underscore the critical roles of the Village Financial System Application (VFSA), the Government Internal Control System (GICS), and spirituality in preventing fraud at the village government level. The effective implementation of VFSA has been shown to significantly enhance the transparency, accountability, and traceability of financial transactions. This digital financial system enables better documentation, facilitates oversight, and minimizes opportunities for misappropriation of public funds, thereby serving as a vital mechanism in deterring fraudulent activities. In addition, the study highlights the importance of spirituality as a non-technical yet deeply influential factor in shaping ethical behavior. Spiritual values embedded within the attitudes and behaviors of village officials contribute to the cultivation of honesty, responsibility, and anti-corruption commitments. These values foster an internal moral compass that supports compliance with regulations and promotes integrity in public service, thereby reinforcing institutional efforts to prevent fraud.

Furthermore, GICS demonstrates a statistically significant influence on fraud prevention. A well-structured and effectively implemented GICS enhances an organization's ability to detect, prevent, and respond to irregularities. The study confirms that the presence of a comprehensive internal control mechanism covering risk assessment, control activities, information and communication, and continuous monitoring plays a pivotal role in safeguarding public resources at the grassroots level. However, the research also reveals that competency does not act as a mediating variable in the relationship between VFSA and fraud prevention. This finding suggests that technical skills alone are not sufficient to ensure the effective use of digital tools for fraud mitigation. Similarly, competency fails to mediate the relationship between spirituality and fraud prevention, indicating that the impact of spiritual values on ethical behavior may function independently of technical capability.

Moreover, the hypothesis that GICS moderates the relationship between spirituality and VFSA utilization is not supported by the data. This suggests that the presence of an internal control framework does not significantly alter the influence of spiritual values on how the VFSA is applied in practice. It may indicate that spirituality and technical system implementation operate through separate channels and are not strongly interdependent in their effect on fraud prevention. Overall, these results emphasize that while technological tools, internal control systems, and personal values each contribute significantly to fraud prevention, their interactions are not always straightforward. The findings call for a more integrated approach that combines system-level controls, ethical capacity-building, and technical training to strengthen fraud prevention at the village government level.

REFERENCES

ACFE Indonesia. (2019). *Survei Fraud Indonesia.* ACFE Indonesia.

Adeboye, E. O. (2024). Strengthening Fraud Prevention in Small Businesses: An Analysis of Effective Accounting and Auditing Practices. *International Journal of Science and Research Archive, 13*(2), 590-595. https://doi.org/10.30574/ijsra.2024.13.2.2160.

Adillah, R., Muhammad, R. N., & Apriyadi, A. (2021). Pengaruh Kompetensi Perangkat Desa dan Penerapan SISKEUDES terhadap Kualitas Laporan Dana Desa (*Survey* pada Desa-Desa di Kecamatan Arjasari). *Indonesian Accounting Research Journal, 1*(2), 261–270.

Admin Sawarna Timur. (2024). *Materi Aplikasi Siskeudes Versi 2.06 Tahun 2024.* https://sawarnatimur.desa.id/publikasi/artikel/materi-aplikasi-siskeudes-versi-2-06-tahun-2024-1704185467/2024-01-02#:~:text=Aplikasi%20Siskeudes%20mulai%20diterapkan%20di,Pengelolaan%20Keuangan%20Desa%2FDana%20Desa. Accessed 27 September 2024.

Ahdiyat, A. (2024). *Sejak Ada Dana Desa, Tren Korupsi di Desa Meningkat.* https://databoks.katadata.co.id/ekonomi-makro/statistik/9bded1c7ed87e43/sejak-ada-dana-desa-tren-korupsi-di-desa-meningkat.

Albrecht, W. S., Zimbelman, M. F., Albrecht, C. O., & Albrecht, C. C. (2015). *Fraud Examination.* Cengage Learning.

Alfiansyah, I., & Afriady, A. (2022). Pengaruh Penerapan Sistem Pengendalian Internal Pemerintah, Kompensasi, dan Religiusitas terhadap Pencegahan *Fraud* (Studi Kasus pada BPKA Kota Bandung). *Jurnal Buana dan Akuntansi, 7*(1), 97-105. https://doi.org/10.36805/akuntansi.v7i1.2213.

Antoni. (2025). The Effect of Accounting Competencies, Information Systems, and Compliance on the Quality of MSME Financial Reporting through Accountability Antoni. *West Science Business and Management, 3*(3), 726-737. https://doi.org/10.58812/wsbm.v3i03.2241.

Aro, O. E., Nweze, M., & Avickson, E. K. (2024). Blockchain Technology as a Tool for Corporate Governance and Transparency. *International Journal of Science and Research Archive, 13*(1), 2479–2493. https://doi.org/10.30574/ijsra.2024.13.1.1971.

Asbaş, C., & Tuzlukaya, S. E. (2023). *Spirituality in Nonprofit Organizations*. Emerald Publishing.

Ayem, S., & Kusumasari, K. F. (2020). Pengaruh Sistem Pengendalian Intern Pemerintah (SPIP) terhadap Pencegahan Fraud dalam Pengelolaan Dana Desa dengan Akuntabilitas Sebagai Variabel Mediasi. *Jurnal Imiah Akuntansi dan Humanika, 10*(2), 160-169.

Belwal, R., & Al-Zoubi, K. (2008). Public Centric e-Governance in Jordan: A Field Study of People's Perception of E-Governance Awareness, Corruption, and Trust. *Journal of Information, Communication and Ethics in Society, 6*(4), 317-333. https://doi.org/10.1108/14779960810921123.

Bertot, J. C., Jaeger, P. T., & Grimes, J. M. (2010). Using ICTs to Create a Culture of Transparency: E-Government and Social Media as Openness and Anti-Corruption Tools for Societies. *Government Information Quarterly, 27*(3), 264–271. https://doi.org/10.1016/j.giq.2010.03.001.

Boyatzis, R. E. (1991). *The Competent Manager: A Model For Effective Performance.* John Wiley & Sons.

Cressey, D. (1969). *The Theft of the Nation.* Harper & Row.

Department of Economic and Social Affairs United Nations. (2022). *E-Government Survey 2022 The Future of Digital Government*. Department of Economic and Social Affairs United Nations.

Deputi Bidang Pengawasan Penyelenggaraan Keuangan Daerah. (2024). *Aplikasi Sistem Keuangan Desa (SISKEUDES) dalam Rangka Mengawal Program Prioritas Pemerintah (Nawa Cita): Membangun Indonesia dari Pinggiran dengan Memperkuat Daerah-Daerah dan Desa dalam Kerangka Negara Kesatuan.* Deputi Bidang Pengawasan Penyelenggaraan Keuangan Daerah.

Eisenhardt, K. M. (1989). Agency Theory: An Assessment and Review. *The Academy of Management Review, 14*(1), 57–74.

Fama, E. F., & Jensen, M. C. (1983). Separation of Ownership and Control. *The Journal of Law and Economics, 26*(2), 301-325.

Fathia, J., & Indriani, M. (2022) Pengaruh Sistem Keuangan Desa terhadap Pencegahan Kecurangan (*Fraud*) Pengelolaan Dana Desa dengan Moralitas Individu Sebagai Pemoderasi (Studi di Desa Kabupaten/Kota Provinsi Aceh). *Proceeding of National Conference on Accounting and Finance,* 455-468.

Ginting, R. E. N., Munthe, H., Rusida, M. S., & Siregar, K. H. (2023). The Influence of the Effectiveness of Implementing Accounting Information Systems, Utilization of Technology, Human Resource Competency and Management Participation on Individual Performance (Study at Shopee Express Delivery Service Companies in Medan City). *Jurnal Ekonomi Bisnis & Enterpreneur, 17*(2), 454-471.

Ilmiha, J., & Suboh, A. S. (2024). The Effectiveness of Internal Control in Preventing Accounting Fraud in Financial Companies. *East Asian Journal of Multidisciplinary Research (EAJMR), 3*(6), 2181–2192. https://doi.org/10.55927/eajmr.v3i6.9952.

Jensen, M. C., & Meckling, W. H. (1976) Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics, 3*(1976), 305-360.

Karakas, F. (2010). Spirituality and Performance in Organizations: A Literature Review. *Journal of Business Ethics, 94*(1), 89-106. https://doi.org/10.1007/s10551-009-0251-5.

Khan, A., Krishnan, S., & Dhir, A. (2021). Electronic Government and Corruption: Systematic Literature Review, Framework, and Agenda for Future Research. *Technological Forecasting and Social Change, 167,* 120737. https://doi.org/10.1016/j.techfore.2021.120737.

Knox, C., & Janenova, S. (2019). The E-Government Paradox in Post-Soviet Countries. *International Journal of Public Sector Management, 32*(6), 600–615. https://doi.org/10.1108/IJPSM-08-2018-0173.

Kristuti, G. M., Amalia, F. A., & Wicaksono, A. P. N. (2023). Determinan Pencegahan *Fraud* pada Pengelolaan Alokasi Dana Desa. *Jurnal Akuntansi dan Bisnis, 23*(1), 61-79.

Lonto, M. P., Sukoharsono, E. G., Baridwan, Z., & Prihatiningtias, Y. W. (2023). The Effectiveness of Internal Audit for Fraud Prevention. *Australian Accounting Business and Finance Journal, 17*(3), 171–190. https://doi.org/10.14453/aabfj.v17i3.11.

Muhammad, R. N., & Afriady, A. (2024). The Influence of the Government Internal Control System as a Mediator in the Influence of the Village Financial System Application on Fraud Prevention. *Management Science Research Journal, 3*(3), 80–89. https://doi.org/10.56548/msr.v3i3.115.

Paramita, N. M., & Chariri, A. (2021). Implementasi E-Government, Sistem Pengendalian *Intern* Pemerintah dan Capaian Program Pencegahan Tindak Pidana Korupsi pada Pemerintah Daerah di Indonesia: Akuntabilitas Publik Sebagai Variabel Mediasi. *Tesis.* Universitas Diponegoro.

Peraturan Pemerintah (PP). (2008). *Peraturan Pemerintah (PP) Nomor 60 Tahun 2008 tentang Sistem Pengendalian Intern Pemerintah.* Peraturan Pemerintah (PP).

Peraturan Pemerintah (PP). (2014). *Peraturan Pemerintah Republik Indonesia Nomor 43 Tahun 2014 Tentang Desa.* Peraturan Pemerintah (PP).

Pratoomsawat, T., Channuwong, S., Kuraeiad, A., Lim, A., Lionel, L. K. G., Kanchanasomsak, R., & Pratoomsawat, V. (2023). Creating Spirituality in the Workplace to Increase Work Performance of Modern Organizations. *International Journal of Advanced Research, 11*(3), 272–277. https://doi.org/10.21474/IJAR01/16419.

Rahardian, R. R. (2020). Pengaruh Sistem Pengendalian *Intern* Pemerintah (SPIP) terhadap Tata Kelola Pemerintah pada Bagian Organisasi Sekretariat Daerah Kota Surakarta. *Solidaritas, 4*(3), 1-9.

Rinangku, A. L. (2024). *Proses Pencatatan Pengadaan Langsung dengan Surat Perintah Kerja melalui Aplikasi Sistem Informasi Manajemen Pengadaan Langsung (SIMPeL) Kementerian Keuangan pada KPPN Tipe A1 Surabaya I Periode Tahun 2023.* https://sipora.polije.ac.id/32320/.

Sari, F. L., Gamayuni, R. R., Dewi, F. G., & Metalia, M. (2024). The Effect of the Government Internal Control System on Corruption Potential with Accountability as an Intervening Variable (Study on Regency/City Governments in Indonesia). *International Journal of Economics, Management and Accounting, 1*(2), 341-357. https://doi.org/10.61132/ijema.v1i2.

Seiam, D. A., & Salman, D. (2024). Examining the Global Influence of e-Governance on Corruption: A Panel Data Analysis. *Future Business Journal, 10*(1), 1-13. https://doi.org/10.1186/s43093-024-00319-3.

Setiawan, A., Prihatini, R., & Handarini, D. (2024). Analisis Pengelolaan Keuangan Desa Menggunakan Aplikasi Sistem Keuangan Desa Siskeudes di Desa Kabupaten Bogor. *Jurnal Akuntansi, Perpajakan dan Auditing, 5*(3), 613-625.

Taufik, T. (2019). The Effect of Internal Control System Implementation in Realizing Good Governance and its Impact on Fraud Prevention. *International Journal of Scientific and Technology Research, 8*(9), 2159-2165.

Tiarno, S. M., & Budiwitjaksono, G. S. (2023). Pengaruh Kompetensi Sumber Daya Manusia, Sistem Pengendalian *Intern* Pemerintah (SPIP), dan Penggunaan Siskeudes terhadap Akuntabilitas Pengelolaan Dana Desa. *Jurnal Ilmiah Manajemen Ekonomi dan Akuntansi, 7*(2), 1596-1608. https://doi.org/10.31955/mea.v7i2.3015.

Twizeyimana, J. D., & Andersson, A. (2019). The Public Value of E-Government. *Government Information Quarterly, 36*(2), 167–178. https://doi.org/10.1016/j.giq.2019.01.001.

Walyati, F. N., & Farida. (2020). Pengaruh Partisipasi Masyarakat, Kompetensi dan Sistem Pengendalian Internal terhadap Akuntabilitas Pengelolaan Dana Desa (Studi Empiris pada Desa Se-Kecamatan Muntilan). *3rd Prosiding Business and Economics Conference in Utilization of Modern Technology.*

Wicaksono, G. S., & Prabowo, T. J. W. (2022). Analisis Faktor-Faktor yang Mempengaruhi Korupsi pada Pemerintah Daerah di Jawa Tengah Menggunakan Teori *Fraud Triangle*. *Owner, 6*(1), 1016–1028. https://doi.org/10.33395/owner.v6i1.710.

Wiguna, I. M. A., Atmadja, A. T., & Yuniarta, G. A. (2022). *Fraud* dalam Pengelolaan Keuangan Desa Adat. *Jurnal Ilmiah Akuntansi dan Humanika, 12*(3), 547-558. https://doi.org/10.23887/jiah.v12i3.49490.

Wulandari, D. N., & Nuryanto, M. (2018). The Effect of Internal Control, Anti-Fraud Awareness, Integrity, Independence, and Profesionalism to Fraud Prevention. *Jurnal Riset Akuntansi Mercu Buana, 4*(2), 117-125. https://doi.org/10.26486/jramb.v4i2.557.

Yunibar. (2024). *Sungguh Terlalu, Oknum Kades di Brebes Korupsi Dana Desa Rp1 Miliar untuk Judi Online.* SindoNews. https://daerah.sindonews.com/read/1404731/707/sungguh-terlalu-oknum-kades-di-brebes-korupsi-dana-desa-rp1-miliar-untuk-judi-online-1719493586.

Zainuddin, A. (2024). *Efektivitas Dana Desa untuk Kesejahteraan Masyarakat*. https://djpb.kemenkeu.go.id/kppn/ruteng/id/berita-terbaru/artikel/2931-efektivitas-dana-desa-untuk-kesejahteraan-masyarakat.