

# The Influence of Village Apparatus Competence, Compliance with Financial Reporting and Internal Control Systems on Fraud Prevention with Moral Sensitivity as A Moderation Variable

**Ria Lorenza, Erma Setiawati\*, Andy Dwi Bayu Bawono\***

*Universitas Muhammadiyah Surakarta, Universitas Muhammadiyah Surakarta, Universitas Muhammadiyah Surakarta*

**Abstract:** *This study aims to empirically determine the competence of village apparatus, compliance with financial reporting and the Internal Control System against fraud prevention with Moral Sensitivity as a moderation variable. The research method used in this study is associative research with quantitative research approach or hypothetico-deductive method. The population in this study was 129 village apparatuses. The sampling technique used was non-probability sampling with convenience sampling method and using the Slovin formula, so that the sample of this study was 129 respondents. Data collection tools in the form of questionnaires and literature studies. The data analysis technique in this study is using the SEM- PLS method. The results of this study prove that: 1) The competence of the village apparatus and the Internal Control System has a significant and positive effect on fraud prevention, while the compliance with Financial Reporting does not have a significant and positive effect on fraud prevention; 2) Village apparatus competence, Financial Reporting Compliance, and Internal Control System have a significant and negative effect on fraud prevention with Moral Sensitivity as a Moderating Variable.*

**Keywords:** *Fraud Prevention, Moral Sensitivity, Village Apparatus Competence, Financial Reporting Compliance, and Internal Control System*

## I. INTRODUCTION

Government administration based on the principles of good governance and in improving the Electronic-Based Government System Index (SPBE) is one of the adaptations of the VUCA ecosystem (Volatility, Uncertainty, Complexity, Ambiguity) and the Industry 5.0 Era, as well as the Society 5.0 Era in the form of utilizing the digitization of the Internet of Things (IOT) in optimizing Human Resources (HR) must be implemented by the Village Government comprehensively.

The results of the initial observations of the study, conducted by researchers in villages in the Demak Regency area. The observations show that there are several categories of villages in Demak Regency, including: villages in the sub-district area with categories: Advanced Villages, Independent Villages, Developing Villages, Disadvantaged Villages, and Very Disadvantaged. The information provides a description of the management of village funds has not been optimal and maximal in accordance with existing provisions based on the criteria and categories of villages in the Demak Regency area in the form of the policy implementation process in village fund management has not been supported by sufficient and adequate resources, and the competence of village apparatus is still low, causing the implementation of management cannot be carried out optimally as it should be and the occurrence of delays in the Village Fund Financial Accountability Report, village financial statements are not carried out properly and validly. The delay in the village fund accountability report is partly due to the lack of understanding of the village government apparatus in the form of village apparatus competence in compiling and making accountability reports which are a requirement for the next stage of disbursement. The Internal Control System has not been tightened and implemented by the village and its apparatus effectively and comprehensively. Human morals as moral sensitivity in village apparatus as from their personality and mindset that uphold honesty and justice. This mindset will have an impact on reducing the desire to cheat from within oneself. Moral sensitivity in village apparatus in the Demak Regency area is still low where there is behavior of leaders or staff that is not in accordance with applicable standards or guidelines.

This research is a development of research conducted by [1] Atmadja& Saputra and [2]Klara Wonar, Syaikhul Falah, Bill J.C. Pangayow on fraud prevention in village fund financial management. His research uses variables of

competence of village apparatus, and internal control systems for fraud prevention with morality as a moderation variable. This study is different from previous research, namely the addition of variables of compliance with financial reporting with moral sensitivity with moderation variables.

This study aims to determine the effect of village apparatus competence, compliance with financial reporting and internal control systems on fraud prevention with moral sensitivity as a moderation variable.

## II. THEORY

### 2.1 Fraud

#### 1. Definition of Fraud

Fraud is a deviation or unlawful act (*Illegal Acts*) carried out intentionally, for certain purposes, such as deceiving or giving a *mislead* for personal or group benefit unfairly either directly or indirectly harming other parties. Meanwhile, according to the *Association of Certified Fraud Examiners*, what is meant by Fraud is an act that is deliberately done by one or more people to use the resources of an organization unreasonably.

[3]Kurniawan, describes "Fraud is used to show theft, embezzlement, abuse of trust, and white-collar crimes committed by people with a high level of intellect and intelligence (*white collar crime*)". [3]Karyono The elements of fraud consist of unlawful acts, committed by people within the organization and outside the organization, to obtain personal and group benefits, harm others either directly or indirectly.

#### 2. Types of Fraud

According to [5]the Association of Certified Fraud Examiners that fraud based on deeds consists of three types, namely: *Asset misappropriation*, corruption, and financial statement fraud

According to [6]Rajaguguk, there are 4 main pillars in combating fraud, namely: *Fraud prevention*, *Early fraud detection*, *fraud investigation*, and Law enforcement or follow-up legal action

#### 3. Factors Causing Fraud

[3]Karyono argued that Factors causing fraud can be divided into 4 types, namely C = N + K theory, fraud triangle theory, GONE theory, monopoly theory (*Klinggard theory*).

Based on the theory above, Fraud or in other words called fraud, is an action carried out for personal interests and violates applicable laws and regulations where it can harm the organization and give a bad image caused by 4 factors, namely C = N + K Theory, Fraud triangle theory, GONE Theory, and Monopoly Theory (*Klinggard Theory*).

#### 4. Fraud Prevention

[3]According to Karyono stated that Preventing fraud is all actions and efforts made to ward off perpetrators who have the potential to commit fraud, narrow the space for movement, and identify high-risk activities that can occur fraud (fraud).

[3]According to Karyono, Preventing fraud can be done by the following, namely: Preventing fraud by implementing internal controls; Preventing fraud according to triangle fraud theory; Preventing fraud according to GONE Theory; Prevent fraud by establishing risk management; Prevent fraud by implementing Good Corporate Governance (GCG); Prevent fraud by consistently implementing the functions of the Good Corporate Governance (GCG) Organ; Prevent fraud by type of fraud; Prevent fraud in the public sector; Prevent fraud with the Fraud Control Plan (FCP) program; and Prevent fraud by implementing internal control system norms

[7]According to Tuanakotta fraud prevention can be done with internal control. [7]According to Tuanakotta, internal control is a system with processes and procedures that have specific objectives, and is designed and implemented for the main purpose not only to prevent and prevent fraud.

[7]Tuanakotta stated that Internal control is classified into 2, namely active internal control and passive internal control.

#### 5. Fraud Prevention in Village Fund Management

[8]Based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 205/PMK.07/2019 concerning Village Fund Management, village fund management includes: Budgeting, Allocation, Distribution, Administration, Accountability, Reporting, Guidelines for use, and Monitoring and evaluation

In carrying out village fund management where village funds are one of the village revenues and part of village finances, it is carried out based on the following principles in [9]Village Fund Pocketbook: Transparent Principles, Accountable Principles, Participatory Principles, and Principles of Orderly and Budgetary Discipline

### 2.2 Competence of Village Apparatus

#### 1. Definition of Village Apparatus Competency

[10]According to Sedarmayanti stated that competence is: A broad concept which is the ability to transfer skills and abilities to new situations in the work area; Ability and willingness to perform work duties; The behavioral dimensions possessed in influencing performance; Individual characteristics that can be consistently quantified and measured, and demonstrable to significantly distinguish between effective and ineffective performance; The basic abilities and qualities of performance necessary to carry out the job well; and Any aptitude, traits and expertise of any individual that can be proven and can be linked to effective performance.

Three levels of competence that must be possessed by village officials are: 1) basic abilities; 2) management capabilities; and 3) technical capability. The basic skills that must be possessed by village officials include:

knowledge of village regulations, knowledge of the basics of village government, and knowledge of the main duties and functions.

[11]Asrori stated that Management capabilities include: HR management, public service management, asset management, and financial management. While Technical Capabilities include: preparation of village administration, preparation of development planning, preparation of budgeting, preparation of perdes, and public services.

## **2. Characteristics of Village Apparatus Competence**

[12]According to Sutrisno, there are five characteristics of competence, which are as follows:

- a. A motive is something that the person who consistently thinks or wants that causes the action.
- b. Properties are physical characteristics and consistent responses to situations or information. Reaction speed and eye sharpness are physical characteristics of a fighter pilot's competence.
- c. Self-concept is a person's attitudes, values, or self-image. Self-confidence is the belief that people can be effective in almost every situation is part of a person's self-concept.
- d. Knowledge is information that people have in a specific field. Knowledge is a complex competency. Scores on knowledge tests often fail to predict job performance because they fail to measure knowledge and skills in the way they are actually used on the job.
- e. Skill is the ability to perform a specific physical or mental task. Mental competence or cognitive skills include analytical and conceptual thinking.
- f.

## **3. Categories and Factors Affecting the Competence of Village Apparatus**

[13]Michael Zwell (quoted by Wibowo) provides five categories of competencies consisting of: *Task achievement, Relationship, Personal attribute, Managerial, and Leadership.*

[14]Sudarmanto, argues that there are 7 determinants that affect or shape competence, namely: Beliefs and Values, Expertise or Skills, Experience, Personal Characteristics, Motivation, Emotional Issues, Intellectual Capacity, and Village Apparatus

In village government, there is a village apparatus that organizes village government. The village apparatus consists of the Village Head assisted by village officials. The village apparatus consists of the village secretary, regional executive, and technical executor.

## **2.3 Compliance with Financial Reporting**

### **1. Definition of Financial Reporting Compliance**

Obedience is the willingness to submit to the law/commandment or accept statements made by the leader as true. Financial statements are prepared to provide relevant information about the financial position and all transactions carried out by a reporting entity during a reporting period (Government Regulation Number 71 of 2010 concerning Government Accounting Standards, 2010).

The holder of village financial management power according to Permendagri No.113 of 2014, namely the village head who represents the village government in the ownership of separated village-owned wealth. [15]Sujarweni argued that The village head in village financial management is assisted by PTKD (Village Manpower Planner) which comes from elements of village apparatus, namely: (1) village secretary, (2) section head, and (3) village treasurer.

### **2. Purpose of Financial Reporting**

[16]Chariri and Ghozali (2007: 382) revealed that some of the objectives of financial reporting are as follows:

- a. Provide useful information for investors and creditors, and other users in making rational investment, credit and similar decisions.
- b. Provide information to assist investors, creditors and other users about net cash receipts relating to the company.
- c. Financial reporting provides information about the economic sources of a company and the claims against those sources.
- d. Financial reporting provides information about operating results (financial performance) over a period.
- e. Financial reporting provides information on how the company obtains and spends cash, loans and returns, capital transactions, dividends and other equities and factors affecting the company's liquidity and liquidity.
- f. Financial reporting provides information on how Management is accountable to the owner for the use of economic resources entrusted to him.
- g. Financial reporting provides useful information for managers and directors according to the interests of the owner Qualitative characteristics are a characteristic that makes information in financial statements useful to users.

### **3. Characteristics of Financial Reporting**

[17]Harahap stated that there are four main qualitative characteristics, namely understandable, relevant, reliable, and comparable: Comprehensible, Relevant, Materiality, Reliability, Honest presentation, Substance outperforming form, Neutrality, Healthy consideration, and Completeness.

Village finances are managed based on good governance practices. The principles of Village Financial Management as stated in Permendagri Number 113 of 2014 are transparent, accountable, participatory and carried out in an orderly and disciplined budget.

## **2.4 Internal Control System**

### **1. Definition of Internal Control System**

According to Government Regulation No. 60 of 2008 concerning the Government Internal Control System, the Internal Control System is a sequential process that is applied to actions and activities carried out continuously by leaders and all employees in order to provide proper certainty for the achievement of organizational goals carried out through effective and efficient activities, reliability in financial reporting, safeguarding of state assets, and compliance with laws and regulations.

[18]Mulyadi stated that "The Internal Control System includes organizational structures, methods and measures that are coordinated to maintain organizational assets, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies".

### **2. Purpose and Function of Internal Control System**

[19]Mahmudi described that the objectives of the internal control system are to: Protect state assets both physical assets and data, Maintain records and documents in detail and accurate, Produce accurate, relevant, and reliable financial information, Provide adequate assurance that the government financial statements prepared are in accordance with applicable accounting standards (Government Accounting Standards / SAP), Improve the efficiency and effectiveness of operations in the organization, and Ensure compliance with management policies and applicable laws and regulations.

[19] Mahmudi described that there are 3 main functions of the internal control system, namely preventive control, detective control, and corrective control.

### **3. Elements in the Internal Control System**

According to Government Regulation No. 60 of 2008 concerning the Government Internal Control System, it contains the elements of internal control consisting of control environment, risk assessment, control activities, information and communication, internal control monitoring.

### **4. Internal Control System (SPI) Classification**

[20]According to Simon, classifies management control systems for strategy implementation into four of them: Interactive control systems, Diagnostic control systems, *Boundary control systems*; and *Beliefs control system*.

## **2.5 Moral Sensitivity**

### **1. Definition of Moral Sensitivity**

[21]Febrianty stated that *Moral sensitivity* is the recognition that there is an ethical problem. Moral sensitivity includes an awareness of actions and how they may affect the parties involved. Moral sensitivity includes imaginatively appropriate scenario ideas, causal knowledge of the chain of events, empathy, and role-taking skills.

### **2. Model of Moral Sensitivity**

The Four Components of Rest model in [21]Febrianty, says that to behave morally, an individual performs four basic psychological processes: Moral Sensitivity, Moral Judgment, Moral Motivation, and Moral Character

The theory of cognitive moral development introduced by Kohlberg in 2006 in [22]AlFithrie states that moral considerations / reasons can be assessed using three level frameworks in developing basic psychology, namely understanding moral sensitivity factors consisting of: Pre-conventional level, Conventional level, and The post conventional level

## **2.6 Framework of Thought**

The research framework in research conceptually is as follows:

Strengthening the variables of competence of village apparatus, compliance with financial reporting, and optimization of the Internal Control System (SPI) towards fraud prevention in village financial management. In the relationship between the competence of the village apparatus, the observance of financial statements, and the optimization of the Internal Control System (SPI), there is a need for Moral Sensitivity from the village apparatus itself to strive for fraud prevention from an early age, so that no form of fraud occurs in village financial management.

[2]Wonar, K. who stated that the ability possessed by the village apparatus is a factor that can affect the accountability of financial management for the success of the responsibilities carried. The basic abilities that should be possessed by the village apparatus are, understanding very well about the legal regulations that apply in the village, understanding the duties and responsibilities as a village apparatus and having adequate knowledge about the control system made by the local government. The competence of village officials greatly determines the success in the management and allocation of village funds to prevent possible opportunities for village fund fraud.



Financial Reporting Observance is the willingness to submit to the law/order or accept statements made by the leadership as true in the financial accountability report. Based on Permendagri No. 113 of 2014 concerning Village Financial Management, it is stated that village heads are required to submit a report on the realization of the implementation of the Regional Budget that can be accounted for to the regent/mayor through the sub-district head no later than one month after the end of the fiscal year. With this large amount of funds, it does not rule out the possibility of misappropriation related to village fund management which must be accounted for accountably. So the more obedient the village apparatus is to financial reporting, the more it can minimize the risk of fraud or fraud prevention in the financial management of a village.

The Internal Control System (SPI) contained in an agency or organization not only covers accounting and financial activities but covers all aspects of the organization's activities. The Internal Control System (SPI) implemented in an organization can help avoid fraud. The implementation of the Internal Control System (SPI) effectively and efficiently in the financial management department will help the organization in achieving its goals. The purpose of the organization in general, which is to be able to utilize the resources available as little as possible so as to be able to produce the maximum possible output. The better the implementation of an organization's Internal Control System (SPI), it can prevent the possibility of fraud because there is no opportunity to commit fraud.

[23]Aranta argued that Moral Sensitivity which refers to personal or cultural values, codes of ethics or social customs that distinguish between right and wrong, so that Moral Sensitivity in an apparatus plays an important role as a holder of commitment to governance and development in accordance with the constitution, siding with the interests of the people, transparent, accountable and not corrupt.

### **1. The Influence of Village Apparatus Competence on Fraud Prevention**

[2]Research conducted by Wonar et al., (2018) also states that, The ability of village apparatus has an important role in village financial management to achieve common goals, namely improving community welfare through improving village economy, social, cultural and other fields. Studies conducted by Islamiyah et al., [24]Widiyarta et al., [25]Purnamawati&Adnyani, Saputra et al., prove that, the competence of village apparatus has a significant effect on fraud prevention in village fund management, where the higher the competence possessed by village apparatus, the higher the level of fraud prevention in village fund management. Meanwhile, the factors that hinder the implementation process of village financial management are the level of human resource education owned by the Village Government is still low and the lack of community understanding of the policy-making process and guidance from the local government is still very weak. [26]Research by Ismail, Widagdo& Widodo, identifies problems experienced by village governments related to village fund management. The main problem that arises is the understanding and knowledge of the village head regarding village financial management based on Permendagri No. 113/2015. Similar research was also conducted by [27]Seputro, Wahyuningsih &Sunrowiyati where he research identified and categorized potential fraud hotspots from village financial management in Indonesia and how the right anti-fraud strategy to prevent it. And the results of his research indicate that the potentia for fraud in village financial management in Indonesia is quite worrying starting from the process of planning, implementation, implementation and reporting. Potential problems that arise also exist in regulation and institutions, governance, supervision and human resources. [1]Atmadja& Saputra's research examines the influence of apparatus competence variables and internal control systems on fraud prevention in village financial management with morality as a moderation variable. The results showed that the competence of the apparatus and internal control system had a significant effect on fraud prevention in village financial management, and morality was proven to moderate the influence of apparatus competence and internal control systems on fraud prevention in village financial management.

### **2. The Effect of Financial Reporting Compliance on Fraud Prevention**

In the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 113 of 2014 concerning Village Financial Management, the substance in it regulates the principles of village financial management which include transparency, accountability, participatory & orderly, and budget discipline. Transparency means that all access to information and decision-making processes are owned by the public with the aim of ensuring the management of activities is publicly known. Accountability in this context is defined as moral, technical, legal, and administrative responsibility. Government financial management must involve the community actively from the planning phase to the supervision of activities (participation). Furthermore, orderly and disciplined budgets are reflected in consistency, punctuality, right amount, and adherence to principles. Research conducted by [28] Sultony concluded that accountability affects audit quality and prevents fraud. While research conducted by Oktaviani et al. states that accountability as a form of accountability for village funds affects the potential for fraud. Therefore, if the apparatus is more obedient in submitting financial statements as a form of accountability according to the principles of village financial management, fraud can be prevented.

### **3. The Effect of Internal Control System (SPI) on Fraud Prevention**

[1]According to Tuanakotta in Atmadja & Saputra states that the Internal Control System (SPI) is the first step in fraud prevention. Fraud prevention in general is an activity carried out in terms of establishing policies, systems and procedures that help that the necessary actions have been taken by the board of commissioners, management and other personnel in the company / organization to be able to provide adequate confidence in

achieving organizational goals, namely: effectiveness and efficiency of operations, reliability of financial statements, and compliance with applicable laws and regulations. [20]Simons in Papat, Ismael, & M Fajar, has developed a Control System framework by emphasizing a formal system, an information system that can maintain or change activity patterns, which is not only oriented towards achieving goals but also innovation. The framework is called the Levers of Control, which is a belief system, boundary system, diagnostic control system, and interactive control system that work together for the benefit of an organization. The results of research by [29]Nisak, Fitri, & Kurniawan stated that internal control has a significant influence on fraud prevention. This indicates that the improvement of the internal control system is a benchmark for the success of fraud prevention.

#### **4. The Effect of Village Apparatus Competence on Fraud Prevention with Moral Sensitivity as a Moderating Variable**

Morality refers to personal or cultural values, codes of ethics or social customs that distinguish between right and wrong, so that morality in an apparatus plays an important role as a holder of commitment to governance and development in accordance with the constitution, siding with the interests of the people, transparent, accountable and not corrupt [23](Aranta). The results of research from [23]Aranta stated that morality has a significant effect on preventing accounting fraud, meaning that the higher the morality of the apparatus owned by the apparatus, the tendency of accounting fraud committed by the government will also decrease. While another study from [30]Puspasari & Suwardi states that the morality of the apparatus has a strong influence on the tendency to commit fraud.

#### **5. The Effect of Financial Reporting Compliance on Fraud Prevention with Moral Sensitivity as a Moderating Variable**

The results of research from [3] Kurniawan stated that a person's morality has a significant negative effect on fraud in financial statements, meaning that the lower the morality of the government apparatus, the fraud will increase.

#### **6. The Effect of Internal Control System on Fraud Prevention with Moral Sensitivity as a Moderating Variable**

The results of research by [30] Puspasari & Suwardi indicate that there is a relationship between morality and internal control systems in individuals who have high morality with a good internal control system, then the tendency not to commit accounting fraud, even able to prevent fraud.

The criteria used in measuring the variables of Village Apparatus Competence, Financial Reporting Compliance, and Internal Control System, and Fraud Prevention, as well as Moral Sensitivity as moderating variables are as follows:

1. *Fraud* prevention variables are measured using questionnaire items as variable indicators as follows: Sanctions against all forms of fraud, Evaluation of village government performance, Culture of Honesty, Existence of sanctions, and Application of the system.
2. The variables of competence of village apparatus that are used as indicators of the variables of this study are as follows: *Knowledge*, which consists of: Ability to increase knowledge and knowledge; *Skills*, which consist of: Technical expertise and the ability to find solutions; and *Attitude* which includes: initiative at work; friendliness and courtesy, independence, professional ability, work environment.
3. The variables of compliance with financial reporting that are used as indicators of the variables of this study are as follows: Transparency, Accountability, Participation, Orderly, and Administration.
4. Internal control system variables are measured using questionnaire items as indicators of research variables as follows: Control environment, Risk assessment, Control activities, Information and communication, and Monitoring.
5. *Moral sensitivity* variables are measured using questionnaire items as indicators of research variables as follows: Imaginatively appropriate scenario idea, Causal knowledge, Chain of events, Empathy, and Role-taking skills

The conceptual framework and the concept of thinking in this research are graphically in the form of pictures of relationships between variables that will be examined in this study. The framework of thought as outlined above can be described as follows:

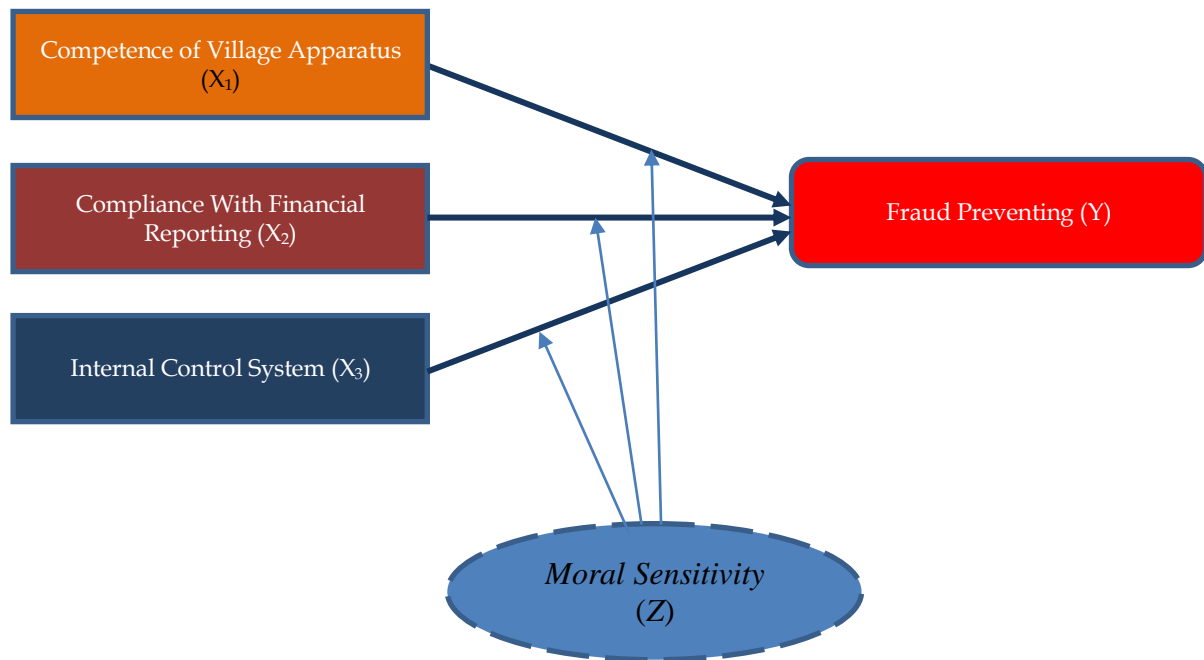


Figure 1.1  
Framework of Thought

### III. RESEARCH METHODE

#### 3.1 Type of Research

This research uses a quantitative approach, which is an approach that emphasizes analysis of numerical data processed by statistical methods. [15]Sujarweni, described that quantitative research is a type of research that produces findings that can be obtained using statistical procedures or other means of quantification (measurement). This research is an associative-research, which is research that aims to determine the relationship or influence between two or more variables.

This type of research is a quantitative research or *hypothetico-deductive* method that aims to answer exploratory, descriptive, explanatory and predictive research.

#### 3.2 Research Approach

[31]Schiffman and Kanuk, quantitative research methods are concerned with methods for collecting data, sample design, and data set instrument construction. [32]Malhotra defines quantitative approach as a research methodology that seeks to quantitatively change data and usually applies certain statistical analyses. [33] Sekaran, stated that based on the dominant type of data processed in the form of numbers, this research is a quantitative research category.

#### 3.3 Population, Sample, and Research Sampling Techniques

##### 1. Population

The population of this study is villages with underdeveloped categories in the Demak Regency area as many as 43 villages. The population was chosen because Demak Regency is a district government agency with the condition that it still has several villages with very underdeveloped and underdeveloped categories. The second reason is that Demak Regency with high local cultural characteristics and the level of progress in the development of village development is still low as a research sample, as well as easy access to data obtained by researchers, so as to facilitate data collection considering the current pandemic conditions that make it impossible to conduct research. The third reason is because the findings in the implementation of development planning are not carried out in accordance with the budget plan and are not in accordance with the allocation of village funds for development that are not in accordance with the Village RAPB in several underdeveloped villages in Demak Regency. So the researcher wants to know how the influence of village apparatus competence, compliance with financial reporting, Internal Control System (SPI) on *fraud* prevention through *moral sensitivity* as a moderation variable in village fund management.

Thus, the population in this study is the number of villages with underdeveloped categories in the Demak Regency Area as many as 43 villages with the number of village government apparatus as many as 192 village apparatuses.

## 2. Research Sample

[34]Sugiyono described that the sample is part of the number and characteristics possessed by the population. The sampling technique used in this study is *non probability sampling*. The *non-probability* sampling technique used is the *convenience sampling* method, which is a research sampling technique based on the availability of elements and the ease of obtaining them.

Samples are selected because the presence of the person or unit is in the right place and at the right time so that it is easy to find. The minimum sample determination in this study was determined using the Slovin formula where the error level was 5% or 0.5. [34]According to Sugiyono the calculation of the number of samples can be done using the slovin formula as follows:

$$n = \frac{N}{1 + Ne^2}$$

Information:

n = Number of elements or number of samples

N = Number of elements or number of population

e<sup>2</sup> = error level or *error level*

The sample in this study is village officials who know and understand about village fund management and reporting.

The following are the criteria of respondents who were used as samples:

Village Officials who are Village Heads, Village Secretaries, Village Treasurers, and Village Assistants, because they have the main duties and function. *This study aims to empirically determine the competence of village apparatus, compliance with financial reporting and the Internal Control System against fraud prevention with Moral Sensitivity as a moderation variable. The research method used in this study is associative research with quantitative research approach or hypothetico-deductive method. The population in this study was 129 village apparatuses. The sampling technique used was non-probability sampling with convenience sampling method and using the Slovin formula, so that the sample of this study was 129 respondents. Data collection tools in the form of questionnaires and literature studies. The data analysis technique in this study is using the SEM- PLS method. The results of this study prove that: 1) The competence of the village apparatus and the Internal Control System has a significant and positive effect on fraud prevention, while the compliance with Financial Reporting does not have a significant and positive effect on fraud prevention; 2) Village apparatus competence, Financial Reporting Compliance, and Internal Control System have a significant and negative effect on fraud prevention with Moral Sensitivity as a Moderating Variable.*

- a. ns in village financial management as stated in Permendagri Number 113 of 2014.
- b. Village equipment that already has a minimum working period of 2 years.

The population in this study was 192 employees, so in determining the number of samples to be selected, the author used an error rate of 5%.

Based on the calculation results using the Slovin formula above, the minimum sample in this study is 129.6 if rounded, then the sample used based on the population becomes 129 respondents.

## 3. Sampel Retrieval Technique

The sampling technique used in this study is *non probability sampling*, the *non probability* sampling technique used is the *convenience* sampling method, which is a research sampling technique based on the availability of elements and the ease of obtaining them

### 3.4 Research Variables and Operational Definitions

#### 1. Research Variables

The variables in this study consist of:

- a. Independent Variable (Y). The independent variable in this study is *Fraud* (Y).
- b. Dependent Variable (X). The dependent variables in this study include: Village Apparatus Competence (X<sub>1</sub>), Financial Reporting Compliance (X<sub>2</sub>), Internal Control System (SPI) (X<sub>3</sub>)
- c. Moderating Variable (Z). The moderating variable in this study is *Moral Sensitivity* (Z).

#### 2. Operational Definition of Research Variables

The following is the operating definition of the research variables used in this study.

##### a. *Fraud Prevention* (Y).

*Fraud* is a deviant act or unlawful act carried out intentionally with a specific purpose, the action is expected to bring personal or group benefits, so that it can harm other parties [34](Ayem and Kusumasari).



*Fraud* Prevention is an action or effort, system and procedure that can emphasize the occurrence of factors that cause fraud, and eliminate or minimize the causes of fraud so as not to have an impact on financial and non-financial losses caused by each individual. Fraud prevention is done with the aim that someone does not commit fraud that can harm other parties.

**b. Village Apparatus Competence ( $X_1$ )**

The operational definition of village apparatus competence is the skills, capabilities and capacity of someone who works for the village government in carrying out their duties and functions and responsibilities as village apparatus. This understanding is supported by [37]Islamiyah et al., which states that, competence is the insight and ability that individuals have to do something and influence each other from various aspects needed by an organization.

**c. Compliance with Financial Reporting ( $X_2$ )**

The operational definition of compliance with financial reporting is the willingness to comply with applicable laws / rules in carrying out their duties and functions of the village apparatus to account for financial statements in a transparent, accumulatory, participatory and orderly administration and regulations [36](Ulum).

**d. Internal Control System ( $X_3$ )**

The internal control system is operationally defined as policies and procedures established to provide adequate assurance regarding the achievement of organizational objectives by category; effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws and regulations, and applicable safeguards. Internal control system is a system that has a function to prevent, detect, and fix problems so that organizational goals can be achieved (Romney and Steinbart, 2015). With the implementation of an effective and efficient internal control system, it is expected to minimize the possibility of fraud, avoid errors and illegal behavior that is not in accordance with applicable regulations.

There are 5 components of an internal control system created and implemented by an organization to provide adequate assurance that the control objectives are that the entity will achieve. The internal control components of COSO include the following (COSO, 1992): *Control Environment, Control Activities, Risk assessment, Information and communication, and Monitoring*

**e. Moral Sensitivity ( $Z$ )**

*Moral Sensitivity* is operationally defined as imaginatively precise scenario ideas, causal knowledge of the chain of events, empathy, and role-taking skills. An attitude of prudence over one's actions in order to influence another.

### 3.5 Data and Data Sources

#### 1. Types of Research Data

The data used in this study consisted of:

a. Primary Data

The source of data obtained directly from Village Heads in the Demak Regency area with the category of underdeveloped villages that are the object of research, as many as 43 villages. This data is about the competence of village apparatus, compliance with financial statements, and the Internal Control System (SPI), as well as *Moral Sensitivity to Fraud* prevention obtained by distributing questionnaires to all village heads of the Disadvantaged Village Category in Demak Regency.

b. Secondary Data

Secondary data is an additional data source, which is a source of data obtained from other sources by asking to find additional data. This data includes data on the condition of financial statements, the competence of village apparatus, the profile of the village government system.

#### 2. Data Source

The source of data used in this study is primary data, which is data obtained directly from respondents who are the object of research. Data collection is carried out using a survey method in the form of a questionnaire containing a list of statements that will be given to respondents to be filled in with the aim of obtaining information from respondents.

Measurement of respondents' answers using Likert scale or *summated scale*. While secondary data, namely supporting data obtained from books and other literature related to the problem studied.

### 3.6 Subject and Object of Research

The subjects in this study are all Village Heads with the Disadvantaged Village Category in the Demak Regency area.

The objects in this study are variables to be studied, namely Village Apparatus Competence, Financial Statement Compliance, and Internal Control System (SPI), as well as *Moral Sensitivity* that affects *fraud* prevention.

### 3.7 Data Collection Techniques

Data collection techniques in this study apply the following data collection methods:

1. Questionnaire

[34]Sugiyono described that Questionnaire is a data collection technique carried out by giving a set of questions or written statements to respondents to answer. The data collection method in this study used a questionnaire with a *Likert* scale.

2. Literature Study

Literature studies are carried out by studying books, articles, and other literature that supports this research.

3.8 Data Measurement Method

In measuring a variable, researchers use the *Likert* scale as a tool to measure the variables that are used as the object of research. The *Likert* scale is a question that shows the level of respondents' approval or disagreement. [34]Sugiyono describes the term *Likert* scale used to measure the attitudes, opinions, and perceptions of a person or group of people about social phenomena.

In research, this social phenomenon has been specifically determined by the researcher, hereinafter referred to as the research variable. The *Likert* scale is used to express the degree of agreement or disagreement of respondents regarding various questions regarding behavior, objects, people, or events. Usually the proposed scale consists of 5 or 7 points. In this study using a 5-point *Likert* scale as the following table:

Table 2. Measurement of Research Variables

Code	Information	Score
STS	Strongly Disagree	1
TS	Disagree	2
KS	Disagree Less	3
S	Agree	4
SS	Totally Agree	5

3.9 Data Analysis Techniques

[36]Ghozali&; Latan, Data analysis tools in this study using the *Structural Equation Model* (SEM) approach with the *Partial Least Square* (PLS) method using SmartPLS - SEM software are used to simultaneously test the relationship between latent constructs in linear or nonlinear relationships with many indicators both reflective, formative and MIMIC. Unlike ordinary multivariate analysis, PLS is more powerful because it can be used to build research models with many variables and indicators.

Data analysis in this study using preliminary analysis and advanced analysis with SmartPLS-SEM data analysis techniques in detail is explained as follows:

1. Preliminary Analysis

Funding analysis is carried out by conducting descriptive statistical tests. Descriptive statistical tests are statistics that function to describe or describe the object under study through sample or population data as it is, without conducting analysis and making conclusions that are applicable to the public (Sugiyono, 2016).

2. Advanced Analysis

Further analysis in this study uses measurement model test or outer model and *structural model* or *inner model*.

[36]Ghozali&; Latan, While reliability tests are carried out in two ways, namely with *Cronbach's Alpha* and *Composite Reliability*.

a. *Convergent Validity*

[36]Ghozali&; Latan, An individual's reflective measure is said to be high if it correlates more than 0.70 with the construct it wants to measure. However, at the scale development stage research, loading 0.50 to 0.60 is still acceptable.

b. *Discriminant Validity*

The discriminant validity indicator can be seen by comparing the square root of the *Average Variance Extracted* ( $\sqrt{AVE}$ ) for each construct with the correlation between the construct and other constructs with the model. A model is said to have a fairly good *discriminant validity* if the AVE root for each construct is greater than the correlation between the construct and the other constructs.

[36]Ghozali&; Latan, describe another test to assess the validity of the construct by looking at the AVE value. The model is said to be good if the AVE of each construct value is greater than 0.50.

c. *Reliability*

To measure the reliability of a construct with reflexive indicators can be done in two ways, namely with *Cronbach's Alpha* and *Composite Reliability*. The construct is declared reliable if the *value of composite reliability* and *cronbach alpha* is above 0.70.

1) Test the Structural Model or Inner Model

The structural model or inner model shows the relationship or strength of estimation between latent variables or constructs based on substantive theory.

a) *R-Square Test*

In assessing the structural model first assess the R-Square for each endogenous latent variable as the predictive force of the structural model. Testing of the structural model is carried out by looking at the R-square value which is a goodness-fit test of the model with *R-Square* values of 0.75, 0.50 and 0.25 it can be concluded that the model is strong, moderate and weak.

b) *F-Square - Test*

This *F-square* test is done to find out the goodness of the model. F-square values of 0.02, 0.15 and 0.35 can be interpreted whether the predictor of the latent variable has a weak, medium, or large influence at the structural level.

c) *Estimate For Path Coefficients*

The next test is *Estimate For Path Coefficients* to see the significance of influence between variables by looking at the value of parameter coefficients and statistical T significance values, namely through bootstrapping methods.

#### IV. RESEARCH AND DESCRIPTION

##### 4.1 Respondent Overview

###### 1. Description of Research Data

In this study, the author made data processing in the form of a questionnaire consisting of 5 statements for the *Fraud Prevention* variable (Y), 5 statements for the *Moral Sensitivity* variable (Z), 6 statements for the Village Apparatus Competence variable ( $X_1$ ), 5 statements for the Financial Statement Compliance variable ( $X_2$ ), and 10 questionnaire statements on the Internal Control System variable ( $X_3$ ). The questionnaire in this study was given and distributed to 129 respondents consisting of Village Head, Village Secretary, and Village Treasurer as research samples. This study in measuring each statement of indicators on each variable of this study uses the Likert scale method for.

The following are the results of a descriptive analysis of respondents' characteristics in detail and detailed in this study.

###### a. Description of Research Respondents

Character as an indicator in this study is a respondent as a result of descriptive analysis of the profile of research respondents. In this study, respondents' data can be seen through four aspects, namely gender, age and recent education.

Anumber of respondents who are female are quantitatively more dominant in serving as village officials in all villages in Demak Regency than respondents who are male. Respondents who were female as many as 70 people (54.26%). While the number of respondents with male gender amounted to 59 people (45.74%). This provides an argument that the female gender demographically occupies many positions as village apparatus of the male gender in all villages in Demak Regency.

Meanwhile, based on the characteristics of respondents, in the form of the age of respondents Demak Regency consumer research shows that statistically quantitative that the age of 21-31 years is ranked highest by 56 people out of 129 respondents and in percentage terms of 43.41%. While the age criteria of respondents with the smallest number of DEA devices serving in all villages in the Demak Regency area were at the age of 51-60 years amounting to 5 people (3.88%) of the total number of respondents in this study. This situation describes that village officials in all villages in Demak Regency have the age of Desative Apparatus Competence and can be identified as having high competence and qualified skills in carrying out village government duties, especially in managing village funds in a more accountable and transparent manner.

In contrast to the previous description, based on the characteristics of respondents, in the form of positions in the village, respondents to the village apparatus research in Demak Regency showed that statistically quantitative that the positions of Village Head were 42 people (32.56%), Village Secretary was 44 people (34.11%), and Village Treasurer was 43 people (33.33%). This situation describes that there is a village apparatus which is the Acting (Acting Officer) of the Village Head, namely the Village Secretary in 2 (two) villages from all villages in Demak Regency. Thus, there is a position of Village Head carried out by the Village Secretary as Acting Village Head.

The characteristics of respondents based on the tenure of village officials with the highest percentage in the 0-5 year tenure range were 43 people (33.33%) while the number of respondents with the lowest percentage or the least with a tenure span of more than 35 years was 2 people (1.55%). This provides an argument that the village apparatus in all villages in Demak Regency is a regeneration of the existing village government and there are several ages entering retirement age in accordance with current village regulations.

###### b. Descriptive Variables

Descriptive analysis, which is a universal explanation of research variables obtained with reference to respondents' answers to each indicator on the questionnaire that has been distributed (Riyanto, Slamet, & Hatmawan, 2020). In this study, descriptive analysis was used to examine the responses of 129 respondents

to each variable, namely Village Apparatus Competence ( $X_1$ ), Financial Reporting Compliance ( $X_2$ ), Internal Control System (SPI) ( $X_3$ ), *Moral Sensitivity* ( $Z$ ), and *Fraud Prevention* ( $Y$ ).

$$RS = \frac{\text{Nilai Tertinggi (5)} - \text{Nilai Terendah (1)}}{\text{Jumlah Kategori (3)}}$$

$$RS = 1,33$$

Scale Range	Category
1 - 2,33	Low
2,34 - 3,66	Keep
3,67 - 5	Tall

The following is a description of research variables based on respondents' questionnaire answers as follows.

The average score of respondents' total answers for the Village Apparatus Competency variable ( $X_1$ ) of village apparatus in all villages in Demak Regency is included in the range of 3.67 - 5 with a high category, where the highest average score on the indicator 'In carrying out work, Village Apparatus helps each other' with a score of 4.49. Likewise, the average score for all indicators is 4.35 (high), so it can be said that the characteristics of village apparatus respondents in the Village Apparatus Competence in all villages in the Demak Regency area in carrying out the main tasks and work in managing village funds, especially with the principle of mutual assistance. This is done in order to be effective and collaborative in realizing valid, accountable, transparent, effective village fund governance and time and cost efficiency.

The average total score of respondents' answers for the variable Financial Reporting Compliance ( $X_2$ ) of village apparatus in all villages in Demak Regency Demak Regency is included in the range of 3.67 - 5 with a high category, where the highest average score on the indicator 'The village apparatus is responsible for all the implementation of activities that have been planned in the APBDesa' with a score of 4.26. Likewise, the average score for all indicators is 4.19 (high), so it can be said that the observance of financial reporting of village apparatus in all villages in Demak Regency is in carrying out all activities contained in the Regional Budget with responsibility or accountability. The results of these indicators show that the observance of financial reporting in all villages in Demak Regency affects the occurrence of *fraud* in village fund management in villages in Demak Regency in this study.

The average total score of respondents' answers for the Internal Control System (SPI) variable ( $X_3$ ) of village apparatus in all villages in Demak Regency is included in the range of 3.67 - 5 with a high category, where the highest average score on the indicator 'Village Apparatus uses relevant information' with a score of 4.47. Likewise, the average score for all indicators is 4.39 (high), so it can be said that the Internal Control System (SPI) in villages throughout Demak Regency has been implemented and applied implicatively and applicatively in accountable village fund management. Thus, it can be interpreted that the village apparatus is fully responsible for implementing a comprehensive internal control system to reduce and prevent *fraud* in village fund management in all villages of Kabupaten Demak in this study.

The average total score of respondents' answers for the variable *Moral Sensitivity (Promotion)* ( $Z$ ) by respondents who are village officials in all villages in Demak Regency is included in the range of 3.67 - 5 with a high category, where the highest average score on the indicator 'Village Apparatus has attitudes and actions in understanding information history and fraud risk analysis of village fund management in sequence and related' with a score of 4.15. Likewise, the average score for all indicators is 4.07 (high), so it can be said that the results of the respondents' indicator achievements describe that the characteristics of respondents in *Moral Sensitivity (Promotion)* possessed by village officials in all villages in Demak Regency are attitudes and actions in understanding History of information and fraud risk analysis of village fund management in a coherent and related manner. The attitudes and actions of this village apparatus interpret attitudes and actions that support and strive for preventive prevention of *fraud* and real actions in comprehensive village fund management.

The average total score of respondents' answers to the variable *Fraud* ( $Y$ ) which is a village apparatus in all villages in Demak Regency is included in the range of 3.67 - 5 with a high category, where the average score is highest on the indicator 'The village apparatus continues to improve itself with various internal control systems and always sets an example to always carry out fraud prevention procedures according to peraturan' with a score of 4.44. Likewise, the average score for all indicators is 4.31 (high), so it can be said that the results of the respondents' indicators describe that *Fraud Prevention* by village officials in all villages in Demak Regency shows efforts to continue to improve themselves with various internal control systems and always set an example to always carry out fraud prevention procedures according to regulationsn in managing village funds in an accountable, effective and transparent manner.

## 2. Data Analysis

### a. Measurement Model Analysis (Outer Model)

The first stage in the analysis applies PLS (*Partial Least Square*) to test the outer model. This technique aims to analyze using PLS algorithms. In this study, the outer model is needed to examine validity & reliability. The following algorithm calculation after being generated:

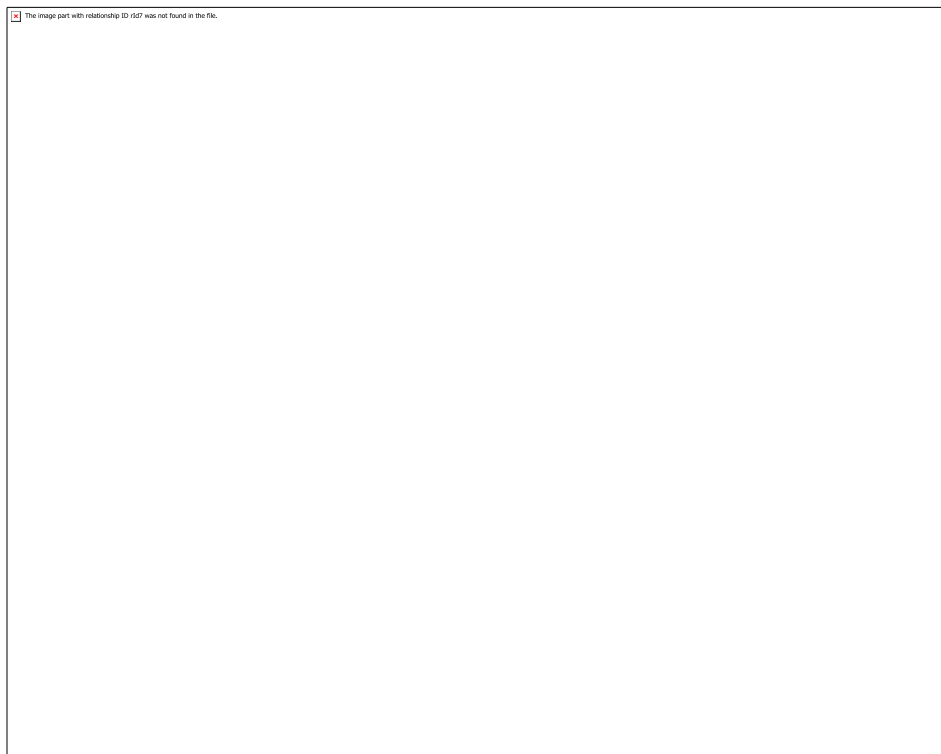


Figure 4.1 Output Calculate Algorithm

**1) Validity Test**

This validity test uses 2 ways to test validity, namely *convergent validity* and discriminant validity.

**a) Convergent Validity**

To conduct *convergent validity* tests, outer loading values (*loading factor*) and Financial Reporting Compliance average *variance extracted* (AVE) are used. So the indicator can be said to be valid if it has a *loading factor* of  $> 0.7$  against the intended form. However, for the initial stage of research from the development of a measurement scale, the loading value of, 0.5 to 0.6, is considered sufficient. In this study, a *loading factor* limit of 0.60, will be used. Hasil *loading factor* of each indicator on the research variable:

Each item of statement score on the indicator of each research variable as a whole has Financial Reporting Adherence loading factor  $> 0.6$ . The lowest value is 0.602 for indicator X3.7, Then all indicators used are declared feasible or valid for research use and can be used for further analysis.



Another method to see the *convergent validity* value is to refer to AVE's Financial Reporting Compliance. AVE's expected Financial Reporting compliance must be greater than 0.5. The AVE output proves that all variables have AVE values above 0.5. *Village Apparatus Competency Variable* (X1) with AVE output value of 0.571, *Financial Reporting Compliance* variable (X2) with value 0.510, *Internal Control System* variable (X3) with value 0.591, *variable Moral Sensitivity* (Y) with an AVE output value of 0.594, and *variable Fraud Prevention* (Y) with a value of, 0.552. Then conclusions can be drawn if all research variables are valid.

**b) Discriminant Validity**

The *discriminant validity* test in this study can be known through the comparison of AVE root scores with latent variable correspondence. The root of AVE must be greater than the correlation score of the constructs in the model. The correlation score of constructs can be considered in the Compliance of R-square Financial Reporting contained in the last endogenous latent variable (dependent variable) in this research model, namely the *variables of Moral Sensitivity* and *Fraud Prevention*.

Table 4.2  
R-Square

	R Square	R Square Adjusted
Fraud (Y)	0,987	0,986
Mor.Sen. (Z)	0,843	0,840

Source: Processed primary data (2023)

The calculation results prove that the *Moral Sensitivity R-square* of the model is 0.843. This *R-square* value is then compared with the AVE root value. The AVE root can be calculated manually or can be seen in the Fornell-Larcker Criterion table of model calculation results using PLS algorithm techniques. The indicators used in this study have met good *discriminant validity* in the preparation of each variable. Thus, all variables are said to be valid and can be used for the next test process.

**2) Reliability Test**

Reliability tests in the research conducted proved that all measurement variables met the required criteria, both at *Cronbach's alpha* and *Composite reliability* values. So that the conclusion of this research model can be drawn accurately or reliably.

**a) Instrumental Model Analysis**

In this study, there are 2 latent variables that have R-square calculations, namely *Purchase Decisions* and *Fraud Prevention*. Hair et. al., states that the R square value of 0.75 is included in the strong category, the *R-square* value of 0.50 is included in the moderate category and the *R square* value of 0.25 is included in the weak category (Hair et al., 2011).

The R-square value of the variable *Moral Sensitivity* (Z) is 0.843 or in other words that the variabelitas construct of *Moral Sensitivity* (Z) which can be explained by the variability of *Village Apparatus Competence* (X1), *Financial Reporting Compliance* (X2), *Internal Control System 9SPI* (X3), and *Moral Sensitivity* (Z), and *Fraud Prevention* (Y) at 84.3, while 15.7% was explained by other variables outside those studied.

Furthermore, the R-square value of the *Fraud Prevention* variable (Y) is 0.987 or in other words that the variabel construct of *Fraud Prevention* (Y) which can be explained by the variability of *Village Apparatus Competence* (X1), *Financial Reporting Compliance* (X2), *Control System Internal 9SPI* (X3), and *Moral Sensitivity* (Z), and *Fraud Prevention* (Y) amounted to 98.7, 1.3% was explained by other variables outside the study.

In this study, to determine the criteria for R Square values provided that R-Square values- of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, and weak. Thus, this study *Purchasing Decision* (Z) mediates the relationship between *Village Apparatus Competence* (X1), *Financial Reporting Compliance* (X2), *Internal Control System 9SPI* (X3), and *Moral Sensitivity* (Z), to *Fraud Prevention* (Y) by 98.7% on a "STRONG" basis. The stability of the estimation is tested with t-statistics through a bootstrapping procedure.

**b) Test the Hypothesis**

**(1) The Effect of Village Apparatus Competence on Fraud Prevention in All Villages in Demak Regency**

In this study, the hypothesis on the variables of *Village Apparatus Competence* and *Fraud Prevention* partially states that *Village Apparatus Competence* has a significant positive effect on *Fraud Prevention*. The calculation results prove that the T-statistics value of 17.8 51 is greater than (1.96) and the significance value of the P-Values obtained is 0.000 less than 0.05, and with a path coefisine of 0.838 which means positive. This indicates that the competence of the

Village Apparatus has a significant and positive impact on Fraud Prevention in all villages in Demak Regency.

**(2) The Effect of Financial Reporting Compliance on Fraud Prevention in All Villages in Demak Regency**

In this study, the hypothesis on the variables of Financial Reporting Compliance and Fraud Prevention partially states that Financial Reporting Compliance has a significant positive effect on Fraud Prevention. The calculation results prove that the T-statistics value of 0.497 is smaller than (1.96) and the significance value of the P-Values obtained is 0.000 greater than 0.05, and with a path efficiency of 0.017 which means positive. This indicates that Financial Reporting Compliance does not have a significant impact on Demak Regency Fraud Prevention. So the hypothesis that assumes the Effect of the International Control System (SPI) on Fraud Prevention in Demak Regency is unacceptable.

**(3) The Effect of the Internal Control System (SPI) on Fraud Prevention in All Villages in Demak Regency**

In this study, the hypothesis on the variables of the International Control System (SPI) and Fraud Prevention partially states that the International Control System (SPI) has a positive effect on Fraud Prevention in all villages in Demak Regency. The calculation results prove that the T-statistics value of 3.927 is greater than 1.96 and the significance value of the P-Values obtained is 0.000 less than 0.05, with a path coefficient value of 0.017 which is positive value. This indicates that the International Control System (SPI) of village equipment has a significant impact and positive influence on Fraud Prevention in all villages in Demak Regency. So that the hypothesis that assumes there is a significant and positive influence on the variables of the International Control System (SPI) on Fraud Prevention in Demak Regency can be accepted and proven.

**(4) The competence of village apparatus has a significant and positive influence on Fraud Prevention with Moral Sensitivity as a Moderating Variable**

In this study, the hypothesis on the variables of Moral Sensitivity and *Fraud Prevention* in moderation states that the competence of village apparatus has a significant and positive influence on Fraud Prevention with *Moral Sensitivity* as a Moderating Variable in all villages in Demak Regency. The calculation results prove that the T-statistics value of 2.963 is greater than 1.96 and the significance value of the P-Values obtained is 0.003 less than 0.05, with a path coefficient value of -0.017 which is negative, This indicates that the *Moral Sensitivity* applied by village officials of all villages in the Demak Regency area has a significant impact and positive influence on Demak Regency Fraud Prevention. So that the hypothesis that assumes there is a significant and positive influence on the competence of Village Apparatus by using *Moral Sensitivity* as a moderation to Fraud Prevention can be accepted and proven.

**(5) Financial reporting compliance has a positive and significant influence on fraud prevention with moral sensitivity as a moderating variable**

In this study, the hypothesis on the variables of Moral Sensitivity and *Fraud Prevention* in moderation states that compliance with financial reporting has a significant and positive influence on *Fraud Prevention* with *Moral Sensitivity* as a Moderating Variable in all villages in Demak Regency. The calculation results prove that the T-statistics value of 2.121 is greater than 1.96 and the significance value of the P-Values obtained is 0.034 less than 0.05, with a path coefficient value of -,0.059 which is negative. This indicates that the *Moral Sensitivity* applied by the village apparatus of all villages in the Demak Regency area has a significant impact and positive influence on *Fraud Prevention* in all villages in Demak Regency. So that the hypothesis that assumes there is a significant and positive influence on Financial Reporting Compliance by using *Moral Sensitivity* as a moderation to *Fraud Prevention* can be accepted and proven.

**(6) The Internal Control System (SPI) has a positive and significant influence on fraud prevention with moral sensitivity as a moderating variable**

In this study, the hypothesis on the variables of Moral Sensitivity and *Fraud Prevention* in moderation states that the Internal Control System (SPI) has a significant and positive influence on *Fraud Prevention* with *Moral Sensitivity* as a Moderating Variable in all villages in Demak Regency. The calculation results prove that the T-statistics value of ,2.880 is greater than 1.96 and the significance value of the P-Values obtained is 0.004 less than 0.05, with a path coefficient value of 0.164 which is positive. This indicates that the *Moral Sensitivity* applied by the village apparatus of all villages in the Demak Regency area has a significant impact and positive influence on *Fraud Prevention* in all villages in Demak Regency. So that the hypothesis that assumes there is a

significant and positive influence on the Internal Control System (SPI) by using *Moral Sensitivity* as a moderation to *Fraud Prevention* can be accepted and proven.

## 4.2 Discussion

### 1. The Influence of Village Apparatus Competence on Fraud Prevention in All Villages in Demak Regency

From the calculation of the hypothesis test, the data analysis above proves that the competence of the Village Apparatus has a significant and positive effect on *Fraud Prevention* in all villages in the Demak Regency area.

Contextual and analytically, the results of the study show that the competence of the Village Apparatus has been able to maximize its performance well and the characteristics of the Village Apparatus Competence owned by the village apparatus have been applied and used appropriately and effectively. Seto result in the ability of village officials or the competence of village apparatus is very influential on *fraud* prevention efforts significantly and positively.

The results of this study support and have relevance to previous research studies which stated that village apparatus has a positive influence on financial management performance in their research. The results of the tests that have been carried out are in accordance with previous studies that show a positive and significant relationship between the Competence of Village Apparatus and Fraud Prevention conducted by (Helmi Tahir, 2019). Thus, the higher the Village Apparatus Competency indicator implemented by the village apparatus, the higher and more *Fraud Prevention* efforts will increase in all villages in Demak Regency.

### 2. The Influence of Financial Reporting Compliance with Fraud Prevention in Demak Regency

In the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 113 of 2014 concerning Village Financial Management, regulates the principles of village financial management which include transparency, accountability, participatory & orderly, and budget discipline. Transparency means that all access to information and decision-making processes are owned by the public with the aim of ensuring the management of activities is publicly known. Accountability in this context is defined as moral, technical, legal, and administrative responsibility.

The results of this study also revealed different facts where Financial Reporting Compliance could not improve *Fraud Prevention* efforts in all villages in Demak Regency with a moderation coefficient value of 0.017, a T-statistics value of 0.680, and a P-Values significance value of, 0.497. This is shown by indicators in the form of: Transparency, Accountability, Participation, Orderly, and Administration implicitly have not been implemented by village apparatus in all villages in Demak Regency and do not affect the increase *Fraud Prevention* efforts in Demak Regency. This study certainly does not meet the conformity with previous research which stated that there was a significant positive influence between Financial Reporting Compliance with *Fraud Prevention* efforts carried out by Wonar, K., et al and Wulandari, N., which indicates that Financial Reporting Compliance has a significant positive effect on *Fraud Prevention*.

### 3. The Effect of the International Control System (SPI) on Fraud Prevention in Demak Regency

The Previous results of their research show that the Internal Control System (SPI) has a significant effect on *fraud prevention*. According to research proves that, the internal control system has a positive effect on *fraud prevention* in managing village funds. The internal control system is one of the preventive efforts that can be done for supervision, measuring organizational resources and can be used as a monitoring tool, detecting *fraud*. With a supportive internal control system, it is able to minimize the possibility of errors in preparing financial statements so that it can produce quality reports in accordance with established regulations and can be accounted for, the results of her research stated that the internal control system has a positive effect on *fraud prevention* efforts.

The results of this study are in line with and strengthen the results of previous studies evidenced by the value of the T-statistics moderation coefficient of 3.927 greater than 1.96 and the significance value of P-Values obtained of 0.000 is less than 0.05 and the positive value shows that there are significant relationship and influence of the International Control System (SPI) and there is a positive relationship to *Fraud Prevention*. Indicators in the International Control System (SPI), have been implemented by the Village Apparatus quantitatively the results of research analysis have a significant and positive effect on *Fraud Prevention* in all villages in Demak Regency. Thus, the International Control System (SPI) can be said to be able to influence in improving *Fraud Prevention* efforts in all villages in the Demak Regency area.

### 4. Moral Sensitivity Strongly Moderates the Influence of Village Apparatus Competence, International Control System (SPI), and Financial Reporting Adherence to Fraud Prevention

The improvement of *Fraud Prevention* can be influenced by the influence and impact, as well as support in the form of Village Apparatus Competence, Financial Reporting Compliance, International Control System (SPI), and *Moral Sensitivity*, and *Fraud Prevention*. This is in accordance with the results of research that has been tested, where the R-square value of the *Moral Sensitivity* variable of 0.843 is caused by the variables in the research model of 84,3%. Variables that affect *Moral Sensitivity* include Village Apparatus Competence, Financial Reporting Compliance, and International Control System (SPI), in *Fraud Prevention*. The remaining 15.7%

was contributed by other variables not mentioned in the study. And the R-square value of the Fraud Prevention variable is 0.987, meaning that the *Fraud Prevention* variable is caused by the variables in the research model of 98.7%. Variables that affect *Fraud Prevention* are Village Apparatus Competence, Financial Reporting Compliance, International Control System (SPI), and *Moral Sensitivity*. The remaining 2,3% was due to other variables not mentioned in the study, such as organizational culture and organizational commitment.

This research based on the results of structural model tests found that *Moral Sensitivity* construct variables act as *moderating variables* in moderating the relationship between Village Apparatus Competence, Financial Reporting Compliance, International Control System (SPI), and *Fraud Prevention*. So it can be said that the influence of Village Apparatus Competence, International Control System (SPI), and Moral Sensitivity on *Fraud Prevention* will be more effective if coupled with the existence of *Moral Sensitivity*.

Partially using a hypothesis test with path coefficients obtained in the analysis showed that they were in line and supportive with previous studies. The partial moderation of the moderating variable can be explained in detail as follows:

**a) The competence of village apparatus has a significant and positive influence on Fraud Prevention with Moral Sensitivity as a Moderating Variable**

The results of the analysis in this study show that there is a strong and direct influence of the *variable Moderating (Moral Sensitivity)* on the influence of Village Apparatus Competence on *Fraud Prevention* is meaningful or statistically significant.

The results of this study have similarities and support the results of previous research conducted which stated that *Moral Sensitivity* affects *Fraud Prevention*, meaning that the better the moral sensitivity of the village government apparatus, it will strengthen the competence possessed by the apparatus itself so as to prevent the occurrence of fraud.

Thus, it can be concluded that the higher the *Moral Sensitivity* of each individual in the village apparatus or village apparatus, the lower the tendency of *fraud* that may occur or increase *fraud prevention efforts*.

**b) Financial reporting compliance has a positive and significant influence on fraud prevention with moral sensitivity as a moderating variable**

In this study, the results of data analysis research show that compliance with financial reporting has a significant and positive influence on *Fraud Prevention* with *Moral Sensitivity* as a Moderating Variable in all villages in Demak Regency strongly and meaningfully or statistically significant. This means that the moral sensitivity of the village government apparatus greatly influences and supports the compliance of the apparatus in financial reporting so as to prevent fraud.

This is also supported by the results of surveys in the field, namely when filling out the questionnaire there is an apparatus stating that since they were elected and entrusted as leaders, there has been a socialization about village financial management, but they are seconded by village assistants so that it is inevitable that there will be information asymmetry between the village apparatus and the village assistants themselves.

**c) The Internal Control System (SPI) has a positive and significant influence on fraud prevention with moral sensitivity as a moderating variable**

In this study, the results of the analysis as a result of the study show that there is a strong and direct influence of the *variable Moderating (Moral Sensitivity)* on the influence of the Internal Control System (SPI) on *Fraud Prevention* meaningful or statistically significant.

The results of this study are in line with the results of research conducted where the results of the study showed that internal control has a significant effect on *fraud* prevention. Meanwhile, according to research conducted stated that, the internal control system has a positive effect on fraud prevention in managing village funds. The next research that supports this hypothesis is research conducted the results of the study state that the internal control system has a positive effect on fraud prevention efforts.

Based on the diversity of perceptions of responses from informants to statements about the delivery methods of activities carried out, it is possible that there have been obstacles / obstacles in communication so that they are ineffective and cannot be achieved. But on the other hand, the communication of organizational values through direct examples given by the leadership has been quite effectively conveyed to the village official.

## V. CONCLUSION

The competence of village apparatus and Internal Control System has a significant and positive effect on *fraud* prevention. Meanwhile, compliance with financial reporting does not have a significant and negative effect on *fraud* prevention in all villages in the Demak Regency area. The competence of village apparatus, compliance with financial reporting, and the Internal Control System have a significant and positive effect on *fraud* prevention through *Moral Sensitivity* as a *moderating* variable in all villages in the Demak Regency area.



## REFERENCES

### Journal Papers:

- [1] Atmadja, A. T., & Saputra, K. A. K. (2017). Pencegahan Fraud Dalam Pengelolaan Keuangan Desa. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 12(1), 7-16.
- [2] Klara Wonar, Syaikhul Falah, Bill J.C. Pangayow. (2018). Pengaruh Kompetensi Aparatur Desa, Ketaatan Pelaporan Keuangan Dan Sistem Pengendalian Intern Terhadap Pencegahan Fraud Dengan Moral Sensitivity Sebagai Variabel Moderasi. *Jurnal Akuntansi, Audit, dan Aset (AAA)*. Vol. 1 No. 2: November 2018. <https://doi.org/10.52062/.v1i2.1916>.
- [3] **Kurniawan, A. (2014). Fraud di Sektor Publik dan Integritas Nasional (2nd ed.)**. Yogyakarta: Penerbit BPFE.
- [4] **Karyono. (2013). Forensik Fraud, Edisi 1**. Yogyakarta: C.V Andi Offset.
- [5] ACFE, Association of Certified Fraud Examiner. 2012. Report to the Nations on Occupational Fraud and Abuse. 2012.
- [6] Rajagukguk, G. F. (2017). Faktor - Faktor yang mempengaruhi intensitas perilaku dalam penggunaan e-filing oleh Wajib Pajak orang pribadi Pegawai Negeri Sipil Dinas Pendidikan Kota Sibolga. Retrieved December 23, 2023, from <http://e-journal.uajy.ac.id/12706/1/EA199360.pdf>
- [7] Tuanakotta, T.M. (2016). *Audit Kontemporer*. Jakarta: Penerbit Salemba Empat.
- [8] Menteri Keuangan RI Nomor 50/PMK.07/2020 tentang Perubahan Kedua atas 205/PMK.07/2019 Tentang Pengelolaan Dana Desa. 2020. Jakarta.
- [9] Buku Saku (2017), Dana Desa, Dana Desa Untuk Kesejahteraan Rakyat. Kementerian Keuangan Republik Indonesia
- [10] **Sedarmayanti. (2017). Manajemen Sumber Daya Manusia, Reformasi Birokrasi dan Manajemen Pegawai Negeri Sipil**. Bandung: Refika Aditama.
- [11] Asrori (2014) Kapasitas perangkat desa dalam penyelenggaraan pemerintahan desa di kabupaten kudus. *Jurnal Bina Praja* Edisi Juni. 6 (2): 101-106.
- [12] **Sutrisno, E. (2013). Manajemen Sumber Daya Manusia**, Jakarta: Kencana Prenada Media Group.
- [13] **Wibowo. (2014). Manajemen Kinerja. Edisi Keempat**. Jakarta: Rajawali Pers.
- [14] **Sudarmanto. 2014. Kinerja dan Pengembangan Kompetensi SDM Teori, Dimensi dan Implementasi dalam Organisasi**. Yogyakarta; **Pustaka Pelajar**.
- [15] Sujarweni V. Watna. (2015). *panduan tata kelola keuangan desa*. Yogyakarta : Pustaka Baru Press.
- [16] A **Chariri** dan Imam **Ghozali. (2007). Teori Akuntansi**. Semarang : Badan. Penerbit Universitas Diponegoro.
- [17] **Harahap, S. S. (2013). Analisis Kritis Atas Laporan Keuangan**. PT Raja Grafindo. Persada.
- [18] **Mulyadi. (2017). Sistem Informasi Akuntansi. Cetakan Keempat**. Jakarta: Salemba Empat.
- [19] **Mahmudi. 2011. Akuntansi Sektor Publik**. Yogyakarta: Penerbit UII Press.
- [20] **Simons, R. 1995. Levers of Control: How Managers Use Innovative Control Systems to Drive Strategy Renewal**. Boston. Harvard Business School Press.
- [21] Febrianty. (2011). Faktor-Faktor Yang Berpengaruh Terhadap Audit Delay Perusahaan Sektor Perdagangan Yang Terdaftar Di BEI Periode 2007- 2009. *Jurnal Ekonomi dan Informasi Akuntansi* Volume 1.1: 294-320.
- [22] Al-Fithrie. (2015). Pengaruh Moral Reasoning dan Ethical Sensitivity terhadap Persepsi Etis Mahasiswa Akuntansi dengan Gender sebagai variabel Moderasi (Studi Kasus pada Mahasiswa UNY). Retrieved from <http://eprints.uny.ac.id/id/eprint/17483>



- [23] Aranta, Petra Zulia. 2013. Pengaruh Moralitas Aparat dan Asimetri Informasi Terhadap Kecenderungan Kecurangan Akuntansi (Studi Empiris Pemerintah Kota Sawahlunto). Skripsi Universitas Negeri Padang: Padang.
- [24] Widiyarta, K., Herawati, N. T., dan Atmadja, A. T. 2017. Pengaruh Kompetensi Aparatur, Budaya Organisasi, Wistleblowing dan Sistem Pengendalian Internal Terhadap Pencegahan Fraud Dalam Pengelolaan Dana Desa. *Jurnal Ilmiah Ilmu Ekonomi*, 8, 1-12. <https://doi.org/https://doi.org/10.23887/jimat.v8i2.13930>
- [25] Purnamawati, I. G. A., & Adnyani, N. K. K. S. (2019). Peran Komitmen, Kompetensi, Dan Spiritualitas Dalam Pengelolaan Dana Desa. *Jurnal Akuntansi Multiparadigma*, 10(2), 227-240. <https://doi.org/10.18202/jamal.2019.08.10013>.
- [26] **Ismail, M., A. K. Widagdo, dan A. Widodo. 2016.** Sistem Akuntansi Pengelolaan Dana Desa. *Jurnal Ekonomi Dan Bisnis Volume 19 No.2 (2016) Iss 1979-*. 6471.
- [27] Seputro, H. Y., Wahyuningsih, S. D., & Sunrowiyati, S. (2017). Potensi Fraud dan Strategi Anti Fraud Pengelolaan Keuangan Desa. *Jurnal Penelitian Teori Dan Terapan Akuntansi*, 79-93
- [28] Sultony, Arief. (2016). Analisis Laporan Keuangan dan SPT. Kementerian Keuangan Republik Indonesia Badan Pendidikan dan Pelatihan Keuangan Pusdiklat Pajak.
- [29] Chairun Nisak, Prasetyono, Fitri Ahmad Kurniawan 2013. Sistem Pengendalian Intern Dalam Pencegahan Fraud Pada Satuan Kerja Perangkat Daerah (Skpd) Pada Kabupaten Bangkalan JAFFA Vol. 01 No. 1 April 2013 Hal. 15 - 22 15
- [30] Puspasari, N., dan Suwardi, E. (2015). Pengaruh Moralitas Individu dan Pengendalian Internal Terhadap Kecenderungan Kecurangan Akuntansi. Universitas Gadjah Mada, h. 1-30.
- [31] **Schiffman, Leon dan Leslie Lazar Kanuk. (2000).** Perilaku Konsumen. Edisi ketujuh. Jakarta: PT. Indeks.
- [32] **Malhotra, Naresh K. (2006).** Riset Pemasaran, Pendekatan Terapan. Edisi Keempat. Jilid 2. Jakarta: PT Indeks.
- [33] Sekaran, Uma., & Bougie, R. (2016). *Research Methods for Business: A Skill-Building Approach (7th Ed)*. United Kingdom: Wiley.
- [34] **Sugiyono. (2019).** Metodologi Penelitian Kuantitatif dan Kualitatif Dan R&D. Bandung: ALFABETA.
- [35] 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 Ilmiah Akuntansi Dan Humanika*, 10(2), 160-169.
- [36] Ulum. (2014). *Manajemen Bencana: Suatu Pengantar Pendekatan Proaktif*. Brawijaya Press.
- [37] Ghozali, Imam, Hengky Latan. (2015). *Konsep, Teknik, Aplikasi Menggunakan Smart PLS 3.0 Untuk Penelitian Empiris*. BP Undip. Semarang Harnanto. 2017. *Akuntansi Biaya: Sistem Biaya Historis*. Yogyakarta: BPFE.
- [38] Islamiyah, F., Made, A., & Sari, A. R. (2020). Pengaruh Kompetensi Aparatur Desa, Moralitas, Sistem Pengendalian Internal, dan Whistleblowing Terhadap Pencegahan Fraud dalam Pengelolaan Dana Desa di Kecamatan Wajak. *Jurnal Riset Mahasiswa Akuntansi*, 8(1), 1-13. <https://doi.org/10.21067/jrma.v8i1.4452>.